

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

VOLUNTARY TRADING UPDATE AND INITIAL TRADING STATEMENT

VOLUNTARY TRADING UPDATE

On 21 November 2022, with the release and publishing of Astral's year end results for the year ended 30 September 2022, the Group strongly cautioned the market that Astral was expecting market conditions to deteriorate, with record high feed input costs, devastating levels of load shedding and the general decay of municipal infrastructure continuing to impact operational efficiencies and costs negatively.

The general trading conditions through the first quarter of the financial year ending 30 September 2023 ("1Q2023") as well as a view on the nearby prospects for the Group are set out below.

FEED DIVISION

- The Feed division successfully managed to limit the impact of load shedding by utilising available spare capacity amongst its various feed mills, however at an additional cost. Future capital expenditure has been committed to negate further risk.
- As a result of load shedding negatively impacting the Poultry division, substantially higher internal feed volumes are required.
- The higher internal feed volumes will positively impact the Feed division's financial performance for the six months ending 31 March 2023 ("1H2023").

POULTRY DIVISION

- Feed input costs, making up about 70% of the cost of producing a live broiler, increased significantly into 1Q2023 with the SAFEX yellow maize price peaking at around R5,300 per ton on the back of a weakening local currency and a tight global balance sheet.
- The Poultry division has experienced severe operational disruptions through 1Q2023 due to Eskom load shedding. This has continued and led to abnormal additional costs as well as substantial production cutbacks of at least 12 million broiler placements for the 1H2023.

- Abnormal costs have been incurred on a backlog in the broiler slaughter programme, that has resulted in older and heavier birds consuming higher levels of feed. In addition, excessive processing costs are being incurred as additional shifts are being implemented to try and address the substantial backlog in the Group's integrated broiler supply chain. The larger bird size and continued load shedding disruptions have compromised the Group's poultry product offering.
- Astral indicated that a substantial poultry selling price increase would be required to recover the high feed input costs and the impact of load shedding. However, Astral was unable to implement the selling price increase required and as a result, Astral continues to "subsidise" the increased cost of production to our customer base and the consumer. Based on prevailing market and operational conditions, the cost to produce chicken exceeds the selling price by at least R2.00 per kilogram.
- The Poultry division is expected to incur significant losses for the 1H2023.

CAPITAL EXPENDITURE

A large portion of the capital expenditure commitments amounting to R737 million, outlined during the F2022 results presentation, has been placed on hold given the current adverse market conditions. The Group has however committed funds towards backup electricity generation solutions to reduce the adverse impact of load shedding.

INITIAL TRADING STATEMENT

Considering the prevailing market conditions, together with the contributing factors mentioned above, Astral has reasonable certainty that earnings per share ("EPS") and headline earnings per share ("HEPS") for the six months ending 31 March 2023, are expected to decrease by no more than 90%, being 142.0 cents each, compared to the six months ended 31 March 2022 (EPS of 1 456 cents and HEPS of 1 420 cents).

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

The financial information in this announcement has not been reviewed or reported on by the Group's auditors.

Further voluntary trading updates will be considered should market and operational conditions change materially.

A further trading statement will be provided in April 2023 once the Board has reasonable certainty of the expected EPS and HEPS ranges.

Pretoria
25 January 2023

Sponsor
Nedbank Corporate and Investment Banking, a division of
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