Final Results Press Release

LOAD SHEDDING AND BIRD FLU DECIMATE ASTRAL'S EARNINGS

- Revenue stable at R19.3 billion
- Operating profit decreased by 143% to a loss of R621 million
- Headline earnings per share decreased by 148% to a loss of 1 324 cents
- Net cash outflow of R1.1 billion
- Staggering load shedding, water disruption and bird flu costs amounting to R2.1 billion
- No dividend declared for the year

20 November 2023: **Astral Foods Limited** (Astral), an integrated poultry producer, reported results for the year ended 30 September 2023. *"The Group has for the first time in its 23-year history reported a financial loss, with a devastating set of results reflecting the numerous headwinds faced during the year. Load shedding related and bird flu costs decimated the Group's earnings for 2023;"* stated Chris Schutte, CEO of Astral.

The Group reported revenue for the year ended 30 September 2023 (FY2023) of R19.3 billion, in line with that achieved in the prior financial year. Although revenue in the Feed Division increased slightly year-on-year, revenue in the Poultry Division (which contributed 82% towards total external revenue) was down, driven by a decline in sales volumes of 9.6%.

The operating profit margin decreased to -3.2% (2022: 7.4%) as the Group reported a full year loss before interest and tax of R621 million (2022: profit R1.4 billion). The Group's earnings were significantly impacted by costs associated with load shedding and the outbreak of bird flu.

Revenue for the **Poultry Division** decreased by 0.8% to R15.8 billion (2022: R16 billion), on a decrease in broiler sales volumes and a less than ideal product mix. The product basket was negatively impacted by heavier birds as a result of downtime in the processing plants on the back of load shedding. The downtime resulted in a backlog in the slaughter programme, with broilers remaining on farm longer, resulting in older bird ages and heavier live weights.

Broiler slaughter numbers decreased by 15.3% as production cutbacks were implemented in an effort to clear the backlog in processing volumes. Live weight slaughtered reduced by only 4.1%, despite broiler numbers processed reducing from an average of 5.8 million birds per week in FY2022 to 4.9 million birds per week in FY2023. Sales volumes decreased by 9.6% for the year under review, negatively impacted by the product offering on heavier birds and a weak trading environment. Frozen poultry stock levels at 30 September 2023 were higher than at the end of the comparable reporting period.

Broiler sales realisations increased by 8.2%, well below levels that were required to recover higher input costs and extraordinary expenses due to load shedding and generator operational expenses. The broiler net margin realised for the year was negative at -9.7% (2022: 3.5%).

Broiler feed prices increased by 15.4% versus the prior year due to higher raw material costs. Feed cost remains the key driver of profitability, representing approximately 70% of the live cost of a broiler. On-farm broiler performances decreased markedly, as the impact of load shedding resulted in older and heavier birds, which consumed much more feed than normal. Broiler performances returned to normalised levels in 4Q2023, as the backlog in the slaughter programme was cleared.

Operating profit for the Poultry Division decreased by 272% to a loss of R1 380 million (2022: profit R802 million). The operating profit margin declined significantly to -8.7% (2022: 5.0%). Expenses in the division increased year-on-year, negatively impacted by the direct cost of load shedding (R1 622 million), water supply interruptions (R31 million), as well the outbreak of bird flu (R400 million).

Chris Schutte explained: "*Astral was slaughtering 6 million broilers per week, and our integrated broiler production systems were set to produce 6.2 million broilers per week by the beginning of April 2023. This would have taken the Group to full capacity, following an investment of close to R1 billion on additional capacity in 2020. Retail sector commitments for the chicken volumes were in place, and Astral's integrated poultry production value chain was full. A more than two-year programme, starting with broiler breeding, followed by broiler rearing and finally broiler processing and distribution, exists. This allows 'just-in-time' production of Astral's product range, and the nature of the integrated biological process cannot sustain prolonged interruptions, with any disruption to this agro-processing environment having costly implications.*

Load shedding decimated any plans the Group had of benefitting from the major investment in additional production capacity over the past four years, and instead we endured months of extended load shedding where our ability to slaughter and process chicken was completely eroded. As the initial load shedding and lost processing capacity caused birds to back up on farm at a rapid rate, a backlog in the slaughter programme resulted. The birds grew older and gained weight on farm, leading to a situation where broilers well above the normal slaughter weight (at times double the targeted live weight of approximately 1.85 kilograms) had to be processed, leading to further downtime in our poultry abattoirs.

This could only be negated at great expense, by installing massive emergency power generation plants to run the abattoirs at a significant diesel cost, cutting back the placement of broilers to reduce slaughter numbers, introducing a maintenance feeding programme to control the weight gain of the broilers to prevent them growing at their optimised potential, and then adding processing shifts carrying significant overtime costs."

Schutte further said: *"As Astral "exited" the load shedding crisis and reset the business to focus on operational efficiencies and costs, the South African poultry industry was hit by the worst outbreak of bird flu in the country's history. A new strain of bird flu known as H7N6 broke out in July of this year, causing widespread devastation and losses in the poultry sector across Gauteng, Mpumalanga, North West, Free State and Limpopo. Astral, with a number of large broiler breeding operations in Gauteng and Mpumalanga, was hard hit, notwithstanding all the biosecurity measures and world class standards in place. Astral had to cull broiler breeder parent stock infected by this highly aggressive and contagious strain of the virus, losing over 1 million birds with costs at approximately R400 million by the close of the financial year.*

Astral's management team actively participate in industry forums, driving a strategy towards vaccination for the current strains of bird flu circulating in the country. Poultry producers in South Africa are not compensated by Government for culling livestock as a disease control measure on outbreaks of bird flu. Globally, the relevant authorities usually take control of an outbreak, set up quarantine and surveillance zones, cull the affected flocks, safely dispose of the birds and then compensate the producer – all this in an effort to stamp out the disease and prevent its spread. Following the devastating outbreaks of bird flu experienced this year in South Africa, it is highly doubtful that insurance cover for this risk will be made available. Vaccination against bird flu will supplement current biosecurity programmes, and curb losses through the disease."

Revenue for the **Feed Division** increased by 11.9% to R11.6 billion (2022: R10.4 billion) as a direct result of higher feed selling prices on the back of an increase in raw material costs. SAFEX yellow maize prices increased to an average of R4 205 per ton (2022: R4 112 per ton) for the year under review, somewhat masking the record levels traded at close to R5 200 per ton on SAFEX in November and December 2022.

Feed sales volumes increased marginally by 1.1%, as the internal requirement for broiler feed increased by 9.2% due to high feed consumption in the older and heavier broilers as a result of the load shedding broiler slaughter backlog. External feed sales volumes decreased by 10.9% as the pig and table egg sectors came under tremendous pressure on higher feed costs and lower selling prices.

The operating profit for this division increased by 21.5% to R759 million (2022: R625 million), with an increase in the operating profit margin to 6.5% (2022: 6.0%). The direct cost of load shedding to the Feed Division for FY2023 was R31 million.

Dries Ferreira, Astral's CFO, said: *"A significant cash outflow of R1.7 billion is reported. As a result, the Group moved into a net debt position and is geared at 25.6%, with an overdraft at the end of the financial reporting period of R1.0 billion. As a result, no dividend has been declared for the year under review."*

Schutte concluded: *"Astral's Re-Set, Re-focus and Re-start campaign (Project 3R) centres around various initiatives to normalise the business post the load shedding disaster. We will also focus on rebuilding the balance sheet through FY2024, which is key to providing resilience through the cyclical nature of the poultry industry in South Africa."*

Ends

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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