

# *Remgro* *Limited*



## Interim Results Presentation

*For the six months ended 30 September 2008*



## Salient features

	6 Months Sep '08	6 Months Sep '07	Change	12 Months March '08
Headline earnings (R'm)	4 046	4 151	(2.5)%	7 991
Pro forma headline earnings – excluding BAT (R'm)	2 067	2 389	(13.5)%	4 551
Headline earnings per share (cents)	856.7	879.6	(2.6)%	1 692.8
Pro forma headline earnings per share – excluding BAT (cents)	437.7	506.3	(13.5)%	964.1
Earnings per share (cents)	1 329.1	946.6	40.4%	2 095.7



## Salient features (*cont'd*)

	6 Months Sep '08	6 Months Sep '07	Change	12 Months March '08
Dividend per share (cents)	80.0	180.0	(55.6)%	510.0
- interim	80.0	180.0	(55.6)%	180.0
- final	N/A	N/A		330.0
<b>As at 30 September</b>	<b>2008</b>	<b>2007</b>		
Intrinsic NAV (Rand) – after CGT	227.16	228.33		253.67
Closing share price (Rand)	190.00	175.00		195.93
Discount to NAV	16.4%	23.4%		22.8%

- On 18 November 2008, the intrinsic NAV (ex BAT) was R94.36 and the closing share price R70.40. The discount to NAV (ex BAT) was 25.4%



## Prior year adjustments to headline earnings

### **Restatement of comparative figures i.r.o associated companies (+ R15 m)**

- FirstRand and RMBH restated their 2007 interim headline earnings in terms of SAICA's Circular 08/07

### **Restatement of comparative figures i.r.o Tsb Sugar (+ R120 m)**

- Due to the seasonal nature of its industry, Tsb Sugar allocated certain income and expenses evenly throughout the year, rather than in the period the transaction took place
- This practice was changed and accordingly, the interim results for the period ended 30 September 2007 have been restated



## Investment activities for the six months ended 30 September 2008

### Share repurchases

- During the six months, a wholly-owned subsidiary of Remgro acquired a further 3 500 000 shares at an average price of R189.71 per share for a total amount of R666.4 million to hedge the new share appreciation rights scheme
- At 30 September 2008, 12 054 019 (2.7%) shares were held as treasury shares
- Subsequent to 30 September 2008, 8 554 019 shares were cancelled as part of the termination of the previous share scheme due to the BAT unbundling

### Kagiso Trust Investments (KTI) and Kagiso Infrastructure Empowerment Fund (KIEF)

- Of the R350 million funds committed to KIEF by Remgro, R66.5 million was invested by 30 September 2008 (R16.1 million was invested during the six months)



## Investment activities for the six months ended 30 September 2008 (*cont'd*)

### **PG Group of Companies (PGSI)**

- During the period under review Remgro invested a further \$1.0 million in PGSI by acquiring shares from a minority shareholder
- On 30 September 2008 Remgro's interest in PGSI, on a fully diluted basis, was 25.0% vs 24.5% at 31 March 2008

### **Xiocom Wireless Inc (Xiocom)**

- During the period under review Remgro invested a further \$12.5 million in Xiocom
- Remgro has conditionally committed funds amounting to \$50.0 million and on 30 September 2008, \$23.75 million was invested
- Remgro has a 37.5% interest in Xiocom on a fully diluted basis



## Subsequent to 30 September 2008

### BAT unbundling

- Approved on 7 October 2008 by Remgro shareholders
- On 3 November 2008 Remgro distributed 192 870 000 BAT ordinary shares and 302 555 410 Reinet Investments S.C.A. (Reinet) depository receipts to Remgro shareholders as a dividend *in specie*
- Remgro shareholders received 40.6054 BAT ordinary shares and 63.6977 Reinet depository receipts for every 100 Remgro shares held
- The dividend *in specie* amounted to a total of R55.1 billion
- STC and Securities Transfer Tax amounts to R830.1 million



