



AVI |

GROWING GREAT BRANDS
RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2021



AVI LIMITED

ISIN: ZAE000049433 Share code: AVI
Registration number: 1944/017201/06
("AVI" or "the Group" or "the Company")

For more information please visit our website:
www.avi.co.za

AVI

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key features

COVID-19 and July unrest:

- Significant disruption to supply chains
 - Direct costs due to unrest of R36,9 million across Snackworks and Spitz
 - SASRIA insurance proceeds of R64,4 million
-

Group revenue increased by 2,3%

Selling price increases in most categories to offset higher raw material costs

2,5% decline in selling and administrative costs

Operating profit increased by 6,7% despite the challenging environment

Costs of R20,0 million related to the Mondelez interest in acquiring Snackworks

Recovery in I&J abalone volumes and pricing in Asian markets

I&J Black Staff Share Scheme payout of R103,3 million in December 2021

Headline earnings per share up 6,6% to 316,9 cents

Cash from operations up 7,1% to R1,72 billion

Interim dividend up 6,3% to 170 cents per share



results commentary

GROUP OVERVIEW

The trading environment remained challenging with inflationary pressure and growing unemployment impacting consumer spending. Rising supply chain costs and disruptions were notable in the semester but were effectively managed. Demand in the Entyce and Snackworks businesses has returned to normal levels and I&J's abalone business has seen sustained improvements in pricing and demand with restrictions in our main markets easing. Our key retail brands saw some recovery through the festive season with good sales as shoppers increasingly returned to malls and high streets. Parts of our business continue to be impacted by the pandemic with trading in the Ciro out-of-home and Indigo personal care businesses falling short of historical levels.

The civil unrest in July 2021 disrupted trading with all of AVI's facilities and retail stores closed to safeguard our staff, resulting in lost sales and production. When operations resumed, demand was lower than normal levels due to extensive damage to many malls, lower consumer footfall and compromised logistics networks. Spitz store damage costs and stock losses, and raw material losses in Snackworks, amounted to R36,9 million. The asset and trading losses were insured with R64,4 million included in the interim results.

Group revenue increased by 2,3% over the same period last year. Revenue growth in Entyce and Snackworks was underpinned by selling price increases taken in response to pressure from rising commodity input costs. Volumes grew marginally compared to the prior year, which had benefitted from lockdown related demand in the first quarter. Encouragingly, Snackworks' biscuit demand was robust through the second quarter. I&J's revenue grew marginally with difficulties in the fishing business offset by a sustained recovery in the abalone business following a myriad of COVID related market disruptions during the last 24 months. Revenue from the footwear and apparel business was 1,1% lower with the lost sales as a result of the July unrest, stock availability challenges and the effects of load-shedding, not fully recovered by pleasing growth in December sales over the same period last year. Indigo's beauty and personal care categories remain challenged by COVID related demand shifts, particularly segments of the beauty portfolio where demand is well below pre-COVID levels.

Consolidated gross profit increased by 2,1% with margins protected by efforts to control production and input costs, and selling price increases in certain categories, although in some cases competitor activity limited a full recovery of commodity cost pressures through price increases. Selling and administrative costs decreased by 2,5% with strong cost control supported by restructuring activity last year, and the recognition of the insurance proceeds attributable to July's unrest, partially offset by costs related to Mondelez's interest in acquiring AVI's Snackworks business. Operating profit for the period increased by 6,7% and the operating profit margin increased from 19,9% to 20,8%.

Net finance costs were higher than last year in line with increased average debt levels following the payment of the special dividend in April 2021.

Headline earnings grew 6,8% and headline earnings per share increased by 6,6% from 297,3 cents to 316,9 cents, with a 0,2% increase in the weighted average number of shares in issue due to the vesting of employee share options.

Cash generated by operations increased by 7,1% from R1,61 billion to R1,72 billion due to higher adjustments for non-cash items in operating profit, mainly incentive provisions and foreign exchange and fuel hedge revaluation movements, partly offset by the payment of R103,3 million on settlement of I&J's Black Staff Scheme. Capital expenditure of R136,4 million was lower than last year, but is expected to be higher in the

results commentary continued

second semester. Other material cash flows during the period were ordinary dividends paid of R910,5 million and taxation paid of R338,2 million. Net debt at the end of December 2021 was R1,54 billion compared to R1,12 billion at the end of December 2020.

I&J's Black Staff Scheme matured in December 2021 resulting in a payment of R103,3 million to black staff. The benefit created over the life of the scheme was significant and the payment constitutes a transfer of considerable value to our staff. A second staff scheme to replace the maturing scheme, was implemented in December 2021.

DIVIDEND

Group cash generation remains healthy and debt levels are within our targeted gearing range. The Board has declared an interim ordinary dividend of 170 cents per share, which is 6,3% higher than last year, and in line with the growth in headline earnings.

