PRE CLOSED PERIOD UPDATE

Investment Community
16 May 2017
AGENDA

GUIDANCE
WHAT HAS CHANGED?
STRATEGIC CHALLENGES
OUR STRATEGIC RESPONSE
CONCLUSION
QUESTIONS
2017 GUIDANCE BY SUB-DIVISION

IMPERIAL LOGISTICS

South Africa
> UNCHANGED – We expect growth of revenues & operating profit

African Regions
> UNCHANGED – We expect a decline in revenues & operating profit attributable primarily to the impact of currency movements on volumes, margins and translation of profits into Rands

International
> UNCHANGED – We expect growth of revenues & operating profit, attributable to the acquisition of Palletways & a recovery in the German and South American businesses in H2 2017

MOTUS

Vehicle Import & Distribution
> WAS – We expect flat revenues & a decline in operating profit
> NOW – We expect an increase in revenues (due to a change in sales mix) & a decline in operating profit

Vehicle Retail & Rental
> UNCHANGED – We expect a decline in revenues & operating profit, attributable to challenging trading conditions in South Africa

Aftermarket parts
> UNCHANGED – We expect an increase in revenues & operating profit

Financial Services
> UNCHANGED – We expect growth of revenues & operating profit
2017 GUIDANCE FOR IMPERIAL GROUP

> UNCHANGED – We expect the Imperial group to achieve a single digit increase in revenues & unchanged operating profit for the year to 30 June 2017

> A significant increase in foreign exchange losses & higher financing costs will depress headline earnings

> Guidance is subject to no deterioration of trading conditions or currencies
WHAT HAS CHANGED – MACRO

Heightened global uncertainty:

> Economic
  • Brexit > weakening £ & UK GDP growth
  • Trump “America First” presidency > effect on global trade
  • China restructuring > effect on commodity consumption
  • Global reflation > rising real growth & inflation

> Geopolitical
  • North Korea nuclear arms development
  • South China sea tensions
  • Russian expansionism
  • Arabia wars & famine
  • Terrorism

> Technological
  • Exponential acceleration of technological advancements
  • Ubiquitous information (fake?) / interconnectedness / cybercrime
  • AI / Natural language processing / Driverless cars / 5G / virtual reality
WHAT HAS CHANGED – RSA

> Sovereign rating downgrade (more to come?)
> Lower than expected GDP growth (0.3% in 2016; revised down to <1% in 2017)
> Rand deterioration limited by strong inward EM flows
> Drought broken (WC?)
> Rising social tensions
  • Marked increase in frequency & lawlessness of service delivery protests
> Heightened political tensions:
  • ANC December conference agenda dwarfing national & local government priorities
  • Blatant corruption & state capture (growing coalition of diverse opponents)
  • Defiance of courts
  • Divisive rhetoric (WMC & RET)
  • Policy uncertainty & failing Ministries (mining, energy, police, communications, social development, transport)
> Strident (legitimate) demands for economic inclusion
WHAT HAS CHANGED – IPL SPECIFIC FACTORS

South Africa (59% revenue; 64% operating profit)
> Volatile Rand resulting in foreign exchange hedging losses & higher priced inventory
> Continued decline in national new vehicle sales resulting in reduced demand
> Lower than expected economic growth
> Low business confidence
> Fragile consumer health depressing personal income expenditure
> Partially offset by higher volumes in commodities, fuel & gas sectors

African Regions (9% revenue; 16% operating profit)
> Currency volatility
> Slowing GDP growth rates
> Rising inflation & interest costs
> Lower consumer demand
Eurozone, UK & Australia (32% revenue; 20% operating profit)

- Low water levels on Rhine
- Lower demand & pricing pressures in steel, energy, commodities & construction sectors in Germany
- Steady UK economy supporting logistics & vehicles businesses (no Brexit impact to date)
- Volatile Rand effect on translation value of foreign operations
WHAT HAS CHANGED – IPL SECTORS

> Logistics
  - Managed logistics
  - Consumer, auto contract logistics, pharma distribution
  - T&W, consulting, shipping, chemicals, FMCG distribution
  - More competitive
  - Greater currency effects