## Summary of underlying performance

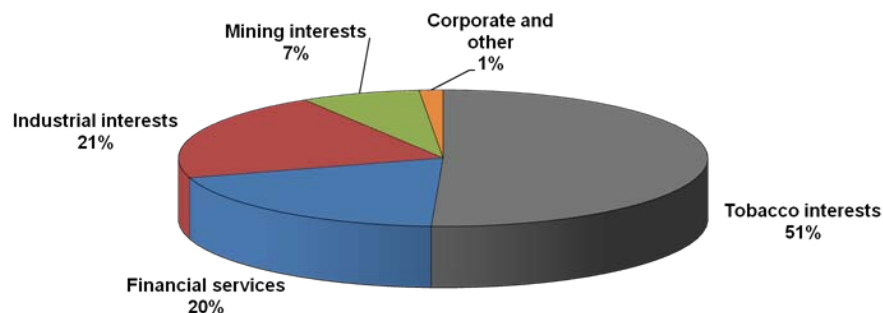
R'million	6 months to Sept '08	6 months to Sept '07	Change
Tobacco interests	2 052	1 839	11.6%
Financial services	792	1 080	(26.7)%
Industrial interests	847	970	(12.7)%
Mining interests	296	176	68.2%
Corporate and other	59	86	(31.4)%
<b>Headline earnings</b>	<b>4 046</b>	<b>4 151</b>	<b>(2.5)%</b>
Equity accounted income of BAT added back	(1 979)	(1 762)	
<b>Pro forma headline earnings</b>	<b>2 067</b>	<b>2 389</b>	<b>(13.5)%</b>
HEPS (cents)	856.7	879.6	(2.6)%
Diluted HEPS (cents)	840.3	852.0	(1.4)%
Pro forma HEPS (cents)	437.7	506.3	(13.5)%
Diluted pro forma HEPS (cents)	425.4	482.8	(11.9)%



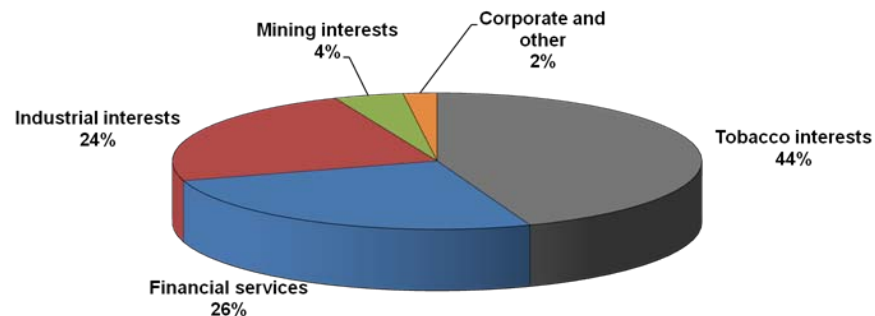


## Contribution to headline earnings performance

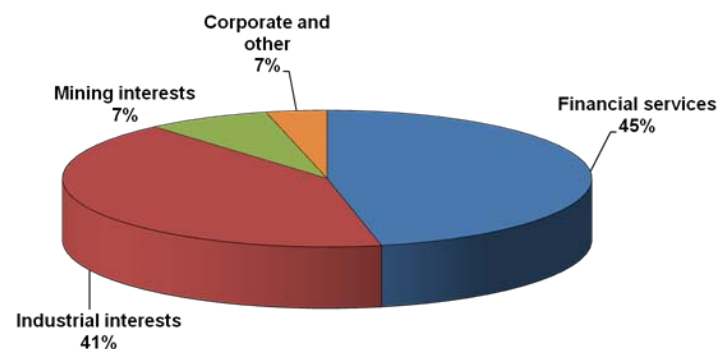
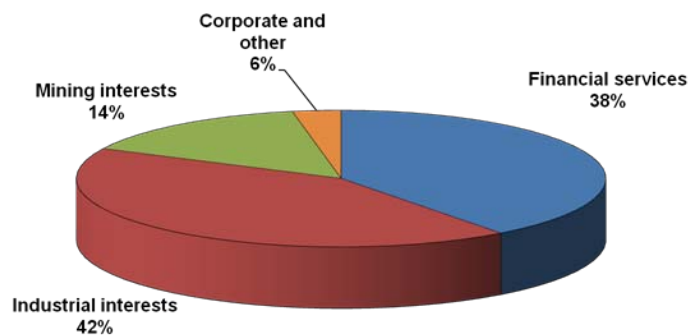
September 2008



