



Interim Results Press Release for the six months ended 31 December 2019¹

REMGRO'S PORTFOLIO REMAINS RESILIENT

- **Headline earnings per share, excluding option remeasurement, increased by 2.4% to 750.7 cents**
- **Headline earnings per share decreased by 0.2% to 750.9 cents**
- **Intrinsic net asset value per share increased by 3.4% from R233.03 at 30 June 2019 to R240.93 at 31 December 2019**
- **Interim dividend per share for the period sustained at 215 cents**

Notwithstanding various macro-economic challenges, Remgro's portfolio remains resilient. Remgro's results have been driven largely by improved performances within the Banking, Healthcare and Consumer Goods platforms.

For the period under review, headline earnings decreased by 0.4% from R4 259 million to R4 242 million, while headline earnings per share (HEPS) decreased by 0.2% from 752.1 cents to 750.9 cents. Included in headline earnings for the period under review is a positive fair value adjustment amounting to R1 million (2018: R106 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 2.1% from R4 153 million to R4 241 million, whereas HEPS increased by 2.4% from 733.4 cents to 750.7 cents. The increase in headline earnings, excluding option remeasurement, is mainly due to higher earnings from Mediclinic International plc (Mediclinic), Siqalo Foods Proprietary Limited (Siqalo Foods), the banking platform and Total South Africa Proprietary Limited (Total). The increase is partly offset by lower contributions from Community Investment Ventures Holdings Proprietary Limited (CIVH), Rand Merchant Investment Holdings Limited (RMI) and Grindrod Limited (Grindrod), as well as lower 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 increased by 3.4% from R233.03 at 30 June 2019 to R240.93 at 31 December 2019. The closing share price at 31 December 2019 was R195.00 (30 June 2019: R187.90) representing a discount of 19.1% (30 June 2019: 19.4%) to the intrinsic net asset value.

Remgro's total cash at the centre at 31 December 2019 was R16 675 million (30 June 2019: R15 727 million).

For the six months ended 31 December 2019, an interim dividend of 215 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.

¹ Readers are reminded that this press release is based on Remgro's actual results for the six months ended 31 December 2019. Therefore, this release does not reflect the current market conditions and must be read in that context.

Jannie Durand, CEO of Remgro, concluded: *“The last five or six years in South Africa have probably been some of the toughest years from both a business and a political perspective. We anticipate that this trend will continue for at least the next couple of years and we remain positive and confident in Remgro’s strategy and ability to continue creating shareholder value over the long term. While there is still a lot of uncertainty around global markets and the potential impact of COVID-19 in particular, we remain confident that Remgro and its underlying investments remain well placed to navigate these storms and capitalise on the various opportunities that inevitably present themselves during challenging times. In respect of our announcement regarding the unbundling of our interests in FirstRand / RMH in part / in full, we anticipate that the detail of the proposed transaction will be released before the end of March.”*

Contact: **Remgro Limited**
Jannie Durand (CEO) (021) 888-3253
Mari Rabie (Investor Relations): mrabie@remgro.com

Issued and released by: **Remgro Investor Relations**

Issue date: **17 March 2020**

JSE code: **REM**

Web-site: **www.remgro.com**

Editor’s notes

Banking

The headline earnings contribution from the banking platform amounted to R1 838 million (2018: R1 775 million), representing an increase of 3.5%. FirstRand Limited (FirstRand) and RMB Holdings Limited (RMH) reported headline earnings growth of 4.8% and 3.0% respectively. RMH reported lower growth due to higher funding costs resulting from further investments into properties.

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 5.0% and 3.2% respectively. These increases are mainly due to growth in net interest income (up 8%), underpinned by growth in deposits (up 7%) and slower growth in advances (up 4%), as well as slower growth in non-interest revenue (up 5%), reflecting relatively lower fee and commission income growth (up 3%) and the non-repeat of private equity realisations compared to the prior period. Cost growth remained above inflation, although the absolute increase of 7% is lower than previous periods. The cost-to-income ratio decreased from 52.3% to 52.1%.

Total non-performing loans (NPLs) increased by 17% since December 2018, reflecting overall book growth as well as the impact of IFRS 9. The overall credit impairment charge remains within FirstRand’s guided through-the-cycle range at 105bps (95bps including Aldemore), resulting in an 18% increase in the charge.

