UNAUDITED GROUP RESULTS

for the six months ended 31 December 2020

DISTELL
CRAFTING BRANDS SINCE 1925

SALIENT FEATURES

GROUP REVENUE

↑ 3,8%

on 0,8% higher volumes

- Flat domestic revenue performance driven by spirits and wine despite 22% reduction of trading days
- Robust Africa revenue growth of 19,9% outside BLNE
- Strong International performance with 15,4% revenue growth

EXCISE DUTY INCREASED

↑ 7,1%

to R4,4 billion

EBITDA

Reported

↑ 11,2%

EBITDA

Normalised and adjusted for forex[1, 2]

↑ 16,8%

HEADLINE EARNINGS

Reported

↑ 11,5%

HEADLINE EARNINGS

Normalised and adjusted for forex[2]

↑ 24,0%

DIVIDEND PAYMENTS

REMAIN SUSPENDED

DUE TO SALE OF ALCOHOL BAN UNCERTAINTY

[1] *Normalised earnings before interest, tax, depreciation and amortisation (EBITDA) refers to EBITDA adjusted for the: (a) profit or loss on disposal and impairment of property, plant and equipment (PPE) and intangible assets; and (b) Group restructuring, retrenchment and other non-recurring costs.*

[2] *Foreign currencies and abnormal transactions affect the Group's performance. Where relevant in this report, adjusted non-IFRS measures are presented. These adjusted measures represent pro forma financial information. A reconciliation of the pro forma financial information to the equivalent IFRS metrics is provided in note 3 to the condensed financial statements.*

(Distell or the Group or the Company)

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CHANGE · EVOLUTION · IMPACT

COMMENTARY

OPERATING PERFORMANCE

In a period of uncertainty and disruption, the Group commendably grew revenue by 3,8% to R15,4 billion on 0,8% higher volumes. Revenue excluding excise duty grew by 2,5%.

In the domestic market, while 41 trading days were lost during the reporting period due to the second and third sale of alcohol bans introduced by government, domestic revenue declined by only 0,5% with sales volumes down by 1,4%. This was achieved through a combination of Distell's diverse product portfolio with strong brands alongside improved customer execution when allowed to trade. Category performance continues to reflect preferences towards spirits and mainstream wine, driven by in-home consumption of trusted brands and products with longer shelf-life, evidenced by stockpiling in fear of unexpected sale of alcohol bans in South Africa. Pressure on consumer disposable income also resulted in consumers seeking more value options which played well to parts of the Group's mainstream portfolio. Market share gains were made across all three categories. Following a successful implementation of its digital Business-to-Business (B2B) sales platform earlier in the year, the Group saw a high rate of customer adoption which is growing revenues and volumes at a faster pace than non-platform customers. Growth in e-commerce business for the six-month period has already reached what was achieved in the previous reported full financial year.

The wine portfolio recorded overall volume increases driven by 4th Street, while revenue remained flat as consumers traded down in the period. The spirits category grew overall volumes and revenues, led by Gordon's Gin, Bain's, Olof Bergh and Count Pushkin. Savanna was the stand-out performer in the ready-to-drink (RTD) segment with Distell gaining share of the segment. Importantly, the Group retained its premium price positioning of the category and ramped up its rate of innovation amid an overall incremental category revenue and volume decline due to a shift in consumption habits.

African markets, outside South Africa, delivered strong revenue growth of 12,7% on sales volumes which increased by 11,7%. Focus markets on the continent, outside the Botswana, Lesotho, Namibia and eSwatini (BLNE) countries, grew revenue by 19,9% and volumes by 20,3% with strong revenue and volume growth across all three categories. Kenya, Nigeria and Mozambique all recorded strong double-digit growth as our investments in people, systems and skills to continue the route-to-market (RTM) roll-out and in-country production delivered on our strategic intent to grow the business across the continent. This initiative has seen the customer footprint grow to 37 500 sales outlets in Africa (excluding BLNE) from 9 000 two years ago. Growth in cider and RTDs was led by Savanna and Hunter's with key affordable wine brands such as Nederburg, Drostdy-Hof and 4th Street growing in select focus markets. The overall spirits category growth was led by Kibao and Hunter's Choice in Kenya and Amarula across key markets. BLNE countries were negatively impacted by the pandemic due to border closures and sale of alcohol bans, but still delivered commendable revenue growth of 4,0% alongside 2,7% growth in volumes. The Africa region contributed 64,2% to foreign revenue with its contribution to Group revenue rising by 1,4% to 18,2% in the period.

