REMGRO LIMITED

Registration number 1968/006415/06
ISIN ZAE000026480 Share code REM

INTERIM REPORT

UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2017 AND CASH DIVIDEND DECLARATION

SALIENT FEATURES

• **Intrinsic net asset value per share**	**+5.7%**
• **Interim dividend per share**	**+5.2%**
• **Headline earnings per share, excluding option remeasurement**	**+1.3%**
• **Headline earnings per share**	**-10.4%**

REMGRO LIMITED

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

R million	**31 December 2017**	31 December 2016	30 June 2017
ASSETS			
Non-current assets			
Property, plant and equipment	**6 741**	6 767	6 668
Investment properties	**130**	119	129
Intangible assets	**4 873**	4 936	4 927
Investments - Equity accounted	**80 184**	78 072	80 883
- Available-for-sale	**2 937**	3 152	3 345
Retirement benefits	**204**	152	201
Loans	**573**	616	562
Deferred taxation	**22**	40	23
	95 664	93 854	96 738
Current assets	**23 179**	22 937	22 317
Inventories	**3 645**	3 621	3 055
Biological agricultural assets	**619**	709	791
Debtors and short-term loans	**5 730**	5 493	4 885
Investment in money market funds	**5 849**	3 569	5 888
Cash and cash equivalents	**7 227**	9 458	7 524
Other current assets	**93**	32	85
	23 163	22 882	22 228
Assets held for sale	**16**	55	89
Total assets	**118 843**	116 791	119 055
EQUITY AND LIABILITIES			
Stated capital	**13 416**	13 418	13 416
Reserves	**78 933**	76 171	79 235
Treasury shares	**(189)**	(231)	(219)
Shareholders' equity	**92 160**	89 358	92 432
Non-controlling interest	**3 009**	2 812	2 870
Total equity	**95 169**	92 170	95 302
Non-current liabilities	**18 161**	18 935	18 493
Retirement benefits	**183**	182	173
Long-term loans	**16 278**	16 882	16 446
Deferred taxation	**1 473**	1 471	1 511
Derivative instruments	**227**	400	363
Current liabilities	**5 513**	5 686	5 260
Trade and other payables	**4 625**	4 671	4 710
Short-term loans	**741**	826	480
Other current liabilities	**147**	189	69
	5 513	5 686	5 259
Liabilities held for sale	**-**	-	1
Total equity and liabilities	**118 843**	116 791	119 055
Net asset value per share (Rand)			
- At book value	**R162.59**	R157.73	R163.13
- At intrinsic value	**R265.84**	R257.79	R251.48

SUMMARY CONSOLIDATED INCOME STATEMENT

R million	**Six months ended 31 December 2017**	Six months ended 31 December 2016 Restated*	Year ended 30 June 2017
Sales	**14 046**	14 511	27 600
Inventory expenses	**(6 804)**	(7 917)	(16 138)
Staff costs	**(2 522)**	(2 456)	(4 972)
Depreciation	**(362)**	(379)	(752)
Other net operating expenses*	**(3 617)**	(3 351)	(4 978)
Trading profit	**741**	408	760
Dividend income	**48**	19	61
Interest received	**414**	238	633
Fair value adjustment on exchangeable bonds' option*	**134**	667	687
Finance costs	**(614)**	(648)	(1 255)
Net impairment of investments, loans, assets and goodwill	**645**	593	105
Profit on sale and dilution of investments	**120**	3	199
Consolidated profit before tax	**1 488**	1 280	1 190
Taxation	**(272)**	(118)	(227)
Consolidated profit after tax	**1 216**	1 162	963
Share of after-tax profit of equity accounted investments	**3 015**	4 075	7 545
Net profit for the period	**4 231**	5 237	8 508
Attributable to:			
Equity holders	**4 131**	5 219	8 431
Non-controlling interest	**100**	18	77
	4 231	5 237	8 508

EQUITY ACCOUNTED INVESTMENTS			
Share of after-tax profit of equity accounted investments			
Profit before taking into account impairments, non-recurring and capital items	**5 380**	5 466	10 066
Net impairment of investments, assets and goodwill	**(1 170)**	(308)	(668)
Profit on the sale of investments	**108**	154	325
Other non-recurring and capital items	**13**	33	101
Profit before tax and non-controlling interest	**4 331**	5 345	9 824
Taxation	**(1 096)**	(1 079)	(1 895)
Non-controlling interest	**(220)**	(191)	(384)
	3 015	4 075	7 545

* *The fair value adjustment on the exchangeable bonds' option was included in "Other net operating expenses" in the December 2016 income statement. As previously reported and in order to improve disclosure, this item is now presented separately.*

HEADLINE EARNINGS RECONCILIATION

R million	Six months ended 31 December 2017	Six months ended 31 December 2016	Year ended 30 June 2017
Net profit for the period attributable to equity holders (earnings)	**4 131**	5 219	8 431
Plus/(minus):			
- Net impairment of equity accounted investments	**(654)**	(738)	(302)
- Impairment of available-for-sale investments	**-**	-	5
- Impairment of property, plant and equipment	**8**	145	181
- (Profit)/loss on sale and dilution of equity accounted investments	**(4)**	5	(199)
- Profit on sale of available-for-sale investments	**(116)**	(8)	-
- Net surplus on disposal of property, plant and equipment	**(45)**	(18)	(110)
- Non-headline earnings items included in earnings of equity accounted investments	**1 048**	128	223
- Net (surplus)/loss on disposal of property, plant and equipment	**(1)**	7	(19)
- Profit on the sale of investments	**(108)**	(154)	(325)
- Net impairment of investments, assets and goodwill	**1 170**	308	668
- Other non-recurring and capital items	**(13)**	(33)	(101)
- Taxation effect of adjustments	**32**	(22)	5
- Non-controlling interest	**6**	(21)	(13)
Headline earnings	**4 406**	4 690	8 221
Option remeasurement	**(134)**	(667)	(687)
Headline earnings, excluding option remeasurement	**4 272**	4 023	7 534

