TIGER BRANDS

Unaudited group results and dividend declaration for the six months ended 31 March 2019

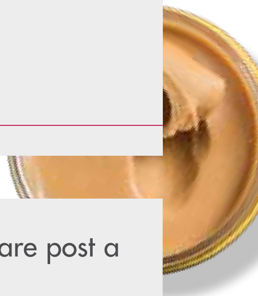
Salient features

Revenue of **R15,4 billion** from continuing operations down 2% (excluding VAMP up 4%)

Ordinary dividend of 321 cps

Special dividend of **306 cps**

Total interim dividend of **627 cps**



Home and Personal Care post a strong recovery

Operating income*

R1,5 billion down 24% (excluding VAMP down 9%)

HEPS from continuing operations down 12% to **762 cents** (excluding Oceana impact down 2%)

Oceana unbundling impacts like-for-like comparison

* *Before IFRS 2 charges, impairments and abnormal items from continuing operations.*

Tiger Brands delivers a mixed set of results under difficult trading conditions

During the period under review, the trading environment remained difficult, with continued pressure on consumer spending, resulting in sales volume increases in the domestic business while low price inflation impacted margins. Group revenue of R15,4 billion from continuing operations was down 2% compared with the corresponding period last year, which included Easter seasonal volumes. Domestic revenue excluding Value Added Meat Products (VAMP) was 6% higher driven by 2% volume growth and 4% inflation. Revenue from Exports and International for the period under review declined by 11% to R1,7 billion. This was primarily due to lower Export volumes and price deflation in international markets.

Operating income before IFRS 2 charges from continuing operations decreased by 24% to R1,5 billion. This decrease was driven largely by VAMP and Grains, but partially offset by significantly lower losses in Deli Foods and the Deciduous Fruit business. Operating income from continuing operations, excluding VAMP, declined by 9% to R1,8 billion.

Strong volume performances were recorded in Beverages, Home Care, Baby Care, and Groceries, offset by a 1,2% decline in Grains volumes. All categories, except sorghum-based products, maize, pasta and Baby Care recorded selling price inflation. However, price increases were not sufficient to fully recover cost increases, resulting in negative operating leverage. Power outages and social unrest continued to interrupt operations.

During the period, goodwill of R100 million in respect of Davita was impaired. This arose as a result of the consistent risks associated with key export markets, with lower sales projected for Nigeria and Mozambique, as well as lower sales forecasted for the powdered seasoning brand, Benny.

On 24 January 2019, Tiger Brands advised shareholders that it had received and accepted a conditional but binding offer from Brimstone Investment Corporation Limited (Brimstone) to acquire 8 000 000 shares in Oceana (Brimstone sale). The Brimstone sale was concluded on 20 March 2019, giving rise to an after-tax capital profit of R282 million. The total abnormal profits of R329 million recorded at the half-year, include the after-tax profit from the Brimstone sale, as well as R100 million in insurance proceeds related to the temporary shutdown of the VAMP facilities last year. These gains were partially offset by costs related to the delayed re-opening of VAMP as well as retrenchment costs in other businesses.

Net financing costs of R26 million (2018: R45 million), reflect a reduction of R19 million compared to the same period last year. This was primarily due to a lower net foreign exchange loss of R6 million in the current period.

Income from associates decreased by 41% to R200 million. As previously reported, following the decision to unbundle the company's investment in Oceana, the company ceased to equity account the earnings of Oceana with effect from 1 December 2018. The unbundling was concluded on 29 April 2019, being the implementation date of the unbundling. The total income from associates is therefore not strictly comparable with the corresponding period last year. Excluding the contribution from Oceana in both periods, income from associates reflects an overall improvement on the previous period. Carozzi and UAC Foods produced solid performances, with National Foods Holdings (NFH) performing satisfactorily in the current period.

The ongoing forex liquidity challenges in Zimbabwe have intensified significantly over the last six months. The challenge of trading sustainably in this environment for NFH has been exacerbated by the delays of the Reserve Bank of Zimbabwe in making payments of debts to the major supplier of NFH, which were assumed by the Reserve Bank of Zimbabwe as part of a funding agreement concluded during the period under review.

Profit before tax from continuing operations improved marginally to R1,9 billion.

Earnings per share (EPS) from continuing operations increased marginally to 864 cents (2018: 852 cents), assisted by the abnormal capital profit from the Brimstone sale. Headline earnings per share (HEPS) from continuing operations was down 12% to 762 cents (2018: 868 cents). The capital profit from the Brimstone sale is excluded for headline earnings purposes. EPS from total operations increased marginally to 864 cents (2018: 859 cents), while HEPS from total operations decreased by 12% to 762 cents (2018: 870 cents).

Adjusted earnings and headline earnings

Non-IFRS measures such as adjusted earnings and/or headline earnings are considered pro forma financial information as per the JSE Listings Requirements. The pro forma financial information is the responsibility of the group's board of directors and is presented for illustrative purposes only. Due to its nature, adjusted profit should not be considered as a representation of earnings. This pro forma financial information has not been reported on by the company's auditors.

Adjusting for the impact of VAMP, Oceana and the capital profit arising from the Brimstone sale, attributable earnings from continuing operations declined by 15% compared to the reported increase of 3%.

