



DISTELL
CRAFTING BRANDS SINCE 1925

**Creating memorable
moments. Crafting a
better future.**

**UNAUDITED GROUP RESULTS FOR THE SIX MONTHS ENDED
31 DECEMBER 2022**

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IBC ADMINISTRATION

WHO WE ARE

Distell is a business with deep roots in South Africa and a growing African and international presence. We are Africa's leading producer and marketer of ciders, ready-to-drink (RTD) beverages, spirits and wines, enjoyed responsibly by people across the world. Our brand portfolio offers consumers a choice for every occasion and provides unique moments of social enjoyment. The value we create enriches the lives of our employees, shareholders and the communities in which we live and work.

OUR VISION

Making a difference by creating shared value in our chosen markets. We aim to build the Distell of tomorrow, while helping to regenerate economies and communities, and allowing the environment to thrive.

OUR PURPOSE

Creating memorable moments, crafting a better future. 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 VALUES

Our values reflect what we stand for as an organisation and act as guiding principles. At the foundation of these values is a total commitment to our consumers and customers, characterised by an unwavering passion to serve their needs with integrity and excellence.

Customer and consumer focus:

We are passionate about our customers and consumers.

Excellence:

We are committed to excellence in everything we do.

One Distell:

We win by collaborating with integrity, honesty and respect.



SALIENT FEATURES

Group revenue



▲ **15,9%**

on **10,3%** higher volumes

Excise duty



▲ **9,5%**

to **R6,1 billion**

EBITDA



▲ **0,6%**

Reported

Headline earnings



▲ **3,0%**

Reported

EBITDA



▲ **5,4%**

Normalised and adjusted for forex^{1,2}

Headline earnings



▲ **8,3%**

Normalised and adjusted for forex^{1,2}

Domestic revenue



▲ **13,6%**

on **9,7%** higher volumes, driven by **premium cider** and **RTD growth**

Africa revenue



▲ **21,5%**

alongside volume **growth of 6,8%** led by **ciders** and **RTDs** across key regions

International revenue



▲ **25,6%**

on **39,2%** higher volumes as **Scotch whisky** performance continues

Moderate profitability gains despite **forex headwinds**, **commodity** and **energy cost increases**, phasing of **imported bottle costs** and **ongoing supply chain challenges**



Dividend payments remain suspended due to the Heineken transaction

Notes:

- 1 Normalised headline earnings and earnings before interest, tax, depreciation and amortisation (EBITDA) refers to adjustments for the: (a) profit or loss on disposal of property, plant and equipment (PPE) and reversal of impairment of investments; and (b) legal disputes and regulatory and acquisition related costs for the Heineken transaction.
- 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 13 to the condensed consolidated interim financial statements.

("Distell" or "the Group" or "the Company")



COMMENTARY

OPERATING PERFORMANCE

Group revenue increased by 15,9% to R20,6 billion on 10,3% higher volumes. Revenue excluding excise duty was up by 18,8%. The period under review was still impacted by global supply chain disruptions, exacerbated by high input cost increases, driven by strong global inflationary pressures and elevated commodity prices. The explosive growth of our premium cider and ready-to-drink (RTD) portfolio, led by Savanna, was the main contributing factor to overall revenue growth off the back of continued investment in the brands and in manufacturing capacity across key markets.

Domestic revenues increased by 13,6%, with volumes up by 9,7%. This was during a period with 25 more trading days compared to the comparable period in the previous year (prior period). Both the cider and RTD and wine categories grew revenue by double-digits. The growth momentum continued in the premium cider and RTD segment across key brands: Savanna, Hunter's, Extreme and Bernini. The resilient growth in the wine category was driven by Durbanville Hills, Drostdy-Hof, J.C. Le Roux sparkling wine and Sedgwick's Old Brown. While the spirits category experienced subdued growth due to consumers moving towards value categories, Amarula delivered impressive double-digit revenue growth following recent investments and brand innovations. Our digital transformation was supported by increased investment, with resultant efficiencies and returns as we shift our marketing mix to more digital platforms, while continuing to support our focus brands. Sales through online channels increased by 62,1% in the period.

In African markets, outside of South Africa, revenue increased by 21,5% on 6,8% higher sales volumes. Volumes in BLNE countries (Botswana, Lesotho, Namibia and Eswatini) recovered following extended lock-down periods due to COVID-19 in the prior period, mainly in Botswana, to grow by 15,2%. Focus markets on the continent, outside the Southern African Customs Union, grew revenue by 16,3%. This was largely driven by Mozambique, Zambia and Kenya, where we continue to invest in expanding our route-to-market (RTM). Our total customer base grew to over 78 000 customers. Phenomenal growth was achieved by key cider and RTD brands, growing volumes by 23,9%. Hunter's and Savanna have been the standout performers across key markets on the continent, embedding their positions as the top two cider and RTD brands in these markets. Spirits revenue growth continued to be led by Amarula and County Brandy. The development of the new production facility in the Tatu City special economic zone in Kenya is progressing according to plan and is expected to be completed in 2023, with double the current production capacity. The Africa region contributed 64,6% to foreign revenue, with its contribution to Group revenue comprising 16,7% in the current period.

