UNAUDITED GROUP RESULTS

for the six months ended 31 March 2020

We nourish and nurture more lives every day

TIGER BRANDS

SALIENT FEATURES
from continuing operations

Tiger Brands **grows revenue** under difficult trading conditions

Revenue
R15,7 billion
▲ 2%

Operating income*
R1,1 billion
▼ 29%

EPS
221 cents
▼ 75%

HEPS
501 cents
▼ 35%

Interim dividend withheld as cash preservation is prioritised given Covid-19 uncertainty

* *Before IFRS 2 charges, impairments and abnormal items.*

COMMENTARY

OVERVIEW

The Group's overall performance reflects the difficult trading environment and the challenges faced, particularly within Grains, Groceries, Value Added Meat Products (VAMP) and Exports.

As previously reported, operations at Deli Foods in Nigeria were terminated in October 2019. As such, Deli Foods has been treated as a discontinued operation in these results, with the comparative information restated accordingly.

With regards to the VAMP business, it is noted that the Company has received offers from two parties for the acquisition of separate parts of the business as going concerns. Each of the two agreements is subject to an inter-conditionality clause, such that each agreement is subject to the other becoming unconditional in all respects. As a number of key terms and conditions remain to be negotiated, it is appropriate to treat VAMP as a continuing operation in the current period. On conclusion of the respective Sale and Purchase Agreements, the Company will provide an update incorporating the financial impact of the disposals as well as the key conditions precedent to the successful conclusion of the overall transaction.

Group revenue from continuing operations increased by 2% to R15,7 billion, with price inflation of 4% offset by an overall volume decline of 2%. Gross profit margins were impacted by lower volumes as well as raw material and conversion costs rising ahead of inflation, with the consolidated gross profit margin declining from 31,4% to 29,4%. In addition, marketing expenses increased by 9% over the period to R528 million, in line with the strategy to enhance brand health and drive consumption. The continuing losses incurred by VAMP, although showing a 14% improvement on the prior year, further impacted profitability. Group operating income before IFRS 2 charges, impairments and abnormal items decreased by 29% to R1,1 billion, whilst the operating profit margin decreased from 10,2% to 7,0%. Excluding VAMP, operating income before IFRS 2 charges, impairments and abnormal items declined by 27% to R1,4 billion, whilst the operating profit margin decreased to 8,9% from 12,3%.

Domestic revenue was 3% higher at R14,2 billion, driven by price inflation of 4% and offset by an overall volume decline of 1%. Excluding VAMP, all categories recorded selling price inflation, which resulted in volume declines across the portfolio, except in Flour, Bakeries, Beverages and Home Care. However, the price inflation was not sufficient to fully recover cost increases. This, coupled with the resultant decline in volumes, led to negative operating leverage.

Revenue from Exports and International declined by 4% to R1,6 billion primarily due to the trademark dispute with a former distributor in Nigeria, as well as slightly lower sales in the Deciduous Fruit business.

Based on the fact that an agreement in principle has been reached with the former distributor in Nigeria, a settlement amount of R71 million has been provided for in abnormal items. This was partially offset by a capital profit of R43 million arising from the disposal of a property, which is also reflected as an abnormal item.

During the current period, impairments amounting to R557 million (2019: R106 million) relating to intangible assets, plant and equipment, as well as the investment in associates, were recorded. The impairments in respect of intangible assets relate to certain Personal Care brands and Davita (powdered soft drinks and seasoning), and amount to R36 million and R250 million respectively, whilst plant and equipment to the value of R197 million has been impaired in the Deciduous Fruit business. In addition, an impairment of R75 million has been taken against the carrying value of the investment in Nigerian associate, UAC Foods. These impairments arose as a result of the continual assessment of risks associated with these businesses amid ongoing trading difficulties in key markets including deteriorating macro-economic prospects, which have been exacerbated by Covid-19 led economic challenges as well as adverse category dynamics.

Net interest paid of R80 million (2019: R12 million) includes an amount of R21 million relating to the adoption of IFRS 16 *Leases*, the impairment of dividends and interest receivable from associate company, National Foods Holdings in Zimbabwe, of R11 million and interest on higher average debt levels during the period, driven by the funding of higher stock levels in the first quarter. The increase in interest paid is offset by net foreign exchange gains of R84 million (2019: R8 million loss), resulting from USD-denominated cash balances benefiting significantly from the recent depreciation of the rand.

Income from associates decreased by 21% to R158 million. The decline in income from associates reflects no contribution from Oceana in the current period, whereas, the previous period included two months of earnings amounting to R31 million. In respect of Carozzi, an improved underlying performance was more than offset by the effect of the depreciation of the Chilean peso against the rand.

The Group has adopted IFRS 16 *Leases* on a modified retrospective basis. The adoption of this standard has had a minimal impact on the results for the current period. The main impact on the statement of comprehensive income has been an increase of R17 million in operating income offset by higher finance costs of R21 million resulting in a net decline of R4 million in profit before tax.

Profit before tax from continuing operations declined by 65% to R673 million.

Earnings per share (EPS) from continuing operations decreased by 75% to 221 cents (2019: 875 cents), whilst EPS from total operations decreased by 76% to 210 cents (2019: 864 cents). EPS was impacted by a significantly higher impairment charge in the current period, whilst earnings in the previous period benefited from the abnormal after-tax capital profit of R282 million arising from the sale of Oceana shares to Brimstone.

Headline earnings per share (HEPS) from continuing operations was down 35% to 501 cents (2019: 773 cents), driven primarily by the lower level of operating income. Excluding VAMP, HEPS from continuing operations declined by 30% to 611 cents (2019: 872 cents). HEPS from total operations decreased by 36% to 489 cents (2019: 762 cents).

OPERATING PERFORMANCE

Grains

Revenue in the Grains division increased marginally to R6,8 billion, whilst operating income decreased by 33% to R532 million.