At a headline earnings level, the adjusted headline earnings from continuing operations reflect a decline of 8% compared to the reported decline of 11%.

The reconciling items between reported earnings and adjusted earnings are set out in the tables below.

Table 1: Adjusted earnings from continuing operations

R'million	H1 2019	H1 2018	Change %
Earnings as reported	1 431	1 396	3
Oceana equity-accounted earnings	(31)	(178)	
Oceana – profit on sale of shares to Brimstone	(282)	–	
Adjusted earnings – excluding Oceana	1 118	1 218	(8)
VAMP – after-tax trading loss/(profit)	205	(9)	
VAMP – (abnormal items after tax)/recall costs	(48)	289	
Adjusted earnings (excluding VAMP and Oceana)	1 275	1 498	(15)

Table 2: Adjusted headline earnings from continuing operations

R'million	H1 2019	H1 2018	Change %
Headline earnings as reported	1 262	1 423	(11)
Oceana equity-accounted earnings	(31)	(178)	
Oceana – profit on sale of shares to Brimstone	–	–	
Adjusted headline earnings – excluding Oceana	1 231	1 245	(1)
VAMP – after-tax trading loss/(profit)	205	(9)	
VAMP – (abnormal items after tax)/recall costs	(54)	263	
Adjusted headline earnings (excluding VAMP and Oceana)	1 382	1 499	(8)

Operating performance

Grains

Revenue in the Grains division increased by 2% to R6,7 billion, while operating income decreased by 25% to R788 million.
Milling & Baking's revenue increased by 2%, with selling prices increasing by 4% across the segment and volumes showing an overall decline of 2%. Operating income declined by 23% to R636 million, influenced primarily by maize, which was unable to sustain the performance of the corresponding period last year, as well as sorghum-based products, due to lower volumes and higher conversion costs.

Higher price realisations in the wheat-to-bread value chain were not enough to recover cost increases, particularly in distribution, and this led to some margin compression.

Other Grains grew revenue marginally to R2,1 billion. Operating income decreased by 31% to R152 million, with Jungle, pasta and rice all showing declines. Pasta reflected a sharp decline in profitability, being negatively impacted by significantly cheaper imports, increased promotional activity and higher distribution costs.

Consumer Brands – Food

Consumer Brands – Food (excluding VAMP) delivered solid growth across the businesses, with Beverages enjoying a particularly strong performance. Total revenue increased 8% to R5,4 billion, while operating income fell by 10% to R628 million.

Groceries revenue increased by 8% to R3 billion, underpinned by volume growth of 3% and price inflation of 5%. Despite higher revenue, operating income was adversely impacted by the effect of a three-week strike at the start of the year, which resulted in factory under recoveries. Operating income declined by 12% to R233 million.

Revenue at Snacks & Treats increased by 7% to R1,2 billion, driven by volume growth of 5% and average price increases of 2%. Volume growth was achieved primarily by chocolate and snacking, with encouraging growth also recorded in key sugar brands due to product innovation. Operating income, however, decreased by 14% to R168 million as a result of higher conversion costs and the impact of load shedding on factory efficiencies.

The Beverages business delivered strong revenue growth of 15% to R905 million, benefiting from volume growth of 12%. However, operating income declined by 2% to R178 million mainly as a result of an unfavourable sales mix.

VAMP's performance was impacted by challenges in managing the factory's re-opening and product launch logistics, which affected service levels. Revenue declined by 79% to R213 million. The lower factory throughput and delayed re-opening resulted in higher costs. This, together with higher raw material costs, led to an operating loss of R296 million (2018: R13 million profit). Service levels and product launch logistics have improved significantly and will result in an improved performance in the second half.

Home, Personal Care and Baby (HPCB)

HPCB's overall revenue increased by 19% to R1,5 billion and operating income increased by 50% to R295 million.

The Home Care category delivered a strong recovery, with total volumes increasing by 11%. Revenue was further enhanced by price inflation of 19%. Operating income increased strongly by 85% to R200 million as result of the additional volumes, an improved product mix and reduced promotional spend, while the higher production volumes had a positive effect on factory recoveries.

Revenue in the Personal Care category increased by 2% to R304 million, driven by inflation of 3%, partly offset by lower volumes. Operating income increased by 6% to R27 million.

Baby Care grew revenue by 22% to R476 million, with the nutrition segment performing particularly well. A strong volume performance was driven by baby food, which continued to grow ahead of the market and benefited from gains in distribution, improved in-store execution and the successful launch of new variants. The benefit of the improved volumes was partially offset by higher conversion costs. This led to an increase in operating income of 8% to R68 million.

Exports and International

Total revenue for the Exports and International businesses declined by 11% to R1,7 billion, compared with the corresponding period last year. The adverse performance of Exports was more than offset by the significant reduction in operating losses from the Deciduous Fruit business and Deli Foods, resulting in operating income increasing by 62%. This division continued to be negatively impacted by the challenging trading conditions in key export regions, particularly Nigeria and Mozambique as well as ongoing foreign currency shortages in other export regions impacting distributors' ability to meet demand.

The performance of Deli Foods in Nigeria improved overall. Revenue increased by 22% to R69 million, while the operating loss declined to R10 million from R31 million in the comparable period, as a result of improved volumes and operational efficiencies.

