

# UNAUDITED INTERIM RESULTS AND DIVIDEND DECLARATION

for the six months ended 31 March 2016



A leading Southern African integrated poultry producer



## CONDENSED GROUP STATEMENT OF FINANCIAL POSITION

	Unaudited 6 months ended 31 March 2016 R'000	Unaudited 6 months ended 31 March 2015 R'000	Audited 12 months ended 30 September 2015 R'000
<b>ASSETS</b>			
<b>Non-current assets</b>	<b>2 235 543</b>	2 203 142	2 233 413
Property, plant and equipment	2 043 999	2 022 920	2 054 677
Intangible assets	27 215	16 188	14 389
Goodwill	136 135	136 135	136 135
Investment in associates	25 450	24 447	25 468
Investments and loans	2 744	3 452	2 744
<b>Current assets</b>	<b>2 871 583</b>	2 683 953	2 580 391
Inventories	911 312	419 277	702 340
Biological assets	730 066	594 857	667 540
Trade and other receivables	1 022 221	991 363	882 310
Current tax asset	9 052	-	9 052
Cash and cash equivalents	198 932	678 456	319 149
<b>Total assets</b>	<b>5 107 126</b>	4 887 095	4 813 804
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the parent company</b>	<b>2 448 016</b>	2 210 636	2 360 866
Issued capital	73 666	72 159	72 357
Treasury shares	(204 435)	(204 435)	(204 435)
Reserves	2 578 785	2 342 912	2 492 944
<b>Non-controlling interests</b>	<b>11 020</b>	15 516	10 714
<b>Total equity</b>	<b>2 459 036</b>	2 226 152	2 371 580
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>	<b>581 670</b>	692 607	616 396
Borrowings (note 6)	11 656	134 740	34 501
Deferred tax liability	422 828	417 152	420 192
Employment benefit obligations	147 186	140 715	161 703
<b>Current liabilities</b>	<b>2 066 420</b>	1 968 336	1 825 828
Trade and other liabilities	1 611 155	1 622 142	1 480 309
Current tax liabilities	24 044	41 286	2 290
Borrowings (note 6)	429 357	303 247	341 482
Shareholders for dividend	1 864	1 661	1 747
<b>Total liabilities</b>	<b>2 648 090</b>	2 660 943	2 442 224
<b>Total equity and liabilities</b>	<b>5 107 126</b>	4 887 095	4 813 804

## CONDENSED GROUP STATEMENT OF CASH FLOWS

	Unaudited 6 months ended 31 March 2016 R'000	Unaudited 6 months ended 31 March 2015 R'000	Audited 12 months ended 30 September 2015 R'000
<b>Cash operating profit</b>	<b>558 713</b>	628 520	1 436 184
Changes in working capital	(352 893)	79 846	(440 638)
<b>Cash generated from operating activities</b>	<b>205 820</b>	708 366	995 546
Income tax paid	(100 465)	(142 210)	(344 325)
<b>Cash flows from operating activities</b>	<b>105 355</b>	566 156	651 221
<b>Cash used in investing activities</b>	<b>(64 714)</b>	(46 527)	(185 821)
Capital expenditure	(73 116)	(49 820)	(202 819)
Finance income	909	2 852	12 810
Proceeds on disposal of property, plant and equipment	7 493	441	4 188
<b>Cash flows from financing activities</b>	<b>(248 964)</b>	(125 919)	(458 321)
Net (decrease)/increase in borrowings	(23 975)	(23 382)	(119 889)
Proceeds from shares issued	1 309	4 284	4 482
Interest paid	(3 863)	(13 697)	(22 268)
Dividends paid	(222 435)	(93 124)	(320 646)
<b>Net movement in cash and cash equivalents</b>	<b>(208 323)</b>	393 710	7 079
Effects of exchange rate changes	(899)	(2 867)	(12 885)
Cash and cash equivalent balances at beginning of year	26 585	32 391	32 391
<b>Cash and cash equivalent balances at end of year (note 7)</b>	<b>(182 637)</b>	423 234	26 585

## SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited 6 months ended 31 March 2016 R'000	Unaudited 6 months ended 31 March 2015 R'000	Audited 12 months ended 30 September 2015 R'000
Balance at beginning of year	2 371 580	1 944 840	1 944 840
Total comprehensive income for the period	308 412	369 867	742 718
Dividends to the company's shareholders	(222 435)	(92 804)	(315 159)
Payments to non-controlling interest holders	-	(320)	(5 560)
Proceeds on shares issued	1 309	4 284	4 482
Option value of share options granted	170	285	259
<b>Balance at end of period</b>	<b>2 459 036</b>	2 226 152	2 371 580

## NOTES

- Nature of business**  
Astral is a leading Southern African integrated poultry producer. Key activities consist of manufacturing of animal feeds, broiler genetics, production and sale of day-old chicks and hatching eggs, integrated breeder and broiler production operations, abattoirs and sale and distribution of various key poultry brands.
- Basis of preparation**  
The condensed interim financial statements for the six months ended 31 March 2016 have been prepared in accordance with International Reporting Standards ("IFRS"), IAS 34 - *Interim Financial Reporting*, the Listing Requirements of the JSE Limited and the South African Companies Act (2008). These condensed interim financial statements have been prepared under the supervision of the financial director, DD Ferreira CA(SA).  
These condensed interim financial statements have not been reviewed or audited by the Group's auditors.
- Accounting policies**  
The accounting policies applied in this interim financial statements comply with IFRS and is consistent with those applied in the preparation of the Group's annual financial statements for the year ended 30 September 2015.

	Unaudited 6 months ended 31 March 2016 R'000	Unaudited 6 months ended 31 March 2015 R'000	Audited 12 months ended 30 September 2015 R'000
<b>4. Operating profit</b>			
The following items have been accounted for in the operating profit:			
Amortisation of intangible assets	2 607	2 579	5 353
Depreciation on property, plant and equipment	72 141	70 467	147 803
Profit/(loss) on sale of property, plant and equipment	1 604	(895)	1 593
Foreign exchange losses	3 046	6 202	(10 327)
Directors' remuneration	-	-	53 102
Biological assets - fair value gain	-	-	9 049
Assets scrapped	-	-	4 046
Insurance recoveries	-	-	2 991

## CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 6 months ended 31 March 2016 R'000	Unaudited 6 months ended 31 March 2015 R'000	% change	Audited 12 months ended 30 September 2015 R'000
<b>Revenue</b>	<b>5 822 631</b>	5 754 605	1	11 265 962
<b>Profit before interest and tax (note 4)</b>	<b>428 785</b>	550 161	(22)	1 100 484
Finance income	909	2 852	12 810	12 810
Finance costs	(5 063)	(12 944)	(22 988)	(22 988)
Share of profit from associate	(18)	2 267	3 288	3 288
<b>Profit before income tax</b>	<b>424 613</b>	542 336	(22)	1 093 594
Tax expense	(123 934)	(154 351)	(313 655)	(313 655)
<b>Profit for the period</b>	<b>300 679</b>	387 985	(23)	779 939
<b>Other comprehensive income</b>				
Remeasurement of post-employment benefit obligations (net of deferred tax)	-	-	-	791
Change in the value of available-for-sale financial assets	-	-	-	(709)
Foreign currency loss on investment loans to foreign subsidiaries	-	-	-	(2 905)
Foreign currency translation adjustments	7 733	(18 118)	34 398	34 398
<b>Total comprehensive income for the period</b>	<b>308 412</b>	369 867	(17)	742 718
<b>Profit attributable to:</b>				
Equity holders of the holding company	300 531	386 353	(22)	778 126
Non-controlling interests	148	1 632	(91)	1 813
	300 679	387 985	(23)	779 939
<b>Comprehensive income attributable to:</b>				
Equity holders of the holding company	307 730	369 199	(17)	741 612
Non-controlling interests	682	668	2	1 106
	308 412	369 867	(17)	742 718
<b>Earnings per share (cents)</b>				
- basic	777	999	(22)	2 013
- diluted	776	997	(22)	2 009

