

Distell Group Holdings Limited
Registration number: 2016/394974/06
JSE share code: DGH
ISIN: ZAE000248811
("Distell" or "the Group" or "the Company")

COVID-19 UPDATE AND TRADING STATEMENT

GENERAL

The Board and management of Distell wish to update the market on various elements of its business since its last update on 26 March 2020.

The COVID-19 pandemic ("the pandemic"), and in particular the South African government's restrictions on the trading of alcoholic beverages, has had a significant impact on the trading of the Group over the past six weeks since the start of the lockdown on 26 March, 2020.

The Group is acting in accordance with a comprehensive plan of action to mitigate the risks associated with the pandemic, alongside a complementary team dedicated to medium term scenarios and strategic actions to recession proof and position the business for sustainable success post the crisis.

Distell's key priority remains to protect the health and safety of its employees by means of effective protocols and to ensure overall well-being during this challenging time. The Company also continues to do everything in its power to support its customers and suppliers during the trading restrictions.

COVID-19 UPDATE

Industry and Government engagement

Distell is playing an integral part alongside other industry players in engaging Government at every stage of the lockdown. It has contributed in offering pragmatic solutions to responsibly trade without adding further risks to public health and also aiming to avoid dire economic consequences for the industry as a whole.

Positive infection at a Distribution Centre (DC)

Unfortunately, a security employee at one of the DC's tested positive for COVID-19 on Monday, 4 May, and was immediately placed in quarantine and given the appropriate support. The employee was asymptomatic and is recovering well. The distribution centre was closed immediately and deep cleaning commenced within 12 hours of the positive test. All prepared safety protocols were followed and effective tracing implemented to gauge any further effect on staff to receive assistance. Operations resumed on 7 May.

There has also been an additional infection with a contractor whose services ended on 30 April. There was no impact on any site or traced employees.

Donations and revenue generating opportunities by producing hand sanitizers

- The Group has donated 105 000 litres of sanitizer to both Government and NGO's to support the need for responsible self-isolation and good hygiene practices in vulnerable communities.
- It has also generated R8 million worth of revenue from the sales of alcohol and sanitizer since the lockdown to a range of businesses to support their own hygiene practices and/or for resale. As a result of the short-term success and order pipeline the Group is investigating this as a sustainable business opportunity going forward.

Extended payment terms for vulnerable customers and suppliers

Throughout the lockdown the Group has supported its small and more vulnerable customers with extended payment terms aligned with the restrictive trading regulations. It has also honoured a payment plan with its long-term suppliers in the wine-farming industry as the largest procurer of grapes for wine.

TRADING STATEMENT AND PERFORMANCE

Due to the diverse geographical locations of the Group's operations the impact has been varied across the regions. While our South African business has been unable to generate revenues since the lockdown, there are parts of the business that are able to start trading, albeit it at a reduced contribution.

As a result, the Group's profit attributable to ordinary shareholders for the 10 months ended April 2020 is expected to be about 25% lower than the corresponding period of the previous year, including approximately 6 weeks of no trading due to lockdown regulations.

In terms of paragraph 3.4(b) of the Listings Requirements of the JSE Limited, companies are required to publish a trading statement as soon as a reasonable degree of certainty exists that the financial results for the period to be reported on next will differ by at least 20% from those for the previous corresponding period.

Accordingly, Distell shareholders are advised that the Group's basic earnings per share ("EPS") for the financial year ending 30 June 2020 is expected to be between 45% (178,4 cents per share) and 65% (257,7 cents per share) lower than the 396,5 cents per share of the corresponding period of the previous year. Headline earnings per share ("HEPS") for the same period are expected to be between 60% (391,7 cents per share) and 80% (522,3 cents per share) lower than

the 652,9 cents per share of the corresponding period of the previous year. The quantum is based on currently available information but could be impacted by the following up to 30 June 2020:

- Trading restrictions applicable to Level 3, and timing thereof;
- Potential credit loss provisions relating to customers, being unable or restricted to trade dependent on specific channels opening up during the various phases of the applicable lockdown regulations;
- Potential impairment of stock dependent on the above-mentioned restrictions and timings;
- Valuation of minority holdings in specific African countries that may in turn be materially impacted by their own lockdown measures and economic difficulties;
- The speed of export of products across the portfolio being sent to international markets given the gradual opening up of ports and surrounding borders; and
- The potential for a temporary short-term spike in demand following the easing of lock down provisions in the larger markets in which the Group trades.

