IMPERIAL™

LEADERS IN MOBILITY

INVESTMENT COMMUNITY PRESENTATION

Results for the six months ended 31 December 2017

20 February 2018

AGENDA

OVERVIEW	CONTEXT	STRATEGY	OPERATIONS REVIEW	FINANCIAL REVIEW	LOOKING FORWARD

GROUP OVERVIEW

GROUP REVENUE

11%

R66 520 million

OPERATING PROFIT

5%

R3 093 million

HEPS

16%

717 cents

PER SHARE

EPS

9%

671 cents

PER SHARE

NET DEBT : EQUITY RATIO

80%

(INCL PREF SHARES AS EQUITY)

71% INCL. SCHIRM PROCEEDS

INTERIM DIVIDEND

323 cents

(45% of HEPS)

ROIC OF 12.2% VS WACC OF 9.2%

ROE OF 12.5% (H1 2017: 12.1%)

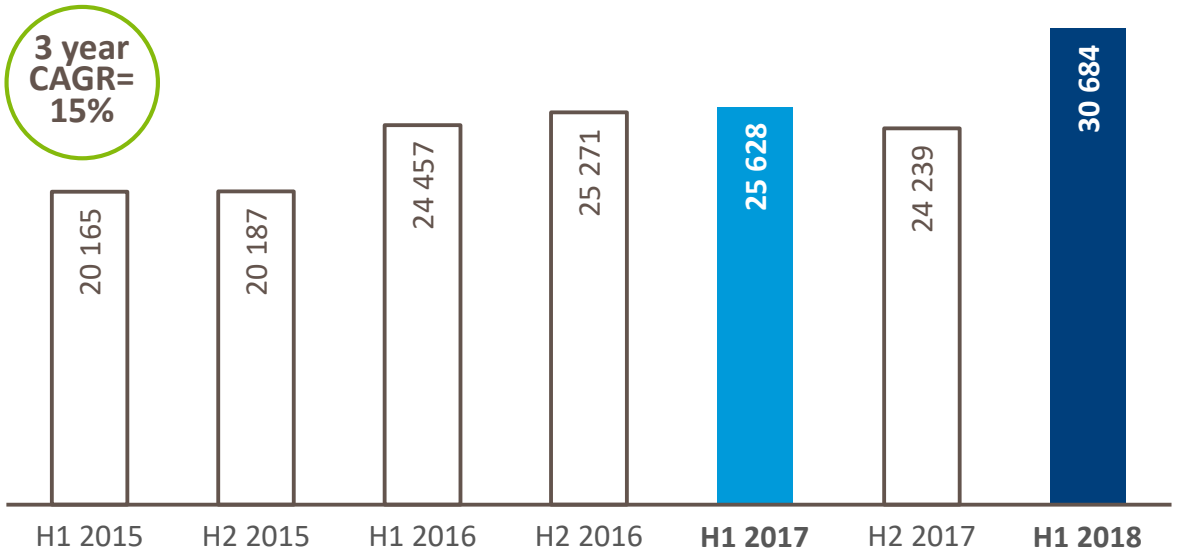
Note: Prior year restated for VAPS reallocated from discontinued to continuing operations (R36 million increase in operating profit) & prior year restatement (R40 million increase in operating profit)
ROE, ROIC & WACC are calculated on a rolling 12 month basis on continuing operations

OVERVIEW

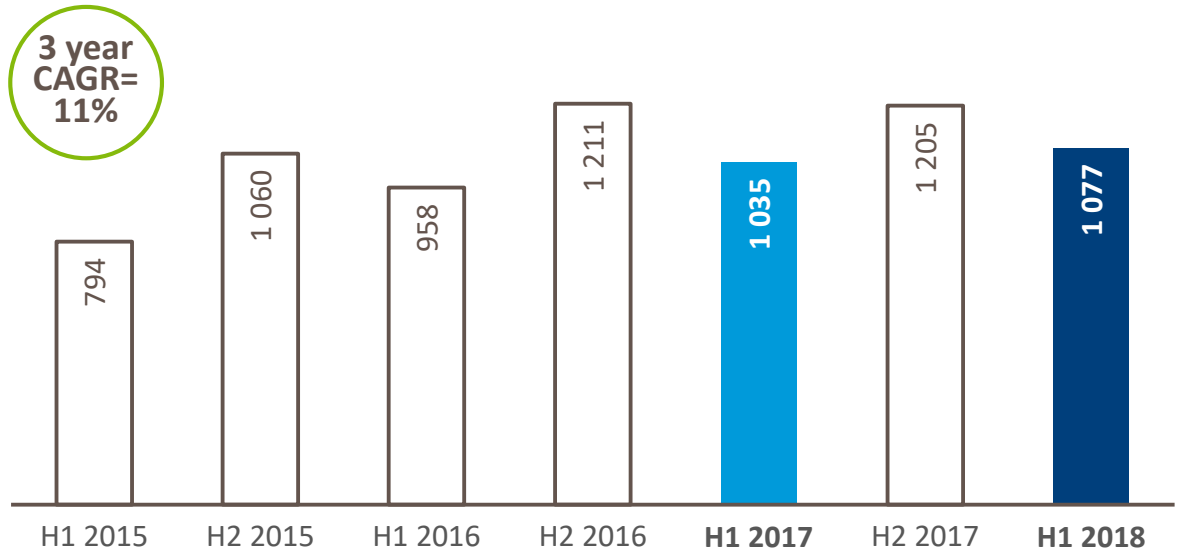
- All key financial metrics improved in mixed trading conditions
- Record H1 revenue & increase in operating profit: higher vehicle sales in Motus, acquisitions & good performance from Imperial Logistics, mainly SA
- Foreign revenue & operating profit increased by 20% & 4% respectively
- Significant progress in achieving appropriate capital structure & balance sheet; expected to be in place by June 2018
- Advanced stages of comprehensive organisation renewal

GROWTH TREND IN **FOREIGN** OPERATIONS

REVENUE (Rm)



OPERATING PROFIT (Rm)



- Foreign revenue up 20% to R30.7bn **(46% of group)**
- Foreign operating profit up 4% to R1.1bn **(35% of group)**

Growth in foreign operations to offset the limited growth opportunities dictated by Imperial's position as a South African market leader in logistics & motor vehicles

AGENDA

OVERVIEW	**CONTEXT**	STRATEGY	OPERATIONS REVIEW	FINANCIAL REVIEW	LOOKING FORWARD

OPERATING CONTEXT – IMPERIAL REGIONS

South Africa (54% revenue; 65% operating profit)

> High unemployment, struggling State Owned Enterprises (SOE's) & pressure on government finances continue to erode consumer & business confidence
> New political leadership: less corrupt, more accountable government & an improved confidence & growth
> R/US$ exchange rate strengthened by 10%: positive emerging market sentiment & weakening of the US$
> Depressed volumes & competitive pressures in logistics
> Highly competitive vehicle market: NAAMSA national vehicle unit sales increased by 5%

African Regions (9% revenue; 15% operating profit)

> Firming commodity prices & gradually strengthening domestic demand improved economic prospects
> Cost of & access to currency in Nigeria improved
> Hesitant investment & consumer purchasing in Kenya resulting from political uncertainty & disruptive elections
> Namibia's 5th successive quarter of recession
> Increased competition & subdued demand from key aid & relief markets

OPERATING CONTEXT – IMPERIAL REGIONS

Eurozone, UK & Australia (37% revenue; 20% operating profit)

> Economic conditions in Europe buoyant
> Economic growth & the passenger vehicle market in the United Kingdom depressed by Brexit uncertainties
> The Australian vehicle market growing steadily but margins on new vehicles under pressure
> Conditions in Imperial's remaining operating jurisdictions are stable

Sectoral diversity & management initiatives = low correlation with jurisdictions economies

AGENDA

OVERVIEW	CONTEXT	**STRATEGY**	OPERATIONS REVIEW	FINANCIAL REVIEW	LOOKING FORWARD

STRATEGIC UPDATE

The transformation & development of Imperial has been directed at value creation through strategic clarity (portfolio rationalisation), managerial focus (organisation structure) and shareholder insight (disclosure). Progress has exceeded expectations

> Divisions managed & reported on separately: decreasing functional support & associated costs from Holdings

> Restructuring has enhanced management focus, capital allocation, intra-divisional collaboration & the elimination of complexity, duplication & cost within the Divisions

> Organisation structures & management of Divisions continually refined pursuant to their operation as fully independent (possibly publically traded) entities

> The self-sufficiency, independence & balance sheet capacity necessary for both Division's strategies a priority: progress to date has been good but we expect this to be in place by June 2018

> Key strategic question whether the long term fortunes of Imperial Logistics & Motus will be enhanced by separate listings:

- currently assessing whether value will accrue from the management of each division having direct access & accountability to debt & equity markets; &
- determining whether investors will attribute additional combined value to direct investment in either division

> The unbundling of Motus will be the most effective path to separate listings. Decision to be taken in late June or early July 2018, following due consultation with relevant stakeholders

CAPITAL ALLOCATION OBJECTIVE 1

We will release capital & sharpen executive focus, by disposing of non-core, strategically misaligned, underperforming or low return on effort assets

- Non-strategic properties for proceeds of R606m
- Laabs GmbH in Europe for €2m (R32m) in October 2017
- Interests in smaller entities in Imperial Logistics amounting to approximately R55m

Disposals post H1 2018:

- Schirm GmbH, the contract manufacturing service business of Imperial Chemical Logistics GmbH for €134m (R2bn). Transaction concluded on 17 January 2018 & payment was received on 30 January 2018

CAPITAL ALLOCATION OBJECTIVE 1 (CONT.)

Disposals in progress:

- Non-strategic properties: 27 properties with a carrying value of R543m are held for sale
- Transport Holdings in Botswana for R200m, subject to funding approval
- Disposal of 30% of Imperial Logistics South Africa to a BBBEE partner progressing steadily. Finalisation expected by June 2018, resulting in Imperial Logistics South Africa becoming a 51% Black Owned Enterprise

Continual analysis of the strategic alignment & financial performance of businesses will result in refinements to the portfolios of both divisions over the medium term

CAPITAL ALLOCATION OBJECTIVE 2

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

H1 2018 Capex:

> R1.3bn invested, mainly in vehicles for hire

CAPITAL ALLOCATION OBJECTIVE 3

We will invest capital in Africa (ex RSA) primarily to achieve our 2020 objective for the revenue & profits generated by Logistics African Regions to equal those of Logistics RSA

> 70% of Surgipharm Limited for USD35m (ZAR490m), effective 1 July 2017

- strategically aligned to accelerate our industry presence & relationships with pharmaceutical principals on the African continent
- provides an excellent platform for further growth in other East African markets
- performed below expectation due to political uncertainty and disruptive elections in Kenya

CAPITAL ALLOCATION OBJECTIVE 4

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

> Pentagon Motor Holdings (21 prime UK retail dealerships) for £28m (R479m) effective 1 September 2017
  - supports Motus' strategy to deploy capital & vehicle retail expertise to grow beyond South Africa, & complements existing commercial vehicle business in the UK
  - performance depressed by declining UK passenger vehicle sales, market realignment from diesel vehicles & Vauxhall changing ownership from General Motors to the French PSA group. H2 promising

> 75% of SWT Group Pty Ltd (16 Australian dealerships) for AUD24.2m (R261m), effective 1 October 2017
  - performed in line with expectations & complements our existing dealership footprint in Australia