EARNINGS AND DIVIDENDS

Cents	**Six months ended** **31 December 2017**	31 December 2016	Year ended June 2017
Headline earnings per share			
– Basic	**777.5**	867.7	1 485.5
– Diluted	**772.8**	863.9	1 479.5
Headline earnings per share, excluding option remeasurement			
– Basic	**753.9**	744.3	1 361.3
– Diluted	**749.1**	740.7	1 355.5
Earnings per share			
– Basic	**729.0**	965.6	1 523.4
– Diluted	**725.2**	960.8	1 517.2
Dividends per share			
Ordinary	**204.00**	194.00	495.00
– Interim	**204.00**	194.00	194.00
– Final	**-**	-	301.00

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

R million	Six months ended **31 December 2017**	 31 December 2016	Year ended 30 June 2017
Net profit for the period	**4 231**	5 237	8 508
Other comprehensive income, net of tax	**(2 774)**	(2 976)	(2 097)
Items that may be reclassified subsequently to the income statement:			
Exchange rate adjustments	**(1 182)**	(4 570)	(4 477)
Fair value adjustments for the period	**(2)**	(117)	69
Deferred taxation on fair value adjustments	**12**	53	21
Reclassification of other comprehensive income to the income statement	**(98)**	(9)	(20)
Other comprehensive income of equity accounted investments	**(1 694)**	1 801	2 245
Items that will not be reclassified to the income statement:			
Remeasurement of post-employment benefit obligations	**-**	-	68
Deferred taxation on remeasurement of post-employment benefit obligations	**-**	-	(19)
Change in reserves of equity accounted investments	**190**	(134)	16
Total comprehensive income for the period	**1 457**	2 261	6 411
Total comprehensive income attributable to:			
Equity holders	**1 356**	2 244	6 338
Non-controlling interest	**101**	17	73
	1 457	2 261	6 411

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

R million	Six months ended **31 December 2017**	 31 December 2016	Year ended 30 June 2017
Balance at the beginning of the period	**95 302**	81 657	81 657
Total comprehensive income for the period	**1 457**	2 261	6 411
Dividends paid	**(1 747)**	(1 589)	(2 708)
Transactions with non-controlling shareholders	**63**	5	18
Other movements	**7**	7	18
Long-term share incentive scheme reserve	**87**	48	127
Shares issued	**-**	9 945	9 945
Share issue costs	**-**	(132)	(134)
Purchase of treasury shares by wholly owned subsidiary	**-**	(32)	(32)
Balance at the end of the period	**95 169**	92 170	95 302

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

R million	Six months ended **31 December 2017**	 31 December 2016	Year ended 30 June 2017
Cash generated from operations	**203**	465	2 874
Taxation paid	**(204)**	(120)	(363)
Dividends received[1]	**2 205**	2 509	4 163
Finance costs	**(570)**	(611)	(1 179)
Cash available from operating activities	**1 634**	2 243	5 495
Dividends paid	**(1 747)**	(1 589)	(2 708)
Net cash inflow/(outflow) from operating activities	**(113)**	654	2 787
Investing activities[1, 2]	**(128)**	(3 569)	(6 572)
Financing activities[3]	**(58)**	8 997	8 553
Net increase/(decrease) in cash and cash equivalents	**(299)**	6 082	4 768
Exchange rate loss on foreign cash	**(268)**	(231)	(424)
Cash and cash equivalents at the beginning of the period	**7 472**	3 128	3 128
Cash and cash equivalents at the end of the period	**6 905**	8 979	7 472
Cash and cash equivalents – per statement of financial position	**7 227**	9 458	7 524
Bank overdraft	**(322)**	(479)	(52)

1. The dividend received from RMI Holdings in respect of the reinvestment alternative (refer to the section dealing with "Investment activities"), amounting to R292 million, is not included in "Dividends received" and "Investing activities" for cash flow purposes.
2. "Investing activities" for the comparative period primarily consisted of an increase in money market funds of R2 519 million.
3. "Financing activities" for the comparative period included the Remgro rights issue of R9 813 million.

ADDITIONAL INFORMATION

	31 December 2017	31 December 2016	30 June 2017
Number of shares in issue			
- Ordinary shares of no par value	**529 217 007**	529 217 007	529 217 007
- Unlisted B ordinary shares of no par value	**39 056 987**	39 056 987	39 056 987
Total number of shares in issue	**568 273 994**	568 273 994	568 273 994
Number of shares held in treasury			
- Ordinary shares repurchased and held in treasury	**(1 432 501)**	(1 756 218)	(1 666 638)
	566 841 493	566 517 776	566 607 356
Weighted number of shares	**566 682 343**	540 505 301	553 423 346

In determining earnings per share and headline earnings per share the weighted number of shares was taken into account.

