LIBSTAR

# REVIEWED INTERIM RESULTS

for the six months ended 30 June 2023

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for the six months ended 30 June 2023

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# ABOUT LIBSTAR

Libstar is a world-class manufacturer, distributor and marketer of leading branded and private label consumer packaged goods. 94% of Group revenue is generated from value-added food products which include dairy and meat, convenience food, groceries, baking and baking aids, snacks and confectionery. The Group's branded food solutions serve customers in the retail and wholesale, food service, export and industrial channels.

## SALIENT FEATURES OF THE 2023 INTERIM RESULTS

### Introduction

Market conditions remained challenging during the period under review as persistent high levels of input cost and selling price inflation, interest rate increases and load-shedding increasingly constrained consumer demand.

In these conditions, the Group delivered revenue growth of 4.0% and achieved positive sales growth in its two largest categories, Perishables and Groceries. Pricing and mix changes, contributing 11.0% to Group revenue, could only partly mitigate the impact of significant raw material, packaging material and production cost inflation. These inflationary pressures were exacerbated by lower volume production, resulting in weaker gross profit and operating margins. Volume sales declined by 7.0%, attributable to weaker consumer and customer demand in the Group's retail, export and industrial channels, as well as the discontinuation of unprofitable lines in the HPC portfolio.

The Group's operating expenses were contained to a 1.4% increase from the comparative period, well below inflation.

The Group's interest-bearing debt to Normalised EBITDA gearing ratio increased from 1.5x in the comparative prior period to 2.1x, mainly due to an 18.3% decline in Normalised EBITDA. Whilst this ratio temporarily exceeded the Group's stated maximum level of 2.0x, it remained within the Group's lender covenant of 2.5x. It also excluded the post-period-end receipt of R109.7 million in insurance proceeds relating to the Denny Mushrooms Shongweni facility fire in H2 2022. Including this cash, the gearing ratio would be within the Group's stated maximum level at 1.9x. Net interest cover to EBITDA was lower at 5.2x compared to 9.2x in H1 2022. This was impacted by higher interest rates compared to the comparative period, but still compares favourably to the Group's minimum stated target of 3.5x.

Notwithstanding this, the Group's cash conversion ratio showed a significant improvement from 15% in H1 2022 to 58% in H1 2023 (FY2022: 68%). This was due to a substantial improvement in net working capital investment.

## Results summary

The results of the HPC division, previously held for sale, are disclosed in the Group's continuing operations for the six months ended 30 June 2023. The comparative prior period statement of comprehensive income has been re-presented to provide a like-for-like comparison.

The Group uses Normalised EBITDA, Normalised Earnings per Share (EPS) and Normalised Headline Earnings per Share (HEPS) from continuing operations, which exclude non-recurring, non-trading and non-cash items, as the key measures to indicate its true operating performance.

Libstar's key measures of financial performance with regards to the half-year results are summarised in the table below:

| (R'000) | H1 2023 | Change % | H1 2022 |
|---|---|---|---|
| **Continuing operations** | | | |
| Total revenue | **5 774 596** | 4.0% | 5 551 581 |
| *Gross profit margin* | **20.0%** | (2.1pp) | 22.1% |
| Normalised operating profit | **257 617** | (26.6%) | 350 915 |
| *(margin)* | **4.5%** | | 6.3% |
| Normalised EBITDA | **406 288** | (18.3%) | 497 245 |
| *(margin)* | **7.0%** | | 9.0% |
| Diluted EPS (cents) | **10.7** | (57.4%) | 25.1 |
| Diluted HEPS (cents) | **10.5** | (58.2%) | 25.1 |
| Normalised EPS (cents) | **19.8** | (44.4%) | 35.6 |
| Normalised HEPS (cents) | **19.6** | (44.9%) | 35.6 |
| **Balance sheet and cash flow indicators** | | | |
| Net interest-bearing debt to Normalised EBITDA (excl. IFRS 16) | **2.1*** | | 1.5 |
| Cash generated from operating activities (excl. net working capital) | **402 611** | (15.5%) | 476 341 |
| Cash generated from operations (incl. net working capital) | **268 943** | 92.2% | 139 917 |
| Capital investment in plant and equipment | **125 115** | (12.8%) | 143 472 |
| Cash conversion ratio | **58%** | | 15% |

* Reduced to 1.9x inclusive of post reporting date receipt of insurance proceeds


## STRATEGY UPDATE

The Group's strategic objective is to deliver accelerated, profitable growth and stakeholder returns.

The Board has undertaken a comprehensive review of Libstar's portfolio composition and operating model, as well as its category and channel participation.

Based on the review undertaken, the Board has identified the following strategic priorities:

### 1 Simplification of the Group's portfolio composition

- The Group will actively seek to:
  - Reduce exposure to underperforming business units, either through the formalisation of divestment mandates or consideration of other strategic alternatives, including the exit or closure of non-profitable product lines and divisions; and
  - Pursue functional and/or operational consolidation of appropriate product lines and divisions.

### 2 Simplification of the Group's operating model

- The Group will actively seek to:
  - Align the organisational design, accountability structures and reporting to a simplified, category-led and brand-driven approach which encompasses the Group's own-branded and private label capabilities; and
  - Leverage shared business services where appropriate, such as sales and marketing consolidation and back-office consolidation.

### 3 Growth of the Group's categories and channels

- The Group will actively seek to:
  - Accelerate the growth of retail channel offerings; and
  - Implement dedicated structures to develop under-indexed export, food service and wholesale channels.

### 4 Sustainability

- The Group will actively seek to:
  - Scope and implement these strategic initiatives in a responsible manner, ensuring the maintenance of:
    - Sustainable operations;
    - Sustainable cash flows; and
    - Sustainable business practices.

The Group's progress in execution of these strategic initiatives is summarised below:

## Simplification of the Group's portfolio composition

The Group is committed to actively reduce its exposure to unprofitable product lines, non-food categories and marginal return businesses.

### HPC

The strategic intent to dispose of the HPC division remains unchanged and the Group is in the process of formalising the appropriate advisor mandates. However, the Group recognises that market conditions may not be conducive to a short-term exit of the business. As such, the Group has focused its efforts on the operational turnaround of the business.

The successful execution of value-accretive initiatives, including the discontinuation of unprofitable product lines, improved procurement practices as well as relentless focus on production efficiencies, have contributed to a significantly improved operating result.

The HPC division achieved an H1 Normalised EBITDA result of R21 million, well ahead of its full prior year performance of R12 million.

### Denny Mushrooms

The Group is progressing with value-unlocking initiatives in the Denny Mushrooms business. This includes, but is not limited to, the closure of the business' unprofitable Eastern Cape distribution channel from H2 2023. This will reduce operating costs by approximately R9.6 million per annum.

The Group has also finalised its SASRIA insurance claim arising from the fire damage to the Shongweni facility in KwaZulu-Natal in September 2022. After the interim reporting date of 30 June 2023, the Group received insurance proceeds in the total amount of R109.7 million. The receipt of these proceeds was treated as a non-adjusting subsequent event. The interim results therefore do not reflect the financial and cash flow benefits arising therefrom. The total insurance proceeds received in relation to the claim amounts to R154.5 million (R34.5 million received in the prior year, R10.3 million received in H1 2023, and R109.7 million received after the reporting date).

Current market and operating conditions, most notably the dependency of farming operations on stable electricity supply, are not conducive to the reinstatement of the Shongweni facility. As such, the Group will retain the proceeds from the insurance claim for application to value-accretive opportunities.




## Simplification of the Group's operating model

Libstar's portfolio currently comprises five product categories, eighteen business units, twelve separate sales, marketing and operational teams and seventeen separate back-office teams. The Top Six divisions of the Group, based on economic profit, contribute more than 80% of the Group's intrinsic value.

Management, together with the Board, are actively scoping and quantifying initiatives designed to reduce reporting and operating complexity in a manner that leverages existing Group resources. These structural changes are intended to improve Libstar's category and channel strategy execution through the establishment of dedicated category and channel leadership teams.

To illustrate the benefit of these initiatives, the increased focus on front-end execution arising from the creation of an integrated Ambient Groceries sales team delivered revenue growth of 11.5% during the reporting period.

In addition, the successful integration of the Group's Multicup and Rialto food service businesses has been instrumental to the growth of the Group's food service channel in the current period.

The Group's three largest export-facing businesses, Cape Herb & Spice, Khoisan and Cape Foods, will similarly be integrated early in the 2024 financial year through the sharing of front and back-office resourcing, with the consolidation of manufacturing facilities to follow in due course as commercial factors allow.


## Growth of the Group's categories and channels

The Group conducted a review of its retail, export, food service and wholesale channels, aiming to optimise them for growth.

Progress to date includes:

- **Retail channel**
  - The Group has continued to exit unprofitable HPC product lines; and
  - The Group has successfully commissioned a new wrap manufacturing line at Amaro Foods. In addition to the ability to service increasing demand for wraps within Libstar's existing customer base, the increased capacity will enable the targeting of new customers in the coming months.
- **Export channel**
  - The Group has leveraged the Export channel sales and marketing capability of Cape Herb & Spice, which now provides a service to the remainder of the Group. The integration of the Cape Herb & Spice, Khoisan and Cape Foods businesses from early 2024 will further serve to create a focused category management capability for export customers, serviced with the entire Libstar basket offering.
- **Food service channel**
  - The Group is currently reviewing further integration opportunities, including but not limited to, the creation of an integrated Food Service channel sales team within the Groceries category.
- **Wholesale channel**
  - The Group has successfully launched a range of own-brand products. Although from a small base, this contributed to Libstar's wholesale channel revenue growth exceeding that of the market since its launch in June 2023.

As communicated in the 2022 year-end results, the Group subscribes to the principles of value-based management. Libstar's strategy remains to accelerate its growth efforts in the six largest operating divisions by economic profit. Within these divisions, the focus is on delivering planned returns on recent capital projects in addition to these divisions serving as the cornerstone for the execution of the category and channel development initiatives.

## Sustainability

### Sustainable operations

The technical scope, implementation timeframe and cost of alternative energy generation has historically made solar PV and battery storage installations unfeasible for most of the Group's complex production facilities. Improvements in technology and pricing have, however, provided more viable and accessible solutions. As such, the Group has accelerated its strategy to investigate alternative energy sources and is nearing the completion of technical and financial viability studies pertaining to solar PV installations at two Cape Town manufacturing sites of Amaro Foods.

Whilst the nature of Libstar's production requirements will preclude the Group from operating entirely off the grid, various solar and non-solar options have been and continue to be investigated. Additional sites have been earmarked for alternative energy viability studies by the end of the financial year.

The Group is scoping an off-grid water purification solution at our Lancewood George facility, with an aim to be 90% water neutral. The project is expected to be completed within a timeframe of 12 to 18 months following approval.