September 2007



## Contribution to pro forma headline earnings performance



- For purposes of the pro forma headline earnings, R&R's other income (comprising mainly of interest income) was allocated to "Corporate and other"



## Tobacco interests

R'million	Headline earnings			Intrinsic value		
	Sept'08	Sept'07	Change	Sept'08	Mar'08	Change
R&R	2 052	1 839	11.6%	60 276	69 018	(12.7)%
Avg ZAR:£ rate	15.02	14.20	(5.8)%			

### Notes

- R&R's contribution to headline earnings, which represents 50.7% (2008: 44.3%) of total headline earnings, increased by 11.6%. In sterling terms, an increase of 5.4%
- Due to the weaker rand, the positive currency impact on headline earnings was R112 million (2007: R207 million)
- For the year ending 31 March 2009, the investment in BAT will only be equity accounted for the seven months to 31 October 2008



## Financial services

R'million	Headline earnings			Intrinsic value		
	Sept'08	Sept'07	Change	Sept'08	Mar'08	Change
FirstRand	393	557	(29.4)%	8 040	7 698	4.4%
RMBH	399	523	(23.7)%	7 859	7 406	6.1%
<b>Total</b>	<b>792</b>	<b>1 080</b>	<b>(26.7)%</b>	<b>15 899</b>	<b>15 104</b>	<b>5.3%</b>

### Note

- The decrease of the combined contribution by FirstRand and RMBH is mainly due to an increase in bad debts in the retail lending operations as well as equity trading losses



## Industrial interests

R'million	Headline earnings			Intrinsic value		
	Sep'08	Sep'07	Change	Sep'08	Mar'08	Change
Total SA	282	118	139.0%	1 445	2 620	(44.8)%
Air Products	51	43	18.6%	1 591	1 538	3.4%
Distell	114	102	11.8%	2 552	2 992	(14.7)%
Unilever SA	127	121	5.0%	4 110	3 663	12.2%
Tsb Sugar	173	175	(1.1)%	2 127	2 097	1.4%
Medi-Clinic	132	153	(13.7)%	4 666	5 070	(8.0)%
Nampak	53	77	(31.2)%	1 095	1 281	(14.5)%
Rainbow	93	142	(34.5)%	2 983	3 133	(4.8)%
Dorbyl	(13)	(6)	(116.7)%	114	112	1.8%
KTI	(194)	18	(1 178)%	1 136	1 432	(20.7)%
Wispeco	26	27	-	413	447	(7.6)%
PGSI	3	-	-	530	773	(31.4)%
Caxton	-	-	-	91	113	(19.5)%
<b>Total</b>	<b>847</b>	<b>970</b>	<b>(12.7)%</b>	<b>22 853</b>	<b>25 271</b>	<b>(9.6)%</b>



## Industrial interests (cont'd)

### Total SA

- Increase in headline earnings due to rampant oil price
- Subsequent to 30 September 2008, the oil price reduced substantially
- Total did not pay a dividend during the period under review (2007: R168 million) due to substantial increases in working capital requirements caused by oil price increases
- Total's sales volumes have remained at a similar level as in September 2007, with market share largely unchanged

### Air Products

- Headline earnings increased by 18.6% due to solid sales volume growth across all segments of the business
- Earnings growth was negatively impacted by the increased effective tax rate for the period from 28% (2007) to 36% (2008). This was caused by the STC payable on significantly higher dividends paid in the current year



## Industrial interests (cont'd)

### Unilever South Africa

- Headline earnings up 5.0%
- Revenue for Unilever SA increased by 20.7% to R5.6 billion (2007: R4.6 billion)
- The growth in the retail business turnover was 21.3% for the period, 17% of which was derived from price increases
- Gross profit margins were lower at 31.8% (2007: 35.7%) as a result of raw material cost inflation and distribution cost increases

### Tsb Sugar

- Tsb Sugar's headline earnings for the period was R173 million (2007:R175 million)
- Sugar accounted for R1.5 billion (2007: R1.4 billion) of turnover of R1.6 billion
- Exports for the period accounted for 17% of turnover on strength of export sugar prices
- Due to the seasonability of Tsb Sugar's business, the bulk of its profits are earned during the first half of the year
- It is expected that Tsb Sugar's sugar production for the season will increase by 6.1% to 507 659 tons (2007: 478 643 tons), this is attributed to the increase in hectares under cane due to the improved prevailing climatic conditions and a marginal improvement in cane yields as a result of the increase in overall water availability



