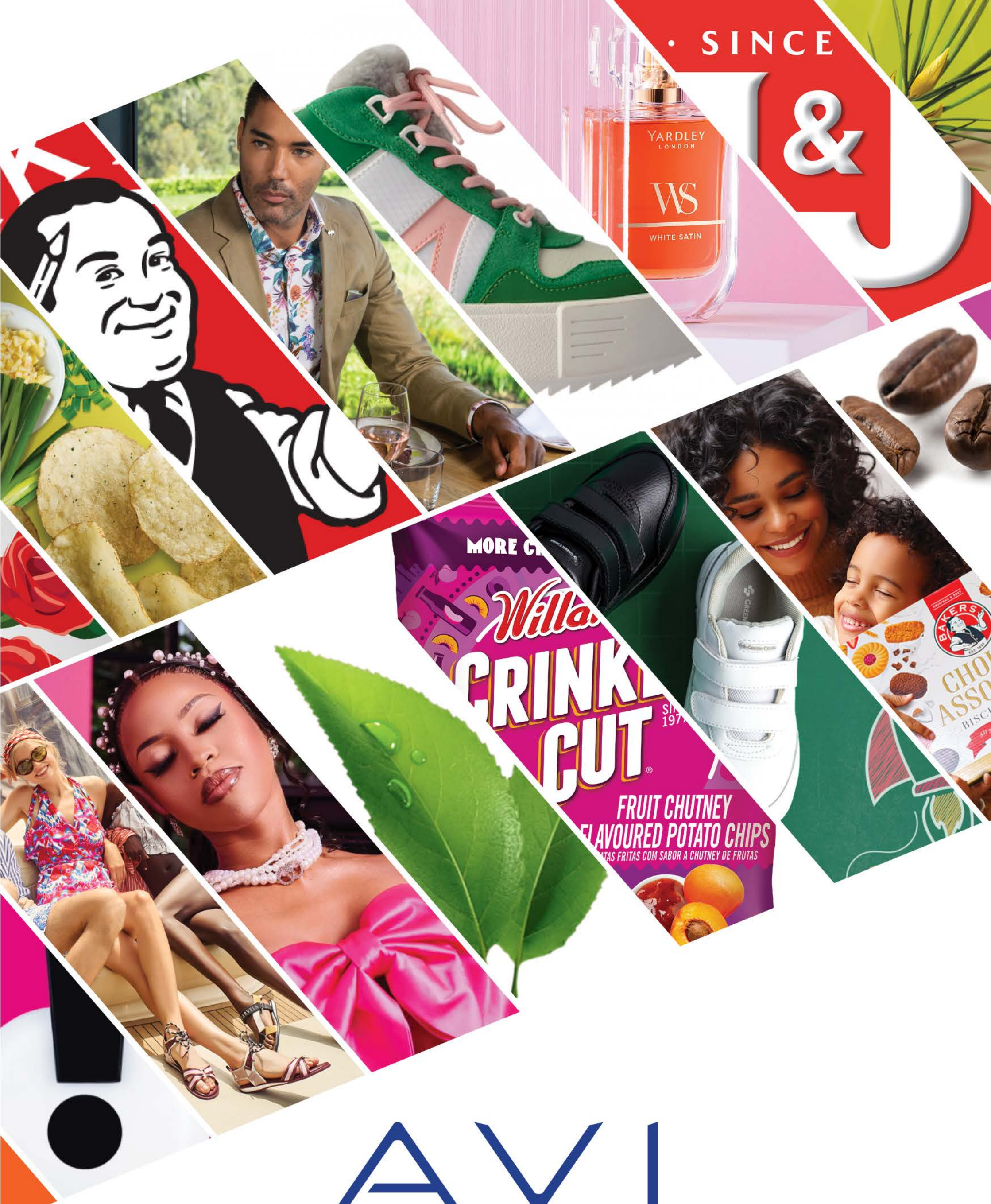
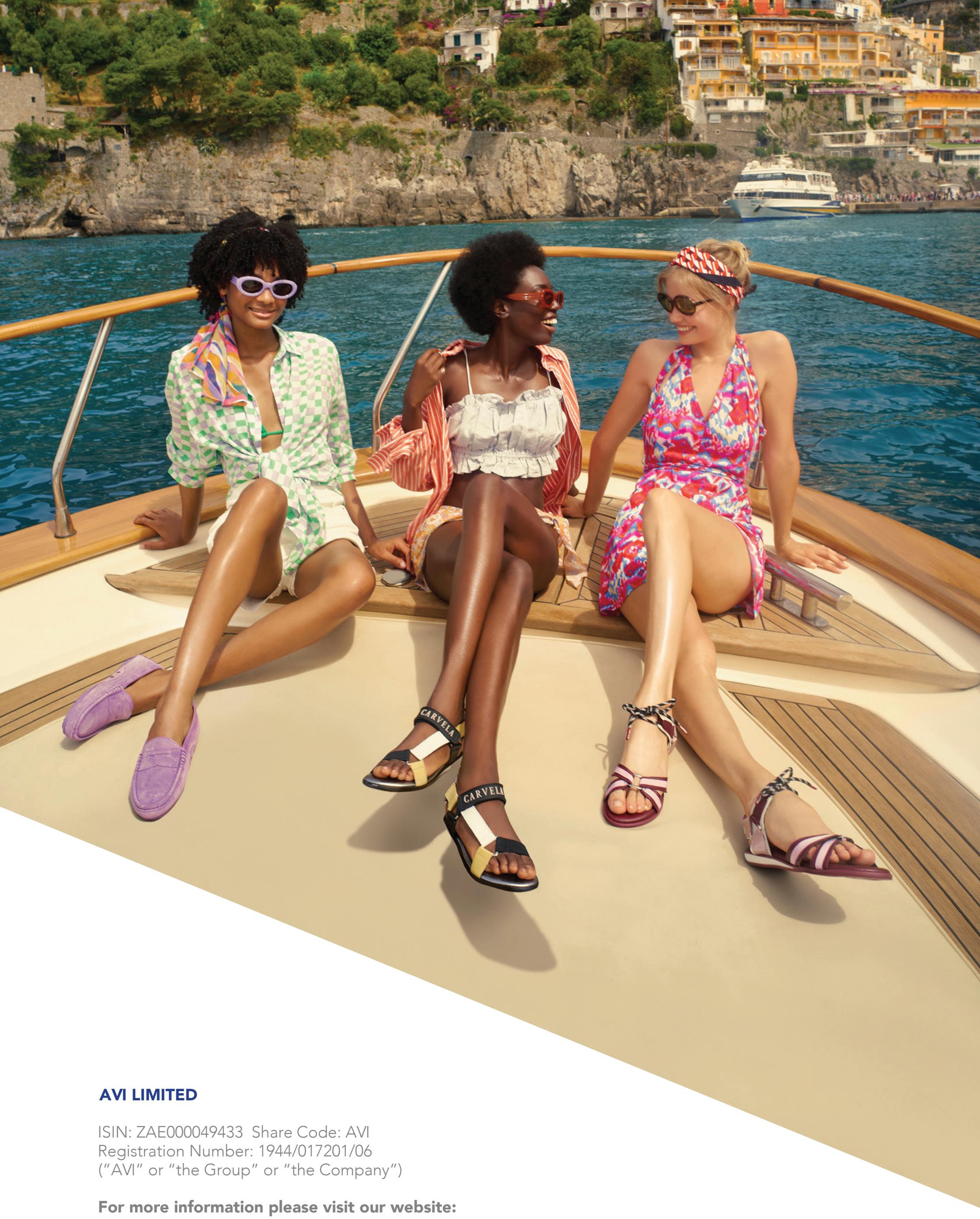