Milling and Baking's revenue increased by 5%, driven by an average selling price increase of 5% across the segment. Operating income declined by 22% to R497 million, driven primarily by Bakeries and Maize. The wheat-to-bread value chain continues to be impacted by the inability to fully recover cost push, high levels of promotional activity and low volume growth. The Maize category was adversely affected by volatile raw material pricing, physical supply constraints and increased competition.

Other Grains revenue declined by 6% to R2,0 billion, driven primarily by lower volumes in Rice. Rice and Pasta were affected by intense competitive activity, however, they benefited from improved demand in March 2020. Although sales of Jungle Oats benefited from new packaging, increased advertising and improved in-store presence, this was not adequate to offset the challenges faced in Rice and Pasta. Operating income decreased by 77% to R35 million, due to the lower volumes as well as higher raw material and conversion costs across the board. The results were further affected by increased levels of marketing investment and depreciation charges on the new Oat mill.

Consumer Brands – Food

Consumer Brands – Food recorded higher levels of revenue at R5,9 billion (2019: R5,6 billion), benefiting from significant revenue growth in VAMP as well as marginal increases achieved in Groceries, Beverages and Out of Home. This improvement was partly offset by lower revenue at Snacks & Treats. Total operating income fell by 29% to R237 million. The percentage reduction in operating income was aggravated by VAMP's continued operating losses. Excluding VAMP, operating income declined by 22% to R492 million.

Groceries revenue increased marginally to R3,0 billion. This was underpinned by price inflation of 3% on an overall volume decline of 2%. This result reflects the highly competitive trading environment with consumers shopping predominantly on promotion. The performance was further impacted by supply constraints in tomato sauce. Pre-National Lockdown-related volume increases in March 2020 had a marginal impact on the overall performance for the period under review. Despite all product segments recording selling price inflation, this was not sufficient to fully recover cost increases, resulting in negative operating leverage. Consequently, operating income declined by 27% to R170 million.

Revenue in Snacks & Treats fell by 8% to R1,1 billion, resulting from volume reductions of 10% less price inflation of 2%. The decline in volume was driven primarily by increased competitive activity, particularly in chocolate, exacerbated by low demand in March as orders were diverted to carbohydrate staples ahead of the National Lockdown. Operating income declined by 39% to R103 million as a result of lower volumes, factory under-recoveries and higher logistics costs, particularly related to storage.

Revenue in VAMP increased from R213 million in the prior corresponding period to R525 million in the current period. This increase was as a result of normalised distribution and on-shelf availability since re-entering the category over a year ago. Although the significant volume recovery helped reduce operating losses by 14% to R256 million, the inability to recover higher than expected input costs, including the increased cost of utilities, continues to adversely impact this business' recovery to break-even.

The Beverages business grew revenue by 4% to R945 million, recording volume growth of 2% and price inflation of 2%. Volume growth was driven by the successful launch of innovations as well as satisfactory performances from core offerings within Oros (liquid concentrates). Operating income declined by 6% to R167 million due to increased marketing investment in support of the newly launched innovations.

Home, Personal Care and Baby (HPCB)

HPCB's total revenue increased by 4% to R1,5 billion, benefiting from a strong performance by the Home Care category. Home Care volumes were negatively impacted in the month of March as consumption diverted to consumer staples ahead of the National Lockdown. Operating income declined by 4% to R283 million.

Revenue in the Personal Care category decreased by 11% to R270 million. This was attributable to a significant decline in sales volumes. Volume declines were experienced across all segments due to price inflation ahead of the market in an intensely competitive sector. Operating income declined by 61% to R11 million due to the lower volumes, increased logistics costs, higher marketing investment and factory under-recoveries.

Baby Care's revenue was flat at R475 million, with price inflation of 5% offset by volume declines of 5%. Volumes were adversely impacted by factory inefficiencies in the first quarter as well as constraints in the supply of pouch packaging. Operating income decreased by 32% to R46 million as a result of higher conversion costs, overhead under-recoveries and increased marketing investment.

COMMENTARY continued

The Home Care category sustained its strong performance, underpinned by pesticides. Revenue increased by 14% to R767 million, driven primarily by price inflation of 12%. Operating income increased by 14% to R227 million. This was assisted by a favourable product mix, whilst higher production volumes had a positive effect on factory recoveries.

Exports and International

Exports and International was negatively affected by the trademark dispute with a former distributor in Nigeria, resulting in virtually no sales to Nigeria for the period. The performance of Exports was further impacted by lower demand in other export markets on the Continent, as well as the effect of Covid-19 Lockdown measures which prevented access to certain export markets by the Deciduous Fruit business.

With regards to the trademark dispute in Nigeria, an agreement in principle has been reached with the former distributor. As such, a settlement amount of R71 million has been provided for in these results and included in abnormal items.

Total revenue for the Exports and International businesses declined by 4% to R1,6 billion, whilst operating income fell by 64%.

Chococam's performance was affected by tough trading conditions as a result of political and social instability in the region. As a result, revenue growth of 1% was behind the historical performance of this business. Marginal volume growth was achieved, which was offset by the effects of price deflation across most categories. Operating income reduced by 16% to R71 million, due to a newly introduced excise tax on gross sales of 5%, effective from January 2020 and implemented in April 2020. Consequently, the duty, which amounted to R14 million for the period under review, could not be recovered from customers. Recovery of this tax from April onwards will have an inflationary effect which is likely to impact future demand.

Revenue in the Deciduous Fruit business declined by 6% to R576 million because of lower sales to China following the closure of foreign ports due to Covid-19 Lockdown measures. The business reported an operating loss of R21 million (2019: R12 million loss). Given the structural category dynamics which have evolved over a prolonged period, it is unlikely that the Deciduous Fruit business will generate the requisite rate of return for Tiger Brands. To this end, the Company will commence engagement with relevant stakeholders regarding the future of the business and will provide an update when it is appropriate to do so.

