MEDIA RELEASE

4 August 2017

Liberty's results reflect lower earnings and improved cash flow for the first half of 2017

Normalised headline earnings for the six months to 30 June 2017 are lower than the prior period but show an improvement compared to the second half of 2016. Growth in sales and net customer cash inflows, are underpinned by a strong capital position. Prioritised initiatives are also underway to drive short to medium term performance.

Financial Highlights

- Normalised headline earnings per share 456.7 cents
- Liberty Group Limited capital adequacy ratio strong at 2.82 times statutory requirement
- Net customer cash inflows are R5.7 billion
- Gross insurance sales are R14 billion
- Group Equity Value at R40 billion
- Normalised headline earnings R1 267 million
- Assets under management of R688 billion
- Interim dividend of 276cps

Commenting on the results, David Munro Liberty Group CEO said: *"The results for the six months reflect difficult market conditions and the challenges we face as a business. While these results are disappointing, our sales volumes and net cash inflows are showing positive growth, highlighting the strength of our brand, the value customers see in what we offer and the power of our sales and distribution team."*

These results reflect lower profitability and generation of the value of new business. We have prioritised initiatives to make an immediate impact on our service to customers and financial performance. We will not shirk from the necessary decisions needed to equip Liberty to do better in this difficult and highly competitive environment."

Financial performance reflective of the operating environment and actions taken

Economic growth in South Africa remains weak with high unemployment and inflationary pressures. It has been another tough period for consumers who continue to feel strain on their real disposable income. Weak investment markets, particularly in June 2017, impacted investment performance for the period.

Normalised headline earnings for H1 2017 were R1 267 million, lower than the first half of 2016, but reflect a recovery in comparison to the second half of 2016. The value of new business in the group's retail operations in South Africa was lower in the period at a reduced margin due to a weaker business mix. The group's asset management operations in South Africa also experienced margin pressure as a result of subdued investment performance and product mix.

The capital position remained strong with a capital adequacy cover of 2.82 times the statutory requirement. Our capital strength underpins our commitment to continue to fulfil our promises to policyholders and other stakeholders.

Efforts to drive sales growth reaping benefits but new business margins under pressure

Group indexed new business sales grew by 10% to R3.9 billion on the back of new and enhanced product offerings launched in the second half of 2016. This is reflective of continued and successful efforts to drive sales growth. New business margins at 0,4% remained under pressure due to increased costs and a mix of business sold favouring lower margin products. The value of new business reduced to R86 million at 30 June 2016.

Positive net customer cash inflows

Group net customer cash inflows increased to R5.7 billion during the period driven mainly by strong inflows into asset management non-money market products. Total assets under management for the group increased marginally to R688 billion.

Individual Arrangements and Asset Management impact performance

Positive variances in the Individual Arrangements business were offset by assumption and modelling changes to better reflect the expectation of future cash flows. Performance was also impacted by increased new business strain arising from a change in product mix.

The asset management business in South Africa experienced margin pressure due to weaker investment markets and product mix. In addition, higher costs associated with the termination of the administration outsourcing programme impacted earnings.

STANLIB Rest of Africa incurred a loss for the period. The business continued to be affected by the curtailment of the guaranteed cash mandates business and provisions raised for client and operational exposures, following efforts to strengthen internal controls. Governance and risk management remain a priority.

Group Arrangements comprising Liberty Corporate, Liberty Africa Insurance and Liberty Health, performed in line with expectations. The shareholder investment portfolio return was in line with benchmark but lower than the prior period.

Outlook

Liberty is taking decisive action to address operating challenges and revitalise the group. Our short term to medium term priorities are managing expenses, improving the value of new business and related margins for the insurance operations and fund performance for the asset management business.

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Media Release Issued by Brunswick on behalf of Liberty Holdings
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