

CHIEF EXECUTIVE OFFICER'S REPORT

Remgro's intrinsic net asset value per share increased by 6.1%



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CHIEF EXECUTIVE OFFICER

INTRODUCTION

Remgro's intrinsic net asset value is the best indicator of the value added for our shareholders. Over the year under review the intrinsic net asset value per share has increased by 6.1% from R288.89 at 30 June 2015 to R306.44 at 30 June 2016. Over the same period the JSE all share index has increased by 0.8%, while Remgro's share price decreased by 0.5%. Refer to the tables on page 22 where the relative performances are set out in more detail.



This report aims to provide shareholders with a better understanding of the methodology behind the calculation of the intrinsic net asset value, especially relating to the valuation of our unlisted investments. A summary of our investing activities during the year under review is also provided.

INTRINSIC NET ASSET VALUE

The intrinsic net asset value of the Group includes valuations of all investments, incorporating subsidiary and associated companies and joint ventures, either at listed market value or, in the case of unlisted investments, at directors' valuation. The net assets of other wholly owned subsidiary companies consist mainly of monetary items (included at book value) and property (included at fair value).

The following factors are taken into account in determining the directors' valuation of unlisted investments:

- Market value and earnings yield of similar listed shares, taking into account that the marketability of unlisted investments is limited and, in some cases, also the tradeability
- Growth potential and risk
- Underlying net asset value
- Profit history
- Cash flow projections

INTRINSIC NET
ASSET VALUE PER SHARE

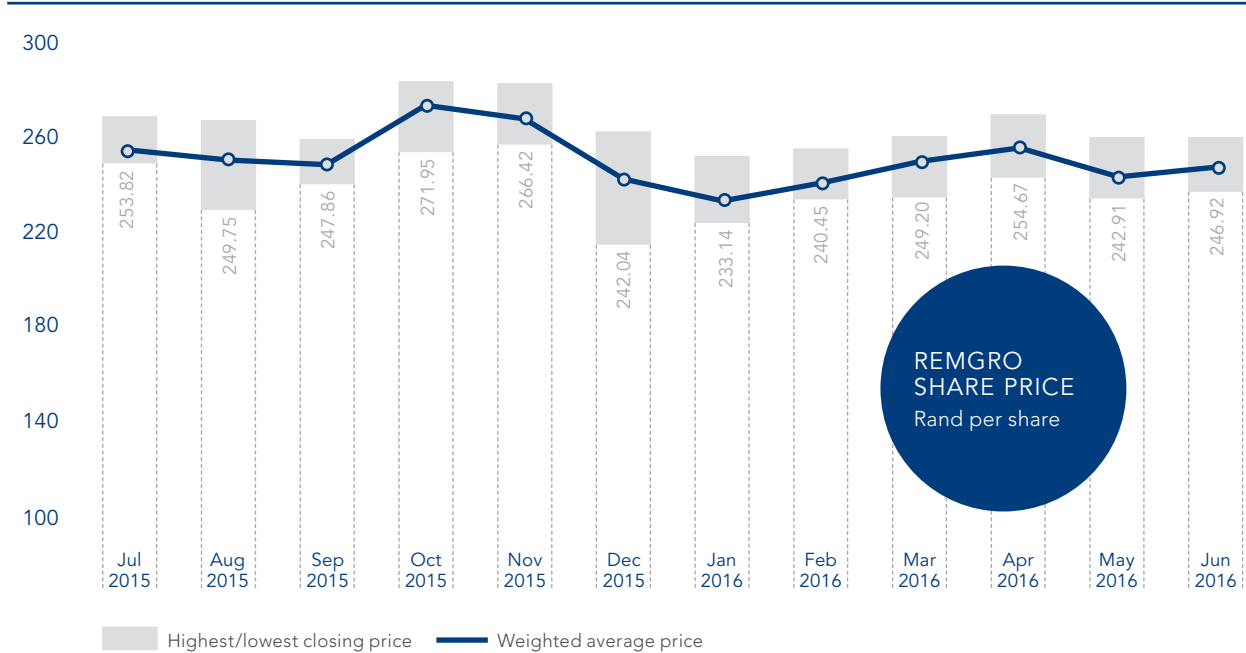
+6.1%

JSE ALL
SHARE INDEX

+0.8%

REMGRO'S
SHARE PRICE

-0.5%



It is Remgro's policy not to apply a control premium to the valuation of investments where it holds a majority interest. Where Remgro holds a minority interest a 10% tradeability discount is applied.