> R312m capex, invested in operations mainly in Europe & United Kingdom

CAPITAL ALLOCATION OBJECTIVE 5

The development & sustainability of Imperial will be underpinned by investment in human capital & information systems

H1 2018 Capex on HC & IS

> R235m

Human Capital

> Enterprise Architecture project completed & implementation of recommendations in progress

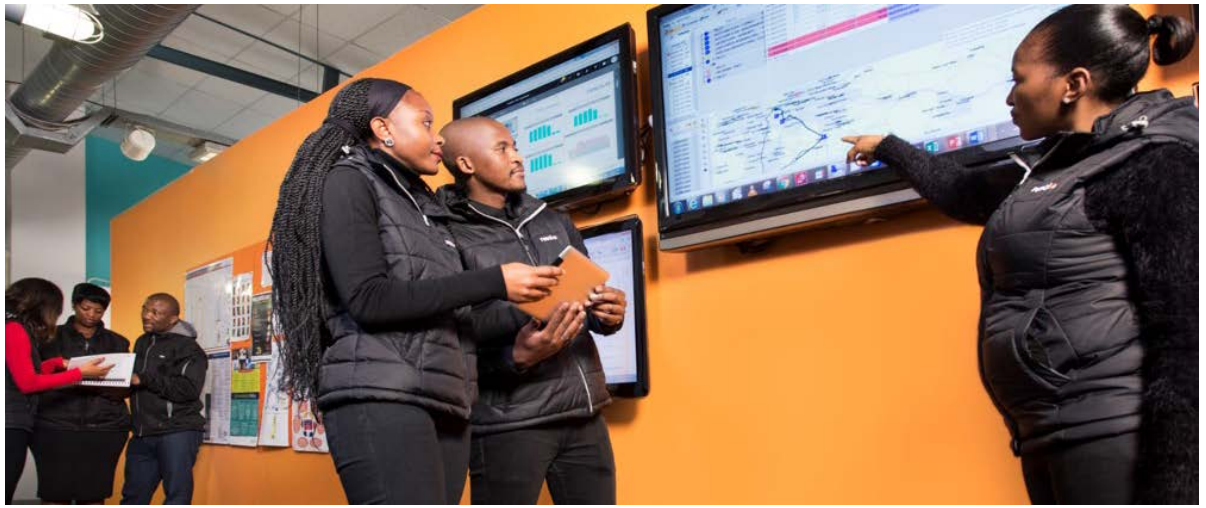
> Continuous investment in HR technology: work centric approach using core data to enable development decisions for people. Roll out to second & third tiers of management underway

CAPITAL ALLOCATION OBJECTIVE 5 (CONT.)

Information Systems

> Major systems implementations during H1 2018:
  - Logistics South Africa & African Regions – SAP, Soloplan, IFM, MDS (CRM)
  - Logistics International – SAP, Soloplan, Next Generation Infrastructure & developing global template-based industry specific solutions

> Extensive use of technology in logistics: market-leading innovation initiatives including block chain, augmented reality & indoor navigation; fleet management & control; driver monitoring; warehouse picking systems; distribution market segmentation; etc.



Note: Significant IT projects for Motus will be implemented in H2 2018

AGENDA

OVERVIEW	CONTEXT	STRATEGY	**OPERATIONS REVIEW**	FINANCIAL REVIEW	LOOKING FORWARD

IMPERIAL'S DIVISIONS

IMPERIAL LOGISTICS

REVENUE

↑ **5%**

R27.0 billion

41% contribution*

3 YEAR CAGR 6%

OPERATING PROFIT

↑ **7%**

R1.4 billion

45% contribution*

3 YEAR CAGR 5%

MOTUS

POWERING PROGRESS

Member of the IMPERIAL Group

REVENUE

↑ **16%**

R39.7 billion

59% contribution*

3 YEAR CAGR 6%

OPERATING PROFIT

↑ **5%**

R1.7 billion

55% contribution*

3 YEAR CAGR 3%

* *Excludes head office & eliminations*

DIVISIONAL OVERVIEW – IMPERIAL LOGISTICS

A mainly African & European provider of integrated outsourced value-add logistics, supply chain & route-to-market solutions, customised to ensure the relevance & competitiveness of its clients. With established capabilities in transportation, warehousing, distribution & synchronisation management & expanding capabilities in international freight management, the division operates in specific industry verticals: healthcare, consumer packaged goods, manufacturing & mining, chemicals & energy, automotive & equipment, & agriculture

IMPERIAL LOGISTICS

SOUTH AFRICA

- Leading end-to-end capabilities to provide outsourced services to extensive client base across verticals
- Integrated offerings evolving to enhance value

- **14% group revenue**
- **17% group operating profit**
- **33% Logistics revenue**
- **39% Logistics operating profit**
- **ROIC of 13.8% vs WACC of 10.4%**
- **Debt to Equity: 83% (H1 2017: 91%)**

AFRICAN REGIONS

- Leading distributor of pharmaceuticals & consumer packaged goods in Southern, East & West Africa
- Managed Solutions being expanded across the region

- **8% group revenue**
- **13% group operating profit**
- **21% Logistics revenue**
- **29% Logistics operating profit**
- **ROIC of 20.6% vs WACC of 11.5%**
- **Debt to Equity: 130% (H1 2017: >150%)**

INTERNATIONAL

- Asset right transportation management (shipping/road)
- Leading capabilities in chemical & automotive verticals
- Specialised express distribution capabilities

- **19% group revenue**
- **15% group operating profit**
- **46% Logistics revenue**
- **32% Logistics operating profit**
- **ROIC of 8.3% vs WACC of 6.2%**
- **Debt to Equity: 86%* (H1 2017: 161%)**

Note: Based on external revenue, excluding businesses held for sale. ROIC & WACC are calculated on a rolling 12 month basis
** Post Schirm proceeds*

IMPERIAL'S DIVISIONS

Imperial logistics

REVENUE

5%

R27.0 billion

41% contribution*

3 YEAR CAGR 6%

OPERATING PROFIT

7%

R1.4 billion

45% contribution*

3 YEAR CAGR 5%

Business aspirations

> Grow revenue through focused organic growth & strategic acquisitions in specific industry verticals

> Achieve targeted returns through profitable partnerships with clients

> Improve competitiveness by leveraging operational excellence & capabilities, & investing in people, processes & systems innovation, to ensure sustainable value creation in the long term for all stakeholders

Performance

> Growth in revenue & operating profit, supported by:
- good performance from Logistics South Africa;
- solid performance from Ecohealth in Nigeria & CIC in Namibia;
- disposal & closures of smaller, underperforming businesses in South Africa & African Regions in the current & prior period;
- solid results from the international shipping & automotive segments in Logistics International

> Excluding businesses held for sale, revenue & operating profit increased by 7% & 5% respectively

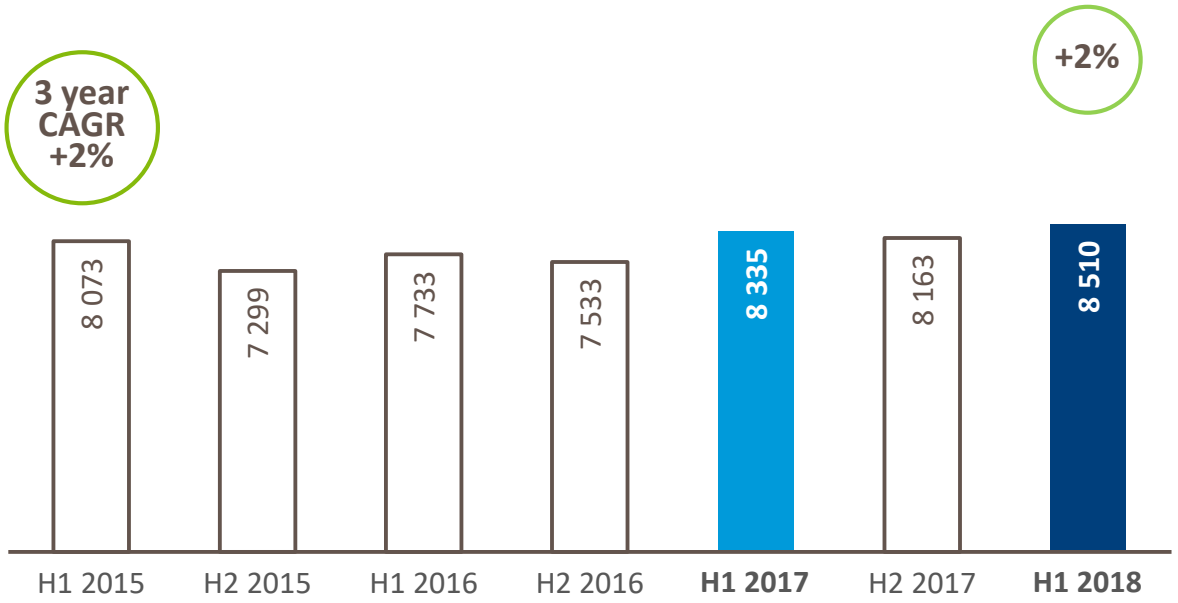
> The net debt to equity ratio at 91% (including Schirm proceeds) (H1 2017: 167%) improved significantly due to:
- sale of non-core or underperforming businesses & non-strategic properties;
- disciplined working capital management & capital expenditure;
- recapitalisation of African Regions

> Despite improvement in gearing, the current level is not optimal
- further improvement of balance sheet is necessary for the execution of Imperial Logistics' strategy

* *Excludes head office & eliminations*

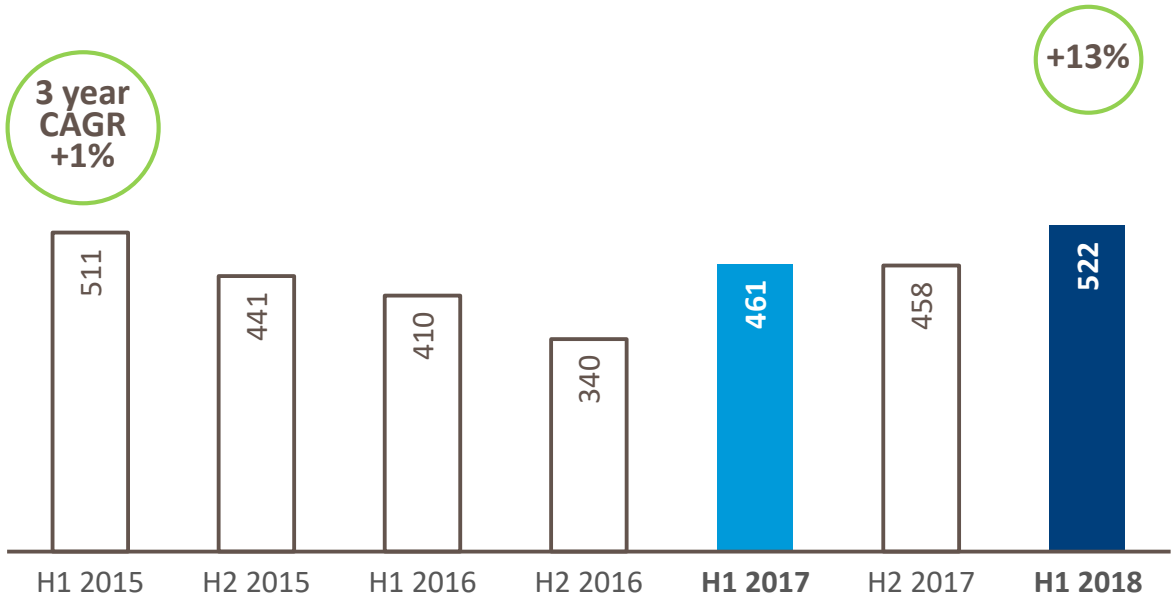
GROWTH TREND **LOGISTICS SOUTH AFRICA**

REVENUE (Rm)



