



2022

Unaudited Interim Results

for the six months ended 31 March 2022

HIGHLIGHTS

REVENUE

↑ 26%

OPERATING PROFIT

↑ 134%

EARNINGS PER SHARE

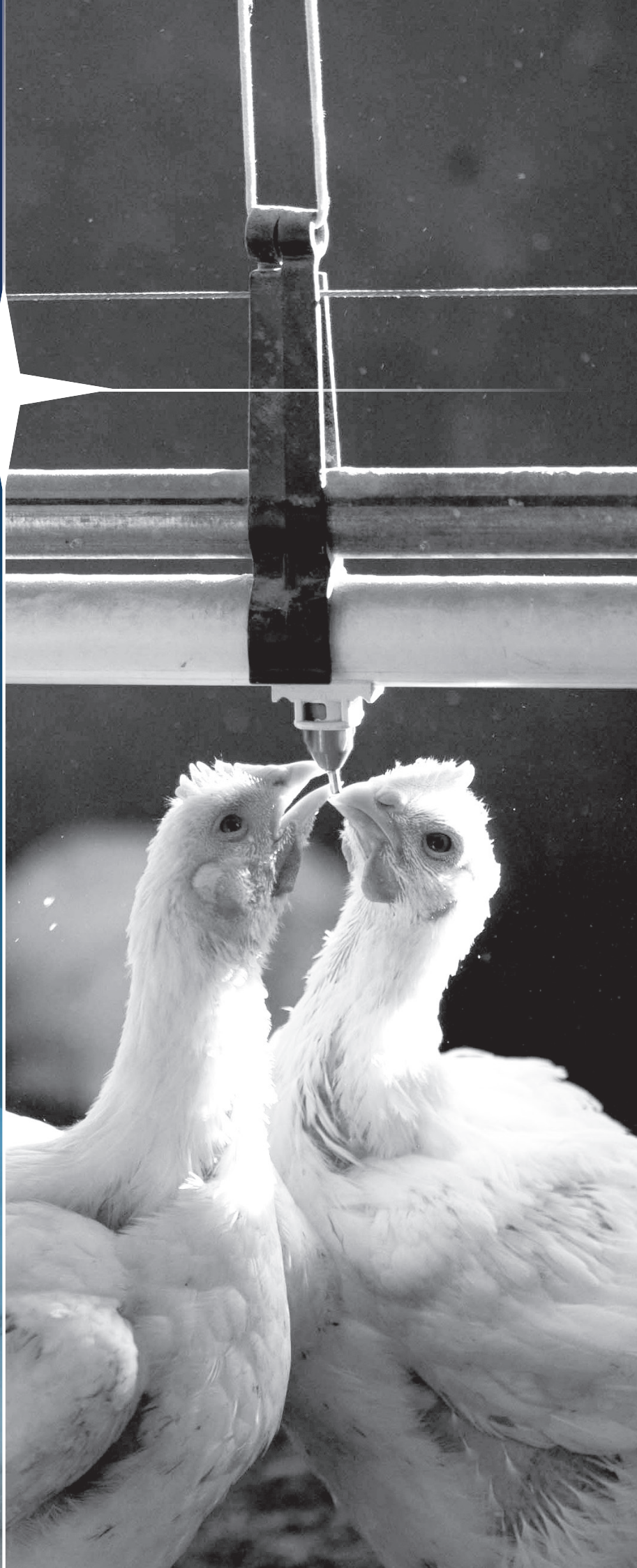
↑ 146%

HEADLINE EARNINGS PER SHARE

↑ 138%

INTERIM DIVIDEND

790
cents per share



COMMENTARY

FINANCIAL OVERVIEW

The Group experienced strong growth in revenue to R9.4 billion (March 2021: R7.5 billion) representing a 26.5% increase for the period under review. This 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.

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 the disposal of Astral's 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 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 improvements. The Feed Division increased its operating profits on the back of a growth in sales volumes and raw material cost recovery.

