

MEDIA RELEASE

AFGRI and PIC conclude a significant transformation deal in the poultry industry

2 June 2015, *Centurion* – AFGRI, the leading agricultural solutions and industrial foods company, together with the Public Investment Corporation (“PIC”) today announced the sale of AFGRI Poultry, as well as AFGRI’s Kinross Animal Feeds Mill (“Kinross Mill”), to AFPO Consortium Proprietary Limited (“AFPO”), a Black Economic Empowerment consortium (“the BEE consortium”) led by Matome Maponya Investments (Proprietary) Limited (“MMI”). The PIC funded the acquisition. AFGRI Poultry has been renamed Daybreak Farms, and is now owned 54% by AFPO Consortium; 36% by the PIC on behalf of its clients, and 10% by employees and management.

Chris Venter, CEO of AFGRI, said “AFGRI’s strategic vision is to drive food security across Africa. Our focus is to enhance AFGRI’s position in the grain value chain, and this transaction is another step toward that.”

He went on to elaborate that the divestiture is in line with a strategic decision to concentrate efforts on its core grain businesses and position the company for growth. “From a financial perspective the transaction enables AFGRI to reduce its gearing levels, fund priority businesses and reduce overall debt,” Venter said.

“AFGRI’s remaining foods and processing businesses are well aligned to grain commodities,” he went on to say.

The acquisition of Daybreak Farms by AFPO Consortium represents a landmark transaction for black ownership in the agriculture sector and has created the first significant black owned enterprise in this sector. Agriculture is a key sector of the South African economy and constitutes a vital employment provider, especially in rural areas, as well as a sustainable source of foreign exchange and inward investment. It is estimated that more than 40% of South Africa’s total population is dependent on this sector, both directly and indirectly.

Daybreak Farms is a mature, well-established and integrated poultry business with critical mass and a fully capitalised infrastructure which compares very favourably to South Africa’s other commercial suppliers of chicken. The company processes over a million birds per week, and the business includes the growing and processing of broilers into fresh as well as frozen whole birds, individually frozen birds and portions. The inclusion of established feed milling operations in the transaction ensures an integrated supply of specialist feeds for the process of growing chickens.

Chief Executive Officer of the PIC, Dr Daniel Matjila, says: “The funding was made possible with allocation from three of the PIC’s clients, the Government Employees Pension Fund (GEPF), the Unemployment Insurance Fund and the Compensation Commissioners. These clients have a socially responsible investment mandate, which seeks to achieve two important outcomes, namely: to generate financial returns, whilst at the same time contributing to job creation.”

“This transaction is important in that it enables previously excluded groups of people to participate in the poultry industry. The planned expansion of the operations will contribute to food security,

with more jobs created. Above all, this transaction is in line with our clients' mandates," adds Dr Matjila.

In addition, AFGRI Poultry sold some of its in-house farms to black farmers which increases supply from black farmers to over 20%. The consortium is excited about the opportunity of expanding the poultry business and growing its supply into new markets.

Mr. Kholofelo Maponya, the Chief Executive Officer of Daybreak Farms, says: "We are excited about this opportunity to participate in a critical sector such as poultry. We are, in particular, looking forward to contributing to food security here in South Africa whilst at the same time creating jobs in the communities in which we will be operating."

Venter went on to say, "This transaction is agreed in the spirit of ensuring job stability for employees and as such no retrenchments or job losses are expected to take place. This is an important undertaking for both parties."

"We are pleased with the transaction as AFPO will be a significant poultry producer in South Africa and will benefit from ownership of the Kinross Mill, both as a direct benefit to the poultry operation as well as having the ability to provide animal feed to third-parties," Venter concluded.

Issued for: AFGRI Limited

Contact: Chris Venter, Chief Executive Officer (CEO)
Tel: 011-063-2007
Email: chris.venter@afgri.co.za

Website: www.afgri.co.za

Account: Keyter Rech Investor Solutions
Contact: Vanessa Rech Lynne Bothma
Tel: 087-351-3814 or 083-307-5600 087-351-3815 or 082-920-4395

Issued by: Sekgoela Sekgoela
Corporate Affairs
Public Investment Corporation
Tel: (012) 742 3413
Mobile: 082 735 6307
Email: Sekgoela.sekgoela@pic.gov.za

Issued by: Thabang Ramogase
Commercial Executive
Daybreak
Tel: (011) 063-2109
Email: Thabang@daybreak.za.com

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