Revenue in international markets outside of Africa increased by 25,6% alongside volume growth of 39,2%, driven by our branded Scotch whisky portfolio and sales of bulk spirits. Premium spirits continue to perform strongly across key markets and achieved double-digit revenue growth. Taiwan delivered a strong performance as the market recovered following prior period on-trade closures due to COVID-19 restrictions. Global travel retail grew volumes and revenue by nearly 70%.

Operating costs rose by 17,6%, driven by the current abnormal inflationary increase in overall costs of goods sold of 20,4% which led to an overall reduction in gross profit margins. These costs are exacerbated by the need to import glass due to local shortages given the dependency on a non-returnable bottle operating model, alongside significant cost increases in apple juice concentrate for ciders. The direct cost of load shedding in the reported period amounted to R12,5 million, and is anticipated to nearly quadruple should the current stage of load shedding in South Africa continue. Advertising and promotion investments increased by 11,6% as we continue to invest in and innovate our key brands, resulting in maintaining momentum in market share gains in key markets. Administration and other costs declined by 5,4% despite the increase in regulatory and acquisition costs related to the Heineken transaction.

Other gains and losses reflected a net loss of R28,9 million (2021: R74,8 million gain). The gain in the prior period included insurance proceeds of R75,0 million relating to COVID-19 loss of income claims submitted in the 2020 financial year.

Foreign currency translation gains amounted to R33,6 million (2021: R107,0 million).

Net finance costs declined 41,3% to R59,9 million due to the improvement in our net debt position.

Distell's share of equity-accounted earnings increased by 16,3% to R113,8 million, driven by an improvement in performance by Best Global Brands Limited (Angola).



OPERATING PERFORMANCE CONTINUED

Reported EBITDA increased by 0,6% to R2,9 billion. Normalised EBITDA, which mainly excludes the items referred to in note 13 to the condensed consolidated interim financial statements, increased by 2,3%. Normalised EBITDA, excluding foreign currency translation movements, increased by 5,4%.

The effective tax rate increased from 28,3% to 29,9%, mainly due to non-deductible expenses relating to the Heineken transaction.

Headline earnings and headline earnings per share increased by 3,0% to R1,6 billion and to 739,5 cents respectively. Excluding the currency conversion movements and the items referred to in note 13 to the condensed consolidated interim financial statements, normalised headline earnings increased by 8,3%.

INVESTMENT AND FUNDING

Total assets increased by 3,0% to R32,5 billion.

Investment in net working capital increased by 24,3% to R7,2 billion. Inventories increased by 12,3% to R9,6 billion. Bulk spirits in maturation, planned in accordance with the Group's longer-term demand and supply forecasts, were optimised and hence decreased by 7,2%. Investment in bottled stock and packaging material increased by 34,6% to meet consumer demand and to reduce the impact of supply chain disruptions, with imported bottles being a substantial contributor to the increase. Trade and other receivables increased by 19,5%, while trade and other payables increased by 12,1% as the change in sales mix resulted in lower growth in excise duties payable.

Capital expenditure for the current period increased by 16,2% to R751,2 million (2021: R646,7 million). Of this, R259,5 million was spent on the replacement of assets while a further R491,7 million was allocated to the expansion of capacity, particularly to cider, international Scotch whisky and the new Kenyan manufacturing facilities in Tatu City, Nairobi. These investments point to the long-term confidence the Group has in its growth prospects in focus markets and categories.

The Group generated cash from operations (including working capital) of R1,4 billion (2021: R2,8 billion). Investment in working capital reflects a cash outflow of R1,5 billion (2021: R0,4 billion). This is partly due to an increase in inventories and a reduction in inflow from trade payables as explained above. Share-based payment liabilities of R137,8 million (2021: 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.

Net debt at the end of the current period was R319,8 million (2021: R524,7 million). The Group is highly cash generative, with a strong balance sheet and a debt to debt-plus-equity ratio of only 1,8% (2021: 3,3%) and a debt-to-equity ratio of 1,8% (2021: 3,4%) at the end of the current period. As the Group's southern African operations were in a surplus cash position on 31 December 2022, it comfortably met the debt covenants relating to its South African medium-term debt with a debt to EBITDA measurement of -0,1:1 (2021: -0,1:1) compared to the covenant of less than 2,75:1.

