Interim Results Press Release

ASTRAL REPORTS FAIR RESULTS

- Revenue increased by 4% to R7.1 billion (March 2019: R6.8 billion)
- Operating profit increased by 8% to R546 million (March 2019: R503 million)
- HEPS of 951 cents (March 2019: 948 cents)
- No interim dividend declared

18 May 2020: **Astral Foods Limited** (Astral), South Africa's leading integrated poultry producer, reported its results for the six months ended 31 March 2020, amidst a country-wide lockdown and uncertain trading conditions.

Chris Schutte, CEO of Astral, commented: "The results for this reporting period were satisfactory and not impacted by the lockdown that was implemented towards the end of March 2020. For the period under review feed input costs increased on higher maize prices, whilst on-farm poultry production efficiencies remained in line with forecasts. Poultry selling prices increased leading to some recovery of higher input costs. We continued to incur certain additional costs such as those associated with load shedding, the legislated national minimum wage and on-going water supply costs relating to the Standerton contingency measures."

Schutte added that towards the end of March the Group started to incur some COVID-19 related costs in order to comply with health and safety regulations, and preparations for the lockdown. No major disruptions to Astral's production capability are being experienced during the lockdown, with Astral implementing stringent social distancing, screening and employee welfare measures.

Group revenue for the reporting period increased by 4.3% from R6.8 billion (March 2019) to R7.1 billion. Operating profit increased by 8.5% to R546 million from R503 million (March 2019), mainly due to the improved profitability of the Poultry division. The Group's operating profit margin increased from 7.4% (March 2019) to 7.7%.

Revenue for the **Poultry** division increased by 3.1% to R5.6 billion (March 2019: R5.5 billion), supported by an increase in revenue from the Group's breeding operations. The broiler operations reported an increase in revenue on the back of higher selling prices.

Broiler sales volumes were down by 2.5% (5 735 tons), due to a change in the point of recognition of a sale with a new third party distribution agreement, which is now based on a consignment stock model. Consumer demand remained subdued, with less promotional activity required to manage stock levels.

Broiler feed prices increased 6% on a Rand per ton basis due to higher raw material costs for the reporting period. Feed conversion efficiency improved further, slightly offsetting the higher feeding cost per broiler.

Operating profit for the Poultry division increased by 11.5% to R287 million (March 2019: R258 million), underpinned by improved profitability in the breeding operations. Improved broiler sales realisations offset higher feed input costs, whilst certain extraordinary expenses negatively impacted the profitability of this division. The legislated minimum wage, the impact of load shedding nationally, on-going water supply costs in Standerton, and costs associated with COVID-19, all contributed to a higher base cost of production. The operating profit margin increased to 5.1%, compared to 4.7% achieved in the prior period.

Total poultry imports remained high, with the average monthly total poultry imports for the period under review equalling approximately 30% of local consumption, at an average of 42,907 tons per month.

Revenue for the **Feed** division increased by 6.2% to R3.5 billion (March 2019: R3.3 billion) as a direct result of higher selling prices on the back of increases in raw material costs. SAFEX yellow maize prices increased to an average of R2 703 per ton for the period under review (March 2019: R2 579). Feed sales volumes in the division decreased marginally by 0.5% as the internal requirement for broiler feed decreased (1.2%) on an improved broiler feed conversion rate. Higher external sales volumes (0.5%) were reported due to increased feed sales to the dairy, beef, sheep and commercial layer sectors.

The operating profit for this division increased by 1.7% to R243 million (March 2019: R239 million), with a decrease in the operating profit margin to 6.9% (March 2019: 7.2%). The division benefitted from well-controlled expenses and effective raw material cost recovery.

The contribution from the **Other Africa** division, although marginal, increased. Revenue was up 7.0% to R239 million (March 2019: R223 million), largely due to higher selling prices on the back of an increase in raw material input costs. Sales volumes decreased by 4.0% on lower feed sales volumes in Zambia and Mozambique. Operating profit increased to R16 million (March 2019: R7 million) on a good performance from Swaziland and improved profitability in Mozambique.

Daan Ferreira, Astral's CFO, said: "The Group's major capital programme to expand poultry volumes has been delayed, due to final commissioning not being completed as a result of the lockdown. Other capital expenditure has been slowed down due to the impact of the current lockdown. The Group's surplus cash on hand at 31 March was R470 million."

The Astral Board agreed that no interim dividend would be declared under the present economic circumstances, whilst also considering the extreme uncertainty of the near future created by the seemingly indefinite COVID-19 lockdown.

The impact of COVID-19 and the protracted lockdown on the welfare of South African citizens and the economy is dire. The unprecedented higher unemployment rate following the hard lockdown, further constraints on consumer disposable income, and financial distress on businesses with a slow recovery expected by most economists, makes for a negative outlook.

The shutdown of Quick Service Restaurants (QSRs) has exposed Astral to late payments from customers in this market, and due to a lack of supply into this sector under the current lockdown, a product mix change has resulted with a shift to lower margin product lines.

Astral is expecting an above average maize crop for the 2020 harvest season, which should result in favourable feed costs from August 2020 if not further impacted by local currency weakness. The higher import tariffs on frozen bone-in portions announced in March 2020 should go some way in levelling the playing fields and discouraging unfair trade. Once the Festive expansion capital project is completed, we should see further production efficiencies and product mix opportunities.

Schutte concluded: "At the time of going to press, we have no different view to our outlook after the President's address to the nation on the evening of 13 May 2020. However, against this context Astral remains committed to its stated strategy, and under the challenges of the lockdown we will endeavour to play the expected role of being an essential food supplier to the nation. Astral applauds the commitment of all staff to their front line responsibilities during these trying times and thanks all its suppliers for their support. We strive to provide uncompromised quality and service to our customers."

Ends

Contact:	**Astral Foods Limited** Chris Schutte (CEO) or Daan Ferreira (CFO) Tel: (012) 667 5468
Issued and released by:	**Keyter Rech Investor Solutions** Marlize Keyter 083 701 2021
Issue date:	18 May 2020
JSE code:	ARL
Website:	www.astralfoods.com

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