Astral Foods Limited
Incorporated in the Republic of South Africa
Registration number 1978/003194/06
Share code: ARL
ISIN: ZAE000029757

UNAUDITED INTERIM RESULTS
for the six months ended 31 March 2017

REVENUE DECREASE 1%
OPERATING PROFIT DECREASE 51%
EARNINGS PER SHARE DECREASE 55%
HEADLINE EARNINGS DECREASE 54%
INTERIM DIVIDEND PER SHARE 180c

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited six months ended 31 March 2017 R'000	Unaudited six months ended 31 March 2016 R'000	Change %	Audited 12 months ended 30 Sept 2016 R'000
Revenue	5 794 696	5 822 631	(0,5)	11 953 870
Cost of sales	(4 853 542)	(4 696 368)		(10 085 108)
Gross profit	941 154	1 126 263	(16,4)	1 868 762
Administrative expenses	(310 574)	(301 568)		(509 706)
Distribution costs	(331 757)	(319 391)		(651 405)
Marketing expenditure	(90 737)	(84 202)		(174 663)
Other income	3 889	7 683		15 862
Profit before interest and tax (note 4)	211 975	428 785	(50,6)	548 850
Finance costs - net	(15 970)	(4 154)		(21 995)
Finance income	343	909		5 219
Finance costs	(16 313)	(5 063)		(27 214)
Share of loss from associate	-	(18)		(642)
Profit before income tax	196 005	424 613	(53,8)	526 213
Tax expense	(59 939)	(123 934)		(154 046)
Profit for the period	136 066	300 679	(54,7)	372 167
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Remeasurement of post-employment benefit obligations (net of deferred tax)	-	-		651
Items that may be subsequently reclassified to profit or loss				
Foreign currency gain/(loss) on investment loans to foreign subsidiaries	2 857	-		(9 688)
Foreign currency translation adjustments	(1 524)	7 733		9 091
Total comprehensive income for the period	137 399	308 412	(55,4)	372 221
Profit attributable to:				
Equity holders of the holding company	136 448	300 531	(54,6)	372 972
Non-controlling interests	(382)	148	(358,1)	(805)
	136 066	300 679	(54,7)	372 167
Comprehensive income attributable to:				
Equity holders of the holding company	137 769	307 730	(55,2)	373 257
Non-controlling interests	(370)	682	(154,3)	(1 036)
	137 399	308 412	(55,4)	372 221
Earnings per share (cents)				
- basic	353	777	(54,6)	964

- diluted	352	776	(54,6)	964

CONDENSED CONSOLIDATED BALANCE SHEET

	Unaudited six months ended 31 March 2017 R'000	Unaudited six months ended 31 March 2016 R'000	Audited 12 months ended 30 Sept 2016 R'000
ASSETS			
Non-current assets	2 221 219	2 235 543	2 229 776
Property, plant and equipment	2 037 796	2 043 999	2 052 284
Intangible assets	44 544	27 215	38 613
Goodwill	136 135	136 135	136 135
Investment in associates		25 450	
Investments and loans	2 744	2 744	2 744
Current assets	2 625 619	2 871 583	2 724 533
Biological assets	718 981	730 066	734 958
Inventories	832 713	911 312	716 851
Trade and other receivables	989 918	1 022 221	1 103 569
Current tax asset	32 141	9 052	32 754
Cash and cash equivalents	51 866	198 932	136 401
Assets held for sale	24 826	-	24 826
Total assets	4 871 664	5 107 126	4 979 135
EQUITY			
Capital and reserves attributable to equity holders of the parent company	2 467 166	2 448 016	2 362 542
Issued capital	79 450	73 666	73 957
Treasury shares	(204 435)	(204 435)	(204 435)
Reserves	2 592 151	2 578 785	2 493 020
Non-controlling interest	9 622	11 020	9 992
Total equity	2 476 788	2 459 036	2 372 534
LIABILITIES			
Non-current liabilities	630 976	581 670	645 531
Borrowings (note 6)	-	11 656	-
Deferred tax liability	481 047	422 828	473 572
Employment benefit obligations	149 929	147 186	171 959
Current liabilities	1 763 900	2 066 420	1 961 070
Trade and other liabilities	1 540 579	1 611 155	1 578 178
Current tax liabilities	6 961	24 044	4 541
Borrowings (note 6)	214 431	429 357	376 431
Shareholders for dividend	1 929	1 864	1 920
Total liabilities	2 394 876	2 648 090	2 606 601
Total equity and liabilities	4 871 664	5 107 126	4 979 135

