Oceana Group Limited

Incorporated in the Republic of South Africa

(Registration number 1939/001730/06)

JSE Share Code: OCE

NSX Share Code: OCG

ISIN Number: ZAE 000 025284

("Oceana" or “the Company” or "the Group")

https://oceana.co.za/pdf/Interim_Results_2022.pdf

UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 MARCH 2022

SALIENT FEATURES

- Revenue R3 179 million (March 2021: R 3 568 million)
- Profit before tax R265 million (March 2021: R489 million)
- Earnings per share 119.9 cents (March 2021: 284.0 cents)
- Headline earnings per share 126.4 cents (March 2021: 260.5 cents)
- Balance sheet strength maintained, and debt levels reduced
- Total dividend 55 cents per share (March 2021: 110 cents per share)

COMMENTS

GROUP UPDATE

After the events that led to the delay in publishing the Group’s 2021 audited financial results, the business has re-focussed under the strong leadership of interim Chief Executive Officer (“CEO”), Neville Brink, and interim Chief Financial Officer (“CFO”), Ralph Buddle, with the immediate objective to deliver a strong second half operating performance. The Board is pleased to announce the appointment of Neville Brink as CEO with effect from 2 June 2022.

As announced on 30 May 2022, PricewaterhouseCoopers Inc. (“PwC”) resigned as the Group’s auditors on 27 May 2022 in respect of the audit of the financial year ending September 2022. PwC resigned ahead of the shareholder consultation that was planned by the company for 30 May 2022 to consider PwC's continued appointment and the Board’s acknowledgment of the strained relationship. The Group has progressed discussions with one of the “Big 4” audit firms and is well placed to announce the appointment of the new external auditors within the required 40 business days.

The Group’s CFO remains on precautionary suspension and the outcome of the disciplinary procedure that took place in late May is due shortly.

The Board would once again like to thank all employees and stakeholders for their continued support and to provide the assurance that it remains committed to the highest level of corporate governance and to restoring confidence in Oceana.

GROUP OVERVIEW

The Group experienced a difficult first half with revenue declining by 11% to R3 179 million (March 21: R3 568 million) and gross margin 3.7% lower at 30.2% (March 21: 33.9%). This was largely due to lower inventory levels carried forward from last year as a result of Covid-19 supply chain disruption, the civil unrest in Kwa-Zulu Natal that impacted our SA canned fish sales volumes, and Hurricane Ida in Louisiana that impacted fishmeal and fish oil production at our US Daybrook operations. Performance was further impacted by higher fuel and freight costs, lower landings due to La Niña weather conditions, scheduled vessel maintenance in Namibia, and lower cold storage occupancy levels due to the global supply chain impact on import activity.

Overhead expenditure was 7% higher, with R42 million of legal and incremental audit costs related to the delay in completing the September 2021 year-end audit.

Insurance proceeds of R72 million recognised in **other income** relates to last year's Hurricane Ida (R63 million) and Kwa-Zulu Natal civil unrest events (R9 million). Recent flood events in Kwa-Zulu Natal had no impact on operations and there were no related insurance claims.

As a result, Group **operating profi**t before other operating items decreased by 37% to R353 million (March 2021: R559 million). **Other operating items** includes a R9 million foreign currency translation reserve ("FCTR") adjustment on the disposal of the Group's interest in the former Angolan joint venture (March 2021: included R31 million profit on disposal of Bayhead cold storage plant and equipment).

Net interest expense decreased by 15% to R81 million (March 2021: R95 million) because of higher cash balances due to lower inventory levels and the later payment of the final dividend.

The **taxation** expense of R98 million (March 2021: R140 million) includes the impairment of an R18 million deferred tax asset held by Daybrook that can only be utilised against capital gains, which are inherently uncertain.

Headline earnings decreased by 50% to R153 million (March 2021: R304 million) and headline earnings per share declined 51% to 126.4 cents per share (March 2021: 260.5 cents per share). The weighted average number of shares in issue increased to 121.4 million shares (March 2021: 116.7 million shares) following the unwinding of the Oceana Empowerment Trust.

Diluted headline earnings per share declined 48% to 126.2 cents per share (March 2021: 240.4 cents per share).

CASH FLOW AND FINANCIAL POSITION

Cash generated from operations of R322 million (March 2021: R617 million) reflected the lower level of operating activity, increased investment in working capital to rebuild inventories and repayment of term debt of R89 million (March 2021: R30 million). Capital expenditure (excluding the joint operation) was lower than the prior period at R118 million (March 2021: R162 million). The prior period included capital expenditure in relation to the CCS Epping expansion.

Group net debt (excluding the joint operation) reduced by 8% to R2 173 million (March 2021: R2 454 million).