HEINEKEN INTERNATIONAL B.V. TRANSACTION

The process of obtaining regulatory approvals relating to the Heineken International B.V. transaction in the outstanding jurisdictions continues. An updated timetable, indicating all relevant dates, will be communicated to shareholders as soon as greater certainty on finalisation of the relevant regulatory processes is received.

More information can be found on www.distell.co.za/Investor-Centre/heineken-deal-site/.



COMMENTARY CONTINUED

PROSPECTS

A global recession remains a serious concern as central banks struggle to find a balance between curbing inflation and protecting economic growth. The concurrent rise in inflation and policy rates has placed substantial pressure on global spending systems, and this process is not yet over. Global supply chains have shown some improvement and are slowly normalising, but are not yet at pre-pandemic levels.

In our biggest market, South Africa, we expect that several domestic constraints, including longer-term load shedding as announced by Eskom, high fuel prices, rising interest rates and consumer debt levels, and high cost-of-living are all headwinds to growth prospects in the medium term. Sub-Saharan growth of about 3,6% is expected for 2023 and the Group continues to focus its expansion strategy on various markets in Africa with much higher growth prospects than the domestic market.

The Group is carefully managing its costs against the backdrop of high commodity prices and the cost of imported goods and is continually improving processes to extract more efficiencies to protect margins. We are working closely with our suppliers to address supply shortages of certain raw materials and expect a gradual improvement in supply over the next 12 months. The Group will balance pricing decisions and margin management with cost recovery, while protecting market share in an environment of consumers facing financial pressure in the markets we operate in.

Distell's diverse and trusted portfolio, which spans geographies, categories and occasions, enabled us to capture opportunities as consumer preferences change in favour of value and accessible premium offerings amid economic constraints. The Group's resilience and agility, an expanding RTM, a modern production network, together with adaptable, capable and committed employees, will stand us in good stead to confront the unpredictable environment in which we operate.

The Group's low debt levels and strong balance sheet will allow us to pursue growth opportunities as they arise.

DIRECTORATE

Richard Rushton, Group chief executive officer of Distell, will reach the Company's normal retirement age in March 2023. The board has agreed to extend his employment contract for a period, which is dependent on the timing of the conclusion of the Heineken transaction.



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 2022.

Signed on behalf of the Distell board



JJ Durand
Chairman

Stellenbosch
22 February 2023



RM Rushton
Group chief executive officer

Directors: JJ Durand (chairman), GP Dingaen, 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/DGH1H23.pdf>
- can be viewed online at JSE: <https://senspdf.jse.co.za/documents/2023/JSE/ISSE/DGHE/DGH1H23.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 23 February 2023; or
- may be requested in printed format from the company secretary, tel.: +27 21 809 7000.



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	UNAUDITED	AUDITED	
	31 December 2022 R'000	31 December 2021 R'000	30 June 2022 R'000
ASSETS			
Non-current assets			
Property, plant and equipment	9 217 695	8 474 518	8 841 954
Financial assets at amortised cost	79 498	77 754	77 668
Financial assets at fair value through other comprehensive income (FVOCI)	42 377	38 267	38 708
Investments in associates	634 287	486 722	582 855
Investments in joint ventures	81 634	119 578	71 216
Intangible assets	2 097 190	2 240 900	2 081 611
Retirement benefit assets	388 697	391 594	414 144
Deferred income tax assets	43 290	91 165	60 054
Total non-current assets	12 584 668	11 920 498	12 168 210
Current assets			
Inventories	9 562 755	8 515 862	9 186 250
Trade and other receivables	7 104 573	5 944 331	4 608 961
Investment in money market funds	–	2 240 000	–
Current income tax assets	52 154	52 939	52 012
Cash and cash equivalents	3 210 082	2 888 213	3 374 182
Total current assets	19 929 564	19 641 345	17 221 405
Total assets	32 514 232	31 561 843	29 389 615
EQUITY AND LIABILITIES			
Capital and reserves			
Capital and reserves attributable to equity holders of the Company	17 216 986	15 129 350	15 671 435
Non-controlling interest	497 071	482 029	485 961
Total equity	17 714 057	15 611 379	16 157 396
Non-current liabilities			
Interest-bearing borrowings	2 267 132	2 129 236	2 501 615
Retirement benefit obligations	28 485	27 444	27 095
Deferred income tax liabilities	1 332 699	1 470 383	1 276 846
Total non-current liabilities	3 628 316	3 627 063	3 805 556
Current liabilities			
Trade and other payables	9 261 610	8 259 248	7 458 323
Interest-bearing borrowings	1 262 773	3 523 723	1 163 186
Non-interest-bearing borrowings	52 977	45 621	46 188
Provisions	154 841	333 643	490 939
Current income tax liabilities	423 808	116 429	242 795
Derivative financial instruments	15 850	44 737	25 232
Total current liabilities	11 171 859	12 323 401	9 426 663
Total equity and liabilities	32 514 232	31 561 843	29 389 615



