

CHIEF FINANCIAL OFFICER'S report

Earnings of most of Remgro's **underlying investee companies** recovered to **pre-pandemic levels.**

Neville Williams
Chief Financial Officer

Introduction

Due to Remgro being an investment holding company, traditional measurements of performance, such as sales or gross profit, are not meaningful criteria for evaluating the Group's performance. However, management uses "headline earnings", "intrinsic net asset value" and "cash at the centre" to evaluate the performance of the Group on a continuous basis and hence these concepts are used throughout the Integrated Annual Report to provide shareholders with a better understanding of our results.

Results

Results in context

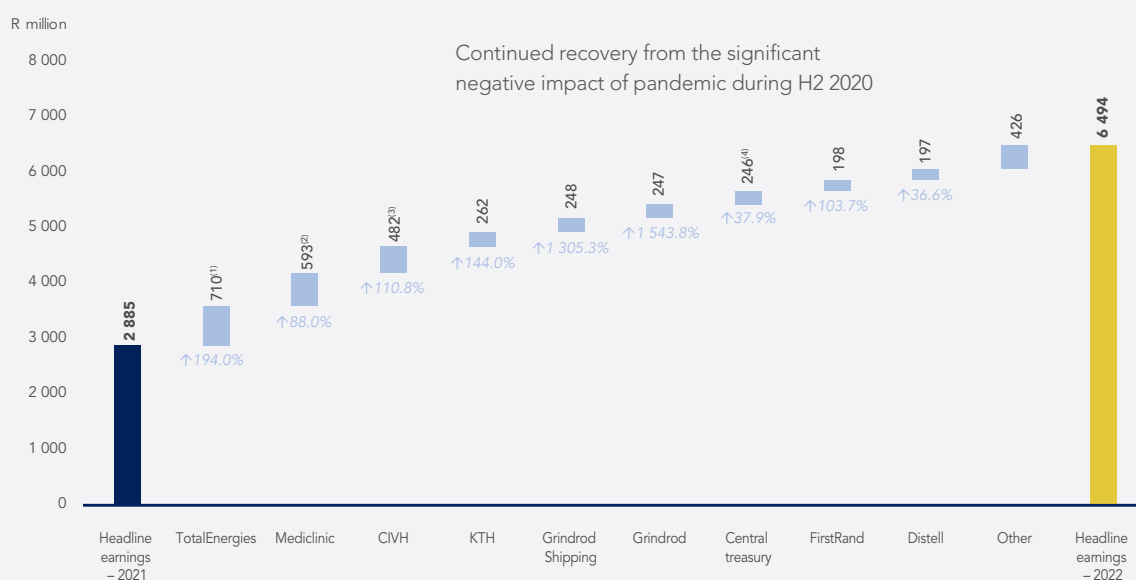
The headline earnings for the comparative year to 30 June 2021 was significantly impacted by the Covid-19 pandemic and the resultant lockdown measures. From this low base, the increase in headline earnings for the year under review of 125.1% is mainly due to the recovery of the earnings of most of Remgro's

underlying investee companies, most notably Mediclinic International plc (Mediclinic), TotalEnergies Marketing South Africa Proprietary Limited (TotalEnergies), Kagiso Tiso Holdings Proprietary Limited (KTH), Grindrod Limited (Grindrod), Grindrod Shipping Holdings Limited (Grindrod Shipping), FirstRand Limited (FirstRand) and Distell Group Holdings Limited (Distell). Mediclinic's contribution for the comparative year includes the full impact of the Covid-19-related lockdown measures during the first and second waves of the pandemic, on its results for the year ended 31 March 2021. However, during the financial year ended 31 March 2022, Mediclinic delivered a strong operational and financial performance, driven by increased patient activity, thereby substantially increasing its contribution to Remgro's headline earnings. The results for the year under review were also positively impacted by TotalEnergies' favourable stock revaluations, Community Investment Ventures Holdings Proprietary Limited (CIVH) turning profitable and lower finance costs, due to the redemption of the exchangeable bonds during March 2021.