## CONDENSED GROUP SEGMENTAL ANALYSIS

	Unaudited 6 months ended 31 March 2016 R'000	Unaudited 6 months ended 31 March 2015 R'000	% change	Audited 12 months ended 30 September 2015 R'000
<b>Revenue</b>	<b>4 436 029</b>	4 502 695	(1)	8 739 488
Poultry	3 460 793	2 960 583	17	6 235 955
Feed	258 227	256 251	1	493 508
Other Africa	(2 332 418)	(1 964 924)	(4 202 989)	(4 202 989)
Inter-group	5 822 631	5 754 605	1	11 265 962
<b>Operating profit</b>	<b>194 137</b>	350 903	(45)	661 002
Poultry	233 276	185 726	26	422 885
Feed	1 372	13 531	(90)	16 597
Other Africa	428 785	550 160	(22)	1 100 484

## ADDITIONAL INFORMATION

	Unaudited 6 months ended 31 March 2016 R'000	Unaudited 6 months ended 31 March 2015 R'000	% change	Audited 12 months ended 30 September 2015 R'000
Headline earnings (R'000) - (note 5)	299 367	386 999	(23)	779 649
Headline earnings per share (cents)				
- basic	774	1 001	(23)	2 016
- diluted	773	999	(23)	2 013
Dividends per share (cents)	390	575	(32)	1 150
Number of ordinary shares				
- Issued net of treasury shares	38 684 308	38 670 408	38 672 708	38 672 708
- Weighted average	38 682 687	38 663 233	38 663 740	38 663 740
- Diluted weighted average	38 705 309	38 751 439	38 734 021	38 734 021
Net(debt)/surplus cash - cash and cash equivalents less borrowings (R'000)	(242 081)	240 469	56 834	56 834
Net debt to equity percentage	9,8%	-	2,4	2,4
Net asset value per share (Rand)	63,28	57,17	61,05	61,05

	Unaudited 6 months ended 31 March 2016 R'000	Unaudited 6 months ended 31 March 2015 R'000	% change	Audited 12 months ended 30 September 2015 R'000
<b>5. Reconciliation to headline earnings</b>				
Net profit attributable to shareholders (Profit)/loss on sale of property, plant and equipment (net of tax)	300 531	386 353	778 126	778 126
Loss on assets scrapped (net of tax)	(1 164)	646	(1 399)	(1 399)
Headline earnings for the period	299 367	386 999	779 649	779 649
<b>6. Borrowings Non-current</b>				
Secured loans	957	10 176	3 642	3 642
Unsecured loan	58 487	172 589	79 777	79 777
Less: Portion payable within 12 months included in current liabilities	(47 788)	(48 025)	(48 918)	(48 918)
	11 656	134 740	34 501	34 501
<b>Current</b>				
Bank overdrafts	381 569	255 222	292 564	292 564
Portion of non-current secured loans payable within 12 months	47 788	48 025	48 918	48 918
	429 357	303 247	341 482	341 482
<b>7. Cash and cash equivalents per cash flow statement</b>				
Bank overdrafts (included in current borrowings)	(381 569)	(255 222)	(292 564)	(292 564)
Cash at bank and in hand	198 932	678 456	319 149	319 149
Cash and cash equivalents per cash flow statement	(182 637)	423 234	26 585	26 585
<b>8. Capital commitments</b>				
Capital expenditure approved not contracted	32 049	51 180	43 497	43 497
Capital expenditure contracted not recognised in financial statements	70 943	31 435	23 415	23 415

## FINANCIAL OVERVIEW

The decrease in headline earnings from R387 million for the previous year's first six months, to R299 million for the first six months of the 2016 financial year, is attributable to lower profits from the Poultry division following mainly drought-related increases in feed costs.

Revenue increased marginally by 1,2% to R5 823 million as result of the increase in the value of external feed sales.

The group's operating profit decreased by 22,1% to R429 million. The Poultry division's contribution of R194 million, is down on its previous year's reported operating profit of R351 million. The Feed division recovered the increased maize costs in its selling prices for feed and its profits at R233 million, is 25,6% higher than the profit for the comparative period. The new Standerton feed mill continued with its significant contribution to the profitability of the Feed division. The Africa division's contribution to profits at R1 million, is down on the previous year's R13 million. Trading conditions in both Zambia and Mozambique were negatively affected by the devaluation of the respective local currencies which had a negative impact on those economies.

