UNAUDITED GROUP RESULTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

DISTELL

CONTENTS

SALIENT FEATURES

GROUP REVENUE

15,8%

ON 12,1% HIGHER VOLUMES

- Domestic revenue and volumes up 22,9% and 15,4% respectively driven by premium RTD and spirits growth
- Africa revenue growth of 5,3% alongside volume growth of 13% outside SACU[3] despite prolonged channel closures and export challenges
- International revenue marginally down; double-digit single malt growth

EXCISE DUTY

26,1%

TO R5,6 BILLION

EBITDA

10,0%

REPORTED

4,4%[1, 2]

NORMALISED AND ADJUSTED FOR FOREX

HEADLINE EARNINGS

17,5%

REPORTED

6,2%[2]

NORMALISED AND ADJUSTED FOR FOREX

Dividend payments remain suspended due to the Heineken transaction

[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; (b) retrenchment, legal disputes and merger and acquisition related costs, and (c) the net losses relating to the civil unrest in South Africa.

[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 14 to the condensed consolidated interim financial statements.

[3] SACU = the Southern African Customs Union.

COMMENTARY

OPERATING PERFORMANCE

Group revenue increased by 15,8% to R17,8 billion on 12,1% higher volumes. Revenue excluding excise duty was up by 11,6%. The revenue growth was achieved despite having to contend with managing the ongoing challenges associated with COVID-19 (the pandemic), rising commodity cost pressures, global supply chain disruptions, an increase in the cost of imported goods and glass shortages in our domestic market caused by rampant demand for Savanna and core spirits brands.

Domestic revenues increased by 22,9%, with volumes up by 15,4%. Restrictions relating to the pandemic imposed by the South African government saw a reduction of the trading period by 25 days during the six months ended 31 December 2021 (current period) vs 38 days in the comparable period in the previous year (prior period). All three categories recorded double-digit revenue growth, especially driven by exceptional premium cider and ready-to-drink (RTD) growth, led by Savanna. Multiple spirits brands performed commendably with stand-out performances recorded by key gin and vodka brands. The wine category benefitted from growth in mainstream and sparkling wine. Our e-commerce and digital sales channels continue to show excellent growth alongside key innovation roll-out and stepped-up investment into key brands.

In African markets, outside South Africa, revenue increased by 0,9% on 6,5% higher sales volumes. Volumes in BLNE countries (Botswana, Lesotho, Namibia and Eswatini) declined by 1,4% as Botswana lost almost a third of its trading period due to extended restrictions, and stock supply issues in Namibia. Trading in Botswana has since normalised and the supply issues in Namibia have been addressed. Focus markets on the continent, outside the Southern African Customs Union, grew revenue by 5,3%. This was largely driven by Mozambique, Zambia and Tanzania as a result of our accelerated route-to-market (RTM) investments. Kenya posted a resilient performance, particularly over the peak season, despite prolonged domestic channel closures due to government-imposed restrictions for the majority of the trading period. Excellent growth was achieved by key cider and RTD brands, growing volumes by 24,8%. The Africa region contributed 65,3% to foreign revenue, with its contribution to Group revenue comprising 15,9% in the current period.

Revenue in international markets outside Africa declined by 3,8% alongside an expected volume decline of 9,5%. This is attributable to one of its largest revenue contributing regions, Taiwan, experiencing COVID-19 related on-consumption channel closures for half of the trading period, the cessation of the sales of less profitable wine brands and the exit of the RTD business in various regions. South African port disruptions in July 2021 also had a material adverse effect on wine exports and performance in the period. Premium spirits continue to perform strongly across key markets, particularly with single malt brands growing over 20% in revenue, alongside Amarula growth in focus markets. Sales momentum continues within the online sales channel while the Global Travel Retail (GTR) market recovers due to increased international travel.

Operating costs increased by 16,7% driven by the current abnormal inflationary increase in overall costs of goods sold, but we managed to keep it in line with overall revenue growth and maintained profit margins. Sales and marketing costs rose by 10,9%, as we normalised marketing activities following the lifting of various restrictions to continue investments behind brands. Administration and other costs increased by R343,2 million to R983,2 million, in light of a R270,6 million short-term incentive (STI) bonus provision for all employees compared to R71,0 million in the prior period. The Group has reintroduced its STI scheme to drive performance and further stimulate our recovery with key STI targets aligned to revenue, profitability and sustainable development metrics.

Other gains and losses reflected a net gain of R74,8 million (2020: R82,4 million). The gain in the current period included insurance proceeds of R144,6 million, of which R75,0 million relates to COVID-19 loss of income claims submitted in the previous financial year. The remainder relates to proceeds for the damages suffered during the civil unrest that broke out in South Africa's KwaZulu-Natal and Gauteng provinces from 9 to 17 July 2021. The direct costs of the unrest for Distell amounted to R90,8 million. The prior period gains mainly related to the profit on the sale of the Alto wine farm.

Foreign currency translation gains amounted to R107,0 million (2020: R173,0 million losses) as the rand weakened by 6% on average against the major currencies in which the Group trades. The weaker exchange rates also benefitted exports to Africa and wine brands in the international business.