REVIEW OF OPERATIONS

Segmental results	Revenue			Operating profit before other operating items		
	March 2022	March 2021	%	March 2022	March 2021	%
R'000	R'000	R'000	Change	R'000	R'000	Change
Canned fish and fishmeal (Africa)	**1 840 205**	2 010 205	(8)	173 039	211 287	(18)
Fishmeal and fish oil (USA)	**402 852**	555 685	(28)	47 725	77 098	(38)
Horse mackerel, hake, lobster and squid	**800 665**	812 595	(1)	104 524	217 596	(52)
Commercial cold storage and logistics	**135 538**	189 489	(28)	27 738	52 744	(47)
Total	**3 179 260**	3 567 974	(11)	**353 026**	**558 725**	(37)

CANNED FISH AND FISHMEAL (AFRICA)

Lower inventory levels arising from continued global supply chain disruptions and last year's Kwa-Zulu Natal civil unrest resulted in unfulfilled customer demand throughout the period. As a result, canned fish sale volumes declined by 10%, partially offset by a 7% price movement (effective 24 January 2022) and reduced promotional spend.

Increased freight on imported pilchards and increases in other production costs were offset by a higher mix of landed fresh fish. A significant increase in processed volume to 2.4 million cartons (March 2021: 1.0 million cartons) resulted in an improvement in operating margins.

Lower opening inventories of fishmeal and fish oil resulting from last year's weather-disrupted fishing season reduced sale volumes by 47%, but this was partly offset by higher oil yields and significantly higher global price support for oils driven by improved demand from aquafeed producers in building inventories to mitigate against supply chain risks.

Excluding the effect of the legal and incremental audit costs related to the delayed 2021 results, operating profit for this segment increased by 1% to R212 million (March 2021: R211 million).

FISHMEAL AND FISH OIL (USA)

Low opening inventory levels resulting from last year's poor fishing and weather events (most notably Hurricane Ida in August 2021) reduced sales volumes by 33% in fishmeal and 15% in fish oil, resulting in Daybrook under supplying on contracts concluded during the prior season. This resulted in a 38% reduction (in US dollar-denominated) in operating profit. The Hurricane Ida business interruption insurance claim of R63m was recognised in the current period, partially mitigating the effect the hurricane had on opening stock levels. The 2022 fishing season opened in the middle of April and will continue until the end of October.

HORSE MACKEREL, HAKE, LOBSTER AND SQUID

Horse mackerel sales volumes were 15% lower, impacted by La Niña weather conditions in South African waters and scheduled vessel maintenance in Namibia, offset by strong demand-led pricing and a weaker rand.

Total revenue decreased by 7%. Profit was impacted by the reduced landings, as well as higher fuel costs and Namibian quota usage fees.

Hake sales volumes increased by 8% but export pricing was constrained by lower value hake sizes, a high level of low value by-catch mix, and by the stronger rand. European demand (and pricing) did however show signs of recovery towards the end of the period but was constrained by limited supply.

The West Coast Rock Lobster business unit was materially impacted by a 20% reduction in the offshore commercial total allowable catch ("TAC") necessitated to counter the impact of continued high levels of poaching. The lower catch rates experienced in the period support the decision to lower the TAC. We continue to play an active role alongside regulatory authorities in the monitoring and reporting of poaching to protect this valuable marine resource.

Squid catch rates were materially impacted by La Niña conditions, with the warm water resulting in 59% lower squid landings.

COMMERCIAL COLD STORAGE AND LOGISTICS (CCS)

Occupancy levels reduced by 9% mainly due to increased global cost and availability of containers and the resulting lower level of import activity through Cape Town. Lower chicken volumes in Gauteng also led to decreased occupancy. Lucky Star's imported fish volumes did however recover in the second quarter and strong occupancy levels continued in Namibia. In addition, pallet capacity reduced by 16% due to last year's Bayhead and Diep River cold store closures. As a result of the lower occupancy and capacity levels and the impact thereof on fixed cost recovery, revenue decreased by 28% and operating profit by 47%.

PRIOR PERIOD RESTATEMENTS

In line with certain reclassifications, and changes to the accounting treatment of the Group's 25% held investment in Westbank Fishing by the Group's US subsidiary Daybrook as disclosed in our audited financial statements for the year ended 30 September 2021, the comparatives for March 2021 have been similarly corrected and restated. These restatements had no effect on the prior period's profit after tax or headline earnings.
Refer to note 16 for details of these restatements.

FSCA INVESTIGATION UPDATE

The Company was informed by the Financial Sector Conduct Authority ("FSCA") on 21 February 2022 that the FSCA had registered an investigation. The Company engaged with the FSCA on 23 February 2022 and has addressed all their queries. No further questions have been received since then. We have been following up on a regular basis and we await their conclusion on the matter.