Healthcare

Mediclinic’s contribution to Remgro’s headline earnings amounted to R858 million (2018: R623 million), representing an increase of 37.7%. 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 period under review the main difference between adjusted

earnings and headline earnings related to a tax credit of £32 million (Remgro's portion being R261 million) in respect of a reduction in Swiss statutory tax rates. Furthermore, Mediclinic adopted *IFRS 16* during the period under review and, for comparative purposes, also presented its results on a pre-*IFRS 16* basis. Remgro's portion of Mediclinic's pre-*IFRS 16* adjusted earnings amounted to R619 million (2018: R600 million), representing an increase of 3.2%.

In British pound terms, Mediclinic's pre-*IFRS 16* adjusted earnings was flat at £76 million, reflecting the weakening of the average SA rand exchange rate against the British pound. All three divisions (Switzerland, Southern Africa and the Middle East) delivered solid first-half financial performances by growing revenue, EBITDA and patient volumes. Hirslanden has made good progress in growing across the healthcare continuum and adapting the business to the regulatory changes affecting the Swiss healthcare system. It has continued to implement its day case clinic strategy which focuses on a more efficient, lower cost service delivery model; attracted additional clinical professionals and also delivered ongoing cost management and efficiency savings.

Consumer products

The contribution from consumer products to Remgro's headline earnings amounted to R977 million (2018: R932 million), representing an increase of 4.8%.

RCL Foods Limited's (RCL Foods) contribution to Remgro's headline earnings decreased by 1.9% to R359 million (2018: R366 million). RCL Foods' headline earnings was materially impacted by a negative fair value adjustment amounting to R61 million (2018: positive fair value adjustment of R34 million) on maize procurement positions, as well as the impact of the adoption of *IFRS 16: Leases*, which amounted to an additional cost of R23 million. Excluding the above, RCL Foods' contribution to headline earnings increased from R340 million to R424 million (or 24.7%). The increase is mainly due to an improved Sugar result. Despite the improvement in Sugar's results, lower market demand on the back of the implementation of the Health Promotion Levy (sugar tax) continues to drive sales mix towards the lower margin non-value-added raw export market. Within Chicken, the tough trading conditions were exacerbated by market oversupply due to sustained high levels of dumped imports.

Distell Group Holdings Limited's (Distell) contribution to headline earnings amounted to R384 million (2018: R399 million), representing a decrease of 3.8%. Distell reported a decrease of 9.0% in normalised headline earnings adjusted for foreign exchange movements, which indicates the business' performance excluding abnormal transactions and foreign currency fluctuations. This decrease is mainly due to lower margins and lower sales volumes resulting from weak economic conditions. In addition to Distell's contribution, Remgro also accounted for amortisation and depreciation charges of R23 million (2018: R24 million) relating to the additional assets identified when Remgro obtained control over Distell on 11 May 2018.

The headline earnings contribution from Siquo Foods amounted to R297 million (2018: R231 million), representing an increase of 28.6%. This increase is mainly due to higher sales price realisations and lower overheads, partly offset by a decrease in volumes. In terms of a transition agreement with Unilever South Africa Holdings Proprietary Limited (Unilever), Siquo Foods also received an after tax finalisation amount of R31 million from Unilever. In addition to Siquo Foods' contribution, Remgro also accounted for amortisation and depreciation charges of R40 million (2018: R40 million) relating to the additional assets identified when Remgro obtained control over Siquo Foods on 2 July 2018.

Insurance

RMI's contribution to Remgro's headline earnings decreased by 13.4% to R504 million (2018: R582 million). On a normalised basis, RMI reported a decrease of 13.8% in earnings mainly due to lower contributions from Hastings Group Holdings plc (Hastings), Discovery Holdings Limited (Discovery) and OUTsurance Holdings Limited (OUTsurance). The contribution of Hastings decreased by 51.1% due to an overall premium deflation of 2% and a

significantly higher claims ratio. The contribution from Discovery decreased by 11.7% mainly due to a lower contribution from VitalityLife and significant spend on new initiatives (mainly to Discovery Bank), partly offset by an increase of 17% in new business annualised premium income. The contribution of OUTsurance decreased by 5.1% mainly due to the devastating bushfires in Australia, which severely impacted the claims ratio performance. The contribution of Momentum Metropolitan Holdings Limited (Momentum Metropolitan) increased by 11.7% due to a resilient performance in the core South African life insurance businesses, underpinned by disciplined expense management and steady underwriting results.