CONDENSED CONSOLIDATED INCOME STATEMENT

	UNAUDITED		AUDITED	
	Six months ended 31 December 2022 R'000	Six months ended 31 December 2021 R'000	Change %	Year ended 30 June 2022 R'000
Revenue	20 630 028	17 800 521	15,9	34 133 552
Operating costs	(18 344 073)	(15 604 677)	17,6	(30 849 806)
Costs of goods sold	(15 286 739)	(12 701 534)		(25 049 984)
Sales and marketing costs	(1 421 929)	(1 251 531)		(2 511 378)
Distribution costs	(719 332)	(660 091)		(1 302 926)
Administration and other costs	(930 071)	(983 194)		(1 969 597)
Net impairment gains and losses on financial assets	13 998	(8 327)		(15 921)
Other gains and losses	(28 898)	74 847		134 770
Operating profit	2 257 057	2 270 691	(0,6)	3 418 516
Dividend income	2 681	6 561		9 633
Finance income	61 983	53 612		130 002
Finance costs	(121 878)	(155 579)		(274 431)
Share of equity-accounted earnings	113 834	97 913		183 838
Profit before taxation	2 313 677	2 273 198	1,8	3 467 558
Taxation	(692 655)	(643 411)		(1 030 894)
Profit for the period	1 621 022	1 629 787	(0,5)	2 436 664
Attributable to:				
Equity holders of the Company	1 605 344	1 597 550	0,5	2 377 124
Non-controlling interest	15 678	32 237		59 540
	1 621 022	1 629 787	(0,5)	2 436 664
Per share performance:				
Issued number of ordinary shares ('000)	222 755	223 102		222 755
Weighted number of ordinary shares ('000)	220 103	220 087		220 096
Diluted weighted number of ordinary shares ('000)	221 144	221 058		221 118
Earnings per ordinary share (cents)				
– Basic earnings basis	729,4	725,9	0,5	1 080,0
– Diluted earnings basis	725,9	722,7	0,4	1 075,0
– Headline basis	739,5	718,2	3,0	1 051,8
– Diluted headline basis	736,1	715,0	2,9	1 046,9
Dividends per ordinary share (cents)				
– Interim	–	–		–
– Final	–	–		–
Reconciliation of headline earnings:				
Profit attributable to equity holders	1 605 344	1 597 550		2 377 124
Adjusted for (net of taxation):				
Profit on disposal of PPE included in share of equity-accounted earnings	–	–		(7 821)
Profit on disposal of intangible assets	–	–		(8 995)
Loss/(profit) on disposal of PPE	22 398	(16 886)		(45 360)
Headline earnings	1 627 742	1 580 664	3,0	2 314 948



CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	UNAUDITED	AUDITED	
	Six months ended 31 December 2022 R'000	Six months ended 31 December 2021 R'000	Year ended 30 June 2022 R'000
Profit for the period	1 621 022	1 629 787	2 436 664
Other comprehensive income (net of taxation)	913	515 551	234 458
<i>Items that may be reclassified subsequently to profit and loss:</i>			
Currency translation differences	62 487	444 732	143 132
Fair value adjustments of cash flow hedges	3 900	28 953	36 883
<i>Items that will not be reclassified to profit and loss:</i>			
Remeasurements of post-employment benefits	(67 924)	41 796	52 589
Fair value adjustments – financial assets through other comprehensive income	2 450	70	(312)
Share of other comprehensive income of associates	–	–	2 166
Total comprehensive income for the period	1 621 935	2 145 338	2 671 122
Attributable to:			
Equity holders of the Company	1 607 417	2 113 101	2 612 550
Non-controlling interest	14 518	32 237	58 572
	1 621 935	2 145 338	2 671 122



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	UNAUDITED	AUDITED	
	Six months ended 31 December 2022 R'000	Six months ended 31 December 2021 R'000	Year ended 30 June 2022 R'000
Attributable to equity holders			
Opening balance	15 671 435	13 086 980	13 086 980
Comprehensive income			
Profit for the period	1 605 344	1 597 550	2 377 124
Other comprehensive income (net of taxation)			
Currency translation differences	62 487	444 732	143 132
Fair value adjustments – financial assets through other comprehensive income	2 450	70	(312)
Cash flow hedge of interest rate swaps	3 900	28 953	36 883
Remeasurements of post-employment benefits	(66 764)	41 796	53 557
Share of other comprehensive income of associates	–	–	2 166
Total other comprehensive income	2 073	515 551	235 426
Total comprehensive income for the period	1 607 417	2 113 101	2 612 550
Transactions with owners			
Employee share scheme:			
– Shares paid and delivered	–	1	1
– Value of employee services	75 914	37 098	105 251
– Fair value of share scheme settled in cash	(137 780)	(104 867)	(148 815)
Transactions with non-controlling interests	–	(2 963)	(21 872)
Settlement of redemption obligation to acquire additional shares in subsidiary	–	–	37 340
Total transactions with owners	(61 866)	(70 731)	(28 095)
Attributable to equity holders	17 216 986	15 129 350	15 671 435
Non-controlling interest			
Opening balance	485 961	454 062	454 062
Profit for the period	15 678	32 237	59 540
Dividends paid	(3 408)	(4 000)	(6 768)
Remeasurements of post-employment benefits	(1 160)	167	(968)
Transactions with non-controlling interests	–	(437)	(19 905)
Total non-controlling interest	497 071	482 029	485 961
Total equity at the end of the period	17 714 057	15 611 379	16 157 396