Revenue in international markets outside Africa increased by 15,4% on volumes which, as anticipated, declined by 9,1% given the cessation of sales of less profitable wine brands, bulk whisky and the exit of the RTD business. Strong international premium spirits growth was again led by single malts in all major markets and Scottish Leader in Taiwan. Key premium brands such as Bunnahabhain and Deanston grew revenues by 72,4% and 84,6% respectively. Amarula delivered 34,9% revenue growth despite the current pressure on the global travel retail market due to international travel restrictions. Revenue from wine exports grew 19,9%, led by Nederburg, Drostdy-Hof and Two Oceans. The overall performance led to earnings before interest and taxation (EBIT) margins almost doubling as the business capitalised on its strategy to focus on premium whisky brands, a step-up in digital sales channels and the benefit from historical investments in aged stock. Revenue from e-commerce channels quadrupled in the reported period.

Product innovation remains a key priority, with the Group releasing several key innovations across its markets during the period. The low- and no alcohol category is a key segment of importance with both Savanna and Hunter's non-alcoholic premium ciders collectively growing market share and revenues during the period, which also embedded their positions during bans on alcohol sales in South Africa. Lower alcohol by volume (ABV) vodka under the Count Pushkin brand also grew during the period alongside early positive signs off the back of the launch of a lower ABV brandy from Viceroy.

Operating costs were well contained and rose by 3,2%, in line with inflation. Costs of goods sold increased by 6,2%. Excluding excise duty, which increased by 7,1%, and the impact of foreign currency losses, costs of goods sold increased by only 2,7% realising benefits made to optimise and modernise the domestic manufacturing footprint. Other operating costs declined by 8,6% as the Group implemented measures to contain operational expenditure without compromising service delivery to customers and by adjusting its marketing spend during the periods of the alcohol sales ban.

Other gains and losses include the profit on the sale of the Alto wine farm which was concluded in the reporting period.

Foreign currency translation losses amounted to R173,0 million (2019: R5,3 million gain) driven by the strengthening of the rand in the period.

Net finance costs declined from R187,8 million to R170,8 million as the Group's cash position improved with less reliance on liquidity facilities.

Distell's share of equity-accounted earnings increased from R66,8 million to R85,0 million, driven by improved performance from Tanzania Distilleries Limited.

Reported EBITDA grew by 11,2%. Normalised EBITDA, which excludes the impact of the profit on the sale of PPE, the Group restructuring, retrenchment and other non-recurring costs increased by 10,0%. Normalised EBITDA excluding foreign currency translation movements increased by 16,8%.

The effective tax rate was 28,3% (2019: 27,6%).

Headline earnings and headline earnings per share increased by 11,5% to R1,3 billion and by 11,6% to 612,0 cents respectively. Excluding the currency conversion movements, the Group restructuring, retrenchment and other non-recurring costs referred to above, headline earnings increased by 24,0%.

INVESTMENT AND FUNDING

Total assets increased by 6,7% to R27,9 billion.

Investment in net working capital, including assets held for sale, decreased by 22,5% to R5,6 billion as the Group further tightened its working capital management practices. Inventory increased by 5,3% to R8,3 billion. Of this, bulk spirits in maturation, planned in accordance with the Group's longer-term view of consumer demand for its brands in this category, increased by 3,8% to R3,0 billion. Investment in bottled stock and packaging material increased by 2,9%. Trade and other receivables decreased by 15,6% following improved cash receipts from customers. Trade and other payables increased by 17,6% due to increased production and purchases in the last two months of the reporting period to meet customer demand for our products.

Capital expenditure for the period amounted to R417,7 million (2019: R892,2 million). Of this, R191,7 million was spent on the replacement of assets. A further R226,0 million was directed to the expansion of capacity, mainly in relation to the Group's manufacturing facilities.

Net cash generated from operating activities increased to R3,3 billion (2019: R1,1 billion). This was mainly due to benefits realised on improved inventory management and the increase in trade and other payables referred to above coupled with the timing of excise payables.

Net debt at the end of the reporting period amounted to R2,7 billion (2019: R4,7 billion). The Group was able to comfortably meet its debt covenants relating to its South African medium-term debt. The Group remains in a strong financial position with low levels of gearing, which is demonstrated by a debt to debt-plus-equity ratio of 23,4% (2019: 26,9%) and a debt-to-equity ratio of 30,5% (2019: 36,8%) at the end of the reporting period.

PROSPECTS

Global economic activity is steadily recovering from the COVID-19 economic shock, although expectations are that any recovery will be muted compared to historical trends due to the persistent risk of further waves of COVID-19 infections and the related impact on economic growth and consumer spending. The growth outlook therefore remains uncertain. As the spread of the virus and the roll-out of the massive vaccination efforts play out differently in various economies, some will continue to gradually reopen while others may implement further social distancing measures and restrictions.