> Vehicles
  - Rentals, SUV/crossover, financial services
  - Aftermarket parts, vehicle services
  - Import & distribution, passenger, commercial, luxury
  - Decreasing affordability > down trading
  - More competitive
  - Greater OEM pressure
WHAT HAS CHANGED – IPL RESTRUCTURING

> Portfolio

• In calendar 2017
  – the South African Competition Tribunal approved the sale of the Regent to Hollard (24 April) for approximately R1.8 billion, including the Regent Africa proceeds. Imperial will retain the value added products business
On 29 September 2015 announced sale of Regent Life & Regent Short Term to Hollard who would then on-sell the VAPS portion of the business to MotoVantage, with Imperial participating in the VAPS revenue & profit streams.

Although VAPS are an integral part of the motor value chain, the sale of the whole of Regent was believed to be in the best interests of employees & the buyer.

On 23 October 2016, the SA Competition Commission recommended that the transaction be prohibited due to concerns around VAPS market share accretion of the parties.

On 17 January Regent Africa was sold for R697m.

The parties then engaged with the Commission to address their concerns & MotoVantage withdrew in order to remedy the Commission’s concerns.

A revised transaction was presented to the Competition Commission & subsequently approved on 24 April 2017.

Approval by the FSB is outstanding.

The altered transaction will realise R1.8b.
Imperial’s original objectives were achieved
  • The Life & Short-term insurance licenses & businesses unrelated to Imperial’s logistics or vehicle divisions have been sold
  • Imperial retains access to the revenue streams derived from our VAPS business through our cell captives

As a result of the regulatory process Imperial has achieved the optimal strategic outcome, having realised R1.8b & retained all insurance products & services core to our motor business

In addition: we have unlocked opportunities to build a “single view of customer” and unlock synergies between Liquid and Regent
MOTUS FINANCIAL SERVICES STRUCTURE
WHAT HAS CHANGED – IPL RESTRUCTURING

> Portfolio

• In calendar 2017
  – the South African Competition Tribunal approved the sale of the Regent to Hollard (24 April) for approximately R1.8 billion, including the Regent Africa proceeds. Imperial will retain the value added products business
  – 34 non-strategic properties have been sold. R1.5 billion will be received in calendar 2017 plus R600 million in 2018. A further 17 properties are under negotiation.
  – The acquisition of 70% of Surgipharm Limited for USD35 million / ZAR470 million by Imperial Logistics has been approved by the Kenyan competitions authorities & is now subject only to COMESA approvals

• Since H2 2014: 42 businesses with total revenue of R11.8b & operating profit of R886m & 82 properties have been or are in the process of being sold. The total capital employed in these businesses & properties totals R4.4 billion

• Since H2 2014: 23 acquisitions of businesses valued at R5.9 billion have been concluded
WHAT HAS CHANGED – IPL RESTRUCTURING (CONT.)

> Structure
  • Two clearly defined increasingly self sufficient divisions, Imperial Logistics & MOTUS, focussed respectively & exclusively on the vehicle & logistics supply chains under separate boards & management (numerous intra divisional structural changes)

> Management
  • New executive management: Group CFO; Group OE Executive; Group Strategy Executive; CEO Motus; CFO Imperial Logistics; CIO Imperial Logistics; CBDO Imperial Logistics; CEO African Regions; CFO Motus; CEO Hyundai; CEO Kia; CEO Renault; CEO Financial Services
  • Organisation Effectiveness gaining traction

> Strategy
  • Competitive strategy: devolved to Divisional Boards from 1 July 2017
  • Parenting strategy: capital management; OE management; unlocking value
4 Primary Practices

• A well-defined clearly communicated **strategy**
• Operational **execution** that consistently meets customers expectations
• Creating a high-performance, high-values **culture**
• A **structure** that simplifies working in and with the organisation

plus

Any 2 of 4 Secondary Practices

• Superior **talent** at all levels
• A great **leader**
• Driving **innovation** in your industry
• Developing a strong **mergers & partnerships** capability
## WHAT HAS CHANGED - IMPERIAL’S DRIVERS OF PERFORMANCE