CASH FLOW AND CAPITAL EXPENDITURE

Cash generated from operations increased by 8% to R1,5 billion (2019: R1,4 billion). This improvement was largely the result of a significant reduction in the investment in working capital from R516 million in the corresponding period last year to R13 million in the period under review. This resulted in a net cash position of R978 million as at 31 March 2020 (2019: R777 million). Capital expenditure incurred during the period amounted to R479 million (2019: R361 million).

INTERIM DIVIDEND

The Board of Directors has decided not to declare an interim dividend. The Board considers this to be prudent given the short-term uncertainty related to the Covid-19 Lockdown measures. Depending on the Group's trading performance for the full financial year and the financial outlook at that time, a dividend will be re-considered at year end in line with the Group's dividend policy of 1,75 times cover (based on HEPS).

CLASS ACTION UPDATE

As previously reported, the High Court was scheduled to hear applications of those third parties who declined to disclose information in their possession in terms of previously issued subpoenas by the Company. These proceedings were concluded on Friday, 15 May 2020. Judgment is expected to be handed down within the next few weeks.

COMMENTARY continued

COVID-19

As previously reported, most of Tiger Brands' manufacturing and distribution sites were classified as essential services and have continued to operate during the Lockdown period. However, certain facilities and offices were closed in line with regulatory requirements or demand dynamics. To ensure the health and safety of our employees, a number of measures have been implemented, including private transport for staff, staggered shifts where possible to ensure safe working conditions and increased health screening and awareness across the Group. All affected facilities, which were temporarily closed, have resumed operations except for sorghum-based beverages which remains closed in terms of the regulations.

We acknowledge the exceptional contribution by our employees who have selflessly contributed to ensuring food security during the Lockdown period.

Furthermore, to demonstrate our commitment in overcoming this crisis, our food-based social interventions include continuing with the current Family Food Programme to support around 30 000 individuals with meals every day; expanding the current School Nutrition Programme with the Department of Basic Education to provide meals to communities during the Lockdown period where these would have ordinarily been facilitated directly through the Tiger Brands Foundation's In-school Breakfast Programme; and the continuation of the University Food Programme despite the institutions being closed. The latter programme currently feeds around 4 500 university students at five universities across eight campuses in South Africa. In addition, we are supporting Food Forward with food items on a weekly basis to distribute food parcels across the country to communities in need. To assist with Covid-19 relief initiatives, the Executive Committee and Board of Directors have agreed to forfeit up to 30% of their salaries and fees for a total period of three months during the duration of the Lockdown.

OUTLOOK

The pace at which we move through the various Lockdown phases to fully re-opening the economy remains uncertain, whilst the impact on consumers, unemployment and disposable incomes is likely to be dire. We anticipate that demand patterns will change and are preparing for significant changes in consumption and shopping behaviour as we move out of the acute phase of the National Disaster period and into, what is likely to be, a deep and prolonged recession.

As existing procurement positions are depleted, the second half will be impacted by significant cost push due to rand weakness, global supply chain disruptions and additional costs incurred during the Lockdown period. These costs, together with the effect of Government regulations on pricing during the National Disaster period, may have an impact in excess of R500 million on profitability.

Our immediate focus is to ensure the ongoing safety of our employees whose commitment during this period has been truly inspirational. We are prioritising the building of adequate stock cover to cater for the possibility of potential disruptions to the supply chain and ensure the consistent availability of our products.

In the short to medium term, cognisant of a constrained consumer, we will prioritise innovation towards value offerings, whilst re-engineering our business to optimise costs and improve efficiencies.

By order of the Board

KDK Mokhele
Chairman

NP Doyle
Chief Executive Officer

Bryanston
22 May 2020

Date of release: 25 May 2020

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

R'million	Notes	Unaudited six months ended 31 March 2020	Restated unaudited six months ended 31 March 2019#	Audited year ended 30 September 2019
Continuing operations				
Revenue		**15 708,9**	15 333,3	29 232,7
Cost of sales		**(11 092,2)**	(10 516,6)	(20 382,4)
Gross profit		**4 616,7**	4 816,7	8 850,3
Sales and distribution expenses		**(2 106,0)**	(2 009,2)	(3 935,9)
Marketing expenses		**(528,2)**	(484,9)	(860,0)
Other operating expenses		**(904,6)**	(796,5)	(1 431,1)
Operating income before impairments and abnormal items	2	**1 077,9**	1 526,1	2 623,3
Impairments	3	**(557,2)**	(106,0)	(307,1)
Abnormal items	4	**(21,2)**	328,9	2 042,0
Operating income after impairments and abnormal items		**499,5**	1 749,0	4 358,2
Net finance costs and investment income	5	**15,0**	(17,9)	11,7
Income from associated companies		**158,0**	200,0	371,2
Profit before taxation		**672,5**	1 931,1	4 741,1
Taxation		**(293,8)**	(468,5)	(797,8)
Profit for the period from continuing operations		**378,7**	1 462,6	3 943,3
Discontinued operation				
Loss for the period from discontinued operation	7	**(19,1)**	(18,4)	(52,5)
Profit for the period		**359,6**	1 444,2	3 890,8
Attributable to:				
Owners of the parent		**347,4**	1 431,3	3 863,3
– Continuing operations		**366,5**	1 449,7	3 915,8
– Discontinued operation		**(19,1)**	(18,4)	(52,5)
Non-controlling interests		**12,2**	12,9	27,5
– Continuing operations		**12,2**	12,9	27,5
		359,6	1 444,2	3 890,8

Restated as required by IFRS 5 in relation to the treatment of Deli Foods Nigeria Limited (Deli Foods) (International operations – West Africa) as a discontinued operation. Refer to note 7.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT
continued