- Good performance in challenging trading conditions, supported by:
  - solid results from fuel & gas, commodities, managed solutions & some of the transport & distribution operations;
  - a full six month contribution from Itumele Bus Lines acquisition;
  - significantly reduced losses from Imperial Cold Logistics;
  - disposal & closures of some smaller, underperforming businesses

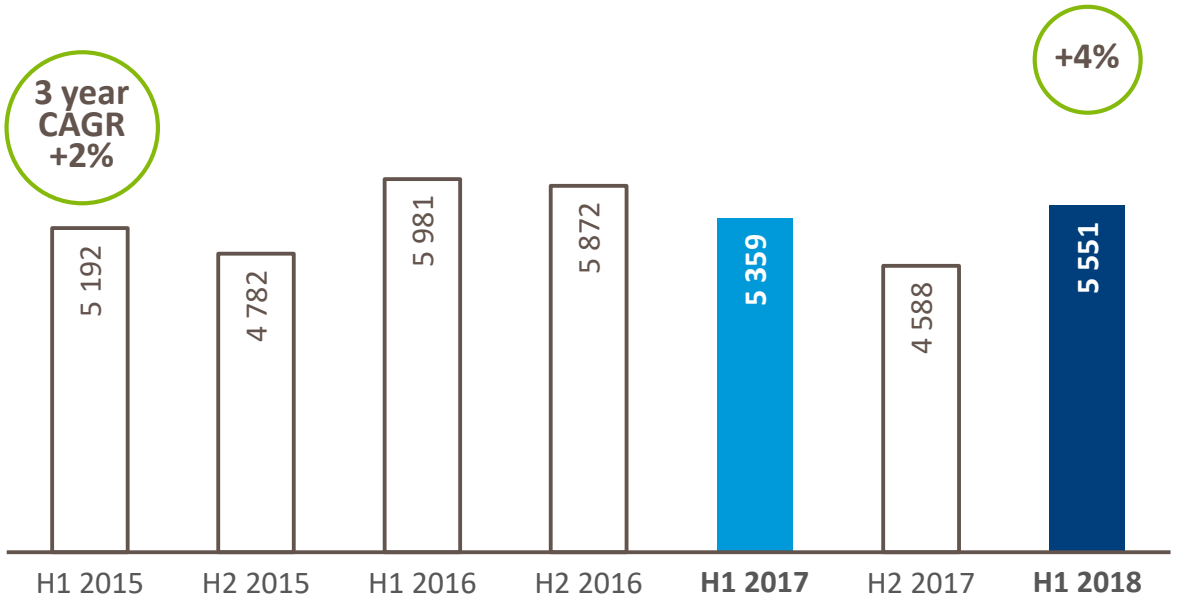
OPERATING PROFIT (Rm)



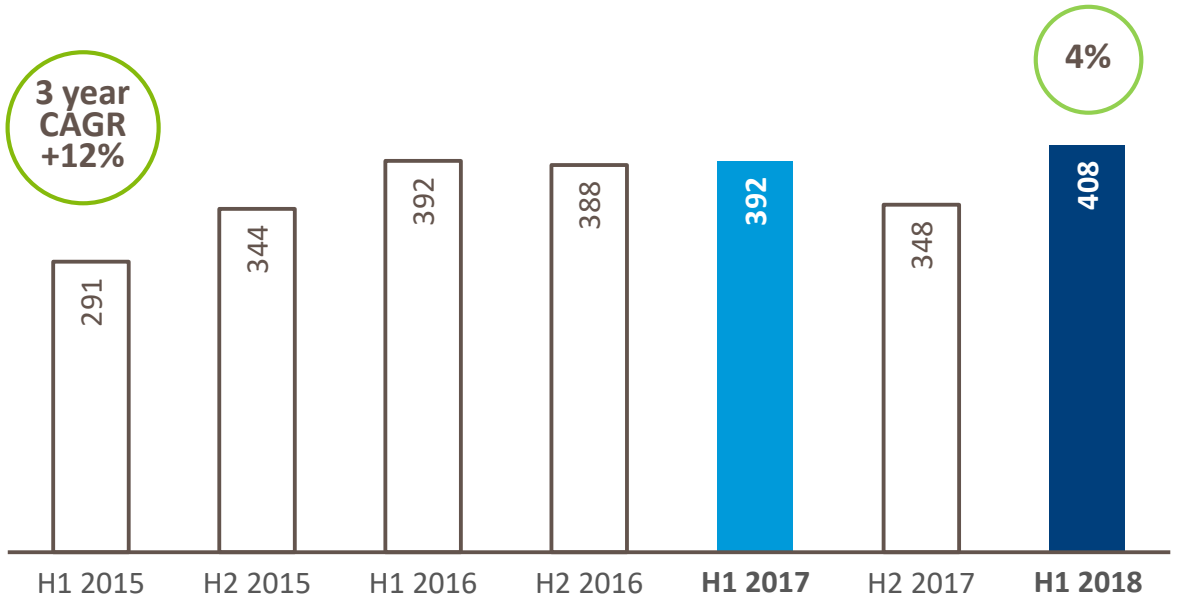
- Consumer logistics business underperformed due to lower sales volumes in the healthcare & retail logistics businesses
- ROIC improved significantly to 13.8% (H1 2017: 10.4%) mainly due to increased profitability & the sale of non-strategic properties & underperforming businesses
- Excluding businesses held for sale, revenue & operating profit increased by 4% & 3% respectively

GROWTH TREND **LOGISTICS AFRICAN REGIONS**

REVENUE (Rm)



OPERATING PROFIT (Rm)

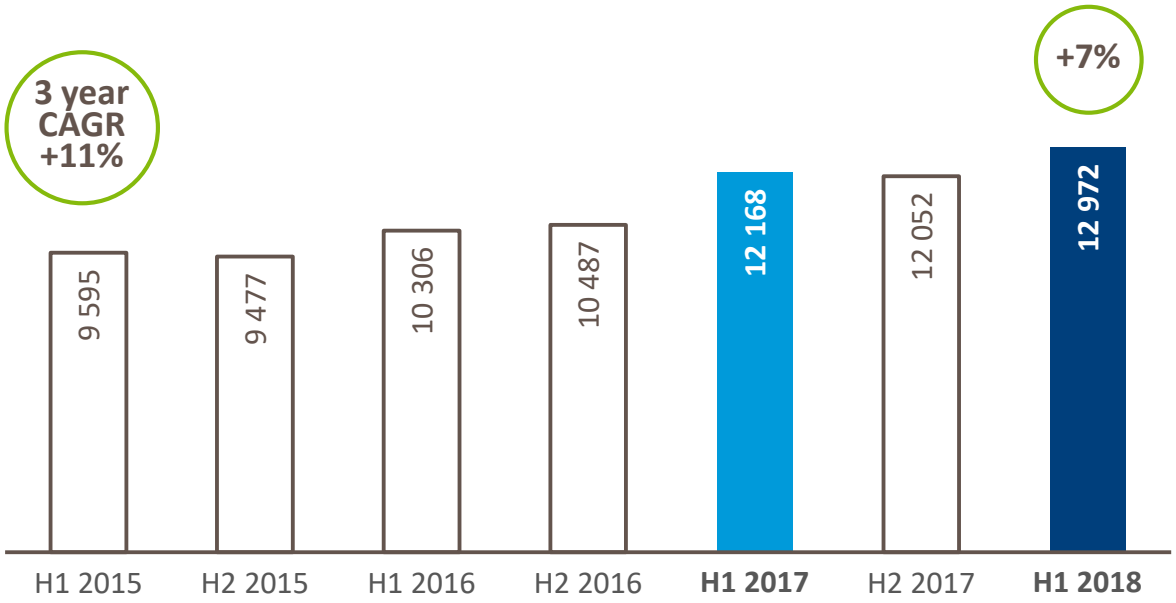


- Results supported by:
  - strong performance from EcoHealth;
  - acquisition of Surgipharm where a positive contribution was supressed by political uncertainty & disruptive elections in Kenya;
  - good result from the FMCG route-to-market business;
  - solid performance from the Managed Solutions businesses in SADC;
  - disposal of certain unprofitable transport entities in prior period

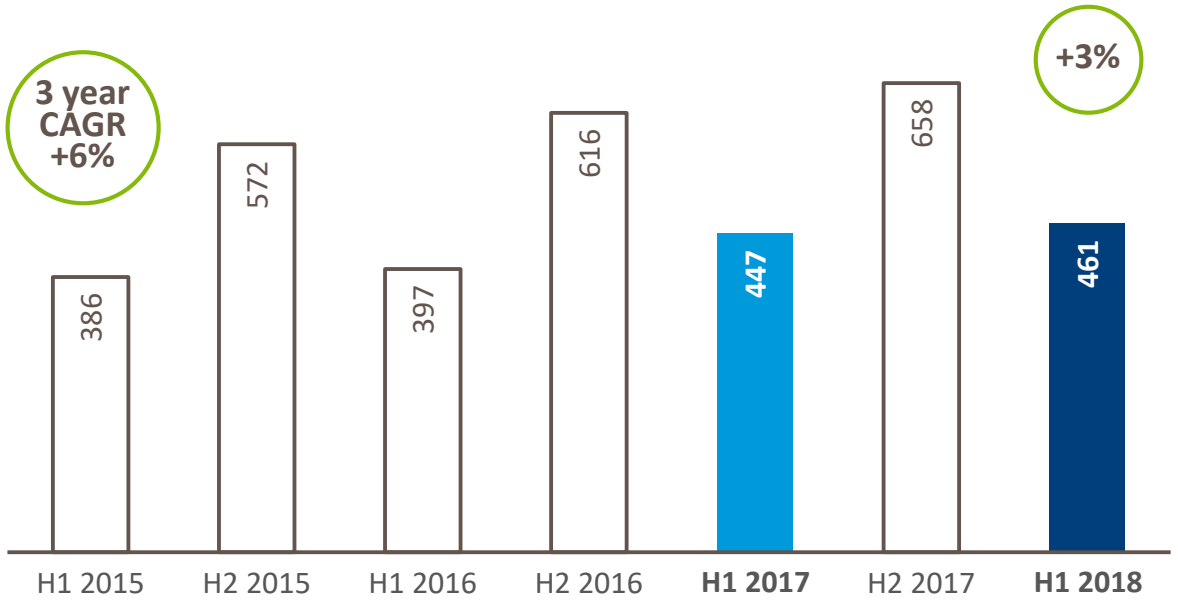
- Imres underperformed due to increased competition, subdued demand from key aid & relief markets & longer order to sales conversion times in key markets
- ROIC declined to 20.6% (H1 2017: 22.6%) mainly due to an increased investment in Ecohealth (from 68% to 87%) & higher working capital
- Excluding businesses held for sale (Transport Holdings), revenue & operating profit increased by 12% & 3% respectively