<table>
<thead>
<tr>
<th>4 Primary Practices</th>
<th>IPL ’15</th>
<th>IPL ’16</th>
<th>IPL ’17</th>
<th>Rating ’17</th>
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<td>3.6</td>
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<tr>
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<td>⭐️⭐️⭐️⭐️</td>
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<tr>
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<td>3.6</td>
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<th>IPL ’16</th>
<th>IPL ’17</th>
<th>Rating ’17</th>
<th>Harvard Sample</th>
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<td>4.1</td>
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<td>3.9</td>
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<tr>
<td>Innovation</td>
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<td>2.7</td>
<td>3.0</td>
<td>⬇️</td>
<td>3.4</td>
</tr>
<tr>
<td>M&amp;A &amp; alliance capability</td>
<td>3.5</td>
<td>3.7</td>
<td>3.7</td>
<td>⭐️📍⭐️⭐️⭐️</td>
<td>3.4</td>
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</table>

3.5 or higher considered real competence; ⬆️ above ⬇️ below sample
> Impact of disruptive technology & innovation on logistics & vehicle sectors
> High market shares in logistics & vehicles in structurally low growth RSA
> Impact of currency volatility on competitiveness & performance
> Impact of weakening Rand on working capital, competitiveness & acquisition currency
> Capital intensity in logistics
> Creating two empowering collaborative organisation cultures
> Transformation & succession in a low growth environment
IMMINENT THREATS

> Zupta government
> RSA ratings downgrade / recession
> Rand volatility
> Brexit fallout
PATH TO VALUE CREATION

> Clarify the portfolio
  • What businesses are we in? What sectors do they occupy? What capital characteristics do they have? What capital characteristics do we want?
  • Disposals & acquisitions

> Structure the portfolio
  • Sectoral grouping (i.e. similar skills / counterparties / business models / assets)
  • Are they discreet sectors? Are there operational synergies?
  • Eliminate managerial & organisational complexity

> Get the right people in the right jobs at the right cost
  • Organisation design & development / enterprise architecture
  • Standardised data for structured performance management
  • Ensure succession to future leadership: highly qualified; younger; diverse; change agents

> Leverage technology
  • Optimum transactional efficiency
  • Turning data > information > insight > wisdom
  • Enhancing value proposition for clients
Strategic Thrust 1
• Devolve divisional portfolio & competitive strategies to Divisions

Strategic Thrust 2
• Ensure Divisions have appropriate management for performance, succession & transformation

Strategic Thrust 3
• Embed & devolve Organisation Effectiveness processes, practices & systems for performance & productivity

Strategic Thrust 4
• Manage & monitor capital allocation to Divisions
We will release capital & sharpen executive focus, by disposing of non-core, strategically misaligned, underperforming or low return on effort assets.

We will invest capital in South Africa to maintain the quality of our assets & our market leadership in logistics & motor vehicles.

We will invest capital in the Rest of Africa primarily to achieve our 2020 objective for the revenue & profits generated by logistics in that region to equal that of our South African logistics business, & secondarily to expand our vehicles & related businesses in the region.

We will invest capital generated from operations & from divestments to grow our businesses beyond the continent, but with an emphasis on logistics.

The development & sustainability of Imperial will be underpinned by investment in human capital & information systems.
Strategic Thrust 1
• Devolve portfolio & competitive strategies to Divisions

Strategic Thrust 2
• Ensure Divisions have appropriate management for performance, succession & transformation

Strategic Thrust 3
• Embed & devolve Organisation Efficiency processes, practices & systems for performance & productivity

Strategic Thrust 4
• Manage & monitor capital allocation to Divisions

Strategic Thrust 5
• Unlocking Value Step 1 – **Internal Separation** (full implementation & appropriate disclosure)
DIVISIONAL VALUE CREATION

Increase penetration & performance in the logistics & vehicle supply chains through highly competitive value propositions to selected clients, delivered by two self sufficient divisions

