

Remgro Limited

Interim Results Press Release for Remgro Limited

(Remgro)

INTRINSIC NET ASSET VALUE GROWTH REMAINS STRONG

- Intrinsic net asset value per share increased by 15.7% to R284.48 for the period
- Earnings per share increased by 11.5% to 839 cents
- Headline earnings per share decreased by 0.1% to 712 cents
- Interim dividend per share for the period increased by 8.3% to 169 cents

The majority of Remgro's underlying investments, for the six months ended 31 December 2014, performed well, however, this headline earnings growth was negated by stock revaluation losses in Total SA due to the sudden drop in the crude oil price and mark to market losses of investments in Kagiso Tiso Holdings (KTH).

Remgro's intrinsic net asset value per share increased by 15.7% to R284.48 at 31 December 2014 from R245.96 at 30 June 2014. For the period under review, earnings increased by 11.7% and headline earnings were flat. The growth in earnings is mainly as a result of a profit realised on the dilution of Remgro's interest in Mediclinic from 44.3% to 42.1%, which profit is excluded from the calculation of headline earnings.

The contribution to headline earnings by reporting platform is presented in the table below.

Contribution to headline earnings:	Six months 31 December 2014 (R'million)	Change (%)	Six months 31 December 2013 (R'million)	Year ended 30 June 2014 (R'million)
Food, liquor and home care	974	16.1	839	795
Banking	1 347	12.3	1 200	2 542
Healthcare	670	7.7	622	1 489
Insurance	549	28.9	426	871
Industrial	7	(98.4)	446	700
Infrastructure	91	31.9	69	166
Media and sport	11	(80.0)	55	64
Other investments	39	11.4	35	59
Central treasury	57	58.3	36	83
Other net corporate costs	(87)	(22.5)	(71)	(134)
Headline earnings	3 658	-	3 657	6 635

The contribution from the **food, liquor and homecare** platform to Remgro's headline earnings amounted to R974 million (2013: R839 million), representing an increase of 16.1%. This increase is mainly the result of a higher contribution from RCL Foods, which contributed R473 million to headline earnings (2013: R10 million). It should however be noted that the results of RCL Foods for the period under review now includes the results of TSB, while TSB was still reported separately in the comparative period.

The headline earnings contribution from the **banking** division amounted to R1 347 million (2013: R1 200 million), representing an increase of 12.3%. Both FirstRand and RMBH reported good headline earnings growth of 12.4% and 12.3% respectively, mainly due to growth in both interest income and non-interest income from FNB, RMB and WesBank, partly offset by a slight increase in year-on-year credit impairment charges.

Mediclinic's contribution, Remgro's only **health** sector investment, to headline earnings amounted to R670 million (2013: R622 million). It should be noted that Mediclinic's results for the comparative period included a once-off past service cost credit of R172 million. Excluding this once-off item Mediclinic's contribution to Remgro's headline earnings would have increased by 22.7% from R546 million.

RMI Holdings' contribution, Remgro's **insurance** investment, to headline earnings increased by 28.9% to R549 million. RMI Holdings reported an increase of 13.6% in normalised earnings, with all three operating platforms, Discovery, MMI Holdings and OUTsurance achieving good earnings growth of 20.1%, 10.0% and 14.2% respectively.

Remgro's **industrial** investments reported subdued results. Total South Africa's contribution to Remgro's headline earnings amounted to a loss of R112 million (2013: R123 million profit). This decrease is mainly the result of substantial unfavourable stock revaluations in the period under review compared to favourable stock revaluations in the comparative period. These revaluations are the result of the volatility in the Brent Crude price and the rand exchange rate. Remgro's share of the results of KTH amounted to a loss of R62 million (2013: profit of R93 million). During the period under review KTH's results were negatively impacted by unfavourable fair value adjustments relating to its investment in Exxaro Resources Limited. Air Products' and Wispeco's contribution to headline earnings amounted to R108 million and R48 million respectively (2013: R114 million and R53 million), while PGSI contributed R25 million to Remgro's headline earnings (2013: R63 million).

Remgro's largest investment in the **infrastructure** sector, Grindrod's, contribution to headline earnings amounted to R76 million (2013: R45 million). This increase is mainly the result of the closure of Grindrod's commodity trading division which produced poor results in the comparative period.

Media and sport interests primarily consist of the interest in Sabido. Sabido's contribution to Remgro's headline earnings amounted to R44 million (2013: R79 million), while other media and sport interests' contribution to headline earnings amounted to a loss of R33 million (2013: R24 million loss).

Cash at the centre decreased by R340 million to R2 924 million at 31 December 2014. During the period, Remgro invested mainly in Milestone China Opportunities Fund (Milestone III) (R284 million), Unilever (R258 million), Sabido (R157 million), Community Investments Ventures Holdings (CIVH) (R57 million), KTH (R23 million) and Invenfin (R17 million). The main investments sold were Longkloof (R83 million) and GEMS distributions (R54 million).

For the six months ended 31 December 2014, an interim dividend per share of 169 cents has been declared and paid on 16 March 2015 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 an 8.3% increase from the interim dividend declared for the six months ended 31 December 2013 of 156 cents per share. The interim dividend paid will utilise all the remaining STC credits.

"We are aware of the low South African GDP (gross domestic product) growth rate being forecasted of between 2.0% and 2.5% for 2015. We are concerned that the consumer is struggling and this is exacerbated by industrial strikes across key economic sectors. Remgro has a diverse investment portfolio and we are satisfied that the stated strategies and business principles of these businesses remain sound," concluded Jannie Durand, CEO of Remgro.

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