## Industrial interests (cont'd)

### KTI

- The reduction in contribution to Remgro's headline earnings was mainly due to an unfavourable fair value adjustment of the conversion rights attached to its holding in Metropolitan preference shares of R369 million (2007: R10 million - favourable) as well as a negative fair value adjustment of R126 million in the platinum hedging financial instrument for the Mototolo joint venture
- The favourable fair value adjustments on the Metropolitan preference shares, for KTI's 2006 and 2007 financial years, totalled R428 million

### Wispeco

- Headline earnings were slightly lower due to weaker local demand for aluminium extrusions as a result of the slowdown in the residential building industry
- On the back of high commodity prices, turnover increased by 4.1% to R507 million
- Operating profit margin reduced to 7.9% (2007: 9.8%) as a result of pressure from low cost imports from China, as these exports continue to grow



## Industrial interests (cont'd)

### PGSI

- Turnover declined by 2% over the comparative period to R1.3 billion and headline earnings declined by 56.5% from R62 million to R27 million
- The main reasons for the profit decline are:
  - lower domestic new car sales and resultant lower demand from the Original Equipment Car Manufacturers;
  - a slowdown in residential building activity;
  - manufacturing complexities experienced by Shatterprufe; and
  - increased borrowing cost due to the finance of the new float glass plant





## Mining interests

R'million	Headline earnings			Intrinsic value		
	Sept'08	Sept'07	Change	Sept'08	Mar'08	Change
Implats dividend	314	187	67.9%	4 430	8 353	(47.0)%
Trans Hex	(18)	(11)	(63.6)%	205	317	(35.3)%
<b>Total</b>	<b>296</b>	<b>176</b>	<b>68.2%</b>	<b>4 635</b>	<b>8 670</b>	<b>(46.5)%</b>

### Note

- TransHex reported a headline loss of R63 million for the period and Remgro's share of this loss amounted to R18 million



## Corporate finance & other

R'million	Headline earnings	
	Sep '08	Sep '07
Treasury – foreign interest	48	62
Treasury – foreign exchange profits/(losses)	48	(1)
Treasury – local interest	31	40
Business Partners	14	13
Xiocom	(44)	0
Net corporate costs & donations	(34)	(22)
Share scheme costs	(4)	(6)
<b>Total</b>	<b>59</b>	<b>86</b>



## Other interests

### Business Partners

- Headline earnings for the six months ended 30 September 2008 amounted to R65 million (2007: R63 million)
- Investments to the value of R475 million (2007: R300 million) were made during the six month period, representing an increase of 58.3%

### Xiocom

- Remgro has equity accounted losses of \$6 million for the period under review
- Xiocom made progress positioning itself as a preferred supplier of broadband systems and networks to developing markets
- The roll-out of three test networks in the Dominican Republic has been completed
- A network for Altech was successfully commissioned in Kigali, Rwanda
- Both the hardware and software platforms were improved and the new versions successfully implemented
- Revenue at this stage is immaterial and the loss is as a result of expenditure incurred in establishing the company



## Other interests (*cont'd*)

### **Xiocom (*cont'd*)**

- Xiocom is positioning itself to be a business-to-business integrated “last mile” broadband solutions provider for the developing world
- The original roll out program is aimed for a cash flow breakeven by December 2010
- The current economic slowdown is causing all businesses to revise their forecasts and extend their cash flow projections
- The plan is to achieve a 20% IRR in US\$ terms