GROWTH TREND **LOGISTICS INTERNATIONAL**

REVENUE (Rm)



OPERATING PROFIT (Rm)

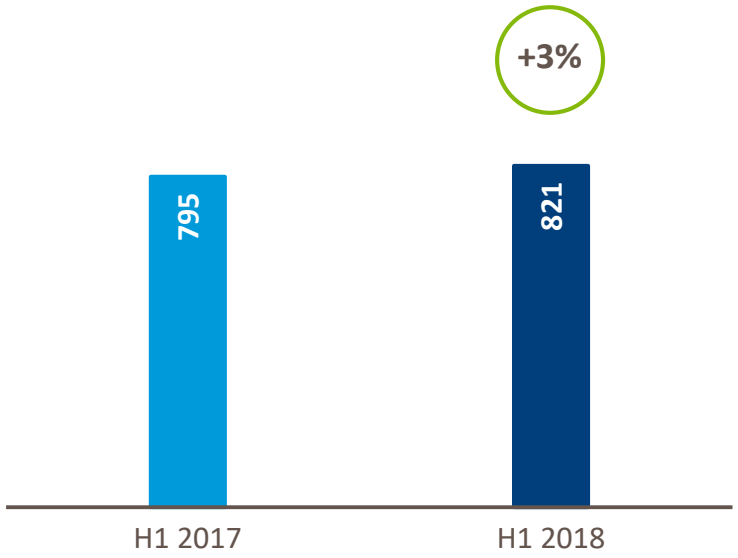


- > Revenue & operating profit in Rands increased by 7% & 3% respectively
- > Results supported by:
  - solid results from international & liquid bulk shipping, road transport & automotive contract logistics;
  - South American operation operating at full capacity in a strong market with optimal water levels, utilising 7 push boats with 84 barges
  - strong performances from the automotive contract logistics businesses

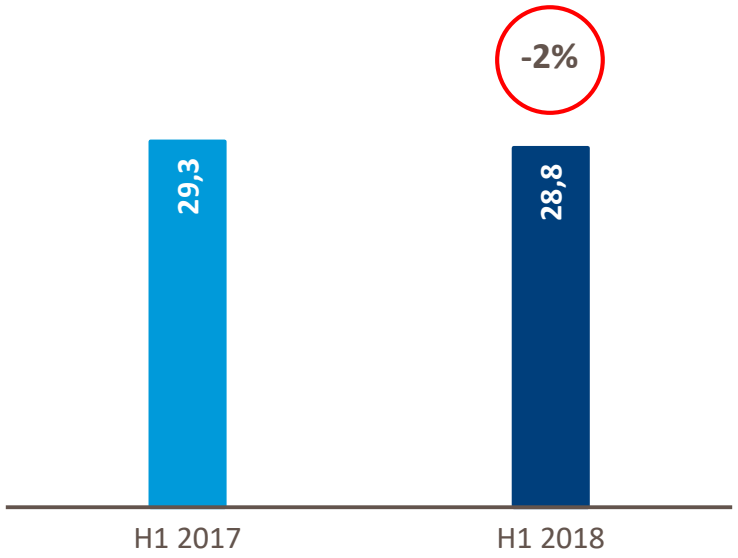
- > Results depressed by:
  - underperfomance of Dry bulk shipping in Germany due to low water levels on the River Rhine
  - reduced profitability from chemical manufacturing (now disposed);
  - lower volumes from key customers in the retail & industrial operations;
- > Palletways experienced good volume &revenue growth but profitability was depressed by increased costs in the UK & Italy
- > ROIC declined marginally to 8.3% (H1 2017: 8.6%)

LOGISTICS INTERNATIONAL (EURO)

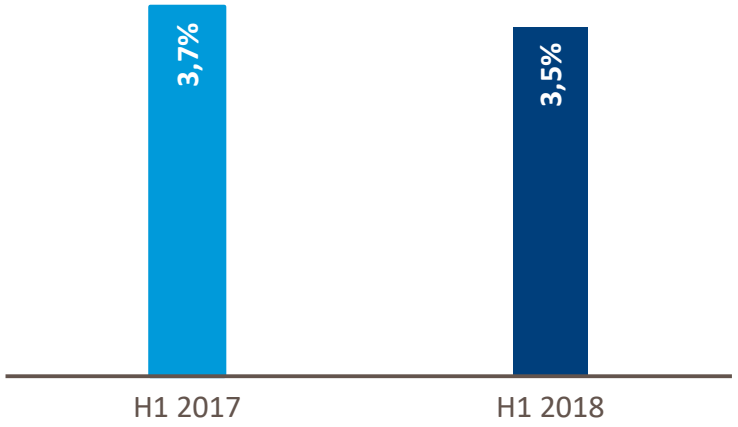
REVENUE (€m)



OPERATING PROFIT (€m)



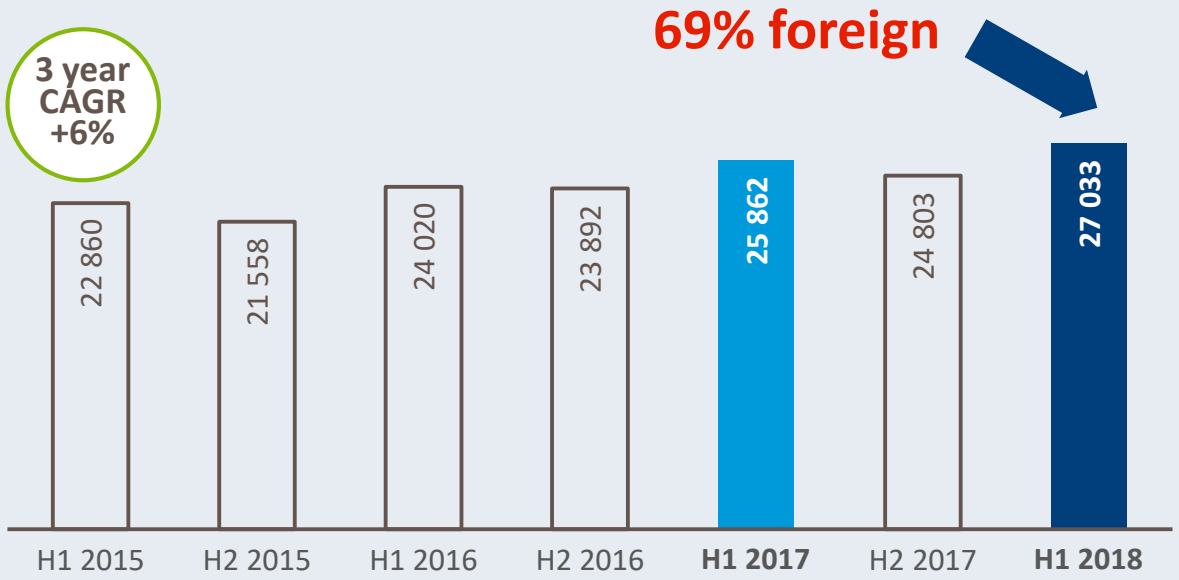
OPERATING MARGINS (%)



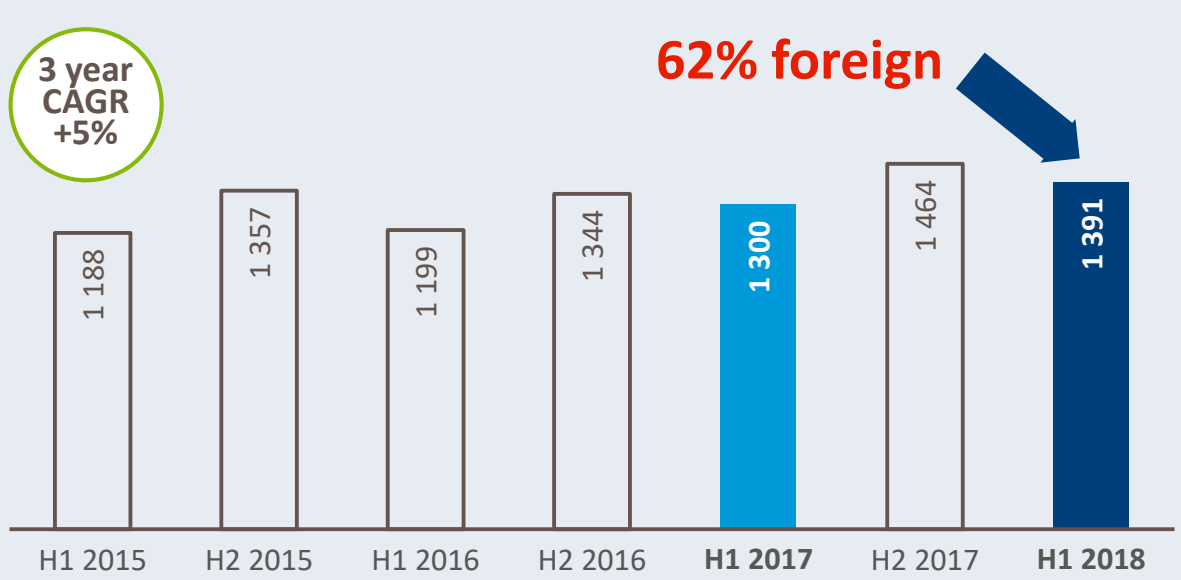
- Revenue in Euros, excluding businesses held for sale (Schirm), increased by 3% & 4% respectively
- The performance in Rand terms was enhanced by a weaker average R/€ exchange rate
- H1 2018 average R/€: 15.79 vs H1 2017 average R/€: 15.31
- Effective currency hedge & diversification in group portfolio

IMPERIAL LOGISTICS (TOTAL)

REVENUE* (Rm)



OPERATING PROFIT* (Rm)



- > Solid revenue & operating profit growth trends
- > Comprised R27.0bn (41%) of group* revenue – up 5% for the period
- > Comprised R1.4bn (45%) of group* operating profit – up 7% for the period

Discipline will be applied in pursuit of aggressive capital light, organic & acquisitive growth of integrated supply chain & route-to-market solutions for global & national market leaders, in specific industry verticals including healthcare, consumer packaged-goods, manufacturing & mining, chemicals & energy, automotive & equipment, & agriculture

* *Excludes head office & eliminations*

DIVISIONAL OVERVIEW – MOTUS

Southern Africa's largest vehicle group, operating across the motor value chain, importing, distributing, retailing & renting vehicles, & distributing & retailing aftermarket parts, supported & augmented by motor related financial services

MOTUS

VEHICLE IMPORT & DISTRIBUTION

- Exclusive RSA importer of Hyundai, Kia, Renault & Mitsubishi
- Nissan distributorships in 6 African countries

> 6% group revenue
> 10% group operating profit
> 21% Motus revenue
> 17% Motus operating profit
> ROIC of 9.4% vs WACC of 10.8%
> Debt:Equity: 47% (H1 2017:>100%)

