Astral

Audited summary consolidated results and dividend declaration

for the year ended 30 September 2019

2019

Revenue	Operating profit	Earnings per share	Headline earnings per share	Final dividend
▲ 4%	▼ 55%	▼ 55%	▼ 55%	R4.25 per share

Summary consolidated statement of comprehensive income

for the year ended 30 September 2019

	Audited 12 months ended 30 September 2019 R'000	Audited 12 months ended 30 September 2018 R'000	% change
Revenue	**13 485 475**	12 978 561	4
Cost of sales	**(10 856 468)**	(9 304 535)	
Gross profit	**2 629 007**	3 674 026	(28)
Administrative expenses	**(723 290)**	(817 013)	
Distribution costs	**(833 734)**	(733 738)	
Marketing expenditure	**(201 848)**	(185 404)	
Other net income and gains	**12 144**	3 690	
Profit before interest and tax (note 5)	**882 279**	1 941 561	(55)
Finance costs – net	**30 372**	52 527	
Finance income	**41 286**	62 903	
Finance costs	**(10 914)**	(10 376)	
Profit before income tax	**912 651**	1 994 088	(54)
Tax expense	**(265 116)**	(559 738)	
Profit for the period	**647 535**	1 434 350	(55)
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurement of post-employment benefit obligations (net of deferred tax)	**(2 178)**	2 598	
Items that may be subsequently reclassified to profit or loss			
Foreign currency (loss)/gain on investment loans to foreign subsidiaries	**(414)**	5	
Foreign currency translation adjustments	**1 292**	(13 439)	
Total comprehensive income for the period	**646 235**	1 423 514	(55)
Profit attributable to:			
Equity holders of the holding company	**643 653**	1 431 076	(55)
Non-controlling interests	**3 882**	3 274	19
	647 535	1 434 350	(55)
Comprehensive income attributable to:			
Equity holders of the holding company	**642 353**	1 420 240	(55)
Non-controlling interests	**3 882**	3 274	19
	646 235	1 423 514	(55)
Earnings per share (Rand)			
– basic	**R16.59**	R36.91	(55)
– diluted	**R16.58**	R36.87	(55)

Summary consolidated balance sheet

for the year ended 30 September 2019

	Audited 12 months ended 30 September 2019 R'000	Audited 12 months ended 30 September 2018 R'000
Assets		
Non-current assets	**2 658 236**	2 409 499
Property, plant and equipment	**2 462 918**	2 212 205
Intangible assets	**59 183**	61 159
Goodwill	**136 135**	136 135
Current assets	**3 580 883**	3 764 715
Biological assets	**758 721**	770 461
Inventories	**691 058**	836 690
Trade and other receivables	**1 512 398**	1 328 418
Current tax asset	**19 717**	7 303
Cash and cash equivalents	**598 989**	821 843
Total assets	**6 239 119**	6 174 214
Equity		
Capital and reserves attributable to equity holders of the parent company	**3 784 227**	3 726 922
Issued capital	**90 400**	86 751
Treasury shares	**(204 435)**	(204 435)
Reserves	**3 898 262**	3 844 606
Non-controlling interest	**11 408**	10 496
Total equity	**3 795 635**	3 737 418
Liabilities		
Non-current liabilities	**705 600**	649 979
Deferred tax liability	**539 421**	481 732
Employment benefit obligations	**166 179**	168 247
Current liabilities	**1 737 884**	1 786 817
Trade and other liabilities	**1 411 135**	1 360 469
Employment benefit obligations	**254 107**	373 195
Current tax liabilities	**25 772**	17 480
Borrowings (note 7)	**44 115**	33 277
Shareholders for dividend	**2 755**	2 396
Total liabilities	**2 443 484**	2 436 796
Total equity and liabilities	**6 239 119**	6 174 214