While these challenges persist in all the regions that Distell operates in, the business has proven to find growth opportunities with its diverse portfolio of brands, RTM and agility being tested in the current environment. Our culture shift is also being driven by purpose and shared value in everything we do, evidenced by integrating our five selected Sustainable Development Goals (SDGs) as a measurement of positive societal contribution. These goals are all on track to being achieved for the full financial year, and also form a substantive part of short-term incentives to drive positive behaviour. As a part of this journey, the Group also continues to play a positive role within the alcohol industry to ensure safe and responsible trading by investing significantly behind a number of responsible alcohol initiatives and compliance in partnership with various government departments and provincial liquor boards. As the only large South African manufacturer of alcoholic beverages, Distell sees itself as a trusted partner in helping to shift societal behaviour while protecting and creating jobs in the industry to offset inequality and poverty, exacerbated by the pandemic and related bans on alcohol sales.

The Group remains measured but confident of its ability to navigate disruption as it trades into the second half of the current financial year; with already a full month's trading being lost due to the alcohol sales ban in January. Building on a South African business which has proven resilient in uncertain times, Distell's African and international markets are performing well following previous investments and focused market execution. The Group will continue its measured investments in key markets and brands in pursuit of diversification and long-term growth opportunities.

The Group is confident in its ability to generate cash and in the appeal and strength of its diverse portfolio of brands. These factors are being bolstered by stronger levels of customer execution, higher production efficiencies resulting from past investments and more liquidity headroom to enable us to navigate any short-term challenges in the environment.

We remain committed to protecting the lives of our employees, livelihoods within our industry and to serving our customers efficiently while creating shareholder value over the long term.

DIVIDENDS

The board remains confident in the long term strength and resilience of the business in spite of the current challenges being faced. Despite a marked improvement in the Group's liquidity position, the board felt it prudent to not declare an interim dividend but to review its position at the end of the current financial year. The Group continues to protect liquidity as a priority given the ongoing impact of COVID-19 and to mitigate against uncertainty related to the potential impact of any further sale of alcohol bans and restrictions.

Signed on behalf of the board

JJ Durand
Chairman

RM Rushton
Group chief executive officer

Stellenbosch
24 February 2021

Directors: JJ Durand (chairman), GP Dingaan, DP du Plessis, T Kruythoff, PR Louw (alternate), MJ Madungandaba, EG Matenge-Sebesho, CA Otto, AC Parker, RM Rushton (Group chief executive officer), CE Sevillano-Barredo, LC Verwey (Group chief financial officer)
Company secretary: L Malan
Registered office: Aan-de-Wagenweg, Stellenbosch 7600
Transfer secretaries: Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank 2196
Sponsor and Corporate Broker: RAND MERCHANT BANK (a division of FirstRand Bank Limited), 1 Merchant Place, c/o Rivonia Road and Fredman Drive, Sandown 2196
Registration number: 2016/394974/06
JSE share code: DGH
ISIN: ZAE000248811

Distell Group Holdings Limited
(Incorporated in the Republic of South Africa)
www.distell.co.za

ACCESS TO INFORMATION

The full financial results:

- can be viewed on SENS;
- can be viewed online at Distell's Investor Centre: https://www.distell.co.za/investor-centre/financial-results/DGH1H21.pdf;
- can be viewed online at JSE: https://senspdf.jse.co.za/documents/2021/JSE/ISSE/DGHE/DGH1H21.pdf;
- are available for inspection at the Company's registered offices and the offices of the sponsor at no charge, during normal business hours from 25 February 2021; or
- may be requested in printed format from the company secretary, tel: +27 21 809 7000.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	UNAUDITED 31 December 2020 R'000	UNAUDITED 31 December 2019 R'000	AUDITED 30 June 2020 R'000
ASSETS			
Non-current assets			
Property, plant and equipment	**8 028 289**	8 090 948	8 198 184
Financial assets at amortised cost	**74 344**	116 373	84 466
Financial assets at fair value through other comprehensive income (FVOCI)	**57 508**	57 527	49 575
Investments in associates	**402 999**	457 158	373 928
Investments in joint ventures	**76 241**	108 103	57 056
Intangible assets	**2 070 390**	2 005 215	2 267 557
Retirement benefit assets	**760 957**	566 238	643 936
Deferred income tax assets	**65 524**	106 113	62 747
Total non-current assets	**11 536 252**	11 507 675	11 737 449
Current assets			
Inventories	**8 265 169**	7 867 473	8 436 466
Trade and other receivables	**4 759 813**	5 636 305	2 919 657
Investment in money market funds	**1 245 000**	–	565 000
Current income tax assets	**61 421**	79 980	177 432
Cash and cash equivalents	**1 942 307**	1 071 077	1 169 057
Total current assets	**16 273 710**	14 654 835	13 267 612
Assets classified as held for sale	**97 022**	–	266 776
	16 370 732	14 654 835	13 534 388
Total assets	**27 906 984**	26 162 510	25 271 837
EQUITY AND LIABILITIES			
Capital and reserves			
Capital and reserves	**12 592 880**	12 256 312	11 582 926
Non-controlling interest	**441 763**	400 600	409 134
Total equity	**13 034 643**	12 656 912	11 992 060
Non-current liabilities			
Interest-bearing borrowings	**4 991 004**	4 911 492	5 122 473
Retirement benefit obligations	**34 285**	28 980	30 414
Deferred income tax liabilities	**1 324 608**	1 261 509	1 196 469
Total non-current liabilities	**6 349 897**	6 201 981	6 349 356
Current liabilities			
Trade and other payables	**7 273 062**	6 297 122	4 238 512
Interest-bearing borrowings	**927 292**	816 504	2 478 602
Provisions	**86 244**	40 402	35 511
Derivative financial instruments	**131 248**	–	154 485
Current income tax liabilities	**104 598**	149 589	23 311
Total current liabilities	**8 522 444**	7 303 617	6 930 421
Total equity and liabilities	**27 906 984**	26 162 510	25 271 837