Salient features

	Year ended 30 June 2022	Year ended 30 June 2021	% change
Headline earnings (R million)	6 494	2 885	125.1
– per share (cents)	1 150.6	510.6	125.3
Earnings (R million)	13 139	3 550	270.1
– per share (cents)	2 327.9	628.3	270.5
Dividends per share (cents)			
Ordinary	150.00	90.00	66.7
– Interim	50.00	30.00	66.7
– Final	100.00	60.00	66.7
Intrinsic net asset value per share (Rand)	213.10	177.33	20.2

Financial year ended 30 June 2022: Results in context



⁽¹⁾ Included in TotalEnergies' contribution are favourable stock revaluations of R642 million (2021: R186 million).

⁽²⁾ Recovering from the full negative impact of Covid-19 pandemic on Mediclinic's results during its previous financial year ended 31 March 2021.

⁽³⁾ CIVH turned profitable in its financial year ended 31 March 2022. Their increase in earnings included lower finance costs relating to the settlement of head office debt.

⁽⁴⁾ Lower finance costs due to the redemption of the exchangeable bonds on 22 March 2021.

Compared to the reported headline earnings from continuing operations for the 2019 financial year of R5 551 million, which represents a reasonable comparison to a pre-pandemic period, headline earnings increased by 17.0%, which indicates that the earnings of most of Remgro's underlying investee companies, which have been affected by the Covid-19 pandemic, have substantially recovered to pre-pandemic levels. It should also be noted that the headline earnings from continuing operations for the 2019 financial year still included the equity accounted earnings of FirstRand of R1 093 million as opposed to dividend income of R625 million, as this investment was subsequently reclassified from an equity accounted investment to an investment at fair value through other comprehensive income.

Headline earnings

Overview

For the year under review, headline earnings increased by 125.1% from R2 885 million to R6 494 million, while headline earnings per share (HEPS) increased by 125.3% from 510.6 cents to 1 150.6 cents. The increase in headline earnings is mainly due to higher contributions from TotalEnergies, Mediclinic, CIVH (turning profitable), KTH, Grindrod, Grindrod Shipping, FirstRand and Distell, as well as lower finance costs due to the redemption of the exchangeable bonds. The increase is partly offset by a lower contribution from Rand Merchant Investment Holdings Limited (RMI), due to the unbundling of its investments in Discovery Limited (Discovery) and Momentum Metropolitan Holdings Limited (Momentum Metropolitan), as well as the disposal of its investment in Hastings Group Holdings plc (Hastings) during the year under review.

Contribution to headline earnings by reporting platform

R million	Year ended	%	Year ended
	30 June		30 June
	2022	change	2021
Healthcare	1 267	88.0	674
Consumer products	1 906	20.9	1 576
Financial services	866	(6.0)	921
Infrastructure	613	263.0	(376)
Industrial	1 800	77.5	1 014
Diversified investment vehicles	95	136.5	(260)
Media	178	235.8	53
Portfolio investments	444	79.8	247
Social impact investments	(20)	69.7	(66)
Central treasury			
– finance income	224	5.7	212
– finance costs	(627)	27.2	(861)
Other net corporate costs	(252)	(1.2)	(249)
Headline earnings	6 494	125.1	2 885

Refer to the composition of headline earnings on page 39 for further information.



Commentary on reporting platforms' performance

Healthcare

Mediclinic's contribution to Remgro's headline earnings amounted to R1 267 million (2021: R674 million), representing an increase of 88.0%. 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. The main difference between adjusted earnings and headline earnings related to an accelerated depreciation charge of £19 million (2021: £10 million) at Hirslanden's Klinik St. Anna. Furthermore, the year under review also included past service costs of £11 million relating to Swiss and Middle East retirement plan changes, whereas the comparative year included a remeasurement of a redemption liability of £23 million relating to Clinique des Grangettes. Remgro's portion of Mediclinic's adjusted earnings amounted to R1 508 million (2021: R959 million), representing an increase of 57.2%. In British pound terms, Mediclinic reported an increase in adjusted earnings of 65%. Compared to the Mediclinic's pre-pandemic 2020 year, Mediclinic reported a decrease of 6% in adjusted earnings (however, up in constant currency terms).