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	UNAUDITED	AUDITED	
	Six months ended 31 December 2022 R'000	Six months ended 31 December 2021 R'000	Year ended 30 June 2022 R'000
Cash flows from operating activities			
Operating profit	2 257 057	2 270 691	3 418 516
Non-cash flow items	628 285	999 127	1 379 634
Working capital changes	(1 505 205)	(421 438)	(404 405)
Inventories	(316 375)	107 886	(564 233)
Trade and other receivables	(2 532 087)	(2 663 548)	(1 286 567)
Trade payables and provisions	1 343 257	2 134 224	1 446 395
Cash generated from operations	1 380 137	2 848 380	4 393 745
Net financing costs	(49 119)	(94 872)	(147 490)
Taxation paid	(430 240)	(299 675)	(704 871)
Proceeds from retirement benefit assets transferred to the Group	–	55 000	55 000
Cash-settled equity-based payments	(137 780)	(104 867)	(148 815)
Net cash generated from operating activities	762 998	2 403 966	3 447 569
Cash flows from investment activities			
Purchases of property, plant and equipment (PPE) to maintain operations	(259 544)	(282 615)	(881 494)
Purchases of PPE to expand operations	(491 700)	(364 039)	(658 925)
Proceeds from disposal of PPE	34 732	144 960	204 788
Purchases of financial assets and money market funds	(3 516)	(2 247 163)	(13 915)
Proceeds from financial assets and money market funds	22 781	20 459	19 099
Purchases of associates and joint ventures	–	–	(5 842)
Proceeds from associates and joint ventures disposed	1 503	–	29 816
Purchases of intangible assets	(23 237)	(74 747)	(116 299)
Proceeds from disposal of intangible assets	–	–	22 986
Acquisition of additional shares in subsidiaries	–	(3 400)	(38 895)
Net cash outflow from investment activities	(718 981)	(2 806 545)	(1 438 681)
Cash flows from financing activities			
Shares issued	–	1	1
Proceeds from borrowings	114 189	80 275	252 949
Repayment of borrowings	(302 221)	–	(1 200 000)
Lease payments	(66 942)	(76 789)	(139 694)
Dividends paid to non-controlling interests	(3 408)	(4 000)	(6 768)
Net cash outflow from financing activities	(258 382)	(513)	(1 093 512)
(Decrease)/increase in net cash, cash equivalents and bank overdrafts	(214 365)	(403 092)	915 376
Net cash, cash equivalents and bank overdrafts at the beginning of the period	3 374 182	2 471 136	2 471 136
Exchange gains/(losses) on cash, cash equivalents and bank overdrafts	50 265	14 250	(12 330)
Net cash, cash equivalents and bank overdrafts at the end of the period	3 210 082	2 082 294	3 374 182



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 31 December 2022

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 commencing 1 July 2022. None of the new or amended accounting pronouncements that are effective for the financial year commencing 1 July 2022 have a material impact on the consolidated results of the Group.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS CONTINUED

	UNAUDITED	AUDITED	
	Six months ended 31 December 2022 R'000	Six months ended 31 December 2021 R'000	Year ended 30 June 2022 R'000
2. SALES VOLUMES (LITRES '000)	468 071	424 228	823 942
3. NET INTEREST-BEARING BORROWINGS			
Interest-bearing borrowings			
Non-current	2 267 132	2 129 236	2 501 615
Current	1 262 773	3 523 723	1 163 186
Bank overdrafts	–	805 919	–
Short-term portion of interest-bearing borrowings	1 262 773	2 717 804	1 163 186
	3 529 905	5 652 959	3 664 801
Cash and cash equivalents and investment in money market funds	(3 210 082)	(5 128 213)	(3 374 182)
	319 823	524 746	290 619
4. CAPITAL COMMITMENTS			
Contracted	576 907	441 094	315 239
Authorised, but not contracted	576 332	967 194	1 871 821
	1 153 239	1 408 288	2 187 060
5. DEPRECIATION AND AMORTISATION			
Depreciation of PPE	432 903	421 028	844 555
Amortisation of intangible assets	60 429	56 542	107 078
	493 332	477 570	951 633
6. OTHER GAINS AND LOSSES			
(Loss)/profit on disposal of PPE	(28 898)	21 062	53 642
Profit on disposal of intangible assets	–	–	11 993
Proceeds from insurance claims related to civil unrest in South Africa	–	69 565	90 176
Direct cost of civil unrest in South Africa	–	(90 780)	(96 041)
Proceeds from insurance claims related to COVID-19	–	75 000	75 000
	(28 898)	74 847	134 770
7. NET ASSET VALUE PER SHARE (CENTS)	7 952	6 997	7 253