Remgro's unlisted investments were valued as follows:

AIR PRODUCTS

The discounted cash flow method was used to value this investment. No tradeability discount is applied to the valuation due to the 50% shareholding.

BUSINESS PARTNERS

The net asset value was used.

CIV GROUP

The discounted cash flow method was used.

KAGISO TISO HOLDINGS

The annual external valuation was used.

PGSI

The discounted cash flow method was used.

PRIF

The annual external valuation was used.

eMEDIA

A comparable market price was used.

SEACOM

The discounted cash flow method was used.

TOTAL

The discounted cash flow method was used.

UNILEVER

The discounted cash flow method was used.

WISPECO

The discounted cash flow method was used.

Refer to the table on page 24 for a detailed analysis of Remgro's intrinsic net asset value.



RELATIVE PERFORMANCE OF INTRINSIC NET ASSET VALUE AND REMGRO INTERNAL RATE OF RETURN (IRR)

The tables below compare the relative performance of the Remgro intrinsic net asset value per share with certain selected JSE indices. Dividends paid by Remgro were not taken into account.

	30 June 2016	30 June 2015	30 June 2014	30 June 2013	30 June 2012	30 June 2011	31 March 2010
Intrinsic net asset value – Rand per share	306.44	288.89	245.96	204.83	152.61	135.97	121.64
JSE – All share index	52 218	51 807	50 945	39 578	33 708	31 865	28 748
– Fin & Ind 30 index	73 134	71 344	63 467	48 801	35 943	30 834	26 592
– Financial 15 index	14 715	16 498	14 501	11 176	9 618	8 128	8 061
– Resource 10 index	30 302	39 130	56 968	42 428	47 234	53 933	51 854
Remgro share price (Rand)	254.66	255.94	230.00	189.95	131.49	111.60	98.00

Relative performance	Year 30 June 2016 (% year on year)	Period from 28 October 2008 to 30 June 2016 (% compounded per annum)
Intrinsic net asset value	6.1	18.3
JSE – All share index	0.8	14.4
– Fin & Ind 30 index	2.5	19.5
– Financial 15 index	(10.8)	13.6
– Resource 10 index	(22.5)	(0.1)
Remgro share price	(0.5)	20.5

The following table compares Remgro's IRR with that of certain selected JSE indices. For this purpose it has been assumed that dividends have been reinvested in either Remgro shares or in the particular index, depending on the specific calculation.

	IRR from 28 October 2008 to 30 June 2016 (% compounded per annum)
JSE – All share index	17.8
– Fin & Ind 30 index	22.9
– Financial 15 index	18.3
– Resource 10 index	2.8
Remgro share	23.5

The following table compares the value at 30 June 2016 of R100 invested on 28 October 2008 in either the relevant index or a Remgro share. For this purpose it has been assumed that dividends have been reinvested in either Remgro shares or in the particular index, depending on the specific calculation.

	R100 invested on 28 October 2008 until 30 June 2016 (Rand)
JSE – All share index	351
– Fin & Ind 30 index	488
– Financial 15 index	362
– Resource 20 index	123
Remgro share	507

INVESTMENT ACTIVITIES

During June 2015 Remgro acquired a 29.9% shareholding in Spire Healthcare Group plc (Spire) for a total purchase consideration of £431.7 million. The transaction was concluded early in July 2015 and Remgro financed the transaction through a combination of its own cash and external funding. Simultaneously, Remgro and Mediclinic International Limited (Mediclinic) concluded an agreement whereby Mediclinic would acquire Remgro's interest in Spire, subject to Mediclinic raising the appropriate funds in order to conclude such a transaction. During August 2015 Mediclinic raised R10.0 billion through a rights issue in terms of which 111.1 million new Mediclinic shares were issued at a price of R90.00 per share. Remgro, by following its rights and by underwriting the balance of the rights issue, subscribed for an additional 51.3 million Mediclinic shares totalling R4.6 billion. Following the successful conclusion of the rights issue, Mediclinic acquired Remgro's shareholding in Spire during August 2015 for an amount of R8.6 billion, equal to the purchase price, transaction and funding costs.