VEHICLE RETAIL & RENTAL

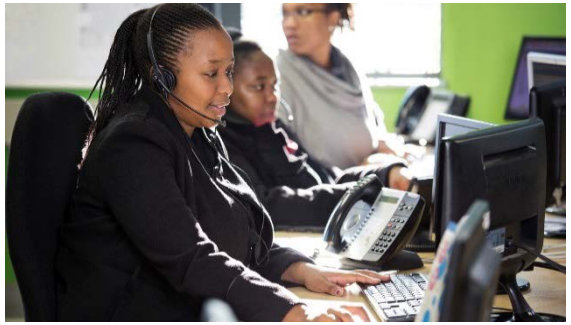
- RSA:
  - Represents 22 OEMs through 343 vehicle dealerships (inc. 94 pre-owned), 245 franchised dealerships & 20 commercial vehicle dealerships
  - 113 Europcar & Tempest car rental outlets in SA & 16 in Southern Africa
- UK 58 commercial & 32 passenger dealerships
- Australia 33 passenger dealerships

> 47% group revenue
> 26% group operating profit
> 69% Motus revenue
> 46% Motus operating profit
> ROIC of 8.6% vs WACC of 9.8%
> Debt to Equity: 85% (H1 2017: 38%)

AFTERMARKET PARTS

- Distributor, wholesaler & retailer of accessories & parts for older vehicles through:
  - 35 owned branches
  - 43 retailed owned stores
  - network of 720 Midas (AAAS), Alert Engine Parts & Turbo Exchange franchised outlets

> 5% group revenue
> 6% group operating profit
> 7% Motus revenue
> 11% Motus operating profit
> ROIC of 19.4% vs WACC of 11.0%
> Debt:Equity: 58% (H1 2017: 79%)



MOTOR-RELATED FINANCIAL SERVICES

- Markets & administers service, maintenance & warranty plans, & other value-added product (~664 000 vehicles)
- Develops & distributes innovative vehicle-related financial products & services through dealer & vehicle finance channels, online & a national call centre
- Provider of fleet management services

> 1% group revenue
> 13% group operating profit
> 3% Motus revenue
> 26% Motus operating profit
> ROIC of 59.6% vs WACC of 13.8%
> Debt:Equity: (78%)*(H1 2017: 92%)

Note: Based on external revenue, excluding businesses held for sale. ROIC & WACC are calculated on a rolling 12 month basis
** Includes net cash of R728 million*

IMPERIAL'S DIVISIONS

MOTUS
POWERING PROGRESS

REVENUE
16%
R39.7 billion
59% contribution*
3 YEAR CAGR 6%

OPERATING PROFIT
5%
R1.7 billion
55% contribution*
3 YEAR CAGR 3%

Business aspirations

> To secure growth & returns through deep direct relationships with leading OEMs, optimal distribution techniques, creative marketing, new dealership & client interface models, shared support facilities & loyalty engendering financial services

> To continually enhance Motus' asset portfolio by disposing of or rationalising underperforming businesses, dealerships & brands, & by acquiring & rapidly integrating like businesses & assets that can be enhanced by Motus' capabilities & resources

> Resulting from Motus' leading market shares in South Africa & the largely unregulated pre-owned vehicle imports into sub-Saharan Africa, acquisitive growth will be beyond the continent, targeted to enhance & leverage the current dealership network in existing geographies

> Develop & distribute innovative motor related financial services' offerings with market-leading penetration, providing solid annuity income streams

> To seek greater alignment with our customer base

Performance

> All four sub-divisions recorded revenue & operating profit growth

> Results were supported by:
- competitive vehicle pricing;
- gain in market share;
- strong improvement in RSA entry level & smaller SUV sale > stable interest rates improved affordability;
- the acquisitions of Pentagon (UK) & SWT (Australia) contributed positively to revenue at lower margins

> Excluding businesses held for sale, revenue & operating profit increased by 18% & 4% respectively

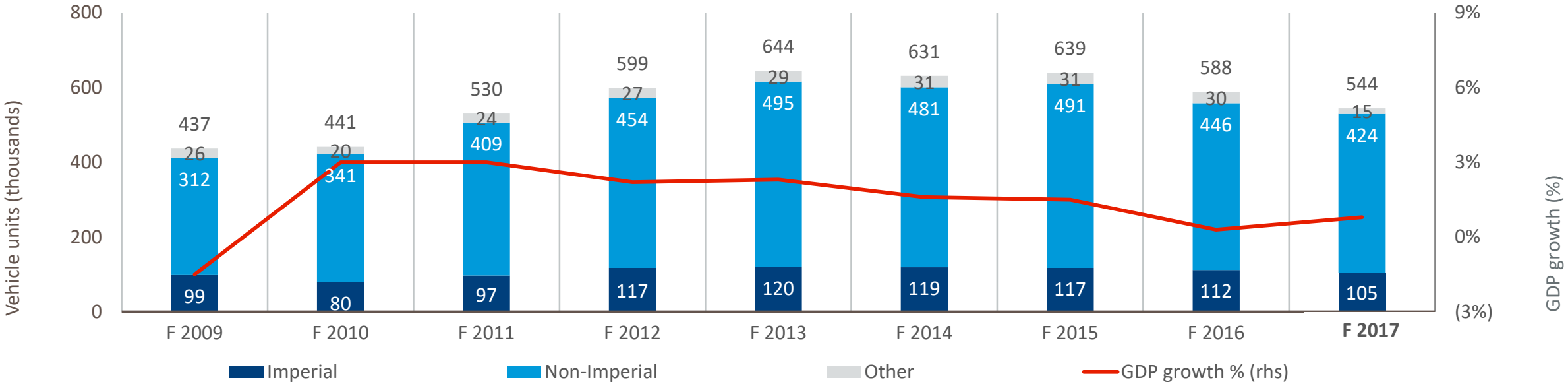
> Motus' debt to equity ratio at 62% (H1 2017: 78%) improved despite acquisitions, mainly due to
- disciplined working capital management;
- proceeds received from the disposal of non-strategic properties;
- reduced capital expenditure in vehicles for hire

> 77% of operating profit in Motus is not vulnerable to new vehicle sales

* *Excludes head office & eliminations*

NATIONAL VEHICLE SALES 2009 – 2017

IMPERIAL'S SHARE OF TOTAL NAAMSA VEHICLE SALES & GDP GROWTH



> SA new passenger & commercial sales track GDP growth

> Calendar 2018 forecast: Imperial: 2% growth in total vehicle market
NAAMSA: 2% to 4% growth

> NAAMSA total market H1 2018: 288 580 (274 979) (+5%)

> Imperial total sales H1 2018*

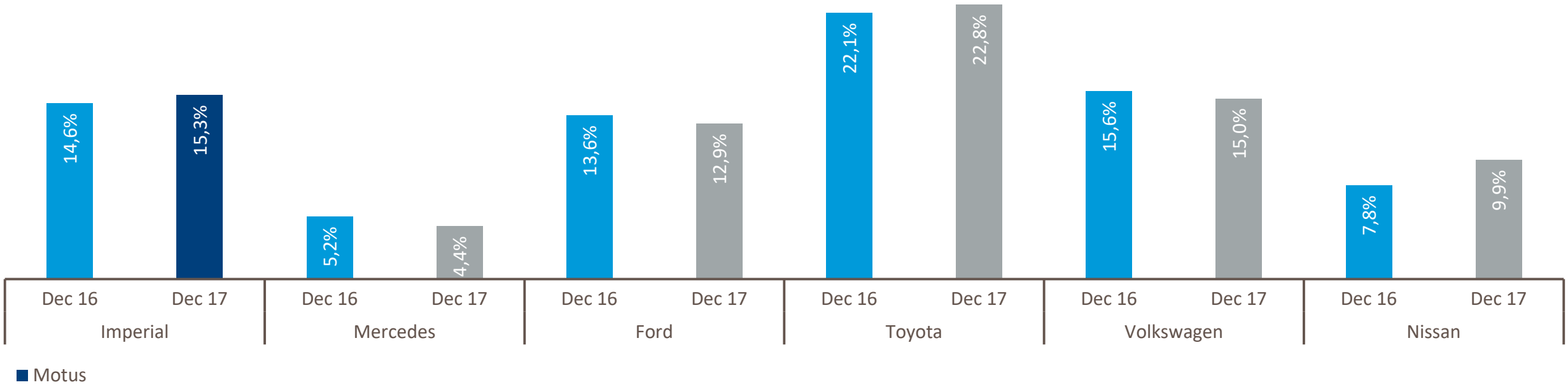
- New
  - Passenger: 66 275 (53 116) (+25%)
  - Commercial: 7 078 (6 580) (+8%)
- Preowned
  - Passenger: 38 285 (34 766) (+10%)
  - Commercial: 1 782 (1 814) (-2%)

> Imperial's direct imported brands represent ~15% of passenger vehicle market in SA, up from 14%

* *Passenger includes Australia & Commercial includes UK. H1 2018 also includes the Pentagon (UK) and SWT (Australia) acquisitions*

IMPERIAL'S MARKET SHARE VS OEMS

MARKET SHARE* (%)



- > Imperial's total market share in South Africa, including vehicles sold through our retail dealerships on behalf of OEMs, is 19.9% (H1 2017: 19.5%)
- > Imperial's market share of direct imports increased from 14.6 to 15.3% & comprises the 3rd largest share of the total SA vehicle market
- > In South Africa in H1 2018, Imperial sold 55 075 new vehicles (+11%) & 33 232 pre-owned vehicles (-3%)

* *Graph is presented on a 6 months basis from July 2017 to December 2017 for South Africa only. Numbers include Passenger, LCV, MCV & HCV*