CONDENSED CONSOLIDATED INCOME STATEMENT

	UNAUDITED			AUDITED
	Six months ended 31 December 2020 R'000	Six months ended 31 December 2019 R'000	Change %	Year ended 30 June 2020 R'000
Revenue	**15 373 705**	14 815 170	3,8	22 370 224
Operating costs	**(13 366 340)**	(12 956 006)	3,2	(21 179 917)
Costs of goods sold	**(10 959 852)**	(10 322 941)		(16 065 724)
Sales and marketing costs	**(1 128 124)**	(1 485 577)		(2 779 851)
Distribution costs	**(657 840)**	(643 899)		(1 154 545)
Administration and other costs	**(639 983)**	(498 221)		(955 391)
Net impairment gains and losses on financial assets	**19 459**	(5 368)		(224 406)
Other gains and losses	**82 449**	5 150		(209 399)
Operating profit	**2 089 814**	1 864 314	12,1	980 908
Dividend income	**4 018**	775		2 538
Finance income	**22 265**	21 203		61 128
Finance costs	**(193 090)**	(209 010)		(441 978)
Share of equity-accounted earnings	**84 957**	66 841		97 033
Profit before taxation	**2 007 964**	1 744 123	15,1	699 629
Taxation	**(567 652)**	(482 171)		(305 009)
Profit for the period	**1 440 312**	1 261 952	14,1	394 620
Attributable to:				
Equity holders of the Company	**1 404 183**	1 209 660	16,1	312 300
Non-controlling interest	**36 129**	52 292		82 320
	1 440 312	1 261 952	14,1	394 620
Per share performance:				
Issued number of ordinary shares ('000)	**222 622**	222 382		222 382
Weighted number of ordinary shares ('000)	**219 744**	219 817		219 642
Earnings per ordinary share (cents)				
– Basic earnings basis	**639,0**	550,3	16,1	142,2
– Diluted earnings basis	**638,1**	549,9	16,0	142,1
– Headline basis	**612,0**	548,6	11,6	235,3
– Diluted headline basis	**611,1**	548,2	11,5	235,3
Dividends per ordinary share (cents)				
– Interim	**–**	174,0	–	174,0
– Final	**–**	–	–	–
	–	174,0	–	174,0
Reconciliation of headline earnings:				
Net profit attributable to equity holders of the Company	**1 404 183**	1 209 660	16,1	312 300
Adjusted for (net of taxation):				
Impairment of equity-accounted investments	**–**	–		202 592
Impairment of PPE	**–**	–		35 520
Gain on previously held equity interest and on sale of investments and subsidiaries	**(317)**	–		(10 548)
Profit on sale of PPE	**(59 135)**	(3 708)		(23 024)
Headline earnings	**1 344 731**	1 205 952	11,5	516 840

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	UNAUDITED		AUDITED
	Six months ended 31 December 2020 R'000	Six months ended 31 December 2019 R'000	Year ended 30 June 2020 R'000
Profit for the period	**1 440 312**	1 261 952	394 620
Other comprehensive income (net of taxation)	**(436 790)**	(1 043)	613 470
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences	**(527 992)**	(19 811)	623 356
Fair value adjustments of cash flow hedges	**25 677**	(2 457)	(75 301)
Items that will not be reclassified to profit or loss:			
Remeasurements of post-employment benefits	**59 873**	20 732	56 836
Fair value adjustments			
– Financial assets through other comprehensive income	**5 652**	493	9 147
Share of other comprehensive income of associates	**–**	–	(568)
Total comprehensive income for the period	**1 003 522**	1 260 909	1 008 090
Attributable to:			
Equity holders of the Company	**967 393**	1 208 963	926 114
Non-controlling interest	**36 129**	51 946	81 976
	1 003 522	1 260 909	1 008 090