Net finance costs of R17 million, which includes finance charges on leased assets, were lower than the comparative period as a result of the right-of-use liabilities approaching end of contract term during the six months under review. Interest received on surplus funds was higher due to higher average levels of surplus funds and slightly higher interest rates.

Capital expenditure for the current period at R90 million was slightly down on the comparative period's R121 million mainly as a result of timing of capital projects.

The net cash inflows of R639 million for the period reflects the strong recovery in the operational cash generation of the Group.

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.

OPERATIONAL OVERVIEW

Poultry Division

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 feed programme to a lower nutrient density (and hence lower feed cost) in February 2021, has partially 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.

COMMENTARY (CONTINUED)

Feed Division

Revenue 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 division benefited from well controlled expenses and effective raw material cost recovery.

Other Africa Division

Revenue from continuing operations for the division 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.

OUTLOOK

The following factors are considered by management to have an impact on the near future business and poultry sector prospects:

- Record high unemployment levels have been reported for South Africa, and it is surmised that some support is gained from the informal economy and social grant.
- Volatile raw material markets on global supply and demand, notwithstanding the very good South African maize crop for 2021 which is expected to be repeated in 2022.
- Poor municipal service delivery, water supply disruptions and the national load shedding continue to negatively impact Astral's operations.
- Product category opportunities are available for Astral, with improved utilisation of the available capacity commissioned in the Festive processing plant.
- Poultry sales volume growth on the rollout of Phase 2 of the Festive expansion project adding an additional 400 000 birds processed per week by April 2023.
- 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 African countries.

Declaration of ordinary dividend No 41

The Board has approved an interim dividend of 790 cents per ordinary share (gross) in respect of the six months ended 31 March 2022.

The dividend will be subject to Dividend 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 per centum);
- The gross local dividend is 790 cents per ordinary share for shareholders exempt from Dividend Tax;
- The net local dividend is 632 cents 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 and 437 095 restricted shares held in treasury in terms a forfeitable share incentive scheme); and
- 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 <i>cum</i> -dividend	Tuesday, 7 June 2022
Shares commence trading <i>ex</i> -dividend	Wednesday, 8 June 2022
Record date	Friday, 10 June 2022
Payment of dividend	Monday, 13 June 2022

Share certificates may not be dematerialised or rematerialised between Wednesday, 8 June 2022 and Friday, 10 June 2022, both days inclusive.