Industrial

Air Products South Africa Proprietary Limited's (Air Products) contribution to Remgro's headline earnings decreased by 2.3% to R170 million (2018: R174 million). This decrease is mainly due to difficult trading conditions with depressed demand in most sectors of the business.

Total's contribution to Remgro's headline earnings amounted to R166 million (2018: R101 million). Included in the contribution to headline earnings for the period under review are favourable stock revaluations amounting to R3 million (2018: unfavourable stock revaluations of R75 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 7.4% from R176 million to R163 million. This decrease is mainly due to a decrease in turnover resulting from a lower basic fuel price, partly offset by higher sales volumes in the mining and reseller sector.

Kagiso Tiso Holdings Proprietary Limited's (KTH) and Wispeco Holdings Proprietary Limited's (Wispeco) contributions to headline earnings amounted to R102 million and R67 million (2018: R77 million and R52 million), respectively, while PGSI Limited (PGSI) contributed a loss of R17 million to Remgro's headline earnings (2018: profit of R8 million).

Infrastructure

CIVH's contribution to Remgro's headline earnings amounted to a loss of R197 million (2018: loss of R104 million). Despite the increase in losses, Dark Fibre Africa Proprietary Limited's (DFA) revenue increased to R1 211 million (2018: R1 065 million) due to strong growth of 17% in annuity revenue, while EBITDA grew by 19%. DFA's contribution was negatively impacted by higher depreciation and finance costs as a result of the expanding network. Included in CIVH's results were higher finance and transaction costs due to the acquisition of a further 65.1% stake in Vumatel Proprietary Limited (Vumatel) during May 2019, as well as an increase in losses accounted for Vumatel due to the additional interest acquired. Vumatel's revenue and EBITDA increased by 74% and 109%, respectively, but its results were also negatively impacted by higher depreciation and finance costs driven by the expanding network.

Grindrod's contribution to Remgro's headline earnings amounted to R41 million (2018: R101 million). The decrease is mainly due to a lower contribution from the Financial Services business and the exclusion of the earnings of certain discontinued operations, partly offset by a better performance from the Freight Services business.

Grindrod Shipping Holdings Limited's (Grindrod Shipping) contribution to Remgro's headline earnings amounted to a loss of R22 million (2018: loss of R18 million). Grindrod Shipping achieved a higher gross margin due to higher rates in the Supramax/Ultramax and Medium Range Tanker segments, but this was offset by higher interest expenses.

As reported previously, SEACOM Capital Limited (SEACOM) has a zero carrying value and therefore, Remgro will only account for SEACOM's profits once these profits exceed the accumulated losses not accounted for in the prior periods. However, a dividend amounting to R22 million was received from SEACOM during the period under review, which caused Remgro to equity account headline earnings of R9 million for SEACOM. Remgro's actual

portion of SEACOM's headline earnings amounted to R21 million (2018: a loss of R1 million). This increase is mainly due to positive growth in the traditional business, as well as a stronger performance in the Service Provider segment, due to the inclusion of FibreCo.

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 R36 million (2018: R11 million). This increase is mainly due to an increase in revenue despite the tough economic environment and difficult trading conditions in the advertising market. eMedia Investments continues to invest into the multi-channel business (Openview and e.tv multichannel) with Openview set-top box activations growing to approximately 1.8 million at 31 December 2019 (30 June 2019: 1.7 million). The investment into the multi-channel business decreased from R84 million to R81 million mainly due to the reduction in subsidy costs, as well as increased revenue due to increased market share.

Other investments

The contribution from other investments to headline earnings amounted to R1 million (2018: R15 million), of which Business Partners Limited's contribution was R24 million (2018: R29 million).

Central treasury and other net corporate costs

Finance income amounted to R276 million (2018: R397 million). Subsequent to the comparative period, £170 million was transferred offshore, which resulted in lower interest earned. Finance costs amounted to R478 million (2018: R459 million). The positive fair value adjustment of R1 million (2018: R106 million) relates to the decrease in the value of the exchange option of the exchangeable bonds. Other net corporate costs amounted to R94 million (2018: R112 million).