SEGMENTAL REVIEW

Six months ended 31 December

	Segmental revenue			Segmental operating profit		
	2021 Rm	2020 Rm	% change	2021 Rm	2020 Rm	% change
Food & Beverage brands	5 764,8	5 554,5	3,8	1 159,1	1 105,6	4,8
Entyce Beverages	1 999,2	1 954,9	2,3	451,9	473,0	(4,5)
Snackworks	2 521,0	2 364,7	6,6	547,2	506,7	8,0
I&J	1 244,6	1 234,9	0,8	160,0	125,9	27,1
Fashion brands	1 530,8	1 576,7	(2,9)	364,5	318,6	14,4
Personal Care	606,9	642,1	(5,5)	99,5	109,7	(9,3)
Footwear & Apparel	923,9	934,6	(1,1)	265,0	208,9	26,9
Corporate	-	-		(8,6)	(4,5)	
Group	7 295,6	7 131,2	2,3	1 515,0	1 419,7	6,7

Entyce Beverages

Revenue of R2,0 billion was 2,3% higher than in the prior period, while operating profit declined 4,5% with the operating profit margin decreasing to 22,6% from 24,2%.

Tea revenue decreased 4,7% due to lower rooibos revenue partially offset by a better black tea performance. Rooibos revenue was lower than last year with reduced selling prices, underpinned by lower raw material input costs, not fully recovered through improved volumes. Black tea revenue improved marginally due to prior year price increases with lower volumes relative to the strong lockdown demand in the first quarter of last year, which was not repeated. Gross profit margins were well protected and remain at healthy levels with lower input costs, reflecting the benefit of a stronger Rand and better rooibos raw material prices, partially offset by higher black tea prices. Lower revenue and increased selling and administrative costs resulted in a decline in operating profit.

Coffee revenue was 0,8% lower than last year due to continued pressure on mixed instant volumes from aggressive competitor activity, and reduced affordable brewed volumes which were impacted by the

July unrest with wholesale customers unwilling to invest due to increased risks. The Ciro out-of-home coffee business improved, albeit not to historical levels, with increased demand from hospitality, leisure and corporate customers as lockdown restrictions eased. Premium coffee revenue grew due to higher selling prices with sales volumes declining off a strong prior year base. Gross profit margins came under pressure with price increases in response to rising input costs not fully recovering the deleveraging impact of lower volumes. This was partially offset by reduced selling and administrative costs that included savings from the restructuring at Ciro last year. Operating profit and the profit margin decreased due to the drop in mixed instant profit, notwithstanding the improvement in Ciro's results and the growth in premium coffee.

Creamer revenue grew 17,6% due to a 6,7% increase in sales volumes and selling price increases to offset higher raw material costs. The gross profit margin decreased with raw material cost pressures not fully recovered due to the timing of price increases. The strong revenue performance was partly offset by higher selling and administrative costs with operating profit growth, and margins at good levels despite a decline over the prior year.

Snackworks

Revenue of R2,52 billion was 6,6% higher than last year while operating profit increased 8,0% from R506,7 million to R547,2 million. The operating profit margin improved from 21,4% to 21,7%.

Biscuit revenue increased 7,3% due to volume growth of 1,3% and higher selling prices as a result of price increases in April 2021. Volume growth was supported by a strong festive season as well as good growth in Baker's lower priced formats. The gross profit margin improved slightly with better factory performances and increased volumes partly offset by higher commodity input costs and the impact of a raw material write-off related to July's unrest. Selling and administrative costs finished in line with last year, supporting the growth in operating profit and an expansion of the operating profit margin.

Snacks revenue increased 4,5% due mainly to higher selling prices from price increases in April 2021 as well as tighter control of discounts. Sales volumes were lower as a result of higher selling prices, nationwide potato supply challenges negatively impacting service levels, and aggressive competitor pricing impacting volumes across the rest of the portfolio. The gross profit margin was lower than last year, impacted by higher raw material costs that were not fully recovered, and the deleveraging impact of lower volumes. Selling and administrative costs increased in line with inflation which, together with the lower gross profit, resulted in operating profit and operating profit margins declining over those in the prior period.

I&J

Revenue of R1,24 billion was 0,8% higher than last year while operating profit increased from R125,9 million to R160,0 million. The operating profit margin increased from 10,2% to 12,9%.

The improved result is due to the abalone operation, which recovered from poor export demand and low selling prices, due to COVID-19 lockdowns in key markets, last year. Demand for abalone has improved with a favourable product mix, increased volume and higher selling prices supporting revenue growth. In addition, restructuring at the farm contributed to good growth in operating profit.

The result from fishing was lower than last year with revenue negatively impacted by the stronger Rand, supply constraints and delayed exports due to the ongoing inefficiency at South Africa's ports. Fishing costs were impacted by lower catch rates and higher fuel prices, partly offset by better utilisation of the freezer fleet. Domestic demand and selling prices held up in a challenging environment.

Personal Care

Indigo's revenue of R606,9 million was 5,5% lower than last year due largely to lower sales volumes. Constrained consumers and a competitive environment affected demand, with global shipping and supplier delays negatively impacting service levels. Selling price increases taken in response to rising input costs provided a partial offset to lower volumes with colour cosmetic and fragrance revenue better, albeit at below pre-COVID levels.

The gross profit margin was largely in line with last year and selling and administrative costs were 6,4% lower due to savings from restructuring. Operating profit declined from R109,7 million to R99,5 million, and the operating profit margin reduced from 17,1% to 16,4%.