On behalf of the Board

T Eloff
Chairman

CE Schutte
Chief Executive Officer

Pretoria

16 May 2022

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 31 March 2022

	Unaudited six months ended 31 March 2022 R'000	% change	Unaudited six months ended 31 March 2021 Restated R'000	Audited 12 months ended 30 September 2021 R'000
Revenue	9 427 269	26.5	7 452 551	15 865 938
Cost of sales	(7 334 652)		(6 092 985)	(13 024 968)
Gross profit	2 092 617	53.9	1 359 566	2 840 970
Administrative expenses	(538 886)		(357 472)	(746 092)
Distribution costs	(668 552)		(544 758)	(1 149 456)
Marketing expenditure	(150 155)		(124 693)	(243 994)
Gain on disposal of equity interest in subsidiary	22 720		–	–
Other net income and gains	27 582		3 357	9 571
Operating profit (note 4)	785 326	133.7	336 000	710 999
Net finance costs	(16 536)		(25 380)	(48 677)
Finance income	7 052		6 749	12 426
Finance costs	(23 588)		(32 129)	(61 103)
Profit before tax	768 790	147.5	310 620	662 322
Tax expense	(221 930)		(87 618)	(202 681)
Profit for the period from continuing operations	546 860	145.2	223 002	459 641
Profit for the period from discontinued operations	14 979		6 627	14 082
Profit for the period	561 839	144.7	229 629	473 723
Other comprehensive income for the period, net of tax				
Items that may be subsequently reclassified to profit or loss				
Foreign currency (loss)/gain on investment loans to foreign subsidiaries	(1 098)		(1 242)	1 064
Foreign currency translation (loss)/gain	(14 400)		(11 012)	10 338
Items that will not be reclassified to profit or loss				
Remeasurement of post-employment benefit obligations	–		–	2 684
Deferred tax on re-measurement of post-employment benefit obligations	–		–	(754)
Transactions with minorities	(1 480)		–	–
Changes in the fair value of equity instruments	(12 708)		(3 715)	(15 445)
Total comprehensive income for the period	532 153	149.1	213 660	471 610
Profit attributable to:				
Equity holders of the holding company, arising from:	559 660	144.9	228 564	472 504
– Continuing operations	546 860	145.2	223 002	459 641
– Discontinued operations	12 800		5 562	12 863
Non-controlling interests	2 179		1 065	1 219
Profit for the period	561 839	144.7	229 629	473 723
Comprehensive income attributable to:				
Equity holders of the holding company, arising from:	529 974	149.3	212 595	470 391
– Continuing operations	517 174	149.8	207 033	457 528
– Discontinued operations	12 800		5 562	12 863
Non-controlling interests	2 179		1 065	1 219
	532 153	149.1	213 660	471 610
Earnings per share (cents)				
Basic	1 456	145.9	592	1 225
– Continuing operations	1 422		578	1 191
– Discontinued operations	33		14	33
Diluted	1 441	144.9	589	1 217
– Continuing operations	1 408		574	1 184
– Discontinued operations	33		14	33
Headline Earnings per share (cents)				
Basic	1 420	137.9	597	1 228
– Continuing operations	1 386		582	1 194
– Discontinued operations	33		14	33
Diluted	1 405	136.8	593	1 220
– Continuing operations	1 372		579	1 187
– Discontinued operations	33		14	33

CONDENSED CONSOLIDATED BALANCE SHEET

as at 31 March 2022

	Unaudited 31 March 2022 R'000	Unaudited 31 March 2021 Restated R'000	Audited 30 September 2021 R'000
Assets			
Non-current assets	3 548 833	3 672 453	3 574 582
Property, plant and equipment	2 917 119	2 915 468	2 942 859
Intangible assets	46 865	52 378	49 984
Right-of-use assets	355 847	451 168	340 029
Goodwill	136 135	136 135	136 135
Financial assets at fair value through other comprehensive income	92 867	117 304	105 575
Current assets	4 573 399	3 814 722	4 188 819
Biological assets	988 908	852 804	976 316
Inventories	864 927	1 048 887	921 104
Trade and other receivables	1 809 336	1 397 735	1 595 721
Current tax asset	1 073	27 528	27 146
Cash and cash equivalents	909 155	487 768	668 532
Assets classified as held-for-sale	17 196	73 593	71 584
Total assets	8 139 428	7 560 768	7 834 985
Equity			
Capital and reserves attributable to equity holders of the parent company	4 508 355	4 000 631	4 148 877
Issued capital	90 400	90 400	90 400
Treasury shares	(277 464)	(250 633)	(250 633)
Reserves	4 695 419	4 160 864	4 309 110
Non-controlling interest	–	13 480	12 314
Total equity	4 508 355	4 014 111	4 161 191
Liabilities			
Non-current liabilities	1 152 529	1 045 063	1 105 303
Deferred tax liability	738 889	670 191	704 279
Employment benefit obligations	130 551	93 568	126 653
Lease liability	283 089	281 304	274 371
Current liabilities	2 478 544	2 487 292	2 558 144
Trade and other liabilities	2 131 173	2 050 367	1 785 351
Employment benefit obligations	216 891	113 998	268 570
Current tax liabilities	23 202	5 549	8 240
Lease liability	104 158	206 410	102 097
Borrowings	–	107 966	390 840
Shareholders for dividend	3 120	3 002	3 046
Liabilities classified as held-for-sale	–	14 302	10 347
Total liabilities	3 631 073	3 546 657	3 673 794
Total equity and liabilities	8 139 428	7 560 768	7 834 985