Chococam, which is based in Cameroon, recorded an improved sales performance on translation, due to rand weakness. Revenue increased by 5% in rand terms but declined by 1% in constant currency terms due to lower volumes. Operating income in constant currency terms increased by 3%, assisted by tight management of costs, and by 11% on conversion into rand.

In the Exports business (including Davita), revenue decreased to R793 million from R898 million in the corresponding period last year. Operating income declined by 32% to R76 million due to the reduced revenue, compounded by an adverse product mix and higher costs.

Revenue in the Deciduous Fruit business declined by 4% to R611 million, due primarily to lower opening stocks as a result of the drought in the Western Cape last year. The business reported a significantly reduced operating loss of R12 million (2018: R72 million), driven by the weaker rand as well as enhanced factory efficiencies.

Cash flow and capital expenditure

Cash generated from operations decreased to R1,4 billion (2018: R1,5 billion). This was primarily due to a 21% decline in cash operating profit, which was largely offset by a significantly lower increase in the investment in working capital. The net cash movement from investing activities benefited from the receipt of the proceeds of R581 million on the Brimstone sale. Capital expenditure incurred during the period amounted to R361 million (2018: R297 million). The group closed the half-year in a net cash position of R777 million compared to a net borrowing position of R165 million at 31 March 2018.

Ordinary and special dividend

The company has declared an ordinary dividend of 321 cents per share for the six-month period ended 31 March 2019, which represents a 15% decrease on the interim dividend of 378 cents per share declared last year. The lower ordinary dividend takes into account the recent change in the group's dividend policy to a cover of 1,75 times, and is calculated off the reduced headline earnings base in this period.

In addition, the company has declared a special dividend of 306 cents per share as a result of the once-off proceeds received from the Brimstone sale. The payment of the special dividend is subject to South African Reserve Bank approval.

Shareholders are referred to the accompanying announcement for further details.

Outlook

We continue to focus on positioning the business for the future and are confident that our strategies remain compelling. Embedding the operating model remains a priority as is driving the cultural transformation that will result in a more agile and flexible organisation.

In tandem with the above, we will review processes, structures and overhead costs to identify opportunities that will improve operational efficiencies and reduce our cost base, particularly as selling price inflation across the portfolio is expected to remain low against a backdrop of constrained consumer spending.

Listeria update

Shareholders are referred to the SENS announcement issued by the company on 17 April 2019 with regards to the serving of the Class Action summons.

As previously confirmed, the company has product liability insurance cover appropriate for a group of its scale. Coverage is subject to the terms and limits of the policy. Our insurers have advised that the product liability policy does not include cover for exemplary or punitive damages, should such an award be made by the court, and in addition, should an award be made for Constitutional damages, the product liability policy will not cover that portion of the award which relates to exemplary or punitive damages which are not compensatory in nature. The company reserves its rights in this regard.

On 2 May 2019, the company filed the required notice with the Registrar of the High Court, Gauteng Local Division, Johannesburg, of its intention to defend the Class Action. When appropriate, it will issue further communication as material milestones in the legal process are reached.

By order of the board

KDK Mokhele
Chairman

LC Mac Dougall
Chief Executive Officer

Bryanston
21 May 2019

Date of release: 22 May 2019

Declaration of ordinary and special dividend

The board has approved and declared an ordinary and a special dividend for the six months ended 31 March 2019, as follows:

Dividend	Gross amount	Withholding tax %	Net amount
Ordinary	321 cents	20	256,8 cents
Special	306 cents	20	244,8 cents

Payment of the special dividend is subject to South African Reserve Bank (SARB) approval.

In accordance with paragraphs 11.17(a)(i) to (x) and 11.17(c) of the JSE Listings Requirements the following additional information is disclosed:

- The dividend has been declared out of income reserves;
- The local dividends tax rate is 20% (twenty per centum);
- Tiger Brands has 189 818 926 ordinary shares in issue (which includes 10 326 758 treasury shares); and
- Tiger Brands Limited's income tax reference number is 9325/110/71/7.

Shareholders are advised of the following dates in respect of the ordinary and special dividend:

Declaration date	Tuesday, 22 May 2019
Finalisation announcement in respect of the special dividend, due to the receipt of SARB approval	Tuesday, 18 June 2019
Last day to trade cum the ordinary and special dividend	Tuesday, 25 June 2019
Shares commence trading ex the ordinary and special dividend	Wednesday, 26 June 2019
Record date to determine those shareholders entitled to the ordinary and special dividend	Friday, 28 June 2019
Payment in respect of the ordinary and special dividend	Monday, 1 July 2019

Share certificates may not be dematerialised or rematerialised between Wednesday, 26 June 2019 and Friday, 28 June 2019, both days inclusive.