ADDITIONAL INFORMATION (continued)

R million	**31 December 2017**	31 December 2016	30 June 2017
Equity accounted investments			
Associates	**74 451**	72 536	75 392
Joint ventures	**5 733**	5 536	5 491
	80 184	78 072	80 883
Equity accounted investment reconciliation			
Carrying value at the beginning of the period	**80 883**	78 565	78 565
Share of net attributable profit	**3 015**	4 075	7 545
Dividends received	**(2 304)**	(2 109)	(3 861)
Dilutionary effects	**2**	(6)	196
Exchange rate differences	**(940)**	(5 372)	(4 947)
Grindrod impairment reversal	**654**	724	478
Movements on reserves	**(1 504)**	1 667	2 256
Other movements	**378**	528	651
Carrying value at the end of the period	**80 184**	78 072	80 883
Long-term loans			
20 000 Class A 7.7% cumulative redeemable preference shares	**3 513**	3 513	3 512
10 000 Class B 8.3% cumulative redeemable preference shares	**4 383**	4 383	4 382
Exchangeable bonds with an effective interest rate of 4.5%	**5 533**	5 530	5 650
Various other loans	**3 084**	3 597	3 127
	16 513	17 023	16 671
Short-term portion of long-term loans	**(235)**	(141)	(225)
	16 278	16 882	16 446
Additions to and replacement of property, plant and equipment	**336**	802	1 228
Capital and investment commitments (Including amounts authorised, but not yet contracted for)	**1 330**	1 433	1 247
Guarantees and contingent liabilities	**25**	239	26
Dividends received from equity accounted investments set off against investments	**2 304**	2 109	3 861

Refer to the section dealing with "Investment activities" for more detail on significant related party transactions.

ADDITIONAL INFORMATION (continued)

Fair value remeasurements

The following methods and assumptions are used to determine the fair value of each class of financial instruments:
- Financial instruments available-for-sale and investment in money market funds: Fair value is based on quoted market prices or, in the case of unlisted instruments, appropriate valuation methodologies, being discounted cash flow, liquidation valuation and actual net asset value of the investment.
- Derivative instruments: The fair value of derivative instruments is determined by using appropriate valuation methodologies and mark-to-market valuations.

Financial instruments measured at fair value, are disclosed by level of the following fair value hierarchy:
Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – Inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table illustrates the fair values of financial assets and liabilities that are measured at fair value, by hierarchy level:

R million	***Level 1***	***Level 2***	***Level 3***	**Total**
31 December 2017				
Assets				
Available-for-sale	**1 093**	**-**	**1 844**	**2 937**
Derivative instruments	**-**	**8**	**-**	**8**
Investment in money market funds	**5 849**	**-**	**-**	**5 849**
	6 942	**8**	**1 844**	**8 794**
Liabilities				
Non-current derivative instruments	**-**	**227**	**-**	**227**
Current derivative instruments	**-**	**14**	**49**	**63**
	-	**241**	**49**	**290**
31 December 2016				
Assets				
Available-for-sale	1 040	-	2 112	3 152
Derivative instruments	-	2	-	2
Investment in money market funds	3 569	-	-	3 569
	4 609	2	2 112	6 723
Liabilities				
Non-current derivative instruments	-	400	-	400
Current derivative instruments	-	39	54	93
	-	439	54	493
30 June 2017				
Assets				
Available-for-sale	1 178	-	2 167	3 345
Derivative instruments	-	1	-	1
Investment in money market funds	5 888	-	-	5 888
	7 066	1	2 167	9 234
Liabilities				
Non-current derivative instruments	-	363	-	363
Current derivative instruments	-	13	49	62
	-	376	49	425

ADDITIONAL INFORMATION (continued)

The following table illustrates the reconciliation of the carrying value of level 3 assets from the beginning to the end of the period:

R million	**31 December 2017**	31 December 2016	30 June 2017
Assets: Available-for-sale			
Balances at the beginning of the period	**2 167**	2 148	2 148
Additions	**56**	26	119
Disposals	**(350)**	(57)	(67)
Exchange rate adjustments	**(103)**	(109)	(178)
Fair value adjustments through comprehensive income	**74**	104	145
Balances at the end of the period	**1 844**	2 112	2 167
Liabilities: Derivative instruments			
Balances at the beginning of the period	**49**	54	54
Remeasurements	**-**	-	(5)
Balances at the end of the period	**49**	54	49

There were no transfers between the different levels.

Level 3 financial assets consist mainly of investments in the Milestone China entities (Milestone) and the Pembani Remgro Infrastructure Fund (PRIF) amounting to R1 492 million and R228 million respectively. These investments are all valued based on the fair value of each investment's underlying assets, which are valued using a variety of valuation methodologies. Listed entities are valued at the last quoted share price on the reporting date, whereas unlisted entities' valuation methods include discounted cash flow valuations, appropriate earnings and revenue multiples.

Milestone's fair value consists of listed investments (45%), cash and cash equivalents (6%) and unlisted investments (49%). Unlisted investments included at recent transaction prices in Milestone's fair value amounted to R400 million, while its remaining nine unlisted investments were valued at R328 million and is considered to be immaterial. PRIF's main assets are the investments in ETG Group and Lumos Global. The fund values its investments using appropriate revenue and earnings multiples based on peer group companies to determine a price-to-book valuation.

Changes in the valuation assumptions of the above unlisted investments will not have a significant impact on Remgro's financial statements as the underlying assets of the funds in which Remgro made its investments are widely spread.