CHANGE · EVOLUTION · IMPACT

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	UNAUDITED		AUDITED
	Six months ended 31 December 2020 R'000	Six months ended 31 December 2019 R'000	Year ended 30 June 2020 R'000
Attributable to equity holders			
Opening balance	**11 582 926**	11 572 540	11 572 540
Comprehensive income			
Profit for the year	**1 404 183**	1 209 660	312 300
Other comprehensive income (net of taxation)			
Fair value adjustments:			
– Financial assets through other comprehensive income	**5 652**	493	9 147
Cash flow hedge of interest rate swaps	**25 677**	(2 457)	(75 301)
Currency translation differences	**(527 992)**	(19 465)	623 700
Remeasurements of post-employment benefits	**59 873**	20 732	56 836
Share of other comprehensive income of associates	**–**	–	(568)
Total other comprehensive losses	**(436 790)**	(697)	613 814
Total comprehensive income for the period	**967 393**	1 208 963	926 114
Transactions with owners			
Employee share scheme:			
– Shares paid and delivered	**3**	1	1
– Value of employee services	**42 558**	21 937	15 143
Dividends paid	**–**	(547 129)	(929 460)
Transactions with non-controlling interests	**–**	–	(1 412)
Total transactions with owners	**42 561**	(525 191)	(915 728)
Attributable to equity holders	**12 592 880**	12 256 312	11 582 926
Non-controlling interest			
Opening balance	**409 134**	357 464	357 464
Profit for the year	**36 129**	52 292	82 320
Dividends paid	**(3 500)**	(8 810)	(8 810)
Sale of interest to non-controlling interest	**–**	–	(20 158)
Currency translation differences	**–**	(346)	(344)
Transactions with non-controlling interests	**–**	–	(1 338)
Total non-controlling interest	**441 763**	400 600	409 134
Total equity at the end of the period	**13 034 643**	12 656 912	11 992 060

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	UNAUDITED		AUDITED
	Six months ended 31 December 2020 R'000	Six months ended 31 December 2019 R'000	Year ended 30 June 2020 R'000
Cash flows from operating activities			
Operating profit	**2 089 814**	1 864 314	980 908
Non-cash flow items	**394 680**	319 706	1 189 647
Working capital changes	**1 203 873**	(533 307)	(293 304)
Inventories	**92 795**	465 945	(2 107)
Trade and other receivables	**(1 942 573)**	(1 910 566)	817 315
Trade payables and provisions	**3 053 651**	911 314	(1 108 512)
Cash generated from operations	**3 688 367**	1 650 713	1 877 251
Net financing costs	**(158 593)**	(184 164)	(422 437)
Taxation paid	**(239 299)**	(318 261)	(413 035)
Net cash generated from operating activities	**3 290 475**	1 148 288	1 041 779
Net cash outflow from investment activities (note 5)	**(867 140)**	(936 800)	(1 999 878)
Net cash outflow from financing activities (note 6)	**(62 172)**	67 182	30 004
Dividends paid	**(3 500)**	(555 939)	(938 270)
Increase in net cash, cash equivalents and bank overdrafts	**2 357 663**	(277 269)	(1 866 365)
Net cash, cash equivalents and bank overdrafts at the beginning of the period	**(1 180 943)**	630 816	630 816
Exchange losses on cash, cash equivalents and bank overdrafts	**(34 413)**	2 530	54 606
Net cash, cash equivalents and bank overdrafts at the end of the period	**1 142 307**	356 077	(1 180 943)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 31 December 2020

1. BASIS OF PREPARATION, ACCOUNTING POLICY AND COMPARATIVE FIGURES

The condensed consolidated interim financial statements have been prepared in accordance with the Listings Requirements of the JSE Limited (JSE) for summary financial statements and the requirements of the Companies Act, No. 71 of 2008, as amended, applicable to summary financial statements. The JSE requires summary financial statements to be prepared in accordance with the framework concepts, the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and also to, as a minimum, contain the information required by IAS 34 *Interim Financial Reporting*. The directors are responsible for the preparation of the condensed consolidated interim financial statements, prepared under supervision of the Group chief financial officer, LC Verwey CA(SA).

The accounting policies applied in the preparation of the consolidated interim financial statements are in terms of IFRS and are consistent with the accounting policies applied in the preparation of the previous consolidated annual financial statements.

The Group has adopted all new as well as amended accounting pronouncements issued by the International Accounting Standards Board (IASB) that are effective for financial years commencing 1 July 2020. None of the new or amended accounting pronouncements that are effective for the financial year commencing 1 July 2020 have a material impact on the consolidated results of the Group.

	UNAUDITED 31 December 2020 R'000	31 December 2019 R'000	Change %
2. SALES VOLUMES (LITRES '000)	**378 568**	375 679	0,8

3. PRO FORMA INFORMATION

The results of the Group are significantly impacted by abnormal or non-recurring transactions and the change in foreign exchange rates.

