Interim Results Press Release

RESILIENT FINANCIAL PERFORMANCE UNDER ON-GOING TOUGH MARKET AND OPERATIONAL CONDITIONS

- Revenue from continuing operations increased by 26% to R9.4 billion
- Operating profit from continuing operations increased by 134% to R785 million
- Headline earnings per share increased by 138% to 1 420 cents
- Interim dividend per share increased by 163% to 790 cents

16 May 2022: **Astral Foods Limited** (Astral), South Africa's leading integrated poultry producer, reported a solid set of results for the six months ended 31 March 2022. Chris Schutte, CEO of Astral, commented: *"The Group experienced strong profit growth for the period under review, from a low base in the prior period, despite on-going tough market and operational conditions. The growth was largely as a result of an increase in poultry sales volumes, an area which has seen significant capital investment over the past two years to increase Astral's poultry production and processing capacity. Astral is proud to say that we have created additional employment on the back of our continuous investment programme, and have never over the past decade considered reducing the headcount even during the Covid-19 related lockdown."*

Astral reported strong revenue growth of 26.5% to R9.4 billion (March 2021: R7.5 billion) for the period under review. Operating profit improved to R785 million (March 2021: R336 million) with an operating margin of 8.3% (March 2021: 4.5%), which includes a R23 million gain on disposal of its interest in National Chicks Swaziland. The Poultry Division, and more particularly the broiler business unit's growth in volumes, resulted in improved economies of scale benefits throughout the Group's integrated value chain.

The Poultry Division's margin recovery was also supported by efficiency improvements through the broiler value chain and the partial recoupment of higher feed raw materials and energy input costs, assisting the operating profit improvement. The Feed Division increased its operating profit on the back of a growth in sales volumes and raw material cost recovery.

Revenue for the **Poultry Division** increased by 28.6% to R7.9 billion (March 2021: R6.1 billion), driven by higher broiler sales volumes and selling prices.

Broiler sales volumes increased by 15.7% (36 067 tons), assisted by an additional 400 000 birds being processed per week under the expanded capacity as well as sales out of stock. Broiler volumes processed for the period under review equate to 5.9 million birds per week. The product mix was positively impacted by an increase in sales to the Quick Service Restaurant sector and an increase in fresh chicken sales relative to the comparable period.

Poultry selling prices improved on the partial recovery of higher input costs linked to an increase in feed prices and energy costs, with feed making up 70% of the cost of producing a live broiler. The broiler net margin rose to 4.7% from a negative margin reported for this segment in the comparable period (March 2021: (0.2%)).

A change in the broiler feeding programme to a lower nutrient density (and hence lower feed cost) in February 2021, has in part offset a significant increase in feed ingredient costs for the period under review.

Operating profit for the Poultry Division increased by 627.2% to R447 million (March 2021: R61 million), and the operating profit margin increased to 5.7%, compared to a profit margin of 1.0% achieved in the comparable period.

Total poultry imports remained high, with the average monthly total poultry imports for the period under review equalling approximately 24% of local consumption, at an average of 37 348 tons per month for the period under review.

Revenue for the **Feed Division** increased by 13.8% to R4.5 billion (March 2021: R4.0 billion) as a direct result of higher selling prices on the back of increases in raw material costs. SAFEX yellow maize prices increased to an average of R3 773 per ton for the period under review (March 2021: R3 397 per ton).

Feed sales volumes in the division increased by 7.6% supported by both an increase in internal and external sales growth. Internal sales volumes increased by 10.8% largely on higher broiler feed sales due to an increase in broiler slaughter numbers. External sales volumes increased by 2.5% on higher sales into the pig and poultry sectors.

The operating profit for this division increased by 2.9% to R272 million (March 2021: R264 million), with a decrease in the operating profit margin to 6.0% as a result of the increase in the revenue line on higher raw material costs and resultant increase in feed selling prices (March 2021: 6.7%). The Feed Division benefitted from well controlled expenses and effective raw material cost recovery.

Other Africa Division's revenue from continued operations increased by 47.5% to R216 million (March 2021: R146 million). Selling prices increased for the period under review positively impacting margins in both the Zambian feed and poultry operations. Volumes remained at similar levels to the comparable period. Operating profit increased to R43 million (March 2021: R10 million).

The National Chicks Swaziland and Mozambican operations were reported as discontinued operations since November 2021. The disposal of Astral's interest in the National Chicks Swaziland joint venture has been completed, and the sale of the Mozambique feed and poultry assets is expected to close before the financial year-end.

Daan Ferreira, Astral's CFO, said: *"Capital expenditure for the current period at R90 million was relatively low mainly as a result of timing of approved capital projects. The net cash inflows of R639 million reflects strong cash generation for the period under review."*

He continued to state that the Group's inventory levels at 31 March 2022 were well balanced due to the strong demand for poultry experienced. The trade receivables increase reflects the strong growth in revenue. Net working capital remains well managed within the normal working capital cycle. The Group's balance sheet remains strong with net surplus cash of R909 million at 31 March 2022, and the interim dividend declared will be funded from available cash.

Schutte concluded: *"The market and trading conditions for the remainder of the financial year will remain challenging as the high unemployment rate and constrained disposable income of the consumer are set to worsen. The volatile markets on global supply and demand, notwithstanding the very good South African maize crop expected for 2022, will continue to place cost pressure on raw materials.*

Poor municipal service delivery, water supply disruptions, and the national load shedding continue to negatively impact Astral's operations, which add an unnecessary cost burden to producing chicken in South Africa.

Poultry sales volume growth on the rollout of Phase 2 of the Festive expansion project will add an additional 400 000 birds processed per week by April 2023, as well as creating further new job opportunities. Poultry supply and demand is currently fairly well balanced, which could support the recovery of higher input costs."

As confirmed at a strategic review held in March 2022, Astral remains committed to its stated strategy to be the best-cost integrated poultry producer in selected Southern African countries.

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Company background

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

- County Fair
- Festive
- Goldi
- Mountain Valley
- Ross Poultry Breeders
- National Chicks
- Meadow Feeds
- Tiger Animal Feeds
- Tiger Chicks
- Central Analytical Laboratories