Mediclinic delivered a strong operational and financial performance compared to the prior year, driven by increased client activity. Revenue for the year under review increased by 8% (up 10% in constant currency terms). Compared with the pre-pandemic 2020 year, revenue was up by 5% (up 9% in constant currency terms). Revenue increased in all three divisions when compared with both the prior year and the pre-pandemic 2020 year.

Mediclinic's adjusted EBITDA for the year under review increased by 22% (up 24% in constant currency terms). Incremental Covid-19-related expenses totalled around £27 million (2021: £32 million), reflecting the ongoing treatment of Covid-19 inpatients during various pandemic waves. Compared to the pre-pandemic 2020 year, adjusted EBITDA was down 3% (however, up 1% in constant currency terms). The adjusted EBITDA margin materially increased to 16.1% (2021: 14.2%), driven by the revenue

performance, and is approaching the pre-pandemic levels of 17.5%. Compared to the prior year, adjusted depreciation and amortisation is flat and finance costs is down, which further explains the increase in adjusted earnings.

Consumer products

Distell's contribution to headline earnings amounted to R735 million (2021: R538 million), representing an increase of 36.6%. Distell discloses normalised earnings, adjusted for abnormal transactions and currency movements, to indicate its businesses' performance. These abnormal transactions included legal disputes, costs associated with significant corporate transactions and major restructurings, as well as net losses due to the civil unrest in South Africa. Distell reported an increase in normalised headline earnings of 34.8%, mainly due to an increase of 20.8% in revenue on 17.6% higher volumes. This was achieved against a backdrop of rising commodity cost pressures, global supply chain disruptions, an increase in the cost of imported goods and glass shortages in the domestic market caused by rampant demand for Savanna and core spirits brands. Distell still faced challenges associated with Covid-19 in the first half of the financial year. Domestic revenue and volumes increased by 24.4% and 18.7%, respectively, with all three categories (ciders and ready-to-drink beverages (RTDs), spirits and wine) growing revenues by double digits. The growth momentum continued in the premium cider and RTDs segment, led by Savanna, Hunter's and Bernini. Revenue and volumes in the African markets, outside South Africa, increased by 14.4% and 16.3%, respectively, driven by Mozambique, Zambia, Tanzania and Nigeria as a result of ongoing route-to-market investments, which increased the customer footprint by 48%. In the international markets, outside Africa, revenue and volumes increased by 7.9% and 9.4%, respectively, primarily driven by single malts and Amarula. In addition to Distell's contribution, Remgro also accounted for amortisation and depreciation charges of R11 million (2021: R47 million) relating to the additional assets identified when Remgro obtained control over Distell on 11 May 2018. This decrease is mainly due to a positive deferred tax rate adjustment resulting from the reduction in the corporate income tax rate from 28% to 27%.

RCL Foods' contribution to Remgro's headline earnings amounted to R846 million (2021: R759 million), representing an increase of 11.5%. RCL Foods discloses underlying headline earnings, adjusted for Covid-19 direct costs incurred, impairments of cash-generating units due to a lower forecast of growth and losses incurred in respect of the fire at the Sugar warehouse in Komatipoort. Underlying headline earnings provides users of RCL Foods' results with relevant information and measures used by itself to assess performance. RCL Foods reported a decrease in underlying headline earnings of 1.8%, which demonstrated resilience in a challenging operating environment resulting from the impact of continued commodity input cost increases, the economic and social fallout of the Covid-19 lockdowns, the unrest in KwaZulu-Natal and Gauteng in July 2021 and the floods in KwaZulu-Natal and parts of the Eastern Cape in April 2022. RCL Foods' performance was driven by continued momentum in Sugar following an exceptional 2021 performance, a return to profitability in the Chicken business (Rainbow) and a solid performance in Vector Logistics. The Sugar business made its second highest profit since inception. Rainbow has made good progress with its turnaround strategy, despite the headwinds of commodity input cost increases, avian influenza (AI), and unrest and flooding impacts. The realigned focus in poultry farming has yielded significantly improved agricultural results with the current breed, and the full benefit arising from the introduction of the new breed is expected to flow through in the next 12 months. Vector Logistics' results were aided by higher revenue, efficiency enhancements and a recovery in the food service industry, with volumes returning to almost pre-Covid-19 levels.

