Results Press Release for the year ended 30 June 2019

REMGRO'S INVESTMENT PERFORMANCES MIRROR MACROECONOMIC CHALLENGES

- **Headline earnings per share decreased by 4.2% to 1 449 cents**
- **Headline earnings per share, excluding option remeasurement, decreased by 2.6% to 1 429 cents**
- **Intrinsic net asset value per share decreased by 9.3% from R256.97 at 30 June 2018 to R233.03 at 30 June 2019**
- **Total dividend per share for the year increased by 6.0% to 564 cents**

This has been one of Remgro's more challenging years with the majority of the Group's investments impacted by fragile economic growth, low business confidence and deteriorating operating environments, especially the investments exposed to the financial health of the consumer and to imports. The banking investments remained resilient through the course of the financial year ended 30 June 2019, contributing 46.2% to Remgro's headline earnings.

For the year to 30 June 2019, headline earnings decreased by 4.4% from R8 573 million to R8 195 million, while headline earnings per share (HEPS) decreased by 4.2% from 1 512.6 cents to 1 448.9 cents. Included in headline earnings for the year under review is a positive fair value adjustment amounting to R112 million (2018: R261 million), relating to the decrease in value of the bondholders' exchange option of the exchangeable bonds (option remeasurement). Excluding the option remeasurement, headline earnings decreased by 2.8% from R8 312 million to R8 083 million, whereas HEPS decreased by 2.6% from 1 466.5 cents to 1 429.1 cents. The decrease in headline earnings, excluding option remeasurement, is mainly due to lower earnings from RCL Foods Limited (RCL Foods), Community Investment Ventures Holdings Proprietary Limited (CIVH), Total South Africa Proprietary Limited (Total) and the exclusion of Unilever South Africa Holdings Proprietary Limited (Unilever) due to its disposal. The decrease is partly offset by the inclusion of Siqalo Foods Proprietary Limited (Siqalo Foods), a higher contribution from the banking platform, as well as higher interest income.

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 decreased by 9.3% from R256.97 at 30 June 2018 to R233.03 at 30 June 2019, mainly as a result of the decline in Mediclinic International plc's (Mediclinic) share price. The closing share price at 30 June 2019 was R187.90 (2018: R204.29) representing a discount of 19.4% (2018: 20.5%) to the intrinsic net asset value.

Cash at the centre increased by R2 023 million to R15 727 million at 30 June 2019 mainly as a result of the disposal of Unilever (R4.9 billion) and the exit from Milestone Capital Strategic Holdings Limited (R693 million), offset by investments made in CIVH (R2 955 million), Prescient China Equity Fund (R727 million) and RCL Foods (R115 million). On 30 June 2019, debt at the centre amounted to R13 919 million, resulting in a net cash position of R1 808 million.

For the year ended 30 June 2019, a final dividend of 349 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. The total dividend of 564 cents per share for the year ended 30 June 2019 represents a 6.0% increase from the total dividend declared for the year ended 30 June 2018 of 532 cents per share.

Jannie Durand, CEO of Remgro, concluded: *"Weak domestic fundamentals remain the key feature of the South African operating environment. Uncertainty remains high with South Africa's fragile signs of real GDP growth, a lack of policy reform momentum and fiscal strain against a backdrop of global growth concerns. Various proposed regulatory changes will also change the landscape for Remgro's major investments. Despite the myriad of challenges faced by all of Remgro's investments, the Group's investee companies are well positioned within their sectors with robust strategies that will benefit Remgro over the long-term. Remgro is well placed to pursue opportunities that may present themselves and to support its investee companies on their various growth trajectories."*

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Editor's notes

Banking

The headline earnings contribution from the banking platform amounted to R3 737 million (2018: R3 525 million), representing an increase of 6.0%. FirstRand Limited (FirstRand) en RMB Holdings Limited (RMH) reported headline earnings growth of 5.2% and 6.1%, respectively. RMH reported higher growth due to higher earnings from RMH Property.

