

CHIEF EXECUTIVE OFFICER'S REPORT



REMGRO'S INTRINSIC NET ASSET VALUE AMOUNTS TO **R251.48 PER SHARE**

JANNIE DURAND
CHIEF EXECUTIVE OFFICER

INTRODUCTION

Remgro's intrinsic net asset value is the best indicator of the value added for our shareholders. For the year under review the intrinsic net asset value per share has decreased by 17.9% from R306.44 at 30 June 2016 to R251.48 at 30 June 2017, mainly due to a 40.4% drop in the market value of the Mediclinic investment, as well as the dilutive effect of the rights issue. Over the same period the JSE all share index has decreased by 1.2%, while Remgro's share price decreased by 16.2%. 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.

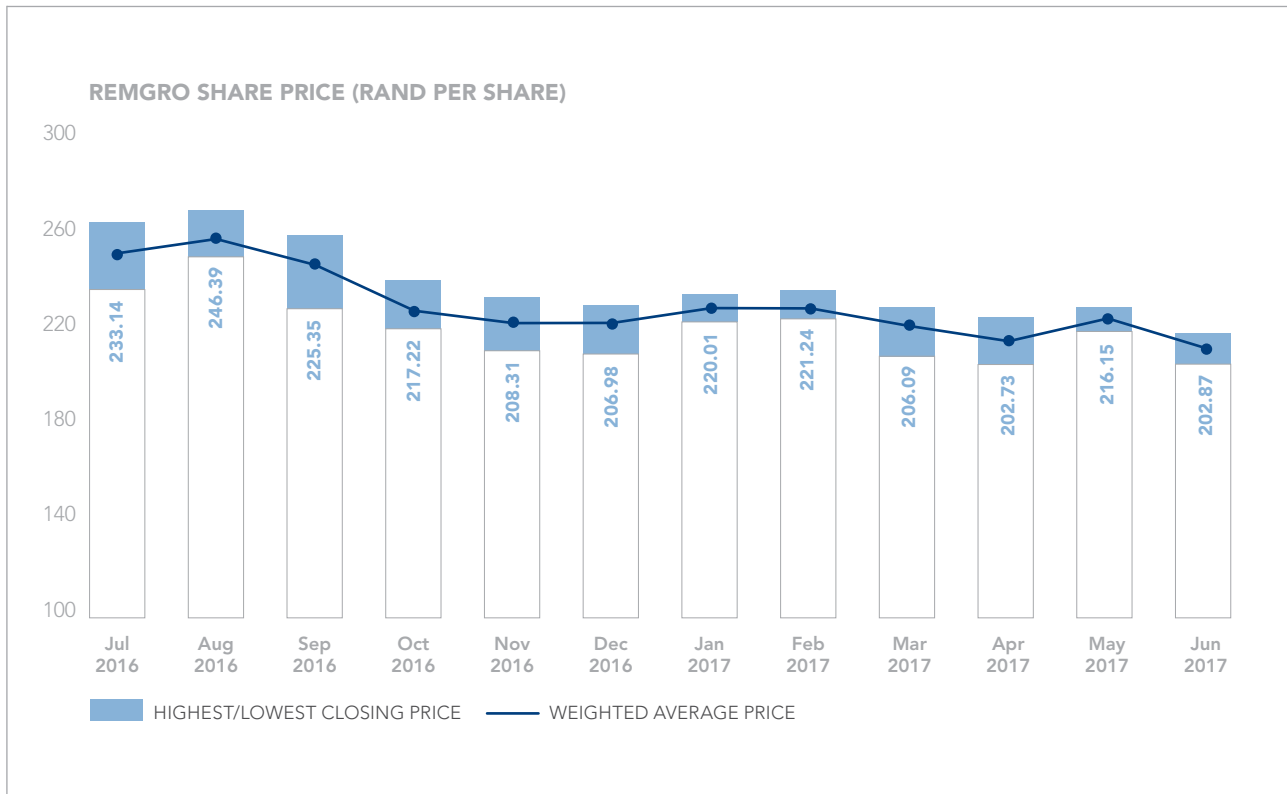
The intrinsic net asset value is also presented as part of the Group's segment information in the audited annual financial statements and for comparative purposes, the prior year's information is also presented.

INTRINSIC NET ASSET VALUE

The intrinsic net asset value of the Group includes valuations of all investments, incorporating subsidiaries and associates 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 subsidiaries 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:

- Cash flow projections
- Growth potential and risk
- 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
- Profit history
- Underlying net asset value



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 tradeability discount is applied.

Remgro’s unlisted investments were valued as follows:

INVESTMENT	VALUATION METHODOLOGY
Air Products	Discounted cash flow method
Business Partners	Net asset value
CIV group	Discounted cash flow method
Kagiso Tiso Holdings	Annual external valuation
PGSI	Discounted cash flow method
PRIF	Annual external valuation
eMedia Investments	Comparable market price
SEACOM	Discounted cash flow method
Total	Discounted cash flow method
Unilever	Discounted cash flow method
Wispeco	Discounted cash flow method

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 2017	30 June 2016	30 June 2015	30 June 2014	30 June 2013
Intrinsic net asset value – Rand per share	251.48	306.44	288.89	245.96	204.83
JSE – All share index	51 611	52 218	51 807	50 945	39 578
– Fin & Ind 30 index	73 184	73 134	71 344	63 467	48 801
– Financial 15 index	14 470	14 715	16 498	14 501	11 176
– Healthcare	7 538	10 025	9 765	8 307	6 822
Remgro share price (Rand)	213.46	254.66	255.94	230.00	189.95