Net finance costs declined 40,3% to R102,0 million due to the recovery in the Group balance sheet and the increase in cash, cash equivalents and money market funds.

Distell's share of equity-accounted earnings increased by 15,3% to R97,9 million, driven by an improvement in African Distillers Limited (Zimbabwe) and Best Global Brands Limited's performance in Angola.

Reported EBITDA increased by 10,0% to R2,8 billion. Normalised EBITDA, which mainly excludes the items referred to in note 14 to the condensed consolidated interim financial statements, increased by 11,4%. Normalised EBITDA, excluding foreign currency translation movements, increased by 4,4%.

The effective tax rate remained constant at 28,3%.

Headline earnings and headline earnings per share increased by 17,5% to R1,6 billion and by 17,4% to 718,2 cents respectively. Excluding the currency conversion movements and the items referred to in note 14 to the condensed consolidated interim financial statements, headline earnings increased by 6,2%.

INVESTMENT AND FUNDING

Total assets increased by 13,1% to R31,6 billion.

Investment in net working capital increased by 5,2% to R5,8 billion. Inventory increased by 3,0% to R8,5 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 7,9%. Investment in bottled stock and packaging material decreased by 1,5%. Trade and other receivables increased by 24,9% due to higher sales in the last two months of the current period compared to the prior period, while trade and other payables increased by 13,6%.

Capital expenditure for the current period increased by 54,8% to R646,6 million (2020: R417,7 million) as the Group resumed its measured investment behind growth initiatives. Of this, R282,6 million was spent on the replacement of assets while a further R364,0 million was allocated to the expansion of capacity, particularly to Savanna, international Scotch whisky and new Kenyan manufacturing facilities. This trend is likely to continue into the second half of the financial year.

The Group generated cash from operating activities of R2,4 billion (2020: R3,3 billion). Investment in working capital reflect a cash outflow of R0,4 billion (2020: R1,2 billion inflow), partly due to an increase in trade receivables as a result of substantial higher sales in the last two months of the current period compared to the prior period. A further R55,0 million cash was received when surplus plan assets used to fund the South African post-retirement medical liability was repaid to the Group. Share-based payment liabilities of R104,9 million were settled in cash as the Group is precluded from utilising ordinary shares to settle these liabilities as a condition of the Heineken transaction, the closing of which remain subject to a number of conditions precedent.

Net debt, including investment in money market funds, at the end of the current period fell 81% to only R0,5 billion. The Group is highly cash generative, with a strong balance sheet and a much-improved debt to debt-plus-equity ratio of only 3,3% (2020: 17,3%) and a debt-to-equity ratio of 3,4% (2020: 21,0%) at the end of the current period. As the Group's southern African operations were in a surplus cash position on 31 December 2021, it comfortably met its debt covenants relating to its South African medium-term debt with a debt to EBITDA measurement of -0,1:1 (2020: 1,2:1) compared to the covenant of 2,75:1. The Group will repay R1,2 billion of its South African medium-term debt, which is due in April 2022. Debt of R1,4 billion relating to the Scotch whisky business is in the process of being refinanced.

HEINEKEN INTERNATIONAL B.V. TRANSACTION

The scheme meeting relating to the potential Heineken transaction was held on 15 February 2022. Shareholders approved all resolutions by 94%. Engagement to seek approval from the various competition authorities continues, and shareholders are to refer to the transaction timetable contained in the Distell Circular distributed to all shareholders on 17 January 2022. More information can be found on www.distell.co.za/Investor-Centre/heineken-deal-site/.

PROSPECTS

The markets we operate in are gradually normalising, albeit at different paces, with both opportunities and challenges. Interest rates around the world are expected to rise as governments and central banks address the rising inflation concerns amid currency volatility as countries recover from the prolonged effect of COVID-19 restrictions.

In our biggest market, South Africa, general inflation acceleration and the rising cost of fuel have placed further pressure on the local consumer as the economy steadily recovers from the impact of COVID-19. While the rest of Africa is faced with similar challenges, growth recovery is supported by rising commodity prices and we foresee that East Africa will remain resilient. In Europe, UK and Asia, while consumption channels have been adversely affected by COVID-19 restrictions at various times, our premium spirits business continues to leverage trends in the segment with a more focused and profitable portfolio.

Notwithstanding these challenges, the Group's agility and investments in RTM, optimisation of its production network and capabilities have enabled it to capture growth and productivity opportunities as it navigates the current environment.

We continually adapt our product offerings as we navigate changes in portfolio choices brought on by economic, channel and consumer shifts. Changing consumer preferences in favour of value and accessible premium, trusted brands across categories and occasions play to the inherent strength of Distell's diverse portfolio. Our resilience, ability to innovate and stay relevant to changes, even during the pandemic, is reflected in our current performance.

COMMENTARY *continued*

The Group will continue to improve efficiencies and manage costs to attempt to off-set rising costs due to higher commodity prices and the cost of imported goods. Global supply chain and transportation disruptions, and glass and aluminum can shortages in our domestic market continue to place pressure on margins going into the second half of the financial year. We are working closely with our suppliers to address the supply shortages and expect a gradual improvement in supply during this calendar year.