Summary consolidated statement of cash flows

for the year ended 30 September 2019

	Audited 12 months ended 30 September 2019 R'000	Audited 12 months ended 30 September 2018 R'000
Cash operating profit	**936 440**	2 156 086
Changes in working capital	**257 308**	(425 201)
Cash generated from operations	**1 193 748**	1 730 885
Income tax paid	**(213 907)**	(516 236)
Cash flows from operating activities	**979 841**	1 214 649
Cash used in investing activities	**(615 982)**	(254 708)
Purchases of property, plant and equipment	**(653 444)**	(346 551)
Costs incurred on intangibles	**(4 141)**	(11 391)
Proceeds on disposal of property, plant and equipment	**317**	331
Finance income	**41 286**	62 903
Payment received on investment sold during previous year		40 000
Cash flows used in financing activities	**(595 871)**	(729 577)
Dividends paid	**(594 367)**	(729 752)
Proceeds from shares issued	**3 649**	5 288
Finance expense	**(5 153)**	(5 113)
Net movement in cash and cash equivalents	**(232 012)**	230 364
Effects of exchange rate changes	**(1 680)**	5 627
Cash and cash equivalent balances at beginning of year	**788 566**	552 575
Cash and cash equivalent balances at end of year (note 8)	**554 874**	788 566

Summary consolidated statement of changes in equity

for the year ended 30 September 2019

	Audited 12 months ended 30 September 2019 R'000	Audited 12 months ended 30 September 2018 R'000
Balance at beginning of year	**3 737 418**	3 038 832
Change in accounting policy: adoption of expected credit loss model for impairments	**3 059**	–
Profit for the period	**647 535**	1 434 350
Other comprehensive income/(loss) for the period, net of tax	**(1 300)**	(10 836)
Dividends to shareholders	**(594 726)**	(730 216)
Proceeds on shares issued	**3 649**	5 288
Balance at end of period	**3 795 635**	3 737 418

Additional information

for the year ended 30 September 2019

	Audited 12 months ended 30 September 2019	Audited 12 months ended 30 September 2018	% change
Headline earnings (note 6) (R'000)	**649 638**	1 439 236	(55)
Headline earnings per share			
– basic	**R16.74**	R37.12	(55)
– diluted	**R16.74**	R37.08	(55)
Dividends per share – declared out of earnings for the period			
– Interim dividend	**R4.75**	R10.00	(53)
– Final dividend	**R4.25**	R10.50	(60)
– Total dividend	**R9.00**	R20.50	(56)
Number of ordinary shares			
– Issued net of treasury shares	**38 833 658**	38 798 808	
– Weighted-average	**38 806 070**	38 774 025	
– Diluted weighted-average	**38 816 916**	38 809 443	
Net cash/(debt) – cash and cash equivalents less borrowings (R'000)	**554 874**	788 566	
Net asset value per share	**R97.45**	R96.06	

Summary consolidated segmental analysis

for the year ended 30 September 2019

	Audited 12 months ended 30 September 2019 R'000	Audited 12 months ended 30 September 2018 R'000	% change
Revenue			
Poultry	**10 877 135**	10 603 727	3
Feed	**6 573 738**	6 198 202	6
Other Africa	**479 645**	410 787	17
Inter-group	**(4 445 043)**	(4 234 155)	
	13 485 475	12 978 561	4
Operating profit			
Poultry	**370 977**	1 452 762	(74)
Feed	**489 483**	456 622	7
Other Africa	**21 819**	32 177	(32)
	882 279	1 941 561	(55)
Capital expenditure			
Poultry	**372 081**	318 019	17
Feed	**56 617**	27 621	105
Other Africa	**3 381**	9 904	(66)
Corporate office	**64**	407	(84)
	432 143	355 951	21
Depreciation, amortisation and impairment			
Poultry	**148 223**	124 620	19
Feed	**22 623**	21 659	4
Other Africa	**5 288**	5 288	0
Corporate office	**96**	195	(51)
	176 230	151 762	16
Inventory			
Poultry	**337 220**	532 113	(37)
Feed	**291 179**	255 002	14
Other Africa	**62 659**	49 575	26
	691 058	836 690	(17)
Trade receivables			
Poultry	**904 469**	980 644	(8)
Feed	**224 107**	203 997	10
Other Africa	**23 785**	19 612	21
	1 152 361	1 204 253	(4)

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 summary consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, and the requirements of the Companies Act applicable to summary financial statements. The Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting.