### Sustainable cash flows

Cash preservation remained a key priority during the period under review. Key initiatives were implemented and are evident in the improvement of the below metrics:

- Increased cash conversion ratio of 58% (H1 2022: 15%)
- Reduced capital expenditure to R125.1 million (H1 2022: R143.5 million)
- Lowered net working capital ratio of revenue to 16.0% (H1 2022: 16.8%)

### Sustainable business practices

The Group is pleased to have achieved an improvement of two levels during its 2022 year-end broad-based black economic empowerment (B-BBEE) verification, improving from a level 7 contributor status to a level 5. The Group continues to make progress in the execution of its B-BBEE and ESG strategic imperatives.

Management's immediate priority remains the protection of the Group's cash flows by reducing net working capital and capital expenditure, relative to the prior period, whilst continuing to execute the above-mentioned strategic initiatives. The Group's ambition is to implement divestment and structural change mandates by the close of the 2024 financial year.

The Group, also recognises the potential role of share repurchases in driving sustainable value creation for Libstar's stakeholders. Considering the Group's increased interest-bearing debt to Normalised EBITDA gearing ratio at the interim reporting date, Libstar will focus its efforts on the reduction of the gearing ratio to 1.5x as a prerequisite to the consideration of future repurchase programmes.


## GROUP FINANCIAL PERFORMANCE

### Revenue

Libstar recorded H1 2023 revenue growth of 4.0%. Selling price inflation and mix changes contributed 11.0% to sales growth. Sales volume declined by 7.0% as the Group experienced a decline in its retail, industrial and export channels.

### Gross profit margins

The Group's gross profit margin declined from 22.1% to 20.0% compared to the prior period, however, it showed a slight improvement on the H2 2022 margin of 19.5%. The H1 2023 margin reduction was mainly due to the under-recovery of overhead costs resulting from lower volume sales relative to H1 2022. Input cost inflation remained elevated throughout H1 2023 across all categories. Gross profit (in Rand terms) therefore declined by 5.6%.

Elevated levels of load-shedding, more severe than those experienced during H1 2022 and H2 2022, continued to have a significant impact on operational costs and the Group's gross profit margin. The Group incurred R45 million in diesel costs to operate generators compared to R8 million in H1 2022, and R31 million in H2 2022.

### Other income and foreign exchange gains

Realised foreign currency translation losses increased to R13.5 million compared to R2.7 million in the prior period.

Unrealised foreign currency translation losses increased to R13.0 million compared to R12.5 million in the prior period.

Other income for the year under review increased from R10.2 million to R22.3 million mainly as a result of insurance proceeds of R10 million in the current period relating to inventory destroyed in the Denny Mushrooms Shongweni fire.

The net effect of the above did not materially impact the H1 2023 financial results, decreasing operating profit before taxation by R0.9 million relative to the prior year.

### Normalised operating profit and Normalised EBITDA

Group normalised operating profit decreased by 26.6% at a margin of 4.5% (H1 2022: 6.3%), impacted by the gross margin decline.

Group depreciation of property, plant and equipment and right-of-use assets, increased by 3.6%. During the period under review the Group re-evaluated the estimated useful lives of assets with zero book value. This resulted in a reduced depreciation charge during the current period of R32.2 million (H1 2022: R7.7 million).

Group Normalised EBITDA decreased by 18.3% at a margin of 7.0% (H1 2022: 9.0%).

### Operating expenses

Operating expense inflation was limited to 1.4%, and the Group expense margin improved to 16.8% (H1 2022: 17.2%) due to the benefits from active cost-saving initiatives despite the high inflationary environment.

### Investment income and finance costs

The Group's net finance cost (including IFRS 16 lease liabilities) increased by 43.2% from R75.8 million to R108.6 million.

Group net finance costs (excluding IFRS 16 lease liabilities) increased by 71% from R48.1 million to R82.1 million, mainly due to the full period impact of the increase in the Johannesburg interbank average lending rate (JIBAR) in the current period to 11.1% compared to 7.7% in H1 2022.

Finance charges incurred on lease liabilities (IFRS 16) decreased by 4.7% from R27.7 million to R26.4 million.

### Taxation

The Group's effective tax rate for the period was 16.6% (H1 2022: 20.7%). H1 2022 included a reduction in the Group's deferred tax liabilities resulting in an R18.6 million once-off benefit in the statement of comprehensive income due to the change in corporate taxation rate from 28% to 27%. The current period's effective tax rate was lower than the statutory rate of 27% due to the finalisation of prior year tax assessments which resulted in a R13 million lower tax liability.

### Earnings and headline earnings

Fully diluted EPS and HEPS decreased by 56.5% and 57.3% respectively, impacted by lower operating margins and higher interest rates relative to the prior period.

### Continuing operations

Normalised EPS, which excludes unrealised foreign currency movements and other non-recurring, non-trading and non-cash items, decreased by 44.4% from 35.6 cps to 19.8 cps. Normalised HEPS, which also excludes these items, decreased by 44.9% from 35.6 cps to 19.6 cps.

The weighted average number of shares in issue remained unchanged at 595.8 million and the diluted weighted average number of shares decreased by 0.3% to 595.8 million. The Group's last remaining equity share based awards vested in H1 2023. The weighted average number of shares is now equal to the diluted number of shares in issue.

**A reconciliation between Normalised EBITDA, Normalised earnings and Normalised headline earnings is provided below:**

| (R'000) | H1 2023 | Change % | H1 2022 |
|---|---|---|---|
| **Normalised EBITDA** | **406 288** | **(18.3%)** | **497 245** |
| Less: | | | |
| Depreciation and amortisation | **(148 671)** | | (146 330) |
| Interest | **(108 568)** | | (75 793) |
| Tax and normalisation adjustments | **(31 258)** | | (63 305) |
| Plus: Non-controlling interest | **100** | | 79 |
| **Normalised earnings** | **117 891** | **(44.4%)** | **211 896** |
| Impairment losses | **11** | | – |
| Gain on disposal of property, plant and equipment (after tax) | **(1 070)** | | 4 |
| **Normalised headline earnings** | **116 832** | **(44.9%)** | **211 900** |

## Cash flows and balance sheet

Cash generated from operating activities increased by R129.0 million from R139.9 million to R268.9 million. This was mainly due to a reduction in net working capital of R202.8 million, which was offset by lower operating margins and higher interest rates relative to the prior period. Group net working capital decreased to 16.0% (H1 2022: 16.8%) of Group revenue following an investment of R209.2 million in inventory and lower debtors and creditor days compared to the prior reporting period. The increase in inventory was mainly driven by the impact of the weakening Rand on imported raw materials and finished goods. The Group remains committed to the revised target range of 14% to 16% of revenue in the short to medium term.

Following a period of significant investment, the Group contained capital expenditure on capacity-enhancing projects in identified growth areas, as well as in maintenance, quality, safety, value and efficiency-enhancing projects. Capital expenditure of R125.1 million (H1 2022: R143.5 million), represented 2.2% of net revenue (H1 2022: 2.6%). This is in line with the Group's target range of 2% to 3%.

The Group's EBITDA to term debt gearing ratio increased to 2.1x (H1 2022: 1.5x) normalised EBITDA. This is slightly above the stated internal target of 1x to 2x, however below the lender covenant of 2.5x. This ratio was impacted by lower operating profit margins and additional debt of R120 million utilised to fund the Cape Foods acquisition on 10 November 2022. The Group expects to report an improved gearing ratio at year-end, in line with the traditional seasonality of its trading and cash flow generation.

Net interest cover to EBITDA is lower at 5.2x from 9.2x in H1 2022. This was impacted by higher interest rates compared to the comparative period however still compares favourably to the Group's minimum stated target of 3.5x.

### The Group's capital expenditure comprised of:

- A R16 million investment to increase flatbread capacity at Amaro Foods;
- A R14 million investment in machinery and line upgrades at Finlar Fine Foods' value-added chicken and beef facilities;
- A R10 million investment in machinery to increase capacity and a further R9 million investment in the hard cheese packing facility upgrades at Lancewood; and
- R7 million investment in electricity generation to mitigate the impact of load-shedding and to maintain customer service levels.

### Return on invested capital (ROIC)

The Group closely monitors capital productivity. During the period under review, the latest 12-month (LTM) ROIC was 8.0% (H1 2022: 12.5%) compared to a WACC of 13.3%. While some of the Group's larger capital projects, such as the new Amaro Foods wrap facility, are only expected to start yielding returns in the latter half of the year, other project benefits have been muted by the volume impact in the first half of the year. The Group expects to realise the intended capacity and efficiency benefits in the medium term from the large capital projects at Lancewood and Millennium Foods. The Group is committed to its long-term target ROIC of WACC plus 2%.

## CATEGORY AND CHANNEL SALES ANALYSIS

### Performance by category

The Group reports on five product categories, namely Perishables, Groceries, Snacks & Confectionery, Baking & Baking Aids and HPC. The divisions and brands per category are outlined in the table below.

### Food

**PERISHABLES**

LANCEWOOD® (Value-added dairy)
FINLAR FINE FOODS EST. 1994 (Meat products)
RIALTO (Value-added dairy and deli)
DENNY (Fresh mushrooms)
Millennium Foods (Convenience)
Umatie (Baby food, ready made frozen meals)

**GROCERIES**

CapeHerb&Spice™ (Dry condiments)
CAPE FOODS, RIALTO (Groceries)
CAPE COASTAL Honey, Cecil Vinegar Works, MONTAGU FOODS (Wet condiments)
DickonHallFoods
khoisan gourmet (Teas)
LIBSTAR CHAMONIX SPRING WATER (Beverages)

**SNACKS & CONFECTIONERY**

AMBASSADOR FOODS EST. 1989 (Cereals, bars, nuts, seeds and fruit, spreads and confectionary)

**BAKING & BAKING AIDS**

AMARO FOODS, CANI (Baked goods)
RETAILER BRANDS QUALITY ASSURED (Baking aids)

### Other

**HOUSEHOLD & PERSONAL CARE**

LIBSTAR Household & Personal Care

**Category revenue is summarised as follows:**

| Revenue by category (R'000) | Group revenue growth/decline | | | Contribution to Group revenue | |
|---|---|---|---|---|---|
| | **Six months ended 30 June 2023** | Change % | Six months ended 30 June 2022 | **Six months ended 30 June 2023** | Six months ended 30 June 2022 |
| Perishables | **2 920 504** | 4.5% | 2 795 990 | **50.6%** | 50.3% |
| Groceries | **1 756 509** | 4.7% | 1 677 925 | **30.4%** | 30.2% |
| Snacks & Confectionery | **245 136** | (12.7%) | 280 673 | **4.2%** | 5.1% |
| Baking & Baking Aids | **489 837** | 10.5% | 443 150 | **8.5%** | 8.0% |
| Household & Personal Care | **362 610** | 2.5% | 353 843 | **6.3%** | 6.4% |
| **Total Group net revenue** | **5 774 596** | **4.0%** | **5 551 581** | **100.0%** | **100.0%** |