The Group has a powerful and well-known portfolio of brands that service a wide range of consumer preferences, spanning multiple price points, consumption occasions, distribution channels and geographies. This is supported by a strong balance sheet which provides the Group with the resources to capture growth opportunities as they arise.

TRIBUTE

We mourn the sudden passing of our colleague and friend, André Opperman. André was appointed to the executive team in early 2019 and has been with the Group for six years in various HR leadership roles. His contribution to the Group, its people, and in particular its culture change and response during the pandemic was invaluable. The board and management pass on our sincere condolences to his family, friends, and colleagues. We will miss you 'Oppies'.

DIVIDENDS

The Heineken transaction is subject to several conditions, one of which relates to Distell not making any distributions, including dividend declarations, to its shareholders. In light of this, the Distell board has taken a decision not to declare an interim dividend for the six months ended 31 December 2021.

Signed on behalf of the Distell board

JJ Durand
Chairman

RM Rushton
Group chief executive officer

Stellenbosch
24 February 2022

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: RAND MERCHANT BANK (a division of FirstRand Bank Limited), 1 Merchant Place, c/o Rivonia Road and Fredman Drive, Sandown 2196

www.distell.co.za

ACCESS TO INFORMATION

The full financial results:
- can be viewed on SENS;
- can be viewed online at www.distell.co.za (Investor Centre): https://www.distell.co.za/investor-centre/financial-results/DGH1H22.pdf
- can be viewed online at JSE: https://senspdf.jse.co.za/documents/2022/JSE/ISSE/DGHE/DGH1H22.pdf
- are available for inspection at the Company's registered office and the office of the sponsor at no charge, during normal business hours from 24 February 2022; 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 2021 R'000	UNAUDITED 31 December 2020 R'000	AUDITED 30 June 2021 R'000
ASSETS			
Non-current assets			
Property, plant and equipment	**8 474 518**	8 028 289	8 103 115
Financial assets at amortised cost	**77 754**	74 344	71 555
Financial assets at fair value through other comprehensive income (FVOCI)	**38 267**	57 508	47 827
Investments in associates	**486 722**	402 999	408 597
Investments in joint ventures	**119 578**	76 241	66 826
Intangible assets	**2 240 900**	2 070 390	2 082 759
Retirement benefit assets	**391 594**	760 957	385 489
Deferred income tax assets	**91 165**	65 524	62 176
Total non-current assets	**11 920 498**	11 536 252	11 228 344
Current assets			
Inventories	**8 515 862**	8 265 169	8 588 203
Trade and other receivables	**5 944 331**	4 759 813	3 290 481
Investment in money market funds	**2 240 000**	1 245 000	–
Current income tax assets	**52 939**	61 421	173 217
Cash and cash equivalents	**2 888 213**	1 942 307	2 471 136
Total current assets	**19 641 345**	16 273 710	14 523 037
Assets classified as held for sale	**–**	97 022	–
Total assets	**31 561 843**	27 906 984	25 751 381
EQUITY AND LIABILITIES			
Capital and reserves			
Capital and reserves attributable to equity holders of the Company	**15 129 350**	12 592 880	13 086 980
Non-controlling interest	**482 029**	441 763	454 062
Total equity	**15 611 379**	13 034 643	13 541 042
Non-current liabilities			
Interest-bearing borrowings	**2 129 236**	4 991 004	2 077 097
Retirement benefit obligations	**27 444**	34 285	24 615
Deferred income tax liabilities	**1 470 383**	1 324 608	1 274 914
Total non-current liabilities	**3 627 063**	6 349 897	3 376 626
Current liabilities			
Trade and other payables	**8 259 248**	7 273 062	5 768 289
Interest-bearing borrowings	**3 523 723**	927 292	2 611 632
Interest-free borrowings	**45 621**	–	–
Provisions	**333 643**	86 244	344 696
Derivative financial instruments	**44 737**	131 248	85 818
Current income tax liabilities	**116 429**	104 598	23 278
Total current liabilities	**12 323 401**	8 522 444	8 833 713
Total equity and liabilities	**31 561 843**	27 906 984	25 751 381