The easing of export regulations related to agricultural products in Level 4 meant that approximately R440 million worth of open orders can now be processed for delivery to customers and operations in geographies with open ports and no restrictions on the sale of alcohol. Production in relation to our export business has also begun at a reduced capacity. The Group will leverage this opportunity to generate revenues notwithstanding the bottlenecks that are being encountered at the ports and with current transport regulations in South Africa.

Namibia, a key market within the BLNE (Botswana, Lesotho, Namibia & Eswatini) business, will be relaxing restrictions on the trading of alcohol from 2 June 2020. We will endeavor to fulfill orders to all our customers in the country thereafter.

The Group's largest Africa revenue contributor outside of BLNE, Kenya Wine Agencies Limited (KWAL) has to date, delivered a commendable performance in the midst of the Kenyan Government lockdown regulations. KWAL can now start to receive product from our South African operations with immediate effect due to the lifting of the ban on exports.

PRODUCTION AND SUPPLY CHAIN

The Group has resumed limited operations in certain locations related to the production and transport for export purposes only, in line with Level 4 regulations. Production facilities involved in alcohol production and blending for sanitizer purposes remain operational in line with lockdown guidelines and classification of essential items. Current inventory levels are sufficient to satisfy

both export and domestic retail channels upon further relaxation of regulations. As previously stated, the Group has sufficient supply of raw materials to comfortably meet customer demand beyond the end of the current financial year should the lockdown be lifted or restrictions eased further.

LIQUIDITY POSITION & BALANCE SHEET MANAGEMENT

We continue to focus on minimising the financial impact of COVID-19 on the business and are working with our stakeholders to maximise all levers within our control. These actions give us confidence to manage the short-term challenges in order to position ourselves for a recovery once trading environments normalise:

- Notwithstanding the current impact, the Group has been engaging with its lenders and can confirm that it has secured in principle approval to increase its rand denominated banking facilities by an additional R2,85 billion to manage its cash-flow requirements during the next 12 months. This is a combination of both short- and medium-term funding.
- The Group was granted an extension on excise duty payments for 90 days, delaying an approximate R970 million of a total of an estimated R1,9 billion excise bill until after the end of the financial year.
- Payments of most creditors, except farmers with whom we have long-term supply arrangements and business critical suppliers, have been delayed by 21 days. Supplier payments are approved on a case-by-case basis with resulting communication.
- We have negotiated extended payment terms with most of our customers dependent on size and their own liquidity restrictions and we are working closely with those who are able to pay, offering early payment discounts to incentivise payments.
- Interventions to defer and reprioritise parts of the Groups' capex program have been made with approximately R300 million already deferred, which does not materially affect growth prospects or our compliance obligations.
- All discretionary spend has been stopped, with only business critical spend allowed.
- The Group has made progress to unlock value through the potential sale of two of its premium wine farms and anticipates being in a position to announce an outcome by the FY20 results presentation on or around 27 August 2020.

The Board and executive management took a collective decision to sacrifice up to 30% of their respective fees and remuneration for three months effective 1 April 2020. The money will be donated to the Solidarity Fund for the duration of the three months.

We continue to focus on how we respond to the pandemic and the significant impact the lockdown has had on our business and how we can create long term shareholder value post the crisis.

To this end, we will continue to update all shareholders and stakeholders on our strategy as well as any material changes that are required to manage our business in order to mitigate the impact of the pandemic.

We anticipate hosting an investor conference call prior to entering our closed period before 30 June 2020. We will use this opportunity to update the market on the quantifiable effects of the pandemic given the uncertainty and volatility of the situation with which we are dealing. In the interim, we will continue to update investors via the Stock Exchange News Service ("SENS") platform and our website - www.distell.co.za.

Any forecast financial information contained herein has not been reviewed or reported on by the Group's external auditors.

Stellenbosch
15 May 2020

Sponsor and Corporate Broker
RAND MERCHANT BANK (A division of FirstRand Bank Limited)