Interim Results Press Release

ASTRAL'S EARNINGS RECOVER

- Revenue increased by 4% to R10.4 billion
- Profit before interest and tax increased by 461% to R550 million
- Headline earnings per share increased by 441% to 884 cents
- Gearing improved to 10.1%
- No interim dividend declared for the period

20 May 2024: **Astral Foods Limited** (Astral), an integrated poultry producer, reported much improved results for the six months ended 31 March 2024. Chris Schutte, CEO of Astral, commented: *"We are satisfied with this interim set of results. We previously communicated that we embarked on a "Re-Set, Re-focus and Re-start" campaign (Project 3R) which covers various initiatives to improve the business performance post the load shedding and bird flu disaster of last year. Project 3R has proven successful to date, with continued focus on initiatives to reinforce Astral's best cost producer position and improve profitability."*

Group revenue for the six months ended 31 March 2024 increased by 4.0% to R10.4 billion compared to the R10.0 billion reported for the prior comparable period, mainly due to higher sales volumes and an improvement in sales realisations reported by the Poultry Division.

The Group's operating profit margin at 5.3% showed an improvement following the poor interim financial results for the period ended 31 March 2023 ("1H2023"), which reflected a cost to the Group of R740 million due to the impact of load shedding. The Group reported an operating profit increase of 461.2% to R550 million (1H2023: R98 million) attributable to the Poultry Division reporting an operating profit against a loss of R283 million at 1H2023.

Revenue for the **Poultry Division** increased by 6.7% to R8.7 billion (1H2023: R8.2 billion), supported by higher sales volumes over the comparable period, where the demand for Astral's poultry products slowed on a change in the product basket given the impact of load shedding disrupting the poultry processing and sales mix at the time. Selling prices improved for the period under review, as an effort was made to recover input costs, following an extended period which saw Astral "subsidising" the cost of producing chicken and posting substantial losses in the 2023 financial year ("F2023").

Broiler sales volumes increased by 4.2% (10 106 tons), despite broiler bird numbers being cut back for the period under review from an average of 5.8 million birds per week in September 2023 to 5.4 million birds per week for the six months ended 31 March 2024. This was an effort to balance supply with demand as the market witnessed weak consumer spending and Astral avoided the over-production of finished goods, whilst selling out of stock and easing working capital requirements.

Broiler performances improved significantly following the normalisation of bird age and live weight in June 2023 as the backlog in the slaughter programme following the load shedding crisis was cleared, with efficiencies for the six months ended 31 March 2024 surpassing historical levels. Together with lower feed prices on better raw material input costs over the comparable period, broiler live cost improved for the period under review. The broiler feed price decreased by 9.1% over the comparable period.

A significant reduction in the total feed bill and factory overtime costs were reported for the period under review, as a result of the bulk of the expenses relating to the high load shedding stages and “big bird era” in 1H2023 not being repeated (1H2024: diesel generator costs at R101 million). Together with an effort to recover higher input costs in diesel and other inflationary overhead expenses, broiler margins improved for the period under review to 2.4% (1H2023: -4.4%). Margins remain extremely thin in the Poultry Division, and an operating profit of R284 million, representing an increase of 200.4%, was reported (1H2023: a loss of R283 million).

Total poultry imports for the period under review averaged 32 544 tons, representing a slight decrease from 34 072 tons in the comparable period.

Revenue for the **Feed Division** decreased by 24.4% to R4.9 billion (1H2023: R6.4 billion) as a direct result of lower sales volumes as the internal requirement for feed reduced, together with a decrease in selling prices on the back of lower raw material costs. SAFEX yellow maize prices decreased to an average of R3 910 per ton for the period under review (1H2023: R4 679 per ton).

Sales volumes decreased by 18.7% (163 527 tons) for the period under review on the lower internal feed requirements in the Poultry Division. This is due to the lower levels of feed consumed over the comparable period, which was characterised by older and heavier birds on farm as a result of excessive load shedding experienced. External feed sales decreased by 2.3% due to lower commercial layer feed volumes following the bird flu outbreak in the industry during the latter part of 2023.

The operating profit for the division was down by 30.1% over the comparable period to R266 million (1H2022: R272 million and 1H2023: R381 million), with a decrease in the operating profit margin to 5.5% (1H2023: 5.9%). This was due to the significant drop in feed volumes on the back of the markedly lower internal poultry feed requirements. Operating expenses in the division were well controlled despite the lower sales volumes for the period under review.

“Cash generated from operations before working capital amounted to R806 million. This assisted the Group in reducing its debt level from R1 031 million at end September 2023 to R444 million at end March 2024, representing a gearing level of 25.6% and 10.1% respectively;” said Dries Ferreira, Astral’s CFO.

During the period under review, the Group disposed of its 9.8% investment in Quantum Foods Holdings Limited resulting in cash proceeds of R141 million.

Schutte concluded: *“Astral anticipates a vast improvement on the second half of the financial year 2023, which saw the brunt of the massive load shedding and bird flu costs. However, the possibility of bird flu infections remains a major risk to the local poultry industry, especially in the absence of regulatory approval to vaccinate. The El Niño weather patterns have had a negative impact on local grain crops due to dry weather conditions in a critical period of the growing season, with a sizeable drop in the crop and higher SAFEX prices, leading to higher feed input costs. The weak macroeconomic environment, higher unemployment and depressed consumer spending continue to play a key role on market conditions. Despite the above, Astral’s simple and robust strategy should continue to unlock stakeholder value through its established best cost business model as a fully integrated poultry producer.”*

Ends

Contact: **Astral Foods Limited**
Chris Schutte (CEO)

Dries Ferreira (CFO)
Gary Arnold (COO)
Tel: 012 667 5468

Issued and released by: **Keyter Rech Investor Solutions**
Marlize Keyter
083 701 2021

Issue date: 20 May 2024

JSE code: ARL
A2X code: ARL

Website: www.astralfoods.com

Company background

Astral Foods Limited (Astral), an 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