CONDENSED CONSOLIDATED INCOME STATEMENT

	UNAUDITED			AUDITED
	Six months ended 31 December 2021 R'000	Six months ended 31 December 2020 R'000	Change %	Year ended 30 June 2021 R'000
Revenue	**17 800 521**	15 373 705	15,8	28 254 542
Operating costs	**(15 604 677)**	(13 366 340)	16,7	(25 671 447)
Costs of goods sold	**(12 701 534)**	(10 959 852)		(20 430 795)
Sales and marketing costs	**(1 251 531)**	(1 128 124)		(2 542 523)
Distribution costs	**(660 091)**	(657 840)		(1 362 550)
Administration and other costs	**(983 194)**	(639 983)		(1 273 546)
Net impairment gains and losses on financial assets	**(8 327)**	19 459		(62 033)
Other gains and losses	**74 847**	82 449		259 445
Operating profit	**2 270 691**	2 089 814	8,7	2 842 540
Dividend income	**6 561**	4 018		6 546
Finance income	**53 612**	22 265		66 324
Finance costs	**(155 579)**	(193 090)		(357 445)
Share of equity-accounted earnings	**97 913**	84 957		113 803
Profit before taxation	**2 273 198**	2 007 964	13,2	2 671 768
Taxation	**(643 411)**	(567 652)		(669 279)
Profit for the period	**1 629 787**	1 440 312	13,2	2 002 489
Attributable to:				
Equity holders of the Company	**1 597 550**	1 404 183	13,8	1 935 840
Non-controlling interest	**32 237**	36 129		66 649
	1 629 787	1 440 312	13,2	2 002 489
Per share performance:				
Issued number of ordinary shares ('000)	**223 102**	222 622		223 102
Weighted number of ordinary shares ('000)	**220 087**	219 744		219 840
Diluted weighted number of ordinary shares ('000)	**221 058**	220 065		220 543
Earnings per ordinary share (cents)				
– Basic earnings basis	**725,9**	639,0	13,6	880,6
– Diluted earnings basis	**722,7**	638,1	13,3	877,8
– Headline basis	**718,2**	612,0	17,4	769,6
– Diluted headline basis	**715,0**	611,1	17,0	767,1

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	UNAUDITED		AUDITED
	Six months ended 31 December 2021 R'000	Six months ended 31 December 2020 R'000	Year ended 30 June 2021 R'000
Profit for the period	**1 629 787**	1 440 312	2 002 489
Other comprehensive income (net of taxation)	**515 551**	(436 790)	(532 869)
Items that may be reclassified subsequently to profit and loss:			
Currency translation differences	**444 732**	(527 992)	(623 687)
Fair value adjustments of cash flow hedges	**28 953**	25 677	53 644
Items that will not be reclassified to profit and loss:			
Remeasurements of post-employment benefits	**41 796**	59 873	49 910
Fair value adjustments – financial assets through other comprehensive income	**70**	5 652	(11 172)
Share of other comprehensive income of associates	**–**	–	(1 564)
Total comprehensive income for the period	**2 145 338**	1 003 522	1 469 620
Attributable to:			
Equity holders of the Company	**2 113 101**	967 393	1 402 971
Non-controlling interest	**32 237**	36 129	66 649
	2 145 338	1 003 522	1 469 620

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	UNAUDITED		AUDITED
	Six months ended 31 December 2021 R'000	Six months ended 31 December 2020 R'000	Year ended 30 June 2021 R'000
Attributable to equity holders			
Opening balance	13 086 980	11 582 926	11 582 926
Comprehensive income			
Profit for the period	1 597 550	1 404 183	1 935 840
Other comprehensive income (net of taxation)			
Currency translation differences	444 732	(527 992)	(623 687)
Cash flow hedge of interest rate swaps	28 953	25 677	53 644
Remeasurements of post-employment benefits	41 796	59 873	49 910
Fair value adjustments – financial assets through other comprehensive income	70	5 652	(11 172)
Share of other comprehensive income of associates	–	–	(1 564)
Total other comprehensive income	515 551	(436 790)	(532 869)
Total comprehensive income for the period	2 113 101	967 393	1 402 971
Transactions with owners			
Employee share scheme:			
– Shares paid and delivered	1	3	5
– Value of employee services	37 098	42 558	107 482
– Fair value of share scheme settled in cash	(104 867)	–	–
Transactions with non-controlling interests	(2 963)	–	(6 404)
Total transactions with owners	(70 731)	42 561	101 083
Attributable to equity holders	15 129 350	12 592 880	13 086 980
Non-controlling interest			
Opening balance	454 062	409 134	409 134
Profit for the period	32 237	36 129	66 649
Dividends paid	(4 000)	(3 500)	(4 416)
Remeasurements of post-employment benefits	167	–	–
Transactions with non-controlling interests	(437)	–	(17 305)
Total transactions with owners	482 029	441 763	454 062
Attributable to equity holders	15 611 379	13 034 643	13 541 042

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	UNAUDITED Six months ended 31 December 2021 R'000	UNAUDITED Six months ended 31 December 2020 R'000	AUDITED Year ended 30 June 2021 R'000
Cash flows from operating activities			
Operating profit	**2 270 691**	2 089 814	2 842 540
Non-cash flow items	**999 127**	394 680	957 687
Working capital changes	**(421 438)**	1 203 873	772 914
Inventories	**107 886**	92 795	(255 275)
Trade and other receivables	**(2 663 548)**	(1 942 573)	(513 055)
Trade payables and provisions	**2 134 224**	3 053 651	1 541 244
Cash generated from operations	**2 848 380**	3 688 367	4 573 141
Net financing costs	**(94 872)**	(158 593)	(295 736)
Taxation paid	**(299 675)**	(239 299)	(602 635)
Proceeds from retirement benefit assets transferred to Group	**55 000**	–	405 000
Cash-settled equity based payments	**(104 867)**	–	–
Net cash generated from operating activities	**2 403 966**	3 290 475	4 079 770
Net cash (out)/inflow from investment activities (note 4)	**(2 806 545)**	(867 140)	113 349
Net cash in/(out)flow from financing activities (note 5)	**3 487**	(62 172)	(494 432)
Dividends paid to non-controlling interests	**(4 000)**	(3 500)	(4 416)
(Decrease)/Increase in net cash, cash equivalents and bank overdrafts	**(403 092)**	2 357 663	3 694 271
Net cash, cash equivalents and bank overdrafts at the beginning of the period	**2 471 136**	(1 180 943)	(1 180 943)
Exchange gains/(losses) on cash, cash equivalents and bank overdrafts	**14 250**	(34 413)	(42 192)
Net cash, cash equivalents and bank overdrafts at the end of the period	**2 082 294**	1 142 307	2 471 136

