

QUANTUM FOODS HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)

(Registration number: 2013/208598/06)

Share code: QFH

ISIN: ZAE000193686

("Quantum Foods" or the "Company" or the "Group")



VOLUNTARY OPERATIONAL UPDATE

VOLUNTARY OPERATIONAL UPDATE FOR THE 4 MONTHS ENDED 31 JANUARY 2024 ("CURRENT PERIOD")

Trading conditions

Despite the continuing impact of the 2023 Highly Pathogenic Avian Influenza ("HPAI") outbreak in South Africa, there was an improvement in trading conditions in the Current Period when compared to the four months ended 31 January 2023 ("Previous Period"). Feed raw material costs as well as the number of loadshedding hours reduced, resulting in reduced operational costs which contributed to margin improvement.

HPAI, layer farming and egg businesses

Further HPAI outbreaks were reported by South African producers during the Current Period. The Company also experienced further HPAI outbreaks in its layer farm operations in the Northern Provinces of South Africa during the Current Period. The value of the birds affected by the further outbreaks amounted to approximately R37 million.

The Company made satisfactory progress in rebuilding its layer breeder flock during the Current Period. Layer breeder birds were placed on newly contracted facilities as well as alternative Company owned facilities to reduce the risk of diseases which could potentially impact future hatching eggs supply. During the Current Period, layer hatching eggs were imported to supplement severely restricted own available supply as newly placed breeders were mostly being reared for future hatching egg production.

In addition to the above and in order to mitigate the risk of egg supply from layer birds on commercial egg farms being affected by HPAI, the Company contracted independent egg production farmers in geographical areas where the HPAI risk was assessed to be lower.

The Company's egg supply was approximately 60% lower in the Current Period when compared to the Previous Period. Egg prices increased by slightly more than 60% during the Current Period, however the layer farming financial performance was still significantly impacted by both the lower throughput, leading to cost under recovery, as well as the further HPAI outbreaks.

The Company expects that total egg production in South Africa will remain muted for the next six to eight months whereafter it should increase as the national flock recovers.

The risk of HPAI remains high and is expected to remain high for the remainder of the financial year ending 30 September 2024. Stringent protocols for voluntary vaccination against HPAI have been published by the South African Government. The registration process for the required vaccines has been and is receiving attention from the relevant Government departments.

Broiler farming

The operational and financial performance of the broiler breeder farming and commercial broiler farming operations in the Western Cape significantly improved from the Previous Period (wherein genetics from both Cobb500 and Ross 308 breeds were in production simultaneously which contributed to reduced farming efficiencies). The migration from Cobb500 to Ross 308 genetics was largely completed before the start of the Current Period during which the Ross 308 birds performed well.

The Company's broiler farming operations at its breeder farm in Hartbeespoort was affected by the HPAI outbreak in the fourth quarter of the financial year ended 30 September 2023. The farm remained dormant for the Current Period

and the consequential loss of hatching egg production resulted in both a lower hatching egg supply and an increase in the cost of hatching eggs used to supply the market with day old broiler chicks. The Company supplemented its locally sourced supply with imported hatching eggs to reduce the impact on its customers.

When compared to the Previous Period, the total day old chick production of the Company reduced by 1%. Live broiler volumes supplied during the Current Period increased by approximately 6% on the back of lower mortalities and improved weights.

Feed business

The feed business delivered a satisfactory operational and financial performance for the Current Period, despite a significant reduction in poultry feed volumes from the Pretoria feed mill supplied to both the external market and the Company's own farming operations, that resulted from the HPAI outbreak in 2023. Total feed volumes supplied in the Current Period reduced by c. 14% when compared to the Previous Period.

Other African operations

Trading conditions in Zambia were impacted by a significant increase in maize costs during the Current Period, when compared to the Previous Period. This increase negatively impacted both margins in the egg business and the demand for day old chicks and feed. Trading conditions improved in Uganda due to lower feed raw material costs, resulting in improved demand for the Company's products. Egg selling prices increased in Mozambique as a result of reduced supply from South Africa. Overall, the Group's other African operations recovered well from the weak financial performance experienced during the Previous Period and contributed satisfactorily to the Company's financial performance for the Current Period.

The financial information contained in this announcement is the responsibility of the directors of Quantum Foods, and such information has not been reviewed or reported on by the Company's external auditors.

Wellington
23 February 2024

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