By order of the board

JK Monaisa
Company secretary
Bryanston

21 May 2019

Interim condensed consolidated income statement

R'million	Notes	Unaudited six months ended 31 March 2019	Unaudited six months ended 31 March 2018	Audited year ended 30 September 2018
Continuing operations				
Revenue		15 402,1	15 685,2	28 473,9
Cost of sales		(10 579,8)	(10 467,9)	(19 229,5)
Gross profit		4 822,3	5 217,3	9 244,4
Sales and distribution expenses		(2 015,2)	(1 905,3)	(3 675,8)
Marketing expenses		(486,9)	(502,1)	(844,7)
Other operating expenses		(804,3)	(811,8)	(1 485,1)
Operating income before impairments and abnormal items	2	1 515,9	1 998,1	3 238,8
Impairments	3	(106,0)	(29,7)	(261,6)
Abnormal items	4	328,9	(362,9)	(422,1)
Operating income after impairments and abnormal items		1 738,8	1 605,5	2 555,1
Net finance costs and investment income	5	(26,1)	(44,6)	(31,7)
Income from associated companies		200,0	341,2	730,7
Profit before taxation		1 912,7	1 902,1	3 254,1
Taxation		(468,5)	(492,1)	(837,0)
Profit for the period from continuing operations		1 444,2	1 410,0	2 417,1
Discontinued operation				
Profit for the period from discontinued operation		–	14,2	14,2
Profit for the period		1 444,2	1 424,2	2 431,3
Attributable to:				
Owners of the parent		1 431,3	1 406,5	2 401,1
– Continuing operations		1 431,3	1 395,6	2 390,2
– Discontinued operation		–	10,9	10,9
Non-controlling interests		12,9	17,7	30,2
– Continuing operations		12,9	14,4	26,9
– Discontinued operation		–	3,3	3,3
		1 444,2	1 424,2	2 431,3

R'million	Unaudited six months ended 31 March 2019	Unaudited six months ended 31 March 2018	Audited year ended 30 September 2018
Basic earnings per ordinary share (cents)	864,3	858,5	1 457,7
– Continuing operations	864,3	851,8	1 451,1
– Discontinued operation	–	6,7	6,6
Diluted basic earnings per ordinary share (cents)	860,9	853,3	1 451,2
– Continuing operations	860,9	846,7	1 444,6
– Discontinued operation	–	6,6	6,6
Headline earnings per ordinary share (cents)	761,9	870,4	1 588,8
– Continuing operations	761,9	868,3	1 586,7
– Discontinued operation	–	2,1	2,1
Diluted headline earnings per ordinary share (cents)	759,0	865,3	1 581,7
– Continuing operations	759,0	863,2	1 579,6
– Discontinued operation	–	2,1	2,1

Interim condensed consolidated statement of comprehensive income

R'million	Unaudited six months ended 31 March 2019	Unaudited six months ended 31 March 2018	Audited year ended 30 September 2018
Profit for the period	1 444,2	1 424,2	2 431,3
Other comprehensive loss, net of tax	(133,3)	(717,3)	(108,5)
Net gain/(loss) on hedge of net investment in foreign operation^	0,7	(15,3)	(7,9)
Foreign currency translation adjustments^	(29,3)	(45,2)	24,0
Share of associates' other comprehensive loss and FCTR^	(121,2)	(680,3)	(171,1)
Net gain/(loss) on cash flow hedges^	13,8	(7,3)	26,5
Net gain on available for sale/FVOCI* financial assets	2,9	32,4	8,6
Remeasurement raised in terms of IAS 19R	–	–	20,9
Tax effect	(0,2)	(1,6)	(9,5)
Total comprehensive income for the period, net of tax	1 310,9	706,9	2 322,8
Attributable to:			
Owners of the parent	1 305,1	696,1	2 283,9
Non-controlling interests	5,8	10,8	38,9
	1 310,9	706,9	2 322,8

^ *Items that may be subsequently reclassified to profit or loss including the related tax effects. During the current period, R26,4 million of the foreign currency translation reserve, relating to the sale of 8 000 000 Oceana shares to Brimstone, was reclassified to profit or loss, as well as R0,9 million (2018: R3,1 million) on the available-for-sale financial asset derecognised in terms of the Black Managers Trust Participation Rights Scheme was reclassified to profit or loss.*

* *FVOCI – fair value through other comprehensive income.*

Interim condensed consolidated statement of financial position

R'million	Note	Unaudited six months ended 31 March 2019	Unaudited six months ended 31 March 2018	Audited year ended 30 September 2018
ASSETS				
Non-current assets		10 684,6	12 570,1	13 165,4
Property, plant and equipment		4 660,8	4 551,4	4 599,2
Goodwill		1 588,7	1 761,2	1 695,4
Intangible assets		1 746,1	1 803,9	1 751,8
Investments		2 675,3	4 414,4	5 102,2
Deferred taxation asset		13,7	39,2	16,8
Current assets		10 823,6	11 029,6	10 763,0
Inventories		5 360,3	4 920,9	5 064,0
Trade and other receivables		4 574,7	4 999,9	4 117,9
Cash and cash equivalents		888,6	1 108,8	1 581,1
Assets classified as held-for-sale	6	2 000,5	–	–
TOTAL ASSETS		23 508,7	23 599,7	23 928,4
EQUITY AND LIABILITIES				
Total equity		17 563,8	16 469,2	17 465,2
Issued capital and reserves		17 395,9	16 312,7	17 302,0
Non-controlling interests		167,9	156,5	163,2
Non-current liabilities		1 068,6	990,7	1 062,2
Deferred taxation liability		365,3	355,3	370,4
Provision for post-retirement medical aid		628,5	633,4	617,5
Long-term borrowings		74,8	2,0	74,3
Current liabilities		4 876,3	6 139,8	5 401,0
Trade and other payables		4 287,7	4 314,2	3 841,5
Provisions		525,3	547,5	523,2
Taxation		26,8	6,7	119,4
Short-term borrowings		36,5	1 271,4	916,9
TOTAL EQUITY AND LIABILITIES		23 508,7	23 599,7	23 928,4
Net (cash)/debt		(777,3)	164,6	(589,9)