AVI

RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

GROWING GREAT BRANDS



AVI LIMITED

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

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

key features

Demand constrained by inflation, rising interest rates and unemployment

Increased levels of load-shedding disrupted operations
- Direct operating cost of R22,0 million
- Significant indirect costs

I&J impacted by higher fuel prices, reduced quota and an unfavourable abalone sales mix due to the Chinese lockdown

Group revenue increased by 7,2%

Selling price increases in all categories to offset input cost pressures

Footwear and apparel growth underpinned by price and volume gains

Gross margins stable despite cost pressures

Operating profit increased by 1,7%

Operating profit, excluding I&J, up by 8,4%

Headline earnings per share up 0,6% to 318,9 cents

Temporary increase in working capital
- Investment in inventory to support service levels and combat supply chain disruptions
- Timing of customer payments

Strong cash generation offset by increased working capital

Interim dividend of 172 cents per share, up 1,2%

results commentary

GROUP OVERVIEW

The trading environment was challenging with record levels of load-shedding negatively affecting our manufacturing, distribution and retail operations. The impact was mitigated through back-up power solutions but added R22,0 million to direct operating costs. In addition, the load-shedding added layers of complexity to our operations, supply chains and distribution logistics. We have invested in back-up power options for a number of years and continue to do so; there is however a material cost to this.

Rising inflation, higher interest rates and unemployment continue to constrain consumer spending. Heightened currency and commodity volatility, and sustained high fuel prices increased many of our input costs substantially. Our hedging practices mitigated the impact of some of this cost pressure but price increases were necessary to protect gross margins in most categories. Sales volumes were lower in some categories, exacerbated by competitor activity, with cost pressures not always recovered through higher prices.

Group revenue increased by 7,2% over the same period last year. Revenue growth in Entyce and Snackworks was driven by price increases to offset input cost pressures. I&J's revenue declined 2,3% with lower catch rates and the re-emergence of lockdowns in China and Hong Kong affecting the abalone sales mix. Personal Care revenue improved moderately, underpinned by growth in the aerosol and fragrance categories, but offset by reduced manufacturing revenue due to the acquisition of the Exclamation and Gravity trademarks from Coty in the prior year. The retail brand portfolio had a pleasing semester, with sound volume growth and price increases lifting revenue by 17,4% over the prior period. December's retail sales were particularly strong, and were well ahead of pre-COVID levels.

The Group's consolidated gross profit margin improved marginally. The annualisation against the prior year's write-offs following the July 2021 riots, fastidious cost control, the benefits of the trademarks acquired from Coty, and improved footwear and apparel profitability, contributed to the improvement. I&J's gross margins were constrained by materially higher diesel costs for the fishing fleet that were not fully recovered through selling price increases, and the unfavourable abalone sales mix.

Selling and administrative expenses increased at rates well above inflation, partly due to the impact of substantially higher fuel prices on distribution costs, fair value accounting of the Group's hedge positions, and the non-recurrence of insurance proceeds recognised last year. Consolidated operating profit was 1,7% higher, with only I&J's earnings declining. The Group's branded consumer business, excluding I&J, improved operating profit by 8,4%.

Net finance costs were higher due to higher interest rates and higher average borrowing levels, with an investment in inventory to support service levels and combat supply chain disruptions. This was partly offset by the benefit of the reduction in the effective tax rate to 27%.

Headline earnings grew 0,7% and headline earnings per share increased by 0,6% from 316,9 cents to 318,9 cents, with a 0,1% increase in the weighted average number of shares in issue due to the vesting of employee share options.

