



Final Results Press Release for Remgro Limited

(Remgro)

REMGRO'S PERFORMANCE COMMENDABLE GIVEN CURRENT ECONOMIC CLIMATE

- **Headline earnings per share increased by 32.7% to 1 486 cents**
- **Headline earnings per share, excluding once-off costs and option remeasurement, decreased by 3.4% to 1 361 cents**
- **Total dividend per share for the year increased by 7.6% to 495 cents**
- **Intrinsic net asset value per share as at 30 June 2017 was R251.48**

Remgro's investment in its banking and insurance platforms delivered a commendable performance for the year ended 30 June 2017. The industrial and infrastructure investments' contributions to headline earnings showed a noticeable improvement compared to the June 2016 results. The consumer products investments were mainly impacted by RCL Foods' decline in headline earnings, although on a normalised basis headline earnings were up.

For the year to 30 June 2017, headline earnings increased by 40.0% from R5 874 million to R8 221 million, while headline earnings per share (HEPS) increased by 32.7% from 1 119.6 cents to 1 485.5 cents. The difference in the increase between headline earnings and HEPS is attributed to the impact of the rights issue during the year under review. Included in headline earnings for the comparative year are once-off transaction costs incurred with the Mediclinic rights issue and Al Noor Hospitals Group plc (Al Noor) transaction amounting to R788 million ("once-off costs"), as well as a negative fair value adjustment of R730 million, relating to the increase in value of the bondholders' exchange option of the bonds ("option remeasurement"). The year under review includes a positive fair value adjustment of R687 million. Excluding these items, headline earnings increased by 1.9% from R7 392 million to R7 534 million, while HEPS decreased by 3.4% from 1 409.0 cents to 1 361.3 cents. The increase in headline earnings, excluding once-off costs and option remeasurement, is mainly due to higher contributions from the banking and insurance platforms, KTH and higher interest income, partly offset by lower earnings from RCL Foods and higher finance costs.

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 decreased by 17.9% from R306.44 at 30 June 2016 to R251.48 at 30 June 2017 mainly due to a 40.4% drop in the market value of the Mediclinic investment, as well as the dilutive effect of the rights issue. The drop in Mediclinic's market value is a direct result of the rand strengthening against the British pound and problems experienced in the Middle East. The closing share price at 30 June 2017 was R213.46 (2016: R254.66) representing a discount of 15.1% (2016: 16.9%) to the intrinsic net asset value.

Cash at the centre increased by R8 445 million to R12 223 million at 30 June 2017 mainly as a result of the rights issue raising R9 811 million and dividends received of R4 276 million.

For the year ended 30 June 2017, the final dividend declared was 301 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 194 cents per share, amounts to a total dividend of 495 cents per share which represents a 7.6% increase from the total dividend declared for the year ended 30 June 2016 of 460 cents per share.

Jannie Durand, CEO of Remgro, concluded: "We are very cognisant of the deteriorating South African economic conditions and uncertain political environment. However, Remgro will continue to support its existing investments and continue to look at viable investment opportunities."

Contact: **Remgro Limited**
Jannie Durand (CEO) (021) 888-3253

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Editor's notes

Healthcare

Mediclinic's contribution to Remgro's headline earnings amounted to R1 875 million (2016: R1 566 million), representing an increase of 19.7%. It should be noted that Mediclinic's results for the comparative period include once-off transaction costs incurred with the Al Noor transaction amounting to R891 million (Remgro's portion being R386 million). Excluding these once-off items Mediclinic's contribution to Remgro's headline earnings would have decreased by 3.9% from R1 952 million to R1 875 million. This decrease is mainly due to the strengthening of the rand against the British pound. In British pound terms Mediclinic's contribution, excluding once-off transaction costs, increased by 8.2% mainly due to Remgro's increased interest in Mediclinic (42.1% to 44.6%), the inclusion of the results of Al Noor and Spire Healthcare Group plc (Spire) for the full twelve months and a strong performance in Switzerland, as well as good organic growth in Southern Africa. The increase is partly offset by the underperforming Middle East business, which was impacted by a number of operational and regulatory factors, doctor vacancies and delayed facility openings.

Banking

The headline earnings contribution from the banking division amounted to R3 163 million (2016: R2 989 million), representing an increase of 5.8%. FirstRand and RMBH reported headline earnings growth of 6.1% and 5.7% respectively. On a normalised basis, which excludes certain non-operational and accounting anomalies, FirstRand and RMBH reported earnings growth of 7.1% and 6.6% respectively. These increases are mainly due to growth in both net interest income, underpinned by good growth in deposits and a positive endowment on the back of higher average interest rates, and non-interest revenue due to strong growth in fee and commission income at FNB and from realisations in RMB's private equity portfolio at marginally higher levels. This growth in earnings was partly offset by an increase in credit impairment charges.