R'million	Unaudited six months ended 31 March 2020	Restated unaudited six months ended 31 March 2019#	Audited year ended 30 September 2019
Basic earnings per ordinary share (cents)	**209,7**	864,3	2 332,6
– Continuing operations	**221,2**	875,4	2 364,3
– Discontinued operation	**(11,5)**	(11,1)	(31,7)
Diluted basic earnings per ordinary share (cents)	**208,4**	860,9	2 325,3
– Continuing operations	**219,9**	872,0	2 356,9
– Discontinued operation	**(11,5)**	(11,1)	(31,6)
Headline earnings per ordinary share (cents)	**489,1**	761,9	1 322,3
– Continuing operations	**500,6**	773,0	1 348,7
– Discontinued operation	**(11,5)**	(11,1)	(26,4)
Diluted headline earnings per ordinary share (cents)	**486,1**	759,0	1 318,1
– Continuing operations	**497,6**	770,1	1 344,4
– Discontinued operation	**(11,5)**	(11,1)	(26,3)

Restated as required by IFRS 5 in relation to the treatment of Deli Foods Nigeria Limited (Deli Foods) (International operations – West Africa) as a discontinued operation. Refer to note 7.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

R'million	Unaudited six months ended 31 March 2020	Unaudited six months ended 31 March 2019	Audited year ended 30 September 2019
Profit for the period	**359,6**	1 444,2	3 890,8
Other comprehensive income/(loss), net of tax	**74,5**	(133,3)	(397,6)
Net gain on hedge of net investment in foreign operation[1]	**30,9**	0,7	5,5
Foreign currency translation adjustments[1]	**64,2**	(29,3)	(23,7)
Share of associates' other comprehensive income/(loss) and FCTR related to translation of investments in associates[1]	**66,7**	(121,2)	(389,0)
Net (loss)/gain on cash flow hedges[1]	**(17,3)**	13,8	3,9
Net (loss)/gain on available for sale/FVOCI[2] financial assets[1]	**(70,0)**	2,9	(21,6)
Remeasurement raised in terms of IAS 19R	**–**	–	54,6
Tax effect	**–**	(0,2)	(27,3)
Total comprehensive income for the period, net of tax	**434,1**	1 310,9	3 493,2
Attributable to:			
Owners of the parent	**401,0**	1 305,1	3 465,9
Non-controlling interests	**33,1**	5,8	27,3
	434,1	1 310,9	3 493,2

[1] *Items that may be subsequently reclassified to profit or loss including the related tax effects, with the exception of R2,9 million loss (2019: R0,9 million gain) relating to the share of associates' other comprehensive income and fair value gains/(losses) on equity instruments measured at FVOCI.*

[2] *FVOCI – fair value through other comprehensive income.*

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

R'million	Notes	Unaudited six months ended 31 March 2020	Unaudited six months ended 31 March 2019	Audited year ended 30 September 2019
ASSETS				
Non-current assets		**11 089,0**	10 684,6	10 943,6
Property, plant and equipment		**5 230,2**	4 660,8	4 976,4
Goodwill		**1 198,2**	1 588,7	1 477,4
Intangible assets		**1 750,3**	1 746,1	1 744,4
Investments		**2 807,4**	2 675,3	2 731,7
Deferred taxation asset		**102,9**	13,7	13,7
Current assets		**11 254,5**	10 823,6	11 213,4
Inventories		**5 339,1**	5 360,3	5 501,7
Trade and other receivables		**4 525,6**	4 574,7	3 987,8
Cash and cash equivalents		**1 389,8**	888,6	1 723,9
Assets classified as held-for-sale	7	**15,9**	2 000,5	23,5
TOTAL ASSETS		**22 359,4**	23 508,7	22 180,5
EQUITY AND LIABILITIES				
Total equity		**15 080,8**	17 563,8	15 407,5
Issued capital and reserves		**14 884,8**	17 395,9	15 244,4
Non-controlling interests		**196,0**	167,9	163,1
Non-current liabilities		**1 314,4**	1 068,6	998,6
Deferred taxation liability		**477,0**	365,3	415,8
Provision for post-retirement medical aid		**592,4**	628,5	582,8
Long-term borrowings*	8	**245,0**	74,8	–
Current liabilities		**5 937,9**	4 876,3	5 625,2
Trade and other payables		**4 977,1**	4 287,7	4 504,6
Provisions		**441,3**	525,3	548,2
Taxation		**6,6**	26,8	53,4
Short-term borrowings*	8	**512,9**	36,5	519,0
Liabilities directly associated with assets classified as held-for-sale		**26,3**	–	149,2
TOTAL EQUITY AND LIABILITIES		**22 359,4**	23 508,7	22 180,5
Net debt/(cash)*		**(978,4)**	(777,3)	(1 204,9)

* *The right-of-use lease liabilities have been included in the long and short-term borrowings respectively. The right-of-use lease liabilities have been excluded from the net debt/(cash) as these are non-cash in nature.*