Cash generated by operations decreased from R1,72 billion to R1,06 billion due primarily to a material increase in working capital as well as lower adjustments for non-cash items in operating profit, mainly incentive provisions, partly offset by foreign exchange and fuel hedge revaluation movements, and the abalone fair value adjustment.

Working capital increases reflected the investment in inventory to secure supply, support service levels and combat supply chain disruptions, as well as the timing of customer payments, with an incremental R248,8 million received on the first working day of January 2023 due to the reporting date falling over a weekend.

Other material cash flows during the period were capital expenditure of R245,5 million, ordinary dividends paid of R968,3 million and taxation paid of R353,2 million. Net debt at the end of December 2022 was R2,45 billion compared to R1,54 billion at the end of December 2021.

DIVIDEND

Group cash generation remains healthy and debt levels are within our targeted gearing range. The Board has declared an interim ordinary dividend of 172 cents per share, which is 1,2% higher than last year, and in line with the growth in headline earnings.

SEGMENTAL REVIEW

Six months ended 31 December

	Segmental revenue			Segmental operating profit		
	2022 Rm	2021 Rm	% change	**2022 Rm**	2021 Rm	% change
Food & Beverage brands	**6 127,4**	5 764,8	6,3	**1 133,6**	1 159,1	(2,2)
Entyce Beverages	**2 086,6**	1 999,2	4,4	**476,9**	451,9	5,5
Snackworks	**2 824,9**	2 521,0	12,1	**584,5**	547,2	6,8
I&J	**1 215,9**	1 244,6	(2,3)	**72,2**	160,0	(54,9)
Fashion brands	**1 695,5**	1 530,8	10,8	**413,4**	364,5	13,4
Personal Care	**610,5**	606,9	0,6	**102,2**	99,5	2,7
Footwear & Apparel	**1 085,0**	923,9	17,4	**311,2**	265,0	17,4
Corporate				**(6,3)**	(8,6)	
Group	**7 822,9**	7 295,6	7,2	**1 540,7**	1 515,0	1,7

Entyce Beverages

Revenue of R2,1 billion was 4,4% higher than last year while operating profit improved 5,5% from R451,9 million to R476,9 million. The operating profit margin increased to 22,9% from 22,6%.

Tea revenue decreased 5,8%. Black tea revenue was lower than last year with sales volumes impacted by aggressive promotions by competitors and higher selling prices. Following a period of deflation within the rooibos category, underpinned by lower raw material input costs, selling prices were increased to ameliorate inflationary cost pressures and protect margins. The benefit of the higher rooibos selling prices was, however, largely offset by lower sales volumes. Gross profit margins were marginally better with a favourable product mix and selling price increases mitigating the cost impact of a weaker Rand and the deleveraging impact of lower volumes, with factory costs well managed. Increased selling and administrative costs, including higher fuel prices, resulted in a decline in operating profit.

Coffee revenue was 18,8% higher than last year with higher sales in the Ciro out-of-home coffee business and an improved mixed instant performance. Ciro's performance was supported by higher selling prices and higher demand as hospitality, leisure and corporate customers continued to recover with revenues ending slightly lower than pre-COVID levels. Revenue for the retail brands was higher with growth across all key segments. Mixed instant revenue grew off a low prior year base with the effect of significant price increases taken to ameliorate raw material input cost pressures partially offset by reduced volumes, as the difficult environment limited consumers' ability to digest higher prices. Selling and administrative costs increased with higher fuel prices and increased activity resulting in escalations ahead of inflation. The restructuring undertaken at Ciro during the COVID lockdown supported improved operating efficiencies with operating profit margins improving on last year and pre-COVID levels. Overall, the coffee category delivered a higher gross profit and an increase in operating profit.

Creamer revenue grew 5,3% due to higher selling prices to offset significantly higher raw material costs and lower sales volumes. Balancing volume and value was challenging with gross profit margins reduced by under recovered costs. Selling and administrative costs were well managed but increases offset a slightly better gross profit resulting in operating profit for the semester in line with last year.

Snackworks

Revenue of R2,82 billion was 12,1% higher than last year while operating profit increased 6,8% from R547,2 million to R584,5 million. The operating profit margin declined from 21,7% to 20,7%.

Biscuit revenue increased 12,6% due mainly to higher selling prices to ameliorate input cost pressures and protect margins. Price inflation placed pressure on demand with sales volumes ending lower despite strong demand through the festive season for Bakers Choice Assorted and solid growth in the lower priced formats. The gross profit margin was well protected and remained in line with last year, supported by better factory performances and the non-recurrence of R11,7 million of prior year raw material write-offs related to the July unrest. Selling and administrative costs increased at a rate well above inflation due to the impact of higher fuel prices on distribution costs, and the non-recurrence of insurance proceeds recognised last year.

Snacks revenue increased 10,4% due mainly to higher selling prices. Sales volumes were lower with the impact of aggressive competitor activity and higher selling prices offsetting the benefit of improved potato supply and growth from potato chip product innovation. Gross profit improved but the gross profit margin declined with higher raw material costs not fully recovered in a competitive environment. Selling and administrative costs increased ahead of inflation, primarily due to increased fuel prices, resulting in operating profit and operating profit margins declining.

I&J

Revenue of R1,22 billion was 2,3% lower than last year and operating profit decreased from R160,0 million to R72,2 million. The operating profit margin decreased from 12,9% to 5,9%. Sales volumes were negatively affected by a lower quota and the reduced total allowable catch.

Despite lifting average selling prices by 17,0%, lower fish sales volumes, substantially higher fuel costs for the fishing fleet and lower catch rates significantly reduced profitability. Competition in the domestic and export markets was aggressive with high levels of price inflation leading to consumers trading down and price increases not fully absorbing the impact of higher fuel prices. Operating costs were well controlled but negatively impacted by the incremental costs of sustaining cold storage during load-shedding.

