

CHIEF FINANCIAL OFFICER'S REPORT

Remgro's headline earnings, excluding option remeasurement, increased by 10.3%.

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

HEADLINE EARNINGS

For the year to 30 June 2018 headline earnings increased by 4.3% from R8 221 million to R8 573 million, while headline earnings per share (HEPS) increased by 1.8% from 1 485.5 cents to 1 512.6 cents. The difference in the increase between headline earnings and HEPS is attributed to the impact of the rights issue during the comparative year.

Included in headline earnings for the year under review is a positive fair value adjustment amounting to R261 million (2017: R687 million), relating to the decrease in value of the bondholders' exchange option of the exchangeable bonds (option remeasurement). Excluding the option remeasurement, headline earnings increased by 10.3% from R7 534 million to R8 312 million, while HEPS increased by 7.7% from 1 361.3 cents to 1 466.5 cents. The increase in headline earnings, excluding option remeasurement, is mainly due to higher earnings from the banking and insurance platforms, RCL Foods, Total and higher finance income, offset by a lower contribution from

Mediclinic as well as transaction costs incurred on the Distell ownership restructuring and the Unilever Spreads business acquisition.

COMMENTARY ON REPORTING PLATFORMS' PERFORMANCE

BANKING

The headline earnings contribution from the banking division amounted to R3 525 million (2017: R3 163 million), representing an increase of 11.4%. FirstRand and RMH reported headline earnings growth of 11.6% and 11.4% respectively. On a normalised basis, which excludes certain non-operational and accounting anomalies, and is a better reflection of underlying performance, both FirstRand and RMH reported earnings growth of 7.9%. These increases are mainly due to growth in both net interest income, underpinned by good growth in advances and deposits, and non-interest revenue due to strong growth in fee and commission income. This growth in earnings was partly offset by an increase in non-performing loans due to the constrained macro-economic environment resulting in an increase in credit impairment charges.

HEALTHCARE

Mediclinic's contribution to Remgro's headline earnings amounted to R1 556 million (2017: R1 875 million), representing a decrease of 17.0%. It should be noted that all the Al Noor facilities were rebranded to Mediclinic and therefore Mediclinic's contribution for the year under review included an accelerated amortisation charge of R171 million relating to the Al Noor trade name. Mediclinic's contribution also included a derecognition charge of R114 million in respect of unamortised finance expenses relating to the refinancing of Hirslanden's debt. Excluding the

impact of the accelerated amortisation and derecognition of unamortised finance expenses, Mediclinic's contribution to Remgro's headline earnings would have decreased by 1.8% from R1 875 million to R1 841 million. The strengthening of the rand against the Swiss franc, British pound and United Arab Emirates dirham also had a negative impact on Mediclinic's contribution. In British pound terms Mediclinic's contribution, excluding the accelerated amortisation and derecognition of unamortised finance expenses, increased by 4.9% mainly due to a stronger performance by the Southern Africa and Middle East operating divisions, offset by a lower contribution from Hirslanden and a decrease in the equity accounted earnings from Spire. Hirslanden's results were impacted by a subdued market, the continued change in insurance mix and the evolving changes in the regulatory environment, while Spire's contribution to

Mediclinic's results included a provision of £9 million for the potential cost of a settlement relating to civil litigation against a consultant who previously had practicing privileges at Spire and a charge relating to a decision to cease the provision of radiotherapy services at the Spire Specialist Cancer Care Centre in Baddow (Essex).

CONSUMER PRODUCTS

The contribution from consumer products to Remgro's headline earnings amounted to R1 605 million (2017: R1 354 million), representing an increase of 18.5%.

