



FARSONS GROUP

Farsons



BREW HOUSE

Simonds Farsons Cisk Plc

Interim Report

SIX MONTHS ENDED
31 JULY 2024



SIMONDS FARSONS CISK PLC

CONTENTS

Interim Report for the period
ended **31 July 2024**

- 03.** INTERIM DIRECTORS' REPORT
- 06.** CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
- 06.** CONDENSED CONSOLIDATED INCOME STATEMENT
- 07.** CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
- 07.** CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
- 08.** CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
- 08.** NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

INTERIM DIRECTORS' REPORT

31 JULY 2024

TRADING PERFORMANCE

The Board of Directors presents herewith the interim unaudited results of the Farsons Group for the six months ended 31 July 2024.

The Board is pleased to report a robust financial performance for the first half of the financial year, reflecting the ongoing implementation of certain strategic initiatives in continuously evolving market conditions. While acknowledging the positive results, the Board remains mindful of potential challenges ahead and is committed to sustaining this momentum with careful planning and execution.

During the first six months of the current financial year, the Group experienced continued growth in turnover across all business sectors. The results for the period reflect the impact of diverse market dynamics, including shifting demographics in the local market, increasing inbound tourism, and a rising number of suppliers in the relatively limited Maltese market. The highly competitive environment for importers has exerted pressure on margins within the Group's importation subsidiaries. Despite this, the Group's diversified business portfolio supported overall performance, with strong resilience in the manufacturing and franchised restaurant segments, offsetting the margin contraction in the importation sector.

Group turnover for the six-month period increased by 7%, reaching €69.8 million (2023: €65.2 million). Profit before tax rose at a higher rate than turnover, recording an 18% growth to €9.6 million (2023: €8.1 million) for the period. Turnover in the beverage and food segments demonstrated solid growth of 6.6% and 8.2%, respectively, while profitability in both segments also improved, with profit margins of 15.8% for beverage and 10.8% for food. The Group's enhanced

performance is attributed to increased demand for its high-quality products, complemented by ongoing efforts in cost containment, margins optimisation, innovation and efficiency enhancement initiatives implemented and rigorously revisited across the organization.

The Group's financial performance highlights its diverse brand portfolio, supported by strategic initiatives from the Board and management aimed at remaining the preferred supplier in the market, while also maximizing shareholder returns.

Earnings per share for shareholders rose by 17%, increasing from €0.209 in the first half-year ending July 2023 to €0.245 in the corresponding period ending July 2024, calculated on the 36 million shares in issue.

INVESTMENTS

Throughout its history, the Farsons Group has maintained a steadfast commitment to sustaining state-of-the-art manufacturing processes, retail outlets, and efficient logistics facilities. This dedication is exemplified through the ongoing reinvestment of retained profits, aimed at fostering future growth and delivering satisfactory long-term returns to shareholders.

The Group's primary focus remains on investing in the future prosperity and expansion of the business, with particular emphasis on digital transformation, environmental sustainability, and energy efficiency. Concurrently, enhancements to the logistics facilities within the Mriehel production site are being pursued. In alignment with these priorities, the Group is nearing completion of a significant project aimed at expanding its renewable energy initiatives through additional investments in photovoltaic panels. Another

key environmental endeavor currently underway involves the establishment of a CO² recovery plant, which, alongside its environmental benefits, will enhance vital production supply chain security. Furthermore, the Group continues its commitment to the operation of returnable and refillable containers. Notably, a major investment slated to commence this year will transform the returnable packages facility into a fully automated logistics centre within the existing footprint of the Mriehel production facility.

The Group is also in the course of undertaking a substantial investment in the food sector, marked by the construction of a state-of-the-art logistics centre and a new office complex in Handaq. This development, now in its initial stages, is scheduled for completion and full operation by the first half of 2026 and will serve the growing needs of subsidiaries Quintano Foods and Food Chain. The principal objective of this significant investment is to increase warehousing and operational capacity, furnishing the food segment with a cutting-edge logistics infrastructure, which is vital for supporting the expansion of our food business and addressing the growing operational demands.