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 31 March 2022

	Unaudited six months ended 31 March 2022 R'000	Unaudited six months ended 31 March 2021 Restated R'000	Audited 12 months ended 30 September 2021 R'000
Cash operating profit	987 748	481 176	1 155 792
– From continuing operations	964 961	490 424	1 135 365
– From discontinued operations	22 787	(9 248)	20 427
Changes in working capital	89 001	(16 163)	(343 625)
Cash generated from operating activities	1 076 749	465 013	812 167
Income tax paid	(145 637)	(51 046)	(135 738)
Cash flows from operating activities	931 112	413 967	676 429
Cash used in investing activities	(37 561)	(111 365)	(241 343)
Purchases of property, plant and equipment	(90 368)	(121 336)	(259 233)
Costs incurred on intangibles	(72)	(56)	(237)
Proceeds on disposal of property, plant and equipment	458	102	3 855
Finance income	7 437	7 970	12 317
Dividend received from investment	–	1 955	1 955
Net proceeds from disposal of equity interest in subsidiary (note 9(c))	44 984	–	–
Cash flows to financing activities	(254 496)	(456 631)	(700 370)
Dividends paid to the company's shareholders	(153 513)	(301 203)	(414 190)
Dividends paid to non-controlling shareholders	(1 055)	–	(3 960)
Finance expense	(1 733)	(2 750)	(6 039)
Treasury shares acquired in terms of forfeitable share plan	(26 831)	(24 920)	(24 920)
Proceeds on sale of shares forfeited in terms of forfeitable share plan	–	1 504	1 504
Transactions with minorities	(1 480)	–	–
Lease payments – principal element	(52 079)	(103 205)	(204 557)
Finance cost on lease contracts	(17 805)	(26 057)	(48 208)
Net movement in cash and cash equivalents	639 055	(154 029)	(265 284)
Effects of exchange rate changes	(11 027)	(5 657)	283
Less: Disclosed as assets held-for-sale	–	(6 640)	(3 435)
Cash and cash equivalent balances at the beginning of the year (including disclosed as assets held-for-sale)	281 127	546 128	546 128
Cash and cash equivalent balances at the end of the period (note 6)	909 155	379 802	277 692

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 31 March 2022

	Unaudited six months ended 31 March 2022 R'000	Unaudited six months ended 31 March 2021 Restated R'000	Audited 12 months ended 30 September 2021 R'000
Balance beginning of the year	4 161 191	4 122 320	4 122 320
Profit for the period			
– Continuing operations	546 860	223 002	459 641
– Discontinued operations	14 979	6 627	14 082
Dividends to shareholders	(153 587)	(301 366)	(418 356)
Dividends to non-controlling shareholders	(1 055)	–	–
Other comprehensive loss for the period, net of tax, from continuing operations	(29 686)	(15 075)*	(2 113)
Increase in share-based payment reserve	9 922	2 019	9 033
Disposal of restricted shares in terms of forfeitable share incentive scheme	–	1 504*	1 504
Transfer of non-controlling interest to retained earnings on disposal of subsidiary	(13 438)	–	–
Restricted shares acquired in terms of forfeitable share incentive scheme	(26 831)	(24 920)*	(24 920)
Balance at the end of the period	4 508 355	4 014 111	4 161 191

* Disposal of restricted shares separately disclosed in line with full-year audited results.