RCL Foods' contribution to Remgro's headline earnings increased by 52.6% to R647 million (2017: R424 million). This increase is mainly due to the recovery in the Chicken business

SALIENT FEATURES

| | Year ended 30 June 2018 | Year ended 30 June 2017 | % change |
|--|-------------------------------|-------------------------------|-------------|
| Headline earnings (R million) | 8 573 | 8 221 | 4.3 |
| – per share (cents) | 1 512.6 | 1 485.5 | 1.8 |
| Headline earnings, excluding option remeasurement (R million) | 8 312 | 7 534 | 10.3 |
| – per share (cents) | 1 466.5 | 1 361.3 | 7.7 |
| Earnings (R million) | 8 943 | 8 431 | 6.1 |
| – per share (cents) | 1 577.9 | 1 523.4 | 3.6 |
| Dividends per share (cents) | | | |
| Ordinary | 532.00 | 495.00 | 7.5 |
| – Interim | 204.00 | 194.00 | 5.2 |
| – Final | 328.00 | 301.00 | 9.0 |
| Intrinsic net asset value per share (Rand) | 256.97 | 251.48 | 2.2 |

CONTRIBUTION TO HEADLINE EARNINGS BY REPORTING PLATFORM

| R million | Year ended 30 June 2018 | % change | Year ended 30 June 2017 |
|--|-------------------------------|-------------|-------------------------------|
| Banking | 3 525 | 11.4 | 3 163 |
| Healthcare | 1 556 | (17.0) | 1 875 |
| Consumer products | 1 605 | 18.5 | 1 354 |
| Insurance | 1 228 | 18.0 | 1 041 |
| Industrial | 971 | 29.5 | 750 |
| Infrastructure | 57 | 58.3 | 36 |
| Media and sport | (47) | 19.0 | (58) |
| Other investments | 66 | (5.7) | 70 |
| Central treasury | | | |
| – Finance income | 524 | 50.1 | 349 |
| – Finance costs | (891) | 1.3 | (903) |
| – Option remeasurement | 261 | (62.0) | 687 |
| Other net corporate costs | (282) | (97.2) | (143) |
| Headline earnings | 8 573 | 4.3 | 8 221 |
| Option remeasurement | (261) | | (687) |
| Headline earnings, excluding option remeasurement | 8 312 | 10.3 | 7 534 |

Q Refer to the composition of headline earnings on page 31 for further information.

unit, strong volume performances in the Dressings, Pet Food and Pies categories, lower interest costs and a tax credit of R64 million relating to an energy efficiency allowance in the Sugar business unit. The improvement from the Chicken business unit resulted from a revised business model, lower feed prices and improved realisations. The increase was dampened by the impact of listeriosis within the business unit, amounting to an estimated negative impact of R158 million. The Sugar operations experienced challenging market conditions due to low international prices, a relatively strong currency and a significant volume of dumped imports.

Unilever's contribution to Remgro's headline earnings increased by 11.1% to R499 million (2017: R449 million). This increase is mainly due to an improvement in gross margins as a result of tighter spend management.

Distell's contribution to headline earnings, which includes the investment in Capevin Holdings, amounted to R459 million (2017: R481 million). Distell's results for the year under review were negatively impacted by once-off losses and write-offs amounting to R78 million (2017: R22 million) in its associate, Tanzania Distilleries Limited, following a sachet ban and excise duty dispute. The comparative year included a reversal of a provision for interest payable in respect of an extended excise duty dispute of R42 million. Distell reported headline earnings growth, adjusted for foreign exchange movements, retrenchment and group restructuring costs, as well as the aforementioned once-off items, of 5.2%, mainly driven by a 10.4% increase in revenue achieved across all regions and categories.