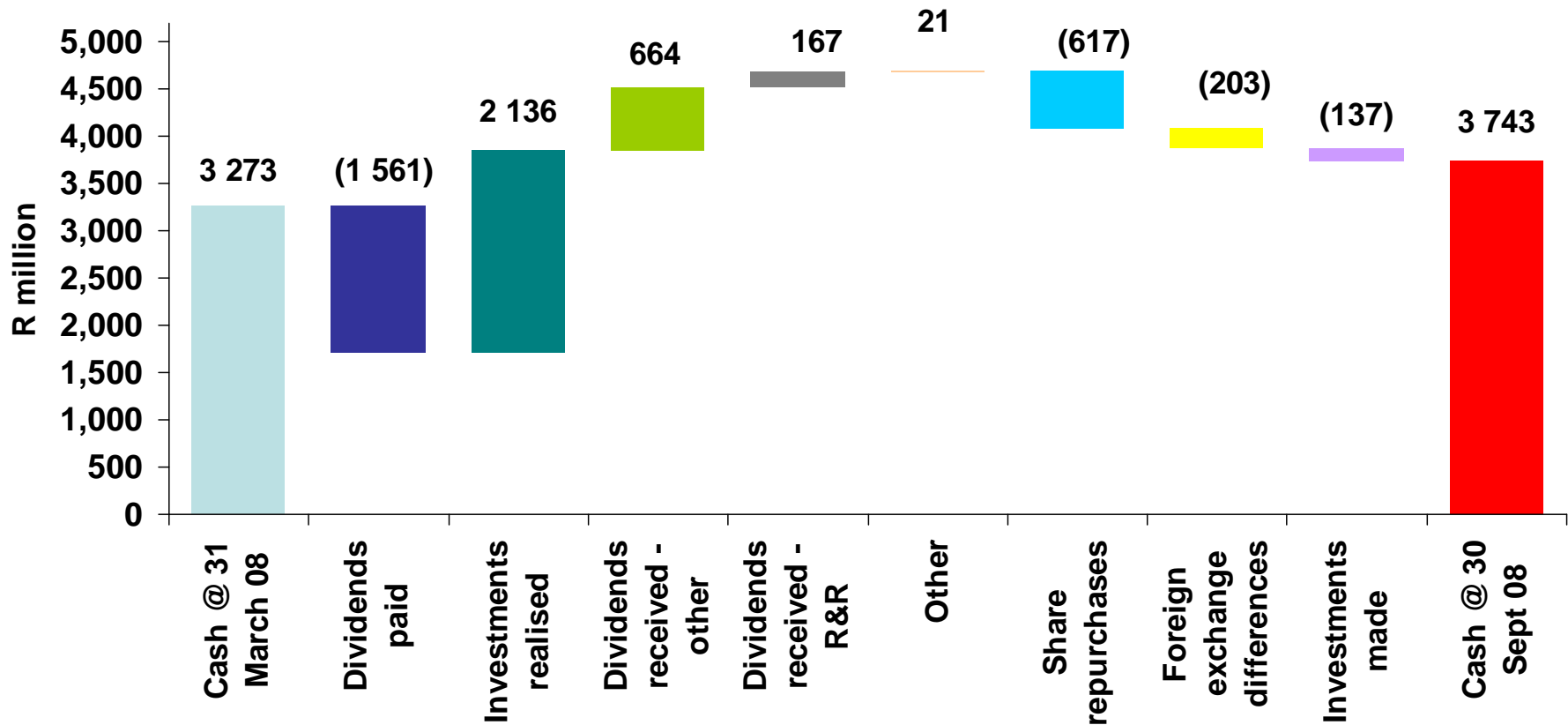
## Total cash

R'million	At 30 September 2008		
	Local	Offshore	Total
Per consolidated balance sheet	822	3 335	4 157
Less: Cash of other operating subsidiaries	(414)	-	(414)
<b>Cash at the centre</b>	<b>408</b>	<b>3 335</b>	<b>3 743</b>
Attributable share of R&R's cash	-	2 238	2 238
<b>Available cash</b>	<b>408</b>	<b>5 573</b>	<b>5 981</b>

- Offshore cash comprises of R5.8 million and £377.3 million
- Investment commitments subsequent to 30 September 2008:
  - KIEF R283 million
  - Xiocom (conditional) \$26.25 million