Abalone profits declined with the re-emergence of lockdowns in China and Hong Kong negatively affecting the abalone sales mix. A weaker Rand provided some benefit but was not sufficient to offset the impact of the unfavourable biological asset fair value adjustment, increased costs associated with load-shedding and the unfavourable sales mix. The farm experienced 777 hours of load-shedding during the semester which were mitigated through back-up generator solutions, but increased direct operating costs by R6,7 million.

Personal Care

Indigo's revenue of R610,5 million was 0,6% higher than last year due largely to selling price increases in response to rising input costs, offset by reduced manufacturing revenue due to the acquisition of the Exclamation and Gravity trademarks from Coty in the prior year. Excluding the impact of the trademark acquisition, revenue would have increased by 5,3%. Revenue grew in the aerosol and fragrance categories but declined in colour and lotions as lower disposable income weighed on consumers and competitor activity affected prices and volumes.

The gross profit margin improved with the benefit of the acquired trademarks partly offset by costs associated with the rationalisation of certain non-critical product lines. Selling and administrative costs increased due to higher fuel prices and additional marketing investment. Operating profit increased from R99,5 million to R102,2 million, and the operating profit margin increased from 16,4% to 16,7%.

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

Revenue increased by 17,4% to R1,09 billion due to higher selling prices and a 5,2% increase in footwear sales volumes. Operating profit improved from R265,0 million to R311,2 million, with the operating profit margin remaining at 28,7%, notwithstanding the benefit of the insurance proceeds recognised last year.

The trading performance benefitted from improved stock availability, the non-recurrence of last year's unrest and December sales that were well ahead of pre-COVID levels. Record levels of load-shedding were partly mitigated through store back-up power solutions, although the impact on consumer behaviour is difficult to quantify. Green Cross continued to reflect the benefit of work to rationalise unprofitable stores with revenue growth of 17,2%. Like-for-like sales in Green Cross improved by 29,2%, with growth of 9,3% in footwear volumes and higher selling prices.

Gross profit margins improved due to an improved sales mix as well as the non-recurrence of R19,4 million of stock write-offs last year due to the July unrest. Selling and administrative cost increases were ahead of inflation with higher store rentals, increased distribution costs, additional marketing investment and the non-recurrence of insurance proceeds recognised last year.

OUTLOOK

The financial prospects for the Group depend on the domestic economy. Load-shedding is likely to persist and while we are able to manage the disruption, there are costs associated with doing so. Renewable power solutions are being investigated in the parts of the Group where they are commercially feasible, but they come at considerable capital cost. Disposable incomes remain constrained with high unemployment and the inflationary impact of load-shedding.

Our consistent hedging of currency and commodities will provide some support to the second semester's performance. We have secured exchange rates at better than current levels but not at levels as favourable as achieved in the second half of last year.

Balancing price and volumes will be a challenge in the context of aggressive competitor activity, constrained consumers and the need to ameliorate higher input costs. Our focus on cost management remains a key underpin to protecting margins with benefits expected from factory efficiencies and procurement savings. Profit growth in many of our categories will be dependent on our ability to increase volumes and raise selling prices.

The global supply chain environment is improving with lead times stabilising and freight costs reducing, notwithstanding that costs are well above pre-COVID levels. We will review the strategic inventory procured over the last year to protect service levels, while recognising that load-shedding is placing pressure on domestic supply chains.

Our brands are strong and relevant. We will continue to react to market changes as we pursue the most appropriate balance of price, volume and margin. Our focus on product quality and relevant innovation will continue, ensuring that our brands offer value to our customers.

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

I&J's prospects for the second semester are materially dependent on fishing performance, fuel prices, exchange rates and the realisation of further selling price increases. A 5% increase in total allowable catch ("TAC") has been announced for the 2023 calendar year and recent Rand weakness may provide further upside. Demand for abalone remains unpredictable with an improvement in the outlook for volume and mix dependent on the post-COVID recovery of demand in key markets.

The hake long-term rights application process was concluded on 28 February 2022 with the allocations published for review and appeal by applicants. The outcome of the appeals process is outstanding.

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

The Board is confident that AVI is well equipped to continue adapting to a complex and changing economic environment. We will consider corporate activity where relevant and attractive on a risk-adjusted basis.

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

Gavin Tipper	**Simon Crutchley**
Chairman	*CEO*

6 March 2023

condensed consolidated balance sheet

	Unaudited at 31 December 2022 Rm	Unaudited at 31 December 2021 Rm	Audited at 30 June 2022 Rm
Assets			
Non-current assets			
Property, plant and equipment	**3 150,0**	3 199,6	3 105,0
Right-of-use assets	**492,6**	285,2	424,9
Intangible assets and goodwill	**930,6**	785,5	937,0
Investments and other long-term assets	**30,8**	30,2	29,1
Deferred taxation	**28,6**	29,4	37,8
	4 632,6	4 329,9	4 533,8
Current assets			
Inventories and biological assets	**2 966,3**	2 328,0	2 820,7
Trade and other receivables including derivatives	**1 993,0**	1 859,9	1 798,6
Cash and cash equivalents	**495,1**	538,3	191,4
	5 454,4	4 726,2	4 810,7
Total assets	**10 087,0**	9 056,1	9 344,5
Equity and Liabilities			
Capital and reserves			
Total equity	**4 873,6**	4 580,0	4 793,7
Non-current liabilities			
Lease liabilities	**414,5**	189,9	354,1
Employee benefit liabilities	**293,3**	324,3	282,3
Deferred taxation	**434,6**	450,1	441,9
	1 142,4	964,3	1 078,3
Current liabilities			
Current borrowings including short-term portion of lease liabilities	**2 527,8**	1 890,3	1 513,7
Trade and other payables including derivatives	**1 452,6**	1 536,7	1 888,3
Current tax liabilities	**90,6**	84,8	70,5
	4 071,0	3 511,8	3 472,5
Total equity and liabilities	**10 087,0**	9 056,1	9 344,5
Movement in net debt			
Opening balance	**1 204,3**	1 415,0	1 415,0
Short-term funding raised/(repaid)	**1 001,2**	136,7	(213,4)
(Increase)/decrease in cash and cash equivalents	**(297,5)**	(335,3)	8,4
Translation of cash equivalents of foreign subsidiaries	**(6,2)**	(8,9)	(5,7)
Net debt excluding IFRS 16 lease liabilities	**1 901,8**	1 207,5	1 204,3
IFRS 16 lease liabilities	**545,4**	334,4	472,1
Net debt*	**2 447,2**	1 541,9	1 676,4