DIVISIONAL REVIEW

VEHICLE **IMPORT & DISTRIBUTION**

REVENUE

10%

R10.0 billion

OPERATING PROFIT

6%

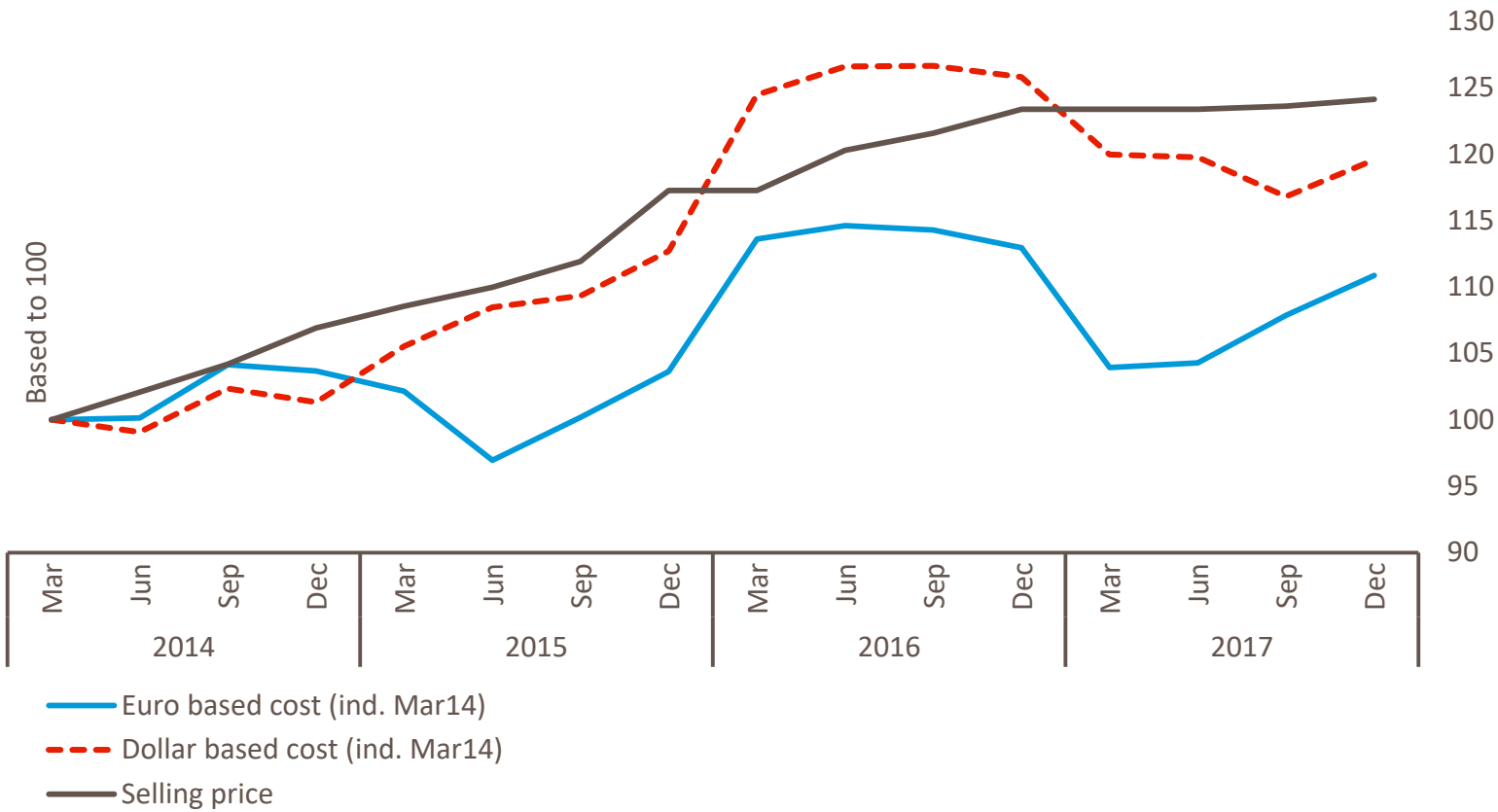
R303 million

> Revenue & operating profit increased mainly due to:
  - 10% increase in new vehicle sales (Hyundai up 5%, Kia up 27% & Renault up 38%); &
  - vehicle mix aligned to market demand
> Importer market share increased to 15% from 14% in the prior period
> Hyundai & Kia forward cover extends to August 2018 at average rates of R13.50 to the US Dollar & R15.76 to the Euro; new trading arrangements with Renault have rendered forward cover redundant
> The African distributorships performed below expectations due to weak consumer demand in most of our markets. Capital deployed in these operations has been reduced & viability is under review
> ROIC increased to 9.4% (H1 2017: 6.2%) due to:
  - a significant reduction in working capital;
  - lower investment in vehicles for hire; &
  - the sale of non-strategic properties

Note: Retail dealerships that were previously part of the Vehicle Import, Distribution & Dealerships division are now included in the Vehicle Retail & Rental sub-division
The African distributorship operations from the Vehicle Retail & Rental sub-division is now included in this sub-division

SOUTH AFRICAN NEW VEHICLE PRICES

SELLING PRICE VS CURRENCY COST OF IMPORTED PRODUCT (%)



> 48% imports in USD

> 52% imports in EUR

DIVISIONAL REVIEW

VEHICLE **RETAIL & RENTAL**

REVENUE

15%

R32.4 billion

OPERATING PROFIT

4%

R814 million

- Revenue & operating profit increased, due to:
  - increase in unit volumes in dealerships of importer brands in SA resulting from higher sales of smaller lower margin entry level vehicles & smaller SUVs;
  - good performance from parts & aftersales segments;
  - solid result from the UK Commercials operations; &
  - the inclusion of the Pentagon (UK) & SWT (Australia) acquisitions which enhanced revenue at reduced margins
- Nine underperforming dealerships closed during the period in SA
- Passenger & light commercial vehicle (LCV) businesses in SA experienced a 6% increase in new vehicle sales
- Revenue & operating profit in UK business increased by 84% & 23% respectively
  - passenger segment remains under pressure due to Brexit related consumer caution, a reduction in sales of diesel vehicles & Vauxhall changing ownership from General Motors to the French PSA group
- Australian operations increased revenue by 12% but operating profit declined by 8% on the prior period, when two new Ford model launches were exceptionally successful
  - SWT acquisition performed in line with expectations
  - the Australian vehicle market recorded marginal growth but margins on new vehicles remain under pressure
- Car rental increased its revenue & operating profit by 16% & 9% respectively
- ROIC reduced to 8.6% (H1 2017: 13.0%) due to:
  - increased working capital; &
  - the acquisition of the lower margin Pentagon & SWT auto dealer groups

Note: Retail dealerships that were previously part of the Vehicle Import, Distribution & Dealerships division are now included in this sub-division

DIVISIONAL REVIEW

AFTERMARKET PARTS

REVENUE

↑ 7%

R3.4 billion

OPERATING PROFIT

↑ 8%

R205 million

> Grew revenue & operating profit enhanced by:
  - increased sales volumes in Beekmans & Alert Engine Parts; &
  - tighter cost controls
> Midas' (AAAS) performance was flat, depressed by market contraction, increased pricing pressure & consumers trading down
> ROIC decreased to 19.4% (H1 2017: 23.2%) due to:
  - increased working capital; &
  - investment in a warehouse facility which was included in invested capital

DIVISIONAL REVIEW

MOTOR RELATED **FINANCIAL SERVICES**

REVENUE

12%

R1.1 billion

OPERATING PROFIT

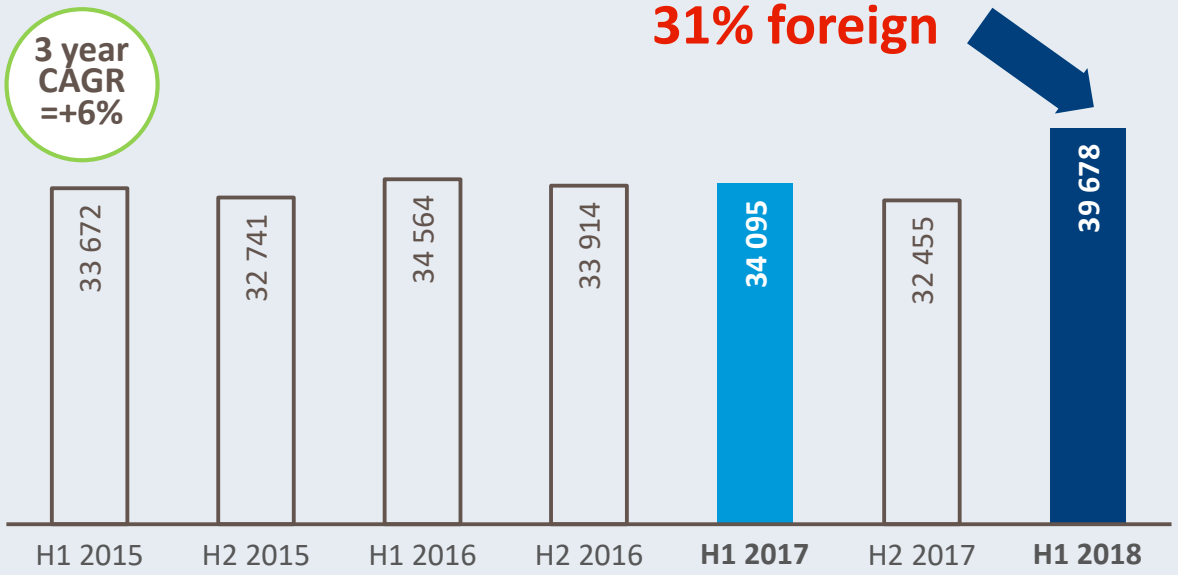
2%

R465 million

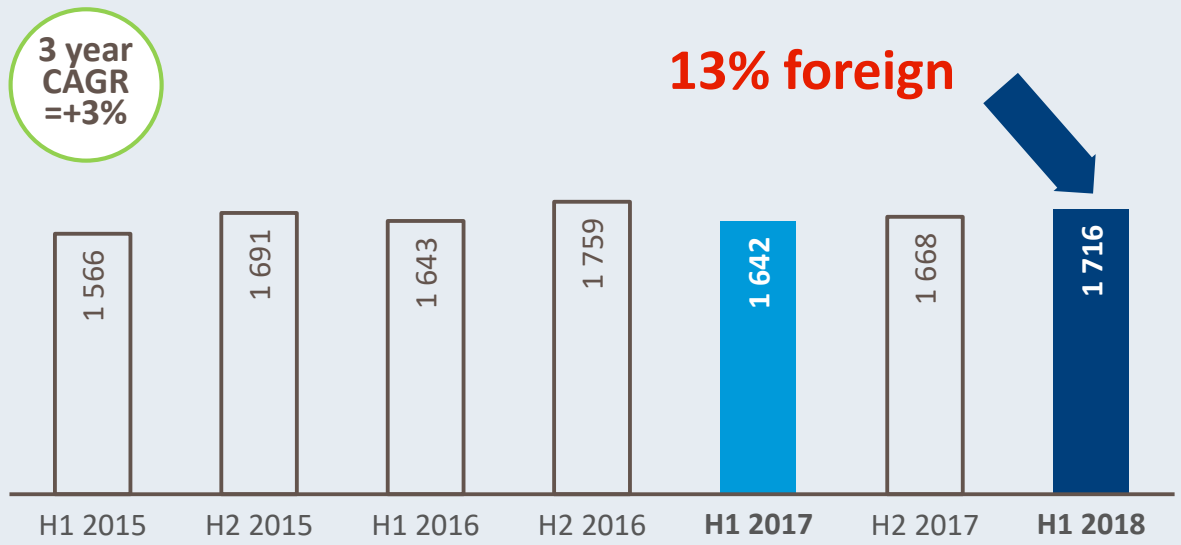
- Revenue & operating profit increased due to:
  - higher profitability in demo vehicle sales & maintenance funds; &
  - strong growth in the loan book & returns from alliances with financial institutions
- Margins were negatively impacted by increased sales of monthly versus longer term service & maintenance plans
- Prior period includes once-off income of R46m included in the VAPS business
- Continue to focus on innovation & growing fleet management business
- ROIC increased to 59.6% (H1 2017: 55.6%) due to higher profitability

MOTUS (TOTAL)

REVENUE* (Rm)



OPERATING PROFIT* (Rm)



> Comprised R39.7bn (59%) of group* revenue – up 16% for the period

> Comprised R1.7bn (55%) of group* operating profit – up 5% for the period

The assets & capabilities of Motus comprise the entire vehicle value chain from OEM to user. Its current structure & focus will continue with high cash generation, returns & dividends, through greater value to clients & more disciplined management of capital, operations & currency

* *Excludes head office & eliminations*

AGENDA

OVERVIEW	CONTEXT	STRATEGY	OPERATIONS REVIEW	**FINANCIAL REVIEW**	LOOKING FORWARD

INCOME STATEMENT

	H1 2017 Rm	H1 2018 Rm	% CHANGE
Revenue	59 727	66 520	11

LOGISTICS ↑ 5%

good performance from South Africa, the acquisition of Surgipharm & solid performances from Ecohealth , the International Shipping & Automotive segments, assisted by the average weaker Rand against the Euro

MOTUS ↑ 16%

strong improvement in entry level vehicle unit sales in South Africa & the acquisitions of Pentagon (UK) & SWT (Australia), contributed positively to revenue growth

REVENUE CONTRIBUTION PER DIVISION (%)