COMMENTS

1. ACCOUNTING POLICIES

The interim report is prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards (IFRS), including *IAS 34: Interim Financial Reporting*, and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, and in accordance with the requirements of the Companies Act (No. 71 of 2008), as amended, and the Listings Requirements of the JSE Limited. The financial statements have been prepared under the supervision of the Chief Financial Officer, Neville Williams CA(SA). The interim report has not been audited or reviewed.

These financial statements incorporate accounting policies that are consistent with those of the previous financial periods, with the exception of the adoption of the amendments to *IAS 7: Cash flow statements*, *IAS 12: Income taxes* and *IFRS 12: Disclosure of interest in other entities*. The implementation of these interpretations and amendments had no impact on the results of either the current or prior periods.

2. RESULTS

Headline earnings

For the period under review, headline earnings decreased by 6.1% from R4 690 million to R4 406 million, while headline earnings per share (HEPS) decreased by 10.4% from 867.7 cents to 777.5 cents. The difference in the decrease between headline earnings and HEPS is attributed to the impact of the rights issue during the comparative period.

Included in headline earnings for the period under review is a positive fair value adjustment amounting to R134 million (2016: R667 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 6.2% from R4 023 million to R4 272 million, while HEPS increased by 1.3% from 744.3 cents to 753.9 cents. The increase in headline earnings, excluding option remeasurement, is mainly due to higher earnings from RCL Foods, Total, RMI Holdings and higher finance income, offset by a lower contribution from Mediclinic.

Contribution to headline earnings by reporting platform

R million	**31 Dec 2017**	*% Change*	31 Dec 2016	Year ended 30 June 2017
Banking	**1 678**	*6.2*	1 580	3 163
Healthcare	**487**	*(50.5)*	983	1 875
Consumer products	**1 140**	*20.6*	945	1 354
Insurance	**626**	*27.2*	492	1 041
Industrial	**551**	*29.3*	426	750
Infrastructure	**32**	*113.3*	15	36
Media and sport	**(18)**	*28.0*	(25)	(58)
Other investments	**29**	*(25.6)*	39	70
Central treasury				
- finance income	**259**	*146.7*	105	349
- finance costs	**(452)**	*2.2*	(462)	(903)
- option remeasurement	**134**	*(79.9)*	667	687
Other net corporate costs	**(60)**	*20.0*	(75)	(143)
Headline earnings	**4 406**	*(6.1)*	4 690	8 221
Option remeasurement	**(134)**		(667)	(687)
Headline earnings, excluding option remeasurement	**4 272**	*6.2*	4 023	7 534

Refer to Annexures A and B for segmental information.

Commentary on reporting platforms' performance

Banking

The headline earnings contribution from the banking division amounted to R1 678 million (2016: R1 580 million), representing an increase of 6.2%. FirstRand and RMH reported headline earnings growth of 6.0% and 6.2% respectively. On a normalised basis, which excludes certain non-operational and accounting anomalies, FirstRand and RMH reported earnings growth of 7.0% and 7.2% respectively. 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.

Healthcare

Mediclinic's contribution to Remgro's headline earnings amounted to R487 million (2016: R983 million), representing a decrease of 50.5%. It should be noted that all the Al Noor facilities were rebranded to Mediclinic and therefore Mediclinic's contribution for the period under review included an accelerated amortisation charge of R171 million relating to the Al Noor trade name. Excluding the impact of the accelerated amortisation, Mediclinic's contribution to Remgro's headline earnings would have decreased by 33.1% from R983 million to R658 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, decreased by 20.4% mainly due to a weaker performance by the Hirslanden and Middle East operating divisions and a decrease in the equity accounted earnings from Spire. Hirslanden's comparative period also included a positive past service cost adjustment of £10 million, while Spire's contribution to Mediclinic's results included a provision of £7 million for the potential cost of a settlement relating to civil litigation against a consultant who previously had practicing privileges at Spire.

Consumer products

The contribution from consumer products to Remgro's headline earnings amounted to R1 140 million (2016: R945 million), representing an increase of 20.6%. RCL Foods' contribution to Remgro's headline earnings increased by 56.6% to R498 million (2016: R318 million). The increase is mainly due to an improved result in the Chicken business unit as a result of a revised business model, lower feed prices and improved realisations. On a normalised basis, which excludes certain once-off items in the comparative period, relating to the settlement of the Zam Chick and Zamhatch put options and costs incurred on the implementation of the revised Chicken business model, RCL Foods reported headline earnings growth of 35.3%. Unilever's contribution to Remgro's headline earnings increased by 9.5% to R288 million (2016: R263 million). This increase is mainly due to an improvement in gross margins as a result of cost control. Distell's contribution to headline earnings, which includes the investment in Capevin Holdings, amounted to R354 million (2016: R364 million). Distell's results for the period under review were negatively impacted by once-off losses and write-offs amounting to R78 million in its associate, Tanzania Distilleries Limited, following a sachet ban and excise duty dispute. The comparative period 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 and the aforementioned once-off items, of 3.2%, mainly driven by a 9.3% increase in revenue achieved across all regions and categories.

Insurance

RMI Holdings' contribution to headline earnings increased by 27.2% to R626 million (2016: R492 million). On a normalised basis, RMI Holdings reported an increase of 25.8% in earnings mainly due to Discovery and OUTsurance (excluding Hastings), which achieved earnings growth of 29.5% and 11.3% respectively. The strong result by Discovery was driven by both established and emerging businesses, while OUTsurance's results were driven by Youi's growth in operating profit as a result of lower natural peril claims in Australia. The contribution from Hastings were partially offset by higher funding costs relating to its acquisition in the prior year.