The Group therefore also discloses adjusted measures in order to indicate the Group's businesses' performance excluding the effect of abnormal transactions and foreign currency fluctuations. These adjusted measures constitute pro forma financial information.

The adjustments below represent abnormal or non-recurring items which significantly impacted the financial results of the Group:

	31 December 2020 R'000	31 December 2019 R'000	Change %
Headline earnings	**1 344 731**	1 205 952	11,5
Adjusted for (net of taxation):			
Retrenchment, restructuring and other one-off costs	**37 441**	2 608	
Normalised headline earnings	**1 382 172**	1 208 560	14,4

The results of the Group are also significantly impacted by the change in foreign exchange rates, mainly relating to the UK pound, euro, US dollar (USD) and Angola kwanza (AOA) for both reporting periods, as a result of:

(a) the translation of foreign operations to the reporting currency; and

(b) the translation of South African monetary assets and liabilities denominated in foreign currency to the reporting currency at period-end.

In the prior year comparative period the income of foreign subsidiaries was converted at an average aggregated daily ZAR/USD exchange rate of R14,70 compared to R16,28 in the current year, and the AOA devaluated from an average aggregated daily AOA/USD exchange rate of 403,4 to 622,9 in the current year.

The adjustments below thus represent a restatement of the 2019 foreign income using the current year aggregated daily average exchange rates.

	31 December 2020 R'000	31 December 2019 R'000	Change %
Normalised headline earnings	**1 382 172**	1 208 560	14,4
Adjusted for (net of taxation):			
Prior year restatement to current year aggregated daily average exchange rates	–	10 847	
Exclusion of effect of conversion of foreign currency monetary assets and liabilities to the reporting currency			
– Other major currencies	**122 744**	(6 083)	
– Kwanza (in associate)	**5 536**	5 266	
Normalised headline earnings adjusted for foreign exchange movements	**1 510 452**	1 218 590	24,0

CHANGE · EVOLUTION · IMPACT

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

	UNAUDITED 31 December 2020 R'000	31 December 2019 R'000	Change %
3. PRO FORMA INFORMATION *continued*			
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	**2 591 754**	2 331 309	11,2
Adjusted for:			
Impairment and profit on disposal of PPE, intangible assets, investments and gain on previously held interest and subsidiaries disposed	**(82 449)**	(5 150)	
Retrenchment, restructuring and other one-off costs	**52 366**	3 647	
Normalised EBITDA	**2 561 671**	2 329 806	10,0
The adjustments below represent a restatement of the 2019 foreign income using the current year aggregated daily average exchange rates as explained on the previous page			
Normalised EBITDA	**2 561 671**	2 329 806	10,0
Adjusted for:			
Prior year restatement to current year aggregated daily average exchange rates	**–**	17 281	
Exclusion of effect of conversion of foreign currency monetary assets and liabilities to the reporting currency			
– Other major currencies	**172 048**	(7 590)	
– Kwanza (in associate)	**5 536**	5 266	
Normalised EBITDA adjusted for foreign exchange movements	**2 739 255**	2 344 763	16,8

The pro forma financial information is the responsibility of the board of directors of the Company and is presented for illustrative purposes only. Because of its nature, the pro forma financial information may not fairly present the Group's financial position, changes in equity, results of operations or cash flows.

The pro forma financial information has not been reviewed and reported on by the Group's auditors.

	UNAUDITED		AUDITED
	31 December 2020 R'000	31 December 2019 R'000	30 June 2020 R'000
4. NET INTEREST-BEARING BORROWINGS			
Interest-bearing borrowings			
Non-current	**4 991 004**	4 911 492	5 122 473
Current	**927 292**	816 504	2 478 602
	5 918 296	5 727 996	7 601 075
Cash and cash equivalents and investment in money market funds	**(3 187 307)**	(1 071 077)	(1 734 057)
	2 730 989	4 656 919	5 867 018
5. CASH OUTFLOW FROM INVESTMENT ACTIVITIES			
Purchases of PPE to maintain operations	**(191 663)**	(375 792)	(458 115)
Purchases of PPE to expand operations	**(226 008)**	(516 406)	(900 641)
Proceeds from sale of PPE	**252 710**	30 281	102 010
Purchases of financial assets, money market funds, associates and joint ventures	**(686 526)**	(22 632)	(641 652)
Proceeds from financial assets	**695**	3 455	24 714
Purchases of intangible assets	**(31 248)**	(55 707)	(120 790)
Proceeds from intangible assets	**14 900**	1	441
Proceeds from disposal of interest in subsidiaries, net of cash	**–**	–	(5 845)
	(867 140)	(936 800)	(1 999 878)
6. CASH OUTFLOW FROM FINANCING ACTIVITIES			
Proceeds from ordinary shares issued	**3**	1	1
Lease payments	**(81 344)**	(66 022)	(129 903)
Proceeds from interest-bearing borrowings	**19 169**	133 203	159 906
	(62 172)	67 182	30 004
7. CAPITAL COMMITMENTS			
Contracted	**415 687**	754 266	291 175
Authorised, but not contracted	**257 132**	684 137	800 442
	672 819	1 438 403	1 091 617
8. DEPRECIATION OF PPE	**352 700**	351 962	702 026
9. NET ASSET VALUE PER SHARE (CENTS)	**5 855**	5 692	5 393