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

R'million	Unaudited six months ended 31 March 2020	Unaudited six months ended 31 March 2019	Audited year ended 30 September 2019
Cash operating profit	**1 479,2**	1 871,5	3 401,5
Working capital changes	**(12,5)**	(515,8)	90,7
Cash generated from operations	**1 466,7**	1 355,7	3 492,2
Finance income and income from investments	**11,7**	56,8	45,8
Finance costs	**(57,1)**	(84,4)	(67,0)
Dividends received from associate companies	**–**	176,1	282,4
Taxation paid	**(415,9)**	(550,7)	(852,0)
Cash available from operations	**1 005,4**	953,5	2 901,4
Dividends paid	**(739,3)**	(1 193,2)	(2 284,5)
Net cash inflow/(outflow) from operating activities	**266,1**	(239,7)	616,9
Purchase of property, plant and equipment	**(478,7)**	(361,2)	(1 103,5)
Proceeds from disposal of property, plant, equipment and intangible assets	**50,3**	–	2,4
Proceeds on disposal of investment	**10,1**	–	–
Proceeds on disposal of associate investment	**–**	581,4	757,9
Net cash on disposal of subsidiary	**–**	255,9	307,7
Movement in trademark	**–**	–	2,3
Net cash (outflow)/inflow from investing activities	**(418,3)**	476,1	(33,2)
Net cash (outflow)/inflow before financing activities	**(152,2)**	236,4	583,7
Black Managers Trust (BMT) shares exercised	**1,8**	3,4	15,5
Shares exercised relating to equity-settled scheme	**(6,1)**	(25,9)	(33,0)
Right-of-use assets rental repayments	**(96,5)**	–	–
Long-term borrowings repaid	**–**	(2,1)	(2,7)
Short-term borrowings raised/(repaid)	**94,1**	32,3	(79,8)
Net cash (outflow)/inflow from financing activities	**(6,7)**	7,7	(100,0)
Net (decrease)/increase in cash and cash equivalents	**(158,9)**	244,1	483,7
Effect of exchange rate changes on cash and cash equivalents	**141,3**	(24,7)	8,8
Cash and cash equivalents at the beginning of the period	**1 161,7**	669,2	669,2
Cash and cash equivalents at the end of the period	**1 144,1**	888,6	1 161,7
Cash resources	**1 389,8**	888,6	1 723,9
Short-term borrowings regarded as cash and cash equivalents	**(205,6)**	–	(518,5)
Discontinued operation	**(40,1)**	–	(43,7)
	1 144,1	888,6	1 161,7

OTHER SALIENT FEATURES

R'million	Unaudited six months ended 31 March 2020	Unaudited six months ended 31 March 2019	Audited year ended 30 September 2019
Capital commitments	**1 163,1**	1 408,0	995,6
– Contracted	**583,5**	325,7	84,8
– Approved	**579,6**	1 082,3	910,8
Capital commitments will be funded from normal operating cash flows and the utilisation of existing borrowing facilities.			
Capital expenditure	**478,7**	361,2	1 103,5
– Replacement	**392,8**	180,1	600,3
– Expansion	**85,9**	181,1	503,2
Replacement capital expenditure in line with approved capex plan.			
Guarantees			
– Guarantees	**20,2**	84,4	21,0
The decline in guarantees from March 2019 related to the Deli Foods guarantee with Rand Merchant Bank Nigeria Limited (RMB Nigeria) which is almost fully utilised.			

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

R'million	Share capital and premium	Non-distributable reserves
Balance at 1 October 2018	142,0	3 432,6
Profit for the period	–	–
Other comprehensive loss	–	(126,2)
Total comprehensive (loss)/income	–	(126,2)
Disposal of subsidiary	–	–
Transfers between reserves[1]	–	26,4
Share-based payment[3]	–	–
Dividends on ordinary shares (net of dividend on treasury shares)	–	–
Sale of empowerment shares[4]	–	–
Disposal of investment in associate	–	(26,4)
Balance at 31 March 2019	142,0	3 306,4
Profit for the period	–	–
Other comprehensive (loss)/income	–	(310,4)
Total comprehensive (loss)/income	–	(310,4)
Disposal of subsidiary	–	–
Transfers between reserves[1]	–	52,8
Share-based payment	–	–
Dividends on ordinary shares (net of dividend on treasury shares)	–	–
Sale of empowerment shares[4]	–	–
Disposal of investment in associate	–	(161,9)
Allocated shares on unbundling of Oceana	–	–
Balance at 30 September 2019	142,0	2 886,9
Profit for the period	–	–
Other comprehensive income	–	53,6
Total comprehensive income	–	53,6
Transfers between reserves[1]	–	154,5
IFRS 16 adjustment[2]	–	–
Share-based payment[3]	–	–
Dividends on ordinary shares (net of dividend on treasury shares)	–	–
Sale of empowerment shares[4]	–	–
Balance at 31 March 2020	142,0	3 095,0

1 *Transfer between reserves relate to the share of associates' earnings and the exercised portion of IFRS 2.*
2 *Retained earnings adjustment resulting from the modified retrospective approach relating to IFRS 16.*
3 *Included in the movement of the share-based payment are options exercised amounting to R6,0 million (2019: R25,9 million).*
4 *Relates to the exercising of options vested post the December 2014 lock-in period in terms of the Black Managers Participation Right Scheme (BMT).*

Accumulated profits	Shares held by subsidiary and empowerment entities	Share-based payment reserve	Total attributable to owners of the parent	Non-controlling interests	Total equity
15 581,1	(2 465,1)	611,4	**17 302,0**	163,2	**17 465,2**
1 431,3	–	–	**1 431,3**	12,9	**1 444,2**
–	–	–	**(126,2)**	(7,1)	**(133,3)**
1 431,3	–	–	**1 305,1**	5,8	**1 310,9**
–	–	–	**–**	–	**–**
(21,0)	–	(5,4)	**–**	–	**–**
–	–	5,8	**5,8**	–	**5,8**
(1 192,1)	–	–	**(1 192,1)**	(1,1)	**(1 193,2)**
–	1,5	–	**1,5**	–	**1,5**
–	–	–	**(26,4)**	–	**(26,4)**
15 799,3	(2 463,6)	611,8	**17 395,9**	167,9	**17 563,8**
2 432,0	–	–	**2 432,0**	14,6	**2 446,6**
39,2	–	–	**(271,2)**	6,9	**(264,3)**
2 471,2	–	–	**2 160,8**	21,5	**2 182,3**
–	–	–	**–**	–	**–**
(53,6)	–	0,8	**–**	–	**–**
–	–	19,6	**19,6**	–	**19,6**
(4 432,0)	–	–	**(4 432,0)**	(26,3)	**(4 458,3)**
–	1,9	–	**1,9**	–	**1,9**
–	–	–	**(161,9)**	–	**(161,9)**
–	260,1	–	**260,1**	–	**260,1**
13 784,9	(2 201,6)	632,2	**15 244,4**	163,1	**15 407,5**
347,4	–	–	**347,4**	12,2	**359,6**
–	–	–	**53,6**	20,9	**74,5**
347,4	–	–	**401,0**	33,1	**434,1**
(150,8)	–	(3,7)	**–**	–	**–**
(43,4)	–	–	**(43,4)**	–	**(43,4)**
–	–	20,8	**20,8**	–	**20,8**
(739,1)	–	–	**(739,1)**	(0,2)	**(739,3)**
–	1,1	–	**1,1**	–	**1,1**
13 199,0	(2 200,5)	649,3	**14 884,8**	196,0	**15 080,8**