Industrial

Total's contribution to Remgro's headline earnings amounted to R258 million (2016: R102 million). Included in the contribution to headline earnings for the period under review are favourable stock revaluations amounting to R135 million (2016: unfavourable stock revaluations of R28 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 5.4% from R130 million to R123 million mainly due to a lower refining margin, the impact of planned and unplanned refinery shutdowns and a less favourable economic environment. Remgro's share of the results of KTH amounted to R73 million (2016: R58 million), 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 R142 million and R62 million respectively (2016: R151 million and R90 million), while PGSI contributed R16 million to Remgro's headline earnings (2016: R25 million).

Infrastructure
Grindrod's contribution to Remgro's headline earnings amounted to a loss of R52 million (2016: a loss of R18 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 period under review the CIV group contributed R32 million to headline earnings (2016: R44 million). This decrease is mainly due to higher finance costs and depreciation as a result of the expanding network, as well as lower equity accounted income due to the disposal of the CIV group's investment in Dartcom SA Proprietary Limited. Remgro's share of SEACOM's profit amounted to R32 million (2016: loss of R18 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 R3 million (2016: R33 million). This decrease is mainly due to a significant decline in license revenue resulting from a renegotiated DStv agreement.

Other investments
The contribution from other investments to headline earnings amounted to R29 million (2016: R39 million), of which Business Partners' contribution was R29 million (2016: R23 million).

Central treasury and other net corporate costs
Finance income amounted to R259 million (2016: R105 million). This increase is mainly due to higher average cash balances as a result of the Remgro rights issue in the comparative period. Finance costs amounted to R452 million (2016: R462 million). The positive fair value adjustment of R134 million (2016: R667 million) relates to the decrease in the value of the exchange option of the exchangeable bonds. Other net corporate costs amounted to R60 million (2016: R75 million).

Earnings
Earnings decreased by 20.8% to R4 131 million (2016: R5 219 million). This decrease is mainly the result of the lower positive fair value adjustment, relating to the decrease in value of the exchange option of the exchangeable bonds of R134 million (2016: R667 million), as well as Remgro's portion of the impairment of Mediclinic's investment in Spire amounting to R830 million.

3. INTRINSIC NET ASSET VALUE

Remgro's intrinsic net asset value per share increased by 5.7% from R251.48 at 30 June 2017 to R265.84 at 31 December 2017. The closing share price at 31 December 2017 was R236.00 (30 June 2017: R213.46) representing a discount of 11.2% (30 June 2017: 15.1%) to the intrinsic net asset value. Refer to Annexure B for full details.

4. INVESTMENT ACTIVITIES

The most important investment activities during the period under review were as follows:

RMI Holdings Limited (RMI Holdings)
On 19 September 2017 RMI Holdings declared its final dividend for the year ended 30 June 2017, which included an alternative to the cash dividend of either receiving a scrip distribution or reinvesting the cash dividend by subscribing for new RMI Holdings ordinary shares. Remgro elected to reinvest its cash dividend amounting to R292.3 million, and received 7 691 641 new RMI Holdings ordinary shares at R38.00 per share. Remgro's interest in RMI Holdings increased marginally from 29.9% on 30 June 2017 to 30.1% on 31 December 2017.

Kagiso Infrastructure Empowerment Fund (KIEF)
During the period under review, Remgro disposed of its investment in KIEF, realising a profit on disposal of R102.8 million on the transaction. Remgro initially committed funds amounting to R350 million to KIEF, which had a target size of R650 million and aimed to invest in infrastructure projects, including roads, airports, power and telecommunication installations, railway systems, ports, water and social infrastructure. In total, Remgro invested R285.3 million in KIEF and received income and capital distributions amounting to R380.5 million, which includes the proceeds on disposal of KIEF.

Other
Other smaller investments amounted to R122 million.

Events after 31 December 2017

Distell Group Limited (Distell)
During June 2017 it was announced that Distell will restructure its multi-tiered ownership structure. In terms of the restructuring, Remgro will subscribe for listed ordinary shares and unlisted B shares in a new listed entity (New Distell). The listed ordinary shares will give Remgro the same 31.8% economic interest, while the unlisted B shares, though not having any economic rights, will increase Remgro's voting rights in New Distell to 56.0%. The restructuring is still subject to the approval by the relevant competition authorities.

Unilever South Africa Holdings Proprietary Limited (Unilever)
On 22 September 2017 it was announced that Unilever will acquire Remgro's 25.75% shareholding in Unilever in exchange for the Unilever Spreads business in Southern Africa, as well as a cash consideration of R4.9 billion, representing a total transaction value of R11.9 billion. This transaction values the Unilever Spreads business at R7.0 billion. The transaction is still subject to the approval by the relevant competition authorities.

RMI Holdings Limited (RMI Holdings)
On 12 March 2018 RMI Holdings declared its interim dividend for the six months ended 31 December 2017, which included an alternative to the cash dividend of either receiving a scrip distribution or reinvesting the cash dividend by subscribing for new RMI Holdings ordinary shares. Remgro has committed to reinvesting its cash dividend amounting to R178.4 million, by electing the reinvestment alternative, in order to receive 4 196 921 new RMI Holdings ordinary shares at R42.50 per share.