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited six months ended 31 March 2017 R'000	Unaudited six months ended 31 March 2016 R'000	Audited 12 months ended 30 Sept 2016 R'000
Cash operating profit	281 579	558 713	546 544
Changes in working capital	(38 607)	(352 893)	(46 103)
Cash generated from operating activities	242 972	205 820	500 441
Income tax paid	(49 649)	(100 465)	(122 251)
Cash flows from operating activities	193 323	105 355	378 190
Cash used in investing activities	(67 899)	(64 714)	(160 748)
Capital expenditure	(60 810)	(57 591)	(145 410)
Costs incurred on intangibles	(8 034)	(15 525)	(28 585)
Proceeds on disposal of property, plant and equipment	945	7 493	8 028
Finance income	-	909	5 219

Cash flows to financing activities	(71 118)	(248 964)	(447 008)
Dividends paid	(38 697)	(222 435)	(373 143)
Proceeds from shares issued	5 493	1 309	1 600
Finance expense	(14 417)	(3 863)	(26 449)
Decrease in borrowings	(23 497)	(23 975)	(49 016)
Net movement in cash and cash equivalents	54 306	(208 323)	(229 566)
Effects of exchange rate changes	(338)	(899)	(1 763)
Cash and cash equivalent balances at beginning of year	(204 744)	26 585	26 585
Cash and cash equivalent balances at end of period (note 7)	(150 776)	(182 637)	(204 744)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited six months ended 31 March 2017 R'000	Unaudited six months ended 31 March 2016 R'000	Audited 12 months ended 30 Sept 2016 R'000
Balance at beginning of year	2 372 534	2 371 580	2 371 580
Profit for the period	136 066	300 679	372 167
Other comprehensive income for the period, net of tax	1 333	7 733	54
Dividends to the company's shareholders	(38 706)	(222 435)	(373 316)
Proceeds on shares issued	5 493	1 309	1 600
Option value of share options granted	68	170	135
Other	-	-	314
Balance at end of period	2 476 788	2 459 036	2 372 534

CONDENSED CONSOLIDATED SEGMENTAL ANALYSIS

	Unaudited six months ended 31 March 2017 R'000	Unaudited six months ended 31 March 2016 R'000	Change %	Audited 12 months ended 30 Sept 2016 R'000
Revenue				
Poultry	4 455 856	4 436 029	0,4	9 128 645
Feed	3 448 115	3 460 793	(0,4)	7 189 614
Other Africa	215 613	258 227	(16,5)	515 346
Inter-group	(2 324 888)	(2 332 418)		(4 879 735)
	5 794 696	5 822 631	(0,5)	11 953 870
Operating profit				
Poultry	22 301	194 137	(88,5)	58 900
Feed	184 404	233 276	(21,0)	484 967
Other Africa	5 270	1 372	284,1	4 983
	211 975	428 785	(50,6)	548 850

ADDITIONAL INFORMATION

	Unaudited six months ended 31 March 2017	Unaudited six months ended 31 March 2016	Change %	Audited 12 months ended 30 Sept 2016
Headline earnings (R'000) - (note 5)	137 645	299 367	(54,0)	373 305
Headline earnings per share (cents)				
- basic	356	774	(54,0)	965
- diluted	355	773	(54,1)	964
Dividends per share (cents)	180	390		490
Number of ordinary shares				
- Issued net of treasury shares	38 739 308	38 684 308		38 687 308
- Weighted average	38 705 146	38 682 687		38 683 748
- Diluted weighted average	38 732 173	38 705 309		38 705 090
Net debt - cash and cash equivalents less borrowings (R'000)	162 565	242 081		240 030

Net debt to equity percentage	6,6	9,8	10,1
Net asset value per share (Rand)	63,69	63,28	61,07

NOTES

1. Nature of business
   Astral is a leading South 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.

2. Basis of preparation
   The condensed interim financial statements for the six months ended 31 March 2017 have been prepared in accordance with International Reporting Standards ("IFRS"), IAS 34 - Interim Financial Reporting, the Listings 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.