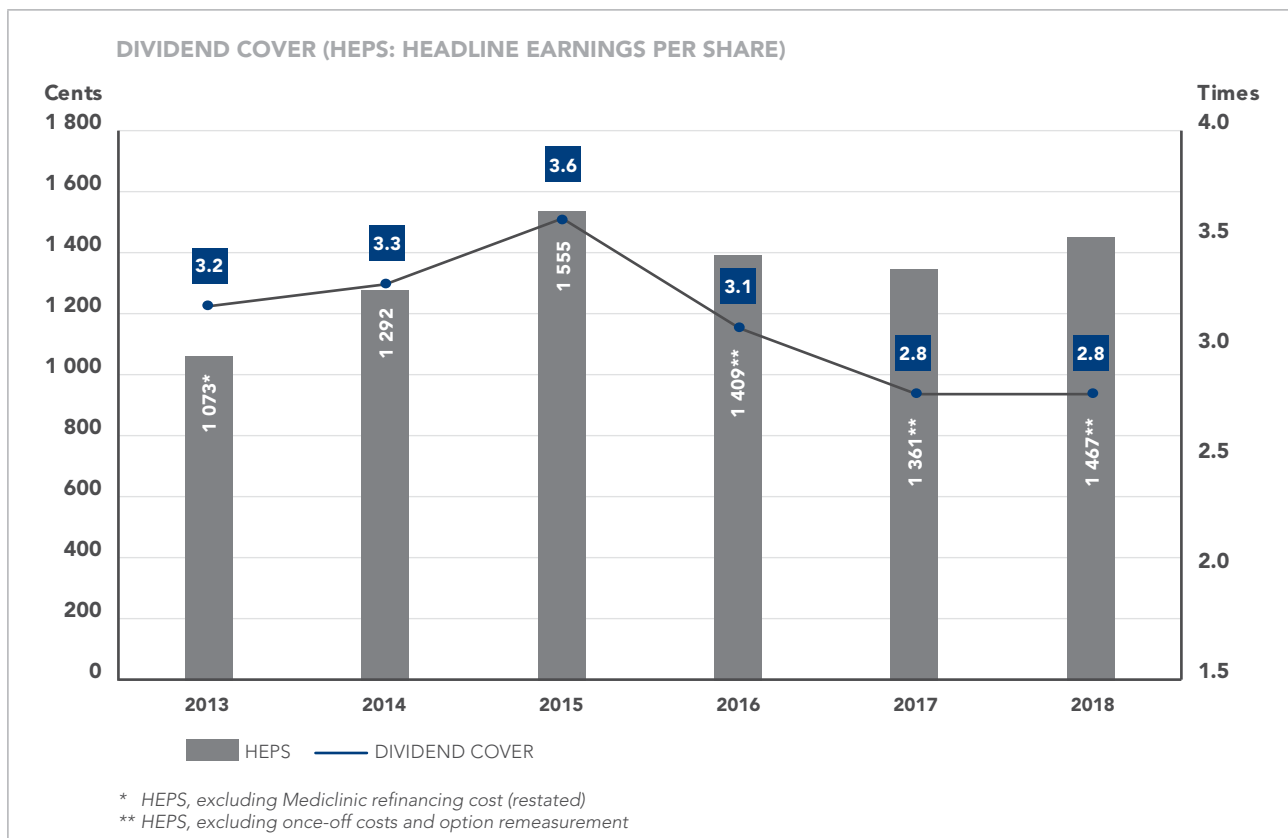
INSURANCE

RMI Holdings' contribution to headline earnings increased by 18.0% to R1 228 million (2017: R1 041 million). On a normalised basis, RMI Holdings reported an increase of 14.8% in earnings mainly due to the contributions from Discovery (up 16.2%), OUTsurance (up 11.5%) and the newly acquired Hastings, partly offset by higher funding costs relating to the Hastings acquisition and a lower contribution by MMI (down 12.4%). The strong result by Discovery was driven by both established and emerging businesses, while OUTsurance's results were impacted by favourable claims conditions throughout all major operations. MMI's results were negatively impacted by the continued challenging macro-economic environment, as well as operational shortcomings in the Momentum and Metropolitan retail divisions.