Other than the above-mentioned transactions, there were no other significant transactions subsequent to 31 December 2017.

5. INFORMATION REGARDING UNLISTED INVESTMENTS

Unilever South Africa Holdings Proprietary Limited (Unilever)
Unilever has a 31 December year-end and its results for the six months to 31 December 2017 have been included in Remgro's results for the period under review. Unilever's contribution to Remgro's headline earnings for the six months under review increased by 9.5% to R288 million (2016: R263 million). The higher headline earnings contribution was mainly due to improvements in trading results, gross margins and cost control, which resulted in strong operating income in 2017.

Air Products South Africa Proprietary Limited (Air Products)
Air Products has a September year-end and its results for the six months ended 30 September 2017 have been included in Remgro's results for the period under review. Air Products' contribution to Remgro's headline earnings for the period under review decreased by 6.0% to R142 million (2016: R151 million).

Turnover for Air Products' six months ended 30 September 2017 increased by 3.1% to R1 492 million (2016: R1 447 million), while the company's operating profit for the same period remained unchanged at R436 million (2016: R436 million).

The period under review saw difficult trading conditions with depressed demand for the company's products in most sectors of the business.

Kagiso Tiso Holdings Proprietary Limited (KTH)
KTH is a leading black-owned investment company with a strong and diversified asset portfolio covering the resources, industrial, media, financial services, healthcare, property and information technology sectors.

KTH's contribution to Remgro's headline earnings for the period under review amounted to R73 million (2016: R58 million). The increase in headline earnings was mainly due to the decrease in net finance cost to R117 million (2016: R219 million) resulting from the repayment of debt at the centre following the disposal of the investment in Exxaro Resources Limited (Exxaro). Exxaro's contribution to KTH's headline earnings for the period under review amounted to R69 million (2016: R134 million), which included the profit on disposal thereof (included in headline earnings).

KTH's loss attributable to ordinary shareholders amounted to R138 million (2016: R383 million profit). The loss is mainly due to the impairment of the investment in Actom Proprietary Limited of R412 million, partly offset by the reversal of impairment of SK Platinum Partnership (R146 million), while the comparative period included the profit on disposal of Idwala Holdings Limited (R308 million).

Income from equity accounted investments decreased to R50 million (2016: R57 million) partly due to lower contributions from other associates, joint ventures and partnerships as a result of the current difficult macro-economic conditions. The major contributors to equity accounted earnings during the reporting period were the investments in MMI Holdings Limited and Fidelity Bank (Ghana) Limited.

Total South Africa Proprietary Limited (Total)
Total has a December year-end and its results for the six months to 31 December 2017 have been included in Remgro's results for the period under review. Total's contribution to Remgro's headline earnings for the six months to 31 December 2017 amounted to R258 million (2016: R102 million).

Total's turnover for the six months ended 31 December 2017 increased by 12.9% to R30 196 million (2016: R26 747 million), mainly due to a price increase and increased sales volumes in the mining and reseller sector during the period under review.

The results were positively impacted by stock revaluation gains of R753 million (2016: loss of R156 million) due to the increase in the average basic fuel price and in crude prices during the period under review.

Total experienced lower refining margins during the period under review in comparison to 2016, due to the impact of a major planned shutdown during October and November 2017, other unplanned shutdowns and a less favourable economic environment.

PGSI Limited (PGSI)
PGSI's contribution to Remgro's headline earnings for the six months to 31 December 2017 amounted to R16 million (2016: R25 million). PGSI's turnover for the period under review increased from R2 105 million to R2 171 million. The group's normalised operating profit, which excludes the impact of asset impairments, decreased from R159 million to R114 million.

The group's main operating subsidiary in South Africa, PG Group, manufactures and supplies glass for the building and automotive industries. The building glass businesses reported a decline in profits due to weak domestic demand and growing pressure on selling prices in a competitive and oversupplied market.

The automotive businesses were negatively impacted by economic pressures on consumers, lower claims from the insurance sector and weaker demand in export markets. The strong rand negatively impacted automotive export profitability. Supplies to local automotive assembly operations have been challenged by very competitive pricing, especially out of China. Original Equipment Manufacturers benchmarking prices with global competitors, who have the advantage of better economies of scale, also compressed margins.

The Rest of Africa businesses, which have shown robust growth over the past few years, reported a decline in profitability with many regions impacted by weaker economic activity, as well as political instability in some regions.

The group made good progress in reducing costs and improving manufacturing quality and efficiencies. This has established a sound strategic base for future growth.

Wispeco Holdings Proprietary Limited (Wispeco)
Wispeco's turnover for the six months ended 31 December 2017 decreased by 7.4% to R1 076 million (2016: R1 162 million). This decrease resulted from sales volumes being lower in a market where price competition is intense and margins are under pressure. Headline earnings for the period under review decreased to R62 million (2016: R90 million). Import duties on aluminium extrusions were increased from 5% to 15% at the end of 2017, going some way in levelling the playing field going forward for local manufacturers against subsidised imports. The recent strengthening of the rand poses its own challenges for local manufacturing, emphasising the importance of Wispeco's drive to world-class productivity and lowest cost of production.

Wispeco continues to lead the way with product innovation and aluminium solutions. New fit-for-purpose aluminium products are being developed to meet the needs of specific market segments. Its new design and estimating software package for fabricators of aluminium windows and doors (Starlite) will soon be launched to support sales and legal compliance in the fastest growing segment of the market. Technical manufacturing capabilities are elevated continuously to produce more challenging products for industrial (non-architectural) markets. Opportunities to expand the company's distribution footprint are exploited on an ongoing basis.

