



**Interim Results Press Release for Remgro Limited
(Remgro)**

**REMGRO'S MAJOR INVESTMENTS, EXCEPT FOR MEDICLINIC,
PERFORMED WELL**

- **Intrinsic net asset value per share increased by 5.7% from R251.48 at 30 June 2017 to R265.84 at 31 December 2017**
- **Interim dividend per share for the period increased by 5.2% to 204 cents**
- **Headline earnings, excluding option remeasurement, increased by 6.2% to R4.3 billion**
- **Headline earnings per share, excluding option remeasurement, increased by 1.3% to 754 cents**

Despite prevailing macro-economic challenges, Remgro's headline earnings, excluding the option remeasurement, increased by 6.2% from R4 023 million to R4 272 million for the six months ended 31 December 2017. The increase was mainly due to the solid performances of its investments in RMI Holdings, RCL Foods, Total SA and higher finance income, offset by a lower contribution from Mediclinic for the period under review. The majority of Remgro's consumer products, industrial and infrastructure investment results continued to be impacted by subdued macro-economic conditions over the reporting period.

Headline earnings decreased by 6.1% from R4 690 million to R4 406 million, while headline earnings per share (HEPS) decreased by 10.4% from 867.7 cents to 777.5 cents. Included in headline earnings for the period under review is a positive fair value adjustment amounting to R134 million (2016: R667 million), relating to the decrease in value of the bondholders' exchange option of the exchangeable bonds ("option remeasurement"). Excluding the option remeasurement, HEPS increased by 1.3% from 744.3 cents to 753.9 cents. The difference in the decrease between headline earnings and HEPS is attributed to the impact of the rights issue during the comparative period.

Commentary on the performance by each of the underlying reporting platforms is set out in the Editor's notes.

Remgro's intrinsic net asset value per share increased by 5.7% from R251.48 at 30 June 2017 to R265.84 at 31 December 2017. The closing share price at 31 December 2017 was R236.00 (30 June 2017: R213.46) representing a discount of 11.2% (30 June 2017: 15.1%) to the intrinsic net asset value.

Cash at the centre increased by R320 million to R12 543 million at 31 December 2017 mainly as a result of dividends received of R2 634 million.

For the six months ended 31 December 2017, an interim dividend of 204 cents per share was declared out of income reserves in respect of both the ordinary shares of no par value and the unlisted B ordinary shares of no par value. This represents a 5.2% increase from the interim dividend declared for the period ended 31 December 2016 of 194 cents per share.

Jannie Durand, CEO of Remgro, concluded: *“The political changes that started mid-December 2017 resulted in a more positive outlook being predicted for South Africa and Remgro shares this view. This general mood of optimism is mirrored in the strengthening of the rand and companies’ willingness to invest in the country and its future. Hopefully the improved prospects for growth will also improve consumer confidence. Although several challenges remain, Remgro will continue to support its current investments and invest in opportunities to unlock stakeholder value.”*

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Editor’s notes

Banking

The headline earnings contribution from the banking division amounted to R1 678 million (2016: R1 580 million), representing an increase of 6.2%. FirstRand and RMH reported headline earnings growth of 6.0% and 6.2% respectively. On a normalised basis, which excludes certain non-operational and accounting anomalies, FirstRand and RMH reported earnings growth of 7.0% and 7.2% respectively. These increases are mainly due to growth in both net interest income, underpinned by good growth in advances and deposits, and non-interest revenue due to strong growth in fee and commission income.

Healthcare

Mediclinic’s contribution to Remgro’s headline earnings amounted to R487 million (2016: R983 million), representing a decrease of 50.5%. It should be noted that all the Al Noor facilities were rebranded to Mediclinic and therefore Mediclinic’s contribution for the period under review included an accelerated amortisation charge of R171 million relating to the Al Noor trade name. Excluding the impact of the accelerated amortisation, Mediclinic’s contribution to Remgro’s headline earnings would have decreased by 33.1% from R983 million to R658 million. The strengthening of the rand against the Swiss franc, British pound and United Arab Emirates dirham also had a negative impact on Mediclinic’s contribution. In British pound terms Mediclinic’s contribution, excluding the accelerated amortisation, decreased by 20.4% mainly due to a weaker performance by the Hirslanden and Middle East operating divisions and a decrease in the equity accounted earnings from Spire. Hirslanden’s comparative period also included a positive past service cost adjustment of £10 million, while Spire’s contribution to Mediclinic’s results included a provision of £7 million for the potential cost of a settlement relating to civil litigation against a consultant who previously had practicing privileges at Spire.