Relative performance	Year 30 June 2017 (% year on year)	Period from 28 October 2008 to 30 June 2017 (% compounded per annum)
Intrinsic net asset value	(17.9)	13.4
JSE – All share index	(1.2)	12.5
– Fin & Ind 30 index	0.1	17.1
– Financial 15 index	(1.7)	11.7
– Healthcare	(24.8)	22.3
Remgro share price	(16.2)	15.5

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 2017 (% compounded per annum)
JSE – All share index	15.8
– Fin & Ind 30 index	20.4
– Financial 15 index	16.4
– Healthcare	23.9
Remgro share	18.6

The following table compares the value at 30 June 2017 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 2017 (Rand)
JSE – All share index	357
– Fin & Ind 30 index	502
– Financial 15 index	373
– Healthcare	640
Remgro share	440

INVESTMENT ACTIVITIES

During September 2016 Remgro subscribed for an additional 12 353 shares in Community Investment Ventures Holdings Proprietary Limited (CIVH) for a total amount of R329.3 million in terms of a CIVH rights issue. As a result of the share subscription, Remgro's interest in CIVH increased marginally to 51.0% on 30 June 2017 (2016: 50.9%).

During June 2017 it was announced that Distell Group Limited (Distell) will restructure its multi-tiered ownership structure (the Proposed Transaction) and in order to give effect to the Proposed Transaction, Remgro will, through a number of inter-conditional steps, exchange its existing 50% shareholding in Remgro-Capevin Investments Proprietary Limited (RCI) for additional ordinary shares in Capevin Holdings Limited (Capevin) (RCI Exchange). Remgro currently holds 19.0% of the ordinary shares in Capevin and after the RCI Exchange, Remgro will hold 59.5% in Capevin. Following the RCI Exchange, Remgro will exchange its entire Capevin shareholding for ordinary shares in a new listed entity (New Distell), which entity will be substantially similar to the current Distell. Remgro will, in addition, also receive unlisted B shares in New Distell, which shares will be linked to those New Distell ordinary shares acquired by Remgro by virtue of the RCI Exchange, resulting in Remgro replicating RCI's current 52.8% voting rights in Distell. The unlisted B shares will only carry voting rights in New Distell and will have no economic participation. The Proposed Transaction will have no impact on Remgro's intrinsic asset value and Remgro will retain its economic interest in Distell. Post implementation of the Proposed Transaction, Remgro will, in aggregate, have voting rights of 56.0% in New Distell. The Proposed Transaction is still subject to a number of conditions precedent, *inter alia* Distell and Capevin shareholders' approvals, which is expected to be on 27 October 2017, as well as the approval of the relevant competition authorities.

The following table represents the cash effects of Remgro's investing activities for the year to 30 June 2017. 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	
CIV group	329
Capevin	265
Invenfin	235
PRIF	58
Premier Team Holdings	38
Other	72
	997

Investments sold and loans repaid	R million
CIV group (loan)	45
Milestone Capital Funds (offshore)	42
PRIF	15
Other	12
	114

INVESTMENT COMMITMENTS

The table below summarises the investment commitments of Remgro as at 30 June 2017.

Investment commitments	R million
PRIF	395
Milestone Capital Funds (offshore)	79
Invenfin	77
Other	29
	580



Jannie Durand
Chief Executive Officer

Stellenbosch
20 September 2017

INTRINSIC NET ASSET VALUE

R million	30 June 2017		30 June 2016	
	Book value	Intrinsic value	Book value Restated	Intrinsic value
Healthcare				
Mediclinic	33 763	41 568	33 629	69 691
Banking				
RMBH	14 016	23 350	13 132	22 356
FirstRand	5 010	10 365	4 652	9 857
Consumer products				
Unilever	3 737	10 702	3 589	10 650
Distell ⁽¹⁾	3 727	9 556	3 500	10 723
RCL Foods	7 553	10 173	7 272	9 278
Insurance				
RMI Holdings	7 277	17 532	7 157	18 526
Industrial				
Air Products	1 047	4 298	933	4 241
KTH	1 684	2 466	1 631	2 723
Total	1 640	2 167	1 575	1 879
PGSI	643	643	734	734
Wispeco	821	1 368	702	1 055
Infrastructure				
Grindrod	1 915	1 915	1 986	1 986
CIV group	2 242	4 829	1 871	3 166
SEACOM	321	896	655	1 043
Other infrastructure interests	520	520	540	540
Media and sport				
eMedia Investments	1 147	1 424	1 116	1 342
Other media and sport interests	365	319	328	328
Other investments	3 947	3 932	3 737	3 717
Central treasury				
Cash at the centre ⁽²⁾	12 223	12 223	3 778	3 778
Debt at the centre	(13 907)	(13 907)	(16 452)	(16 452)
Other net corporate assets	2 741	3 164	2 779	3 149
Intrinsic net asset value (INAV)	92 432	149 503	78 844	164 310
Potential CGT liability⁽³⁾		(7 010)		(6 526)
INAV after tax	92 432	142 493	78 844	157 784
Issued shares after deduction of shares repurchased (million)	566.6	566.6	514.9	514.9
INAV after tax per share (Rand)	163.13	251.48	153.13	306.44
Remgro share price (Rand)		213.46		254.66
Percentage discount to INAV		15.1		16.9

⁽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.