CONDENSED CONSOLIDATED SEGMENTAL ANALYSIS

for the six months ended 31 March 2022

	Unaudited six months ended 31 March 2022 R'000	% change	Unaudited six months ended 31 March 2021 Restated R'000	Audited 12 months ended 30 September 2021 R'000
Revenue				
Poultry	7 861 581	28.6	6 114 571	13 077 464
Feed	4 509 058	13.8	3 963 542	8 301 955
Other Africa	215 741	47.5	146 272	289 435
Inter-group	(3 159 111)		(2 771 834)	(5 802 916)
From continuing operations	9 427 269	26.5	7 452 551	15 865 938
From discontinued operations	94 574		91 553	181 300
Operating profit				
Poultry	446 839	627.2	61 448	146 742
Feed	272 058	2.9	264 453	529 615
Other Africa	43 709	332.8	10 099	34 642
Corporate (disposal of controlling equity interest in subsidiary)	22 720		–	–
From continuing operations	785 326	133.7	336 000	710 999
From discontinued operations	17 105		8 686	20 427
Depreciation, amortisation and impairment				
Poultry	128 973	1.2	127 411	257 071
Feed	29 992	(64.1)	83 510	159 913
Other Africa	1 539		1 077	2 410
Corporate	1 223		1 216	2 428
From continuing operations	161 727	(24.1)	213 214	421 822
From discontinued operations	1 357		1 434	3 043

NOTES

for the six months ended 31 March 2022

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 Condensed Consolidated Interim Financial Statements for the six months ended 31 March 2022 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), IAS 34: *Interim Financial Reporting*, the Listings Requirements of the JSE Limited and the South African Companies Act (2008). These Condensed Consolidated Interim Financial Statements have been prepared under the supervision of the Financial Director, DD Ferreira CA(SA).

The Condensed Consolidated Interim Financial Statements have not been reviewed or audited by the Group's auditors.

3. Accounting policies

The accounting policies applied in these Condensed Consolidated 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 2021.

	Unaudited six months ended 31 March 2022 R'000	Unaudited six months ended 31 March 2021 Restated R'000	Audited 12 months ended 30 September 2021 R'000
4. Profit before interest and tax			
The following items have been accounted for in the profit before interest and tax:			
Biological assets – fair value (gain)/loss	(1 489)	5 791	5 852
Amortisation of intangible assets	3 169	2 879	5 489
Depreciation on property, plant and equipment	104 392	103 153	208 405
Amortisation of right-of-use asset	54 166	107 182	207 928
Profit on sale of property, plant and equipment	(1)	(2 491)	(3 515)
Foreign exchange (gains)/losses	(2 963)	2 470	1 304
Dividend received from investments	(2 143)	(1 955)	(1 955)
Gain on disposal of subsidiary	(22 720)	–	–
Assets scrapped	–	–	5 426
5. Reconciliation to headline earnings			
Net profit attributable to shareholders	559 660	228 564	472 504
Profit on disposal of subsidiary (net of tax)	(13 891)	–	–
Loss/(profit) on sale of property, plant and equipment (net of tax)	2	1 871	(2 668)
Loss on assets scrapped (net of tax)	–	–	3 911
Headline earnings for the period	545 771	230 435	473 747
6. Cash and cash equivalents per statement of cash flows			
Bank overdrafts (included in current borrowings)	–	(107 966)	(390 840)
Cash at bank and in hand	909 155	487 768	668 532
Cash and cash equivalents per statement of cash flows	909 155	379 802	277 692
7. Commitments			
Capital expenditure approved not contracted	142 167	195 863	185 517
Capital expenditure contracted not recognised in the balance sheet	298 065	76 848	54 743
Cost of intangibles contracted but not yet recognised in the financial statements	–	–	139
Raw material contracted amounts not recognised in the balance sheet	1 259 262	1 098 368	1 687 543

NOTES

for the six months ended 31 March 2022

	Unaudited six months ended 31 March 2022 R'000	Unaudited six months ended 31 March 2021 Restated R'000	Audited 12 months ended 30 September 2021 R'000
8. Additional information			
Dividends per share (cents) – declared out of earnings for the period			
– Interim dividend	790	300	300
– Final dividend	–	–	400
– Total dividend	–	–	700
Number of ordinary shares			
– Issued net of treasury shares	38 396 563	38 556 883	38 556 883
– Weighted average	38 444 643	38 612 388	38 584 559
– Diluted weighted average	38 833 658	38 833 658	38 833 658