**Category Normalised EBITDA (before corporate costs) is summarised below:**

| Normalised EBITDA before corporate costs (R'000) | Group Normalised EBITDA growth/decline | | | Contribution to Group Normalised EBITDA | |
|---|---|---|---|---|---|
| | **Six months ended 30 June 2023** | Change % | Six months ended 30 June 2022 | **Six months ended 30 June 2023** | Six months ended 30 June 2022 |
| Perishables | **175 196** | (31.1%) | 254 210 | **38.6%** | 46.4% |
| Groceries | **171 967** | (12.6%) | 196 690 | **37.9%** | 35.9% |
| Snacks & Confectionery | **44 332** | (14.3%) | 51 745 | **9.8%** | 9.4% |
| Baking & Baking Aids | **41 138** | (0.8%) | 41 462 | **9.1%** | 7.6% |
| Household & Personal Care | **20 760** | 412.6% | 4 050 | **4.6%** | 0.7% |
| **Total** | **453 393** | **(17.3%)** | **548 157** | **100.0%** | **100.0%** |

## PERISHABLES


**50.6%** of Group revenue

**38.6%** of Group Normalised EBITDA before corporate costs

Revenue from Perishables increased by 4.5%, of which 7.8% was due to positive price/mix changes. Volumes declined by 3.3%, driven predominantly by lower production volumes of fresh mushrooms from the loss of production at the Shongweni facility in H2 2022 and load-shedding disruptions experienced at the Deodar and Phesantekraal facilities in H1 2023.

Retail and wholesale channel revenue within this category increased by 1.3%, which contributed 56.4% (H1 2022: 58.1%) of category revenue.

The category's gross profit margin decreased to 17.5% (H1 2022: 20.0%). Dairy margins were lower due to increase raw material costs, and under recovery of overheads, while the significant diesel cost to operate during load-shedding at Denny Mushrooms resulted in lower margins.

Normalised EBITDA decreased by 31.1% at a margin of 6.0% (H1 2022 margin: 9.1%).

## GROCERIES


**30.4%** of Group revenue

**37.9%** of Group Normalised EBITDA before corporate costs

Revenue from Groceries increased by 4.7%. Category volume sales decreased by 9.5% and price/mix increased by 14.2%. The performance was driven by lower demand for wet condiments in the industrial channel, which declined by 23.4%.

Retail and wholesale channel revenue within this category increased by 12.5% and food service performed strongly with double-digit growth.

The category's gross profit margin declined to 23.1% (H1 2022: 24.5%) and the lower demand in wet condiments resulted in the under-recovery of overhead costs.

Normalised EBITDA decreased by 12.6% at a margin of 9.8% (H1 2022: 11.7%).

## SNACKS & CONFECTIONERY


**4.2%** of Group revenue

**9.8%** of Group Normalised EBITDA before corporate costs

Revenue from Snacks & Confectionery declined by 12.7%, mainly due to the termination of the Pringles contract manufacturing arrangement for Kellogg's with effect from September 2022. The category revenue increased by 1.2% on a like-for-like basis.

Excluding the impact of the Pringles contract manufacturing, sales volumes declined by 20.7%. This was mitigated by a 21.9% increase in price/mix from Ambassador Foods. Reduced promotional activity of higher-value snacks in H1 2023 relative to the prior period contributed to the significant reduction in volumes sales. The retail channel also experienced a change in sales mix as constrained consumers shifted towards value offerings of nuts and nut mixes, granolas and snack bars.

The category's gross profit margin decreased to 22.0% from 23.7% excluding the impact of the exit of Pringles manufacturing in the prior period.

Normalised EBITDA decreased by 14.3%, at a lower margin of 18.1% (H1 2022: 18.4%), driven by the lower sales volumes and operating margin.

## BAKING & BAKING AIDS


**8.5%**
of Group revenue

**9.1%**
of Group Normalised EBITDA before corporate costs

Revenue from Baking & Baking Aids increased by 10.5%, supported by a 12.4% positive movement in price/mix. Volumes decreased by 1.9%, impacted by lower productions volumes as a result of load-shedding disruptions and the Amaro Foods factory shutdown for the commissioning of the new wrap line.

The gross profit margin increased to 26.3% (H1 2022: 25.2%). This was as a result of a strong performance in the retail and wholesale channel which increased revenue by 9.4% and contributed 85.6% of category sales.

Normalised EBITDA decreased by 0.8% at an EBITDA margin of 8.4% (H1 2022: 9.4%).

## HOUSEHOLD & PERSONAL CARE

**6.3%**
of Group revenue

**4.6%**
of Group Normalised EBITDA before corporate costs

Revenue from this category increased by 2.5%, while volumes declined by 10.2%. This was mainly a result of the discontinuation of unprofitable lines.

Gross profit margins improved from 13.4% to 16.2%, as a result of the above and the improved price/mix contribution of 12.7%.

Normalised EBITDA increased by 412.6% to R20.8 million at a margin of 5.7% (H1 2022: 1.1%).

## PERFORMANCE BY SALES CHANNEL

Libstar's diversification between sales channels continued to serve it well.

Group revenue performance by sales channel is summarised below:

| | Period-on-period revenue growth/(decline) | Contribution to Group revenue | |
|---|---|---|---|
| Group | Six-month period ended 30 June 2023 | Six-month period ended 30 June 2023 | Six-month period ended 30 June 2022 |
| **REVENUE BY CHANNEL** | | | |
| Retail and wholesale | **+4.8%** | **59.8%** | 59.4% |
| Food service | **+13.1%** | **20.0%** | 18.4% |
| Exports | **+10.0%** | **10.4%** | 9.8% |
| Industrial and contract manufacturing | **(18.0%)** | **9.8%** | 12.4% |
| **TOTAL GROUP REVENUE** | **+4.0%** | **100.0%** | 100.0% |

The retail and wholesale channel revenue increased slightly to 59.8% (H1 2022: 59.4%) of Group revenue, whilst the food service channel revenue contribution increased to 20.0% (H1 2022: 18.4%) of Group revenue.

During the period under review, retail and wholesale channel revenue increased by 4.8%, whilst sales volumes decreased by 3.3% and price mix contributed 8.1%. Retail volumes declined predominantly due to the discontinuation of unprofitable HPC lines and lower production volumes of fresh mushrooms. Excluding the impact of lower HPC and mushroom volumes, Group retail channel volumes increased by 1.0%.

Food service channel revenue increased by 13.1%, driven by the sale of beef products in quick-service restaurants. This increase was driven by a 0.5% increase in sales volumes and a 12.6% increase in price mix changes.

Export revenue increased by 10.0% and sales volumes were down by 15.6%. Export volumes declined from a higher H1 2022 base as certain global retail customers implemented strategies to ameliorate the impact of ongoing supply chain disruptions. These actions included increased supplier diversification and local procurement. The Group's export channel volumes were adversely impacted in stages over the course of the 2022 financial year. Whilst the H1 2023 export volume reduction reflected the full impact of these strategies, the Group remains confident in its ability to grow its longer-term export market exposure with a dedicated and well-resourced team capability. The decline in sales volumes was mitigated by a 25.6% increase in price/mix.

Industrial and contract manufacturing channel revenue decreased by 18.0%, with sales volumes down 17.7%, mainly due to weak demand for contract-manufactured wet condiments. Price/mix decreased by 0.3%.

## OUTLOOK

Challenging market conditions are expected to continue to impact consumer behaviour in H2, placing strain on particularly retail channel volumes. While food selling price inflation continues to normalise from recent highs, the cost of manufacturing is expected to remain elevated relative to prior periods.

In these circumstances, and bearing in mind the Group's traditional seasonality of generating most of its profits and cash flows in H2, Libstar's operational objectives will remain focused on:

1. Innovating to provide shoppers and consumers with branded solutions across different price points and pack sizes;
2. Discontinuing unprofitable product lines;
3. Developing the Group's non-retail channels, in particular its export, food service and wholesale channels;
4. Maintaining increases in controllable manufacturing costs below inflationary levels;
5. Protecting the Group's balance sheet and cash flows by continuing the H1 trend of reducing net working capital and containing capital allocation to maintenance, quality, safety, value and efficiency-enhancing projects within The Top Six operating divisions. These comprise Lancewood, Cape Herb & Spice, Finlar Fine Foods, Rialto, Amaro Foods and Ambassador Foods.

**Strategically, the Group will continue to explore all options to improve returns and unlock value for Libstar's stakeholders by, inter alia, simplifying the Group's portfolio and operational structures and growing existing and new categories.**

## DIVIDEND

In line with the Group's policy, of one dividend per annum declared at year-end, no interim dividend has been declared.

## CHANGES TO THE BOARD

Charl de Villiers, who served as Chief Financial Officer (CFO), was appointed as CEO with effect from 1 January 2023.

Cornél Lodewyks, who will continue to serve as managing executive of Lancewood, was appointed as an executive director of Libstar with effect from 1 January 2023.

Terri Ladbrooke, who served as interim CFO, was appointed as CFO and executive director of Libstar with effect from 15 March 2023.