DIVIDENDS

The Board declared an interim dividend of 55 cents (March 2021: 110 cents) per share.

OUTLOOK

Strong local and global demand, pricing across all our operating segments, and the performance of the South African anchovy and US gulf menhaden fisheries will drive far stronger performance in the second half of the year, which is traditionally our stronger half.

Demand for canned fish remains strong despite the difficult consumer environment in South Africa. Sales order allocation continues to be managed according to production levels. Significant cost pressures such as fuel and freight charges and the impact of these costs on imported raw materials have, together with a weaker rand, necessitated a further price increase from 6 June 2022. Inflationary pressure is being experienced across the competing protein spectrum with price increases averaging 15% for the period February to April 2022. Lucky Star offers an important and trusted source of affordable protein to the South African consumer and continues to drive cost improvements and efficiencies in order to deliver on this strategy.

Current season landings of anchovy and gulf menhaden, supplying our fishmeal and fish oil production facilities in South Africa and the US respectively, continue to track well ahead of last year. Pricing of both fishmeal and (in particular) fish oil remains strong, supported by global aquaculture and animal feed demand, and supply constraints impacting protein alternatives.

A weaker rand will continue to support our export and dollar-denominated businesses, although it will further exacerbate higher dollar-denominated fuel and other costs. The continued uncertainty of the effect of the Ukraine war on oil prices will increase operational cost pressures, especially on vessel operations. Positively, the sanctions on Russia have created supply constraints in the whitefish sector, which has created new customer opportunities in Europe. Freight costs are however now showing small signs of reduction and the increasing container availability is likely to support the recovery of import volumes, benefitting cold storage occupancy.

REVIEW OF RESULTS

On a consistent basis with prior years, these interim results and any forward-looking statements set out in this announcement have not been reviewed or reported on by external auditors.

BDO, in their capacity as internal auditors, assessed the control environment of the Company's interim financial statements processes, paying specific attention to the key financial reporting areas of the Company. BDO concluded that, overall, the controls were designed adequately and operating effectively.

In addition, a technical review was performed by an independent accounting firm on the interim financial statements to ensure compliance with IAS34 – Interim Financial Results.

This short-form announcement is the responsibility of the directors and is only a summary of the information in the condensed consolidated interim results and does not contain full or complete details. Any investment decision should be based on the full announcement which is available on our website: https://oceana.co.za/pdf/Interim_Results_2022.pdf and on

https://senspdf.jse.co.za/documents/2022/jse/isse/oce/HY22.pdf

On behalf of the Board

MA Brey	N Brink
Chairperson (non-executive)	Chief Executive Officer

Cape Town

2 June 2022

DECLARATION OF FINAL DIVIDEND

Notice is hereby given of dividend number 156. An interim dividend amounting to 55.0 cents per share, for the six months ended 31 March 2022, was declared on 2 June 2022, out of current earnings. Where applicable the deduction of dividends withholding tax at a rate of 20% will result in a net dividend amounting to 44.0 cents per share.

The number of ordinary shares in issue at the date of this declaration is 130 431 804. The company's tax reference number is 9675/139/71/2. Relevant dates are as follows:

Last day to trade cum dividend:	Tuesday, 21 June 2022
Commence trading ex-dividend:	Wednesday, 22 June 2022
Record date:	Friday, 24 June 2022
Dividend payable:	Monday, 27 June 2022

Share certificates may not be dematerialised or rematerialised between Wednesday, 22 June 2022 and Friday, 24 June 2022, both dates inclusive.

By order of the Board

R Buddle

Interim Company Secretary

2 June 2022

Directorate and statutory information

Directors and officers:	MA Brey (chairman), N Brink*(chief executive officer, appointed 2 June 2022), H Karrim* (suspended 7 February 2022), R Buddle# (interim chief financial officer), ZBM Bassa, PG de Beyer, A Jakoet, NA Pangarker, L Sennelo, NV Simamane, TM Mwantembe, PJ Golesworthy. (*Executive; #Officer)
Registered Office:	9th Floor, Oceana House, 25 Jan Smuts Street, Foreshore, Cape Town, 8001

Transfer Secretaries:	JSE Investor Services South Africa (Pty) Ltd ("JIS") 13th Floor, 19 Ameshoff Street, Braamfontein (PO Box 4844, Johannesburg ,2000)
Sponsor – South Africa:	The Standard Bank of South Africa Limited
Sponsor – Namibia:	Old Mutual Investment Services (Namibia) Proprietary Limited
Auditors:	PricewaterhouseCoopers Inc (resigned as auditors of the Group on 27 May 2022)
Company Secretary:	R Buddle (interim company secretary)
JSE share code:	OCE
NSX share code:	OCG
ISIN:	ZAE000025284