Interim condensed consolidated statement of cash flows

R'million	Unaudited six months ended 31 March 2019	Unaudited six months ended 31 March 2018	Audited year ended 30 September 2018
Cash operating profit	1 871,5	2 366,2	3 857,4
Working capital changes	(515,8)	(894,4)	(573,2)
Cash generated from operations	1 355,7	1 471,8	3 284,2
Finance income and income from investments	56,8	81,0	35,1
Finance costs	(84,4)	(119,8)	(114,1)
Dividends received from associate companies	176,1	–	178,5
Taxation paid	(550,7)	(555,6)	(780,6)
Cash available from operations	953,5	877,4	2 603,1
Dividends paid	(1 193,2)	(1 193,7)	(1 854,5)
Net cash (outflow)/inflow from operating activities	(239,7)	(316,3)	748,6
Purchase of property, plant and equipment	(361,2)	(296,9)	(719,6)
Proceeds on sale of investment in associate	581,4	–	–
Proceeds from insurance claims	–	–	11,7
Net cash on disposal of subsidiary	255,9*	103,5	103,4
Proceeds from disposal of property, plant, equipment and intangible assets	–	7,4	5,6
Net cash inflow/(outflow) from investing activities	476,1	(186,0)	(598,9)
Net cash inflow/(outflow) before financing activities	236,4	(502,3)	149,7
Black Managers Trust (BMT) shares exercised	3,4	15,0	17,9
Shares exercised relating to equity-settled scheme	(25,9)	(41,6)	(46,6)
Repurchase of Tiger Brands shares	–	(6,5)	(6,5)
Long-term borrowings (repaid)/raised	(2,1)	–	86,3
Short-term borrowings raised/(repaid)	32,3	8,4	(52,9)
Net cash inflow/(outflow) from financing activities	7,7	(24,7)	(1,8)
Net increase/(decrease) in cash and cash equivalents	244,1	(527,0)	147,9
Effect of exchange rate changes on cash and cash equivalents	(24,7)	(60,4)	35,0
Cash and cash equivalents at the beginning of the period	669,2	486,3	486,3
Cash and cash equivalents at the end of the period	888,6	(101,1)	669,2
Cash resources	888,6	1 108,8	1 581,1
Short-term borrowings regarded as cash and cash equivalents	–	(1 209,9)	(911,9)
	888,6	(101,1)	669,2

* *The second tranche received from East African Group (EAG) on the sale of East African Tiger Brands Industries Plc. (EATBI) in 2017.*

Other salient features

R'million	Unaudited six months ended 31 March 2019	Unaudited six months ended 31 March 2018	Audited year ended 30 September 2018
Capital commitments	1 408,0	1 877,5	1 876,4
– Contracted	325,7	502,5	96,5
– Approved	1 082,3	1 375,0	1 779,9
Capital commitments will be funded from normal operating cash flows and the utilisation of existing borrowing facilities.			
Capital expenditure	361,2	296,9	719,6
– Replacement	180,1	224,0	496,3
– Expansion	181,1	72,9	223,3
Contingent liabilities			
– Guarantees and contingent liabilities	84,4	27,7	30,0

The increase relates to the unutilised portion of the corporate guarantee for the Deli Foods (Nigeria) Limited facility.

Interim condensed consolidated statement of changes in equity

R'million	Share capital and premium	Non-distributable reserves	Accumulated profits
Balance at 1 October 2017	148,5	3 040,0	15 544,5
Profit for the period	–	–	1 406,5
Other comprehensive loss	–	(710,4)	–
Total comprehensive (loss)/income	–	(710,4)	1 406,5
Disposal of subsidiary	–	(13,2)	–
Transfers between reserves	–	341,2	(352,7)
Share-based payment[1]	–	–	–
Dividends on ordinary shares (net of dividend on treasury shares)	–	–	(1 189,9)
Sale of empowerment shares[2]	–	–	–
Repurchase of Tiger Brands shares	(6,5)	–	–
Balance at 31 March 2018	142,0	2 657,6	15 408,4
Profit for the period	–	–	994,6
Other comprehensive income	–	578,1	15,1
Total comprehensive income	–	578,1	1 009,7
Disposal of subsidiary	–	–	–
Transfers between reserves	–	196,9	(197,6)
Share-based payment[1]	–	–	–
Dividends on ordinary shares (net of dividend on treasury shares)	–	–	(639,4)
Sale of empowerment shares[2]	–	–	–
Repurchase of Tiger Brands shares	–	–	–
Balance at 30 September 2018	142,0	3 432,6	15 581,1
Profit for the period	–	–	1 431,3
Other comprehensive loss	–	(126,2)	–
Total comprehensive (loss)/income	–	(126,2)	1 431,3
Disposal of subsidiary	–	–	–
Transfers between reserves[3]	–	26,4	(21,0)
Share-based payment[1]	–	–	–
Dividends on ordinary shares (net of dividend on treasury shares)	–	–	(1 192,1)
Sale of empowerment shares[2]	–	–	–
Disposal of investment in associate[4]	–	(26,4)	–
Balance at 31 March 2019	142,0	3 306,4	15 799,3