Footwear and Apparel (including Spitz, Green Cross and Gant)

Revenue of R923,9 million was 1,1% lower than last year due mainly to an 11,5% decrease in footwear sales volumes, partially offset by the benefit of higher selling prices. The trading performance was negatively impacted by the July unrest, stock availability challenges and unplanned power outages, which were not fully recovered by pleasing growth of 7,4% in December sales, with less stringent lockdown measures than in the prior year. Consumers returned to malls and high streets in the peak season with good growth in the second quarter compared to the prior year, and December's performance at better levels than pre-COVID. The constrained environment necessitated the closure of a number of under-performing Green Cross stores, affecting total revenue. Gross profit margins were well protected with a small improvement over the prior year despite stock write-offs of R19,4 million associated with July's unrest. Selling and administrative costs were lower than last year, reflecting the benefits of restructuring initiatives. Operating profit improved from R208,9 million to R265,0 million, with the operating profit margin increasing from 22,4% to 28,7%.

OUTLOOK

The ongoing impact of the COVID-19 pandemic and the concomitant disruption to global supply chains remain challenging. Whilst some improvement has been evident as lockdown restrictions were eased, demand for Ciro's out-of-home coffee solution business and some of Indigo's personal care categories is still at lower levels than historically. The long-term damage wrought by the pandemic has materially impacted our consumers and, together with rising inflation, will continue to place pressure on disposable incomes. Many of our categories face the prospect of low, or negative, growth rates in the absence of improving macroeconomic circumstances.

Entyce and Snackworks face significant inflationary pressures from rapidly rising commodity prices with further selling price increases required to preserve gross margins. Russia's recent invasion of Ukraine has sharply increased the cost of both fossil fuels and many soft commodities, some now trading at record levels. If sustained, the cost pressures will accelerate and the balancing of margin and volume will become especially challenging in 2022. Managing sales volumes in the next year will be challenging in the context of fluctuating consumer demand, aggressive competitor activity and the need to adjust selling prices to recover higher input costs. The exchange rates secured for the second semester are at better levels than for the same period in the prior financial year, which will provide some protection against rising commodity costs. Demand for our personal care brands may remain below historical levels due to the cumulative impact of COVID related changes to lifestyles, however, cosmetic and fragrance demand is expected to improve as people return to working in offices. Ciro's recovery is expected to continue but will remain dependent on the recovery of the travel, tourism and corporate office channels.

Our brands are strong and relevant. We will continue to react quickly to market changes as we pursue the most appropriate balance of price, sales volumes and profit margins for each of our brands.

results commentary continued

Our focus on product quality and relevant innovation will continue, ensuring our brands offer value to our customers. Factory efficiency, procurement savings and fixed cost reductions remain focus areas and will help to support profit margins in the next semester.

Capital projects that underpin our manufacturing capabilities, product quality and customer service levels will be supported. Spend through the second semester is expected to be higher with replacement and upgrade investments across key parts of the business.

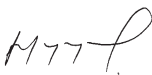
I&J's prospects for the second semester are materially dependent on fishing performance, exchange rates and a sustained improvement in abalone demand and selling prices. The fuel price remains volatile, with recent increases expected to have a significant effect on costs should they be sustained, despite existing hedges. Export exchange rates for the second semester are at levels that support profitability. At current exchange rates and oil prices, there is an expectation that the second semester performance will be lower than last year.

The hake long-term rights application process was concluded on 28 February 2022 in respect of the nine commercial fishing sectors that were due for re-allocation. The outcome and reasons for the decisions have been published for review, consideration and, where necessary, appeal by applicants, until 29 April 2022. The rights to the sector formally commenced on 1 March 2022 and will conclude on 31 December 2037. I&J is in the process of assessing the details and awards relating to the published rights but has retained 25,8% (previously 27,0%) of total hake quota satisfying continuity for the next 15 years. This represents a total loss of 1,2% of hake quota, subject to the outcome of the appeals process.

AVI International, supported by our South African manufacturing capabilities, remains focused on steadily building our brands' shares in export markets whilst sustaining strong profit margins.

The Board remains confident that AVI is well equipped to continue adapting to a changing economic environment. Acquisition opportunities with the potential to meet the Board's criteria will be evaluated.

The above outlook statements have not been reviewed or reported on by AVI's external auditors.