This investment complements the ongoing strategic assessment led by the Board of Directors and executive management to explore opportunities for further growth within the foods business. This comprehensive evaluation seeks to identify the optimal corporate structure to enhance operational efficiencies and shareholder value. As highlighted in the Directors' report for FY2024, "The Board is actively evaluating the potential benefits of structuring the expanded operations into a separate listed entity for the foods business." This strategic review is approaching completion and detailed proposals will be presented to shareholders in due course.

BUSINESS OUTLOOK

The Group's performance in the first six months of the year has been satisfactory and in line with expectations. The results are a testament to the effectiveness of our strategic initiatives and the strength

of our diversified business portfolio, and underscore our commitment to delivering quality and value. We are pleased with the progress we have been able to make in enhancing our operational efficiency and market presence.

Looking ahead to the second half of the year, we anticipate a moderation in performance due to seasonal fluctuations that historically impact our business. While the first half of the year has established a strong benchmark, the inherent variability in demand during the latter part of the year may result in financial performance that, while still positive, may not match the rate of growth seen in the first six months. We remain vigilant and prepared to navigate these expected changes, leveraging our strengths to mitigate potential impacts on our overall performance.

Additionally, the increasing complexity of evolving EU regulations for the food and beverage sectors presents significant challenges, adding considerable additional compliance related and other costs to the Group. We also face continuing pressures from an uneven playing field (and hence competitive environment) on the domestic regulatory and fiscal fronts. While good governance and full fiscal/regulatory compliance are essential, they can sometimes place the Group at a relative disadvantage compared to certain operators who may not always fully adhere to these demanding standards. Despite these challenges, our commitment to maintaining the highest levels of compliance remains steadfast, as we view this as integral to preserving our reputation and supporting sustainable long-term growth.

The competitive landscape continues to intensify, with market conditions becoming increasingly aggressive. This heightened competition presents both challenges and opportunities as we strive to maintain our market share. The Board and management remain determined and fully focused on strategic investments and operational improvements on a long-term basis to ensure that the Group remains a leader in the FMCG sector and continues to deliver superior value.

DIVIDENDS

The Board of Directors, in light of the Group's robust performance, has resolved to declare an interim dividend. This dividend, amounting to €0.06 per ordinary share (2023: €0.05 per ordinary share), is equivalent to €2.16 million (2023: €1.8 million) and will be disbursed from tax-exempt profits. Shareholders who hold ordinary shares as of the close of business on Wednesday, 2 October 2024, will be eligible to receive this dividend. The distribution of the dividend is scheduled for Wednesday, 16 October 2024.

STATEMENT PURSUANT TO CAPITAL MARKETS RULE 5.75.3 ISSUED BY THE LISTING AUTHORITY

We hereby confirm that to the best of our knowledge:

- The condensed interim financial information gives a true and fair view of the financial position of the Group as at 31 July 2024, and of its financial performance and cash flows for the period then ended, in accordance with International Financial Reporting Standards as adopted by the EU applicable to interim Financial reporting (IAS34); and
- The Interim Directors' Report includes a fair review of the information required in terms of Capital Markets Rules 5.81 to 5.84.

Luis Farrugia

Louis A. Farrugia

Chairman

25 September 2024



Marcantonio
Stagno d'Alcontres

Vice-Chairman

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 JULY 2024

	Group	
	31 July 2024 (unaudited)	31 January 2024 (audited)
	€'000	€'000
Assets		
Non-current assets	147,775	146,531
Current assets	70,651	65,780
Total assets	218,426	212,311
Equity and Liabilities		
Capital and reserves attributable to owners of the company	153,528	148,664
Non-current liabilities	26,561	27,901
Current liabilities	38,337	35,746
Total liabilities	64,898	63,647
Total equity and liabilities	218,426	212,311

CONDENSED CONSOLIDATED INCOME STATEMENT

PERIOD ENDED 31 JULY 2024

	Group	
	31 July 2024 (unaudited)	31 July 2023 (unaudited)
	€'000	€'000
Revenue	69,778	65,230
Gross profit	27,698	24,969
Operating profit	10,133	8,750
Finance costs	(580)	(671)
Profit before tax	9,553	8,079
Tax expense	(720)	(561)
Profit for the period	8,833	7,518
Earnings per share	0.245	0.209