[1] *Included in the movement of the share-based payment are options exercised amounting to R25,9 million (2018: R41,6 million).*

[2] *Relates to the exercising of options vested post the December 2014 lock-in period in terms of the Black Managers Participation Right Scheme (BMT). In the current year, R1,5 million related to BMT I.*

[3] *Transfer between reserves relate to the share of associates earnings and the exercised portion of IFRS 2.*

[4] *Relates to release of the previously equity accounted FCTR on Oceana for the 8 000 000 Oceana shares sold to Brimstone.*

Shares held by subsidiary and empowerment entities	Share-based payment reserve	**Total attributable to owners of the parent**	Non-controlling interests	**Total equity**
(2 489,2)	560,0	16 803,8	257,4	17 061,2
–	–	1 406,5	17,7	1 424,2
–	–	(710,4)	(6,9)	(717,3)
–	–	696,1	10,8	706,9
–	–	(13,2)	(94,5)	(107,7)
–	11,5	–	–	–
–	(3,8)	(3,8)	–	(3,8)
–	–	(1 189,9)	(3,8)	(1 193,7)
26,2	–	26,2	(13,4)	12,8
–	–	(6,5)	–	(6,5)
(2 463,0)	567,7	16 312,7	156,5	16 469,2
–	–	994,6	12,5	1 007,1
–	–	593,2	15,6	608,8
–	–	1 587,8	28,1	1 615,9
–	–	–	–	–
–	0,7	–	–	–
–	43,0	43,0	–	43,0
–	–	(639,4)	(15,9)	(655,3)
(2,1)	–	(2,1)	(5,5)	(7,6)
–	–	–	–	–
(2 465,1)	611,4	17 302,0	163,2	17 465,2
–	–	1 431,3	12,9	1 444,2
–	–	(126,2)	(7,1)	(133,3)
–	–	1 305,1	5,8	1 310,9
–	–	–	–	–
–	(5,4)	–	–	–
–	5,8	5,8	–	5,8
–	–	(1 192,1)	(1,1)	(1 193,2)
1,5	–	1,5	–	1,5
–	–	(26,4)	–	(26,4)
(2 463,6)	611,8	17 395,9	167,9	17 563,8

Interim condensed consolidated segmental information

R'million	Unaudited six months ended 31 March 2019	Unaudited six months ended 31 March 2018	Audited year ended 30 September 2018
Revenue			
Domestic operations	13 724,0	13 793,1	24 706,5
Grains	6 697,3	6 594,2	12 753,5
Milling and baking[1]	4 566,0	4 472,7	8 889,2
Other Grains[2]	2 131,3	2 121,5	3 864,3
Consumer Brands – Food	5 572,2	5 978,4	9 727,4
Groceries	2 981,6	2 749,3	4 747,5
Snacks & Treats	1 204,4	1 129,0	2 060,6
Beverages	905,4	786,5	1 294,7
Value Added Meat Products	212,6	1 037,0	1 065,5
Out of Home	268,2	276,6	559,1
Home, Personal Care and Baby (HPCB)	1 454,5	1 220,5	2 225,6
Home Care	675,1	534,1	814,2
Personal Care	303,5	296,3	615,5
Baby Care	475,9	390,1	795,9
Exports and International	1 678,1	1 892,1	3 767,4
Exports	792,6	897,5	1 820,4
International operations			
– Central Africa (Chococam)	463,5	440,7	881,7
– West Africa (Deli Foods)	68,8	56,5	109,2
Deciduous Fruit (LAF)	610,8	639,2	1 303,9
Other intergroup sales	(257,6)	(141,8)	(347,8)
Continuing operations	15 402,1	15 685,2	28 473,9
Discontinued operation – East Africa	–	42,9	42,9
TOTAL REVENUE	15 402,1	15 728,1	28 516,8

R'million	Unaudited six months ended 31 March 2019	Unaudited six months ended 31 March 2018	Audited year ended 30 September 2018
Operating income before impairments and abnormal items[3]			
Domestic operations	1 412,0	1 956,3	3 050,8
Grains	788,3	1 046,6	1 886,0
Milling and baking[1]	636,2	826,2	1 544,2
Other Grains[2]	152,1	220,4	341,8
Consumer Brands – Food	332,7	714,7	827,9
Groceries	232,5	263,6	432,4
Snacks & Treats	167,6	194,4	304,8
Beverages	178,4	182,0	212,5
Value Added Meat Products	(295,7)	13,4	(252,0)
Out of Home	49,9	61,3	130,2
Home, Personal Care and Baby (HPCB)	294,8	196,4	341,4
Home Care	199,5	107,6	144,2
Personal Care	27,2	25,6	64,7
Baby Care	68,1	63,2	132,5
Other[4]	(3,8)	(1,4)	(4,5)
Exports and International	137,7	85,1	269,9
Exports	76,0	111,7	289,7
International operations			
– Central Africa (Chococam)	84,2	75,7	159,0
– West Africa (Deli Foods)	(10,2)	(30,6)	(50,5)
Deciduous Fruit (LAF)	(12,3)	(71,7)	(128,3)
Operating income before IFRS 2 charges from continuing operations	1 549,7	2 041,4	3 320,7
IFRS 2 charges	(33,8)	(43,3)	(81,9)
Operating income after IFRS 2 charges from continuing operations	1 515,9	1 998,1	3 238,8
Discontinued operation – East Africa	–	11,0	11,0
TOTAL OPERATING INCOME	1 515,9	2 009,1	3 249,8