LIBSTAR


# CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 June 2023

# REVIEWED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2023

| | Notes | 6-months ended 30 June 2023 Reviewed R'000 | 6-months ended 30 June 2022* Reviewed R'000 | Year ended 31 December 2022 Audited R'000 |
|---|---|---|---|---|
| **Profit/(loss) for the period** | | | | |
| **CONTINUING OPERATIONS** | | | | |
| Revenue | | **5 774 596** | 5 551 581 | 11 771 605 |
| Cost of sales | | **(4 617 366)** | (4 325 745) | (9 329 548) |
| **Gross profit** | | **1 157 230** | **1 225 836** | **2 442 057** |
| Other income | 6 | **22 306** | 10 247 | 83 185 |
| (Losses)/gains on foreign exchange and disposal of property, plant and equipment | 7.1 | **(25 072)** | (15 250) | (13 460) |
| Operating expenses | 7.2 | **(969 691)** | (956 025) | (2 274 687) |
| **Operating profit** | | **184 773** | **264 808** | **237 095** |
| Investment income | | **9 051** | 4 461 | 9 767 |
| Finance costs | | **(117 619)** | (80 254) | (175 824) |
| **Profit before tax** | | **76 205** | **189 015** | **71 038** |
| Income tax expense | | **(12 649)** | (39 191) | (76 477) |
| **Profit/(loss) for the period from continuing operations** | | **63 556** | **149 824** | **(5 439)** |
| **DISCONTINUED OPERATIONS** | | | | |
| Loss for the period from discontinued operations | | **–** | (5 089) | (1 613) |
| **Total profit/(loss) for the period** | | **63 556** | **144 735** | **(7 052)** |
| **Other comprehensive (loss)/income for the period, net of tax** | | **(13 585)** | **14 621** | **21 435** |
| ***Items that may be reclassified to profit or loss*** | | | | |
| (Losses)/gains on hedging reserves | | **(17 954)** | (2 134) | 1 856 |
| Hedging losses reclassified to profit or loss | | **4 361** | 16 755 | 18 933 |
| Foreign currency translation reserve adjustments | | **8** | – | 435 |
| ***Items that will never be reclassified to profit or loss*** | | | | |
| Defined benefit plan actuarial gains | | **–** | – | 211 |
| **Total comprehensive income for the period** | | **49 971** | **159 356** | **14 383** |
| Profit/(loss) attributable to: | | | | |
| Equity holders of the parent | | **63 656** | 146 740 | (5 168) |
| Non-controlling interest | | **(100)** | (2 005) | (1 884) |
| | | **63 556** | **144 735** | **(7 052)** |
| Total comprehensive income/(loss) attributable to: | | | | |
| Equity holders of the parent | | **50 071** | 161 361 | 16 267 |
| Non-controlling interest | | **(100)** | (2 005) | (1 884) |
| | | **49 971** | **159 356** | **14 383** |
| Total comprehensive income/(loss) attributable to equity holders of the parent arises from: | | | | |
| Continuing operations | | **50 071** | 164 524 | 17 880 |
| Discontinued operations | | **–** | (3 163) | (1 613) |
| | | **50 071** | **161 361** | **16 267** |
| Basic earnings/(loss) per share (cents) | 8.1 | **10.7** | 24.7 | (0.9) |
| From continuing operations | 8.1 | **10.7** | 25.2 | (0.6) |
| From discontinued operations | 8.1 | **–** | (0.5) | (0.3) |
| Diluted earnings/(loss) per share (cents) | 8.2 | **10.7** | 24.6 | (0.9) |
| From continuing operations | 8.2 | **10.7** | 25.1 | (0.6) |
| From discontinued operations | 8.2 | **–** | (0.5) | (0.3) |

* The comparative interim period profit or loss is restated to present Chet Chemicals and Contactim as continued operations from the start of the previous interim period. Chet Chemicals and Contactim were presented as discontinued operations in the previous interim period's condensed consolidated financial statements.



# REVIEWED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2023

| | Note | At 30 June 2023 Reviewed R'000 | At 30 June 2022 Reviewed R'000 | At 31 December 2022 Audited R'000 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | **5 806 962** | **5 757 082** | **5 882 970** |
| Property, plant and equipment | 9 | **1 765 433** | 1 499 090 | 1 738 924 |
| Right-of-use assets | | **477 841** | 387 396 | 521 469 |
| Goodwill | | **2 096 842** | 2 276 428 | 2 096 842 |
| Intangible assets | | **1 450 108** | 1 583 494 | 1 513 831 |
| Other financial assets | | **4 904** | 9 091 | 4 971 |
| Deferred tax assets | | **11 834** | 1 583 | 6 933 |
| **Current assets** | | **4 050 638** | **3 636 109** | **4 038 895** |
| Inventories | | **1 880 322** | 1 644 195 | 1 671 138 |
| Trade and other receivables | | **1 745 233** | 1 699 363 | 1 877 464 |
| Biological assets | | **27 477** | 34 152 | 26 742 |
| Other financial assets | | **3 601** | 5 124 | 5 738 |
| Current tax receivable | | **56 007** | 29 830 | 8 597 |
| Cash and bank balances | | **337 998** | 223 445 | 449 216 |
| **Assets classified as held for sale** | | **–** | **460 706** | **–** |
| **Total assets** | | **9 857 600** | **9 853 897** | **9 921 865** |
| **EQUITY AND LIABILITIES** | | | | |
| **Capital and reserves attributable to equity holders of the parent** | | **5 120 053** | **5 351 451** | **5 203 064** |
| Share capital and share premium | | **4 727 314** | 4 727 314 | 4 727 314 |
| Defined benefit plan reserve | | **(690)** | (901) | (690) |
| Share-based payment reserve | | **–** | 8 494 | 3 328 |
| Retained earnings | | **477 713** | 693 846 | 543 811 |
| Premium on acquisition of non-controlling interests | | **(75 168)** | (75 168) | (75 168) |
| Foreign currency translation reserve | | **443** | – | 435 |
| Hedging reserves | | **(9 559)** | (2 134) | 4 034 |
| **Non-controlling interests** | | **(795)** | **4 233** | **(695)** |
| **Total equity** | | **5 119 258** | **5 355 684** | **5 202 369** |
| **Non-current liabilities** | | **2 668 283** | **2 349 329** | **2 625 193** |
| Other financial liabilities | | **1 604 213** | 1 361 662 | 1 508 651 |
| Lease liabilities | | **537 427** | 447 170 | 580 411 |
| Deferred tax liabilities | | **514 195** | 518 144 | 516 499 |
| Employee benefits | | **8 284** | 8 370 | 8 618 |
| Share-based payments | | **4 164** | 13 983 | 11 014 |
| **Current liabilities** | | **2 070 059** | **1 886 125** | **2 094 303** |
| Trade and other payables | | **1 628 595** | 1 473 303 | 1 681 067 |
| Other financial liabilities | | **131 415** | 112 584 | 98 397 |
| Lease liabilities | | **109 418** | 98 945 | 114 260 |
| Current tax payable | | **607** | 1 293 | 534 |
| Bank overdraft | | **200 024** | 200 000 | 200 045 |
| **Liabilities directly associated with assets classified as held for sale** | | **–** | **262 759** | **–** |
| **Total liabilities** | | **4 738 342** | **4 498 213** | **4 719 496** |
| **Total equity and liabilities** | | **9 857 600** | **9 853 897** | **9 921 865** |

## REVIEWED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

**for the six months ended 30 June 2023**

| | Share capital R'000 | Defined benefit plan reserve[1] R'000 | Share-based payment reserve[2] R'000 | Premium on acquisition of non-controlling interests[3] R'000 | Retained earnings R'000 | Hedging reserves[4] R'000 | Foreign currency translation reserve R'000 | Non-controlling interests R'000 | Total R'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2022** | **4 727 314** | **(901)** | **6 554** | **(75 168)** | **696 712** | **(16 755)** | **–** | **6 171** | **5 343 927** |
| **Total comprehensive income/(loss) for the period** | **–** | **–** | **–** | **–** | **146 740** | **14 621** | **–** | **(2 005)** | **159 356** |
| Profit/(loss) for the period | – | – | – | – | 146 740 | – | – | (2 005) | 144 735 |
| Other comprehensive income for the period | – | – | – | – | – | 14 621 | – | – | 14 621 |
| **Transactions with owners of the Company** | | | | | | | | | |
| Non-controlling interests on acquisition of subsidiary | – | – | – | – | – | – | – | 67 | 67 |
| **Contributions and distributions** | **–** | **–** | **–** | **–** | **(149 606)** | **–** | **–** | **–** | **(149 606)** |
| Dividends paid | – | – | – | – | (149 606) | – | – | – | (149 606) |
| **Share-based payment expenses – Group Share Plan** | **–** | **–** | **1 940** | **–** | **–** | **–** | **–** | **–** | **1 940** |
| **Balance at 30 June 2022** | **4 727 314** | **(901)** | **8 494** | **(75 168)** | **693 846** | **(2 134)** | **–** | **4 233** | **5 355 684** |
| **Total comprehensive income/(loss) for the period** | **–** | **211** | **–** | **–** | **(151 908)** | **6 168** | **435** | **120** | **(144 974)** |
| Profit/(loss) for the period | – | – | – | – | (151 908) | – | – | 120 | (151 788) |
| Other comprehensive income for the period | – | 211 | – | – | – | 6 168 | 435 | – | 6 814 |
| **Transactions with owners of the Company** | | | | | | | | | |
| Non-controlling interests on disposal of subsidiary | – | – | – | – | – | – | – | (5 048) | (5 048) |
| **Share-based payment expenses** | **–** | **–** | **(5 166)** | **–** | **1 873** | **–** | **–** | **–** | **(3 293)** |
| Group share plan expenses | – | – | (1 312) | – | – | – | – | – | (1 312) |
| Payment | – | – | (1 981) | – | – | – | – | – | (1 981) |
| 2019 Group share plan awards forfeited | – | – | (1 873) | – | 1 873 | – | – | – | – |
| **Balance at 31 December 2022** | **4 727 314** | **(690)** | **3 328** | **(75 168)** | **543 811** | **4 034** | **435** | **(695)** | **5 202 369** |
| **Total comprehensive income/(loss) for the period** | **–** | **–** | **–** | **–** | **63 656** | **(13 593)** | **8** | **(100)** | **49 971** |
| Profit/(loss) for the period | – | – | – | – | 63 656 | – | – | (100) | 63 556 |
| Other comprehensive (loss)/income for the period | – | – | – | – | – | (13 593) | 8 | – | (13 585) |
| **Contributions and distributions** | | | | **–** | **(131 652)** | **–** | **–** | **–** | **(131 652)** |
| Dividends paid | – | – | – | – | (131 652) | – | – | – | (131 652) |
| **Share-based payment expenses** | **–** | **–** | **(3 328)** | **–** | **1 898** | **–** | **–** | **–** | **(1 430)** |
| Payment | – | – | (1 430) | – | – | – | – | – | (1 430) |
| Group Share Plan awards forfeited | – | – | (1 898) | – | 1 898 | – | – | – | – |
| **Balance at 30 June 2023** | **4 727 314** | **(690)** | **–** | **(75 168)** | **477 713** | **(9 559)** | **443** | **(795)** | **5 119 258** |

1 Defined benefit plan reserve comprises actuarial gains or losses in respect of defined benefit obligations that are recognised in other comprehensive income.

2 Share-based payment reserve represents the grant date fair value of the Group's equity settled share-based payments (GSP) over the vesting period of GSP.

3 Premium on non-controlling interest represents the difference between the carrying amount of the non-controlling interests and the fair value of the consideration given on acquisition of non-controlling interests.

4 Hedging reserves represents the gains relating to foreign currency transactions recognised in other comprehensive income.