8. 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, has 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 2022

	South Africa R'000	BLNE R'000	Rest of Africa R'000	Inter-national R'000	Corporate R'000	Total R'000
Revenue	15 298 414	1 440 454	1 998 909	1 887 748	4 503	20 630 028
Costs of goods sold	(11 314 817)	(1 071 347)	(1 536 566)	(1 142 168)	(221 841)	(15 286 739)
Material costs and overheads	(11 314 813)	(1 077 224)	(1 489 355)	(1 167 002)	(271 988)	(15 320 382)
Currency conversion gains and losses	(4)	5 877	(47 211)	24 834	50 147	33 643
Gross profit/(loss)	3 983 597	369 107	462 343	745 580	(217 338)	5 343 289
Operating costs	(1 442 302)	(163 808)	(239 896)	(436 689)	(774 639)	(3 057 334)
Sales and marketing costs	(868 605)	(40 287)	(161 339)	(335 022)	(16 676)	(1 421 929)
Distribution costs	(471 447)	(114 629)	(9 522)	(31 522)	(92 212)	(719 332)
Administration and other costs	(102 250)	(8 892)	(69 035)	(70 145)	(665 751)	(916 073)
Operating profit/(loss) before allocations (excluding other gains and losses)	2 541 295	205 299	222 447	308 891	(991 977)	2 285 955
Equity-accounted earnings	(1 846)	–	115 691	–	(11)	113 834
EBIT before allocations (excluding other gains and losses)	2 539 449	205 299	338 138	308 891	(991 988)	2 399 789
Allocations	(496 535)	(56 130)	(66 700)	(48 664)	668 029	–
EBIT after allocations (excluding other gains and losses)	2 042 914	149 169	271 438	260 227	(323 959)	2 399 789
Other gains and losses	(14 953)	(14)	(15)	(17 564)	3 648	(28 898)
Equity-accounted earnings	1 846	–	(115 691)	–	11	(113 834)
Operating profit/(loss)	2 029 807	149 155	155 732	242 663	(320 300)	2 257 057
EBIT before allocations attributable to:						
Equity holders of the Company	2 533 256	205 299	329 482	308 891	(992 817)	2 384 111
Non-controlling interest	6 193	–	8 656	–	829	15 678
	2 539 449	205 299	338 138	308 891	(991 988)	2 399 789
Non-current assets	7 879 349	112 069	1 578 057	3 015 193	–	12 584 668

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



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS CONTINUED

8. SEGMENTAL AND REVENUE ANALYSIS CONTINUED

UNAUDITED SIX MONTHS ENDED 31 DECEMBER 2021

Restated	South Africa R'000	BLNE R'000	Rest of Africa R'000	Inter-national R'000	Corporate R'000	Total R'000
Revenue	13 466 072	1 111 694	1 718 378	1 503 081	1 296	17 800 521
Costs of goods sold	(9 638 194)	(804 040)	(1 223 266)	(853 029)	(183 005)	(12 701 534)
Material costs and overheads	(9 638 312)	(814 119)	(1 238 381)	(890 374)	(227 326)	(12 808 512)
Currency conversions gains and losses	118	10 079	15 115	37 345	44 321	106 978
Gross profit/(loss)	3 827 878	307 654	495 112	650 052	(181 709)	5 098 987
Operating costs	(1 317 412)	(137 703)	(214 732)	(396 817)	(836 479)	(2 903 143)
Sales and marketing costs	(758 043)	(45 988)	(136 729)	(305 659)	(5 112)	(1 251 531)
Distribution costs	(447 758)	(84 233)	(18 392)	(27 102)	(82 606)	(660 091)
Administration and other costs	(111 611)	(7 482)	(59 611)	(64 056)	(748 761)	(991 521)
Operating profit/(loss) before allocations (excluding other gains and losses)	2 510 466	169 951	280 380	253 235	(1 018 188)	2 195 844
Equity-accounted earnings	250	–	94 267	2 791	605	97 913
EBIT before allocations (excluding other gains and losses)	2 510 716	169 951	374 647	256 026	(1 017 583)	2 293 757
Allocations	(473 330)	(48 256)	(55 915)	(41 892)	619 393	–
EBIT after allocations (excluding other gains and losses)	2 037 386	121 695	318 732	214 134	(398 190)	2 293 757
Other gains and losses	(21 059)	(265)	16	19 037	77 118	74 847
Equity-accounted earnings	(250)	–	(94 267)	(2 791)	(605)	(97 913)
Operating profit/(loss)	2 016 077	121 430	224 481	230 380	(321 677)	2 270 691
EBIT before allocations attributable to:						
Equity holders of the Company	2 502 295	169 951	349 341	256 026	(1 016 093)	2 261 520
Non-controlling interest	8 421	–	25 306	–	(1 490)	32 237
	2 510 716	169 951	374 647	256 026	(1 017 583)	2 293 757
Non-current assets	7 460 129	121 884	1 268 359	3 070 126	–	11 920 498