[1] *Comprises maize milling, wheat milling and baking, sorghum beverages and malt-based breakfast cereals.*

[2] *Comprises rice, pasta and oat-based breakfast cereals.*

[3] *Operating income is stated after amortisation of intangible assets.*

[4] *Includes the corporate office and management expenses relating to international investments.*

All segments operate on an arm's length basis in relation to intersegment pricing.

1. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

The preparation of these results has been supervised by Noel Doyle, Chief Financial Officer of Tiger Brands Limited.

The condensed consolidated interim results for the six months ended 31 March 2019 have been prepared in accordance with the International Financial Reporting Standard, IAS 34 *Interim Financial Reporting*, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the South African Companies Act No 71 of 2008 and the Listings Requirements of the JSE Limited. These statements have not been audited or reviewed.

The accounting policies adopted in the preparation of the condensed consolidated interim results are consistent with those applied in preparation of the group's annual consolidated financial statements for the year ended 30 September 2018, except for IFRS 9 *Financial Instruments* which was adopted 1 October 2018 and applied using a modified retrospective approach. The majority of the group's financial instruments measured at fair value in terms of IFRS 13, are noted as level 1 hierarchy, which are valued based on quoted market prices.

R'million	**Unaudited six months ended 31 March 2019**	Unaudited six months ended 31 March 2018	Audited year ended 30 September 2018
2. OPERATING INCOME BEFORE IMPAIRMENTS AND ABNORMAL ITEMS			
Depreciation (included in cost of sales and other operating expenses)	**(301,8)**	(294,3)	(593,1)
Amortisation	**(4,5)**	(5,5)	(9,8)
IFRS 2 (included in other operating expenses)			
– Equity settled	**(31,7)**	(37,9)	(85,8)
– Cash settled	**(2,1)**	(5,4)	3,9

3. IMPAIRMENT

Goodwill and indefinite useful life intangible assets are tested for impairment annually (as at 30 September) and when circumstances that indicate the carrying value may be impaired. The group's impairment tests for goodwill and intangible assets with indefinite useful lives are based on the value-in-use calculations. The key assumptions used to determine the recoverable amount for the different cash-generating units were disclosed in the annual consolidated financial statements for the year ended 30 September 2018. During the current period, goodwill relating to VAMP (R6,0 million) and Davita (R100,0 million) was impaired.

3. IMPAIRMENT continued

Davita is included in the Exports and International cash-generating unit. The impairment arose as a result of the consistent risks associated with key export markets, with lower sales projected for Nigeria and Mozambique, as well as lower sales forecasted for the powdered seasoning brand, Benny. All assumptions have remained in line with the prior year as disclosed in the 2018 annual financial statements, however the post-tax discount rate utilised for the purposes of the impairment testing has been revised to 16,9% (2018: 17,9%). A +1%/-1% change in the post-tax discount rate would result in an approximately +/–R100 million change in the valuation.

R'million	Unaudited six months ended 31 March 2019	Unaudited six months ended 31 March 2018	Audited year ended 30 September 2018
Impairment of intangible assets	(106,0)	(19,3)	(144,3)
Impairment of property, plant and equipment	–	(10,4)	(103,3)
Impairment of other assets	–	–	(14,0)
	(106,0)	(29,7)	(261,6)
4. ABNORMAL ITEMS			
Profit on sale of shares in associate investment	281,9	–	–
Proceeds from VAMP recall insurance claim	99,9	50,0	50,0
VAMP recall cost provision	(25,0)	(415,2)	(430,0)
Restructuring and related costs	(27,9)	–	(57,9)
Proceeds from insurance claim	–	–	13,5
Profit on disposal of property	–	2,3	2,3
	328,9	(362,9)	(422,1)
5. NET FINANCE COSTS AND INVESTMENT INCOME			
Net interest paid	(22,2)	(29,2)	(54,7)
Net foreign exchange (loss)/profit	(6,4)	(17,5)	20,5
Investment income	2,5	2,1	2,5
Net financing costs	(26,1)	(44,6)	(31,7)

6. UNBUNDLING OF OCEANA

As a consequence of the decision taken to unbundle the company's investment in Oceana, the company ceased to equity account the earnings of Oceana with effect from 1 December 2018. From this date, the investment has been accounted for as a held-for-sale asset on the balance sheet. The Brimstone sale was concluded on 20 March 2019. The total sale consideration amounted to R581,4 million, giving rise to a capital profit of R281,9 million and a release of R26,4 million on FCTR. Following the completion of the Brimstone sale, the board proceeded with the unbundling of the remaining Oceana shareholding to Tiger Brands shareholders.

