Final Results Press Release

ASTRAL REPORTS SOLID RESULTS DESPITE TOUGH MARKET AND OPERATIONAL CONDITIONS

- Revenue from continuing operations increased by 14% to R15.9 billion
- Operating profit from continuing operations decreased by 12% to R711 million
- Headline earnings per share decreased by 15% to 1 228 cents
- Total dividend per share for the year decreased by 10% to 700 cents

15 November 2021: **Astral Foods Limited** (Astral), South Africa's leading integrated poultry producer, reported its results for the year ended 30 September 2021. Chris Schutte, CEO of Astral, commented: *"The Group's tried and tested strategy has supported a solid set of results under prevailing market conditions and a challenging operational environment, which has seen enormous pressure come to bare on the local poultry industry over the past year."*

The outlook for 2021, as reported towards the end of last year, leaned towards more "negative influences" than positive. This has certainly been borne out in the results for the year under review.

A number of headwinds faced the Group during the reporting period, and leading these, were the very high cost of maize and soya meal, driven to near record highs on SAFEX by factors on the international coarse grain markets, notwithstanding the very good local maize crop of 16.2 million tons harvested in 2021. Feed prices increased sharply for the year under review, and in a market reflecting the fallout of a weak local economy and the impact of the Covid-19 lockdowns, passing on all of the higher input costs was not achieved.

The results were also impacted by a number of extraordinary costs, amongst these being costs associated with bird flu experienced in the Group's broiler breeding operations, national load shedding and continued municipal service delivery challenges in Standerton (Lekwa Municipal District), plus the looting and unrest in KwaZulu-Natal and Gauteng with major disruptions to the supply chain.

Despite these challenges, revenue reported for the year ended 30 September 2021 was R15.9 billion, an increase of 13.9% compared to the prior year at R13.9 billion. The Poultry Division contributed 81%, Feed Division 17% and Other Africa Division 2% to total external revenue. The increase in revenue (R1.9 billion) was primarily attributable to the broiler operations in the Poultry Division contributing R1.7 billion, which was the result of growth in broiler sales volumes as well as a recovery in the selling price of poultry products.

The reduced operating profit margin of 4.6% (2020: 5.8%) was as a result of the low profits from the Poultry Division, whilst the Feed Division continued to report consistent profits.

Revenue for the **Poultry Division** increased by 15.3% to R13.1 billion (2020: R11.3 billion) supported by higher sales volumes and a recovery in broiler sales realisations, together with improved sales of broiler parent stock into the external market by Ross Poultry Breeders. Broiler slaughter volumes increased by 4.8% benefiting from the Festive expansion volumes. Sales volumes increased by 6.4% for the year under review (28 832 tons) and includes sales out of stock accumulated during 2020 on the back of the Covid-19 lockdowns in that period.

Trading conditions improved as the economy continued to recover with the easing of Covid-19 lockdown restrictions. Deep cut promotional activity by retailers resulted in higher sales volumes for Astral. The Quick Service Restaurant (QSR) and fresh sales categories have recovered to pre Covid-19 levels. This positively impacted product mix and led to a better balanced sales basket.

Broiler sales realisations increased by 8.1%, reflecting an effort to recover the significant increase in feed prices on the back of higher maize and soya meal costs for the period under review. Broiler sales realisations only recovered to pre Covid-19 levels during the last quarter of the reporting period.

Broiler feed prices increased by 15.8% versus the prior year due to higher raw material costs, negatively impacting Astral's earnings for the full year. Feed cost remains the key driver of profitability, representing approximately 68% of the live cost of a broiler.

On-farm broiler performances showed a marginal decline during the year, with slightly more feed being used to achieve the targeted broiler live weights in 2021. This was expected, as a management decision was taken during the year to change the broiler feeding programme to a lower nutritional specification which came at a reduced cost, realising a net benefit to the Group as the feed cost savings more than offset the impact of the higher feed conversion rate.

Operating profit decreased by 50.3% to R147 million (2020: R295 million), with the broiler operations contributing R43 million of that total. Non-feed expenses in the division increased year-on-year, negatively impacted by the direct cost of Highly Pathogenic Avian Influenza (R49 million), looting and damage to infrastructure (R18 million), on-going Covid-19 costs (R14 million), as well as water and electricity supply interruptions (R27 million), with the operating profit margin reducing to 1.1% (2020: 2.6%).

Revenue for the **Feed Division** increased by 18.9% to R8.3 billion (2020: R7.0 billion) as a direct result of higher selling prices on the back of the increase in raw material costs. SAFEX yellow maize prices increased to an average of R3 363 per ton for the year under review (2020: R2 747 per ton) up R616 per ton year-on-year. Soya meal prices also increased from an average of R6 617 per ton in 2020 to R8 216 per ton in 2021, up R1 599 per ton year-on-year, further exacerbating the increase in the price of feed.

Feed sales volumes increased by 2.0%, as the internal requirement for broiler feed increased by 6.0% due to the strategic expansion in production, but with lower external sales volumes of 3.6% reported due to a decrease in feed sales across all sectors as livestock markets came under pressure from higher feed prices.

The operating profit for this division increased by 4.2% to R530 million (2020: R508 million), with a decrease in the operating profit margin to 6.4% (2020: 7.3%). Net Rand per ton margins increased year-on-year with the division benefitting from containing total operating expenses (excluding the raw material cost impact) to an increase of 4.0% year-on-year, as well as from effective raw material cost recoveries. The direct cost of load shedding to the Feed Division was R1.9 million, while the cost of Covid-19 was R1.4 million.

Other Africa Division's revenue from continued operations decreased by 6.7% to R289 million (2020: R310 million). Both selling prices and sales volumes increased for the year under review, driven by a much improved performance from the Zambian operations. Operating profit from continued operations increased to R35 million (2020: R9 million).

The National Chicks Swaziland and Mozambican operations have been reported as discontinued operations, following approaches by prospective buyers with firm offers to acquire Astral's interests.

Daan Ferreira, Astral's CFO, said: *"The cash flow during the year was impacted by the final dividend paid of R299 million in respect of the previous financial year, which was relatively high as a result of no interim dividend being paid during that year. A net cash outflow for the year of R265 million is reported, however the Group remained in a net cash surplus position throughout the year. Net surplus cash at the end of the year was R278 million, and the Group is well positioned to fund the payment of the final dividend of 400 cents per share declared. The total dividend for the year is 700 cents per share."*

On a positive note, with the completion of the expansion of the Festive poultry processing plant in Olifantsfontein last year, Astral rolled out higher broiler volumes to the market, increasing the average slaughter numbers from 5.2 million birds per week in 2020 to 5.4 million birds per week in 2021.

Schutte concluded: *"The state of the South African economy has seen record high unemployment and severely constrained disposable income, which limits the ability to recover higher input costs placing pressure on the industry. Notwithstanding the very good South African maize crop for 2021, which is expected to be repeated in 2022, we continue to witness volatile raw material markets on global supply and demand factors."*

"Widespread poor municipal service delivery and national load shedding continue to negatively impact Astral's operations, which add an unnecessary cost burden to producing chicken in South Africa. The continued threat of Highly Pathogenic Avian Influenza, with new outbreaks currently being reported in Europe, creates uncertainty in the market"; Schutte reiterated.

The Group's best cost strategy has been supported by its extremely strong and committed management team and operational staff, and together with Astral's strong and resilient balance sheet will continue to benefit the Group and its stakeholders.

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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
- Supa Star
- Ross Poultry Breeders
- National Chicks
- Meadow Feeds
- Tiger Animal Feeds
- Tiger Chicks
- Mozpintos
- CAL Labs