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

PERIOD ENDED 31 JULY 2024

	Group	
	31 July 2024 (unaudited)	31 July 2023 (unaudited)
	€'000	€'000
Profit for the period	8,833	7,518
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss:		
Cash flow hedges net of deferred tax	(9)	-
Other comprehensive income for the period	(9)	-
Total comprehensive income for the period	8,824	7,518

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

PERIOD ENDED 31 JULY 2024

	Group				
	Share capital	Hedging reserve	Revaluation and other reserves	Retained earnings	Total equity
	€'000	€'000	€'000	€'000	€'000
Period ended 31 July 2024					
Balance at 1 February 2024	10,800	11	49,409	88,444	148,664
Comprehensive income					
Profit for the six months ended 31 July 2024				8,833	8,833
Cash flow hedges net of deferred tax		(9)			(9)
Transactions with owners					
Dividends				(3,960)	(3,960)
Balance at 31 July 2024	10,800	2	49,409	93,317	153,528
Period ended 31 July 2023					
Balance at 1 February 2023	10,800	27	49,409	78,931	139,167
Comprehensive income					
Profit for the six months ended 31 July 2023	-	-	-	7,518	7,518
Transactions with owners					
Dividends	-	-	-	(3,960)	(3,960)
Balance at 31 July 2023	10,800	27	49,409	82,489	142,725

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

PERIOD ENDED 31 JULY 2024

	Group	
	31 July 2024 (unaudited)	31 July 2023 (unaudited)
	€'000	€'000
Net cash generated from operating activities	5,568	71
Net cash used in investing activities	(6,207)	(1,849)
Net cash used in financing activities	(5,201)	(5,698)
Net movement in cash and cash equivalents	(5,840)	(7,476)
Cash and cash equivalents at beginning of period	8,220	9,314
Cash and cash equivalents at end of period	2,380	1,838

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. This report is being published pursuant to the terms of Chapter 5 of the Capital Markets Rules.
2. The financial information being published has been extracted from the Simonds Farsons Cisk plc's unaudited interim financial statements for the six months ended 31 July 2024, prepared in accordance with accounting standards adopted for use in the European Union for reported interim financial information (IAS 34 - Interim Financial Reporting). In terms of Capital Markets Rule 5.75.5, this interim report has not been audited by the Group's independent auditors.
3. The accounting policies used in the preparation of the interim financial information are consistent with those used in the annual financial statements for the year ended 31 January 2024.
4. The Group is engaged in the brewing, production, and sale of branded beers and beverages. Additionally, through subsidiary companies it operates the importation, wholesale, and retail of food and beverages, including wines and spirits. The Group also manages franchised food retail establishments and the renovated iconic Old Brewhouse, which features several catering outlets, an events area, a micro-brewery, and a center dedicated to the history of Simonds Farsons Cisk. An analysis by business segment of the Group's turnover and operating profit is set out below:

	Brewing, production, importation and sale of beer and branded beverages	Importation, wholesale of food & Operation of franchised food establishments	Group
	€'000	€'000	€'000
Period ended 31 July 2024			
Revenue	54,785	22,349	77,134
Less: inter-segmental sales	(3,118)	(4,238)	(7,356)
	51,667	18,111	69,778
Segment results	8,186	1,947	10,133
Net finance costs			(580)
Profit before tax			9,553
Tax expense			(720)
Profit for the period			8,833
Period ended 31 July 2023			
Revenue	51,385	20,864	72,249
Less: inter-segmental sales	(2,900)	(4,119)	(7,019)
	48,485	16,745	65,230
Segment results	6,983	1,767	8,750
Net finance costs			(671)
Profit before tax			8,079
Tax expense			(561)
Profit for the period			7,518

5. Earnings per share is based on the profit after tax attributable to the ordinary shareholders of Simonds Farsons Cisk p.l.c. divided by the weighted average number of ordinary shares in issue during the period and ranking for dividend.



FARSONS GROUP

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