The headline earnings contribution from Siqalo Foods amounted to R401 million (2021: R405 million), representing a decrease of 1.0%. During a challenging, turbulent year impacted by a surge in commodity prices, supply chain challenges and the war in Ukraine (resulting in two price increases taken during the year), Siqalo Foods managed to achieve a 14.8% increase in revenue. Volumes were in line with the prior year. Profitability was negatively impacted by high commodity prices, the full impact of which the business was unable to pass on to the consumer, resulting in a decrease of 5.5% in operational EBITDA, which excludes IFRS 9 fair value adjustments on commodity and foreign exchange contracts entered into as part of the raw material procurement strategy. In addition to Siqalo Foods' contribution, Remgro also accounted for amortisation and depreciation charges of R65 million (2021: R79 million) relating to the additional assets identified when Remgro obtained control over Siqalo Foods on 2 July 2018. This decrease is mainly due to a positive deferred tax rate adjustment resulting from the reduction in the corporate income tax rate from 28% to 27%.

Financial services

RMI's contribution to Remgro's headline earnings decreased by 11.4% to R796 million (2021: R898 million). During the year under review RMI unbundled its investments in Discovery and Momentum Metropolitan (the RMI Unbundling), as well as disposed of its investment in Hastings. As a result, these investments were only equity accounted until 8 December 2021, the date on which the investment in Hastings was disposed of and the RMI Unbundling became highly probable. The results for the year under review are therefore not comparable with the prior year.

On a normalised basis, which excludes certain anomalies, RMI reported a decrease of 3.7% in earnings from continuing operations, which excludes the contributions of Discovery,

Momentum Metropolitan and Hastings. This decrease is mainly due to lower earnings from OUTsurance Holdings Limited (OUTsurance), the most significant remaining asset in RMI, offset by lower fundings costs as the Hastings proceeds were utilised to settle RMI's debt. OUTsurance's earnings (excluding its share in Hastings) decreased by 11.3% mainly due to increased claims ratios despite annualised new premiums and gross written premium increasing by 23% and 14%, respectively. The claims ratio in OUTsurance's South African operations was impacted by wetter weather conditions, increased non-motor claims costs, the further normalisation of motor claims frequencies and claims related to the extensive damage caused by the flooding in KwaZulu-Natal. At Youi, the claims ratio increased due to the extent of natural catastrophe events experienced, which included the Melbourne earthquake and various hail and flood events.

Discovery and Momentum Metropolitan reported increases in normalised earnings for their year ended 30 June 2022 of 70.8% and 335.3%, respectively. Discovery's earnings were positively impacted by an increase in core new business annualised premium income, with particular strong growth from the SA and UK Composites, as well as mark-to-market foreign currency gains. Momentum Metropolitan's earnings increased mainly due to improved mortality results due to the less severe impacts of the Covid-19 pandemic.

Business Partners Limited's (Business Partners) contribution to Remgro's headline earnings increased to R70 million (2021: R23 million). This increase is mainly due to lower net credit losses and an increase in investment income. An improvement in credit risk resulted in lower net credit losses.