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 31 December 2021

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 interim report has been prepared in accordance with and containing the information required by IAS 34 *Interim Financial Reporting*, as well as the South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council. 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 that have commenced on 1 July 2021. None of the new or amended accounting pronouncements that are effective for the financial year that has commenced on 1 July 2021 have a material impact on the consolidated results of the Group.

	UNAUDITED			AUDITED
	Six months ended 31 December 2021 R'000	Six months ended 31 December 2020 R'000	Change %	Year ended 30 June 2021 R'000
2. SALES VOLUMES (LITRES '000)	**424 228**	378 568	12,1	700 667

3. NET INTEREST-BEARING BORROWINGS

Interest-bearing borrowings			
Non-current	**2 129 236**	4 991 004	2 077 097
Current	**3 523 723**	927 292	2 611 632
Bank overdrafts	**805 919**	800 000	–
Short-term portion of interest-bearing borrowings	**2 717 804**	127 292	2 611 632
	5 652 959	5 918 296	4 688 729
Cash and cash equivalents and investment in money market funds	**(5 128 213)**	(3 187 307)	(2 471 136)
	524 746	2 730 989	2 217 593

4. CASH FLOW FROM INVESTMENT ACTIVITIES

Purchases of property, plant and equipment (PPE) to maintain operations	**(282 615)**	(191 663)	(441 054)
Purchases of PPE to expand operations	**(364 039)**	(226 008)	(436 780)
Proceeds from sale of PPE	**144 960**	82 015	68 109
Purchases of financial assets, money market funds, associates and joint ventures	**(2 247 163)**	(686 526)	(13 822)
Proceeds from financial assets, money market funds, associates and joint ventures	**20 459**	695	648 995
Purchases of intangible assets	**(74 747)**	(31 248)	(73 456)
Proceeds from disposal of intangible assets	**–**	–	1
Proceeds from disposal of assets classified as held for sale	**–**	185 595	384 781
Acquisition of interest in subsidiaries, net of cash	**(3 400)**	–	(23 425)
	(2 806 545)	(867 140)	113 349

5. CASH FLOW FROM FINANCING ACTIVITIES

Proceeds from ordinary shares issued	**1**	3	5
Proceeds from borrowings	**80 275**	19 169	28 837
Repayment of borrowings	**–**	–	(400 000)
Lease payments	**(76 789)**	(81 344)	(123 274)
	3 487	(62 172)	(494 432)

6. CAPITAL COMMITMENTS

Contracted	**441 094**	415 687	625 592
Authorised, but not contracted	**967 194**	257 132	1 639 587
	1 408 288	672 819	2 265 179

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *continued*

		UNAUDITED			AUDITED
		Six months ended 31 December 2021 R'000	Six months ended 31 December 2020 R'000	Change %	Year ended 30 June 2021 R'000
7.	**DEPRECIATION AND AMORTISATION**				
	Depreciation of PPE	**421 028**	352 700		731 937
	Amortisation of intangible assets	**56 542**	60 265		80 708
		477 570	412 965		812 645
8.	**OTHER GAINS AND LOSSES**				
	Proceeds from insurance claims related to civil unrest in South Africa	**69 565**	–		–
	Direct costs of civil unrest in South Africa	**(90 780)**	–		–
	Proceeds from insurance claims related to COVID-19	**75 000**	–		–
	Profit on disposal of assets classified as held for sale	**–**	55 146		180 790
	Gain on disposal of investments and subsidiaries	**–**	–		10 677
	Reversal of impairment of investments in associates and joint ventures	**–**	–		58 747
	Profit on disposal of PPE	**21 062**	27 303		9 231
		74 847	82 449		259 445
9.	**NET ASSET VALUE PER SHARE (CENTS)**	**6 997**	5 855		6 069

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. In order to ensure comparability between the current and prior year segment information, the prior year information, including revenue, costs and allocations, have been restated to align with the current year segmentation basis as is currently reported to the chief operating decision-maker.