The net finance cost at R4 million is lower than the previous year, reflecting the benefits from the built-up of surplus funds at the end of the previous financial year.

Cash inflow from operating activities at R206 million is down on the previous year's inflow of R708 million as a result of lower profits and an outflow to working capital to finance higher poultry and feed stock holdings. Capital expenditure of R73 million reflects normalised ongoing expenditure. The net movement in cash and cash equivalents, including the payment of the 2015 final dividend, was an outflow of R208 million. The net debt of R242 million, which includes the remaining balance of the long-term funding of the new Standerton feed mill, equates to a net debt to equity ratio of 9,8%.

The Board has declared an interim dividend of 390 cents per share. The distribution will be accommodated within the liquidity capabilities of the group.

## OPERATIONAL OVERVIEW

### Poultry division

Revenue for the division was down by 1,5% to R4 436 million (2015: R4 503 million) impacted by lower sales volumes for the period under review. Weaker demand and the continued high level of EU poultry imports led to a build-up in poultry stock levels, with subsequent broiler production cutbacks.

The average selling price for poultry increased by a negligible 1,5% for the period, and this despite significant consumer food price inflation on the total basket measured. Poultry feed prices increased by an average of 13,9% over the comparable period which resulted in an increase in the live bird production cost. The above factors resulted in the operating profit for the division decreasing to R194 million (2015: R351 million).

Consistent broiler production efficiencies were achieved for the period under review. The product mix continued to improve with a further decrease in IQF participation of 2% driven largely by an increase in fresh and value added sales volumes.

Poultry imports remained high during the period, with the first shipment of US poultry under the AGOA quota landing in March 2016. An average 7,7 million birds per week (total poultry product imports) was recorded for the six months ending March 2016.

### Feed division

Revenue for the division increased by 16,8% to R2 961 million (2015: R2 961 million) as a result of higher selling prices (up 16,2%) to recover the increase in raw material costs on the back of the severe drought. Sales volumes increased marginally by 0,6% driven by a small increase in external sales.

The Standerton feed mill produced an average of 28 000 tons of poultry feed per month for the period under review (capacity utilisation of 70%), with the operational efficiencies achieved continuing to contribute positively to the profitability of the feed division.

Operating profit improved to R233 million (2015: R186 million) with an operating profit margin at 6,7% (2015: 6,3%). Rand per ton margins increased over the comparable period in the prior year, supported by the successful management of other operating costs below inflationary levels.

### Other Africa division

Revenue for the division increased by 0,8% to R258 million (2015: R256 million) driven largely by higher feed selling prices in Zambia.

The operating profit for the division decreased to R1,4 million (2015: R1,4 million). For the period under review the profitability from the Mozambican feed and day-old chick operations was severely impacted by currency exchange movements and availability, as well as poor market demand due to the severe economic downturn in that country.

The deteriorating economic situation in Mozambique is a concern as it impacts on the value of Astral's business operations in that country.

Ongoing power outages in Zambia had a significant impact on operating costs with a high diesel requirement to power standby generators.

## PROSPECTS

- It is expected that the demand for poultry will continue to be constrained due to limited consumer discretionary spend and weaker seasonal poultry consumption patterns.
- High maize and feed prices will continue until at least rainfall patterns normalise, with some mid-size industry producers already showing signs of financial distress.
- Rand weakness will continue to negatively impact input costs on imports of poultry genetics, maize and soya.
- The high level of poultry imports and the potential AGOA impact of US poultry will see local broiler production cutbacks due to an imbalance in supply and demand.
- A weakening of the El Niño weather event could favour better planting conditions for maize in the coming season as normal rainfall is predicted.
- World raw material stocks are exceptionally healthy.

## DECLARATION OF ORDINARY DIVIDEND NUMBER 30

The Board has approved an interim dividend of 390 cents per ordinary share (gross) in respect of the six months ended 31 March 2016.

The dividend will be subject to Dividends Tax that was introduced with effect from 1 April 2012. In accordance with paragraphs 11.17 (a) (i) to (x) and 11.17 (c) of the JSE Listings Requirements the following information is disclosed: