REVIEW OF OPERATIONS

Headline earnings per share increased by 29.9% from 422.6 cents to 548.9 cents. This increase was due to, amongst other, the favourable effect of the weaker SA rand on the attributable portion of the earnings of the tobacco interests. The tobacco interests nevertheless produced satisfactory growth of 8.3% in British sterling over the previous year.

GROUP RESULTS

Consolidated attributable net income for the year under review increased by R740 million, or 35.1% to R2 849 million.

Headline earnings per share increased by 29.9% from 422.6 cents to 548.9 cents. This increase was due to, amongst other, the favourable effect of the weaker SA rand on the attributable portion of the earnings of the tobacco interests. The tobacco interests nevertheless produced satisfactory growth of 8.3% in British sterling over the previous year. Other reasons for the increase include a significant reduction in losses at Rainbow Chicken, good results from Vodacom and the effect of higher interest rates on cash resources.

The increase in the contribution of the industrial interests has also been influenced by the increased shareholding in certain group companies referred to in the Directors' Report.

Attributable cash earnings (which exclude the Group's share of net income retained by associated companies), before exceptional items, increased by 42.6% from R1 135 million to R1 618 million.

Operating income was 39.3% higher than in the comparative period, mainly as a result of the turnaround by Rainbow, from operating losses of R146.9 million in the previous year to operating profits of R34.0 million in the year under review. Taxation did not show a similar increase because, amongst other, Rainbow is not liable for taxation.

Dividend income was 35.5% higher, mainly because of the favourable influence of the weaker SA rand on the dividends received from Rothmans International Holdings (RIH).

The Group's tobacco earnings, namely one-third of the attributable net income of RIH, which is reported in British sterling, has been translated at an average £/R exchange rate of 9.64 for the period under review (1998: 7.75). As explained in the tobacco review below, the weakness of certain key currencies during the year under review had an advance effect on RIH's earnings. However, the weaker SA rand had the opposite effect on the translation of Remgro's share of RIH's earnings. The net result was an increase in Remgro's earnings of approximately R160 million or 31 cents per share. The £/R exchange rate at 31 March 1999 and at the date of this report was 9.98 and 9.70 respectively.

The share in the retained income of associated companies increased by 17.5%. Together with dividends received, the total interest in the net income of associated companies, before exceptional items, increased by 25.9%.

Ordinary dividends of 104.35 cents per share were declared and paid for the year, compared to 88.37 cents for the previous year. This represents an increase of 18.1%. The ordinary dividends are covered 5.2 times by total earnings and 2.9 times by cash earnings, as against 4.6 times and 2.4 times respectively for the previous year. Over and above the ordinary dividends, a special dividend of 100 cents per share was declared and paid in October 1998.

The interest of own members in shareholders' funds at book value increased by R2 304 million to R15 174 million or R29.07 per share. Of this increase, R1 113 million was due to exchange rate adjustments. After taking into account the surplus of market and directors' valuations over the book value of investments, the interest of own members amounted to R59.14 (1998: R55.98) per share.

TRADE MARK GROUP

Contribution to headline earnings:

- R1 565 mio (1998: R1 203 mio)
  - Increase 30.1%

Percentage of headline earnings:

- 54.6% (1998: 54.5%)

> *Attributable cash earnings (which exclude the Group's share of net income retained by associated companies), before exceptional items, increased by 42.6% from R1 135 million to R1 618 million.*

Tobacco

RIH: Group interest 33 1/3%
(1998: 33 1/3%)

The Group's interest in the tobacco industry is represented by its one-third interest in Rothmans International Holdings (RIH) which has subsequently been renamed R&R Holdings. The other two-thirds is held by Compagnie Financière Richemont AG. At 31 March 1999 RIH held 100% of the equity of Rothmans International B.V. (RIBV).

Sales

RIH's sales volume declined by 4.2% in the year under review. The principal factor in the volume decrease was the impact of the economic crises in Central and Eastern Europe which reduced sales in Russia, Ukraine and the Central Asian Republics by approximately 50%. Sales volume also declined in several of RIH's established markets, notably in the United Kingdom, France, Malaysia and in South Africa, reflecting the effect on the total market of substantial excise increases. Volume growth was achieved in certain other markets, particularly in Indonesia, where volume increased by over 150%, and Vietnam.

Financial results

RIH's financial results, reported in sterling, were adversely affected by the weakness of currencies in certain of its key markets, in particular the South African rand, the Malaysian ringgit and the Australian dollar, which masked the underlying improvement in the financial performance of its tobacco business. Translated at constant exchange rates, net sales revenue increased by 3.4% to £3 279 million and operating profit by 10.4% to £906 million respectively. However, translated at actual rates for each year, net sales revenue declined by 4.7% to £3 022 million while operating profit of £817 million was unchanged from the prior year.

The underlying growth in net sales revenue was achieved as price increases more than offset the effect of lower sales volume, the negative impact of which was reduced due to a significant proportion of the decline arising in lower priced markets. The underlying improvement in operating profit was derived mainly from South Africa, Australia (excluding the one-off excise duty gain last year), Equatorial Africa, West Africa and the United Kingdom. The effects of the difficult trading conditions in Central and Eastern Europe were partly offset by improved results for Vietnam and China.

The following sections review the performance of RIH in its five geographic areas of operation. References to changes in net sales revenue and operating profit are all at constant exchange rates.

Europe

Sales volume in this region, which accounts for nearly 40% of RIH's total volume, decreased by 9.2%. Net sales revenue increased by 1.8% to £1 394 million and operating profit grew by 19.2% to £291 million. The improvement was mainly due to price rises and lower costs which more than offset the effect of the reduced sales volume.

RIH's overall cigarette market share in Western Europe remained constant at around 8%. Following the very successful debut of Winfield in France in late 1996 the brand has retained its position as the fourth largest brand in the market with a 6.4% share. Market share in the United Kingdom improved slightly but year on year volume declined by 11.9%, in line with the contraction of the overall market, which was adversely impacted by cross-Channel shopping.

Sales volume in Central and Eastern Europe decreased by 43.7%, principally as a consequence of the economic turmoil which followed the devaluation of the Russian rouble. The major markets affected were Russia, where volume fell by 48.2%, Ukraine and the Central Asian Republics, both of which declined by 65%.

Africa and the Middle East

In the year under review, net sales revenue for the region increased by 3.1% to £715 million. Operating profit increased by 17.8% to £265 million. Price increases in the region more than offset volume declines.

The South African cigarette market continued to suffer the burden of increasing excise taxes and sales fell in line with the market decline. Volume elsewhere in Africa remained stable but profitability was increased due to pricing benefits, particularly in West Africa and improved results from a number of markets in Equatorial Africa.

In the Middle East there was a significant decrease in export orders which resulted in an 18% fall in volume.

Americas

Operating profit for the region declined by 10% to £90 million mainly due to lower volume which was only partly offset by higher sales prices.

On a composite basis, sales volume of cigarettes and other tobacco products fell by 1.7% in Canada, due to a decline in market share. However, profitability was maintained through price increases.

In the United States, sales of premium cigars decreased by 58.3%, with profitability declining as a consequence. In the pipe tobacco sector, volume improved by 8.7%.

During the year, two of RIH's United States subsidiaries joined in the master settlement agreement between a number of cigarette manufacturers and importers and the 46 states that had not previously settled, the District of Columbia and five other territories under the jurisdiction of the USA. RIH's payment obligations under this agreement are not anticipated to be material.

Asia

Sales volume for the region overall increased by 1.9% and net sales revenue was largely unchanged. Operating profit improved by 9.9% to £154 million, reflecting the volume growth, price increases and lower costs.

Rothmans of Pall Mall (Malaysia) Berhad, the market leader in Malaysia reported volumes some 7.6% lower than last year following a decline in the total market, although Dunhill King Size successfully maintained its dominant market leadership, with a share in excess of 40%. Underlying profitability remained constant as the impact of lower volume was offset by price increases and cost reductions.

In Singapore, Rothmans Industries Limited's domestic sales volume also decreased by 7.4%, reflecting a decline in the total market. In local currency terms, profitability increased by 22.9% due to a strong performance in other ASEAN markets which are managed by the Singapore company, notably in Vietnam where sales grew by 24.2% and Craven became the largest selling international brand with a market share of some 4%.

In China the continuing over-supply in the market resulted in volume decreasing by 38.2% although the trading result improved due to a reduction in costs. In Japan sales volumes remained stable and, following last year's restructuring, the result for the market was close to break-even.

Pacific

Sales volume for the region overall improved by 21.6%, principally due to gains in Indonesia. Net sales revenue increased by 19% to £397 million. Operating profit decreased by 12.2% to £85 million, although when the benefit of last year's windfall excise profit in Australia is excluded, the underlying improvement in profit was 30.8%.

The share of the Australian cigarette market improved to almost 35% during the year due to a small volume improvement in an unchanged overall market.

Despite political, economic and social turbulence in Indonesia during the year, volume increased by in excess of 150%. Operating losses continued to be incurred in this development market as the volume benefit was largely offset by higher costs resulting from the weakness in the Indonesian rupee.

Subsequent to year-end

As also referred to in the Directors' Report, the merger of RIBV and British American Tobacco Plc (BAT) was implemented on 7 June 1999. The enlarged BAT, in which Remgro effectively holds an interest of approximately 11.7%, is now the second largest cigarette group in the world with a worldwide market share of around 16%.

The merger brings together two groups of companies which have similar cultures, geographic diversity and complementary brand portfolios. The addition of RIBV's international brands increases the proportion of sales volume of the enlarged BAT derived from international brands, to around one-third of its total sales volume. As a result, the enlarged BAT's average margins are expected to be higher than previously.

Annual cost savings of not less than £250 million are expected to be achieved by the third full year following the merger. The one-off cash costs of achieving these savings, which are expected to amount to approximately £400 million, will be accounted for by BAT in the years in which the commitments are made.

The merger is expected to enhance BAT's underlying earnings per share, before amortisation of goodwill, in the year ending 31 December 2000.

R&R Holdings (previously named RIH) will in future equity account its economic interest of approximately 35% in the enlarged BAT. Remgro will, in turn, equity account its one-third interest in R&R Holdings.

Remgro expects the effects of the merger on its underlying earnings, at constant exchange rates, to be broadly neutral in the first year, before the costs of achieving synergies. Thereafter, the effects of the merger on Remgro are expected to be earnings enhancing, reflecting the benefit of cost savings and synergies.

Wine and Spirits

DISTILLERS: Group interest 30% (1998: 30%)

Distillers Corporation (SA) Limited (Distillers) reported headline earnings of R115 million for the half-year to December 1998, a decrease of 1%.

Trading conditions in the domestic market deteriorated further during that period. High levels of consumer debt, high real interest rates and limited growth in private consumption expenditure had a negative impact on sales of wine and spirits in the domestic market. In the international market the major industrial countries are also experiencing a slowdown in economic growth.

SFW: Group interest 30% (1998: 30%)

Stellenbosch Farmers' Winery Group Limited (SFW) experienced the same economic conditions and market reaction as Distillers. As reported last year, agreement was reached with Diageo whereby SFW relinquished its rights to the distribution of certain Scotch whisky brands as from 28 August 1998. This also contributed to the reduction of 5.7% in turnover.

The R67 million that SFW received as compensation for the loss of the distribution rights was not included in its headline earnings but reported as an exceptional item.

SFW's headline earnings for the half-year to December 1998 was R60 million, 23% lower than in 1997.

MINING INTERESTS

Contribution to headline earnings:

- R369 mio (1998: R321 mio)
  - Increase 15.0%

Percentage of headline earnings:

- 12.8% (1998: 14.5%)

BILLITON: Group interest 8.9% (1998: 8.9%)

Billiton Plc's (Billiton) contribution to Group earnings was roughly double that of the previous year. This was mainly because the Group's interest in Billiton was only equity accounted for six months during the previous year following the unbundling of Billiton shares by Gencor Limited in July 1997.

> *Billiton Plc's (Billiton) contribution to Group earnings was roughly double that of the previous year. This was mainly because the Group's interest in Billiton was only equity accounted for six months during the previous year following the unbundling of Billiton shares by Gencor Limited in July 1997.*

Billiton's attributable profit for its half-year to December 1998, at US$165 million, was one-third lower than the US$249 million of the corresponding period. The decline in commodity prices, aggravated by the financial and economic turmoil in South East Asia in late 1997, continued throughout 1998.

Billiton reported that the second half of its financial year began with average commodity prices running below the levels of its first half. Unless these improved sharply, its operating earnings for its second half would be negatively affected, notwithstanding further depreciation in some of the currencies of countries in which it operated.

GENCOR: Group interest 11.0% (1998: 11.1%)

Gencor Limited's (Gencor) contribution to the Group's earnings, in contrast to that of Billiton, was lower than that of the previous year as a result of the distribution of Billiton shares referred to above.

In its latest interim report, Gencor announced attributable income for the six months to December 1998 of R323 million against R56 million for the half-year to December 1997. This was mainly for two reasons. Firstly, the latest half-year included dividend income from its investment in Gold Fields Limited (GFL) which was higher than income in the comparative half-year from its gold mines that were subsequently merged with those of Gold Fields of South Africa Limited to form GFL. Secondly, Impala Platinum Holdings Limited increased its attributable income by 136% in the particular period, principally due to the improvement in the average SA rand price of its metals.

GFSA: Group interest 15.3% (1998: 16.9%)

Gold Fields of South Africa Limited (GFSA) unbundled its interests in GFL and Standard Bank Investment Corporation (SBIC) in September 1998. The Group sold the SBIC shares it received.

As a result of this restructuring of GFSA its contribution to the Group's earnings reduced from R60 million in 1997/98 to R7 million in the year under review.