# REVIEWED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2023

| | Note | 6-months ended 30 June 2023 Reviewed R'000 | 6-months ended 30 June 2022 Reviewed R'000 | Year ended 31 December 2022 Audited R'000 |
|---|---|---|---|---|
| **Net cash flow from operating activities** | | **124 668** | **42 140** | **528 724** |
| Cash generated from operations | 11 | **268 943** | 139 917 | 731 027 |
| Finance income received | | **9 051** | 4 464 | 9 771 |
| Finance costs paid | | **(91 164)** | (52 511) | (120 435) |
| Taxation paid | | **(62 162)** | (49 730) | (91 639) |
| **Net cash flow from investment activities** | | **(104 708)** | **(122 406)** | **(387 772)** |
| Purchase of property, plant and equipment and computer software | | **(109 408)** | (122 426) | (298 841) |
| Proceeds on disposal of property, plant and equipment | | **4 700** | 996 | 12 204 |
| Proceeds on sale of Glenmor, net of cash disposed | | **–** | – | 963 |
| Acquisition of subsidiaries, net of cash acquired | | **–** | (976) | (102 098) |
| **Net cash flow from financing activities** | | **(131 157)** | **(488 891)** | **(484 383)** |
| Capital portion of lease payments | | **(84 681)** | (78 979) | (156 237) |
| Proceeds from term loans | | **130 000** | – | – |
| Repayment of term loans and asset based financing | | **(44 824)** | (260 306) | (178 540) |
| Dividends paid | | **(131 652)** | (149 606) | (149 606) |
| Net decrease in cash and cash equivalents | | **(111 197)** | (569 157) | (343 431) |
| Cash and cash equivalents at the beginning of the period | | **249 171** | 592 602 | 592 602 |
| Cash and cash equivalents at the end of the period | | **137 974** | **23 445** | **249 171** |
| Cash flows of discontinued operation | | **–** | **(1 960)** | **(1 960)** |

The reviewed condensed consolidated statement of cash flows represents both continued and discontinued operations combined cash flows. The comparative interim period cash flows from discontinued operation is restated to only present Glenmor as a discontinued operation. Chet Chemicals and Contactim are no longer discontinued operations in the previous interim period's condensed consolidated financial statements.

# REVIEWED CONDENSED CONSOLIDATED SEGMENTAL INFORMATION

for the six months ended 30 June 2023

## Basis of segmentation

The chief operating decision maker, which represents the executive members of the board of directors, has chosen to organise the Group into categories and manage the operations in that manner. The information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance is based on five categories.

The following summary describes each segment:


### PERISHABLES

Perishable products are products that are refrigerated or frozen.

### BAKING AND BAKING AIDS

Baked goods, specialised gluten free offerings and baking aids.

### GROCERIES

Groceries (also known as "shelf-stable" groceries) is a category of foods that can be stored and preserved at room temperature. The category also includes beverages and specialised food packaging.

### HOUSEHOLD AND PERSONAL CARE

Detergents and household cleaning products as well as personal care products.

### SNACKS AND CONFECTIONERY

Premium snacks and confectionery products.

The Glenmor division, which was sold during July 2022, is the only division presented as a discontinued operation in the comparative periods.

The Group's strategy to dispose of the remaining two divisions, Chet Chemicals and Contactim, remains unchanged. However, the Group is required to comply with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (IFRS 5). Based on the criteria of IFRS 5, Chet Chemicals and Contactim remain continuing operations at the interim reporting date.

Consequently, Chet Chemicals and Contactim are restated as continuing operations in the comparative interim period presented. Segmental information therefore includes information related to Chet Chemicals and Contactim for the comparative periods presented.

| | 6-months ended 30 June 2023 Reviewed R'000 | 6-months ended 30 June 2022 Reviewed R'000 | Change % | Year ended 31 December 2022 Audited R'000 |
|---|---|---|---|---|
| **INFORMATION ABOUT REPORTABLE SEGMENTS** | | | | |
| **Revenue from contracts with customers** | | | | |
| Perishables | **2 920 504** | 2 795 990 | 4.5 | 5 957 683 |
| Groceries | **1 756 509** | 1 677 925 | 4.7 | 3 605 252 |
| Snacks and Confectionery | **245 136** | 280 673 | (12.7) | 565 254 |
| Baking and Baking Aids | **489 837** | 443 150 | 10.5 | 924 766 |
| Household and Personal Care | **362 610** | 353 843 | 2.5 | 718 650 |
| | **5 774 596** | **5 551 581** | **4.0** | **11 771 605** |
| Revenue comprised as follows: | | | | |
| Total revenue for reportable segments | **5 841 573** | 5 610 117 | | 11 896 611 |
| Elimination of inter segment revenue | **(66 977)** | (58 536) | | (125 006) |
| Perishables | **(16 877)** | (14 602) | | (38 358) |
| Groceries | **(46 378)** | (39 474) | | (73 845) |
| Snacks and Confectionery | **(1 129)** | (1 540) | | (3 162) |
| Baking and Baking Aids | **(2 588)** | (2 804) | | (9 431) |
| Household and Personal Care | **(5)** | (116) | | (210) |
| | **5 774 596** | **5 551 581** | | **11 771 605** |
| **Operating profit (EBIT)** | | | | |
| Perishables | **78 648** | 163 254 | (51.8) | 208 676 |
| Groceries | **76 129** | 103 969 | (26.8) | 187 922 |
| Snacks and Confectionery | **34 321** | 33 938 | 1.1 | 68 255 |
| Baking and Baking Aids | **29 871** | 19 530 | 52.9 | (52 731) |
| Household and Personal Care | **8 945** | 4 137 | 116.2 | (56 462) |
| Corporate | **(43 141)** | (60 020) | (28.1) | (118 565) |
| | **184 773** | **264 808** | **(30.2)** | **237 095** |
| **Reconciliation of operating profit per segment to profit before tax** | | | | |
| Operating profit | **184 773** | 264 808 | (30.2) | 237 095 |
| Investment income | **9 051** | 4 461 | 102.9 | 9 767 |
| Finance costs | **(117 619)** | (80 254) | 46.6 | (175 824) |
| Profit before tax | **76 205** | **189 015** | **(59.7)** | **71 038** |

The chief operating decision maker reviews the revenue and operating profit on a regular basis. The chief operating decision maker does not evaluate any of the Group's assets or liabilities on a segmental basis for decision making purposes.

| | 6-months ended 30 June 2023 Reviewed R'000 | 6-months ended 30 June 2022 Reviewed R'000 | Change % | Year ended 31 December 2022 Audited R'000 |
|---|---|---|---|---|
| **Normalised EBIT and EBITDA** | | | | |
| ***Group – continuing operations*** | | | | |
| Operating profit | **184 773** | 264 808 | (30.2) | 237 095 |
| Amortisation of customer relationships | **63 737** | 63 932 | | 133 201 |
| Due diligence costs | **–** | 760 | | 1 398 |
| (Credits)/expenses relating to share-based payments | **(3 915)** | 6 712 | | 2 080 |
| Government grants | **(1 967)** | (90) | | (187) |
| Impairment losses on goodwill and other assets | **15** | – | | 292 188 |
| (Gain)/loss on disposal of property, plant and equipment | **(1 466)** | 6 | | 1 173 |
| Retrenchment and settlement costs | **3 268** | 2 071 | | 8 980 |
| Strategic advisory fees | **117** | 204 | | 889 |
| Unrealised loss on foreign exchange | **13 055** | 12 512 | | 13 264 |
| **Normalised EBIT** | **257 617** | **350 915** | **(26.6)** | **690 081** |
| Amortisation of software | **1 650** | 4 391 | | 8 511 |
| Depreciation of property, plant and equipment and right-of-use assets | **147 021** | 141 939 | | 333 740 |
| **Normalised EBITDA (including effect of IFRS 16)** | **406 288** | **497 245** | **(18.3)** | **1 032 332** |
| Less: lease payments and lease modifications | **(82 567)** | (78 014) | | (180 836) |
| **Normalised EBITDA (excluding effect of IFRS 16)** | **323 721** | **419 231** | **(22.8)** | **851 496** |
| ***Perishables*** | | | | |
| Operating profit | **78 648** | 163 254 | (51.8) | 208 676 |
| Amortisation of customer relationships | **21 910** | 21 805 | | 43 610 |
| Government grants | **(544)** | – | | (78) |
| Impairment losses on goodwill and other assets | **15** | – | | 97 842 |
| Gain on disposal of property, plant and equipment | **(1 866)** | (73) | | (141) |
| Retrenchment and settlement costs | **1 395** | 1 086 | | 1 587 |
| Unrealised (gain)/loss on foreign exchange | **(1 716)** | 623 | | (2 703) |
| **Normalised EBIT** | **97 842** | **186 695** | **(47.6)** | **348 793** |
| Amortisation of software | **678** | 1 992 | | 4 018 |
| Depreciation of property, plant and equipment and right-of-use assets | **76 676** | 65 523 | | 146 031 |
| **Normalised EBITDA (including effect of IFRS 16)** | **175 196** | **254 210** | **(31.1)** | **498 842** |
| Less: lease payments and lease modifications | **(34 272)** | (27 447) | | (55 391) |
| **Normalised EBITDA (excluding effect of IFRS 16)** | **140 924** | **226 763** | **(37.9)** | **443 451** |

| | 6-months ended 30 June 2023 Reviewed R'000 | 6-months ended 30 June 2022 Reviewed R'000 | Change % | Year ended 31 December 2022 Audited R'000 |
|---|---|---|---|---|
| ***Groceries*** | | | | |
| Operating profit | **76 129** | 103 969 | (26.8) | 187 922 |
| Amortisation of customer relationships | **36 191** | 36 491 | | 73 371 |
| Government grants | **(532)** | (37) | | (36) |
| Impairment losses on goodwill and other assets | **–** | – | | 76 910 |
| Loss on disposal of property, plant and equipment | **1 120** | 749 | | 1 284 |
| Retrenchment and settlement costs | **404** | 886 | | 1 578 |
| Strategic advisory fees | **81** | 192 | | 370 |
| Unrealised loss on foreign exchange | **15 208** | 11 986 | | 14 298 |
| **Normalised EBIT** | **128 601** | **154 236** | **(16.6)** | **355 697** |
| Amortisation of software | **640** | 707 | | 680 |
| Depreciation of property, plant and equipment and right-of-use assets | **42 726** | 41 747 | | 85 153 |
| **Normalised EBITDA (including effect of IFRS 16)** | **171 967** | **196 690** | **(12.6)** | **441 530** |
| Less: lease payments and lease modifications | **(27 429)** | (26 779) | | (71 969) |
| **Normalised EBITDA (excluding effect of IFRS 16)** | **144 538** | **169 911** | **(14.9)** | **369 561** |
| ***Snacks and Confectionery*** | | | | |
| Operating profit | **34 321** | 33 938 | 1.1 | 68 255 |
| Amortisation of customer relationships | **2 201** | 2 201 | | 4 402 |
| Government grants | **(43)** | (53) | | (73) |
| Loss/(gain) on disposal of property, plant and equipment | **2** | (590) | | (498) |
| Retrenchment and settlement costs | **–** | – | | (398) |
| Strategic advisory fees | **36** | 12 | | 19 |
| Unrealised (gain)/loss on foreign exchange | **(417)** | (59) | | 1 547 |
| **Normalised EBIT** | **36 100** | **35 449** | **1.8** | **73 254** |
| Amortisation of software | **919** | 967 | | 2 160 |
| Depreciation of property, plant and equipment and right-of-use assets | **7 313** | 15 329 | | 29 003 |
| **Normalised EBITDA (including effect of IFRS 16)** | **44 332** | **51 745** | **(14.3)** | **104 417** |
| Less: lease payments and lease modifications | **(4 670)** | (7 092) | | (20 066) |
| **Normalised EBITDA (excluding effect of IFRS 16)** | **39 662** | **44 653** | **(11.2)** | **84 351** |
| ***Baking and Baking Aids*** | | | | |
| Operating profit/(loss) | **29 871** | 19 530 | 52.9 | (52 731) |
| Amortisation of customer relationships | **3 435** | 3 435 | | 6 870 |
| Government grants | **(848)** | – | | – |
| Impairment losses on goodwill and other assets | **–** | – | | 90 109 |
| Loss/(gain) on disposal of property, plant and equipment | **15** | 18 | | (25) |
| Retrenchment and settlement costs | **10** | 51 | | 51 |
| **Normalised EBIT** | **32 483** | **23 034** | **41.0** | **44 274** |
| Amortisation of software | **386** | 683 | | 1 103 |
| Depreciation of property, plant and equipment and right-of-use assets | **8 269** | 17 745 | | 37 222 |
| **Normalised EBITDA (including effect of IFRS 16)** | **41 138** | **41 462** | **(0.8)** | **82 599** |
| Less: lease payments and lease modifications | **(7 920)** | (7 676) | | (15 803) |
| **Normalised EBITDA (excluding effect of IFRS 16)** | **33 218** | **33 786** | **(1.7)** | **66 796** |