INTERIM CONDENSED CONSOLIDATED SEGMENTAL INFORMATION

R'million	Unaudited six months ended 31 March 2020	Restated unaudited six months ended 31 March 2019#	Audited year ended 30 September 2019
REVENUE			
Domestic operations	**14 157,6**	13 724,0	25 987,9
Grains	**6 776,6**	6 697,3	13 225,9
Milling and Baking[1]	**4 783,2**	4 566,0	9 436,7
Other Grains[2]	**1 993,4**	2 131,3	3 789,2
Consumer Brands – Food	**5 869,5**	5 572,2	10 091,8
Groceries	**3 014,0**	2 981,6	5 100,4
Snacks & Treats	**1 105,3**	1 204,4	2 249,4
Beverages	**944,8**	905,4	1 546,9
Value Added Meat Products	**524,7**	212,6	653,8
Out of Home	**280,7**	268,2	541,3
Home, Personal Care and Baby (HPCB)	**1 511,5**	1 454,5	2 670,2
Personal Care	**269,7**	303,5	639,3
Baby Care	**475,2**	475,9	980,8
Home Care	**766,6**	675,1	1 050,1
EXPORTS AND INTERNATIONAL	**1 551,3**	1 609,3	3 244,8
Exports	**733,1**	792,6	1 491,6
International operation – Central Africa (Chococam)	**468,3**	463,5	906,2
Deciduous Fruit (LAF)	**575,8**	610,8	1 281,7
Other intergroup sales	**(225,9)**	(257,6)	(434,7)
Continuing operations	**15 708,9**	15 333,3	29 232,7
Discontinued operation – West Africa (Deli Foods)	**9,8**	68,8	151,0
TOTAL REVENUE	**15 718,7**	15 402,1	29 383,7

All segments operate on an arm's length basis in relation to inter-segment pricing.

Restated as required by IFRS 5 in relation to the treatment of Deli Foods Nigeria Limited (Deli Foods) (International operations – West Africa) as a discontinued operation. Refer to note 7.

[1] *Comprises maize milling, wheat milling and baking, sorghum beverages and malt-based breakfast cereals.*

[2] *Comprises rice, pasta and oat-based breakfast cereals.*

INTERIM CONDENSED CONSOLIDATED SEGMENTAL INFORMATION continued

R'million	Unaudited six months ended 31 March 2020	Restated unaudited six months ended 31 March 2019#	Audited year ended 30 September 2019
OPERATING INCOME BEFORE IMPAIRMENTS AND ABNORMAL ITEMS[3]			
Domestic operations	**1 048,3**	1 412,0	2 472,1
Grains	**531,8**	788,3	1 441,8
Milling and Baking[1]	**497,1**	636,2	1 240,0
Other Grains[2]	**34,7**	152,1	201,8
Consumer Brands – Food	**236,6**	332,7	493,5
Groceries	**169,8**	232,5	325,3
Snacks & Treats	**102,6**	167,6	312,7
Beverages	**167,1**	178,4	296,2
Value Added Meat Products	**(255,7)**	(295,7)	(547,0)
Out of Home	**52,8**	49,9	106,3
Home, Personal Care and Baby (HPCB)	**283,1**	294,8	545,6
Personal Care	**10,5**	27,2	88,6
Baby Care	**46,1**	68,1	150,8
Home Care	**226,5**	199,5	306,2
Other[4]	**(3,2)**	(3,8)	(8,8)
EXPORTS AND INTERNATIONAL	**53,9**	147,9	212,1
Exports	**3,6**	76,0	47,8
International operation – Central Africa (Chococam)	**71,0**	84,2	172,0
Deciduous Fruit (LAF)	**(20,7)**	(12,3)	(7,7)
Total operating income before IFRS 2 charges	**1 102,2**	1 559,9	2 684,2
IFRS 2 charges	**(24,3)**	(33,8)	(60,9)
Total operating income after IFRS 2 charges	**1 077,9**	1 526,1	2 623,3
Discontinued operation – West Africa (Deli Foods)	**(7,6)**	(10,2)	(17,1)
TOTAL OPERATING INCOME	**1 070,3**	1 515,9	2 606,2

All segments operate on an arm's length basis in relation to inter-segment pricing.

Restated as required by IFRS 5 in relation to the treatment of Deli Foods Nigeria Limited (Deli Foods) (International operations – West Africa) as a discontinued operation. Refer to note 7.

[1] *Comprises maize milling, wheat milling and baking, sorghum beverages and malt-based breakfast cereals.*

[2] *Comprises rice, pasta and oat-based breakfast cereals.*

[3] *Operating income is stated after amortisation of intangible assets.*

[4] *Includes the corporate office and management expenses relating to international investments.*

NOTES

1. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

The preparation of these results have been supervised by Pamela Padayachee, Acting Chief Financial Officer of Tiger Brands Limited.

The condensed consolidated interim results for the six months ended 31 March 2020 have been prepared in accordance with the International Financial Reporting Standard, (IAS 34) *Interim Financial Reporting*, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the South African Companies Act No 71 of 2008 and the Listings Requirements of the JSE Limited. These statements have not been audited or reviewed.