Community Investment Ventures Holdings Proprietary Limited (CIV group)
Remgro has an effective interest of 51.0% in the CIV group, which is active in the telecommunications and information technology (ICT) sector. The key operating company of the group is Dark Fibre Africa Proprietary Limited (DFA), which constructs and owns fibre-optic networks.

The CIV group has a March year-end and therefore its results for the six months ended 30 September 2017 have been included in Remgro's results for the period under review. The CIV group's contribution to Remgro's headline earnings for the period under review amounted to R32 million (2016: R44 million). This decrease is mainly due to higher finance costs and depreciation as a result of the expanding network, as well as lower equity accounted income due to the disposal of the CIV group's investment in Dartcom SA Proprietary Limited.

DFA's revenue for the six months ended 30 September 2017 increased by 23.0% to R903 million (2016: R734 million) mainly as a result of solid growth of 28.3% in annuity revenue. DFA's EBITDA for the period under review increased by 10.1% to R545 million. The current book value of the fibre-optic network is in excess of R6.8 billion (30 June 2017: R6.6 billion). DFA has thus far secured a healthy annuity income of R113 million per month, with the majority thereof being on long-term contracts with customers.

DFA owns fibre network rings in Johannesburg, Cape Town, Durban, Midrand, Centurion and Pretoria, as well as a number of smaller metropolitan areas, including East London, Polokwane, Tlokwe, Emalahleni, George and Pietermaritzburg. At 30 September 2017, a total distance of 10 138 km (September 2016: 9 503 km) of fibre network had been completed in the major metropolitan areas, small towns and on long-haul routes. The network uptime for the period under review was 99.99%.

The DFA revenue model is flexible to adapt to customers' needs and DFA either sells an indefeasible right of use agreement, which is a lump sum in advance, or on an annuity basis with multi-year contracts of mostly up to 15 years. The future value of the current annuity contract base is in excess of R12.2 billion.

SEACOM Capital Limited (SEACOM)
Remgro has an effective interest of 30% in SEACOM, which operates Africa's largest international data network connecting Southern and Eastern Africa with Europe and Asia.

SEACOM has a December year-end and its results for the six months to 31 December 2017 have been included in Remgro's results for the period under review. SEACOM's contribution to Remgro's headline earnings for the period under review amounted to R32 million (2016: headline loss of R18 million). The increase in headline earnings is due to an improved SEACOM Business result in South Africa and Kenya and the once-off realisation of deferred revenue associated with the early termination of long term indefeasible right of use (IRU) contracts.

SEACOM's core sales and revenue streams are generated from its established base of Service Provider (wholesale) customers that also provide the basis for network scale, cost reductions and service innovation. The Service Provider segment is seeing strong demand for international capacity from large Over The Top providers and from the growth of Internet Protocol Transit traffic from local internet service providers. The SEACOM international and terrestrial networks are continuously being upgraded to keep pace with this demand.

SEACOM Business provides the platform for future growth and improved profitability as the number and size of corporate customers increases. SEACOM Business added over 1 000 corporate customers in 2017, and over US$22 million in new order total contract value. The unit has a healthy pipeline to continue to grow sales and revenue in 2018. In addition to organic growth, SEACOM Business has made acquisitions of internet service providers focused largely on the enterprise market. SEACOM Business continues to focus its investments on in-building fibre reticulation and terrestrial fibre to unlock previously unserviced areas.

6. TREASURY SHARES

At 30 June 2017, 1 666 638 Remgro ordinary shares (0.3%) were held as treasury shares by a wholly owned subsidiary of Remgro. As previously reported, these shares were acquired for the purpose of hedging Remgro's share incentive scheme.

During the period under review 234 137 Remgro ordinary shares were utilised to settle Remgro's obligation towards scheme participants who exercised the rights granted to them.

At 31 December 2017, 1 432 501 (0.3%) Remgro ordinary shares were held as treasury shares.

DECLARATION OF CASH DIVIDEND

Declaration of Dividend No. 35

Notice is hereby given that an interim gross dividend of 204 cents (2016: 194 cents) per share has been 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, for the half-year ended 31 December 2017.

A dividend withholding tax of 20% or 40.8 cents per share will be applicable, resulting in a net dividend of 163.2 cents per share, unless the shareholder concerned is exempt from paying dividend withholding tax or is entitled to a reduced rate in terms of an applicable double-tax agreement.

The issued share capital at the declaration date is 529 217 007 ordinary shares and 39 056 987 B ordinary shares. The income tax number of the Company is 9500-124-71-5.

Dates of importance:

Last day to trade in order to participate in the dividend	Tuesday, 17 April 2018
Shares trade ex dividend	Wednesday, 18 April 2018
Record date	Friday, 20 April 2018
Payment date	Monday, 23 April 2018

Share certificates may not be dematerialised or rematerialised between Wednesday, 18 April 2018, and Friday, 20 April 2018, both days inclusive.

In terms of the Company's Memorandum of Incorporation, dividends will only be transferred electronically to the bank accounts of shareholders, as dividend cheques are no longer issued. In the instance where shareholders do not provide the Transfer Secretaries with their banking details, the dividend will not be forfeited, but will be marked as "unclaimed" in the share register until the shareholder provides the Transfer Secretaries with the relevant banking details for payout.