Note: BLNE = Botswana, Lesotho, Namibia and Eswatini

EBIT = Earnings before interest and tax



8. SEGMENTAL AND REVENUE ANALYSIS CONTINUED

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

Category	UNAUDITED		Change %
	Six months ended 31 December 2022 R'000	Six months ended 31 December 2021 R'000	
Spirits	8 012 123	7 421 701	8,0
Wines	4 210 963	3 904 681	7,8
Cider and ready-to-drinks	8 387 550	6 467 825	29,7
Other	19 392	6 314	207,1
Total revenue	20 630 028	17 800 521	15,9
Corporate operating profit/(loss)			
Corporate operating profit comprises the following major categories:			
Corporate head office	(81 798)	(100 686)	
Corporate and shared services	(247 248)	(255 993)	
Group expenses	(137 420)	(101 370)	
Group provisions, accruals and credit loss provision/reversal on financial assets	(175 352)	(255 722)	
Supply chain	(404 809)	(350 034)	
Net foreign exchange gains	50 147	44 321	
Other gains and losses	3 648	77 118	
Revenue and other non-allocated items	4 503	1 296	
Allocations to geographical regions	668 029	619 393	
Operating profit/(loss)	(320 300)	(321 677)	

Notes:

The corporate categories listed above include the following functions:

1. Corporate head office: Group human resources (HR), global marketing, corporate governance, innovation, corporate affairs and development.
2. Corporate and shared services: Group information communications and technology (ICT), shared service centre, internal audit, HR corporate costs 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/reversal: Includes short-term incentive scheme.
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 is included in 'allocations'.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS CONTINUED

9. 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 2022. 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 2022.

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 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 FVOCI 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 movement in level 3 assets for the six months ended 31 December 2022 is as follows:

	2022 R'000	2021 R'000
Opening balance	38 354	43 194
Fair value adjustments	3 634	(370)
Disposals	–	(4 727)
Balance at the end of the period	41 988	38 097

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

10. RELATED PARTY TRANSACTIONS

The Group paid no dividends on ordinary shares in the current or prior reporting periods to subsidiaries of Remgro Limited. No significant other related party transactions took place during the period.



11. OTHER KEY MATTERS IMPACTING THIS PERIOD'S RESULTS

11(a) Supply chain disruptions and increases in input costs

Ongoing supply chain disruptions, including the impact of load shedding in South Africa, and extraordinary inflationary pressures across various aspects of the Group's business continue to impact our ability to meet consumer demand for our products and resulted in production costs being negatively impacted. The Group is utilising additional suppliers from various countries from which raw materials are sourced. We are working closely with our suppliers to address the supply disruptions and expect a gradual improvement in the next 12 months.

The above factors are having a negative impact on the Group's gross profit margins and overall profit growth. The Group will continue to improve efficiencies and manage the impact of high commodity prices, the costs of imported goods and the incremental costs as a result of load shedding, while implementing measured sales price increases to offset these cost increases.

11(b) Heineken transaction and non-current assets held for distribution and discontinued operations

The proposed transaction for Heineken International B.V. (Heineken) to acquire the majority of Distell's business was approved by the shareholders on 15 February 2022. Based on management's assessment, the criteria for classification in terms of IFRS 5 *Non-current assets held-or-sale and discontinued operations* as it relates to Capevin and the Out-of-scope assets of this transaction were not met at 31 December 2022, based on the following:

- Although management is committed to the transaction and the scheme has already been approved by the shareholders, various regulatory approvals were still ongoing at the reporting date. The Competition Tribunal of South Africa has not yet issued its ruling following the hearings held from 18 to 24 January 2023. These approvals are considered substantive in nature, as conditions may be imposed by these regulators, or the approvals may be withheld. The conditions may result in significant changes to the planned transaction and may result in delays in concluding the transaction. In addition, once the regulatory approvals have been obtained, shareholders will still be required to make an election to accept either cash, reinvestment in shares or a combination of cash and shares in a fixed ratio. The final selection in this regard may also impact the transaction as planned due to overall limits applicable to the number of shares Scheme participants can elect to receive, or minimum subscription thresholds in the event that a capital raise is required. Scheme conditions must be fulfilled or, if applicable, waived on or before the Scheme Longstop Date of 13 May 2023, failing which the scheme will not proceed.
- The assets due to be distributed to shareholders if the transaction becomes effective were not available for immediate distribution in the condition as envisaged in the proposed transaction, as a comprehensive internal restructuring is still required to carve these assets out of the existing Group, both from a legal and operational perspective.