INDUSTRIAL

Total's contribution to Remgro's headline earnings amounted to R501 million (2017: R224 million). Included in the contribution to headline earnings for the year under review are favourable stock revaluations amounting to R216 million (2017: unfavourable stock revaluations of R82 million). These revaluations are the result of the volatility in the Brent Crude price and the rand exchange rate. Excluding these revaluations, the contribution decreased by 6.9% from R306 million to R285 million.

Remgro's share of the results of KTH amounted to R55 million (2017: R34 million). This increase is mainly due to lower finance costs as a result of the repayment of debt following the disposal of the investment in Exxaro Resources Limited.



Air Products' and Wispeco's contribution to headline earnings amounted to R289 million and R122 million respectively (2017: R298 million and R169 million), while PGSI contributed R4 million to Remgro's headline earnings (2017: R25 million).

INFRASTRUCTURE

Grindrod's contribution to Remgro's headline earnings amounted to a loss of R46 million (2017: a loss of R48 million), impacted by stock impairments in the rail assembly business due to the closure of this business unit. This decrease was partly offset by improved results across core businesses mainly due to increased commodity demand and stronger drybulk shipping rates.

For the year under review the CIV group contributed R48 million to headline earnings (2017: R110 million). This decrease is mainly due to higher finance costs and depreciation due to increased infrastructure spend. Despite the decrease in earnings, the CIV group's monthly annuity income increased to R138 million (2017: R115 million).

Remgro's share of SEACOM's profit amounted to R15 million (2017: loss of R33 million). This increase is mainly due to improved results in South Africa and Kenya, as well as a once-off realisation of deferred revenue relating to the early termination of long-term contracts.

MEDIA AND SPORT

Media and sport primarily consist of the interests in eMedia Investments and various sport interests, including interests in rugby franchises, as well as the Stellenbosch Academy of Sport.

eMedia Investments' contribution to Remgro's headline earnings decreased to R1 million (2017: R49 million). This decrease is mainly due to a significant decline in licence revenue resulting from a renegotiated DStv agreement, and the continued investment in the Openview platform.

OTHER INVESTMENTS

The contribution from other investments to headline earnings amounted to R66 million (2017: R70 million), of which Business Partners' contribution was R65 million (2017: R54 million).

CENTRAL TREASURY AND OTHER NET CORPORATE COSTS

Finance income amounted to R524 million (2017: R349 million). This increase is mainly due to higher average cash balances as a result of the Remgro rights issue in the comparative year. Finance costs amounted to R891 million (2017: R903 million). The positive fair value adjustment of R261 million (2017: R687 million) relates to the decrease in the value of the exchange option of the exchangeable bonds. Other net corporate costs amounted to R282 million (2017: R143 million). The increase in other net corporate costs is mainly due to transaction costs amounting to R109 million, incurred on the Distell ownership restructuring and the Unilever Spreads business acquisition.

EARNINGS

Earnings increased by 6.1% to R8 943 million (2017: R8 431 million). This increase is mainly due to the profit realised on the Distell restructuring transaction of R5 150 million, as well as the increase in headline earnings as explained above. This increase is partly offset by Remgro's portion of the impairments of Mediclinic's investments in Hirslanden and Spire of R5 257 million, as well as the lower positive fair value adjustment, relating to the decrease in value of the exchange option of the exchangeable bonds of R261 million (2017: R687 million).

CASH AT THE CENTRE AND FOREIGN EXCHANGE RATES

On 30 June 2018 Remgro's cash at the centre amounted to R13 704 million (2017: R12 223 million), of which 33% was invested offshore (2017: 35%). The cash is held in different currencies of which approximately 67% was held in SA rand, 30% in USA dollar and 3% in British pound.

Foreign exchange profits amounting to R205 million (2017: losses of R414 million) were accounted for during the year under review, mainly as a result of the weakening of the SA rand against the USA dollar from R13.11 = \$1.00 at 30 June 2017, to R13.71 = \$1.00 at 30 June 2018. For accounting purposes these exchange movements are accounted for directly in equity.

