

ASTRAL FOODS LIMITED
"Astral Foods" or "the Group"
(Reg. No. 1978/003194/06)
(Incorporated in the Republic of South Africa)
Share Code: ARL
ISIN Code: ZAE000029757

TRADING STATEMENT & GENERAL TRADING UPDATE

1. TRADING STATEMENT

Shareholders of Astral Foods are advised that a reasonable degree of certainty exists that, for its 2022 financial year ended 30 September 2022 ("2022 financial year"):

- Earnings per share is expected to increase between 118% and 128% compared to the year ended 30 September 2021 ("prior comparable year"). This implies that earnings per share is expected to be between 2 670 and 2 793 cents per share (30 September 2021: 1 225 cents per share); and
- Headline earnings per share is expected to increase between 118% and 128% compared to the prior comparable year. This implies that headline earnings per share is expected to be between 2 677 cents and 2 799 cents per share (30 September 2021: 1 228 cents per share).

The above earnings growth is measured against a low base in the prior comparable year that was severely impacted by COVID-19 related lockdowns that adversely affected the South African economy and poultry consumption patterns. During the prior comparable year, Astral Foods could also not recover (the then) severe increases in feed costs in the selling price of poultry.

During the 2022 financial year the improved earnings were achieved mainly as a result of:

- increased poultry sales volumes on the back of substantial capital investments made to increase Astral Foods' poultry production and processing capacity, resulting in improved economies of scale benefits throughout the Group's integrated value chain; and
- improved poultry margins, realised through efficiency improvements in the broiler production value chain, as well as the partial recoupment of higher feed raw material and elevated energy input costs.

It is expected that the results for the 2022 financial year will be published on SENS on or about Monday, 21 November 2022.

2. GENERAL TRADING UPDATE

Notwithstanding the good performance outlined above for the 2022 financial year, the performance for at least the next six months ending 31 March 2023 will be negatively impacted by:

- Extraordinary high feed input costs where this component makes up 70% of the cost of producing a live broiler. SAFEX maize is trading at record highs following international coarse grain prices, exacerbated by a weak and volatile local currency against the US dollar. The current outlook is for continued high soft commodity prices deep into Astral Foods' 2023 financial year.
- The Group's broiler operations are not able to fully recover record high feed input costs through the selling price of poultry. Currently Astral Foods is "subsidising" the record high input costs in current poultry selling prices to both its customer base and the consumer. This scenario cannot be sustained and will unfortunately lead to further poultry selling price inflation.
- The Group is experiencing severe operational disruptions on the back of Eskom load shedding. This is having an adverse impact on operational efficiencies and adding abnormal costs to the business. Production cutbacks have already been implemented from October 2022 to partially manage the impact of load shedding which severely impacts Astral's "just in time" integrated poultry production and processing chain.
- In addition, the delay in the implementation of anti-dumping duties and the continued dumping of poultry products on our shores, water supply disruptions and the further escalation of energy input costs will all have a negative bearing on the outlook for the 2023 financial year.
- The current operational scenario as articulated above will contribute to the complete erosion of the already below average broiler profit margins of the recent past.

Accordingly, the level of earnings the Group expects during the first half of 2023 financial year, is likely to be considerably down against the prior comparative period.

The Group's balance sheet position is healthy with good levels of liquidity in place.

The Board will provide further updates as additional information becomes available.

The financial information in this announcement has not been reviewed or reported on by Astral Foods' auditor.

Pretoria

27 October 2022

Sponsor: Nedbank Corporate and Investment Banking, a division of Nedbank Limited