## Cash at the centre movement



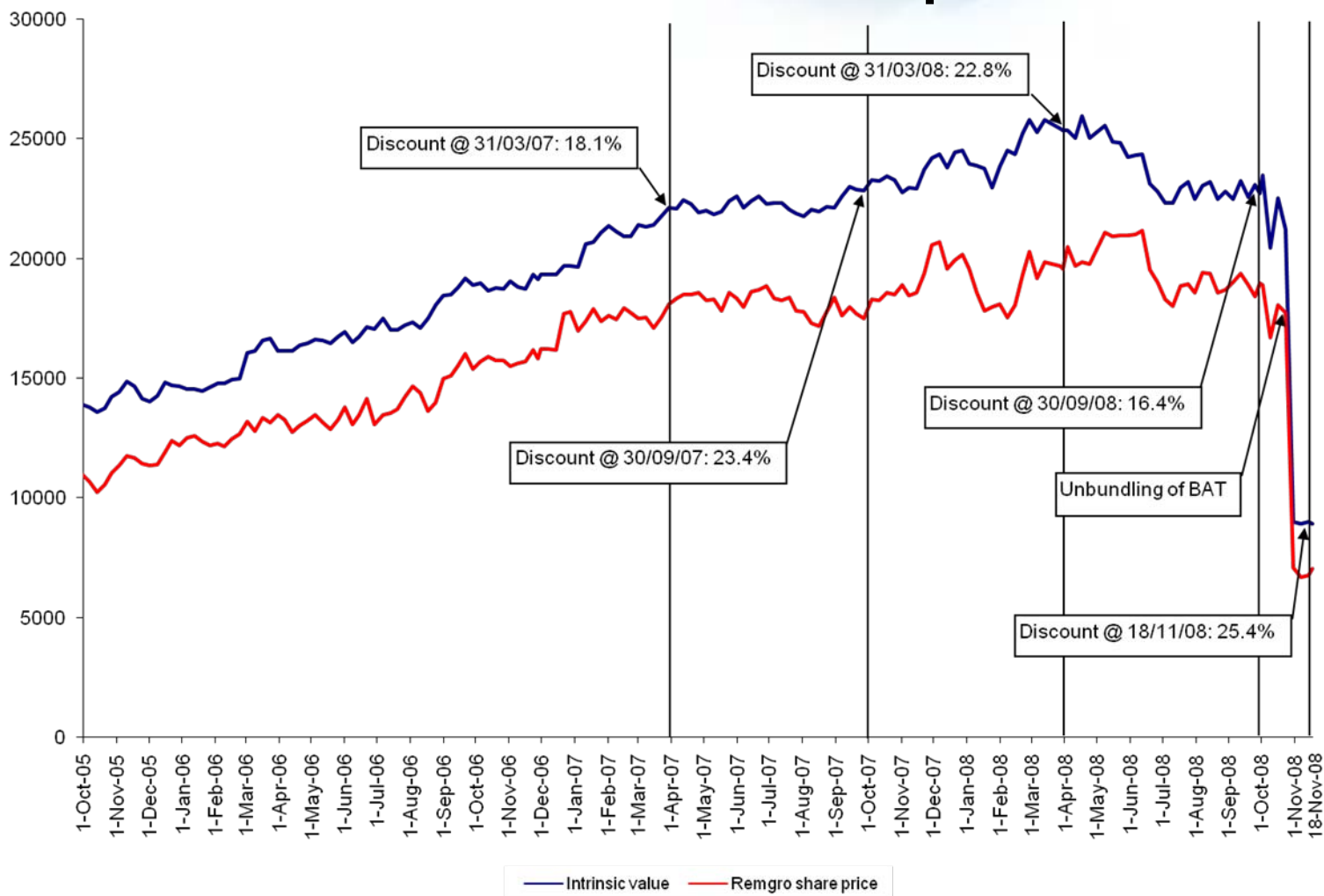


## Remgro's intrinsic value

R'million	Sept '08	March '08	Change
Tobacco interests in GBP (£'m)	4 084	4 306	(5.2)%
Tobacco interests (including R&R cash)	60 276	69 018	(12.7)%
Financial services	15 899	15 104	5.3%
Industrial interests	22 853	25 271	(9.6)%
Mining interests	4 635	8 670	(46.5)%
Other interests	914	785	16.4%
Deferred tax liability	(475)	(1 027)	53.7%
Cash at the centre	3 743	3 273	14.4%
<b>Total</b>	<b>107 845</b>	<b>121 094</b>	<b>(10.9)%</b>
Shares (million)	470.1	472.5	
<b>Intrinsic NAV per share (R) – before CGT</b>	<b>229.41</b>	<b>256.28</b>	<b>(10.5)%</b>
<b>Intrinsic NAV per share (R) – after CGT</b>	<b>227.16</b>	<b>253.67</b>	<b>(10.5)%</b>