| | 6-months ended 30 June 2023 Reviewed R'000 | 6-months ended 30 June 2022 Reviewed R'000 | Change % | Year ended 31 December 2022 Audited R'000 |
|---|---|---|---|---|
| ***Household and Personal Care*** | | | | |
| Operating profit/(loss) | **8 945** | 4 137 | 116.2 | (56 462) |
| Amortisation of customer relationships | **–** | – | | 4 555 |
| Impairment losses on goodwill and other assets | **–** | – | | 27 327 |
| (Gain)/loss on disposal of property, plant and equipment | **(737)** | (97) | | 539 |
| Retrenchment and settlement costs | **1 459** | 48 | | 3 595 |
| Unrealised (gain)/loss on foreign exchange | **(20)** | (38) | | 10 |
| **Normalised EBIT** | **9 647** | **4 050** | **138.2** | **(20 436)** |
| Amortisation of software | **77** | – | | 478 |
| Depreciation of property, plant and equipment and right-of-use assets | **11 036** | – | | 32 403 |
| **Normalised EBITDA (including effect of IFRS 16)** | **20 760** | **4 050** | **412.6** | **12 445** |
| Less: lease payments and lease modifications | **(6 785)** | (7 607) | | (14 784) |
| **Normalised EBITDA (excluding effect of IFRS 16)** | **13 975** | **(3 557)** | **(492.9)** | **(2 339)** |
| ***Corporate*** | | | | |
| Operating loss | **(43 141)** | (60 020) | (28.1) | (118 565) |
| Amortisation of customer relationships | **–** | – | | 393 |
| Due diligence costs | **–** | 760 | | 1 398 |
| (Credits)/expenses relating to share-based payments | **(3 915)** | 6 712 | | 2 080 |
| (Gain)/loss on disposal of property, plant and equipment | **–** | (1) | | 14 |
| Strategic advisory fees | **–** | – | | 500 |
| Retrenchment and settlement costs | **–** | – | | 2 567 |
| Securities transfer tax | **–** | – | | 112 |
| **Normalised EBIT** | **(47 056)** | **(52 549)** | **(28.1)** | **(111 501)** |
| Amortisation of software | **(1 050)** | 42 | | 72 |
| Depreciation of property, plant and equipment and right-of-use assets | **1 001** | 1 595 | | 3 928 |
| **Normalised EBITDA (including effect of IFRS 16)** | **(47 105)** | **(50 912)** | **(7.5)** | **(107 501)** |
| Less: lease payments and lease modifications | **(1 491)** | (1 413) | | (2 823) |
| **Normalised EBITDA (excluding effect of IFRS 16)** | **(48 596)** | **(52 325)** | **(7.1)** | **(110 324)** |
| **Export revenue** | | | | |
| The Group mainly operates in South Africa. Revenue derived from customers domiciled within South Africa is classified as revenue from South Africa. Revenue from customers domiciled outside of South Africa is classified as export revenue. | | | | |
| Export revenue for the period | **600 374** | 545 742 | 10.0 | 1 208 073 |
| **Major customers** | | | | |
| During the period under review, revenue from certain customers exceeded 10% of total revenue. | | | | |
| Customer A | **21%** | 23% | | 20% |
| Customer B | **17%** | 15% | | 17% |
| Customer C | **10%** | 10% | | 10% |

The above customers trade with the Group across all five segments. The contribution of each customer to total revenue is therefore spread across multiple segments.

| | 6-months ended 30 June 2023 Reviewed R'000 | 6-months ended 30 June 2022 Reviewed R'000 | Change % | Year ended 31 December 2022 Audited R'000 |
|---|---|---|---|---|
| **Revenue by channel** | | | | |
| Retail and wholesale | **3 454 482** | 3 295 762 | 4.8 | 6 765 486 |
| Food service | **1 154 061** | 1 020 408 | 13.1 | 2 303 514 |
| Exports | **600 374** | 545 742 | 10.0 | 1 208 073 |
| Industrial and contract manufacturing | **565 679** | 689 669 | (18.0) | 1 494 532 |
| **Total Group revenue** | **5 774 596** | **5 551 581** | **4.0** | **11 771 605** |

**Contribution to Group revenue**

| | 6-months ended 30 June 2023 Reviewed % | 6-months ended 30 June 2022 Reviewed % | Year ended 31 December 2022 Audited % |
|---|---|---|---|
| Retail and wholesale | **59.8** | 59.4 | 57.4 |
| Food service | **20.0** | 18.4 | 19.6 |
| Exports | **10.4** | 9.8 | 10.3 |
| Industrial and contract manufacturing | **9.8** | 12.4 | 12.7 |
| **Total Group revenue** | **100.0** | **100.0** | **100.0** |

**Revenue per segment**

| R'000 | Perishables | Groceries | Snacks and Confectionery | Baking and Baking Aids | Household and Personal Care | Total |
|---|---|---|---|---|---|---|
| **Revenue by channel** | | | | | | |
| **6-months ended 30 June 2023** | | | | | | |
| Retail and wholesale | **1 646 294** | **822 050** | **234 999** | **419 178** | **331 961** | **3 454 482** |
| Food service | **884 249** | **218 043** | **1 256** | **50 513** | **–** | **1 154 061** |
| Exports | **152 196** | **420 176** | **4 999** | **15 535** | **7 468** | **600 374** |
| Industrial and contract manufacturing | **237 765** | **296 240** | **3 882** | **4 611** | **23 181** | **565 679** |
| | **2 920 504** | **1 756 509** | **245 136** | **489 837** | **362 610** | **5 774 596** |
| **6-months ended 30 June 2022** | | | | | | |
| Retail and wholesale | 1 625 260 | 730 647 | 231 291 | 383 132 | 325 432 | 3 295 762 |
| Food service | 790 783 | 181 718 | 1 537 | 46 370 | – | 1 020 408 |
| Exports | 146 065 | 378 992 | 3 907 | 11 603 | 5 175 | 545 742 |
| Industrial and contract manufacturing | 233 882 | 386 568 | 43 938 | 2 045 | 23 236 | 689 669 |
| | **2 795 990** | **1 677 925** | **280 673** | **443 150** | **353 843** | **5 551 581** |
| **Year ended 31 December 2022** | | | | | | |
| Retail and wholesale | 3 368 561 | 1 477 622 | 477 175 | 791 800 | 650 328 | 6 765 486 |
| Food service | 1 780 175 | 417 470 | 4 527 | 101 342 | – | 2 303 514 |
| Exports | 319 264 | 841 775 | 9 483 | 24 784 | 12 767 | 1 208 073 |
| Industrial and contract manufacturing | 489 683 | 868 385 | 74 069 | 6 840 | 55 555 | 1 494 532 |
| | **5 957 683** | **3 605 252** | **565 254** | **924 766** | **718 650** | **11 771 605** |



# NOTES TO THE REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 June 2023

## 1 Reporting entity

Libstar is a leading producer and supplier of high quality products in the Consumer packaged goods (CPG) industry and sells a wide range of products in South Africa and globally. The Group provides a multi-product offering in multiple categories across four channels (Retail and wholesale, Food service, Exports and Industrial and Contract manufacturing), while strategically positioning itself within the food sector. The Group operates principally in South Africa.

The Group currently operates across a number of business units, each of which has its own infrastructure, employees and products. The Group operates a decentralised business model, with each business unit being responsible for its own procurement, production, distribution, logistics and customer relationships. Libstar demonstrates a strong management drive and provides a platform for these business units to grow through provision of working capital and investment in infrastructure that builds manufacturing capability and capacity.

## 2 Basis of accounting

These reviewed condensed consolidated financial statements have been prepared in accordance with the International Reporting Standards (IFRS), including disclosure requirements of IAS 34 Interim Financial Reporting standard and comply with the Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, as well as the JSE Listings Requirements and the Companies Act, no 71 of 2008.

These condensed consolidated financial statements have been reviewed in terms of the Companies Act, No 71 of 2008. These condensed consolidated financial statements have been prepared under the supervision of TL Ladbrooke CA(SA).

The financial results presented have been reviewed by the Group's independent external auditors, Moore Cape Town Inc, who expressed an unqualified review conclusion. A copy of the auditor's review report is available for inspection at the Company's registered office.

The auditor's report does not necessarily report on all of the information contained in this announcement. Shareholders are therefore advised that in order to obtain full understanding of the nature of the auditor's engagement they should obtain a copy of that report together with the accompanying financial information from the Company's registered office.

## 3 Accounting policies

The accounting policies applied by the Group in these reviewed condensed consolidated financial statements are consistent with those applied in the consolidated annual financial statements for the year ended 31 December 2022. There were no new accounting standards implemented by the Group in these condensed consolidated financial statements.

## 4 Accounting judgements and estimates

Management is required to make estimates and assumptions that affect the amounts presented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates.

In preparing these condensed consolidated financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the similar to those that applied to the consolidated annual financial statements for the year ended 31 December 2022.

## 5 Normalised EBIT and Normalised EBITDA

The Group adopts normalised earnings before interest and tax ("Normalised EBIT"), normalised earnings before interest, tax, depreciation and amortisation ("Normalised EBITDA"), normalised earnings per share ("Normalised EPS") and normalised headline earnings per share ("Normalised HEPS") as financial measures to review, measure and benchmark the operational performance of the individual business units (that consolidate into the Group) as well as for strategic planning and other commercial decision-making purposes relating to each division.