Infrastructure

CIVH's contribution to Remgro's headline earnings amounted to R47 million (2021: a loss of R435 million). The increase in earnings is mainly due to the settlement of head office debt, resulting from two rights issues, and improved performances by the underlying businesses. The performance of the underlying businesses improved due to a 14.8% increase in revenue despite greater market competition. CIVH also experienced some macro-economic pressure in terms of customer relocations, customer defaults and an increased collection risk. Dark Fibre Africa Proprietary Limited's (DFA) revenue increased marginally by 4.1% to R2 485 million (2021: R2 388 million) mainly due to annuity income increasing to R198 million per month at 31 March 2022 (31 March 2021: R192 million per month). Vumatel Proprietary Limited's (Vumatel) revenue increased by 26.3% to R2 981 million, driven by its subscriber uptake growth.

Grindrod and SEACOM Capital Limited's (SEACOM) contributions to Remgro's headline earnings amounted to R263 million and R37 million (2021: R16 million and R26 million), respectively. Grindrod delivered good earnings growth in its core businesses underpinned by strong mineral commodity world markets. Port and Terminals achieved earnings growth due to an increase in volumes handled, whereas the coastal shipping and container depot businesses performed well under the challenging operational environment caused by the severe floods in April 2022. Other infrastructure investments mainly include Grindrod Shipping's contribution, which amounted to R267 million (2021: R19 million). Grindrod Shipping was equity accounted until 25 November 2021, the date on which Remgro agreed to dispose of its investment. The increased profit from Grindrod Shipping for this period is mainly due to improved market conditions (higher freight rates) in the drybulk sector.

Industrial

Air Products' contribution to Remgro's headline earnings increased by 31.1% to R422 million (2021: R322 million). This increase is mainly due to improved trading conditions, largely due to operations returning to pre-Covid-19 levels in most sectors of the business.

TotalEnergies' contribution to Remgro's headline earnings amounted to R1 076 million (2021: R366 million), an increase of 194.0%. Included in the contribution to headline earnings for the year under review are favourable stock revaluations amounting to R642 million (2021: R186 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 141.1% from R180 million to R434 million. This increase is mainly due to increased sales volumes and Natref's improved refining margins.

Wispeco Holdings Proprietary Limited's (Wispeco) contribution to Remgro's headline earnings increased by 6.4% to R281 million (2021: R264 million). Turnover increased by 23% mainly due to higher selling prices that were driven upwards by increasing raw material costs on the back of the strong commodity cycle for most of the year. Selling prices of aluminium extrusions were adjusted in line with these movements albeit always lagging with a few weeks, causing average gross margin to be lower than the prior year.

Other industrial investments consist of PGSI Limited's (PGSI) contribution to Remgro's headline earnings, which amounted to R21 million (2021: R62 million).

Diversified investment vehicles

KTH's contribution to headline earnings amounted to R80 million (2021: a loss of R182 million). The increase in earnings is mainly due to the recovery of the operating businesses of Kagiso Media Proprietary Limited from the Covid-19 impact in the comparative year, higher earnings from its investment in Momentum Metropolitan, lower losses from its investment in Servest Group Proprietary Limited and lower negative fair value adjustments of R144 million (2021: negative fair value adjustments of R374 million). The year under review includes a negative fair value adjustment on KTH's investment in Momentum Metropolitan preference shares of R152 million (2021: positive adjustment of R60 million), whereas the prior year includes a negative fair value adjustment on KTH's investment in Actom Investment Holdings Proprietary Limited of R434 million.

The contribution from other diversified investment vehicles to headline earnings amounted to R15 million (2021: a loss of R78 million). Other diversified investment vehicles include the contribution from Invenfin Proprietary Limited (Invenfin), which amounted to R6 million (2021: a loss of R128 million). Invenfin's losses in the comparative year are mainly related to losses from its investment in Bos Brands Proprietary Limited. The losses of the prior year were partly offset by dividends received from Remgro's investment in Pembani Remgro Infrastructure Fund (PRIF) amounting to R55 million.

