



Press Release

VOLUNTARY TRADING UPDATE AND INITIAL TRADING STATEMENT

25 January 2023: Astral Foods Limited (Astral), South Africa's leading integrated poultry producer, released a voluntary trading update in light of the numerous headwinds that are currently being faced by the Group. Chris Schutte, CEO of Astral, strongly cautioned stakeholders towards the end of November 2022 by saying: *"We are expecting market conditions to deteriorate, with prolonged load shedding and the general decay of municipal infrastructure continuing to impact operational efficiencies negatively. The Group has had to embark on numerous capital projects which are truly grudge purchases, having to install diesel generators and additional water storage at our facilities. As a consequence, chicken becomes more expensive to produce in South Africa, placing the industry further on the backfoot under already trying times where we see record high input costs for both feed and energy sources. Unfortunately, a direct consequence is that chicken as a preferred protein source has seen prices increase beyond general inflation. The shameless demise of a number of state-owned entities which are responsible for supplying essential services and maintain general infrastructure, is impacting business sentiment and reinvestment decisions for growth, which directly threatens local food security into the future."*

Voluntary trading update

The general trading conditions through the first quarter of the financial year ending 30 September 2023 ("1Q2023"), which includes the 2022 Festive Season, as well as a view on the nearby prospects for the Group are set out below.

The **Feed division** successfully managed to limit the impact of load shedding by utilising available spare capacity amongst its various feed mills, however at an additional cost. Future capital expenditure has been committed to negate further risk. As a result of load shedding negatively impacting the Poultry division, substantially higher internal feed volumes are required. The higher internal feed volumes will positively impact the Feed division's financial performance for the six months ending 31 March 2023 ("1H2023").

The **Poultry division's** feed input costs, making up about 70% of the cost of producing a live broiler, increased significantly into 1Q2023 with the SAFEX yellow maize price peaking at around R5,300 per ton on the back of a weakening local currency and a tight global balance sheet.

The Poultry division has experienced severe operational disruptions through 1Q2023 due to Eskom load shedding. This has continued and led to abnormal additional costs as well as substantial production cutbacks of at least 12 million broiler placements for the 1H2023.

Abnormal costs have been incurred on a backlog in the broiler slaughter programme, that has resulted in older and heavier birds consuming higher levels of feed. In addition, excessive processing costs are being incurred as additional shifts are being implemented to try and address the substantial backlog in the Group's integrated broiler supply chain. The larger bird size and continued load shedding disruptions have compromised the Group's poultry product offering.

Astral indicated that a substantial poultry selling price increase would be required to recover the high feed input costs and the impact of load shedding. However, Astral was unable to implement the selling price increase required and as a result, Astral continues to “subsidise” the increased cost of production to our customer base and the consumer. Based on prevailing market and operational conditions, the cost to produce chicken exceeds the selling price by at least R2.00 per kilogram. As a result, the Poultry division is expected to incur significant losses for the 1H2023.

Load shedding

A large portion of the capital expenditure commitments amounting to R737 million, outlined during the F2022 results presentation, has been placed on hold given the current adverse market conditions. The Group has however committed funds towards backup electricity generation solutions to reduce the adverse impact of load shedding.

The projected cost of load shedding for the Group for 1H2023 will be approximately R400 million.

Initial trading statement

Considering the prevailing market conditions, together with the contributing factors mentioned above, Astral has reasonable certainty that earnings per share (“EPS”) and headline earnings per share (“HEPS”) for the six months ending 31 March 2023, are expected to decrease by no more than 90%, being 142.0 cents each, compared to the six months ended 31 March 2022 (EPS of 1 456 cents and HEPS of 1 420 cents).

The Group’s balance sheet position remains healthy with good levels of liquidity in place.

Schutte concluded: *“It is very unsettling to release a voluntary trading update of this nature following a superb set of results for the year ended 30 September 2022. The underlying fundamentals in the Group remain unchanged, but as a result of the demise of South Africa’s basic infrastructure, specifically electricity and water supply, makes trading profitably almost impossible. I don’t think that Government grasps the severity of the situation and the massive impact load shedding has on ordinary citizens and businesses alike.*

For the first time in South Africa, food security is now under threat due to agriculture’s reliance on basic infrastructure and services, which are failing. The increasing cost of the food basket, which includes poultry as a staple protein, will place the consumer under extreme stress due to financial hardship. A couple of years ago, Astral was the first poultry producer to propose that chicken be categorised as a zero-rated VAT product, however this was declined by Government. Should this be revisited, Astral will once again support such an initiative.

If prevailing market and operational conditions due to load shedding continue, it could lead to Astral resizing its business in the short term, resulting in job losses throughout the supply chain.”

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Contact:**Astral Foods Limited**

Chris Schutte (CEO)

Dries Ferreira (CFO Designate)

Gary Arnold (COO)

Tel: (012) 667 5468

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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