Imperial Logistics & MOTUS

**Imperial Logistics** attributes expected to create value: strategic coherence; scale; earnings momentum & visibility; low asset-intensity; appropriate financial leverage; diversification across service offerings & geographies

**MOTUS** attributes expected to create value: integrated value chain including aftermarket; growth in solid regions; scale; acquisition capability & capacity; strong brands; customer-centric technology; strong free cash flow generation
Imperial Logistics is focused on expanding & leveraging its footprint in selected African & European countries, with a bias towards less capital intensive businesses that enhance revenue growth & returns. Integrated logistics capabilities are also being strengthened to enable deeper penetration of clients’ supply chains.

**LOGISTICS**

**SOUTH AFRICA**
- Leading logistics provider across entire supply chain in South Africa
- > 12% group revenue
- > 17% group operating profit

**AFRICAN REGIONS**
- Leading distributor of pharmaceuticals & consumer goods in sub-Saharan Africa
- > 7% group revenue
- > 13% group operating profit

**INTERNATIONAL**
- Leading positions in inland shipping, chemical & industrial contract logistics
- Operates as two sub divisions:
  - Transport Solutions
  - Supply Chain Solutions
- > 18% group revenue
- > 15% group operating profit

*Note: Excludes discontinued operations, businesses held for sale, head office & eliminations*

*The Logistics International image shows The Rhine between Bonn and Duisburg, in October 2016 when the depth was 2.14 metres, less than half of its normal depth of 4.33 metres*
REVENUE* (Rm)

4 year CAGR = +9%

<table>
<thead>
<tr>
<th>H1 2014</th>
<th>H2 2014</th>
<th>H1 2015</th>
<th>H2 2015</th>
<th>H1 2016</th>
<th>H2 2016</th>
<th>H1 2017</th>
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<tr>
<td>20,005</td>
<td>21,334</td>
<td>22,860</td>
<td>21,558</td>
<td>21,806</td>
<td>23,892</td>
<td>25,259</td>
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67% foreign

OPERATING PROFIT* (Rm)

4 year CAGR = +11%

<table>
<thead>
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<th>H1 2014</th>
<th>H2 2014</th>
<th>H1 2015</th>
<th>H2 2015</th>
<th>H1 2016</th>
<th>H2 2016</th>
<th>H1 2017</th>
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<td>1,062</td>
<td>1,179</td>
<td>1,188</td>
<td>1,357</td>
<td>1,195</td>
<td>1,344</td>
<td>1,342</td>
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</tbody>
</table>

63% foreign

> Solid revenue & operating profit growth trends
> Comprised R25.3bn (42%) of group* revenue – up 16% for the period
> Comprised R1.3bn (46%) of group* operating profit – up 12% for the period

“Logistics” is Imperial’s major growth vector. Strict capital allocation disciplines will be applied in pursuit of focussed organic & acquisitive growth

* Excludes discontinued operations, businesses held for sale, head office & eliminations
The formation and structuring of Motus, under one collaborative leadership team, will enhance returns in the medium term by reducing duplication, complexity, costs & capital employed, unlocking intra-divisional efficiencies & more deeply penetrating the vehicle supply chain, while maintaining market share amidst industry change.

### MOTUS

#### VEHICLE IMPORT & DISTRIBUTION
- Exclusive importer of 14 automotive brands, the major exclusive imported brands being Hyundai, Kia & Renault
- Distributorships in 6 African countries

#### VEHICLE RETAIL & RENTAL
- RSA
  - Represents 22 OEMs through 268 passenger vehicle dealerships (including pre-owned), 193 franchised dealerships & 19 commercial vehicle dealerships
  - Car rental (Europcar & Tempest)
  - Panel shops
- UK 38 commercial dealerships
- Australia 5 dealerships

#### AFTERMARKET PARTS
- Distributor, wholesaler & retailer of accessories & parts for older vehicles, through 764 Midas (AAAS) & Alert Engine Parts & Turbo Exchange owned & franchised stores