Gavin Tipper
Chairman



Simon Crutchley
CEO

7 March 2022

condensed consolidated balance sheet

	Unaudited at 31 December		Audited at 30 June
	2021 Rm	2020 Rm	2021 Rm
Assets			
Non-current assets			
Property, plant and equipment	3 199,6	3 293,4	3 265,8
Right-of-use assets	285,2	289,4	251,7
Intangible assets and goodwill	785,5	791,9	789,8
Investments and other long-term assets	30,2	37,1	32,0
Deferred taxation	29,4	44,2	43,3
	4 329,9	4 456,0	4 382,6
Current assets			
Inventories and biological assets	2 328,0	2 476,7	2 474,2
Trade and other receivables including derivatives	1 859,9	1 678,5	1 795,4
Cash and cash equivalents	538,3	1 033,9	194,1
	4 726,2	5 189,1	4 463,7
Total assets	9 056,1	9 645,1	8 846,3
Equity and liabilities			
Capital and reserves			
Total equity	4 580,0	5 173,5	4 401,9
Non-current liabilities			
Cash-settled share-based payment liability	–	41,4	41,6
Lease liabilities	189,9	206,8	165,8
Employee benefit liabilities	324,3	317,8	320,1
Deferred taxation	450,1	452,9	426,8
	964,3	1 018,9	954,3
Current liabilities			
Current borrowings including short-term portion of lease liabilities	1 890,3	1 950,0	1 752,9
Trade and other payables including derivatives	1 536,7	1 438,6	1 688,9
Current tax liabilities	84,8	64,1	48,3
	3 511,8	3 452,7	3 490,1
Total equity and liabilities	9 056,1	9 645,1	8 846,3
Movement in net debt			
Opening balance	1 415,0	926,4	926,4
Short-term funding raised/(repaid)	136,7	29,0	(159,7)
(Increase)/decrease in cash and cash equivalents	(335,3)	(200,0)	637,9
Translation of cash equivalents of foreign subsidiaries	(8,9)	8,5	10,4
Net debt excluding IFRS 16 lease liabilities	1 207,5	763,9	1 415,0
IFRS 16 lease liabilities	334,4	358,7	309,6
Net debt*	1 541,9	1 122,6	1 724,6

* Comprises current borrowings plus long-term lease liabilities, less cash and cash equivalents.

condensed consolidated statement of comprehensive income

	Unaudited six months ended 31 December			Audited year ended 30 June
	2021 Rm	2020 Rm	Change %	2021 Rm
Revenue	7 295,6	7 131,2	2,3	13 269,2
Cost of sales	(4 409,4)	(4 305,6)	2,4	(8 101,2)
Gross profit	2 886,2	2 825,6	2,1	5 168,0
Selling and administrative expenses	(1 371,2)	(1 405,9)	(2,5)	(2 758,7)
Operating profit before capital items	1 515,0	1 419,7	6,7	2 409,3
Interest received	1,8	13,4	(86,6)	21,9
Finance costs	(58,1)	(64,9)	(10,5)	(121,2)
Share of equity-accounted earnings of joint ventures	(0,6)	2,4	(125,0)	3,6
Capital items	(1,9)	(2,8)	(32,1)	(4,2)
Profit before taxation	1 456,2	1 367,8	6,5	2 309,4
Taxation	(411,3)	(390,0)	5,5	(663,7)
Profit for the period	1 044,9	977,8	6,9	1 645,7
Profit attributable to:				
Owners of AVI	1 044,9	977,8	6,9	1 645,7
Other comprehensive income/(loss), net of tax	26,0	(19,3)		(27,2)
Items that are or may be subsequently reclassified to profit or loss				
Foreign currency translation differences	22,7	(21,6)		(28,0)
Cash flow hedging reserve	4,6	3,2		1,7
Taxation on items that are or may be subsequently reclassified to profit or loss	(1,3)	(0,9)		(0,5)
Items that will never be reclassified to profit or loss				
Actuarial loss recognised	-	-		(0,5)
Taxation on items that will never be reclassified to profit or loss	-	-		0,1
Total comprehensive income for the period	1 070,9	958,5	11,7	1 618,5
Total comprehensive income attributable to:				
Owners of AVI	1 070,9	958,5	11,7	1 618,5
Depreciation and amortisation of property, plant and equipment, right-of-use assets, fishing rights and trademarks included in operating profit	278,8	291,6	(4,4)	559,1
Earnings per share				
Basic earnings per share (cents) [#]	316,5	296,6	6,7	498,9
Diluted basic earnings per share (cents) ^{##}	315,5	295,4	6,8	497,4
Headline earnings per share (cents) [#]	316,9	297,3	6,6	499,9
Diluted headline earnings per share (cents) ^{##}	316,0	296,1	6,7	498,4

[#] Basic earnings and headline earnings per share are calculated on a weighted average of 330 130 323 (31 December 2020: 329 631 916 and 30 June 2021: 329 850 528) ordinary shares in issue.

^{##} Diluted basic earnings and diluted headline earnings per share are calculated on a weighted average of 331 152 974 (31 December 2020: 330 988 033 and 30 June 2021: 330 845 156) ordinary shares in issue.