R'million	Unaudited six months ended 31 March 2019	Unaudited six months ended 31 March 2018	Audited year ended 30 September 2018
7. RECONCILIATION BETWEEN PROFIT FOR THE PERIOD AND HEADLINE EARNINGS			
Continuing operations			
Profit for the year attributable to owners of the parent	1 431,3	1 395,6	2 390,2
Profit on sale of shares in associate investment	(281,9)	–	–
Impairment of intangible assets	106,0	19,3	144,3
Impairment of property, plant and equipment	–	8,5	88,8
Loss/(profit) on disposal of plant, equipment and vehicles	0,1	0,5	(1,6)
Impairment of other assets	–	–	3,4
Proceeds from insurance claims	–	–	(7,6)
Headline earnings adjustment – associates			
– Impairment of assets	6,3		
– Profit on sale of non-current assets	–	(1,2)	(1,2)
– Profit on disposal of business	–	–	(2,8)
Headline earnings for the period	1 261,8	1 422,7	2 613,5
Tax effect of headline earnings	–	2,3	(9,7)
Attributable to non-controlling interest	–	–	–
Discontinued operation			
Profit for the year attributable to owners of the parent	–	10,9	10,9
Profit on disposal of subsidiary	–	(7,5)	(7,5)
Headline earnings for the period	–	3,4	3,4

8. ADOPTION OF IFRS 9

IFRS 9 replaces IAS 39 and addresses the classification, measurement and derecognition of financial assets and liabilities. IFRS 9 introduces new rules for hedge accounting and a new impairment model for financial assets.

The group has adopted IFRS 9 and applied the new rules using a modified retrospective approach from 1 October 2018. Comparatives for 2018 have not been restated. In terms of IFRS 9, the group has applied the expected credit loss (ECL) model rather than the incurred loss model. The calculation of ECLs incorporates forward looking variables which include potential risks in the current economic environment, historic trends and expert management judgement. The group did not present an adjustment to opening retained earnings and its impairment losses/reversals determined in accordance with IFRS 9 separately in the statement of profit or loss as the amounts are not material. As the remeasurement on available-for-sale investments have previously gone through other comprehensive income, there is no change in terms of IFRS 9 for FVOCI.

9. IFRS 16 LEASES

IFRS 16 introduces significant changes to lessee accounting as it removes the distinction between operating and finance leases under IAS 17 and requires a lessee to recognise a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. IFRS 16 will be effective for the group for the financial year commencing 1 October 2019.

IFRS 16 will impact most significantly the group's leases relating to property, plant, equipment and vehicles. The group has elected to apply IFRS 16 using the modified retrospective approach. As prescribed by IFRS 16, lease liabilities are measured at the present value of remaining lease payments discounted at the incremental borrowing rate at the date of initial application. Tiger Brands has elected to measure right-of-use assets on transition date at their carrying amounts as if IFRS 16 had applied since the lease commencement dates, discounted using the incremental borrowing rate at the date of initial application. Right-of-use assets relating to new leases are measured at the amount of initial measurement of the lease liability plus initial direct costs. As part of the modified retrospective transition approach, Tiger Brands has elected to apply the practical expedient which allows a single discount rate to be applied to a portfolio of leases with reasonably similar characteristics.

As an accounting policy election, Tiger Brands has applied the following recognition exemptions which allow for certain lease payments to be expensed over the lease term as opposed to recognising a right-of-use asset and related lease liability on the lease commencement date:

- Short-term leases – these are leases with a lease term of 12 months or less; and
- Leases of low value assets – these are leases where the underlying asset is of low value.

The company has not yet determined the exact quantitative impact of applying IFRS 16, however, the operating lease commitment disclosure provided in the September 2018 financial statements provides a good indication to the extent of the potential impact.

10. NATIONAL FOODS HOLDINGS LIMITED (NFH)

Given the developments in Zimbabwe since October 2018, it became necessary to reconsider the functional currency of NFH. NFH operates in Zimbabwe and its key operations are driven by local currency transactions. It was determined that the functional currency changed from USD to real time gross settlement (RTGS) dollar. As a result, the RTGS equity-accounted earnings from October to March were translated at an equivalent ZAR parallel rate as this represents the most appropriate rate when applying the guidance in IAS 21.

11. SUBSEQUENT EVENTS

On 3 April 2019, the board formally approved the unbundling of the remaining 49 104 774 shares that the company holds in Oceana (equating to approximately 36,2% of the issued share capital of Oceana) (the unbundled shares) by way of a distribution in specie in terms of the company's memorandum of incorporation. This was concluded on 29 April 2019.

Shareholders are referred to the SENS announcement issued by the company on 17 April 2019 with regards to the Class Action summons issued against Tiger Brands. No specific amount of damages is being claimed in the summons. The quantum of damages will be dealt with in the second stage of the Class Action, after the court has made a ruling with regard to liability, and only if the court finds that the company is liable.

Corporate information

TIGER BRANDS LIMITED

Registration number: 1944/017881/06
Incorporated in the Republic of South Africa
Share code: TBS ISIN: ZAE000071080

Independent non-executive directors

KDK Mokhele (chairman), MO Ajukwu, MJ Bowman, CH Fernandez, GA Klintworth, M Makanjee, TE Mashilwane, MP Nyama

Executive directors

LC Mac Dougall (chief executive officer)
NP Doyle (chief financial officer)

Company secretary

JK Monaisa

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