UNAUDITED SIX MONTHS ENDED 31 DECEMBER 2021

	South Africa R'000	BLNE R'000	Rest of Africa R'000	International R'000	Corporate R'000	Total R'000	Change %
Revenue	13 466 072	1 111 694	1 718 378	1 503 081	1 296	17 800 521	15,8
Costs of goods sold	(9 638 194)	(804 040)	(1 223 266)	(852 900)	(183 134)	(12 701 534)	15,9
Material costs and overheads	(9 638 312)	(814 119)	(1 238 381)	(890 374)	(227 326)	(12 808 512)	18,7
Currency conversions gains and losses	118	10 079	15 115	37 474	44 192	106 978	
Gross Profit	3 827 878	307 654	495 112	650 181	(181 838)	5 098 987	15,5
Operating costs	(1 317 412)	(137 703)	(214 732)	(396 816)	(836 480)	(2 903 143)	20,6
Operating profit before allocations (excluding other gains and losses)	2 510 466	169 951	280 380	253 365	(1 018 318)	2 195 844	9,4
Equity-accounted earnings	250	–	94 267	2 791	605	97 913	15,3
EBIT before allocations (excluding other gains and losses)	2 510 716	169 951	374 647	256 156	(1 017 713)	2 293 757	9,6
Allocations	(496 376)	(51 153)	(58 748)	(42 779)	649 056	–	
EBIT after allocations (excluding other gains and losses)	2 014 340	118 798	315 899	213 377	(368 657)	2 293 757	9,6
Other gains and losses	(21 059)	(265)	16	19 037	77 118	74 847	(9,2)
Equity-accounted earnings	(250)	–	(94 267)	(2 791)	(605)	(97 913)	15,3
Operating profit	1 993 031	118 533	221 648	229 623	(292 144)	2 270 691	8,7
EBIT before allocations attributable to:							
Equity holders of the Company	2 502 295	169 951	349 341	256 156	(1 016 223)	2 261 520	
Non-controlling interest	8 421	–	25 306	–	(1 490)	32 237	
	2 510 716	169 951	374 647	256 156	(1 017 713)	2 293 757	9,6
Total non-current assets	7 460 129	121 884	1 268 359	3 070 126	–	11 920 498	3,3

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *continued*

10. SEGMENTAL AND REVENUE ANALYSIS CONTINUED

	UNAUDITED SIX MONTHS ENDED 31 DECEMBER 2020					
Restated	South Africa R'000	BLNE R'000	Rest of Africa R'000	International R'000	Corporate R'000	Total R'000
Revenue	10 953 727	1 172 303	1 632 611	1 561 925	53 139	15 373 705
Costs of goods sold	(7 936 392)	(821 427)	(1 210 307)	(924 574)	(67 152)	(10 959 852)
Material costs and overheads	(7 936 333)	(823 071)	(1 158 313)	(850 743)	(18 394)	(10 786 854)
Currency conversions gains and losses	(59)	1 644	(51 994)	(73 831)	(48 758)	(172 998)
Gross Profit	3 017 335	350 876	422 304	637 351	(14 013)	4 413 853
Operating costs	(1 041 270)	(119 635)	(196 166)	(397 564)	(651 853)	(2 406 488)
Operating profit before allocations (excluding other gains and losses)	1 976 065	231 241	226 138	239 787	(665 866)	2 007 365
Equity-accounted earnings	(1 977)	–	72 428	14 262	244	84 957
EBIT before allocations (excluding other gains and losses)	1 974 088	231 241	298 566	254 049	(665 622)	2 092 322
Allocations	(266 364)	(35 807)	(40 722)	(36 809)	379 702	–
EBIT after allocations (excluding other gains and losses)	1 707 724	195 434	257 844	217 240	(285 920)	2 092 322
Other gains and losses	21 247	(19)	(117)	9	61 329	82 449
Equity-accounted earnings	1 977	–	(72 428)	(14 262)	(244)	(84 957)
Operating profit	1 730 948	195 415	185 299	202 987	(224 835)	2 089 814
EBIT before allocations attributable to:						
Equity holders of the Company	1 967 294	231 241	268 874	254 049	(665 265)	2 056 193
Non-controlling interest	6 794	–	29 692	–	(357)	36 129
	1 974 088	231 241	298 566	254 049	(665 622)	2 092 322
Total non-current assets	7 219 378	136 516	1 356 659	2 823 699	–	11 536 252

Note: BLNE = Botswana, Lesotho, Namibia and Eswatini
EBIT = Earnings before interest and taxation

10. SEGMENTAL AND REVENUE ANALYSIS CONTINUED

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

Revenue	UNAUDITED Six months ended 31 December 2021 R'000	Six months ended 31 December 2020 R'000
Category		
Spirits	**7 421 701**	6 145 753
Wine	**3 904 681**	3 903 004
Ciders and ready-to-drinks	**6 467 825**	5 308 684
Other	**6 314**	16 264
Total revenue	**17 800 521**	15 373 705
Corporate operating profit		
Corporate operating profit comprises the following major categories:		
Corporate head office	**(100 686)**	(86 319)
Corporate and shared services	**(255 993)**	(195 513)
Group expenses	**(101 370)**	(72 648)
Group provisions, accruals and credit loss provisions on financial assets	**(255 722)**	(153 550)
Supply chain	**(350 035)**	(162 217)
Net foreign exchange gains	**44 192**	(48 758)
Other gains and losses	**77 118**	61 329
Revenue and non-allocated items	**1 296**	53 139
Allocations to geographical regions	**649 056**	379 702
Operating profit	**(292 144)**	(224 835)

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, short-term incentive scheme; 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'.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *continued*

11. FINANCIAL RISK MANAGEMENT AND FINANCIAL INTSRUMENTS

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 2021. 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 2021.