condensed consolidated statement of cash flows

	Unaudited six months ended 31 December			Audited year ended 30 June
	2021 Rm	2020 Rm	Change %	2021 Rm
Operating activities				
Cash generated by operations	1 723,5	1 609,0	7,1	3 021,0
Interest paid	(58,1)	(64,9)	(10,5)	(121,2)
Taxation paid	(338,2)	(332,1)	1,8	(640,4)
Net cash available from operating activities	1 327,2	1 212,0	9,5	2 259,4
Investing activities				
Interest received	1,8	13,4	(86,6)	21,9
Property, plant and equipment acquired	(136,4)	(140,7)	(3,1)	(315,7)
Additions to intangible assets	(4,2)	(4,0)	5,0	(8,5)
Proceeds from disposals of property, plant and equipment	11,0	4,7	134,0	17,6
Other cash flows from investments	0,6	–		4,3
Net cash utilised in investing activities	(127,2)	(126,6)	0,5	(280,4)
Financing activities				
Short-term funding raised/(repaid)	136,7	29,0	371,4	(159,7)
Lease liabilities repaid	(80,9)	(86,9)	(6,9)	(174,0)
Payment to I&J BBBEE shareholders	(10,0)	(1,0)	900,0	(2,0)
Ordinary dividends paid	(910,5)	(826,5)	10,2	(1 355,5)
Special dividend paid	–	–		(925,7)
Net cash utilised in financing activities	(864,7)	(885,4)	(2,3)	(2 616,9)
Increase/(decrease) in cash and cash equivalents	335,3	200,0	67,7	(637,9)
Cash and cash equivalents at beginning of period	194,1	842,4		842,4
	529,4	1 042,4		204,5
Translation of cash equivalents of foreign subsidiaries	8,9	(8,5)		(10,4)
Cash and cash equivalents at end of period	538,3	1 033,9		194,1

RESULTS for the six months ended 31 December 2021

condensed consolidated statement of changes in equity

	Share capital and premium Rm	Treasury shares Rm	Reserves Rm	Retained earnings Rm	I&J BBBEE shareholders Rm	Total equity Rm
Six months ended 31 December 2021						
Balance at 1 July 2021	279,4	(150,9)	170,4	4 209,6	(106,6)	4 401,9
Profit for the period	-	-	-	1 044,9	-	1 044,9
Other comprehensive income						
Foreign currency translation differences	-	-	22,7	-	-	22,7
Cash flow hedging reserve, net of tax	-	-	3,3	-	-	3,3
Total other comprehensive income	-	-	26,0	-	-	26,0
Total comprehensive income for the period	-	-	26,0	1 044,9	-	1 070,9
Transactions with owners, recorded directly in equity						
Share based payments	-	-	12,0	-	-	12,0
Deferred taxation on Group share scheme recharge	-	-	5,7	-	-	5,7
Dividends paid	-	-	-	(910,5)	-	(910,5)
Delisting and cancellation of treasury shares (note 8)	-	75,1	(75,1)	-	-	-
Total contributions by and distributions to owners	-	75,1	(57,4)	(910,5)	-	(892,8)
Balance at 31 December 2021	279,4	(75,8)	139,0	4 344,0	(106,6)	4 580,0
Six months ended 31 December 2020						
Balance at 1 July 2020	279,4	(150,9)	151,4	4 845,1	(106,6)	5 018,4
Profit for the period	-	-	-	977,8	-	977,8
Other comprehensive loss						
Foreign currency translation differences	-	-	(21,6)	-	-	(21,6)
Cash flow hedging reserve, net of tax	-	-	2,3	-	-	2,3
Total other comprehensive loss	-	-	(19,3)	-	-	(19,3)
Total comprehensive income for the period	-	-	(19,3)	977,8	-	958,5
Transactions with owners, recorded directly in equity						
Share based payments	-	-	17,5	-	-	17,5
Deferred taxation on Group share scheme recharge	-	-	5,6	-	-	5,6
Dividends paid	-	-	-	(826,5)	-	(826,5)
Total contributions by and distributions to owners	-	-	23,1	(826,5)	-	(803,4)
Balance at 31 December 2020	279,4	(150,9)	155,2	4 996,4	(106,6)	5 173,5
Year ended 30 June 2021						
Balance at 1 July 2020	279,4	(150,9)	151,4	4 845,1	(106,6)	5 018,4
Profit for the year	-	-	-	1 645,7	-	1 645,7
Other comprehensive loss						
Foreign currency translation differences	-	-	(28,0)	-	-	(28,0)
Actuarial losses recognised, net of tax	-	-	(0,4)	-	-	(0,4)
Cash flow hedging reserve, net of tax	-	-	1,2	-	-	1,2
Total other comprehensive loss	-	-	(27,2)	-	-	(27,2)
Total comprehensive income for the period	-	-	(27,2)	1 645,7	-	1 618,5
Transactions with owners, recorded directly in equity						
Share based payments	-	-	43,1	-	-	43,1
Deferred taxation on Group share scheme recharge	-	-	3,1	-	-	3,1
Dividends paid	-	-	-	(2 281,2)	-	(2 281,2)
Total contributions by and distributions to owners	-	-	46,2	(2 281,2)	-	(2 235,0)
Balance at 30 June 2021	279,4	(150,9)	170,4	4 209,6	(106,6)	4 401,9

supplementary notes to the condensed consolidated interim financial statements continued

For the six months ended 31 December 2021

AVI Limited ("AVI" or "the Company") is a South African registered company. These condensed consolidated interim financial statements comprise the Company and its subsidiaries (together referred to as "the Group") and the Group's interest in joint ventures.

1. Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards, the presentation and disclosure requirements of IAS 34 *Interim Financial Reporting*, the SAICA *Financial Reporting Guides* as issued by the Accounting Practices Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the Listings Requirements of the JSE Limited (the "JSE") and the Companies Act of South Africa. These condensed consolidated interim financial statements have not been reviewed or audited by the auditors.

The condensed consolidated interim financial statements are prepared in millions of South African Rands ("Rm") on the historical cost basis, except for derivative financial instruments, biological assets and liabilities for cash settled share-based payment arrangements, which are measured at fair value.