Media

eMedia Investments Proprietary Limited's (eMedia Investments) contribution to Remgro's headline earnings increased to R145 million (2021: R43 million). This increase is mainly due to an increase in television advertising revenue (being the major source of revenue for eMedia Investments) and the concentrated effort to improve its market share and thereby its audience. Year-on-year, eMedia Investments' television advertising revenue increased by 39% (approximately 15% better than the market) and this can be attributed to a 15.2% increase in audience prime time market share from 29.6% in March 2021 to 34.1% in March 2022. The set-top box activations for Openview increased from an average of 35 000 per month to 40 000 per month and totalled 2.9 million boxes at the end of June 2022.

Portfolio investments

The contribution from portfolio investments to headline earnings amounted to R444 million (2021: R247 million). This increase is mainly due to dividends of R389 million (2021: R191 million) received from FirstRand. As a result of the Covid-19 pandemic, FirstRand did not pay a final dividend in the comparative year. Other portfolio investments include the dividends received from British American Tobacco plc and Reinet Investments SCA amounting to R55 million (2021: R56 million).

As a result of the RMI Unbundling, Remgro received 51 254 365 Discovery shares (7.7% interest) and 122 908 061 Momentum Metropolitan shares (8.6% interest). Both investments were classified as financial instruments at fair value through other comprehensive income and, in future, dividend income will be accounted for under portfolio investments.

Social impact investments

Social impact investments primarily consist of interests in the Blue Bulls rugby franchise and Stellenbosch Academy of Sport Proprietary Limited (SAS).

Central treasury and other net corporate costs

Finance income amounted to R224 million (2021: R212 million). This increase is mainly due to the increase in the South African repo rate. Finance costs is lower at R627 million (2021: R861 million) due to the redemption of the exchangeable bonds in cash on 22 March 2021. Other net corporate costs amounted to R252 million (2021: R249 million).

Earnings

Total earnings increased by 270.1% to R13 139 million (2021: R3 550 million) mainly due to Remgro's portion of the profits realised by RMI on the unbundling of its investments in Discovery and Momentum Metropolitan (totalling R4 667 million) and the disposal of its investment in Hastings (R1 465 million), as well as the increase in headline earnings of R3 609 million discussed above.

Cash at the centre and foreign exchange rates

On 30 June 2022 Remgro's cash at the centre amounted to R12 280 million (2021: R9 706 million), of which 20% was invested offshore (2021: 23%). The cash is held in different currencies of which approximately 80% was held in SA rand and 20% in USA dollar.

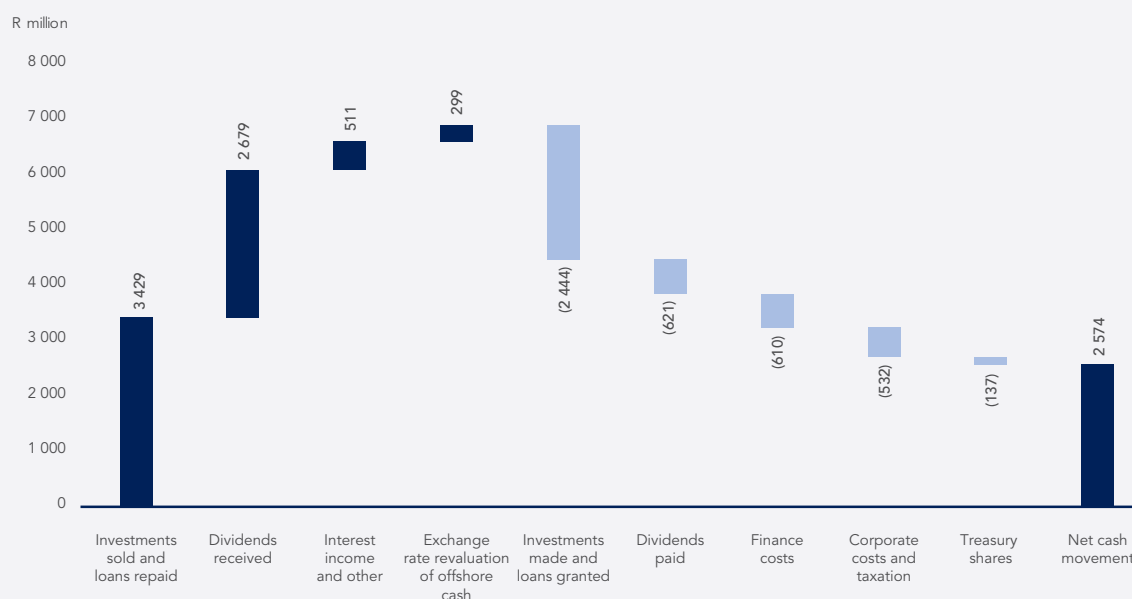
Foreign exchange profits amounting to R299 million (2021: losses of R867 million) were accounted for during the year under review, mainly due to the weakening of the SA rand against the USA dollar from R14.28 = \$1.00 at 30 June 2021, to R16.30 = \$1.00 at 30 June 2022. For accounting purposes these exchange movements are accounted for directly in equity.