The financial statements have been prepared by the Chief Financial Officer, DD Ferreira CA(SA), and were approved by the board on 13 November 2019.

3. Accounting policies

The accounting policies applied in these 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 2018, except for the mandatory adoption of the following:

IFRS 15 Revenue

Due to the nature of the group's sales contracts with its customers the adoption of IFRS 15 resulted in no change in revenue recognition.

IFRS 9

The group adopted an expected credit loss model for impairments of financial assets using the modified retrospective approach.

The impact on the financial statements is a credit to the retained earnings opening balance of R3 059 000. This insignificant impact is as result of the group's historically low bad debts and successful credit control procedures. The interim results for the six months ending March 2019 was not adjusted with the impact of the change in calculation of the provision for possible impairment losses.

The classifications of trade receivables and cash and bank changed from "Loans and receivables" to "Amortised costs". The measurement at amortised costs as required by IFRS 9, remained unchanged from the previous year.

4. Independent auditor's report on the summary consolidated financial statements

To the Shareholders of Astral Foods Limited

Opinion

The summary consolidated financial statements of Astral Foods Limited, contained in the accompanying preliminary report, which comprise the summary consolidated balance sheet as at 30 September 2019, the summary consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Astral Foods Limited for the year ended 30 September 2019.

In our opinion, the accompanying summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements, in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, as set out in note 2 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Summary Consolidated Financial Statements

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summary consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditor's report thereon.

The audited consolidated financial statements and our The Audited Consolidated Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 15 November 2019. That report also includes communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period.

Director's Responsibility for the Summary Consolidated Financial Statements

The directors are responsible for the preparation of the summary consolidated financial statements in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, set out in note 2 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), Engagements to Report on Summary Financial Statements.

Other matter

We have not audited the information contained within the Financial Overview, Operational Overview, Outlook or Declaration of Ordinary Dividend no 37 and accordingly do not express an opinion thereon.

PricewaterhouseCoopers Inc.
Director: EJ Gerryts
Registered Auditor

Johannesburg
15 November 2019

The signed version of this opinion is available for inspection at the registered office.

	Audited 12 months ended 30 September 2019 R'000	Audited 12 months ended 30 September 2018 R'000
5. Profit before interest and tax		
The following items have been accounted for in the profit before interest and tax:		
Biological assets – fair value loss/(gain)	**3 108**	(5 149)
Amortisation of intangible assets	**6 092**	6 048
Depreciation on property, plant and equipment	**170 138**	145 714
(Profit)/loss on sale of property, plant and equipment	**(74)**	417
Foreign exchange (gains)/ losses	**(1 161)**	443
Assets scrapped	**8 364**	10 891
Insurance recoveries	**3 894**	1 324
Fair value adjustments to outstanding receivables and payables	**6 016**	
6. Reconciliation to headline earnings		
Net profit attributable to shareholders	**643 653**	1 431 076
(Profit)/loss on sale of property, plant and equipment (net of tax)	**(38)**	301
Loss on assets scrapped (net of tax)	**6 023**	7 859
Headline earnings for the period	**649 638**	1 439 236

	Audited 12 months ended 30 September 2019 R'000	Audited 12 months ended 30 September 2018 R'000
7. Borrowings		
Current – Bank overdrafts	**44 115**	33 277
8. Cash and cash equivalents per cash flow statement		
Bank overdrafts (included in current borrowings)	**(44 115)**	(33 277)
Cash at bank and in hand	**598 989**	821 843
Cash and cash equivalents per cash flow statement	**554 874**	788 566
9. Commitments		
Capital expenditure approved not contracted	**191 153**	1 267 807
Capital expenditure contracted not recognised in financial statements	**342 646**	127 012
Cost on intangibles contracted not recognised in financial statements	**2 906**	6 252
Raw material contracted amounts not recognised in the statement of financial position	**1 376 532**	1 090 415

Financial overview

Group revenue increased by 3.9% to R13.5 billion (2018: R13.0 billion), with contributions to the increase mainly as a result of increased poultry sales volumes and increases in the selling prices for feed driven by higher raw material prices.