Held-for-sale classification is only achieved where the asset is available for immediate distribution in its present condition and the sale is highly probable. On this basis, Capevin and the Out-of-scope assets are not classified as held-for-sale as it is not considered to be available for distribution in its present condition and have not met the 'highly probable' criteria defined by IFRS 5, as set out above, at 31 December 2022.

12. EVENTS SUBSEQUENT TO STATEMENT OF FINANCIAL POSITION DATE

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

13. 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 and accounting records of Distell for the periods ended 31 December 2021 and 31 December 2022.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS CONTINUED

13. PRO FORMA INFORMATION CONTINUED

	UNAUDITED		Change %
	Six months ended 31 December 2022 R'000	Six months ended 31 December 2021 R'000	
Headline earnings	1 627 742	1 580 664	3,0
Adjusted for (net of taxation at 27% (2021: 28%), where applicable):			
Legal disputes and related legal fees	–	1 500	
Regulatory and acquisition costs relating to the Heineken transaction	47 675	6 123	
Reversal of expected credit loss on Zimbabwe savings bonds	(12 949)	–	
Net losses due to civil unrest in South Africa	–	15 169	
Normalised headline earnings	1 662 468	1 603 456	3,7

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 and Angolan kwanza for both reporting periods, as a result of:

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

The cost of a unit of the following major currencies at 31 December was:	Reporting currency		Average aggregated daily exchange rate	
	2022	2021	2022	2021
Currency				
UK pound/ZAR	20,44	21,48	20,33	20,47
Euro/ZAR	18,07	18,00	17,54	17,44
US dollar/ZAR	16,96	15,91	17,33	15,02
US dollar/Angolan kwanza	510,9	535,7	457,7	611,6

In the prior year comparative period, the income of foreign subsidiaries was converted at an average aggregated daily exchange rate prevailing in 2021. The adjustments on the next page thus represent a restatement of the 2021 foreign income using the current year aggregated daily average exchange rates.



13. PRO FORMA INFORMATION CONTINUED

	UNAUDITED		
	Six months ended 31 December 2022 R'000	Six months ended 31 December 2021 R'000	Change %
Normalised headline earnings	1 662 468	1 603 456	3,7
<i>Adjusted for (net of taxation):</i>			
Exclusion of effect of conversion of foreign currency monetary assets and liabilities to the reporting currency			
– Other major currencies	(22 597)	(72 035)	
– Kwanza (in associate)	5 151	2 892	
Prior year restatement to current year aggregated daily average exchange rates	–	(15 170)	
Normalised headline earnings adjusted for foreign exchange movements	1 645 022	1 519 143	8,3
Earnings before interest, taxation, depreciation and amortisation (EBITDA)			
<i>Reconciliation of EBITDA:</i>			
Profit before taxation	2 313 677	2 273 198	1,8
<i>Adjusted for:</i>			
Dividend income	(2 681)	(6 561)	
Finance costs	59 895	101 967	
Depreciation	432 903	421 028	
Amortisation	60 429	56 542	
EBITDA	2 864 223	2 846 174	0,6
<i>Adjusted for:</i>			
Loss/(profit) on disposal of PPE	28 915	(21 063)	
Legal disputes and related legal fees	–	2 098	
Regulatory and acquisition costs relating to the Heineken transaction	47 675	8 564	
Reversal of expected credit loss on Zimbabwe savings bonds	(17 985)	–	
Net losses due to civil unrest in South Africa	–	21 215	
Normalised EBITDA	2 922 828	2 856 988	2,3
The adjustments below thus represent a restatement of the 2021 foreign income using the current year aggregated daily average exchange rates			
Normalised EBITDA	2 922 828	2 856 988	2,3
Exclusion of effect of conversion of foreign currency monetary assets and liabilities to the reporting currency			
– Other major currencies	(32 016)	(102 523)	
– Kwanza (in associate)	5 151	2 892	
Prior year restatement to current year aggregated daily average exchange rates	–	(9 448)	
Normalised EBITDA adjusted for foreign exchange movements	2 895 963	2 747 909	5,4



ADMINISTRATION

DISTELL GROUP HOLDINGS LIMITED

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

COMPANY SECRETARY

L Malan

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AUDITOR

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



www.distell.co.za