The accounting policies adopted in the preparation of the condensed consolidated interim results are consistent with those applied in preparation of the Group's annual consolidated financial statements for the year ended 30 September 2019, except for IFRS 16 *Leases* which was adopted 1 October 2019 and applied using a modified retrospective approach. The majority of the Group's financial instruments measured at fair value in terms of IFRS 13, are noted as level 1 hierarchy, which are valued based on quoted market prices.

The determination of whether the VAMP business should be disclosed and measured as held-for-sale in terms of IFRS 5 as at 31 March 2020 is a significant judgement area. In applying this judgement, specific consideration was given as to whether it is highly probable that the sale will be completed within one year from 31 March 2020. As a number of the key terms and conditions are still to be agreed and inherent uncertainties exist, it is considered appropriate to treat VAMP as a continuing operation in the current period.

R'million	Unaudited six months ended 31 March 2020	Restated unaudited six months ended 31 March 2019#	Audited year ended 30 September 2019
2. OPERATING INCOME BEFORE IMPAIRMENTS AND ABNORMAL ITEMS			
Depreciation (included in cost of sales and other operating expenses)	**(374,9)**	(300,5)	(621,6)
Amortisation	**(4,6)**	(4,5)	(9,2)
IFRS 2 (included in other operating expenses)			
– Equity settled	**(26,8)**	(31,7)	(58,4)
– Cash settled	**2,5**	(2,1)	(2,5)

Restated as required by IFRS 5 in relation to the treatment of Deli Foods Nigeria Limited (Deli Foods) (International operations – West Africa) as a discontinued operation. Refer to note 7.

3. IMPAIRMENT

Goodwill and indefinite useful life intangible assets are tested for impairment annually (as at 30 September) and when circumstances that indicate the carrying value may be impaired. The Group's impairment tests for goodwill and intangible assets with indefinite useful lives are based on the value-in-use calculations. The key assumptions used to determine the recoverable amount for the different cash-generating units that were disclosed in the annual consolidated financial statements for the year ended 30 September 2019 have been revised given the current market outlook. During the current period, goodwill relating to Designer Group (R36,0 million) and Davita (R250,0 million) was impaired. Property, plant and equipment in the Deciduous Fruit business (LAF) was impaired by R196,5 million, down to its carrying value. The investment in the Nigerian associate has been impaired by R74,7 million.

3. IMPAIRMENT continued

The impact of Covid-19 led economic challenges as far as could be estimated, in the short and medium term, have been factored into the cash flow forecasts.

Davita is included in the Exports and International cash-generating unit. The impairment arose as a result of the current risks and challenges associated with key export markets. The assumptions disclosed in the 2019 annual financial statements have been revised given the current market outlook, resulting in a post-tax discount rate utilised for the purposes of the impairment testing being revised to 18,43% (2019: 17,62%). A +1%/-1% change in the post-tax discount rate would result in an approximately +/-R250 million change in the valuation.

The Deciduous Fruit business (LAF) is also included in the Exports and International cash-generating unit. LAF is predominantly an export sales business which has seen a downturn in the business outlook due to structural category dynamics which have evolved over a prolonged period.

Given the adverse market outlook for the Nigeria economy with the possibility of another recession impending, the investment in associate UAC Foods (UAC) has been impaired down to its carrying value.

R'million	Unaudited six months ended 31 March 2020	Restated unaudited six months ended 31 March 2019#	Audited year ended 30 September 2019
Impairment of intangible assets	**(286,0)**	(106,0)	(218,0)
Impairment of property, plant and equipment	**(196,5)**	–	(97,8)
Impairment of associate investment	**(74,7)**	–	–
Reversal of impairment of property, plant and equipment	**–**	–	8,7
	(557,2)	(106,0)	(307,1)
4. ABNORMAL ITEMS			
Profit on disposal of property	**43,0**	–	–
Early settlement of lease liability	**10,7**	–	–
Profit on disposal of shares in associate investment	**–**	281,9	368,8
Loss on disposal of investment	**(0,3)**	–	–
Loss on disposal of intangible asset	**(0,6)**	–	–
Restructuring and related costs	**(2,6)**	(27,9)	(32,1)
Davita legal settlement provision	**(71,4)**	–	–
Realised fair value gain on unbundling of Oceana	**–**	–	1 630,4
Costs associated with Enterprise product recall	**–**	(25,0)	(25,0)
Proceeds from insurance claim	**–**	99,9	99,9
	(21,2)	328,9	2 042,0
5. NET FINANCE COSTS AND INVESTMENT INCOME			
Net interest paid	**(80,2)**	(12,1)	(10,6)
Net foreign exchange profit/(loss)	**83,5**	(8,3)	9,6
Investment income	**11,7**	2,5	12,7
Net financing income/(costs)	**15,0**	(17,9)	11,7

Restated as required by IFRS 5 in relation to the treatment of Deli Foods Nigeria Limited (Deli Foods) (International operations – West Africa) as a discontinued operation. Refer to note 7.