The accounting policies used in the preparation of these interim financial statements are in terms of International Financial Reporting Standards and are consistent with those applied in preparing the interim financial statements for the six months ended 31 December 2020 and the annual financial statements for the year ended 30 June 2021.

New standards and interpretations in issue not yet effective

Standards, amendments and interpretations issued but not yet effective have been assessed for applicability to the Group. Management has concluded that they are either not applicable, or do not have a material impact to the business of the Group, and will therefore have no impact on future financial statements.

2. Impact of COVID-19 and civil unrest

Protocols are in place across the business to mitigate against the impact of COVID-19, and operational disruptions during the semester have been notable, but well managed, ensuring a minor impact. All business units have been able to operate throughout the semester, with recoveries seen in some categories where consumers have trended back to normal spending patterns. Parts of our business continue to be impacted with trading in our *Ciro* out-of-home and *Indigo* personal care businesses continuing to fall short of historical levels, however, both have achieved sound profit, in a constrained environment with benefits from effective cost management.

The civil unrest, which primarily impacted KwaZulu-Natal and Gauteng, in July 2021 disrupted trading with all of AVI's facilities and retail stores closed for several days to safeguard our staff. While operations were able to return to normal this was at lower demand levels due to extensive damage to many malls, lower consumer footfall and compromised logistics networks. The Group suffered physical damage and loss to its inventories, fixed assets and cash on hand at stores. The Group has adequate South African Special Risk Insurance ("SASRIA") and general insurance cover for material damage to assets, inventory and business interruption. The effects of the asset losses as well as the insurance claim have been recognised in these interim results with the claim having been paid by SASRIA during January 2022.

supplementary notes to the condensed consolidated interim financial statements continued

2. Impact of COVID-19 and civil unrest continued

The table below summarises the Group impact of direct costs incurred and insurance proceeds recognised in respect of the civil unrest for the six months ended 31 December 2021:

	2021 Rm
Cost of sales – stock written off	(31,6)
Gross profit	(31,6)
Selling and administrative expenses	
– SASRIA insurance proceeds	64,4
– Store restoration and other costs	(3,6)
Operating profit before capital items	29,2
Capital items	(1,7)
Profit before taxation	27,5
Taxation	(7,7)
Profit for the period	19,8

The Group remains cash generative, with sufficient borrowing facilities to manage disruptions to operational cash flows and to continue to support its business units.

The Group has taken into account the JSE COVID-19 related guidance notes, as well as the related educational documents prepared by SAICA regarding the impact of COVID-19 on the application of IFRS, in the preparation of these condensed consolidated interim financial statements. Inventory and debtor provisions have been reviewed, without any material movements in income statement adjustments compared to last year.

supplementary notes to the condensed consolidated interim financial statements continued

3. Segmental results

	Unaudited six months ended 31 December			Audited year ended 30 June
	2021 Rm	2020 Rm	% change	2021 Rm
Segmental revenue				
Food & Beverage brands	5 764,8	5 554,5	3,8	10 650,3
Entyce Beverages	1 999,2	1 954,9	2,3	3 777,1
Snackworks	2 521,0	2 364,7	6,6	4 267,8
I&J	1 244,6	1 234,9	0,8	2 605,4
Fashion brands	1 530,8	1 576,7	(2,9)	2 618,9
Personal Care	606,9	642,1	(5,5)	1 152,9
Footwear & Apparel	923,9	934,6	(1,1)	1 466,0
Group	7 295,6	7 131,2	2,3	13 269,2
Segmental operating profit before capital items				
Food & Beverage brands	1 159,1	1 105,6	4,8	2 029,0
Entyce Beverages	451,9	473,0	(4,5)	872,8
Snackworks	547,2	506,7	8,0	814,6
I&J	160,0	125,9	27,1	341,6
Fashion brands	364,5	318,6	14,4	400,8
Personal Care	99,5	109,7	(9,3)	170,4
Footwear & Apparel	265,0	208,9	26,9	230,4
Corporate	(8,6)	(4,5)	(91,1)	(20,5)
Group	1 515,0	1 419,7	6,7	2 409,3

RESULTS for the six months ended 31 December 2021

supplementary notes to the condensed consolidated interim financial statements continued

4. Revenue

Disaggregation of revenue from contracts with customers (“revenue”) into categories that depict the nature, amount, timing and uncertainty of revenue.