On a normalised basis, which excludes certain non-operational and accounting anomalies, and is a better reflection of underlying performance, FirstRand and RMH reported earnings growth of 5.6% and 6.6%, respectively. These increases are mainly due to growth in both net interest income (up by 9%), underpinned by solid growth in advances and deposits, and non-interest revenue (up by 6%) due to strong fee and commission income growth. This growth in earnings was partly offset by an increase of 23% in non-performing loans, in part reflecting strong book growth in the unsecured portfolios, macro pressures in certain industries affecting WesBank, as well as the impact of IFRS 9 impairment provisioning methodology resulting in an increase in credit impairment charges.

Healthcare

Mediclinic's contribution to Remgro's headline earnings amounted to R1 693 million (2018: R1 556 million), representing an increase of 8.8%. Mediclinic uses adjusted earnings, which removes volatility associated with certain types of exceptional income and charges, in evaluating performance and as a method to provide its shareholders with clear and consistent reporting. For the year under review the main difference between adjusted earnings and headline earnings related to a tax credit in respect of Hirslanden properties, whereas the comparative year related to an accelerated amortisation charge in respect of the rebranding of all the Al Noor facilities to Mediclinic and a derecognition charge in respect of unamortised finance expenses relating to the refinancing of Hirslanden's debt. Remgro's portion of Mediclinic's adjusted earnings amounted to R1 591 million (2018: R1 693 million), representing a decrease of 6.0%.

In British pound terms, Mediclinic reported a decrease in adjusted earnings of 10.4%, reflecting the weakening of the average SA rand exchange rate against the British pound. This decrease is mainly due to a lower contribution from the Switzerland division, partly offset by a stronger performance by the Southern Africa and Middle East operating divisions. Switzerland's underperformance was a direct result of recent regulatory changes in the Swiss healthcare market which impacted all providers. These changes included the implementation of national outpatient tariff (TARMED) reductions and the outmigration of identified clinical treatments, transferring from an inpatient to an outpatient tariff across many cantons. Actions have been taken to improve the current financial performance through securing revenue growth, reducing costs and driving operational and portfolio efficiencies. Additional medium-term actions include improving service differentiation across insurance categories, medical practitioner recruitment initiatives and advancing the outpatient delivery model.

Consumer products

The contribution from consumer products to Remgro's headline earnings amounted to R918 million (2018: R1 605 million), representing a decrease of 42.8%.

RCL Foods' contribution to Remgro's headline earnings decreased by 60.7% to R254 million (2018: R647 million). This decrease is largely attributable to the adverse performance of the Chicken and Sugar business units. The local poultry and sugar industries are under significant pressure, impacted by oversupply, driven by local volumes and dumped imports, and declining local market demand due to muted consumer spending and, specifically with respect to sugar, the recently implemented Health Promotion Levy (sugar tax), which has reduced domestic sugar consumption by 14%. The supply/demand imbalance resulted in low selling prices being realised in both the Chicken and Sugar business units, inhibiting the recovery of higher chicken feed cost, while sugar competitors battle for market share, thereby severely reducing margins. In the absence of an appropriate tariff, chicken imports remained high, with sugar imports having stabilised following the implementation of a revised tariff in August 2018. Despite the challenging market conditions, Groceries performed strongly, improving volumes and margins across a broad spectrum of categories coupled with a strong focus on operational efficiency.

