

Oceana Group Limited

Incorporated in the Republic of South Africa

(Registration number 1939/001730/06)

JSE Share Code: OCE

A2X Share Code: OCE

NSX Share Code: OCG

ISIN Number: ZAE000025284

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

https://oceana.co.za/pdf/Interim_Results_2023.pdf

UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 MARCH 2023

SALIENT FEATURES

Continuing operations:

- Revenue R4 497 million (March 2022: R 3 044 million)
- Operating profit R648 million (March 2022: R345 million)
- Profit before tax R552 million (March 2022: R271 million)
- Earnings per share 318.6 cents (March 2022: 133.9 cents)
- Headline earnings per share 313.5 cents (March 2022: 140.4 cents)

GROUP OVERVIEW

The Group delivered a strong performance for the six months ended 31 March 2023 in tough operating conditions which saw consumers under ever increasing pressure from rising interest rates, lower disposable income, high inflation and the effects of increased loadshedding in South Africa (SA). This performance highlights the strength of being a diversified Group across species, geographies and currencies. Higher opening inventory levels of canned fish, fishmeal and fish oil, strong demand for canned fish and continued price improvements for most of its products, particularly fish oil, enabled the Group to counter the effects of these tough operating conditions.

Revenue from continuing operations increased by 47.8% to R4.5 billion (March 2022: R3.0 billion) with good stock availability and strong demand for affordable protein driving consumption across the product range. Revenue also benefitted from improved pricing, particularly for fish oil, driven by constrained global supply and the effect of the weaker rand exchange rate on export and US-dollar translated revenue.

Operating profit from continuing operations increased by 87.5% to R648 million (March 2022: R345 million) and by 92.7% to R663 million (March 2022: R344 million) from total operations.

Gross margin from continuing operations remained flat at 27.1% (March 2022: 27.2%) with strong fishmeal and fish oil pricing in US-dollar terms offset by the effect of the weaker currency on the cost of imported frozen fish for Lucky Star.

Sales and distribution expenditure from continuing operations increased year-on-year by R47 million in line with revenue growth. As a percentage of revenue, these costs decreased to 4.5% (March 2022: 5.1%), which included savings in freight and container costs in US-dollar terms.

Overhead expenditure from continuing operations increased by 21.2% to R416 million (March 2022: R343 million), mainly attributable to an increase in employment costs, which included provisions for variable pay and filling positions that were vacant in the prior period, and partially offset by non-recurring legal and audit fees.

Other income of R72 million related to insurance proceeds following the finalisation of the 2021 Hurricane Ida insurance claim. The comparative period included insurance proceeds for Hurricane Ida of R63 million and the Kwa-Zulu Natal civil unrest events of R9 million.

Loss from joint ventures and associate of R17 million (March 2022: loss of R29 million) related mainly to the Westbank Fishing operation, which was in its off season for most of the period.

Net-interest expense from continuing operations increased to R96 million (March 2022: R74 million). The higher interest expense resulted from unhedged interest rate increases, the translation of US-dollar interest at a weaker rand exchange rate and higher short-term borrowings to replenish inventory levels.

The effective tax rate from continuing operations reduced to 25.5% (March 2022: 32.6%) due to the improved performance of the USA fishmeal and fish oil business, which is taxed at a lower rate, and the decrease in SA's corporate income tax rate. The discontinued operation includes R17 million of dividends tax and capital gains tax relating to the predisposal dividends paid to the Group in respect of CCS Logistics.

Headline Earnings

Headline earnings for the period are summarized in the table below:

	Unaudited six months ended 31 Mar 2023 R'000	Unaudited restated six months ended 31 Mar 2022 R'000	%
			change
Headline earnings from total operations	363 714	153 377	137.1
Headline earnings from continuing operations	381 312	170 418	123.8
Weighted average number of shares (000's)	121 624	121 390	0.2
Headline earnings per share (cents)			
Basic headline earnings per share	299.1	126.4	136.7
Continuing operations	313.5	140.4	123.3
Discontinued operations	(14.4)	(14.0)	2.9

CASH FLOW AND FINANCIAL POSITION

Cash generated from operations grew by 60.5% to R563 million (March 2022: R350 million), driven by the improved operating performance. This was offset by the increased investment in canned fish and fishmeal inventory levels.