The following table sets out revenue by geographical market:

Geographical market	Unaudited six months ended 31 December 2021					
	Entyce Beverages Rm	Snackworks Rm	I&J Rm	Personal Care Rm	Footwear & Apparel Rm	Total Rm
South Africa	1 746,8	2 209,1	513,7	561,7	916,0	5 947,3
Other African countries	247,8	292,1	17,8	45,2	7,9	610,8
Rest of the world	4,6	19,8	713,1	–	–	737,5
Total revenue	1 999,2	2 521,0	1 244,6	606,9	923,9	7 295,6

Geographical market	Unaudited six months ended 31 December 2020					
	Entyce Beverages Rm	Snackworks Rm	I&J Rm	Personal Care Rm	Footwear & Apparel Rm	Total Rm
South Africa	1 683,0	2 079,8	427,9	591,6	925,5	5 707,8
Other African countries	264,6	272,1	24,0	50,5	9,1	620,3
Rest of the world	7,3	12,8	783,0	–	–	803,1
Total revenue	1 954,9	2 364,7	1 234,9	642,1	934,6	7 131,2

Geographical market	Audited for the year ended 30 June 2021					
	Entyce Beverages Rm	Snackworks Rm	I&J Rm	Personal Care Rm	Footwear & Apparel Rm	Total Rm
South Africa	3 262,3	3 688,9	893,4	1 061,1	1 450,8	10 356,5
Other African countries	503,8	548,5	48,3	91,8	15,2	1 207,6
Rest of the world	11,0	30,4	1 663,7	–	–	1 705,1
Total revenue	3 777,1	4 267,8	2 605,4	1 152,9	1 466,0	13 269,2

The majority of revenue comprises revenue from the sale of goods. Less than 2% (31 December 2020 and 30 June 2021: less than 2%) of total revenue comprises income arising from services, rental agreements and trademark license agreements.

supplementary notes to the condensed consolidated interim financial statements continued

5. Determination of headline earnings

	Unaudited six months ended 31 December			Audited year ended 30 June
	2021 Rm	2020 Rm	Change %	2021 Rm
Profit for the year attributable to owners of AVI	1 044,9	977,8	6,9	1 645,7
Total capital items after taxation	1,4	2,1		3,1
Net loss/(gain) on disposal of property, plant and equipment	1,8	(0,2)		(4,2)
Impairment of property, plant and equipment	–	3,0		8,4
Other	0,1	–		–
Taxation attributable to capital items	(0,5)	(0,7)		(1,1)
Headline earnings	1 046,3	979,9	6,8	1 648,8
Headline earnings per ordinary share (cents)	316,9	297,3	6,6	499,9
Diluted headline earnings per ordinary share (cents)	316,0	296,1	6,7	498,4

	Number of shares	Number of shares	Change %	Number of shares
Weighted average number of ordinary shares	330 130 323	329 631 916	0,2	329 850 528
Weighted average diluted number of ordinary shares	331 152 974	330 988 033	0,0	330 845 156

6. Cash generated by operations

	Unaudited six months ended 31 December			Audited year ended 30 June
	2021 Rm	2020 Rm	Change %	2021 Rm
Cash generated by operations before working capital changes	1 776,3	1 648,8	7,7	3 011,4
Change in working capital	(52,8)	(39,8)	32,7	9,6
Cash generated by operations	1 723,5	1 609,0	7,1	3 021,0

supplementary notes to the condensed consolidated interim financial statements continued

7. Commitments

	Unaudited six months ended 31 December		Audited year ended 30 June
	2021 Rm	2020 Rm	2021 Rm
Capital expenditure commitments for property, plant and equipment	94,6	129,9	112,7
Contracted for	62,0	83,1	81,2
Authorised but not contracted for	32,6	46,8	31,5

It is anticipated that this expenditure will be financed by cash resources, cash generated from operating activities and existing borrowing facilities. Other contractual commitments have been entered into in the normal course of business.

8. Delisting and cancellation of treasury shares

The Company's wholly owned subsidiary, AVI Financial Services Proprietary Limited ("AVI Financial Services"), held 969 501 ordinary shares in the Company at 30 June 2021.

On 15 December 2021, AVI Financial Services effected a distribution in specie of these shares to the Company, in its capacity as the holding company of AVI Financial Services. The subsequent delisting and cancellation of the 969 501 ordinary shares, as approved by the JSE, was effected on 22 December 2021.

The shares cancelled represented 0,29% of the issued share capital of the Company immediately prior to the cancellation. Post the cancellation, the issued share capital of the Company was 336 001 990 ordinary shares.

The delisting and cancellation of shares resulted in a R75,1 million reduction in the treasury shares balance of which R75,1 million has been allocated to share buy-back reserve and the balance against share capital, with no impact on earnings or earnings per share.

9. Fair value classification and measurement

The Group measures derivative foreign exchange contracts, fuel swaps and biological assets at fair value.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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 for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 – Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

The fair value of foreign exchange contracts and fuel swaps is determined using a forward pricing model with reference to quotes from financial institutions. Significant inputs into the Level 2 fair value measurement include yield curves as well as market interest rates and foreign exchange rates. The estimated fair values of recognised financial instruments approximate their carrying amounts based on the nature or maturity period of the financial instruments.

supplementary notes to the condensed consolidated interim financial statements continued

9. Fair value classification and measurement continued

Biological assets comprise abalone which is farmed by I&J. The fair value of these assets is disclosed as Level 3 per the fair value hierarchy, with the fair value determined using a combination of the market comparison and cost technique as prescribed by IAS 41.

There were no transfers between Levels 1, 2 or 3 of the fair value hierarchy during the six months ended 31 December 2021.

10. Post-reporting date events

No material events that meet the requirements of IAS 10 have occurred since the reporting date.