To arrive at the normalised EBIT and normalised EBITDA measures, respectively, the following adjustments are made to EBIT (operating profit as disclosed in the condensed consolidated financial statements).

| | Adjustment included in calculation of: | |
|---|---|---|
| | Normalised EBIT | Normalised EBITDA |
| Add back: amortisation of intangible assets in relation to customer contracts and brands with definitive useful lives | Yes | Yes |
| Add back: amortisation of intangible assets in relation to computer software | No | Yes |
| Add back: depreciation on property, plant and equipment and right-of-use assets | No | Yes |
| Add back: impairment losses on property, plant and equipment, goodwill and intangible assets | Yes | Yes |
| Add back or deduct: unrealised foreign exchange translation gains or losses | Yes | Yes |
| Add back: non-recurring items of an operating nature including government grants, due diligence costs in respect of business acquisitions, strategic advisory fees, retrenchment and settlement costs and restructuring costs including amounts payable in respect of onerous contracts. | Yes | Yes |
| Add back: securities transfer tax paid | Yes | Yes |
| Add back or deduct: gains and losses on disposal of property, plant and equipment, gains and losses on disposals of assets or disposal groups (businesses) held for sale. | Yes | Yes |
| Add back: the cost of the long-term incentive plan (LTIP) and the Group Share Plan (GSP). | Yes | Yes |

### Normalised EPS and Normalised HEPS

To arrive at normalised EPS, the after-tax earnings (as disclosed in the financial statements), is adjusted for the after-tax impact of the normalised EBIT adjustments shown above.

To arrive at Normalised HEPS, the normalised EPS is adjusted for the after-tax impact of the Headline Earnings Re-measurements, the most common examples of which are (i) impairment losses on property, plant and equipment, goodwill and intangible assets and (ii) gains and losses on disposal of property, plant and equipment, excluding the after-tax impact of separately identifiable re-measurements as defined in accordance with circular 1/2023 Headline Earnings, read with IAS 33 Earnings per share.

## 6 Other income

| | 6-months ended 30 June 2023 Reviewed R'000 | 6-months ended 30 June 2022 Reviewed R'000 | Year ended 31 December 2022 Audited R'000 |
|---|---|---|---|
| Insurance proceeds[1] | **10 298** | 187 | 37 158 |
| Sundry income | **11 158** | 9 178 | 43 348 |
| Government grants[2] | **549** | 559 | 1 929 |
| Other income | **301** | 323 | 750 |
| | **22 306** | **10 247** | **83 185** |

1 Insurance proceeds for the current interim period represents the year ended 31 December 2022's contingent assets related to the biological assets and inventory raw materials' insurance claim paid during April 2023. Refer to note 13 for further information related to other insurance claims.

2 Income from government grants includes income received under the Manufacturing Competitiveness Enhancement Program, the Skills Development Program and the Employer Tax Incentive Program.

## 7 Operating profit

Operating profit from continuing operations is calculated after taking into account the following:

| | 6-months ended 30 June 2023 Reviewed R'000 | 6-months ended 30 June 2022 Reviewed R'000 | Year ended 31 December 2022 Audited R'000 |
|---|---|---|---|
| **7.1 (Losses)/gains on foreign exchange and disposal of property, plant and equipment** | | | |
| Loss on foreign exchange | **(26 538)** | (15 244) | (12 287) |
| Realised (loss)/gain on foreign exchange | **(13 483)** | (2 732) | 977 |
| Unrealised loss on foreign exchange | **(13 055)** | (12 512) | (13 264) |
| Gain/(loss) on disposal of property, plant and equipment | **1 466** | (6) | (1 173) |
| | **(25 072)** | **(15 250)** | **(13 460)** |
| **7.2 Operating expenses** | | | |
| Depreciation of property, plant and equipment | **25 599** | 22 311 | 63 202 |
| Depreciation of right-of-use assets | **25 195** | 26 353 | 56 327 |
| Amortisation of computer software | **1 650** | 4 391 | 8 511 |
| Amortisation of customer relationships | **63 737** | 63 932 | 133 201 |
| Employee benefits | **282 842** | 293 982 | 562 359 |
| Salaries and wages | **279 818** | 287 241 | 549 073 |
| Retrenchment and settlement costs | **3 024** | 6 741 | 13 286 |
| Strategic advisory fees | **117** | 204 | 889 |
| Due diligence costs | **–** | 760 | 1 398 |
| Impairment loss on goodwill | **–** | – | 236 224 |
| Impairment loss on intangible assets | **–** | – | 55 964 |
| Impairment loss on property, plant and equipment | **15** | – | 3 837 |
| (Credits)/expenses relating to long-term incentive scheme (LTIP scheme) | **(3 915)** | 4 017 | 1 271 |
| Charges relating to share-based payments (GSP) | **–** | 2 695 | 809 |
| Research and development costs expensed as incurred | **419** | 190 | 535 |
| Auditor's remuneration | **5 993** | 4 865 | 8 192 |

## 7 Operating profit continued

### 7.3 Nature of operating expenses in cost of sales

| | 6-months ended 30 June 2023 Reviewed R'000 | 6-months ended 30 June 2022 Reviewed R'000 | Year ended 31 December 2022 Audited R'000 |
|---|---|---|---|
| Depreciation of property, plant and equipment | **65 121** | 66 593 | 155 365 |
| Depreciation of right-of-use assets | **31 106** | 26 682 | 58 846 |
| Biological assets write-off due to fire | – | – | 8 795 |
| Inventory write-off due to fire | – | – | 2 550 |
| Employee benefits | **415 042** | 406 607 | 830 796 |
| Salaries and wages | **414 706** | 406 171 | 810 260 |
| Retrenchment and settlement costs | **336** | 436 | 20 536 |
| Short-term lease charges | **13 691** | 13 885 | 32 236 |

## 8 Earnings per share

### 8.1 Basic earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

| | 6-months ended 30 June 2023 Reviewed R'000 | 6-months ended 30 June 2022 Reviewed R'000 | Year ended 31 December 2022 Audited R'000 |
|---|---|---|---|
| Earnings used in the calculation of basic earnings per share | **63 656** | 146 740 | (5 168) |
| From continuing operations (excluding the non-controlling interest) | **63 656** | 149 903 | (3 555) |
| From discontinued operations (excluding the non-controlling interest) | – | (3 163) | (1 613) |
| Weighted average number of ordinary shares for the purposes of basic earnings per share ('000) | **595 812** | 595 812 | 595 812 |
| Basic earnings per share in cents: | | | |
| From continuing operations | **10.7** | 25.2 | (0.6) |
| From discontinued operations | – | (0.5) | (0.3) |
| From continuing and discontinued operations | **10.7** | **24.7** | **(0.9)** |

### 8.2 Diluted earnings per share

The earnings used in the calculation of diluted earnings per share does not require adjustments. Refer to note 8.1 above for the earnings used in the calculation of diluted earnings per share.

The weighted average number of ordinary shares used in the calculation of diluted earnings per share are as follows:

| | 6-months ended 30 June 2023 Reviewed R'000 | 6-months ended 30 June 2022 Reviewed R'000 | Year ended 31 December 2022 Audited R'000 |
|---|---|---|---|
| Weighted average number of ordinary shares for the purposes of diluted earnings per share ('000) | **595 812** | 597 352 | 596 147 |
| Diluted earnings per share in cents: | | | |
| From continuing operations | **10.7** | 25.1 | (0.6) |
| From discontinued operations | – | (0.5) | (0.3) |
| From continuing and discontinued operations | **10.7** | **24.6** | **(0.9)** |

## 8 Earnings per share continued

### 8.2 Diluted earnings per share continued

**Reconciliation of weighted average number of shares used as the denominator:**

| | 6-months ended 30 June 2023 Reviewed R'000 | 6-months ended 30 June 2022 Reviewed R'000 | Year ended 31 December 2022 Audited R'000 |
|---|---|---|---|
| Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share | **595 812** | 595 812 | 595 812 |
| Adjustments for calculation of diluted earnings per share: | | | |
| Deferred Shares – GSP[1] | – | 1 540 | 335 |
| Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share | **595 812** | **597 352** | **596 147** |

1 In the current period, all outstanding awards to deferred shares granted to executives under the GSP lapsed. For comparative periods, awards to deferred shares under the GSP, were included in the calculation of diluted earnings per share, assuming all outstanding awards will vest. The deferred shares were not included in the determination of basic earnings per share.

### 8.3 Normalised earnings per share (EPS)

To arrive at Normalised EPS, the after-tax earnings from continuing operations is adjusted for the after-tax impact of the following:

| | 6-months ended 30 June 2023 Reviewed R'000 | 6-months ended 30 June 2022 Reviewed R'000 | Year ended 31 December 2022 Audited R'000 |
|---|---|---|---|
| Profit/(loss) for the period from continuing operations | **63 656** | 149 903 | (3 555) |
| Normalised for: | **54 235** | 61 993 | 115 270 |
| Amortisation of customer relationships | **46 528** | 46 031 | 95 905 |
| Due diligence costs | – | – | 1 398 |
| (Credits)/expenses relating to share-based payments | **(2 858)** | 4 833 | 1 498 |
| Government grants | **(1 436)** | (65) | (187) |
| Retrenchment and settlement costs | **2 386** | 1 491 | 6 466 |
| Strategic advisory fees | **85** | 694 | 640 |
| Unrealised loss on foreign exchange | **9 530** | 9 009 | 9 550 |
| Normalised earnings used in the calculation of basic earnings per share | **117 891** | 211 896 | 111 715 |
| Weighted average number of ordinary shares for the purposes of basic earnings per share ('000) | **595 812** | **595 812** | **595 812** |
| Normalised basic earnings per share in cents | **19.8** | **35.6** | **18.8** |