Remgro's offshore cash is earmarked for potential new investments and the expansion of existing offshore investments (USA dollar).

Cash at the centre

	30 June 2022			30 June 2021
	Currency value million	Exchange rate	R million	R million
SA rand			9 850	7 511
USA dollar	146.8	16.2958	2 392	2 157
British pound	1.4	19.6301	27	29
Swiss franc	0.7	16.9603	11	9
			12 280	9 706

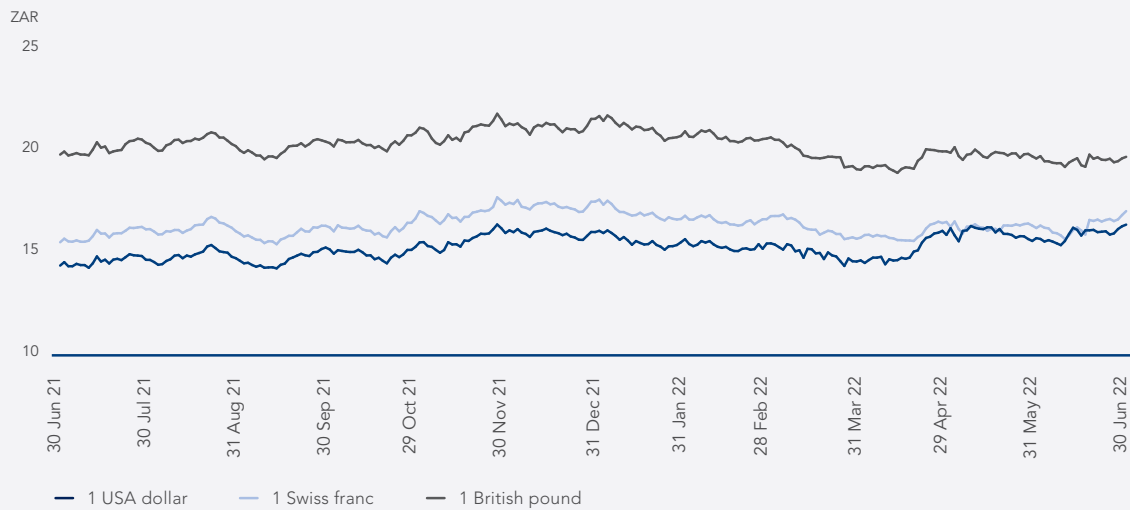
Cash movement at the holding company (cash at the centre)



Closing exchange rates	30 June 2022	30 June 2021	Movement %
USD/ZAR	16.2958	14.2832	(14.1)
GBP/ZAR	19.6301	19.7408	0.6
CHF/ZAR	16.9603	15.4302	(9.9)

Average exchange rates	Year ended 30 June 2022	Year ended 30 June 2021	Movement %
USD/ZAR	15.2046	15.4003	1.3
GBP/ZAR	20.2207	20.7035	2.3
CHF/ZAR	16.3062	16.9174	3.6