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

condensed consolidated statement of comprehensive income

	Unaudited six months ended 31 December 2022 Rm	2021 Rm	Change %	Audited year ended 30 June 2022 Rm
Revenue	**7 822,9**	7 295,6	7,2	13 845,3
Cost of sales	**(4 711,0)**	(4 409,4)	6,8	(8 506,7)
Gross profit	**3 111,9**	2 886,2	7,8	5 338,6
Selling and administrative expenses, including other income	**(1 571,2)**	(1 371,2)	14,6	(2 798,5)
Operating profit before capital items	**1 540,7**	1 515,0	1,7	2 540,1
Interest received	**2,9**	1,8	61,1	4,6
Finance costs	**(93,3)**	(58,1)	60,6	(115,5)
Share of equity-accounted earnings/(losses) of joint ventures	**1,8**	(0,6)		(0,8)
Capital items	**(2,0)**	(1,9)	5,3	(2,2)
Profit before taxation	**1 450,1**	1 456,2	(0,4)	2 426,2
Taxation	**(397,4)**	(411,3)	(3,4)	(675,0)
Profit for the period	**1 052,7**	1 044,9	0,7	1 751,2
Profit attributable to:				
Owners of AVI	**1 052,7**	1 044,9	0,7	1 751,2
Other comprehensive (loss)/income, net of tax	**(29,8)**	26,0		75,7
Items that are or may be subsequently reclassified to profit or loss				
Foreign currency translation differences	**10,8**	22,7		17,2
Cash flow hedging reserve	**(55,6)**	4,6		33,4
Taxation on items that are or may be subsequently reclassified to profit or loss	**15,0**	(1,3)		(9,0)
Items that will never be reclassified to profit or loss				
Actuarial gain recognised	**–**	–		46,6
Taxation on items that will never be reclassified to profit or loss	**–**	–		(12,5)
Total comprehensive income for the period	**1 022,9**	1 070,9	(4,5)	1 826,9
Total comprehensive income attributable to:				
Owners of AVI	**1 022,9**	1 070,9	(4,5)	1 826,9
Depreciation and amortisation of property, plant and equipment, right-of-use assets, fishing rights, trademarks and computer software included in operating profit	**282,2**	278,8	1,2	554,0
Earnings per share				
Basic earnings per share (cents)#	**318,4**	316,5	0,6	530,1
Diluted basic earnings per share (cents)##	**317,3**	315,5	0,6	528,8
Headline earnings per share (cents)#	**318,9**	316,9	0,6	530,6
Diluted headline earnings per share (cents)##	**317,7**	316,0	0,5	529,2

Basic earnings and headline earnings per share are calculated on a weighted average of 330 570 005 (31 December 2021: 330 130 323 and 30 June 2022: 330 321 721) ordinary shares in issue.

Diluted basic earnings and diluted headline earnings per share are calculated on a weighted average of 331 768 998 (31 December 2021: 331 152 974 and 30 June 2022: 331 185 837) ordinary shares in issue.

condensed consolidated statement of cash flows

	Unaudited six months ended 31 December			Audited year ended 30 June
	2022 Rm	2021 Rm	Change %	2022 Rm
Operating activities				
Cash generated by operations	**1 058,3**	1 723,5	(38,6)	2 999,4
Interest paid	**(93,3)**	(58,1)	60,6	(115,5)
Taxation paid	**(353,2)**	(338,2)	4,4	(648,4)
Net cash available from operating activities	**611,8**	1 327,2	(53,9)	2 235,5
Investing activities				
Interest received	**2,9**	1,8	61,1	4,6
Property, plant and equipment acquired	**(245,5)**	(136,4)	80,0	(240,8)
Additions to intangible assets	**(1,6)**	(4,2)	(61,9)	(165,3)
Insurance proceeds on property, plant and equipment – civil unrest	**–**	–		3,0
Proceeds from disposals of property, plant and equipment	**4,1**	11,0	(62,7)	9,1
Other cash flows from investments	**0,3**	0,6	(50,0)	1,2
Net cash utilised in investing activities	**(239,8)**	(127,2)	88,5	(388,2)
Financing activities				
Short-term funding raised/(repaid)	**1 001,2**	136,7	632,4	(213,4)
Lease liabilities repaid	**(73,6)**	(80,9)	(9,0)	(158,1)
Payment to I&J BBBEE shareholders	**(33,8)**	(10,0)	238,0	(11,0)
Ordinary dividends paid	**(968,3)**	(910,5)	6,3	(1 473,2)
Net cash utilised in financing activities	**(74,5)**	(864,7)	(91,4)	(1 855,7)
Increase/(decrease) in cash and cash equivalents	**297,5**	335,3	(11,3)	(8,4)
Cash and cash equivalents at beginning of period	**191,4**	194,1		194,1
	488,9	529,4		185,7
Translation of cash equivalents of foreign subsidiaries	**6,2**	8,9		5,7
Cash and cash equivalents at end of period	**495,1**	538,3		191,4