Consumer products

The contribution from consumer products to Remgro's headline earnings amounted to R1 354 million (2016:

R1 605 million), representing a decrease of 15.6%. RCL Foods' contribution to Remgro's headline earnings decreased by 34.3% to R424 million (2016: R645 million). During the comparative period RCL Foods' results were positively impacted by the release of a R163 million provision raised for uncertain tax disputes as part of the Foodcorp acquisition, as well as a R119 million gain on the exercise of the Zam Chick and Zamhatch put options. On a normalised basis, RCL Foods reported headline earnings growth of 7.7%. The Sugar business benefited from price increases which helped offset reduced volumes, while the Chicken business was impacted by a massive oversupply in the local market caused by local production and dumping of imported chicken. Unilever's contribution to Remgro's headline earnings decreased by 2.6% to R449 million (2016: R461 million). This decrease is mainly the result of lower tax allowances following the completion of manufacturing investments, as well as a weakening trade environment. Distell's contribution to headline earnings, which includes the investment in Capevin Holdings, amounted to R481 million (2016: R499 million). Distell's results were negatively impacted by a stronger rand, particularly against the British pound, as well as intense competition and pressure on consumers. Distell reported headline earnings growth, adjusted for foreign exchange movements, of 7.4%.

Insurance

RMI Holdings' contribution to headline earnings increased by 17.2% to R1 041 million (2016: R888 million). On a normalised basis, RMI Holdings reported an increase of 16.4% in earnings mainly due to OUTsurance and Discovery, which achieved earnings growth of 25.7% and 8.2% respectively. The strong result by OUTsurance was driven by favourable claims experienced across the group, as well as a significant improvement in the cost-to-income ratio, particularly at Youi due to scale benefits and cost efficiencies. With effect from 1 March 2017 RMI Holdings acquired a 29.9% stake in Hastings Group Holdings plc (Hastings), a fast-growing agile digital general insurance provider operating principally in the UK motor market. The contribution from Hastings were partially offset by higher funding costs relating to the acquisition.

Industrial

Total's contribution to Remgro's headline earnings amounted to R224 million (2016: R291 million). The decrease is mainly due to a lower refining margin. Remgro's share of the results of KTH amounted to a profit of R34 million (2016: loss of R229 million). In the comparative period, KTH's results were negatively impacted by unfavourable fair value adjustments relating to its investments in Exxaro Resources Limited and MMI Holdings Limited preference shares. Air Products' and Wispeco's contribution to headline earnings amounted to R298 million and R169 million respectively (2016: R275 million and R144 million), while PGSI contributed R25 million to Remgro's headline earnings (2016: R36 million).

Infrastructure

Grindrod's contribution to Remgro's headline earnings amounted to a loss of R48 million (2016: a loss of R45 million). The increased loss is mainly due to the underperformance of the rail assembly businesses resulting from a lack in demand for locomotives, continued uncertainty in the mining sector and low levels of activity in Southern Africa. The increased loss is partly offset by an improvement in dry-bulk shipping rates and commodity markets, as well as the Agricultural businesses. For the year under review the CIV group contributed R110 million to headline earnings (2016: R64 million). This increase is mainly due to solid growth in annuity revenue. Remgro's share of SEACOM's loss amounted to R33 million (2016: loss of R33 million).

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 increased to R49 million (2016: R28 million), mainly due to higher advertising revenue as a result of an improvement in market share. The increase is partly offset by higher business development costs, as well as continued investment into the multi-channel business.

Other investments

The contribution from other investments to headline earnings amounted to R70 million (2016: R67 million), of which Business Partners' contribution was R54 million (2016: R48 million).

Central treasury and other net corporate costs

Finance income amounted to R349 million (2016: R125 million). This increase is mainly due to higher average cash balances as a result of the Remgro rights issue. Finance costs mainly consist of funding costs amounting to R893 million (2016: R466 million) and once-off transaction costs in the comparative period amounting to R402 million, which relate to the Mediclinic rights issue and Al Noor transaction. The positive fair value adjustment of R687 million relates to the decrease in the value of the exchange option of the exchangeable bonds (2016: negative fair value adjustment of R730 million). Other net corporate costs amounted to R143 million (2016: R251 million). The comparative period includes transaction and funding costs amounting to R115 million relating to Remgro's acquisition of Spire. These costs were recouped from Mediclinic as part of the Spire disposal consideration, outside headline earnings.