	H1 2017 %	H1 2018 %
LOGISTICS	42	41
MOTUS	58	59

INCOME STATEMENT

	H1 2017 Rm	H1 2018 Rm	% CHANGE
Revenue	59 727	66 520	11
Operating profit	2 955	3 093	5
Operating profit margin	4.9%	4.6%	

LOGISTICS ↑ 7%

solid performances from the South African business, Ecohealth, International Shipping & Automotive segments, the inclusion of Surgipharm, & disposal & closures of underperforming businesses in South Africa & African Regions in the current and prior period

MOTUS ↑ 5%

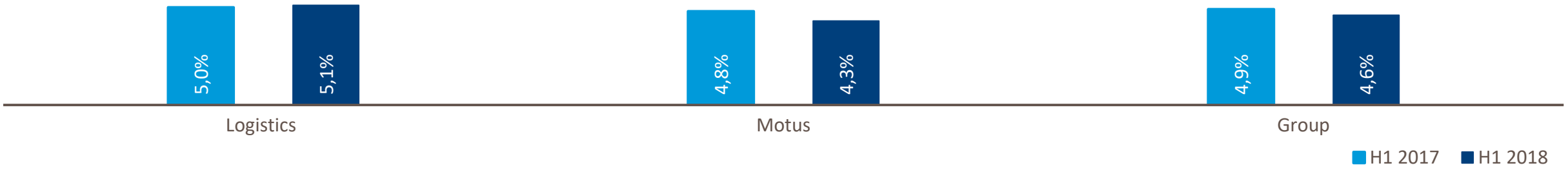
lower than revenue growth due to sales mix in favour of lower-margin entry level vehicles & smaller SUVs; a strong performance from the UK commercial operations were offset by the inclusion of the lower margin Pentagon & SWT acquisitions

OPERATING PROFIT CONTRIBUTION PER DIVISION (%)

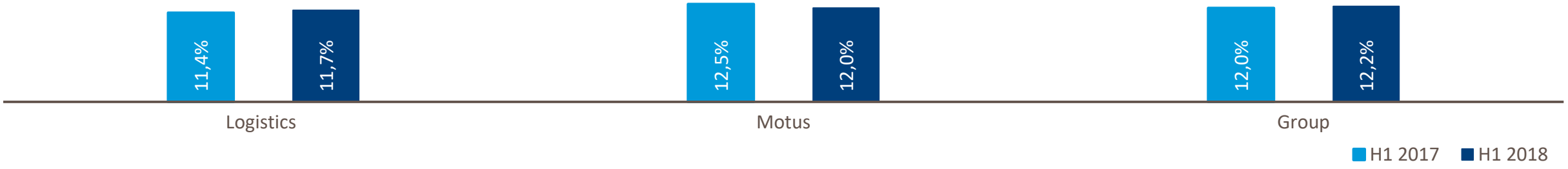
	H1 2017 %	H1 2018 %
LOGISTICS	46	45
MOTUS	54	55

DIVISIONAL STATISTICS

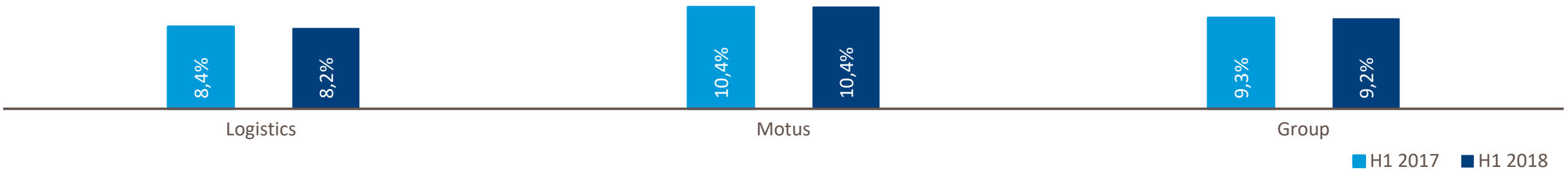
OPERATING MARGIN (%)



RETURN ON INVESTED CAPITAL* (%)



WEIGHTED AVERAGE COST OF CAPITAL* (%)



*Note: Prior year restated for VAPS . *Calculated on a rolling 12 month basis*

INCOME STATEMENT

	Dec 2016 Rm	**Dec 2017 Rm**	% CHANGE
Revenue	59 727	66 520	11
Operating profit	2 955	3 093	5
Amortisation of intangible assets	(263)	(226)	
Impairments of goodwill and other assets		(114)	
Profit (loss) on sale of businesses	(46)	(18)	
Foreign exchange gains (loss)	(121)	(84)	
Re-measurement of contingent consideration, put option liabilities and business acquisition costs	(40)	(8)	
Other	13	11	
Profit before financing costs	2 498	2 654	6

> Amortisation of intangible assets reduced by R37 million due to certain intangible assets being fully amortised in F2017

> Impairments of goodwill & other assets of R114 million mainly includes impairments relating to assets held for sale of R72 million & impairment of goodwill of R22 million

> Foreign foreign exchange losses decreased by R37 million to R84 million mainly due to:

- losses in Logistics African Regions due to the strengthening Rand were contained to R39 million against R153 million in the prior period; &
- losses in Motus of R52 million compared to a gain of R12 million in the prior period was incurred mainly due to mark to market losses on forward exchange options used as hedges as a result of the strengthening of the Rand

INCOME STATEMENT

	Dec 2016 Rm	**Dec 2017 Rm**	% CHANGE
Profit before financing costs	2 498	2 654	
Net financing costs	(828)	(753)	(9)
Income from associates	49	41	(16)
Profit before tax	1 719	1 942	13
Tax	(498)	(575)	
Net profit for the year	1 221	1 367	12
Attributable to minorities	(21)	(61)	
Attributable to Imperial shareholders	1 200	1 306	9

- Net financing costs decreased by 9% or R75 million due to lower average debt levels during the period
- Income from associates decreased largely due to the sale of Mix Telematics in the prior period & the underperformance of MDS Logistics in Nigeria
- Effective tax rate for the Group at 30% is in line with the prior period
- Minorities increased compared to the prior period mainly due to improved results from Renault & Ecohealth, with recent acquisitions of Surgipharm, SWT & Itumele Bus Lines also contributing to the increase

FINANCIAL POSITION

	Dec 2016 Rm	June 2017 Rm	**Dec 2017 Rm**	% CHANGE on June 2017
Property, plant & equipment	10 134	10 371	9 667	(7)
Transport fleet	5 887	5 560	5 345	
Vehicles for hire	4 320	3 963	4 489	13
Goodwill & intangible assets	9 764	9 529	9 172	(4)
Associates, investments & other financial assets	1 363	1 807	2 417	34
Other assets	2 109	1 839	2 145	17
Net working capital	11 123	8 956	8 884	(1)
Assets classified as held for sale	7 016	979	3 097	
Total	51 716	43 004	45 216	5

- Property, plant & equipment decreased by 7% to R9.7 billion primarily from reclassification of PPE to “assets held for sale”, disposals of PPE, depreciation & currency adjustments, partly offset by acquisitions
- Vehicles for hire increased by 13% mainly due to re-fleeting ahead of the peak season
- Goodwill & intangible assets decreased by 4% to R9.2 billion due to Rand strength, amortisation of intangibles & reclassification to assets of disposal groups, partly offset by acquisitions
- Investment in associates & joint ventures increased by 34% resulting mainly from the acquisition of Arco Motor Industry Limited; reclassification of dividends from cell captives & an increase in long-term deposits in Motor Related Financial Services
- Other assets increased due to the increased deferred tax asset relating to remeasurement of FECs
- Net working capital improved by 20% compared to December 2016 largely due to disciplined working capital management, an increase in the FEC liability due to the strengthening Rand & extended credit terms from suppliers in Motus
- Assets held for sale comprise of Schirm, Transport Holdings & non-strategic properties

FINANCIAL POSITION

	Dec 2016 Rm	June 2017 Rm	**Dec 2017 Rm**	% CHANGE on June 2017
Total shareholders' interest	19 275	20 261	20 453	
Net interest bearing borrowings (ignoring Regent cash)	20 672	14 647	16 808	15
Other liabilities	8 866	8 096	7 328	
Liabilities directly associated with assets classified as held for sale	2 903		627	
Equity & liabilities	51 716	43 004	45 216	5

> Shareholders' interest impacted mainly by:
  - the strengthening of the Rand which resulted in a loss in the foreign currency translation reserve of R324 million;
  - a decrease in the hedging reserve of R199 million;
  - dividends paid (R762 million);
  - the repurchase of ordinary shares totalling R113 million to hedge the share scheme (average price of R212.49 per share);
  - partially offset by capital raised from non-controlling interests

> Interest bearing borrowings impacted by:
  - acquisitions of Surgipharm, Pentagon & SWT (R1.1 billion);
  - capital expenditure (R1.4 billion);
  - cash paid for the purchase of non-controlling shareholder interest in Ecohealth of R627 million & Resolve of R74 million; &
  - reduced by proceeds from the disposals of non-strategic properties & businesses (R693 million) & Rand strength

CASH FLOW – OPERATING ACTIVITIES

	Dec 2016 Rm	**Dec 2017 Rm**
Cash generated by operations	4 330	4 231
Net working capital movements (excludes currency movements & net acquisitions)	(2 379)	(208)
Interest & tax paid	(1 483)	(1 320)
Cash flow from operating activities before rental assets capex	468	2 703
Capex: rental assets	(1 399)	(1 161)
Cash inflow / (outflow) from operating activities	(931)	1 542

- Net working capital improved significantly compared to December 2016 largely due to disciplined working capital management, an increase in the FEC liability due to the strengthening Rand & extended credit terms from suppliers in Motus
- Lower interest due to reduced debt levels
- Cash inflow from operating activities of R1.5 billion improved from an outflow of R931 million mainly due to significantly lower working capital, reduced rental asset capital expenditure & interest