3. Accounting policies
   The accounting policies applied in this condensed interim financial statements comply with IFRS and are consistent with those applied in the preparation of the Group's annual financial statements for the year ended 30 September 2016.

		Unaudited six months ended 31 March 2017 R'000	Unaudited six months ended 31 March 2016 R'000	Audited 12 months ended 30 Sept 2016 R'000
4.	Operating profit			
	The following items have been accounted for in the operating profit:			
	Amortisation of intangible assets	2 119	2 607	4 401
	Depreciation on property, plant and equipment	70 776	72 141	139 286
	(Loss)/profit on sale of property, plant and equipment	(1 574)	1 604	2 034
	Foreign exchange profits/(losses)	2 302	(3 046)	(6 746)
	Biological assets - fair value (loss)/gain	(3 951)	671	(7 190)
5.	Reconciliation to headline earnings			
	Net profit attributable to shareholders	136 448	300 531	372 972
	Loss/(profit) on sale of property, plant and equipment (net of tax)	1 197	(1 164)	(1 475)
	Loss on assets scrapped (net of tax)	-	-	1 808
	Headline earnings for the period	137 645	299 367	373 305
6.	Borrowings			
	Non-current			
	Secured loans	-	957	-
	Unsecured loans	11 789	58 487	35 286
	Less: Portion payable within 12 months included in current liabilities	(11 789)	(47 788)	(35 286)
		-	11 656	-
	Current			
	Bank overdrafts	202 642	381 569	341 145
	Portion of non-current secured loans payable within 12 months	11 789	47 788	35 286
		214 431	429 357	376 431
7.	Cash and cash equivalents per cash flow statement			
	Bank overdrafts (included in current borrowings)	(202 642)	(381 569)	(341 145)
	Cash at bank and in hand	51 866	198 932	136 401
	Cash and cash equivalents per cash flow statement	(150 776)	(182 637)	(204 744)

8. Capital commitments

Capital expenditure approved not contracted	46 886	32 049	37 967
Capital expenditure contracted not recognised in financial statements	60 735	70 943	66 813
Raw material contracted amounts not recognised in the statement of financial position	1 386 663	2 156 370	1 804 973

FINANCIAL OVERVIEW

The headline earnings for the six months ended 31 March 2017 at R138 million was down on the R299 million for the previous year's first six months due to lower volume and the impact of drought-related cost increases, in particular on the profitability of the poultry businesses.

Revenue decreased marginally by 0,5% to R5 795 million, as result of lower sales volumes by both divisions compared to the comparative period.

The Group's operating profit decreased by 50,6% to R212 million. The Poultry division's contribution of R22 million was substantially down on prior period's reported operating profit of R194 million, whilst the Feed division's profits at R184 million was 21,0% down on the profit for the comparative period. The other Africa division's contribution to profits at R5 million, although an improvement on the prior period's R1 million, was still low and a reflection of ongoing difficult trading conditions in those regions.

The net finance cost at R16 million is higher than the comperative year, reflecting the general higher level of borrowings following the lower profitability during this reporting period.

Cash inflow from operating activities at R243 million was an improvement on the prior period's inflow of R206 million as result of the lower outflow to working capital of R39 million, compared to the working capital outflow of R353 million for the comparative period. Capital expenditure of R69 million reflected normalised ongoing expenditure. The net movement in cash and cash equivalents, including the payment of the 2016 final dividend, was an inflow of R54 million. The net debt of R163 million was down on the net debt as at 30 September 2016, and equates to a net debt to equity ratio of 6,6%.

The board has declared an interim dividend of 180 cents per share. The distribution will be accommodated within the liquidity capabilities of the Group.

OPERATIONAL OVERVIEW

The period under review includes a number of key factors that distort comparison to the same period in the prior year, mainly brought about by the new brining regulations, which impacted the Group's poultry product mix, sales volumes and average sales realisations.

Poultry Division

Revenue for the division increased marginally by 0.4% to R4 456 million (2016: R4 436 million) being the net of lower volumes and higher average poultry sales realisations.