Capital expenditure was R205 million (March 2022: R116 million) which included R37million expenditure in the USA fishmeal and fish oil business to increase plant throughput and vessel utilisation. In SA, R40 million related to the upgrade and expansion of our canned fish and fishmeal production facilities on the West Coast.

Gross debt reduced by 11.8% in SA and by 6.9% in the United States (US) in US-dollar terms. US dollar-denominated debt increased on translation due to a weaker rand exchange rate. The Group complied with all lender covenant requirements relating to both its SA and US debt.

The Group ended the period with net debt of R3.0 billion (March 2022: R2.2 billion), higher mainly due to increased working capital requirements and the translation of US-dollar debt at a weaker rand exchange rate. Repayment on term debt of R147 million (March 2022: R90 million) was made during the period. The net debt to EBITDA ratio improved to 1.6x (March 2022: 1.8x) as a result of the improved operating performance.

REVIEW OF OPERATIONS

	Revenue			Operating profit		
	Unaudited six months ended 31 Mar 2023	Unaudited restated six months ended 31 Mar 2022	% change	Unaudited six months ended 31 Mar 2023	Unaudited restated six months ended 31 Mar 2022	% change
Segmental results	R'000	R'000		R'000	R'000	
Canned fish and fishmeal (Africa)	2 545 996	1 840 205	38.4	134 143	165 479	(18.9)
Fishmeal and fish oil (USA)	1 023 896	402 852	154.2	370 208	46 418	697.6
Wild caught seafood ¹	927 607	800 665	15.9	108 034	104 524	3.4
Total continuing operations²	4 497 499	3 043 722	47.8	612 385	316 421	93.5
Commercial cold storage and logistics ²	171 739	135 538	26.7	50 519	27 658	82.7
Total	4 669 238	3 179 260	46.9	662 904	344 079	92.7

1. Wild caught seafood was previously called Horse mackerel, hake, lobster, and squid.
2. Operating profit for total continued operations has been restated to account for the reversion to equity accounting of Westbank as an associate and is before the respective elimination of intercompany revenue and support services expenditure between continuing and discontinued operations of R35 million (March 2022: R29 million). Refer to note 4 and 13 of the condensed consolidated interim results for further detail.

CANNED FISH AND FISHMEAL (AFRICA)

Lucky Star's sales volumes increased by 20.9%, achieving a record 5.0 million cartons (March 2022: 4.2 million cartons). Improved opening inventory levels ensured growing demand for affordable and shelf-stable protein was fully met. The improvement in selling price over the period was, however, insufficient to offset cost pressures, particularly the impact of the weaker rand/US-dollar exchange rate on the cost of imported frozen fish. This resulted in lower operating margins in comparison to the prior period.

Local canning production volumes increased marginally by 2.6% to 2.5 million cartons (March 2022: 2.4 million cartons). Of the raw fish volumes processed during the period, 20.3% (March 2022: 15.0%) were fresh. The varying size mix and specifications of imported frozen fish reduced production yield, and labour efficiencies and increasing production costs further contributed to the decline in margin. The increasing incidence of

loadshedding resulted in greater reliance on generators to sustain production, which directly increased energy costs by R6 million in the half.

Canned fish inventory levels closed 86.7% higher than the prior period, ensuring continuity of supply of Lucky Star into the second half to meet ongoing demand.

Africa fishmeal and fish oil sales volumes were up 39.0% to 5 944 tons (March 2022: 4 277 tons), driven by improved opening stock levels, higher landings and increased pilchard offcut volumes. Landings of red eye and anchovy improved by 75.7% to 24 766 tons (March 2022: 14 092 tons) with good early season catches. Offcuts from the cannery increased by 8.2% to 13 119 tons (March 22: 12 127 tons). Overall, production yields reduced to 24.1% (March 2022: 26.0%) mainly due to lower fish oil yields. Loadshedding has adversely impacted production efficiency and has increased energy costs, with the reliance on generators resulting in incremental cost of R12 million for the half.

Strong US-Dollar pricing for fishmeal and fish oil, together with the weaker rand exchange rate contributed to an improved performance.