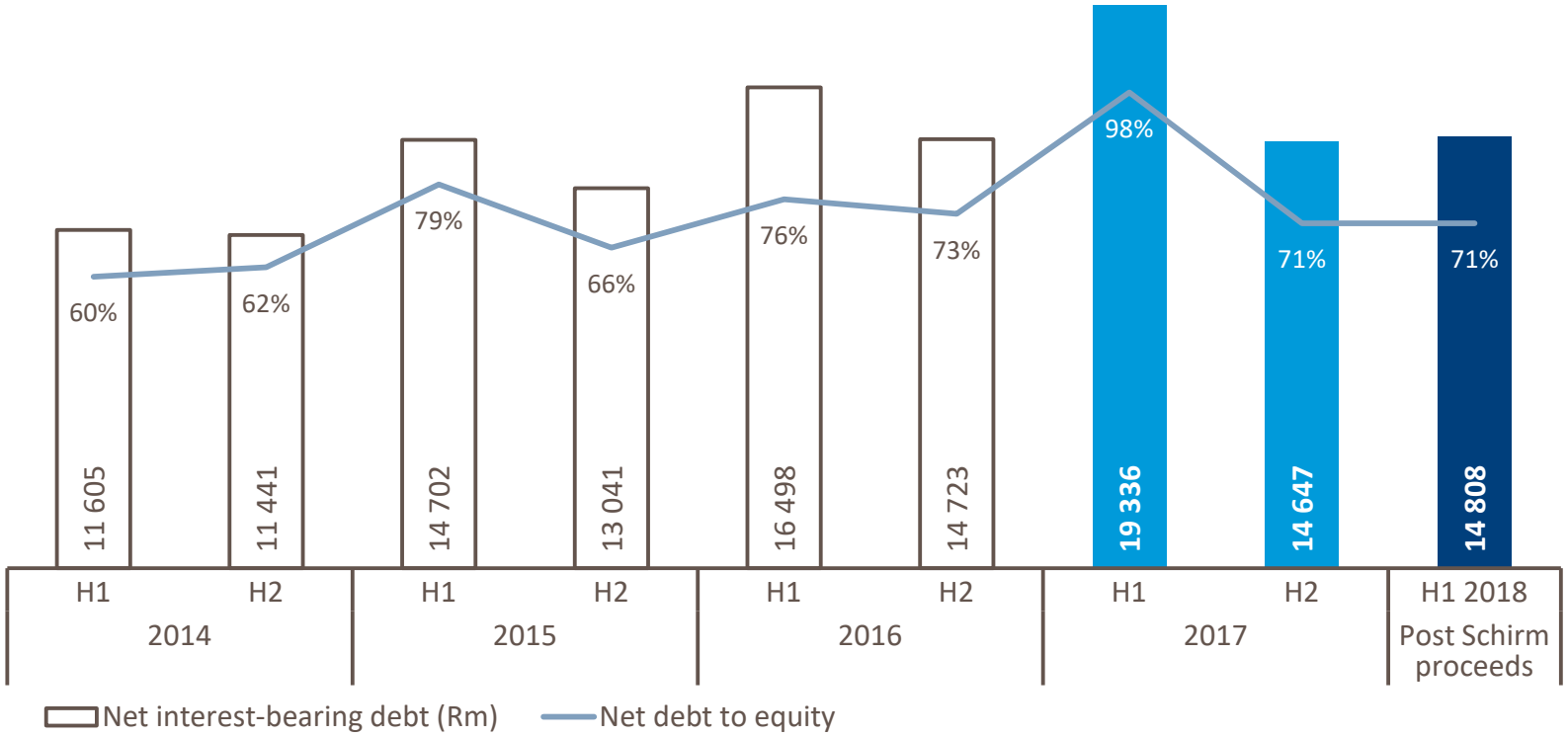
CASH FLOW SUMMARY

	Dec 2016 Rm	**Dec 2017 Rm**
Cash flow from operating activities	(931)	1 542
Investing activities:		
Net disposals / (acquisitions) of subsidiaries & businesses	(1 671)	(1 042)
Capital expenditure – non-rental assets	(1 017)	(265)
Net movement in associates & JVs	542	(204)
Net movement in investments, loans & other financial instruments	(109)	(312)
Financing activities:		
Dividends paid	(991)	(781)
Other financing activities	58	(1 152)
(Increase)/Decrease in net borrowings	(4 119)	(2 214)

- Net acquisitions & disposals of subsidiaries & businesses of R1.0 billion mainly due to the acquisitions of Surgipharm, Pentagon & SWT
- Capital expenditure reduced significantly to R265 million from R1.0 billion due to proceeds from property disposals & prior year capital expenditure included the majority of the contributions towards a chemical manufacturing plant & the additional convoys in South America in the Logistics business
- Investment in associates & joint ventures impacted mainly by the acquisition of Arco Motor Industry Limited (Aftermarket Parts)
- Other financing activities of R1.2 billion includes the purchase of a further 19% in Ecohealth (R627 million), hedging & share buy-backs relating to the share scheme (R470 million)
- Increase in net borrowings of R2.2 billion
- Free cash conversion ratio improved to 0.9 times (-0.3 times in 2017)

GEARING

Net debt to equity

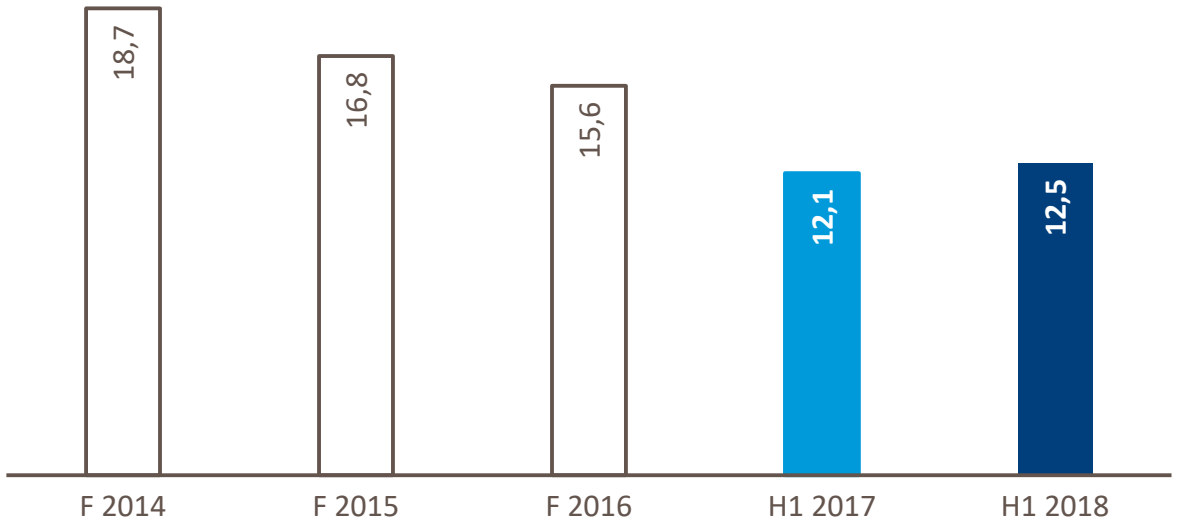


> Net debt to equity of 71% includes proceeds from the sale of Schirm of ~R2.0 billion (received in Jan 2018)
> Within the target gearing range of 60% to 80%
> Equity includes preference shares

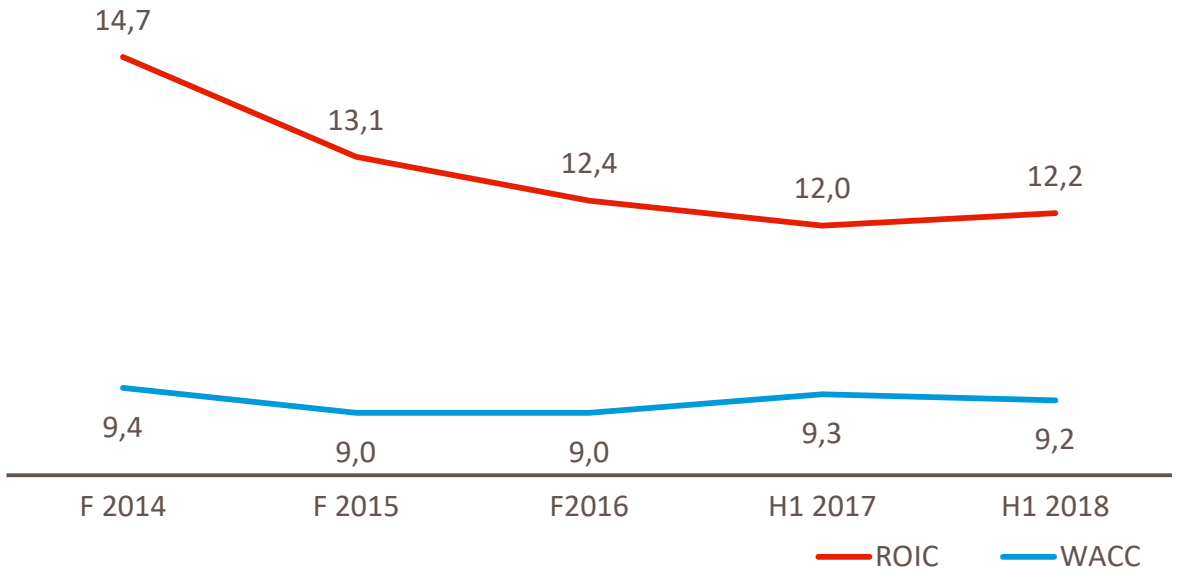
> Net debt to equity reduced from 98% to 80%, supported by:
  - cash proceeds from the sale of non-strategic properties & businesses;
  - an improvement in working capital;
  - a reduction in capital expenditure;
  - partially offset by the acquisitions of Surgipharm, SWT, Pentagon & the increase in shareholding in Ecohealth
> The Group has R11.0 billion unutilised funding facilities (excluding asset backed finance facilities)
> Mix of fixed & floating debt (41% fixed)
> Debt maturity profile: 75% long term (longer than 12 months)
> The Group's international & national scale credit rating by Moody's are unchanged at Baa3 & Aa1.za

RETURNS

ROE (%)



ROIC vs WACC (%)



ROIC improved due to:

> Decrease in net debt

> Higher returns

Note: ROE, ROIC & WACC are calculated on a rolling 12 month basis

AGENDA

OVERVIEW	CONTEXT	STRATEGY	OPERATIONS REVIEW	FINANCIAL REVIEW	**LOOKING FORWARD**

PROSPECTS FOR 2018

Our near term expectations for Imperial are unchanged.
We anticipate solid operating & financial results in F2018, subject to stable currencies in the economies in which we operate, & South Africa retaining its investment grade

In the six months to June 2018 for continuing operations, we expect:

- *Capital efficiency to improve*
- *Imperial Logistics & Motus to increase revenues & operating profit at a higher rate than the first half*
- *Imperial Holdings to increase revenues & operating profit at a higher rate than the first half*
- *Imperial Holdings to produce a double-digit growth in headline earnings per share substantially higher than the first half, off the low base of 2017*

We thank shareholders for their support & will continue to execute on our espoused strategies

IMPERIAL™

LEADERS IN MOBILITY

THANK YOU

IMPERIAL™

LEADERS IN MOBILITY

ANNEXURES

OUR AFRICAN FOOTPRINT

- Pharma & healthcare logistics and supply chain management
- Pharma distributors (full RTM solution, including sales function)
- Pharma and medical supplies (wholesaling) (project work across multiple territories)
- Managed Solutions in East and West Africa, SA and SADC
- Logistics & supply chain management (various industries)
- Consumer distributors (full RTM solution including sales function)
- In-country operations
- Countries serviced by agents

DISCLAIMER

Certain statements made in this presentation constitute forward-looking statements. Forward-looking statements are typically identified by the use of forward-looking terminology such as ‘believes’, ‘expects’, ‘may’, ‘will’, ‘could’, ‘should’, ‘intends’, ‘estimates’, ‘plans’, ‘assumes’ or ‘anticipates’ or the negative thereof or other variations thereon or comparable terminology, or by discussions of, e.g. future plans, present or future events, or strategy that involve risks and uncertainties. Such forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond the company's control and all of which are based on the company's current beliefs and expectations about future events. Such statements are based on current expectations and, by their nature, are subject to a number of risks and uncertainties that could cause actual results and performance to differ materially from any expected future results or performance, expressed or implied, by the forward-looking statement. No assurance can be given that such future results will be achieved; actual events or results may differ materially as a result of risks and uncertainties facing the company and its subsidiaries. The forward-looking statements contained in this presentation speak only as of the date of this presentation.

The company undertakes no duty to, and will not necessarily, update any of them in light of new information or future events, except to the extent required by applicable law or regulation.