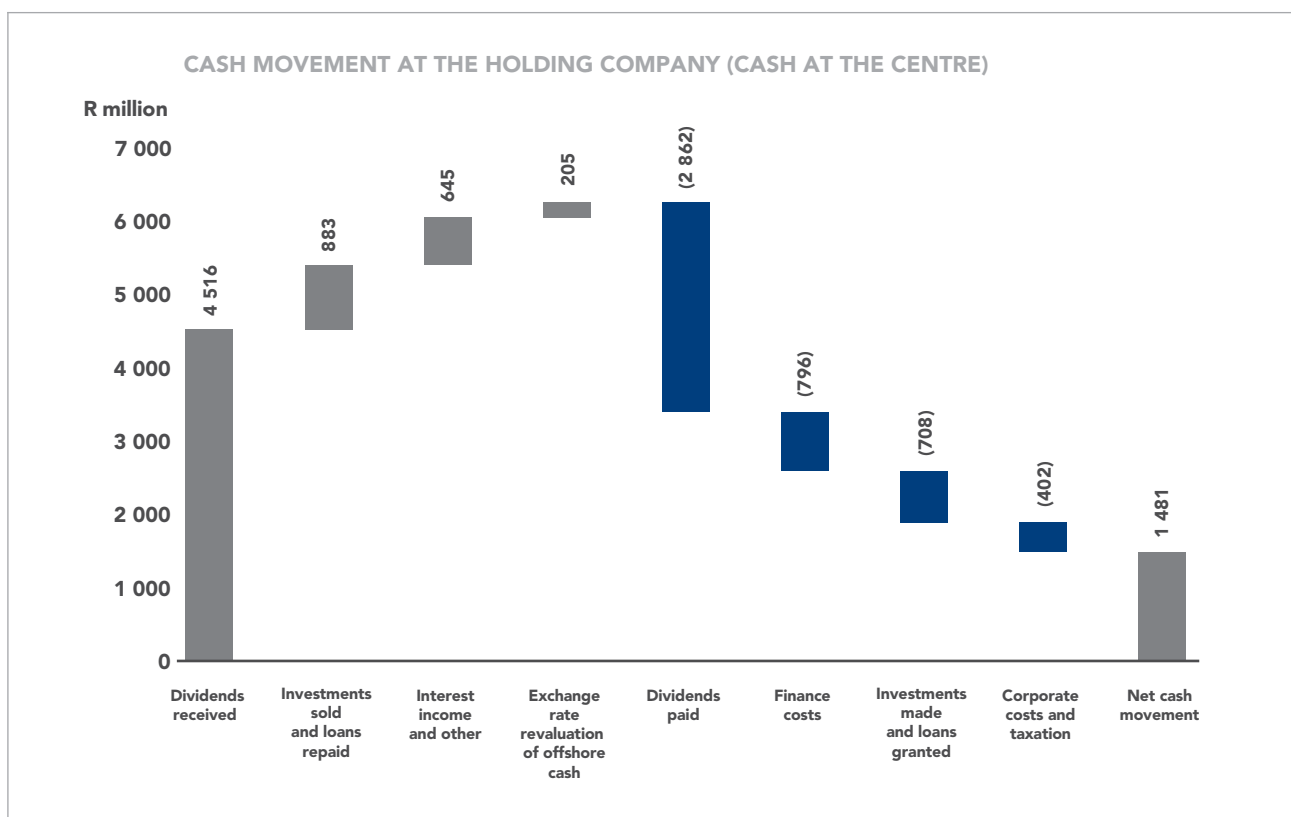
Remgro's offshore cash is earmarked for potential new investments and the expansion of existing offshore investments (USA dollar), as well as to service foreign debt (British pound).