## Intrinsic value vs share price

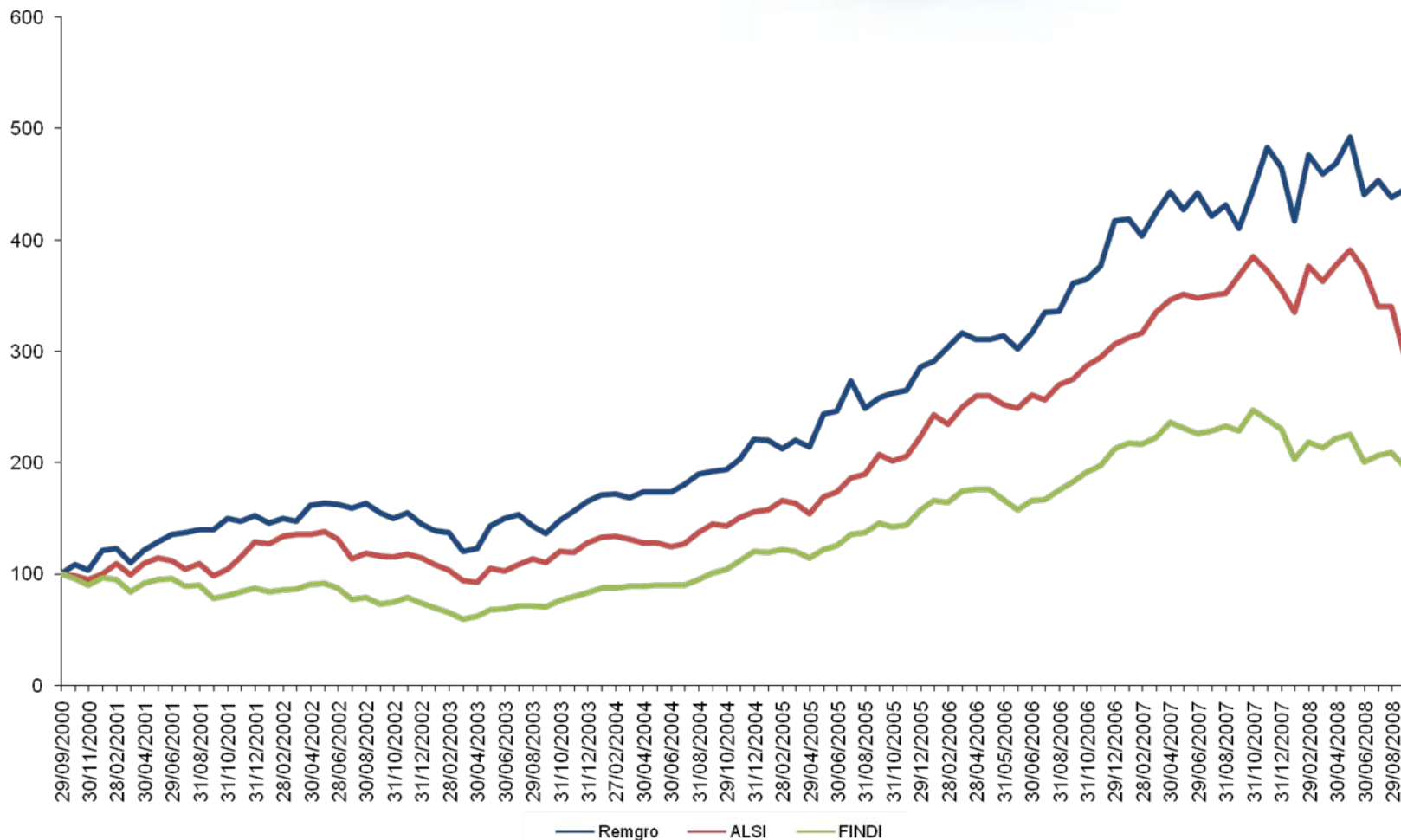


- Remgro traded at a 16.4% and 25.4% discount as at 30 September 2008 and 18 November 2008 (ex BAT), respectively, to its intrinsic value (after CGT) (31 March 2008: 22.8%)