R'million	Unaudited six months ended 31 March 2020	Restated unaudited six months ended 31 March 2019#	Audited year ended 30 September 2019
6. RECONCILIATION BETWEEN PROFIT FOR THE PERIOD AND HEADLINE EARNINGS			
Continuing operations			
Profit for the year attributable to owners of the parent	**366,5**	1 449,7	3 915,8
Impairment of intangible assets	**286,0**	106,0	218,0
Impairment of property, plant and equipment	**141,5**	–	70,4
Impairment of associate investment	**74,7**	–	–
Loss on disposal of intangible asset	**0,6**	–	–
Loss on disposal of investment	**0,3**	–	–
(Profit)/loss on disposal of plant, equipment and vehicles	**(39,2)**	0,1	–
Profit on disposal of shares in associate investment	**–**	(281,9)	(339,7)
Reversal of impairment of property, plant and equipment	**–**	–	(6,3)
Realised fair value gain on unbundling of Oceana	**–**	–	(1 630,4)
Headline earnings adjustment – associates			
– Profit on disposal of non-current assets	**(1,0)**	–	(0,4)
– Impairment of assets	**–**	6,3	6,3
Headline earnings for the period	**829,4**	1 280,2	2 233,7
Tax effect of headline earnings	**47,8**	–	4,1
Attributable to non-controlling interest	**–**	–	–
Discontinued operation			
Loss for the year attributable to owners of the parent	**(19,1)**	(18,4)	(52,5)
Impairment of property, plant and equipment	**–**	–	8,8
Headline earnings for the period	**(19,1)**	(18,4)	(43,7)

Restated as required by IFRS 5 in relation to the treatment of Deli Foods Nigeria Limited (Deli Foods) (International operations – West Africa) as a discontinued operation. Refer to note 7.

7. ANALYSIS OF LOSS FROM DISCONTINUED OPERATION

Loss for the period from discontinued operation (attributable to owners of the Company)

Deli Foods is in the final process of closure which is expected to be concluded by the end of June.

R'million	Unaudited six months ended 31 March 2020	Restated unaudited six months ended 31 March 2019#	Audited year ended 30 September 2019
Revenue	**9,8**	68,8	151,0
Expenses	**(17,4)**	(79,0)	(168,1)
Operating loss before impairments and abnormal items	**(7,6)**	(10,2)	(17,1)
Impairments	**–**	–	(8,8)
Abnormal items	**–**	–	(6,9)
Operating loss after impairments and abnormal items	**(7,6)**	(10,2)	(32,8)
Net finance costs	**(11,5)**	(8,2)	(19,7)
Loss before taxation	**(19,1)**	(18,4)	(52,5)
Taxation	**–**	–	–
Loss for the period from discontinued operations	**(19,1)**	(18,4)	(52,5)
Attributable to owners of parent	**(19,1)**	(18,4)	(52,5)
Cash flows from discontinued operation			
Net cash outflows from operating activities	**(38,9)**	(27,4)	(58,0)
Net cash inflows from investing activities	**151,2**	11,3	22,2
Net cash (outflows)/inflows from financing activities	**(108,8)**	2,1	16,8
Net cash inflows/(outflows)	**3,5**	(14,0)	(19,0)

Restated as required by IFRS 5 in relation to the treatment of Deli Foods Nigeria Limited (Deli Foods) (International operations – West Africa) as a discontinued operation. Refer to note 7.

8. ADOPTION OF IFRS 16 *LEASES*

IFRS 16 introduces significant changes to lease accounting as it removes the distinction between operating and finance leases under IAS 17 and requires a lessee to recognise a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low-value assets. IFRS 16 brings the majority of the Group's long-term property, equipment, vehicles and other leases onto the statement of financial position. As an accounting policy election, the Group has applied the following recognition exemptions which allow for certain lease payments to be expensed over the lease term as opposed to recognising a right-of-use asset and related lease liability on the lease commencement date:

– Short-term leases – these are leases with a lease term of 12 months or less; and
– Leases of low-value assets – these are leases where the underlying asset is of low value.

The Group has elected to apply IFRS 16 using the modified retrospective approach. As prescribed by IFRS 16, lease liabilities are measured at the present value of remaining lease payments discounted at the incremental borrowing rate at the date of initial application. The Group has elected to measure right-of-use assets on transition date (1 October 2019) at their carrying amounts as if IFRS 16 had applied since the lease commencement dates, discounted using the incremental borrowing rate at the date of initial application. Right-of-use assets relating to new leases are measured at the amount of initial measurement of the lease liability plus initial direct costs. As part of the modified retrospective transition approach, the Group has elected to apply the practical expedient which allows a single discount rate to be applied to a portfolio of leases with reasonably similar characteristics.

Right-of-use assets are tested for impairment when there are any indicators of impairment. IFRS 16 removes the straight-line rent cost previously recognised in respect of operating leases under IAS 17, and replaces the cost with depreciation on right-of-use assets and interest charged on outstanding lease liabilities.

On transition date, the right-of-use asset and lease liability recognised was R356,4 million and R416,7 million respectively. The long and short-term portion of the lease liability is R281,4 million and R135,3 million respectively. The deferred tax asset recognised on transition amounted to R16,9 million.

The right-of-use assets capitalised and included in the property, plant and equipment at 31 March 2020 amounted to R288,8 million with related depreciation of R62,8 million. The long and short-term portion of the lease liability is R245,0 million and R101,5 million respectively.

9. NATIONAL FOODS HOLDINGS LIMITED

As disclosed in the 30 September 2019 annual financial statements, the equity accounted results of National Foods Holdings Limited (NFH), included in these results have been prepared in accordance with the provisions of IAS 29 *Financial Reporting in Hyperinflationary Economies* (IAS 29), with key accounting principles and judgements applied by the Group. In line with the judgements applied during the 2020 financial year, management assessed that the official interbank closing exchange rate is 0,33 ZWL$ to the South African rand and this was therefore used when translating the results of NFH.

The results and net asset value of NFH have been translated into the Group's presentation currency at the closing exchange rate, in accordance with hyperinflationary provisions of IAS 21 *The Effects of Changes in Foreign Exchange Rates*.

10. SUBSEQUENT EVENTS

There are no material events that occurred during the period subsequent to 31 March 2020, and up to the date of these financial results being authorised for issue.

CORPORATE INFORMATION

TIGER BRANDS LIMITED

Registration number: 1944/017881/06
Incorporated in the Republic of South Africa
Share code: TBS   ISIN: ZAE000071080

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EXECUTIVE DIRECTOR

NP Doyle (Chief Executive Officer)

COMPANY SECRETARY

JK Monaisa

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