Signed on behalf of the Board of Directors.

Johann Rupert
Chairman

Jannie Durand
Chief Executive Officer

Stellenbosch
15 March 2018

DIRECTORATE

Non-executive directors

Johann Rupert *(Chairman)*, E de la H Hertzog *(Deputy Chairman)*, J Malherbe *(Deputy Chairman)*, S E N De Bruyn*, G T Ferreira*, P K Harris*, N P Mageza*, P J Moleketi*, M Morobe*, F Robertson*
(**Independent*)

Executive directors

J J Durand (*Chief Executive Officer*),
W E Bührmann, M Lubbe, N J Williams

CORPORATE INFORMATION

Secretary

D I Heynes

Listing

JSE Limited
Sector: Industrials – Diversified Industrials

Business address and registered office

Millennia Park, 16 Stellentia Avenue, Stellenbosch 7600
(PO Box 456, Stellenbosch 7599)

Transfer Secretaries

Computershare Investor Services Proprietary Limited,
Rosebank Towers, 15 Biermann Avenue, Rosebank 2196
(PO Box 61051, Marshalltown 2107)

Auditors

PricewaterhouseCoopers Inc.
Stellenbosch

Sponsor

Rand Merchant Bank (A division of FirstRand Bank Limited)

Website

www.remgro.com

REMGRO LIMITED

ANNEXURE A

COMPOSITION OF HEADLINE EARNINGS

R million	Six months ended 31 December 2017	Six months ended 31 December 2016
Banking		
RMH	**1 185**	1 115
FirstRand	**493**	465
Healthcare		
Mediclinic	**487**	983
Consumer products		
Unilever	**288**	263
Distell[1]	**354**	364
RCL Foods	**498**	318
Insurance		
RMI Holdings	**626**	492
Industrial		
Air Products	**142**	151
KTH	**73**	58
Total	**258**	102
PGSI	**16**	25
Wispeco	**62**	90
Infrastructure		
Grindrod	**(52)**	(18)
CIV group	**32**	44
SEACOM	**32**	(18)
Other infrastructure interests	**20**	7
Media and sport		
eMedia Investments	**3**	33
Other media and sport interests	**(21)**	(58)
Other investments	**29**	39
Central treasury		
Finance income	**259**	105
Finance costs	**(452)**	(462)
Option remeasurement	**134**	667
Other net corporate costs	**(60)**	(75)
Headline earnings	**4 406**	4 690
Weighted number of shares (million)	**566.7**	540.5
Headline earnings per share (cents)	**777.5**	867.7

Note

1. Includes the investment in Capevin Holdings Limited.

REMGRO LIMITED

ANNEXURE B

COMPOSITION OF INTRINSIC NET ASSET VALUE

R million	**31 December 2017** Book value	Intrinsic value	30 June 2017 Book value	Intrinsic value
Banking				
RMH	**14 380**	**31 466**	14 016	23 350
FirstRand	**5 170**	**14 783**	5 010	10 365
Healthcare				
Mediclinic	**31 111**	**35 038**	33 763	41 568
Consumer products				
Unilever	**3 575**	**10 512**	3 737	10 702
Distell[1]	**3 927**	**9 839**	3 727	9 556
RCL Foods	**7 991**	**10 146**	7 553	10 173
Insurance				
RMI Holdings	**7 860**	**20 993**	7 277	17 532
Industrial				
Air Products	**1 019**	**3 830**	1 047	4 298
KTH	**1 632**	**2 157**	1 684	2 466
Total	**1 831**	**2 282**	1 640	2 167
PGSI	**657**	**658**	643	643
Wispeco	**883**	**1 037**	821	1 368
Infrastructure				
Grindrod	**2 364**	**2 364**	1 915	1 915
CIV group	**2 280**	**4 881**	2 242	4 829
SEACOM	**332**	**836**	321	896
Other infrastructure interests	**247**	**247**	520	520
Media and sport				
eMedia Investments	**1 150**	**1 114**	1 147	1 424
Other media and sport interests	**341**	**338**	365	319
Other investments	**3 931**	**3 937**	3 947	3 932
Central treasury				
Cash at the centre[2]	**12 543**	**12 543**	12 223	12 223
Debt at the centre	**(13 656)**	**(13 656)**	(13 907)	(13 907)
Other net corporate assets	**2 592**	**3 014**	2 741	3 164
Intrinsic net asset value (INAV)	**92 160**	**158 359**	92 432	149 503
Potential CGT liability[3]		**(7 668)**		(7 010)
INAV after tax	**92 160**	**150 691**	92 432	142 493
Issued shares after deduction of shares repurchased (million)	**566.8**	**566.8**	566.6	566.6
INAV after tax per share (Rand)	**162.59**	**265.84**	163.13	251.48
Remgro share price (Rand)		**236.00**		213.46
Percentage discount to INAV		**11.2**		15.1

Notes

1. Includes the investment in Capevin Holdings Limited.
2. Cash at the centre excludes cash held by subsidiaries that are separately valued above (mainly RCL Foods and Wispeco).
3. The potential capital gains tax (CGT) liability is calculated on the specific identification method using the most favourable calculation for investments acquired before 1 October 2001 and also taking into account the corporate relief provisions. Deferred CGT on investments "available-for-sale" is included in "other net corporate assets" above.
4. For purposes of determining the intrinsic net asset value, the unlisted investments are shown at directors' valuation and the listed investments are shown at stock exchange prices.