#### FINANCIAL SERVICES
- Developer & distributor of innovative vehicle-related financial products & services through dealer & vehicle finance channels, & a national call centre
- Full maintenance leasing

**Note:** Excludes discontinued operations, businesses held for sale, head office & eliminations

Retail dealerships that were previously part of VIDD are now included in the Vehicle Retail & Rental sub-division

<table>
<thead>
<tr>
<th>Sector</th>
<th>Group Revenue</th>
<th>Group Operating Profit</th>
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<tbody>
<tr>
<td>Vehicle Import &amp; Dist.</td>
<td>13%</td>
<td>13%</td>
</tr>
<tr>
<td>Vehicle Retail &amp; Rent.</td>
<td>44%</td>
<td>23%</td>
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<tr>
<td>Aftermarket Parts</td>
<td>5%</td>
<td>6%</td>
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<tr>
<td>Financial Services</td>
<td>1%</td>
<td>13%</td>
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MOTUS

REVENUE* (Rm)

<table>
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<tr>
<th>Year</th>
<th>Revenue</th>
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<tr>
<td>H1 2014</td>
<td>31 477</td>
</tr>
<tr>
<td>H2 2014</td>
<td>30 803</td>
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<tr>
<td>H1 2015</td>
<td>33 672</td>
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<td>H2 2015</td>
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<td>H1 2016</td>
<td>34 105</td>
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<td>H2 2016</td>
<td>34 878</td>
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<tr>
<td>H1 2017</td>
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4 year CAGR = +4%

23% foreign

OPERATING PROFIT* (Rm)

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<td>H1 2014</td>
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<td>H2 2014</td>
<td>1 643</td>
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<td>H1 2015</td>
<td>1 566</td>
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<td>H2 2015</td>
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<tr>
<td>H1 2016</td>
<td>1 481</td>
</tr>
<tr>
<td>H2 2016</td>
<td>1 747</td>
</tr>
<tr>
<td>H1 2017</td>
<td>1 568</td>
</tr>
</tbody>
</table>

4 year CAGR = -4%

13% foreign

> Comprised R35.0bn (58%) of group* revenue – up 3% for the period
> Comprised R1.6bn (54%) of group* operating profit – up 6% for the period

“Motus” is Imperial’s major source of operating cash flow. Strict operating disciplines will be applied to mitigate consumer & currency volatility in a low growth environment

* Excludes discontinued operations, businesses held for sale, head office & eliminations
Strategic Thrust 1
- Devolve portfolio & competitive strategies to Divisions

Strategic Thrust 2
- Ensure Divisions have appropriate management for performance, succession & transformation

Strategic Thrust 3
- Embed & devolve Organisation Efficiency processes, practices & systems for performance & productivity

Strategic Thrust 4
- Manage & monitor capital allocation to Divisions

Strategic Thrust 5
- Unlocking Value Step 1 – Internal Separation (full implementation & appropriate disclosure)

Strategic Thrust 6
- Unlocking Value Step 2 – External Separation (evaluate merits & viability)
AGENDA

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CONCLUSION

> Imperial’s value traps
  • Correlation to SA risk factors (currency & low growth)
  • “Conglomerate” attributes (diverse investments & structural complexity)
  • Inadequate investor clarity & choice
  • Benchmarked to SA peers

> Step 1 – Reposition IPL as the parent of two strategically focussed, highly rated, multi-national divisions significant in the logistics & vehicles sectors

> Expected value creation through:
  • Strategic, managerial & operational focus
  • Elimination of complexity, duplication & costs
  • Independent statutory, capital & funding structures
  • Revenue & operating profit growth, improving returns
  • Achievement of traits common to premium rated logistics / vehicles companies
  • Heightened investor understanding & insight through enhanced segmental disclosure

> Objective: divisions achieving ratings of leading international peers

> 2018 budgets vindicate work of past 3 years

> Step 2 – Separation to be considered if optimal performance unrecognised
“People think focus means saying yes to the thing you've got to focus on. But that's not what it means at all. It means saying no to the hundred other good ideas that there are. You have to pick carefully.”

Steve Jobs
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