Lower profits from the Poultry division, down by R1 082 million resulted in the decrease of the group's operating profit to R882 million, which is well below the previous year's R1 941 million. The Feed division increased its profits by R33 million for a total contribution to the group's profit of R489 million. Contribution from the Other Africa operations of R22 million was below the previous year's R32 million.

Capital expenditure for the year increased to R658 million, which includes progress payments in respect of the major capacity expansion at Festive processing plant and the upgrade of the silo complex at the Meadow Feeds Standerton mill.

A cash inflow from working capital is reported with the biggest contribution from lower finished goods at year-end, with smaller contributions from lower trade receivables and higher trade payables.

Dividend payments at R594 million was relatively high compared to the cash generated from the current year's profits as it includes the final dividend for 2018, which was a record profit year.

Net cash movement for the year was negative at R232 million, however, the end of year balance was a surplus of R555 million. The group remains in a position to be able to fund its future capital expenditure programme and dividend payments from existing resources.

The board has declared a final dividend of 425 cents per share which brings the total dividend from the 2019 financial year's earnings to 900 cents per share.

Operational overview

Poultry Division

Revenue increased by 2.6% to R10.9 billion (2018: R10.6 billion) impacted by higher broiler sales volumes, together with improved sales of broiler day-old chicks and parent stock in the external market.

Broiler slaughter volumes remained relatively flat despite production cutbacks as a result of the Standerton water crisis. Sales volumes increased by 2.6% (11 438 tons), largely due to sales out of stock in the second half of the reporting period.

Trading conditions remained weak for most of the year, as poultry imports remained high and consumer buying power was constrained. Deep cut promotional activity by retailers resulted in higher sales volumes over the second half of the reporting period, reducing stock to more acceptable levels.

Broiler feed prices increased by 7.7% versus the prior year due to higher raw material costs over the reporting period. Feed costs were higher throughout the period under review, negatively affecting Astral's earnings for the full year. Feed cost remains the key driver of profitability, representing approximately 66% of the live cost of a broiler.

On-farm bird performance during the period was in line with expectations, and an improvement in the feed conversion efficiency at a broiler level was achieved. This benefit slightly offset the higher feed prices seen during the year.

Operating profit for the Poultry Division decreased by 74.5% to R371 million (2018: R1 453 million). Non-feed expenses in the division increased year-on-year, negatively impacted by amongst others the water supply interruptions to Goldi in Standerton during the period under review (at a cost of R93 million), with the operating profit margin reducing to 3.4% (2018: 13.7%).

Feed Division

Revenue increased by 6.1% to R6.6 billion (2018: R6.2 billion) as a direct result of higher selling prices on the back of an increase in raw material costs. Volumes decreased by 3.3% due to lower inter-group volumes of 3.0% as a result of an improvement in the feed conversion ratio, together with lower external volumes of 3.7% as livestock sectors came under pressure from higher feed costs. The split between internal and external feed sales volumes remained at 60:40 for the period under review, with dairy feed making up approximately 50% of all external sales.

Operating profit increased by 7.2% to R489 million (2018: R457 million) with an operating profit margin at 7.4% (2018: 7.4%). The net Rand per ton margin increased relative to the prior year.

Expense increases were contained to a 5.9% year-on-year across all feed mills. Efficiencies from the Standerton feed mill continued to support the group's focused efforts towards continuous poultry live cost improvement.