EXTERNAL FUNDING

On 13 January 2016 Remgro (through its wholly owned subsidiary, Remgro Healthcare Holdings Proprietary Limited (Remgro Healthcare)) issued fixed rate cumulative redeemable preference shares amounting to R3.5 billion to fund its participation in a Mediclinic International Limited rights issue as part of the Spire acquisition. These preference shares have a tenure of four years and the dividend rate is fixed at 7.7%, payable semi-annually.

On 16 March 2016 and 22 March 2016 Remgro issued further fixed rate cumulative redeemable preference shares (through its wholly owned subsidiary, Remgro Healthcare) amounting to R4.4 billion and exchangeable bonds (through its wholly owned subsidiary, Remgro Jersey GBP Limited) amounting to £350.0 million, respectively, to fund the Al Noor/Mediclinic transaction. The preference shares have a tenure of five years and a fixed dividend rate of 8.3%, payable semi-annually, while the exchangeable bonds have a tenure of five years and a fixed coupon rate of 2.625%, payable semi-annually. The exchangeable bonds are exchangeable into approximately 30.9 million Mediclinic shares and/or cash, and the exchange price for the bonds is £11.3086 per Mediclinic share, representing a 30% premium above the weighted average price on the London Stock Exchange (LSE) between launch and pricing of the bond offering. Upon exchange or

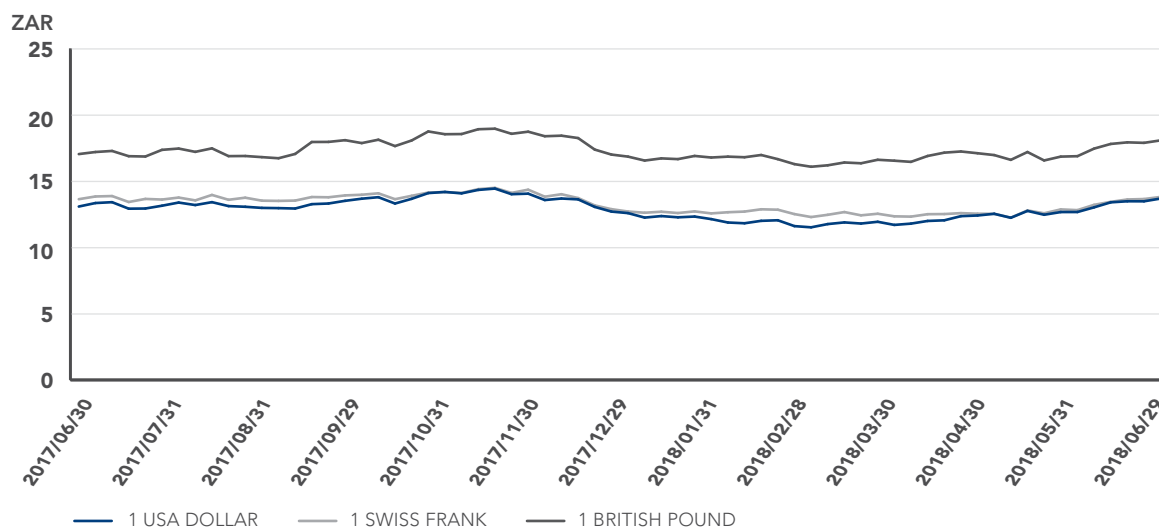
| | 30 June 2018 | | | 30 June 2017 |
|---------------|------------------------|---------------|-----------|--------------|
| | Currency value million | Exchange rate | R million | R million |
| USA dollar | 302.7 | 13.7095 | 4 149 | 3 862 |
| British pound | 19.0 | 18.0986 | 344 | 388 |
| Swiss franc | 0.4 | 13.8316 | 6 | 5 |
| SA rand | | | 9 205 | 7 968 |
| | | | 13 704 | 12 223 |



| Closing exchange rates | 30 June 2018 | 30 June 2017 | Movement % |
|------------------------|--------------|--------------|------------|
| USD/ZAR | 13.7095 | 13.1062 | (4.6) |
| GBP/ZAR | 18.0986 | 17.0648 | (6.1) |
| CHF/ZAR | 13.8316 | 13.6612 | (1.2) |

| Average exchange rates | Year ended 30 June 2018 | Year ended 30 June 2017 | Movement % |
|------------------------|-------------------------|-------------------------|------------|
| USD/ZAR | 12.8506 | 13.5915 | 5.5 |
| GBP/ZAR | 17.2904 | 17.2386 | (0.3) |
| CHF/ZAR | 13.2329 | 13.7121 | 3.5 |