Sales volumes were significantly down by 10.5% (24 020 tons) due to a combination of less meat sold and lower brining levels. Average sales realisations were impacted when Astral discontinued the lower priced IQF range with a brine uptake of 30%, which was replaced with a higher cost product offering. The new IQF product range conforms to the brining legislation promulgated in October 2016 with a brine uptake capped at 15%, and this change has distorted year-on-year pricing comparisons.

Poultry feed prices reached a record high, increasing by an average 16.8% over the comparable period, as a result of high raw material costs following the devastating drought together with a revised poultry feeding program. Improved broiler production efficiencies on the new feeding program partly negated the higher feed cost.

The inability to fully recover higher feed input costs through the selling price of poultry, resulted in the operating profit for the division dropping significantly by 88.5% to R22 million (2016: R194 million).

Total poultry imports remained at high levels despite EU poultry imports decreasing as a result of Avian Influenza outbreaks in certain EU countries. Total poultry imports equate to an average 8,2 million birds per week for the six months ending March 2017, notwithstanding all efforts to curb poultry dumping. Total poultry imports reached a record high in March 2017 at 66 658 tons (equivalent to 11,7 million birds per week) which is comparable to approximately 65% of local production.

Feed Division

Revenue for the division was down by 0.4% to R3 448 million (2016: R3 461 million) driven by an 8.0% drop in sales volumes as a result of; lower internal sales due to broiler production cutbacks, coupled with improved feed conversion efficiencies, as well as lower external demand across all livestock sectors. Average selling prices were up by 10.4% in an effort to recover the increase in raw material costs, which was brought about by the severe drought.

Operating profit decreased to R184 million (2016: R233 million) with an operating profit margin at 5.3% (2016: 6.7%). Rand per ton margins decreased with selling price pressure partially offset by the containment of other operating costs below inflationary levels.

Other Africa Division

Revenue for the division decreased by 16.5% to R216 million (2016: R258 million) driven largely by higher feed selling prices in Zambia.

The operating profit for the division increased to R5.3 million (2016: R1.4 million). Profitability in the Zambian operations was positively impacted by an improved performance from Tiger Animal Feeds.

The weak economy in Mozambique remains a concern as it continued to impact on the value of Astral's business operations in that country.

PROSPECTS

- The weakened state of consumer spending is unlikely to improve due to poor economic growth and higher unemployment.
- The current safeguard duty recommended by ITAC against the EU is not expected to significantly curb poultry import levels (March 2017 USA spike).
- The new brining regulations will continue to negatively impact total kilograms sold at the revised brining level of 15% on IQF product.
- The risk of permanent power cuts by Eskom to Astral's operations in Standerton has been negated through an order of the High Court.
- Record local maize crop is expected for the current harvest season at 14,5 million tons which historically is the largest change in the crop size year-on-year (2016: 7,7 million tons).
- Poultry production efficiencies are expected to remain intact on the back of superior nutrition optimising the genetic potential of the Ross 308 breed.

DECLARATION OF ORDINARY DIVIDEND NUMBER 32

The board has approved an interim dividend of 180 cents per ordinary share (gross) in respect of the six months ended 31 March 2017.

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:
- The dividend has been declared out of income reserves;
- The local Dividend Tax is 20% (twenty per centum);
- The gross local dividend is 180 cents per ordinary share for shareholders exempt from the Dividend Tax;
- The net local dividend is 144 cents per ordinary share for shareholders liable to pay Dividend Tax;
- Astral Foods Limited has currently 42 827 885 ordinary shares in issue (which includes 4 088 577 treasury shares held by a subsidiary); and
- Astral Foods Limited's income tax reference number is 9125190711.

Shareholders are advised of the following dates in respect of the interim dividend:

Last date to trade cum-dividend	Tuesday, 6 June 2017
Shares commence trading ex-dividend	Wednesday, 7 June 2017
Record date	Friday, 9 June 2017
Payment of dividend	Monday, 12 June 2017

Share certificates may not be dematerialised or rematerialised between Wednesday, 7 June 2017 and Friday, 9 June 2017 both days inclusive.

On behalf of the board

T Eloff	CE Schutte
Chairman	Chief Executive Officer

Pretoria
15 May 2017

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