CHANGE · EVOLUTION · IMPACT

10. SEGMENTAL AND REVENUE ANALYSIS

Operating segments were identified based on financial information reviewed regularly by management for the purpose of assessing performance and allocating resources to these segments. Revenue includes excise duty. With the formation of the Venture Business division and subsequent restructuring of all our international operations outside Africa, all information relating to International is now reported as one segment. In order to ensure comparability between the current and prior year segment information, the prior year information, including revenue, costs and allocations, have therefore also been restated to align with the current year segmentation basis as is currently reported to the chief operating decision-maker. In addition, other gains and losses and currency conversion gains and losses were allocated to the various reportable segments from Corporate.

UNAUDITED SIX MONTHS ENDED 31 DECEMBER 2020

	South Africa R'000	BLNE R'000	Rest of Africa R'000	International R'000	Corporate R'000	Total R'000	Change %
Revenue	10 953 727	1 172 303	1 632 611	1 561 925	53 139	15 373 705	3,8
Costs of goods sold	(7 907 590)	(818 677)	(1 206 569)	(921 451)	(105 565)	(10 959 852)	6,2
Material costs and overheads	(7 907 531)	(820 321)	(1 154 575)	(847 620)	(56 807)	(10 786 854)	4,4
Currency conversion gains and losses	(59)	1 644	(51 994)	(73 831)	(48 758)	(172 998)	
Gross profit	3 046 137	353 626	426 042	640 474	(52 426)	4 413 853	(1,7)
Operating costs	(1 041 142)	(119 634)	(196 166)	(397 564)	(651 982)	(2 406 488)	(8,6)
Operating profit before allocations	2 004 995	233 992	229 876	242 910	(704 408)	2 007 365	8,0
Equity-accounted earnings and dividend income	(1 977)	–	72 428	14 262	4 262	88 975	
EBIT before allocations	2 003 018	233 992	302 304	257 172	(700 146)	2 096 340	8,8
Allocations	(293 722)	(33 791)	(44 507)	(32 561)	404 581	–	
EBIT after allocations	1 709 296	200 201	257 797	224 611	(295 565)	2 096 340	8,8
Other gains and losses	21 485	–	–	–	60 964	82 449	
Equity-accounted earnings and dividend income	1 977	–	(72 428)	(14 262)	(4 262)	(88 975)	31,6
Operating profit	1 732 758	200 201	185 369	210 349	(238 863)	2 089 814	12,1
EBIT before allocations attributable to:							
Equity holders of the Company	1 996 224	233 992	272 612	257 172	(699 789)	2 060 211	
Non-controlling interest	6 794	–	29 692	–	(357)	36 129	
	2 003 018	233 992	302 304	257 172	(700 146)	2 096 340	
Non-current assets	7 219 378	136 516	1 356 659	2 823 699	–	11 536 252	

10. SEGMENTAL AND REVENUE ANALYSIS *continued*

UNAUDITED SIX MONTHS ENDED 31 DECEMBER 2019 (RESTATED)

	South Africa R'000	BLNE R'000	Rest of Africa R'000	Inter–national R'000	Corporate R'000	Total R'000
Revenue	11 005 902	1 127 688	1 361 428	1 353 721	(33 569)	14 815 170
Costs of goods sold	(7 697 541)	(764 932)	(947 041)	(809 004)	(104 423)	(10 322 941)
Material costs and overheads	(7 697 414)	(763 257)	(954 973)	(803 879)	(108 704)	(10 328 227)
Currency conversion gains and losses	(127)	(1 675)	7 932	(5 125)	4 281	5 286
Gross profit	3 308 361	362 756	414 387	544 717	(137 992)	4 492 229
Operating costs	(1 298 182)	(128 309)	(196 435)	(421 902)	(588 237)	(2 633 065)
Operating profit before allocations	2 010 179	234 447	217 952	122 815	(726 229)	1 859 164
Equity-accounted earnings and dividend income	(405)	–	56 283	10 364	1 374	67 616
EBIT before allocations	2 009 774	234 447	274 235	133 179	(724 855)	1 926 780
Allocations	(437 218)	(41 551)	(41 263)	(35 103)	555 135	–
EBIT after allocations	1 572 556	192 896	232 972	98 076	(169 720)	1 926 780
Other gains and losses	9 859	–	–	–	(4 709)	5 150
Equity-accounted earnings and dividend income	405	–	(56 283)	(10 364)	(1 374)	(67 616)
Operating profit	1 582 820	192 896	176 689	87 712	(175 803)	1 864 314
EBIT before allocations attributable to:						
Equity holders of the Company	2 008 049	234 447	223 561	133 179	(724 748)	1 874 488
Non-controlling interest	1 725	–	50 674	–	(107)	52 292
	2 009 774	234 447	274 235	133 179	(724 855)	1 926 780
Non-current assets	7 546 001	112 570	1 388 171	2 460 933	–	11 507 675