condensed consolidated statement of changes in equity

	Share capital and premium Rm	Treasury shares Rm	Reserves Rm	Retained earnings Rm	I&J BBBEE shareholders Rm	Total equity Rm
Six months ended 31 December 2022						
Balance at 1 July 2022	279,4	(75,8)	209,1	4 487,6	(106,6)	4 793,7
Profit for the period	–	–	–	1 052,7	–	1 052,7
Other comprehensive (loss)/income						
Foreign currency translation differences	–	–	10,8	–	–	10,8
Cash flow hedging reserve, net of tax	–	–	(40,6)	–	–	(40,6)
Total other comprehensive loss	–	–	(29,8)	–	–	(29,8)
Total comprehensive (loss)/income for the period	–	–	(29,8)	1 052,7	–	1 022,9
Transactions with owners, recorded directly in equity						
Share-based payments	–	–	22,6	–	–	22,6
Deferred taxation on Group share scheme recharge	–	–	2,7	–	–	2,7
Dividends paid	–	–	–	(968,3)	–	(968,3)
Total contributions by and distributions to owners	–	–	25,3	(968,3)	–	(943,0)
Balance at 31 December 2022	279,4	(75,8)	204,6	4 572,0	(106,6)	4 873,6
Six months ended 31 December 2021						
Balance at 1 July 2021	279,4	(150,9)	170,4	4 209,6	(106,6)	4 401,9
Profit for the period	–	–	–	1 044,9	–	1 044,9
Other comprehensive income						
Foreign currency translation differences	–	–	22,7	–	–	22,7
Cash flow hedging reserve, net of tax	–	–	3,3	–	–	3,3
Total other comprehensive income	–	–	26,0	–	–	26,0
Total comprehensive income for the period	–	–	26,0	1 044,9	–	1 070,9
Transactions with owners, recorded directly in equity						
Share-based payments	–	–	12,0	–	–	12,0
Deferred taxation on Group share scheme recharge	–	–	5,7	–	–	5,7
Dividends paid	–	–	–	(910,5)	–	(910,5)
Delisting and cancellation of treasury shares (note 9)	–	75,1	(75,1)	–	–	–
Total contributions by and distributions to owners	–	75,1	(57,4)	(910,5)	–	(892,8)
Balance at 31 December 2021	279,4	(75,8)	139,0	4 344,0	(106,6)	4 580,0
Year ended 30 June 2022						
Balance at 1 July 2021	279,4	(150,9)	170,4	4 209,6	(106,6)	4 401,9
Profit for the year	–	–	–	1 751,2	–	1 751,2
Other comprehensive income						
Foreign currency translation differences	–	–	17,2	–	–	17,2
Actuarial gains recognised, net of tax	–	–	34,1	–	–	34,1
Cash flow hedging reserve, net of tax	–	–	24,4	–	–	24,4
Total other comprehensive income	–	–	75,7	–	–	75,7
Total comprehensive income for the period	–	–	75,7	1 751,2	–	1 826,9
Transactions with owners, recorded directly in equity						
Share-based payments	–	–	37,2	–	–	37,2
Deferred taxation on Group share scheme recharge	–	–	0,9	–	–	0,9
Dividends paid	–	–	–	(1 473,2)	–	(1 473,2)
Delisting and cancellation of treasury shares (note 9)	–	75,1	(75,1)	–	–	–
Total contributions by and distributions to owners	–	75,1	(37,0)	(1 473,2)	–	(1 435,1)
Balance at 30 June 2022	279,4	(75,8)	209,1	4 487,6	(106,6)	4 793,7

supplementary notes to the condensed consolidated interim financial statements

For the six months ended 31 December 2022

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

1. Statement of compliance

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

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

The accounting policies used in the preparation of these interim financial statements are in terms of International Financial Reporting Standards and are consistent with those applied in preparing the interim financial statements for the six months ended 31 December 2021 and the annual financial statements for the year ended 30 June 2022.

New standards and interpretations in issue not yet effective

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

2. Impact of load-shedding, COVID-19 and July 2021 civil unrest

The period's trading environment was challenging with record levels of load-shedding negatively affecting our manufacturing, distribution and retail operations. The impact was mitigated through back-up power solutions but nonetheless added R22,0 million to direct operating costs. The Company has invested in back-up power options for a number of years and continues to do so.

While COVID-19 has had a limited impact on our business in the current and prior periods with restrictions lifted in April 2022, operational disruptions to supply chains have been notable but well managed. All business units have been able to operate throughout the semester, with recoveries seen in some categories where consumers have trended back to normal spending patterns.

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

2. Impact of load-shedding, COVID-19 and July 2021 civil unrest continued

The table below summarises the Group impact of direct costs incurred and insurance proceeds recognised in respect of the civil unrest for the semester ended 31 December 2021 and year ended 30 June 2022:

	Unaudited six months ended 31 December		Audited year ended 30 June
	2022 Rm	2021 Rm	2022 Rm
Cost of sales – stock written off	–	(31,6)	(31,6)
Gross profit	–	(31,6)	(31,6)
Selling and administrative expenses, including other income			
– SASRIA insurance proceeds	–	64,4	66,7
– Store restoration and other costs	–	(3,6)	(4,6)
Operating profit before capital items	–	29,2	30,5
Capital items	–	(1,7)	1,1
– Disposal of capital items	–	(1,7)	(1,9)
– SASRIA insurance proceeds	–	–	3,0
Profit before taxation	–	27,5	31,6
Taxation	–	(7,7)	(8,9)
Net impact on profit for the period	–	19,8	22,7

The Group remains cash generative, with sufficient borrowing facilities to manage disruptions to operational cash flows and to continue to support its business units. Inventory and debtor provisions have been reviewed without any material movements in income statement adjustments compared to the prior period.