11. Dividend declaration

Notice is hereby given that a gross interim ordinary dividend No 99 of 170 cents per share for the six months ended 31 December 2021 has been declared payable to shareholders of ordinary shares. The dividend has been declared out of income reserves and will be subject to dividend withholding tax at a rate of 20%. Consequently a net interim dividend of 136 cents per share will be distributed to those shareholders who are not exempt from paying dividend tax. In terms of dividend tax legislation, the dividend tax amount due will be withheld and paid over to the South African Revenue Services by a nominee company, stockbroker or Central Securities Depository Participant ("CSDP") (collectively "regulated intermediary") on behalf of shareholders. However, all shareholders should declare their status to their regulated intermediary, as they may qualify for a reduced dividend tax rate or exemption. AVI's issued share capital at the declaration date is 336 001 990 ordinary shares. AVI's tax reference number is 9500/046/71/0. The salient dates relating to the payment of the dividend are as follows:

Last day to trade cum dividend on the JSE	Monday, 11 April 2022
First trading day ex dividend on the JSE	Tuesday, 12 April 2022
Record date	Thursday, 14 April 2022
Payment date	Tuesday, 19 April 2022

In accordance with the requirements of Strate Limited, no share certificates may be dematerialised or rematerialised between Tuesday, 12 April 2022, and Thursday, 14 April 2022, both days inclusive.

Dividends in respect of certificated shareholders will be transferred electronically to shareholders' bank accounts on payment date. Following the discontinuation of cheque payments by most South African banks, AVI will no longer issue cheques and all future payments will only be made into a nominated bank account by electronic funds transfer. Shareholders who have not yet provided their bank account details to Computershare Investor Services Proprietary Limited are reminded to contact Computershare on 0861 100 950 with their bank account details into which the dividends can be paid electronically. Shareholders who hold dematerialised shares will have their accounts at their CSDP or broker credited on Tuesday, 19 April 2022.

12. Preparation of financial statements

These condensed consolidated interim financial statements have been prepared under the supervision of Justin O'Meara CA (SA), the AVI Group Chief Financial Officer.

administration and principal subsidiaries

ADMINISTRATION

Company registration
AVI Limited ("AVI")
Reg no: 1944/017201/06
Share code: AVI
ISIN: ZAE000049433

Company Secretary
Sureya Scheepers

Business address and registered office

2 Harries Road
Illovo
Johannesburg 2196
South Africa

Postal address

PO Box 1897
Saxonwold 2132
South Africa

Telephone: +27 (0)11 502 1300
Telefax: +27 (0)11 502 1301
E-mail: info@avi.co.za
Website: www.avi.co.za

Auditors

Ernst & Young Inc.

Sponsor

The Standard Bank of South
Africa Limited

Commercial bankers

Standard Bank
Nedbank

Transfer secretaries

Computershare Investor Services
Proprietary Limited

Business address
Rosebank Towers
15 Biermann Avenue
Rosebank
Johannesburg 2196

Postal address

Private bag X9000
Saxonwold 2132
South Africa
Telephone: +27 (0)11 370 5000
Telefax: +27 (0)11 370 5271

PRINCIPAL SUBSIDIARIES

Food & Beverage Brands
National Brands Limited
Reg no: 1948/029389/06
(incorporating Entyce Beverages
and Snackworks)

30 Sloane Street
Bryanston 2021

PO Box 5159
Rivonia 2128

Managing director
Gaynor Poretti
Telephone: +27 (0)11 707 7200
Telefax: +27 (0)11 707 7799

I&J

Irvin & Johnson Holding
Company Proprietary Limited
Reg no: 2004/013127/07

1 Davidson Street
Woodstock
Cape Town 7925

PO Box 1628
Cape Town 8000

Managing director
Jonty Jankovich
Telephone: +27 (0)21 440 7800
Telefax: +27 (0)21 440 7270

Fashion Brands
Personal Care
Indigo Brands Proprietary
Limited
Reg no: 2003/009934/07

16 – 20 Evans Avenue
Epping 1 7460

PO Box 3460
Cape Town 8000

Acting managing director
Roger Coppin
Telephone: +27 (0)21 507 8500
Telefax: +27 (0)21 507 8501

Footwear & Apparel

A&D Spitz Proprietary Limited
Reg no: 1999/025520/07

30 Sloane Street
Bryanston 2021

PO Box 782916
Sandton 2145

Acting managing director
Simon Crutchley
Telephone: +27 (0)11 707 7300
Telefax: +27 (0)11 707 7763

directors

Executive

Simon Crutchley³
(Chief Executive Officer)

Owen Cressey^{3, 5}
Justin O'Meara^{3, 6}
(Chief Financial Officer)

Michael Kursaris
(Business Development Director)

Independent non-executive

Gavin Tipper¹
(Chairman)

James Hersov

Mike Bosman²

Abe Thebyane¹

Alexandra Muller^{2, 3}

Busisiwe Silwanyana^{2, 4}

¹ Member of the Remuneration, Nomination and Appointments Committee

² Member of the Audit and Risk Committee

³ Member of the Social and Ethics Committee

⁴ Appointed to the Board and Audit and Risk Committee on 22 February 2021

⁵ Resigned from the Board and Social and Ethics Committee on 31 December 2021

⁶ Appointed to the Board and Social and Ethics Committee with effect 1 January 2022

AVI

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