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 or prior reporting periods to subsidiaries of Remgro Limited.

13. EVENTS SUBSEQUENT TO STATEMENT OF FINANCIAL POSITION DATE

The scheme meeting relating to the proposed Heineken transaction was held on 15 February 2022. Shareholders approved all resolutions by 94%. Engagement to seek approval from the various competition authorities continues, and shareholders are to refer to the transaction timetable contained in the Distell Circular distributed to all shareholders on 17 January 2022. More information can be found on www.distell.co.za/Investor-Centre/heineken-deal-site/.

14. HEADLINE EARNINGS AND PRO FORMA INFORMATION

The results of the Group are significantly impacted by abnormal or non-recurring transactions and the change in foreign exchange rates. Abnormal transactions refer to events outside the general operating activities of the Group, including legal disputes, costs associated with potential significant corporate transactions and major restructurings which can span more than one financial year.

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

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.

The current and prior year numbers, as presented in the tables below, were extracted without adjustments from the condensed consolidated interim financial statements for the six-month periods ended 31 December 2021 and 31 December 2020.

14. HEADLINE EARNINGS AND PRO FORMA INFORMATION CONTINUED

	Six months ended 31 December 2021 R'000	Six months ended 31 December 2020 R'000	Change %	Year ended 30 June 2021 R'000
HEADLINE EARNINGS				
Reconciliation of headline earnings:				
Net profit attributable to equity holders of the Company	**1 597 550**	1 404 183	13,8	1 935 840
Adjusted for (net of taxation):				
Gain on previously held equity interest and on sale of investments, intangible assets and subsidiaries	**–**	(317)		(10 677)
Profit on sale of PPE	**(16 886)**	(13 164)		(6 618)
Profit on disposal of assets classified as held for sale	**–**	(45 971)		(167 988)
Reversal of impairment of equity-accounted investments	**–**	–		(58 747)
Headline earnings	**1 580 664**	1 344 731	17,5	1 691 810
Headline earnings	**1 580 664**	1 344 731		1 691 810
Adjusted for (net of taxation):				
Legal disputes and related legal fees	**1 500**	22 177		27 143
Merger and acquisition related costs	**6 123**	3 962		16 706
Retrenchment costs related to major restructurings	**–**	16 992		15 598
Net losses due to civil unrest in South Africa	**15 169**	–		–
Normalised headline earnings	**1 603 456**	1 387 862	15,5	1 751 257

Effect of foreign currencies

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 R16,28 compared to R15,02 in the current year, and the AOA strengthened from an average aggregated daily AOA/USD exchange rate of 622,9 to 611,6 in the current year.

The adjustments below thus represent a restatement of the 2021 foreign income using the current year aggregated daily average exchange rates.

	Six months ended 31 December 2021 R'000	Six months ended 31 December 2020 R'000	Change %
Normalised headline earnings	**1 603 456**	1 387 862	15,5
Adjusted for (net of taxation):			
Exclusion of effect of conversion of foreign currency monetary assets and liabilities to the reporting currency			
Other major currencies	**(72 035)**	122 744	
Kwanza (in associate)	**2 892**	5 536	
Prior year restatement to current year aggregated daily average exchange rates	**–**	(71 069)	
Normalised headline earnings adjusted for foreign exchange movements	**1 534 313**	1 445 073	6,2

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS *continued*

14. HEADLINE EARNINGS AND PRO FORMA INFORMATION CONTINUED

	Six months ended 31 December 2021 R'000	Six months ended 31 December 2020 R'000	Change %	Year ended 30 June 2021 R'000
EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (EBITDA)				
Reconciliation of EBITDA:				
Operating profit	**2 270 691**	2 089 814	8,7	2 842 540
Adjusted for:				
Depreciation	**421 028**	352 700		731 937
Amortisation	**56 542**	60 265		80 708
Share of equity-accounted earnings	**97 913**	84 957		113 803
EBITDA	**2 846 174**	2 587 736	10,0	3 768 988
EBITDA	**2 846 174**	2 587 736	10,0	3 768 988
Adjusted for:				
Impairment of PPE, intangible assets, investments and profit/loss on sale of PPE, investments, intangible assets and subsidiaries	**(21 063)**	(82 449)		(259 445)
Retrenchment costs related to major restructurings	**–**	23 765		21 814
Legal disputes and related legal fees	**2 098**	31 016		37 963
Merger and acquisition related costs	**8 564**	5 542		23 365
Net losses due to civil unrest in South Africa	**21 215**	–		–
Normalised EBITDA	**2 856 988**	2 565 610	11,4	3 592 685
Normalised EBITDA	**2 856 988**	2 565 610	11,4	3 592 685
Adjusted for:				
Exclusion of effect of conversion of foreign currency monetary assets and liabilities to the reporting currency				
Other major currencies	**(102 523)**	172 048		
Kwanza (in associate)	**2 892**	5 536		
Prior year restatement to current year aggregated daily average exchange rates	**–**	(102 320)		
Normalised EBITDA adjusted for foreign exchange movements	**2 757 357**	2 640 874	4,4	

