



## Press Release

### LEKWA MUNICIPALITY WATER SUPPLY CRISIS DETRIMENTAL TO ASTRAL'S POULTRY OPERATIONS

**28 May 2019: Astral Foods Limited** (Astral), South Africa's leading integrated poultry producer released a SENS announcement providing a general update on the deterioration of the municipal infrastructure of the Lekwa (Standerton) municipality that has led to water supply interruptions at Astral's poultry processing plant in this region. Andy Crocker, Managing Director of Astral's Poultry Commercial business, commented: "In the interim results reported for the six months ended 31 March 2019, it was stated that the deterioration of the Lekwa municipal infrastructure has led to water supply interruptions at our poultry processing plant in Standerton, despite the proximity of this municipality to a substantial water source in the Vaal River. This water supply issue is resulting in significant cost implications for the group."

A substantial ongoing under supply of water has escalated, and this notwithstanding a permanent order of court requiring the municipality to secure a minimum necessary supply. The total calculated impact on profits is currently at least R85 million and comprises mainly of costs to manage the impact of the short supply (R19 million); costs related to not slaughtering birds according to a pre-determined schedule and incurring additional feed costs due to a higher bird age (R10 million); the cost of slaughtering at alternative processing plants (R25 million) and forced production cuts planned for June 2019; to reduce the number of birds to be slaughtered with an estimated non-recovery of costs of R31 million.

Gary Arnold, Managing Director of Agriculture, stated that in spite of active engagement with a number of stakeholders on this issue, cooperation from the Lekwa local municipality has not been forthcoming. Due to the unpredictability of the outcome of the ongoing discussions with the authorities, the group is not in a position to provide an estimate of the impact on profits of the short supply of water beyond what is stated above.

Astral is actively seeking alternative water supply solutions in an attempt to mitigate any further cost impacts under the ongoing water supply interruptions. All possible avenues are being explored which includes continued legal action to secure water supply through the municipal infrastructure. Further updates will be communicated as and when circumstances change

**Ends**

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**Web-site:**

[www.astralfoods.com](http://www.astralfoods.com)

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### **Company background**

**Astral Foods Limited** (Astral), a leading South African integrated poultry producer, with key activities in animal feed pre-mixes, manufacturing of animal feeds, broiler genetics, production and sale of day-old chicks and hatching eggs, with integrated breeder and broiler production operations, abattoirs as well as sales and distribution of various key poultry brands. The brands in the Astral stable include:

- County Fair
- Festive
- Goldi
- Mountain Valley
- Supa Star
- Ross Poultry Breeders
- National Chicks
- Meadow Feeds
- Tiger Animal Feeds
- Tiger Chicks
- Mozpintos
- CAL Labs