On 15 February 2016 Mediclinic and Al Noor Hospitals Group plc (Al Noor) combined their respective businesses pursuant to which Al Noor acquired 100% of the issued share capital of Mediclinic. However, given the relative size of Mediclinic and Al Noor, the combination was classified as a reverse takeover of Al Noor. The combined group was renamed Mediclinic International plc (Mediclinic plc) and retained its premium listing on the Main Market of the London Stock Exchange (LSE). Mediclinic plc also obtained an inward secondary listing on the main board of the Johannesburg Stock Exchange (JSE). Mediclinic shareholders received 0.625 Al Noor shares for every Mediclinic share held by them, based on the five-day volume weighted average price up to and including 1 October 2015 of the Mediclinic shares on the JSE and of the Al Noor shares on the LSE (which was £5.20 and £8.32, respectively). In addition to the Al Noor shares received by Remgro and as an indivisible component of the combination, Remgro also subscribed for an additional 72.1 million shares in Al Noor at a subscription price of £8.32 per share for an aggregate amount of £600.0 million.

During the year under review Remgro committed a further R150.0 million to Pembani Remgro Infrastructure Fund (PRIF), bringing the total committed funds to R650.0 million. As a result of the additional commitment and PRIF's successful second and third closes, Remgro invested a further net amount of R28.6 million in PRIF, thereby increasing its cumulative investment in PRIF to R211.9 million.

On the international front, Remgro also invested a further \$14 million in the Milestone Capital Funds, increasing Remgro's total investment in China to \$202 million. Despite the current problems in the Chinese economy, Remgro believes that its

partnership with the Milestone Funds will produce value over the long term.

The following table represents the cash effects of Remgro's investing activities for the year to 30 June 2016. These activities exclude the investing activities of Remgro's operating subsidiaries, i.e. RCL Foods Limited and Wispeco Holdings Limited.

Investments made and loans granted	R million
Existing investee companies	
Mediclinic (Al Noor)	12 891
Mediclinic (rights issue)	4 621
Milestone Capital Funds (offshore)	194
Invenfin	99
PRIF	56
Premier Team Holdings	47
Other	6
	17 914

Investments sold and loans repaid	R million
Britehouse	84
Kagiso Infrastructure Empowerment Fund	31
PRIF	27
Other	15
	157

The acquisition and disposal of Spire to Mediclinic are excluded from the above tables as it was cash neutral.

INVESTMENT COMMITMENTS

The table below summarises the investment commitments of Remgro as at 30 June 2016.

Investment commitments	R million
PRIF	438
CIV group	428
Milestone Capital Funds (offshore)	133
Invenfin	130
Other	11
	1 140



Jannie Durand
Chief Executive Officer

Stellenbosch
20 September 2016

INTRINSIC NET ASSET VALUE

R million	30 June 2016		30 June 2015	
	Book value	Intrinsic value	Book value	Intrinsic value
Food, liquor and home care				
Unilever	3 589	10 650	3 384	8 688
Distell ⁽¹⁾	3 500	10 723	3 157	11 098
RCL Foods	7 294	9 278	7 346	11 514
Banking				
RMBH	13 132	22 356	12 267	26 409
FirstRand	4 652	9 857	4 300	11 720
Healthcare				
Mediclinic	33 629	69 691	13 227	36 727
Insurance				
RMI Holdings	7 157	18 526	6 717	19 096
Industrial				
Air Products	933	4 241	882	4 164
KTH	1 631	2 723	1 876	2 696
Total	1 575	1 879	1 428	1 785
PGSI	734	734	672	672
Wispeco	702	1 055	603	920
Infrastructure				
Grindrod	1 986	1 986	4 016	2 329
CIV group	1 871	3 166	1 795	2 797
SEACOM	655	1 043	566	1 001
Other infrastructure interests	540	540	480	480
Media and sport				
eMedia	1 116	1 342	1 126	2 094
Other media and sport interests	328	328	374	382
Other investments	3 737	3 717	3 047	3 266
Central treasury				
Cash at the centre ⁽²⁾	3 778	3 778	4 019	4 019
Debt at the centre	(16 452)	(16 452)		
Other net corporate assets	2 779	3 149	1 832	2 224
Net asset value (NAV)	78 866	164 310	73 114	154 081
Potential CGT liability⁽³⁾		(6 526)		(5 466)
NAV after tax	78 866	157 784	73 114	148 615
Issued shares after deduction of shares repurchased (million)	514.9	514.9	514.4	514.4
NAV after tax per share (Rand)	153.17	306.44	142.12	288.89
Remgro share price (Rand)		254.66		255.94
Percentage discount to NAV		16.9		11.4

⁽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. The increase in the potential CGT liability is mainly the result of the increased CGT inclusion rate. 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.

⁽⁵⁾ Intrinsic net asset values have not been audited.