



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

**REMGR0'S INVESTMENT PORTFOLIO DELIVERS RESILIENT RESULTS  
GIVEN CURRENT ECONOMIC CLIMATE**

- **Headline earnings per share increased by 1.8% to 1 513 cents**
- **Headline earnings per share, excluding option remeasurement, increased by 7.7% to 1 467 cents**
- **Total dividend per share for the year increased by 7.5% to 532 cents**
- **Intrinsic net asset value per share as at 30 June 2018 was R256.97**

Remgro's banking and insurance investments as well as its investments in RCL Foods and Total delivered a commendable performance for the year ended 30 June 2018. Mediclinic, on a normalised basis, showed improvement despite the various ongoing challenges faced by the company. The results of the other consumer products and industrial investments were reflective of the tough market environment faced by these sectors given the challenging South African macro-economic conditions. The infrastructure investments showed an improvement with good growth in its key investments on a headline earnings level.

For the year to 30 June 2018 headline earnings increased by 4.3% from R8 221 million to R8 573 million, while headline earnings per share (HEPS) increased by 1.8% from 1 485.5 cents to 1 512.6 cents. The difference in the increase between headline earnings and HEPS is attributed to the impact of the rights issue during the comparative year. Included in headline earnings for the year under review is a positive fair value adjustment amounting to R261 million (2017: R687 million), relating to the decrease in value of the bondholders' exchange option of the exchangeable bonds (option remeasurement). Excluding the option remeasurement, headline earnings increased by 10.3% from R7 534 million to R8 312 million, while HEPS increased by 7.7% from 1 361.3 cents to 1 466.5 cents. The increase in headline earnings, excluding option remeasurement, is mainly due to higher earnings from the banking and insurance platforms, RCL Foods, Total and higher finance income, offset by a lower contribution from Mediclinic as well as transaction costs incurred on the Distell ownership restructuring and the Unilever Spreads business acquisition.

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

Remgro's intrinsic net asset value per share increased by 2.2% from R251.48 at 30 June 2017 to R256.97 at 30 June 2018. The closing share price at 30 June 2018 was R204.29 (2017: R213.46) representing a discount of 20.5% (2017: 15.1%) to the intrinsic net asset value.

Cash at the centre increased by R1 481 million to R13 704 million at 30 June 2018 mainly due to a 5.6% increase in dividends received from R4 276 million to R4 516 million.

For the year ended 30 June 2018, the final dividend declared was 328 cents per share 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, together with the interim dividend of 204 cents per share, amounts to a total dividend of 532 cents per share which represents a 7.5% increase from the total dividend declared for the year ended 30 June 2017 of 495 cents per

share.

Jannie Durand, CEO of Remgro, concluded: "We remain very cognisant of the deteriorating South African economic conditions and will continue to support the Group's existing investments as well as look at viable new investment opportunities."

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### **Editor's notes**

#### ***Banking***

The headline earnings contribution from the banking division amounted to R3 525 million (2017: R3 163 million), representing an increase of 11.4%. FirstRand and RMH reported headline earnings growth of 11.6% and 11.4%, respectively. On a normalised basis, which excludes certain non-operational and accounting anomalies, and is a better reflection of underlying performance, both FirstRand and RMH reported earnings growth of 7.9%. 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. This growth in earnings was partly offset by an increase in non-performing loans due to the constrained macro-economic environment resulting in an increase in credit impairment charges.

#### ***Healthcare***

Mediclinic's contribution to Remgro's headline earnings amounted to R1 556 million (2017: R1 875 million), representing a decrease of 17.0%. It should be noted that all the Al Noor facilities were rebranded to Mediclinic and therefore Mediclinic's contribution for the year under review included an accelerated amortisation charge of R171 million relating to the Al Noor trade name. Mediclinic's contribution also included a derecognition charge of R114 million in respect of unamortised finance expenses relating to the refinancing of Hirslanden's debt. Excluding the impact of the accelerated amortisation and derecognition of unamortised finance expenses, Mediclinic's contribution to Remgro's headline earnings would have decreased by 1.8% from R1 875 million to R1 841 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 and derecognition of unamortised finance expenses, increased by 4.9% mainly due to a stronger performance by the Southern Africa and Middle East operating divisions, offset by a lower contribution from Hirslanden and a decrease in the equity accounted earnings from Spire. Hirslanden's results were impacted by a subdued market, the continued change in insurance mix and the evolving changes in the regulatory environment, while Spire's contribution to Mediclinic's results included a provision of £9 million for the potential cost of a settlement relating to civil litigation against a consultant who previously had practicing privileges at Spire and a charge relating to a decision to cease the provision of radiotherapy services at the Spire Specialist Cancer

Care Centre in Baddow (Essex).