ADMINISTRATION

DISTELL GROUP HOLDINGS LIMITED

Incorporated in the Republic of South Africa
(Registration number: 2016/394974/06)
ISIN: ZAE000248811
JSE share code: DGH

COMPANY SECRETARY

L Malan

REGISTERED OFFICE

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Rosebank Towers,
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Rosebank 2196
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Telephone: 011 370 7700
Facsimile: 011 688 5238

AUDITORS

PricewaterhouseCoopers Inc.
Stellenbosch

LISTING

JSE Limited
Sector: Consumer Staples – Food, Beverage and Tobacco – Beverages – Distillers and Vintners

SPONSOR

Rand Merchant Bank (a division of FirstRand Bank Limited)

WEBSITE

www.distell.co.za

WE ARE DISTELL

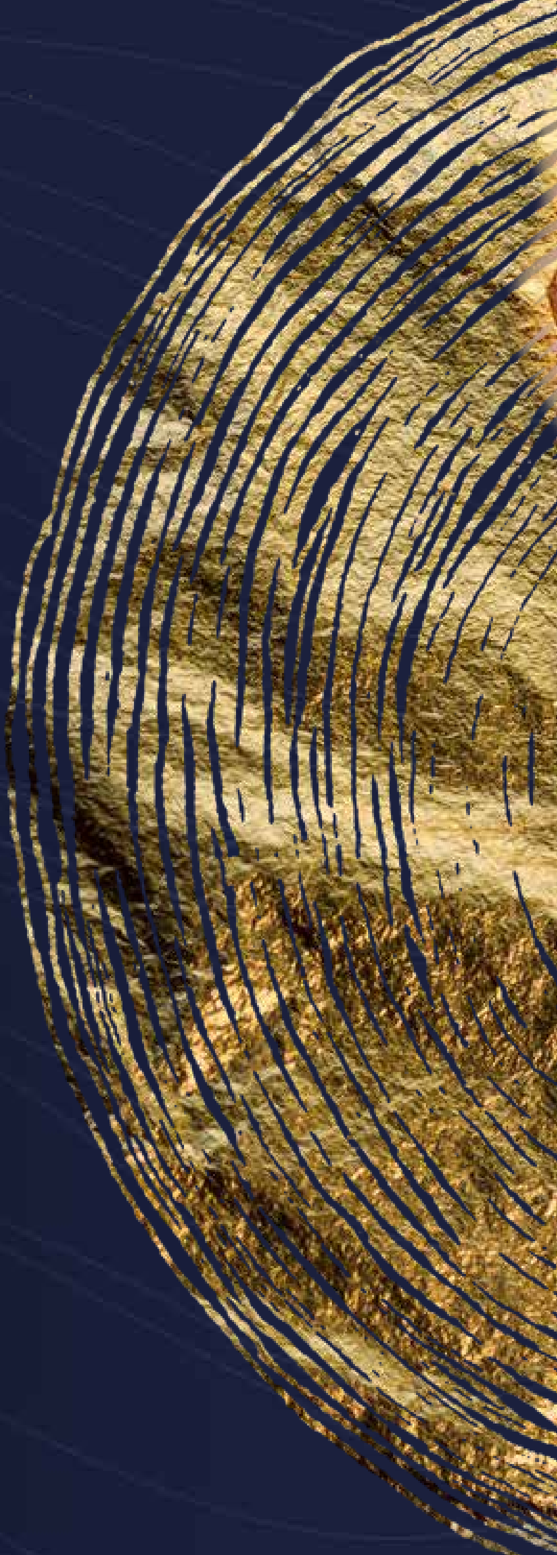
Distell is a business with deep roots in South Africa with a growing African and international presence. We are Africa's leading producer and global marketer of ciders and ready-to-drink beverages (RTDs), spirits and wines.

CREATING AND SHARING VALUE

Our purpose captures the customer and consumer experience associated with our award-winning brands. It recognises our role as a corporate citizen and our obligation to act responsibly and pursue excellence in everything we do.

OUR PERFORMANCE IN 2021

The year has been undoubtedly challenging. However, it also presented an opportunity for us to realign the Group's strategy. Distell has proven to be a resilient African business with a strong and diverse portfolio. This will enable us to thrive in the long term.



Brands

CIDERS AND RTDs

We pioneered the cider category in South Africa to become the second largest global producer of ciders:

- Savanna
- Hunter's
- Extreme
- Bernini

SPIRITS

Our premium and accessible spirit brands include local brands in key African markets:

- Amarula
- Bunnahabhain
- Scottish Leader
- Viceroy

WINES

Distell owns key wine brands, including:

- 4th Street
- Drostdy-Hof
- Nederburg
- Sedgwick's Old Brown

distell.co.za