FISHMEAL AND FISH OIL (USA)

The fishing season in the United States commenced mid-April and runs for 28 weeks to the end of October each year. Improved opening stock levels, off the back of excellent landings in the 2022 season, contributed to fishmeal sales volumes increasing by 78.4% to 21 895 tons (March 2022: 12 274 tons) and fish oil sales volumes increasing to 4 852 tons (March 2022: 1 933 tons).

Global supply and demand dynamics continued to drive strong US-dollar pricing of fishmeal and fish oil. Subdued second-season anchovy landings and fish oil yields in Peru, together with stable demand, resulted in US-dollar fishmeal prices increasing by 10.6% and fish oil US-dollar prices increasing by 59.5% compared to the prior period.

Performance also benefitted from the effect of the weaker exchange rate on the translation of US-dollar earnings in the United States. The receipt of the additional Hurricane Ida insurance proceeds of R72 million (March 2022: R63 million) was included in earnings from the US for the period.

Fishmeal and fish oil inventory levels closed higher than the prior period at 13 306 tons (March 2022: 3 315 tons).

WILD CAUGHT SEAFOOD

Horse mackerel volumes caught in SA were 52.1% down on the prior period. The 30.3% lower catch rate was due to La Niña climatic conditions, and the associated higher sea temperatures, extending into 2023 and the Desert Diamond undergoing a planned main engine overhaul. In Namibia, horse mackerel volumes landed improved by 40.0% with an increase in both sea days and catch rates. Fishing days in the prior period were impeded by scheduled vessel maintenance.

Hake catches reduced by 35.0% due to both fewer fishing days and poorer catch rates. The reduction in fishing days resulted from a combination of both planned and unplanned vessel maintenance in the half. Following the successful renewal of fishing rights for 15 years, the Group has commenced with its programme to upgrade and enhance its hake fishing fleet. The cost of operating the horse mackerel and hake fleet continued to be hampered by high fuel costs in the period.

Horse mackerel and hake sales volumes in total remained flat at 29 920 tons (March 2022: 29 771 tons). Strong demand for affordable protein together with the weaker rand effect on export revenue resulted in horse mackerel and hake rand prices improving by 17.7% and 20.6% respectively.

Higher sales volumes and strong European demand and pricing resulted in an improved performance for squid in the period.

CCS LOGISTICS (DISCONTINUED OPERATION)

A recovery in occupancy levels to 90.9% (March 2022: 73.2%) across all regions resulted in a strong operating performance for the period.

Occupancy rates in the Western Cape benefitted from increased frozen fish holdings primarily driven by the replenishment of Lucky Star's inventory levels. Increased poultry volumes in Gauteng and good horse mackerel catch rates in Namibia improved occupancy levels in these two regions.

DISPOSAL OF CCS LOGISTICS

The Group announced the disposal of CCS Logistics for R760 million on 4 October 2022, to enable it to allocate capital to opportunities more aligned to its strategic objectives and core strengths in the global protein sector. On 3 April 2023, the Group announced that all conditions precedent had either been fulfilled or waived and the implementation of the transaction was effective 4 April 2023.

After the reporting period, the Group used the net proceeds from the sale of the CCS Logistics to settle debt in South Africa which will reduce interest expense and improve the leverage ratio in the second half. The profit from the sale of CCS Logistics will be reported in the Group's full year financial results.

COMPARATIVE INFORMATION

All comparative information has been restated for (i) the reversion in the accounting treatment of the Group's 25% investment in Westbank to that of an associate as opposed to a joint operation and (ii) the treatment of the CCS Logistics business as a discontinued operation, in line with IFRS 5: Non-current Assets Held for Sale and Discontinued Operations, for reporting purposes, following the disposal of this business as outlined above. Refer to note 10 in the condensed consolidated financial statements for further detail.

DIVIDENDS

The Board declared an interim dividend of 130 cents (March 2022: 55 cents) per share which represents an increase of 136%.

OUTLOOK

In South Africa, tough operating conditions and the pressure on consumers are expected to continue. Promotional activity and brand investment in Lucky Star will continue to drive volumes at relatively affordable prices to its consumers. The pilchard Total Allowable Catch (TAC) was increased by 30% to 39 000 tons based on scientific data received from the small pelagic survey which will drive a higher mix of fresh fish. Increased volumes, improved yields and increased fresh fish landings at our local production facilities will contribute to improved profitability.