### ***Consumer products***

The contribution from consumer products to Remgro's headline earnings amounted to R1 605 million (2017: R1 354 million), representing an increase of 18.5%.

RCL Foods' contribution to Remgro's headline earnings increased by 52.6% to R647 million (2017: R424 million). This increase is mainly due to the recovery in the Chicken business unit, strong volume performances in the Dressings, Pet Food and Pies categories, lower interest costs and a tax credit of R64 million relating to an energy efficiency allowance in the Sugar business unit. The improvement from the Chicken business unit resulted from a revised business model, lower feed prices and improved realisations. The increase was dampened by the impact of listeriosis within the business unit, amounting to an estimated negative impact of R158 million. The Sugar operations experienced challenging market conditions due to low international prices, a relatively strong currency and a significant volume of dumped imports.

Unilever's contribution to Remgro's headline earnings increased by 11.1% to R499 million (2017: R449 million). This increase is mainly due to an improvement in gross margins as a result of tighter spend management.

Distell's contribution to headline earnings, which includes the investment in Capevin Holdings, amounted to R459 million (2017: R481 million). Distell's results for the year under review were negatively impacted by once-off losses and write-offs amounting to R78 million (2017: R22 million) in its associate, Tanzania Distilleries Limited, following a sachet ban and excise duty dispute. The comparative year 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, retrenchment and group restructuring costs, as well as the aforementioned once-off items, of 5.2%, mainly driven by a 10.4% increase in revenue achieved across all regions and categories.

### ***Insurance***

RMI Holdings' contribution to headline earnings increased by 18.0% to R1 228 million (2017: R1 041 million). On a normalised basis, RMI Holdings reported an increase of 14.8% in earnings mainly due to the contributions from Discovery (up 16.2%), OUTsurance (up 11.5%) and the newly acquired Hastings, partly offset by higher funding costs relating to the Hastings acquisition and a lower contribution by MMI (down 12.4%). The strong result by Discovery was driven by both established and emerging businesses, while OUTsurance's results were impacted by favourable claims conditions throughout all major operations. MMI's results were negatively impacted by the continued challenging macro-economic environment, as well as operational shortcomings in the Momentum and Metropolitan retail divisions.

### ***Industrial***

Total's contribution to Remgro's headline earnings amounted to R501 million (2017: R224 million). Included in the contribution to headline earnings for the year under review are favourable stock revaluations amounting to R216 million (2017: unfavourable stock revaluations of R82 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 6.9% from R306 million to R285 million.

Remgro's share of the results of KTH amounted to R55 million (2017: R34 million). This increase is 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 R289 million and R122 million

respectively (2017: R298 million and R169 million), while PGSI contributed R4 million to Remgro's headline earnings (2017: R25 million).

### ***Infrastructure***

Grindrod's contribution to Remgro's headline earnings amounted to a loss of R46 million (2017: a loss of R48 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 year under review the CIV group contributed R48 million to headline earnings (2017: R110 million). This decrease is mainly due to higher finance costs and depreciation due to increased infrastructure spend. Despite the decrease in earnings, the CIV group's monthly annuity income increased to R138 million (2017: R115 million).

Remgro's share of SEACOM's profit amounted to R15 million (2017: loss of R33 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 R1 million (2017: R49 million). This decrease is mainly due to a significant decline in license revenue resulting from a renegotiated DStv agreement, and the continued investment in the Openview platform.

### ***Other investments***

The contribution from other investments to headline earnings amounted to R66 million (2017: R70 million), of which Business Partners' contribution was R65 million (2017: R54 million).

### ***Central treasury and other net corporate costs***

Finance income amounted to R524 million (2017: R349 million). This increase is mainly due to higher average cash balances as a result of the Remgro rights issue in the comparative year. Finance costs amounted to R891 million (2017: R903 million). The positive fair value adjustment of R261 million (2017: R687 million) relates to the decrease in the value of the exchange option of the exchangeable bonds. Other net corporate costs amounted to R282 million (2017: R143 million). The increase in other net corporate costs is mainly due to transaction costs amounting to R109 million, incurred on the Distell ownership restructuring and the Unilever Spreads business acquisition.