

CHIEF EXECUTIVE OFFICER'S REPORT



Remgro's intrinsic net asset value is the most appropriate indicator of the value added for our shareholders.

JANNIE DURAND
CHIEF EXECUTIVE OFFICER

INTRODUCTION

Remgro's intrinsic net asset value is the most appropriate indicator of the value added for our shareholders. For the year under review the intrinsic net asset value per share has increased by 2.2% from R251.48 at 30 June 2017 to R256.97 at 30 June 2018. Over the same period the JSE all share index has increased by 11.6%, while Remgro's share price decreased by 4.3%. Refer to the tables on page 22 where the relative performances are set out in more detail.

Whilst, for various reasons, the index comparison is not always applicable over single accounting periods, the long-term trends are used as part of Remgro's risk and opportunity process to retain focus on our commitment to stakeholders as stated in our investment philosophy.

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.

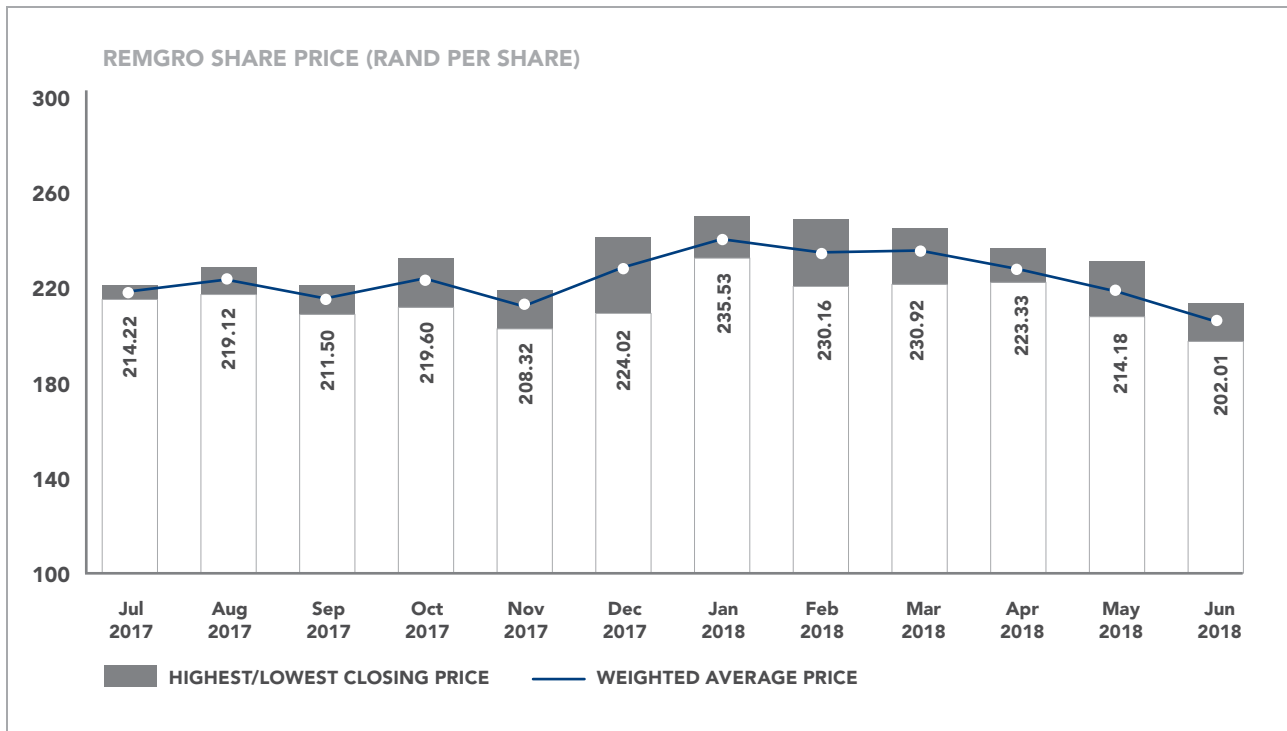
The intrinsic net asset value is also presented as part of the Group's segmental information in the audited annual financial statements.

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	Sum-of-the-parts (external valuation)
PGSI	Discounted cash flow method
PRIF	Sum-of-the-parts
eMedia Investments	Comparable market price
SEACOM	Discounted cash flow method
Total	Discounted cash flow method
Unilever	Agreed transaction price (2017: 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 2018	30 June 2017	30 June 2016	30 June 2015	30 June 2014
Intrinsic net asset value – Rand per share	256.97	251.48	306.44	288.89	245.96
JSE – All share index	57 611	51 611	52 218	51 807	50 945
– Fin & Ind 30 index	78 391	73 184	73 134	71 344	63 467
– Financial 15 index	16 139	14 470	14 715	16 498	14 501
– Healthcare	6 800	7 538	10 025	9 765	8 307
Remgro share price (Rand)	204.29	213.46	254.66	255.94	230.00

Relative performance	Year 30 June 2018 (% year on year)	Period from 28 October 2008 to 30 June 2018 (% compounded per annum)
Intrinsic net asset value	2.2	12.2
JSE – All share index	11.6	12.4
– Fin & Ind 30 index	7.1	16.0
– Financial 15 index	11.5	11.7
– Healthcare	(9.8)	18.5
Remgro share price	(4.3)	13.3

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 2018 (% compounded per annum)
JSE – All share index	15.7
– Fin & Ind 30 index	19.3
– Financial 15 index	16.4
– Healthcare	20.1
Remgro share	16.2