## 8 Earnings per share continued

### 8.4 Headline earnings per share continued

The headline earnings used in the calculation of headline earnings and diluted headline earnings per share are as follows:

| | Notes | Continuing operations Gross | Continuing operations Net of tax | Discontinued operations Gross | Discontinued operations Net of tax |
|---|---|---|---|---|---|
| **6 months ended 30 June 2023** | | | | | |
| Basic earnings | | | **63 656** | | – |
| Adjustments | | **(1 451)** | **(1 059)** | – | – |
| Gain on disposal of property, plant and equipment | 7.1 | **(1 466)** | **(1 070)** | – | – |
| Impairment loss on property, plant and equipment | | **15** | **11** | – | – |
| Headline earnings | | | **62 597** | | **–** |
| **6 months ended 30 June 2022** | | | | | |
| Basic earnings | | | **149 903** | | (3 163) |
| Adjustments | | **6** | **4** | – | – |
| Loss on disposal of property, plant and equipment | | **6** | **4** | – | – |
| Headline earnings | | | **149 907** | | **(3 163)** |
| **Year ended 31 December 2022** | | | | | |
| Basic earnings | | | **(3 555)** | | (1 613) |
| Adjustments | | **293 361** | **277 363** | (3 598) | (3 598) |
| Impairment loss on goodwill | | **236 224** | **236 224** | – | – |
| Impairment loss on intangible assets | | **55 964** | **40 294** | – | – |
| Impairment loss on property, plant and equipment | | **3 837** | **2 763** | – | – |
| Compensation from third parties for items of property, plant and equipment and intangibles that were lost or given up | | **(3 837)** | **(2 763)** | – | – |
| Gain on sale of Glenmor | | **–** | **–** | (3 598) | (3 598) |
| Loss on disposal of property, plant and equipment | 7.1 | **1 173** | **845** | – | – |
| Headline earnings | | | **273 808** | | **(5 211)** |

## 8 Earnings per share continued

### 8.4 Headline earnings per share continued

| | 6-months ended 30 June 2023 Reviewed R'000 | 6-months ended 30 June 2022 Reviewed R'000 | Year ended 31 December 2022 Audited R'000 |
|---|---|---|---|
| Headline earnings from continuing and discontinued operations | **62 597** | 146 744 | 268 597 |
| Headline earnings per share in cents: | | | |
| From continuing operations | **10.5** | 25.2 | 46.0 |
| From discontinued operations | **–** | (0.5) | (0.9) |
| From continuing and discontinued operations | **10.5** | **24.7** | **45.1** |
| Diluted headline earnings per share in cents: | | | |
| From continuing operations | **10.5** | 25.1 | 45.9 |
| From discontinued operations | **–** | (0.5) | (0.9) |
| From continuing and discontinued operations | **10.5** | **24.6** | **45.0** |

### 8.5 Normalised headline earnings per share (HEPS)

To arrive at normalised HEPS, the Normalised EPS is adjusted for the after-tax impact of the below:

| | 6-months ended 30 June 2023 Reviewed Net | 6-months ended 30 June 2022 Reviewed Net | Year ended 31 December 2022 Audited Net |
|---|---|---|---|
| Normalised basic earnings from continuing operations | **117 891** | 211 896 | 111 715 |
| Adjustments | **(1 059)** | 4 | 277 363 |
| Impairment loss on goodwill | **–** | – | 236 224 |
| Impairment loss on intangible assets | **–** | – | 40 294 |
| Impairment loss on property, plant and equipment | **11** | – | – |
| (Gain)/loss on disposal of property, plant and equipment | **(1 070)** | 4 | 845 |
| Normalised headline earnings from continuing operations | **116 832** | **211 900** | **389 078** |
| Normalised headline earnings per share from continuing operations in cents | **19.6** | 35.6 | 65.3 |

## 9 Property, plant and equipment

During the six months ended 30 June 2023, the Group acquired plant and equipment in the amount of R125.1 million (2022: R143.5 million). The estimated useful lives of certain items of plant and equipment were revised during the six-month period ended 30 June 2023. This resulted in a R32.2 million decrease in depreciation expense for the period (2022: R7.7 million).

There has been no major change in the nature of property, plant and equipment, the policy regarding the use thereof, or the encumbrances over the property, plant and equipment as disclosed in the audited financial statements for the year ended 31 December 2022.

## 10 Financial Instruments

The carrying amounts of the financial assets and liabilities reported as at 30 June 2023 approximate fair values at the reporting date. At the reporting date, the financial instruments are classified consistently and at the same levels within the fair value hierarchy as previously reported. The financial assets and liabilities of the Group that are classified at fair value through other comprehensive income comprise forward exchange contracts. These forward exchange contracts are classified at a Level 2 in terms of the fair value hierarchy.

## 11 Cash generated from operations

| | **6-months ended 30 June 2023 Reviewed R'000** | 6-months ended 30 June 2022 Reviewed R'000 | Year ended 31 December 2022 Audited R'000 |
|---|---|---|---|
| Profit before taxation from: | **76 205** | 183 962 | 69 582 |
| From continuing operations | **76 205** | 189 015 | 71 038 |
| From discontinued operations | **–** | (5 053) | (1 456) |
| Adjustments for: | **326 406** | 292 379 | 938 229 |
| Depreciation and amortisation | **212 408** | 210 927 | 476 304 |
| (Gain)/loss on disposal of property, plant and equipment | **(1 466)** | 103 | 1 173 |
| Scrapping loss on property, plant and equipment | **–** | – | 261 |
| Write-off of assets destroyed by fire | **–** | – | 11 345 |
| Impairment loss on property, plant and equipment | **15** | – | – |
| Impairment loss on goodwill | **–** | – | 236 224 |
| Impairment loss on discontinued operations | **–** | – | 55 964 |
| Impairment loss on intangible assets | **–** | – | 3 837 |
| Expected credit loss allowance movement on trade and other receivables | **2 412** | 6 357 | 4 203 |
| Expected credit loss allowance movement on other financial assets | **–** | – | 4 100 |
| Non-cash lease modifications, additions and terminations | **28** | (3 142) | (25 718) |
| Gain on sale of Glenmor | **–** | – | (3 598) |
| Investment income | **(9 051)** | (4 464) | (9 771) |
| Finance costs | **117 619** | 80 743 | 176 313 |
| Fair value adjustment on forward exchange contracts | **9 833** | 1 999 | (4 070) |
| Unrealised loss on foreign exchange | **3 222** | – | 17 334 |
| Movements in employee benefits – medical aid plan | **(334)** | (280) | 273 |
| Employee benefits contributions paid | **–** | – | (640) |
| Non-cash movements in employee benefits | **(334)** | (280) | 913 |
| Movements in share-based payments | **(8 280)** | 136 | (5 945) |
| Share-based payments | **(1 430)** | – | (8 025) |
| Other non-cash movements in share-based payments | **(6 850)** | 136 | 2 080 |
| Changes in working capital: | **(133 668)** | (336 424) | (276 784) |
| Increase in inventories* | **(209 184)** | (284 659) | (185 234) |
| Decrease/(Increase) in trade and other receivables* | **126 662** | (73 934) | (167 422) |
| Increase in biological assets* | **(735)** | (938) | (2 323) |
| (Decrease)/increase in trade and other payables* | **(50 411)** | 23 107 | 78 195 |
| | **268 943** | **139 917** | **731 027** |

* Included in the comparative periods changes in working capital are non-cash transfers to and from disposal groups classified as held for sale.

The condensed consolidated statement of cash flows represents both continued and discontinued operations combined cash flows.

## 12 Dividends

The Board paid a final cash dividend (inclusive of treasury shares) of 22 cents (2022: 25 cents) per ordinary share totalling R150.0 million (2022: R170.5 million ("the dividend"). The dividend was paid on 11 April 2023 (2022: 11 April 2022) to shareholders recorded as such in the share register of the Company on 6 April 2023 (2022: 8 April 2022) (the record date). The last date of trading cum dividend was 3 April 2023 (2022: 5 April 2022).

## 13 Subsequent events

### Denny Mushrooms Shongweni insurance claims

The insurance claims related to the damaged plant and buildings due to the September 2022 fire at the Mushrooms Shongweni farm in KwaZulu-Natal, which were disclosed as a contingent asset for the year ended 31 December 2022, were finalised and submitted after 30 June 2023 and R73.5 million insurance proceeds were received after the reporting date and up to the date of issue of this announcement.

The insurance claim related to business interruption due to the September 2022 fire at the Mushrooms Shongweni farm in KwaZulu-Natal, was finalised and submitted after 30 June 2023 and R36.2 million insurance proceeds were received after the reporting date and up to the date of issue of this announcement.

Refer to note 6 for insurance proceeds related to biological assets and inventory raw materials which were received during the current interim period and recognised as other income.

The Board is not aware of any further matter or circumstance arising since the end of the six-month period ended 30 June 2023 to the date of issue of this announcement which significantly affects the Group's financial position or the results of its operations.

# CORPORATE INFORMATION

## COMPANY AND REGISTERED OFFICE

**Libstar Holdings Limited**
Registration Number: 2014/032444/06
Libstar House, 43 Bloulelie Crescent,
Plattekloof, Western Cape, 7500
South Africa
(PO Box 15285, Panorama, Western Cape, 7506)

## WEBSITE

**www.libstar.co.za**

## DIRECTORS

**Wendy Yvonne Nomathemba Luhabe**
(chairman – independent non-executive director)

**Johannes Petrus (JP) Landman**
(lead independent non-executive director)

**Anneke Andrews**
(independent non-executive director)

**Sandeep Khanna**
(independent non-executive director)

**Sibongile Masinga**
(independent non-executive director)

**Charl Benjamin de Villiers**
(CEO)

**Terri Ladbrooke**
(CFO)

**Cornél Lodewyks**
(Executive Director)

## COMPANY SECRETARY

**Ntokozo Makomba**
43 Bloulelie Crescent,
Plattekloof, Western Cape 7500

## SPONSOR

**The Standard Bank of South Africa Limited**
30 Baker Street, Rosebank,
Johannesburg, 2196, South Africa
(PO Box 61344, Marshalltown,
Johannesburg, 2107)

## AUDITORS

**Moore Cape Town Inc.**
Block 2, Northgate Park,
Corner Section Street
and Koeberg Road, Paarden Eiland
Cape Town, 7405, South Africa
(PO Box 1955, Cape Town, 8000)

## TRANSFER SECRETARIES

**Computershare Investor Services Proprietary Limited**
Rosebank Towers, 15 Biermann Avenue,
Rosebank, Johannesburg, 2196, South Africa
(PO Box 61051, Marshalltown,
Johannesburg, 2107)

## FORWARD-LOOKING STATEMENTS

This announcement contains certain forward-looking statements. These include statements regarding our intentions, beliefs or current expectations concerning, amongst other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the economic and business circumstances occurring from time to time in the markets in which Libstar operates.

All such forward-looking statements involve estimates and assumptions that are subject to risks, uncertainties and other factors that could cause actual future financial condition, performance and results to differ materially from the plans, goals, expectations and results expressed in the forward-looking statements and other financial and/or statistical data within this announcement.

It is believed that the expectations reflected in this announcement are reasonable, but they may be affected by a wide range of variables that could cause actual results to differ materially from those currently anticipated. Past performance is no guide to future performance and persons needing advice should consult an independent financial adviser. The forward-looking statements reflect knowledge and information available at the date of preparation of this announcement and the Group undertakes no obligation to update or revise these forward-looking statements, whether as a result of new information, future events or otherwise. Readers are cautioned not to place undue reliance on such forward-looking statements. No statement in this communication is intended to be a profit forecast.

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