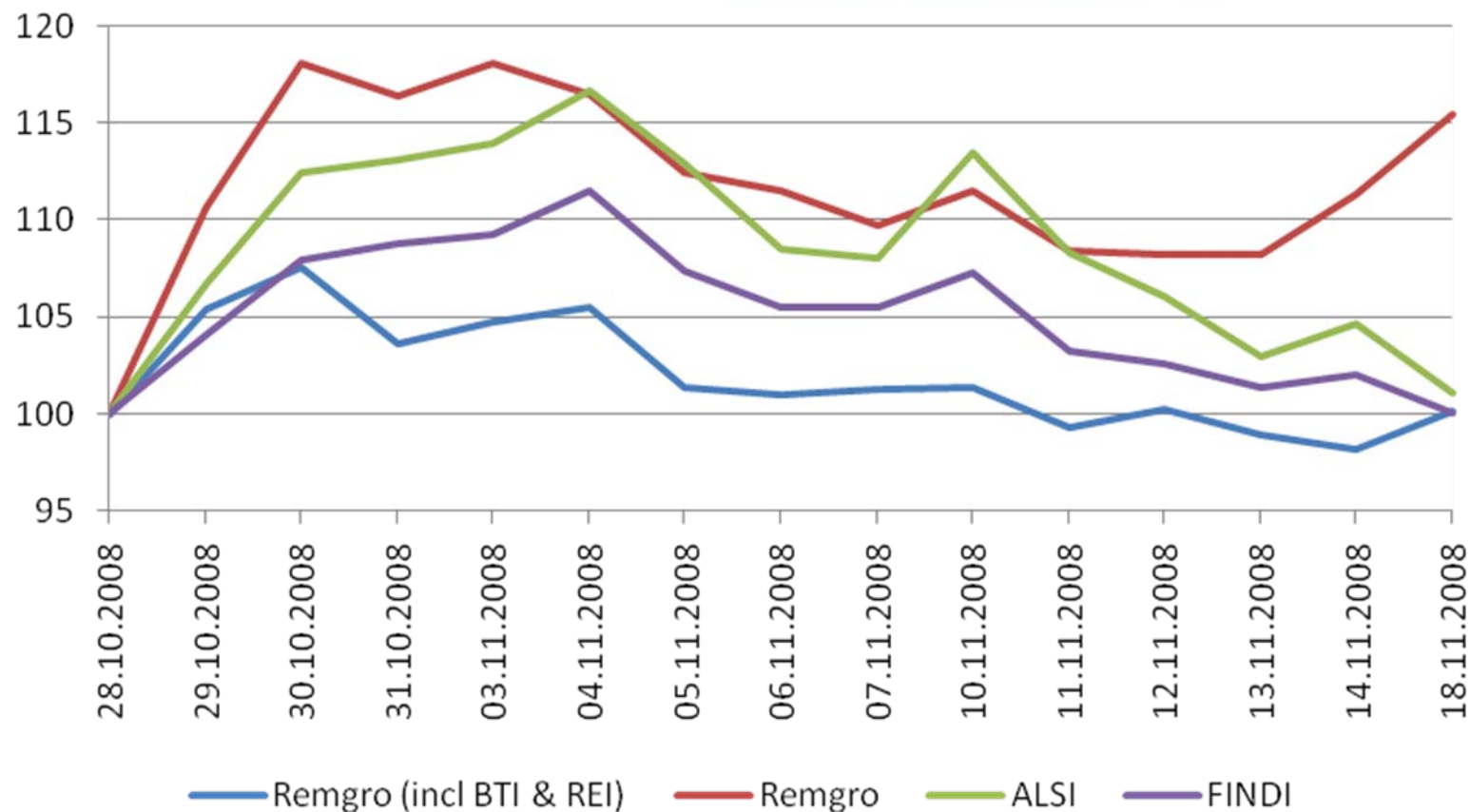
## Share price performance to 30 September 2008



- Remgro's share price as at 30 September 2008, based to September 2000, outperformed the ALSI by 52.3% and the FINDI by 127.0% over the period



## Share price performance post BAT



- The Remgro share price has outperformed the ALSI and FINDI by 14.2% and 15.4%, respectively, since the unbundling of BAT



# Questions