The following table compares the value at 30 June 2018 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 2018 (Rand)
JSE – All share index	410
– Fin & Ind 30 index	552
– Financial 15 index	435
– Healthcare	589
Remgro share	429

INVESTMENT ACTIVITIES

On 11 May 2018 the competition authorities approved the restructuring of Distell Group Limited's (previously listed Distell) multi-tiered ownership structure. In terms of the restructuring, Remgro exchanged its 50.0% shareholding in Remgro-Capevin Investments Proprietary Limited (RCI) for additional ordinary shares in Capevin Holdings Limited (Capevin) (the RCI Exchange). The RCI Exchange increased Remgro's interest in Capevin from 19.0% to 59.5%. Following the RCI Exchange, Remgro exchanged its entire Capevin shareholding for ordinary shares in Distell Group Holdings Limited (Distell), a new listed entity which is substantially similar to the previously listed Distell. Remgro also received unlisted B shares in Distell, which shares are linked to the Distell ordinary shares acquired by Remgro by virtue of the RCI Exchange, resulting in Remgro replicating RCI's 52.8% voting rights in the previously listed Distell. The unlisted B shares only carry voting rights in Distell and have no economic participation. The restructuring had no impact on Remgro's intrinsic net asset value and Remgro retained its 31.8% economic interest in Distell, but increased its voting rights in Distell to 56.0%.

The competition authorities approved Unilever South Africa Holdings Proprietary Limited's (Unilever) acquisition of Remgro's 25.75% shareholding in Unilever in exchange for Unilever's Spreads business in Southern Africa, as well as a cash consideration of R4 900 million, representing a total transaction value of R11 900 million. This transaction valued the Unilever Spreads business at R7 000 million. The effective date of the transaction was 2 July 2018.

On 19 September 2017 and 12 March 2018 RMI Holdings declared its final dividend for the year ended 30 June 2017 and interim dividend for the six months ended 31 December 2017 respectively. Both dividends included an alternative to the cash dividend of either receiving a scrip distribution or reinvesting the cash dividend by subscribing for new RMI Holdings ordinary shares. Remgro elected the reinvestment alternative and reinvested cash dividends amounting to R471 million for 11 888 562 new RMI Holdings ordinary shares.

On 19 June 2018 Grindrod Limited (Grindrod) distributed its shipping division to its shareholders as a dividend *in specie*. Grindrod shareholders received 1 Grindrod Shipping Holdings Limited (Grindrod Shipping) share for every 40 Grindrod shares held and, accordingly, Remgro received 4 329 580 Grindrod Shipping shares. Grindrod Shipping listed on the NASDAQ on 18 June 2018 with a secondary inward listing on the JSE on 19 June 2018.

The following table represents the cash effects of Remgro's investing activities for the year to 30 June 2018. These activities exclude the investing activities of Remgro's operating subsidiaries, i.e. RCL Foods Limited, Distell Group Holdings Limited and Wispeco Holdings Proprietary Limited.

Investments made and loans granted	R million
Existing investee companies	
RMI Holdings	471
Invenfin	129
PRIF	43
Premier Team Holdings	30
Other	35
	708
Investments sold and loans repaid	
	R million
Unilever (loan)	541
Kagiso Infrastructure Empowerment Fund	277
Milestone Capital Funds (offshore)	61
Other	4
	883

INVESTMENT COMMITMENTS

The table below summarises the investment commitments of Remgro as at 30 June 2018.

Investment commitments	R million
PRIF	358
CIV group	327
Milestone Capital Funds (offshore)	65
Other	74
	824



Jannie Durand
Chief Executive Officer

Stellenbosch
19 September 2018

INTRINSIC NET ASSET VALUE

R million	30 June 2018		30 June 2017	
	Book value	Intrinsic value	Book value	Intrinsic value
Banking				
RMH	15 385	30 123	14 016	23 350
FirstRand	5 486	14 045	5 010	10 365
Healthcare				
Mediclinic	29 373	31 329	33 763	41 568
Consumer products				
Unilever	3 588	11 900	3 737	10 702
Distell ⁽¹⁾	9 110	9 674	3 727	9 556
RCL Foods	8 128	11 534	7 553	10 173
Insurance				
RMI Holdings	8 479	17 285	7 277	17 532
Industrial				
Air Products	1 026	4 158	1 047	4 298
KTH	1 964	2 218	1 684	2 466
Total	2 007	2 382	1 640	2 167
PGSI	692	692	643	643
Wispeco	874	984	821	1 368
Infrastructure				
Grindrod	1 624	1 624	1 915	1 915
Grindrod Shipping	623	623	–	–
CIV group	2 301	4 940	2 242	4 829
SEACOM	353	870	321	896
Other infrastructure interests	256	256	520	520
Media and sport				
eMedia Investments	866	866	1 147	1 424
Other media and sport interests	223	268	365	319
Other investments	4 060	4 196	3 947	3 932
Central treasury				
Cash at the centre ⁽²⁾	13 704	13 704	12 223	12 223
Debt at the centre	(14 097)	(14 097)	(13 907)	(13 907)
Other net corporate assets	2 073	2 536	2 741	3 164
Intrinsic net asset value (INAV)	98 098	152 110	92 432	149 503
Potential CGT liability⁽³⁾		(6 438)		(7 010)
INAV after tax	98 098	145 672	92 432	142 493
Issued shares after deduction of shares repurchased (million)	566.9	566.9	566.6	566.6
INAV after tax per share (Rand)	173.04	256.97	163.13	251.48
Remgro share price (Rand)		204.29		213.46
Percentage discount to INAV		20.5		15.1

⁽¹⁾ The prior year 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, Distell 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.