Note: BLNE = Botswana, Lesotho, Namibia and Eswatini (formerly Swaziland)
EBIT = Earnings before interest and taxation

The Group also reports on a measure of revenue per category, which is detailed below:

	UNAUDITED		
Category	Six months ended 31 December 2020 R'000	Six months ended 31 December 2019 R'000	Change %
Spirits	**6 145 753**	5 482 335	12,1
Wine	**3 903 004**	3 692 768	5,7
Cider and RTDs	**5 308 684**	5 628 611	(5,7)
Other	**16 264**	11 456	42,0
Total revenue	15 373 705	14 815 170	3,8

10. SEGMENTAL AND REVENUE ANALYSIS *continued*

	UNAUDITED	
	Six months ended 31 December 2020 R'000	Six months ended 31 December 2019 R'000 Restated
Corporate operating profit		
Corporate operating profit comprises the following major categories:		
Corporate head office	**(83 549)**	(104 349)
Corporate and shared services	**(182 920)**	(164 054)
Group expenses	**(90 282)**	(103 222)
Group provisions, accruals and credit loss provision on financial assets	**(91 032)**	(11 500)
Supply chain	**(261 006)**	(313 816)
Net foreign exchange gains	**(48 758)**	4 281
Allocations to geographical regions	**404 581**	555 135
Other gains and losses	**60 964**	(4 709)
Revenue and other non-allocated items	**53 139**	(33 569)
Operating profit	**(238 863)**	(175 803)

Notes:

The corporate categories listed above include the following functions:

1. *Corporate head office: Group human resources (HR), global marketing, corporate governance, growth and innovation, corporate and regulatory affairs and development;*
2. *Corporate and shared services: Group information communication technology (ICT), shared service centre, internal audit, HR training and business improvement;*
3. *Group expenses: Employee share scheme and long-service bonus costs, post-retirement medical costs, legal fees, audit fees, directors' fees, administration offices' service and site costs;*
4. *Group provisions, accruals and credit loss provision: Restructuring and retrenchment costs; and*
5. *Supply chain: Centralised procurement and supply chain management. It also includes production variances from standard, inventory losses and provisions. Certain production variances from standard are allocated from 'Corporate' to the regions and are included in 'Allocations'.*

11. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

There have been no material changes in the Group's credit, liquidity and market risk or key inputs in measuring fair value since 30 June 2020. The condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's annual financial statements as at 30 June 2020.

Fair value estimation

Items carried at fair value are classified according to the fair value hierarchy, by valuation method. The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable inputs, which reflect the market conditions, including that of COVID-19 in their expectations of future cash flows related to the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Financial assets at fair value through other comprehensive income and investment in money market funds are classified as level 1, 2 or 3 and derivative financial assets and liabilities are classified as level 2.

There have been no transfers between level 1, 2 or 3 during the period, nor were there any significant changes to the valuation techniques and inputs used to determine fair values.

The fair values of all other financial assets and liabilities approximate their carrying amounts.

12. RELATED PARTY TRANSACTIONS

The Group paid no dividends on ordinary shares in the current reporting period (2019: R173,9 million) to subsidiaries of Remgro Limited.

13. EVENTS SUBSEQUENT TO STATEMENT OF FINANCIAL POSITION DATE

On the evening of Monday, 28 December 2020 the South African government announced an immediate further ban on the sale of alcohol as part of measures to curb the further spread of COVID-19. The ban was lifted from Tuesday, 2 February 2021. The Group was still allowed to manufacture products in South Africa and to continue with its normal export activities during the ban. Other major territories in which the Group operates have not been impacted to this extent and the Group is able to trade mostly normally in line with general economic constraints in the various territories.

The Group has evaluated the adverse consequences of the alcohol ban on its liquidity forecast, its assessment of expected credit losses, inventory provisions for slow and obsolete stock and cash flow forecasts for certain intangible assets.

The Group has access to committed banking facilities in excess of R7,0 billion for its South African operations, of which R1,9 billion (net after cash and cash equivalents and money market funds) was utilised on 31 December 2020. Management regards the Group as having sufficient financial and operational capacity to continue operations, albeit in a constrained trading environment in South Africa.

The directors are not aware of any other matter or circumstance arising since the end of the interim financial period that would significantly affect the operations of the Group or the results of its operations.

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