3. Segmental results

	Unaudited six months ended 31 December			Audited year ended 30 June
	2022 Rm	2021 Rm	Change %	2022 Rm
Segmental revenue				
Food & Beverage brands	**6 127,4**	5 764,8	6,3	11 157,8
Entyce Beverages	**2 086,6**	1 999,2	4,4	3 981,6
Snackworks	**2 824,9**	2 521,0	12,1	4 702,4
I&J	**1 215,9**	1 244,6	(2,3)	2 473,8
Fashion brands	**1 695,5**	1 530,8	10,8	2 687,5
Personal Care	**610,5**	606,9	0,6	1 176,5
Footwear & Apparel	**1 085,0**	923,9	17,4	1 511,0
Group	**7 822,9**	7 295,6	7,2	13 845,3
Segmental operating profit before capital items				
Food & Beverage brands	**1 133,6**	1 159,1	(2,2)	2 068,2
Entyce Beverages	**476,9**	451,9	5,5	880,6
Snackworks	**584,5**	547,2	6,8	881,4
I&J	**72,2**	160,0	(54,9)	306,2
Fashion brands	**413,4**	364,5	13,4	495,9
Personal Care	**102,2**	99,5	2,7	193,4
Footwear & Apparel	**311,2**	265,0	17,4	302,5
Corporate	**(6,3)**	(8,6)		(24,0)
Group	**1 540,7**	1 515,0	1,7	2 540,1

4. Revenue

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

The following table sets out revenue by geographical market:

	Unaudited six months ended 31 December 2022					
Geographical market	**Entyce Beverages Rm**	**Snackworks Rm**	**I&J Rm**	**Personal Care Rm**	**Footwear & Apparel Rm**	**Total Rm**
South Africa	**1 839,6**	**2 464,3**	**442,4**	**561,7**	**1 074,7**	**6 382,7**
Other African countries	**241,6**	**354,6**	**24,3**	**48,8**	**10,3**	**679,6**
Europe*	**3,1**	**0,9**	**505,6**	**–**	**–**	**509,6**
Rest of the world	**2,3**	**5,1**	**243,6**	**–**	**–**	**251,0**
Total revenue	**2 086,6**	**2 824,9**	**1 215,9**	**610,5**	**1 085,0**	**7 822,9**

	Unaudited six months ended 31 December 2021 Continuing operations					
Geographical market	Entyce Beverages Rm	Snackworks Rm	I&J Rm	Personal Care Rm	Footwear & Apparel Rm	Total Rm
South Africa	1 746,8	2 209,1	513,7	561,7	916,0	5 947,3
Other African countries	247,8	292,1	17,8	45,2	7,9	610,8
Europe*	0,2	2,7	486,6	–	–	489,5
Rest of the world	4,4	17,1	226,5	–	–	248,0
Total revenue	1 999,2	2 521,0	1 244,6	606,9	923,9	7 295,6

	Audited for the year ended 30 June 2022					
Geographical market	Entyce Beverages Rm	Snackworks Rm	I&J Rm	Personal Care Rm	Footwear & Apparel Rm	Total Rm
South Africa	3 480,5	4 074,8	970,2	1 085,5	1 495,7	11 106,7
Other African countries	492,2	599,5	36,5	91,0	15,3	1 234,5
Europe*	1,0	4,5	996,2	–	–	1 001,7
Rest of the world	7,9	23,6	470,9	–	–	502,4
Total revenue	3 981,6	4 702,4	2 473,8	1 176,5	1 511,0	13 845,3

* *The disclosure of segmental revenue by geographical market was enhanced in the current period by further disaggregating Europe as a geographical market. Europe was included in the "Rest of the world" segment in previous reports.*

The majority of revenue comprises revenue from the sale of goods. Less than 2% (31 December 2021 and 30 June 2022: less than 2%) of total revenue comprises income arising from services, rental agreements and trademark licence agreements.

supplementary notes to the condensed consolidated interim financial statements continued

5. Determination of headline earnings

	Unaudited six months ended 31 December 2022 Rm	2021 Rm	Change %	Audited year ended 30 June 2022 Rm
Profit for the year attributable to owners of AVI	**1 052,7**	1 044,9	0,7	1 751,2
Total capital items after taxation	**1,4**	1,4		1,6
Net loss on disposal of property, plant and equipment	**1,9**	0,1		3,3
Disposal of property, plant and equipment – civil unrest	**–**	1,7		1,9
Insurance proceeds on property, plant and equipment – civil unrest	**–**	–		(3,0)
Other	**0,1**	0,1		–
Taxation attributable to capital items	**(0,6)**	(0,5)		(0,6)
Headline earnings	**1 054,1**	1 046,3	0,7	1 752,8
Headline earnings per ordinary share (cents)	**318,9**	316,9	0,6	530,6
Diluted headline earnings per ordinary share (cents)	**317,7**	316,0	0,5	529,2

	Number of shares	Number of shares	Change %	Number of shares
Weighted average number of ordinary shares	**330 570 005**	330 130 323	0,1	330 321 721
Weighted average diluted number of ordinary shares	**331 768 998**	331 152 974	0,2	331 185 837

6. Cash generated by operations

	Unaudited six months ended 31 December 2022 Rm	2021 Rm	Change %	Audited year ended 30 June 2022 Rm
Cash generated by operations before working capital changes	**1 761,4**	1 776,3	(0,8)	3 126,8
Changes in working capital	**(703,1)**	(52,8)		(127,4)
Cash generated by operations	**1 058,3**	1 723,5	(38,6)	2 999,4

Changes in working capital largely reflect a deliberate investment in inventory to secure supply, support service levels and combat supply chain disruptions, as well as the timing of customer payments with an incremental R248,8 million received on the first working day of January 2023 due to the reporting date falling over a weekend.