Consumer products

The contribution from consumer products to Remgro’s headline earnings amounted to R1 140 million (2016: R945 million), representing an increase of 20.6%. RCL Foods’ contribution to Remgro’s headline earnings

increased by 56.6% to R498 million (2016: R318 million). The increase is mainly due to an improved result in the Chicken business unit as a result of a revised business model, lower feed prices and improved realisations. On a normalised basis, which excludes certain once-off items in the comparative period, relating to the settlement of the Zam Chick and Zamhatch put options and costs incurred on the implementation of the revised Chicken business model, RCL Foods reported headline earnings growth of 35.3%. Unilever's contribution to Remgro's headline earnings increased by 9.5% to R288 million (2016: R263 million). This increase is mainly due to an improvement in gross margins as a result of cost control. Distell's contribution to headline earnings, which includes the investment in Capevin Holdings, amounted to R354 million (2016: R364 million). Distell's results for the period under review were negatively impacted by once-off losses and write-offs amounting to R78 million in its associate, Tanzania Distilleries Limited, following a sachet ban and excise duty dispute. The comparative period included a reversal of a provision for interest payable in respect of an extended excise duty dispute of R42 million. Distell reported headline earnings growth, adjusted for foreign exchange movements and the aforementioned once-off items, of 3.2%, mainly driven by a 9.3% increase in revenue achieved across all regions and categories.

Insurance

RMI Holdings' contribution to headline earnings increased by 27.2% to R626 million (2016: R492 million). On a normalised basis, RMI Holdings reported an increase of 25.8% in earnings mainly due to Discovery and OUTsurance (excluding Hastings), which achieved earnings growth of 29.5% and 11.3% respectively. The strong result by Discovery was driven by both established and emerging businesses, while OUTsurance's results were driven by Youi's growth in operating profit as a result of lower natural peril claims in Australia. The contribution from Hastings were partially offset by higher funding costs relating to its acquisition in the prior year.

Industrial

Total's contribution to Remgro's headline earnings amounted to R258 million (2016: R102 million). Included in the contribution to headline earnings for the period under review are favourable stock revaluations amounting to R135 million (2016: unfavourable stock revaluations of R28 million). These revaluations are the result of the volatility in the Brent Crude price and the rand exchange rate. Excluding these revaluations, the contribution decreased by 5.4% from R130 million to R123 million mainly due to a lower refining margin, the impact of planned and unplanned refinery shutdowns and a less favourable economic environment. Remgro's share of the results of KTH amounted to R73 million (2016: R58 million), mainly due to lower finance costs as a result of the repayment of debt following the disposal of the investment in Exxaro Resources Limited. Air Products' and Wispeco's contribution to headline earnings amounted to R142 million and R62 million respectively (2016: R151 million and R90 million), while PGSI contributed R16 million to Remgro's headline earnings (2016: R25 million).

Infrastructure

Grindrod's contribution to Remgro's headline earnings amounted to a loss of R52 million (2016: a loss of R18 million), impacted by stock impairments in the rail assembly business due to the closure of this business unit. This decrease was partly offset by improved results across core businesses mainly due to increased commodity demand and stronger drybulk shipping rates. For the period under review the CIV group contributed R32 million to headline earnings (2016: R44 million). This decrease is mainly due to higher finance costs and depreciation as a result of the expanding network, as well as lower equity accounted income due to the disposal of the CIV group's investment in Dartcom SA Proprietary Limited. Remgro's share of SEACOM's profit amounted to R32 million (2016: loss of R18 million). This increase is mainly due to improved results in South Africa and Kenya, as well as a once-off realisation of deferred revenue relating to the early termination of long term contracts.

Media and sport

Media and sport primarily consist of the interests in eMedia Investments and various sport interests, including

interests in rugby franchises, as well as the Stellenbosch Academy of Sport. eMedia Investments' contribution to Remgro's headline earnings decreased to R3 million (2016: R33 million). This decrease is mainly due to a significant decline in license revenue resulting from a renegotiated DStv agreement.

Other investments

The contribution from other investments to headline earnings amounted to R29 million (2016: R39 million), of which Business Partners' contribution was R29 million (2016: R23 million).

Central treasury and other net corporate costs

Finance income amounted to R259 million (2016: R105 million). This increase is mainly due to higher average cash balances as a result of the Remgro rights issue in the comparative period. Finance costs amounted to R452 million (2016: R462 million). The positive fair value adjustment of R134 million (2016: R667 million) relates to the decrease in the value of the exchange option of the exchangeable bonds. Other net corporate costs amounted to R60 million (2016: R75 million).