ZAR vs foreign currencies Remgro holds



External funding

During the 2016 financial year Remgro (through its wholly owned subsidiary Remgro Healthcare Holdings Proprietary Limited (RHH)) issued Class A preference shares of R3.5 billion (four-year tenure and a fixed dividend rate of 7.7%) and Class B preference shares of R4.4 billion (five-year tenure and a fixed dividend rate of 8.3%). During March 2019 the maturity date of the Class A preference shares was extended to 15 January 2024 (at a fixed dividend rate of 7.5% effective from 17 June 2019) and the Class B preference shares was extended to 17 March 2025 (at a fixed dividend rate of 7.8% effective from 16 March 2021).

Dividends

The final dividend per share was determined at 100 cents (2021: 60 cents). Total ordinary dividends per share in respect of the year to 30 June 2022 therefore amounted to 150 cents (2021: 90 cents), representing an increase of 66.7%.

Intrinsic net asset value

Remgro's intrinsic net asset value per share at 30 June 2022 was R213.10 compared to R177.33 on 30 June 2021. Refer to the Chief Executive Officer's Report on page 25 for a detailed discussion regarding Remgro's intrinsic net asset value and its relative performance with certain selected JSE indices.

Accounting policies

The Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The accounting policies have been consistently applied to both years presented. During the year under review various other interpretations and amendments became effective, but their implementation had no impact on the results of either the current or prior years.

Risk and opportunities management

The Company has implemented a comprehensive Risk and Opportunities Management Policy that is based on the principles of the international COSO (Committee of Sponsoring Organisations of the Treadway Commission) Enterprise Risk Management – Integrated Framework and complies with the recommendations of the King IV Report on Corporate Governance for South Africa (2016). An extensive risk and opportunities management structure furthermore ensures the effective and efficient management of risk and opportunities within the Group.

Remgro's risk and opportunities management process is summarised in the Risk and Opportunities Management Report on page 124, as well as in note 13 to the comprehensive Annual Financial Statements that is published on the Company's website at www.remgro.com.

Neville Williams
Chief Financial Officer

Stellenbosch
26 September 2022



Composition of headline earnings

R million	Year ended 30 June 2022	% change	Year ended 30 June 2021
Healthcare			
Mediclinic	1 267	88.0	674
Consumer products			
Distell – entity contribution	735	36.6	538
– IFRS 3 charge ⁽¹⁾	(11)	76.6	(47)
RCL Foods	846	11.5	759
Siqalo Foods – entity contribution	401	(1.0)	405
– IFRS 3 charge ⁽¹⁾	(65)	17.7	(79)
Financial services			
RMI	796	(11.4)	898
Business Partners	70	204.3	23
Infrastructure			
CIVH	47	110.8	(435)
Grindrod	263	1 543.8	16
SEACOM	37	42.3	26
Other infrastructure investments	266	1 464.7	17
Industrial			
Air Products	422	31.1	322
TotalEnergies	1 076	194.0	366
Wispeco	281	6.4	264
Other industrial investments	21	(66.1)	62
Diversified investment vehicles			
KTH	80	144.0	(182)
Other diversified investment vehicles	15	119.2	(78)
Media			
eMedia Investments	145	237.2	43
Other media investments	33	230.0	10
Portfolio investments			
FirstRand	389	103.7	191
Other portfolio investments	55	(1.8)	56
Social impact investments	(20)	69.7	(66)
Central treasury			
Finance income	224	5.7	212
Finance costs	(627)	27.2	(861)
Other net corporate costs	(252)	(1.2)	(249)
Headline earnings	6 494	125.1	2 885
Weighted number of shares (million)	564.4	(0.1)	565.0
Headline earnings per share (cents)	1 150.6	125.3	510.6

⁽¹⁾ IFRS 3 charge represents the amortisation and depreciation expenses, net of tax, relating to the additional assets identified when Remgro obtained control over these entities.