9. Discontinued operations

(a) Description

During the 2021 financial year, the Group announced its intention to exit the Swaziland and Mozambique businesses after accepting offers to dispose of its interest in these entities. These subsidiaries are reported in the financial statements for the half-year ended 31 March 2022 as discontinued operations, with the comparative period disclosures being restated accordingly. Financial information relating to the discontinued operation for the period to the date of disposal is set out below. For further information about the discontinued operation, please refer to note 37 in the Group's Annual Financial Statements for the year ended 30 September 2021.

The Swaziland subsidiary sale became unconditional with effect from 1 March 2022.

(b) Financial performance and cash flow information

The financial performance and cash flow information presented reflects the operations for the six months ended 31 March 2022.

	Unaudited six months ended 31 March 2022 R'000	Unaudited six months ended 31 March 2021 Restated R'000	Audited 12 months ended 30 September 2021 R'000
Revenue	94 574	91 553	181 300
Profit before interest and tax	17 105	8 686	20 427
Profit for the period from discontinued operations	14 979	6 627	14 082
Statement of cash flows information:			
Cash generated from operating activities	18 099	11 555	20 403
Cash used in investing activities	(1 480)	(6 810)	(6 750)
Cash from financing activities	(2 814)	(2 497)	(3 960)

9. Discontinued operations (continued)

(b) Financial performance and cash flow information (continued)

	Unaudited six months ended 31 March 2022 R'000	Unaudited six months ended 31 March 2021 Restated R'000	Audited 12 months ended 30 September 2021 R'000
Statement of assets and liabilities disclosed as held-for-sale			
Non-current assets	12 678	45 265	44 696
Current assets	4 518	28 328	26 888
Total assets	17 196	73 593	71 584
Non-current liabilities	–	4 443	3 981
Current liabilities	–	9 859	6 366
Total liabilities	–	14 302	10 347
Net assets	17 196	59 291	61 237

(c) Details of the disposal of controlling equity interest in subsidiary

The financial performance and cash flow information presented reflects the operations for the five months ended 28 February 2022.

	Unaudited six months ended 31 March 2022 R'000	Unaudited six months ended 31 March 2021 Restated R'000	Audited 12 months ended 30 September 2021 R'000
Total disposal consideration received in cash	51 000	–	–
Less: Cash carried on statement of financial position on date of disposal	(6 016)	–	–
Net proceeds on disposal (disclosed on statement of cash flows)	44 984	–	–
Carrying amount of net assets sold	(22 264)	–	–
Gain on sale before income tax	22 720	–	–
Income tax expense on gain	(8 829)	–	–
Gain on sale after income tax	13 891	–	–

The cash consideration of R51 million was received on 14 March 2022.

10. Restatement of comparative financial information

The comparative financial information has been restated to comply with the requirements of IFRS 5 whereby the trading results are isolated and disclosed as “Discontinued operations” on the face of the Statement of Comprehensive Income and similarly discontinued operations’ assets and liabilities need to be disclosed on a separate line item on the face of the Balance Sheet as “Assets held-for-sale” and “Liabilities held-for-sale”. Accordingly, the disclosures in note 9 above demonstrate the more detailed financial statements relating to the disposal groups.

11. Events occurring after the reporting period

No other events took place between half year-end and the date of issue of these financial statements that would have a material effect on the financial statements as disclosed.

CORPORATE INFORMATION

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Directors

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CE Schutte* (Chief Executive Officer)
GD Arnold*
DD Ferreira* (Chief Financial Officer)
FG van Heerden* (appointed 1 October 2021)
DJ Fouche
S Mayet
WD Potgieter
TM Shabangu
AD Cupido (appointed 10 November 2021)

* *Executive director*

Company Secretary

L Marupen

Sponsor

Nedbank Corporate and Investing Banking, a division of Nedbank Limited



www.astralfoods.com