7. Commitments

	Unaudited six months ended 31 December 2022 Rm	Unaudited six months ended 31 December 2021 Rm	Audited year ended 30 June 2022 Rm
Capital expenditure commitments for property, plant and equipment	**257,4**	94,6	263,2
Contracted for	**199,6**	62,0	174,0
Authorised but not contracted for	**57,8**	32,6	89,2

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

8. Acquisition of trademarks

In June 2022, the Group concluded the purchase of various trademarks from Coty International B.V. for a total purchase price of R150,0 million. The majority of the consideration related to the acquisition of the Exclamation and Gravity brands, with the remainder related to other smaller trademarks.

9. Delisting and cancellation of treasury shares

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

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

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

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

10. Fair value classification and measurement

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3 – Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

10. Fair value classification and measurement continued

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

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

There were no transfers between Levels 1, 2 or 3 of the fair value hierarchy during the six months ended 31 December 2022.

11. Post-reporting date events

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

12. Dividend declaration

Notice is hereby given that a gross interim ordinary dividend No 101 of 172 cents per share for the six months ended 31 December 2022 has been declared payable to shareholders of ordinary shares. The dividend has been declared out of income reserves and will be subject to dividend withholding tax at a rate of 20%. Consequently, a net interim dividend of 137,6 cents per share will be distributed to those shareholders who are not exempt from paying dividend tax. In terms of dividend tax legislation, the dividend tax amount due will be withheld and paid over to the South African Revenue Services by a nominee company, stockbroker or Central Securities Depository Participant ("CSDP") (collectively "regulated intermediary") on behalf of shareholders. However, all shareholders should declare their status to their regulated intermediary, as they may qualify for a reduced dividend tax rate or exemption. AVI's issued share capital at the declaration date is 336 531 094 ordinary shares. AVI's tax reference number is 9500/046/71/0. The salient dates relating to the payment of the dividend are as follows:

Last day to trade cum dividend on the JSE	Tuesday, 11 April 2023
First trading day ex dividend on the JSE	Wednesday, 12 April 2023
Record date	Friday, 14 April 2023
Payment date	Monday, 17 April 2023

In accordance with the requirements of Strate Limited, no share certificates may be dematerialised or rematerialised between Wednesday, 12 April 2023, and Friday, 14 April 2023, both days inclusive.

Dividends in respect of certificated shareholders will be transferred electronically to shareholders' bank accounts on payment date. Following the discontinuation of cheque payments by most South African banks, AVI will no longer issue cheques and all future payments will only be made into a nominated bank account by electronic funds transfer. Shareholders who have not yet provided their bank account details to Computershare Investor Services Proprietary Limited are reminded to contact Computershare on 0861 100 950 with their bank account details into which the dividends can be paid electronically. Shareholders who hold dematerialised shares will have their accounts at their CSDP or broker credited on Monday, 17 April 2023.

13. Preparation of financial statements

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

administration and principal subsidiaries

ADMINISTRATION

Company registration

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

Company Secretary

Sureya Scheepers

Business address and registered office

2 Harries Road
Illovo
Johannesburg 2196
South Africa

Postal address
PO Box 1897
Saxonwold 2132
South Africa

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

Auditors

Ernst & Young Inc.

Sponsor

The Standard Bank of South Africa Limited

Commercial bankers

Standard Bank
First National Bank
Nedbank

Transfer secretaries

Computershare Investor Services Proprietary Limited
Business address
Rosebank Towers
15 Biermann Avenue
Rosebank
Johannesburg 2196

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

PRINCIPAL SUBSIDIARIES

Food & Beverage Brands

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

30 Sloane Street
Bryanston 2021

PO Box 5159
Rivonia 2128

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

I&J

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

1 Davidson Street
Woodstock
Cape Town 7925

PO Box 1628
Cape Town 8000

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

Fashion Brands

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

16 – 20 Evans Avenue
Epping 1 7460

PO Box 3460
Cape Town 8000

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

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

30 Sloane Street
Bryanston 2021

PO Box 782916
Sandton 2145

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

directors

Executive

Simon Crutchley[3]
(Chief Executive Officer)

Owen Cressey[3, 4]
Justin O'Meara[3, 5]
(Chief Financial Officer)

Michael Koursaris
(Business Development Director)

Independent non-executive

Gavin Tipper[1]
(Chairman)

James Hersov

Mike Bosman[2, 6]

Abe Thebyane[1]

Alexandra Muller[2,3]

Busisiwe Silwanyana[2]

Steven Robinson[2,7]

[1] *Member of the Remuneration, Nomination and Appointments Committee*
[2] *Member of the Audit and Risk Committee*
[3] *Member of the Social and Ethics Committee*
[4] *Resigned from the Board and Social and Ethics Committee on 31 December 2021*
[5] *Appointed to the Board and Social and Ethics Committee with effect 1 January 2022*
[6] *Resigned from the Board and the Audit and Risk Committee on 30 January 2023*
[7] *Appointed to the Board and the Audit and Risk Committee on 1 March 2023*

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