Distell Group Holdings Limited's (Distell) contribution to headline earnings amounted to R459 million (2018: R467 million), representing a decrease of 1.7%. Note that the comparative period included the contribution from Capevin Holdings Limited. Distell discloses normalised earnings, adjusted for abnormal transactions and currency movements, to indicate its businesses' performance. For the year under review, these abnormal transactions included retrenchment and restructuring costs, as well as a credit loss provision relating to USD denominated savings bonds with the Reserve Bank of Zimbabwe. The comparative year included retrenchment and restructuring costs, as well as the Tanzania Distilleries Limited once-off losses following a sachet ban and excise duty dispute. Distell reported an increase in normalised earnings of 7.0%, mainly due to overall comparable revenue growth of 9.4% on flat volumes. In addition to Distell's contribution, Remgro also accounted for amortisation and depreciation charges of R47 million (2018: R8 million) relating to the additional assets identified when Remgro obtained control over Distell on 11 May 2018.

On 2 July 2018 Unilever acquired Remgro's 25.75% shareholding in Unilever in exchange for Unilever's Spreads business in Southern Africa, namely Siqalo Foods, as well as a cash consideration of R4 900 million. As a result, no headline earnings contribution was accounted for Unilever (2018: R499 million), however, Siqalo Foods' contribution to Remgro's headline earnings for the year under review amounted to R332 million. Siqalo Foods' revenue amounted to R2 626 million on the back of a 2.9% growth in volumes. In addition to Siqalo Foods' contribution, Remgro also accounted for amortisation and depreciation charges of R80 million relating to the additional assets identified when Remgro obtained control over Siqalo Foods.

Insurance

Rand Merchant Investment Holdings Limited's (RMI) contribution to Remgro's headline earnings decreased by 5.5% to R1 161 million (2018: R1 228 million). On a normalised basis, RMI reported a decrease of 4.3% in earnings mainly due to lower contributions from Discovery Holdings Limited (Discovery), OUTsurance Holdings Limited (OUTsurance) and Hastings Group Holdings plc (Hastings), partly offset by a higher contribution from Momentum Metropolitan Holdings Limited (Momentum Metropolitan). The contribution of Discovery decreased by 7.0%, mainly due to the weaker performance of Discovery Life, which experienced a spike in large mortality claims, and significant investment in new strategic initiatives (most notable being Discovery Bank). OUTsurance's contribution decreased by 8.1% due to higher claims and cost ratios across the group, significant investments in new business growth activities and unusually low claims in the comparative year. Hastings' contribution to RMI decreased by 29.0% as a result of market rate reductions, claims inflation continuing ahead of earned premium inflation, combined with legislative changes which increased underwriting levies. Momentum Metropolitan's contribution increased by 62.4% due to resilient operational performance in most businesses, supported by efficiency improvements and good underwriting results across the group. The comparative year was impacted by large negative operating basis changes and investment variances across the South African retail businesses and the rest of Africa.

Industrial

Air Products South Africa Proprietary Limited's (Air Products) contribution to Remgro's headline earnings increased by 18.7% to R343 million (2018: R289 million). This increase is mainly due to overall volume growth and cost containment measures.

Total's contribution to Remgro's headline earnings amounted to R328 million (2018: R501 million). Included in the contribution to headline earnings for the year under review are unfavourable stock revaluations amounting to R1 million (2018: favourable stock revaluations of R216 million). These revaluations are the result of the volatility in the Brent Crude price and the rand exchange rate. Excluding these revaluations, the contribution increased by 15.4% from R285 million to R329 million. This increase is mainly due to an increase in turnover resulting from higher sales volumes in the mining and commercial sectors.

Kagiso Tiso Holdings Proprietary Limited's and Wispeco Holdings Proprietary Limited's contributions to headline earnings amounted to R161 million and R121 million (2018: R55 million and R122 million) respectively, while PGSI Limited contributed a loss of R9 million to Remgro's headline earnings (2018: a profit of R4 million).