ZAR VS FOREIGN CURRENCIES REMGRO HOLDS



redemption of the bonds, Remgro will have the discretionary right to deliver an amount in cash or shares or a combination of cash and shares. The bonds were included for trading on the open market (Freiverkehr) segment of the Frankfurt Stock Exchange on 23 March 2016. On 30 June 2018 the bonds traded at 97.17% of nominal value.

DIVIDENDS

The final dividend per share was determined at 328 cents (2017: 301 cents). Total ordinary dividends per share in respect of the year to 30 June 2018 therefore amounted to 532 cents (2017: 495 cents).

The dividend is covered 2.8 times by headline earnings against 3.0 times the previous year.

INTRINSIC NET ASSET VALUE

Remgro's intrinsic net asset value per share at 30 June 2018 was R256.97 compared to R251.48 on 30 June 2017. Refer to the Chief Executive Officer's Report on page 20 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, with the exception of the adoption of the amendments to IAS 7: Cash flow statements, IAS 12: Income taxes and IFRS 12: Disclosure of interest in other entities.

The implementation of these interpretations and amendments 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). A comprehensive 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 68, as well as in note 13 to the comprehensive annual financial statements on page 83 that is published on the Company's website at www.remgro.com.

Neville Williams
Chief Financial Officer

Stellenbosch
19 September 2018



COMPOSITION OF HEADLINE EARNINGS

| R million | Year ended 30 June 2018 | % change | Year ended 30 June 2017 |
|--|-------------------------------|-------------|-------------------------------|
| Banking | | | |
| RMH | 2 486 | 11.4 | 2 232 |
| FirstRand | 1 039 | 11.6 | 931 |
| Healthcare | | | |
| Mediclinic | 1 556 | (17.0) | 1 875 |
| Consumer products | | | |
| Unilever | 499 | 11.1 | 449 |
| Distell ⁽¹⁾ | 459 | (4.6) | 481 |
| RCL Foods | 647 | 52.6 | 424 |
| Insurance | | | |
| RMI Holdings | 1 228 | 18.0 | 1 041 |
| Industrial | | | |
| Air Products | 289 | (3.0) | 298 |
| KTH | 55 | 61.8 | 34 |
| Total | 501 | 123.7 | 224 |
| PGSI | 4 | (84.0) | 25 |
| Wispeco | 122 | (27.8) | 169 |
| Infrastructure | | | |
| Grindrod | (46) | 4.2 | (48) |
| CIV group | 48 | (56.4) | 110 |
| SEACOM | 15 | 145.5 | (33) |
| Other infrastructure interests | 40 | 471.4 | 7 |
| Media and sport | | | |
| eMedia Investments | 1 | (98.0) | 49 |
| Other media and sport interests | (48) | 55.1 | (107) |
| Other investments | 66 | (5.7) | 70 |
| Central treasury | | | |
| Finance income | 524 | 50.1 | 349 |
| Finance costs | (891) | 1.3 | (903) |
| Option remeasurement | 261 | (62.0) | 687 |
| Other net corporate costs | (282) | (97.2) | (143) |
| Headline earnings | 8 573 | 4.3 | 8 221 |
| Weighted number of shares (million) | 566.8 | 2.4 | 553.4 |
| Headline earnings per share (cents) | 1 512.6 | 1.8 | 1 485.5 |

⁽¹⁾ Includes the investment in Capevin Holdings Limited.