A weaker rand/US-dollar exchange rate will increase margin pressure on Lucky Star; however, the Group remains naturally hedged against currency volatility with a higher proportion of export and US-dollar denominated earnings weighted to the second half.

Early season anchovy and gulf menhaden landings have shown positive signs which reflect the investments made in catch and processing efficiency improvements in the off-season. Fishmeal and fish oil demand and

pricing is expected to remain firm for the remainder of the year given the current market dynamics and uncertainty over Peru's anchovy quota allocations due to the El Niño event being experienced along the Peruvian coast.

The impact of loadshedding on both energy costs and production efficiencies remains a risk to both our West Coast production facilities. The Group is investing in energy solutions to mitigate this risk.

Investment in the hake and horse mackerel fleet will continue in the second half, including the programme to convert vessels from freon to ammonia. Strong demand and pricing for horse mackerel and hake is expected to continue given demand for affordable protein.

CHANGES TO THE BOARD AND COMMITTEES

Mr R Buddle stepped down as interim Chief Financial Officer ("CFO") and executive director of the Board on 31 January 2023. Mr Z Mahomed was appointed as CFO Designate effective 1 November 2022 and assumed office as the Group's CFO and executive director of the Board effective 1 February 2023.

The following changes to the Board and Committees were made at the Company's Annual General Meeting (AGM), held on 6 April 2023 and were effective immediately:

Ms Z Bassa retired as an independent non-executive director of the Board, chairperson of the Audit Committee, member of the Risk Committee and member of the Corporate Governance and Nominations Committee.

Mr P Golesworthy, an independent non-executive director and member of the Audit Committee, assumed the position as chairperson of the Audit Committee and was appointed as a member of the Corporate Governance and Nominations Committee.

Mr P de Beyer, an independent non-executive director stepped down as chairperson of the Remuneration Committee and will remain a member of the Remuneration Committee.

Ms T Mokgosi-Mwantembe, an independent non-executive director and member of the Remuneration Committee, assumed the position as chairperson of the Remuneration Committee and member of the Corporate Governance and Nominations Committee.

This short-form announcement is the responsibility of the directors and is only a summary of the information in the condensed consolidated interim results released on SENS on 5 June 2023 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_2023.pdf and on

<https://senspdf.jse.co.za/documents/2023/jse/isse/oce/hy23.pdf>

as well as at our JSE sponsor at jesponsor@standardbank.co.za.

On behalf of the Board

MA Brey
Chairperson (non-executive)
Cape Town

N Brink
Chief Executive Officer

5 June 2023

DECLARATION OF INTERIM DIVIDEND

Notice is hereby given of dividend number 158. An interim dividend amounting to 130.0 cents per share, for the six months ended 31 March 2023, was declared on 5 June 2023, 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 104.0 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, 20 June 2023
Commence trading ex-dividend:	Wednesday, 21 June 2023
Record date:	Friday, 23 June 2023
Dividend payment date:	Monday, 26 June 2023

Share certificates may not be dematerialised or rematerialised between Wednesday, 21 June 2023 and Friday, 23 June 2023 (both dates inclusive).

By order of the Board

N Morgan
Group Company Secretary
5 June 2023

Directorate and statutory information

Directors and officers: Mr MA Brey (Chairperson), Mr PG de Beyer (Lead Independent Director), Mr N Brink* (Chief Executive Officer), Mr Z Mahomed* (Chief Financial Officer), Ms Z Bassa (retired 6 April 2023), Mr PJ Golesworthy (British), Mr A Jakoet, Mr NA Pangarker, Ms L Sennelo, Ms NV Simamane, Ms TM Mokgosi-Mwantembe (*Executive)

Registered Office: 9th Floor, Oceana House, 25 Jan Smuts Street, Foreshore, Cape Town, 8001

Transfer Secretaries: JSE Investor Services South Africa (Pty) Ltd ("JIS")

JSE Limited, One Exchange Square, 2 Gwen Lane, Sandown, Sandton, 2196

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: Mazars

Company Secretary: Ms N Morgan

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