Infrastructure

CIVH's contribution to Remgro's headline earnings amounted to a loss of R204 million (2018: profit of R48 million). Despite the decrease in headline earnings, Dark Fibre Africa Proprietary Limited's (DFA) revenue increased by 22.6% to R2 349 million (2018: R1 916 million) mainly due to strong growth in annuity revenue. DFA's annuity income is in excess of R163 million per month (2018: R136 million). DFA's contribution was negatively impacted by higher depreciation and finance costs as a result of the expanding network, as well as impairment losses on financial assets. Included in CIVH's results were finance costs, relating to the financing of the Vumatel Proprietary Limited (Vumatel) acquisition, as well as Vumatel's equity accounted losses amounting to R98 million. Vumatel's results also include strong revenue and EBITDA growth, offset by depreciation and finance costs driven by the expanding network.

Grindrod Limited's (Grindrod) contribution to Remgro's headline earnings amounted to R72 million (2018: a loss of R46 million). The comparative period included losses from the shipping division and stock impairments in the rail assembly business. Grindrod's Port and Terminals and Logistics divisions showed improved results. Ports and Terminals, Logistics and Bank form part of Grindrod's core businesses, whereas Marine Fuel and Agricultural investments were reallocated to discontinuing operations.

During June 2018 Grindrod completed the separate listing of its shipping division and Remgro received Grindrod Shipping Holdings Limited (Grindrod Shipping) shares as a dividend in specie. Grindrod Shipping's contribution to Remgro's headline earnings amounted to a loss of R65 million (included in the 2018 contribution of Grindrod: a loss of R102 million). The decrease in losses is mainly due to a year on year increase in tanker rates, a decline in vessel operating expenses and lower administrative expenses as the costs associated with the spin-off were not repeated, partly offset by charter rates that declined overall in the markets for the drybulk business.

SEACOM Capital Limited's (SEACOM) contribution to Remgro's headline earnings amounted to a loss of R2 million. As a result of the implementation of IFRS 15, SEACOM adjusted the accounting of its indefeasible right of use contracts (for which cash is received in advanced), resulting in a reduction of R289 million in Remgro's carrying value of SEACOM. This reduction, as well as the equity accounted losses for the year, amounted to a negative SEACOM carrying value, which caused Remgro to only account for SEACOM's losses down to a zero carrying value. Remgro's actual portion of SEACOM's losses for the full year amounted to R31 million (2018: a profit of R15 million). This decrease is mainly due to a once-off realisation of deferred revenue relating to the early termination of long-term contracts in the comparative year, as well as the negative impact of the implementation of IFRS 15 in the year under review.

Media and sport

Media and sport primarily consist of the interests in eMedia Investments Proprietary Limited (eMedia Investments) and various sport interests, including an interest in the Blue Bulls rugby franchise and Stellenbosch Academy of Sport Properties Proprietary Limited.

eMedia Investments' contribution to Remgro's headline earnings increased to R39 million (2018: R1 million). This increase is mainly due to an increase in advertising revenue, assisted by an increase in market share, and the containment of costs. eMedia Investments continues to invest into the multi-channel business (Openview and e.tv multichannel) with Openview set-top box activations growing at an average of approximately 35 000 per month. The activated set-top boxes amounted to approximately 1.7 million at 30 June 2019.

Other investments

The contribution from other investments to headline earnings amounted to R39 million (2018: R66 million), of which Business Partners Limited's contribution was R65 million (2018: R65 million).

Central treasury and other net corporate costs

Finance income amounted to R755 million (2018: R524 million). This increase is mainly due to higher average cash balances as a result of the Unilever disposal. Finance costs amounted to R823 million (2018: R891 million). This decrease is mainly due to a profit of R90 million recognised on the refinancing of the Class A and Class B preference shares. The positive fair value adjustment of R112 million (2018: R261 million) relates to the decrease in the value of the exchange option of the exchangeable bonds. Other net corporate costs amounted to R187 million (2018: R282 million). This decrease is mainly due to an after-tax underwriting fee received of R42 million in respect of a CIVH rights issue. The comparative year included transaction costs amounting to R109 million, relating to the Distell ownership restructuring and the Unilever Spreads business acquisition, partly offset by the utilisation of corporate taxation credits.