Local maize prices increased significantly on the back of a below average South African maize harvest with lower yields due to late rainfall for the 2019 season. To an extent feed price increases were curbed with imports of maize into the Western Cape at favourable pricing levels compared to local SAFEX prices.

Other Africa Division

Revenue for the division increased by 16.8% to R480 million (2018: R411 million) due to higher selling prices and sales volumes increasing by an average of 8.3% across all countries, with the operating profit decreasing to R22 million (2018: R32 million). Profits were impacted by a significant increase in feed costs in Zambia on the back of a devastating drought and crop failure in that country for the 2019 harvest season, resulting in a margin squeeze in a highly competitive market. A provision for the expected non-recovery of various taxes owing by the Mozambican government was provided for, negatively impacting the division's performance. The results from Zambia and Mozambique were countered by a better performance from Swaziland.

Outlook

Astral's view on the near-term prospects can be regarded as a mixed bag of both negative and positive factors, which could potentially have an influence on its business performance.

- Raw material prices will remain high, and continue to impact Astral's largest input cost into 1H2020, namely feed making up 66% of broiler live cost;
- Continued record level of unemployment, poor levels of economic growth and the weak purchasing power of the consumer, will continue to place pressure on poultry selling prices;
- High levels of poultry imports from Brazil and the USA are expected to continue in the absence of adequate tariff measures;
- Infrastructure deterioration and its impact on Astral's operations continues to add a cost burden to the business;
- The ongoing risk of bird flu is continuously monitored, and prevention strategies are in place to manage this threat;
- Higher planting intentions for maize acreage, together with improved prospects for seasonal rainfall could see an above average crop for the 2020 harvest season;
- Proactive engagement from the new Ministers of DTI and DAFF with the poultry industry, is expected in line with the Poultry Sector Master Plan;
- Progressive genetic improvement of the Ross broiler breed will continue to support the group's best cost strategy;
- The expansion in Astral's poultry production capacity (an estimated 16% increase in current production levels) over the next two to five years at a total approved capital expenditure of R0.9 billion.

DECLARATION OF ORDINARY DIVIDEND No 37

The board has approved a final dividend of R4.25 per ordinary share (gross) in respect of the year ended 30 September 2019.

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 percent).
- The gross local dividend is R4.25 per ordinary share for shareholders exempt from the Dividend Tax.
- The net local dividend is R3.40 per ordinary share for shareholders liable to pay Dividend Tax.
- Astral Foods Limited has currently 42 922 235 ordinary shares in issue (which includes 4 088 577 treasury shares held by a subsidiary).
- 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, 14 January 2020
- Shares commence trading *ex*-dividend — Wednesday,15 January 2020
- Record date — Friday, 17 January 2020
- Payment of dividend — Monday, 20 January 2020

Share certificates may not be dematerialised or rematerialised between Wednesday, 15 January 2020 and Friday, 17 January 2020, both days inclusive.

On behalf of the board

T Eloff
Chairman

C E Schutte
Chief Executive Officer

Pretoria
13 November 2019

Registered office: 92 Koranna Avenue, Doringkloof, Centurion, 0157, South Africa, Postnet Suite 278, Private Bag X1028, Doringkloof, 0140, Telephone: +27 (12) 667 5468 • **Directors** Dr T Eloff *(Chairman)*, CE Schutte* *(Chief Executive Officer)*, GD Arnold*, AB Crocker*, DD Ferreira* *(Chief Financial Officer)*, DJ Fouche, S Mayet, TP Maumela, WD Potgieter, TM Shabangu *(*Executive director)* • **Company Secretary** MA Eloff • **Transfer secretaries** Computershare Investor Services Proprietary Limited, PO Box 61051, Marshalltown, 2107, Telephone: +27 (11) 370 5000 • **Sponsor** Nedbank Corporate and Investing Banking, a division of Nedbank Limited, 135 Rivonia Campus, Rivonia Road, Sandown, 2196 Tel +27 (11) 294 4444.
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