GFSA's interests currently consist mainly of Northam Platinum Limited, in which it holds roughly 80%, and cash of over R900 million.

GFL: Group interest 13.1% (1998: 0%)

Gold Fields Limited (GFL) has been equity accounted since the unbundling of GFL shares by GFSA. The Group's results include the attributable portion of the net income of GFL for the six months to December 1998. In the preceding six months, GFL's results were included in those of GFSA which were also equity accounted.

GFL reported attributable net income (according to International Accounting Standards) of R493 million for the six months to December 1998.

TRANS HEX: Group interest 50.0% (1998: 50.0%)

Trans Hex Group Limited's (Trans Hex) headline earnings increased from R51 million to R58 million. Operating income of the Diamond Division, before depreciation and exploration, increased by 41% over the previous year. The Lime Division incurred an operating loss before depreciation and exploration of R1.8 million.

The increase in headline earnings and positive cashflow enabled Trans Hex to continue its mine development and exploration at high levels. R27.5 million (1998: R14.3 million) was spent on mine development and R11.3 million (1998: R25.6 million) on exploration.

Trans Hex's two rough diamond tender sales held in March 1999 indicated a marked upturn in all prices but particularly for the higher quality stones.

INDUSTRIAL INTERESTS

Contribution to headline earnings:

- R301 mio (1998: R174 mio)
  - Increase 73.0%

Percentage of headline earnings:

- 10.5% (1998: 7.9%)

HL & H: Group interest 70.3% (1998: 66.0%)

Hunt Leuchars & Hepburn Holdings Limited's (HL & H) total turnover increased by 24% over the previous year; Transvaal Sugar Limited (TSB) by 7% and Robertsons Holdings (Pty) Limited (Robertsons) by 39%. TSB's turnover suffered as a result of low international sugar prices while Robertsons' sales were boosted by a strong performance by its Homecare business and the additional contribution from the joint venture with Bestfoods Europe (Group) Limited (Bestfoods) in Africa and Israel, which was referred to in last year's report.

HL & H's operating income grew by 20%. This was negatively influenced by the lower margins achieved by TSB. Robertsons improved its operating margins despite trading in a highly competitive market.

Financing costs reduced substantially in the second half of the year due to the temporary reduction of debt as a result of having the proceeds of the rights offer during October 1998 available before being required for the mill expansion. Once again Robertsons generated cash during the year, which contributed to the overall reduction in financing costs.

HL & H's attributable income before preference dividends and exceptional items amounted to R161.5 million, an increase of 20% over the R135.2 million of the previous year.

Benefits from the joint venture with Bestfoods have met the targets to date and given that this is expected to continue, together with a positive outlook for Homecare products, Robertsons foresees earnings growth for the year ahead.

The recent investment by TSB to expand its mill capacity and citrus interests should start to reap benefits in the coming year. However, the present low international sugar prices will have a negative impact.

RAINBOW: Group interest 55.9% (1998: 53.2%)

Rainbow Chicken Limited's (Rainbow) operating profit before exceptional items and interest amounted to R34.0 million (1998: loss R146.9 million) for the year to March 1999. Attributable losses amounted to R13.5 million (1998: R268.4 million).

There has been a significant improvement in operating performance with key indicators beginning to show encouraging results. Broiler growth rates and feed conversion efficiencies are nearing competitive standards whilst the restructuring of the processing plants has realised the expected gains.

Notwithstanding significant gains to be realised from Rainbow's recovery process, only the first phase of which has thus far been dealt with, performance is not yet up to the desired standard. A continued emphasis on all focus areas is required before it can return to sustained and acceptable profitability. If that process continues to be successful Rainbow expects to return to profitability for the financial year ahead, provided that current economic conditions improve during the course of the year.

METKOR: Group interest 75.7% (1998: 75.7%)

Metkor Group Limited (Metkor) holds interests in Wispeco Holdings Limited (100%), Air Products South Africa (Pty) Limited (50%) and Dorbyl Limited (33%). Remgro also holds a direct interest of 16.5% (1998: 9.4%) in Dorbyl.

Metkor reported headline earnings of R42 million for the year under review compared to R20 million the previous year. Air Products achieved commendable results while Wispeco reduced its losses significantly.

Dorbyl increased turnover by 17%. Alpine Engineered Products, the American subsidiary acquired 1 June 1998, contributed 14% to this increase. Excluding the net effect of recent acquisitions and disposals, Dorbyl's turnover would have decreased by 3%. Margins generally had to be adjusted downwards to protect market share in a declining market. As a result, Dorbyl's operating profit fell 14% to R199 million (1998: R232 million) despite a solid contribution by Alpine.

Increased borrowings required to finance acquisitions and the higher interest rates on local borrowings increased the net interest charge by R35 million to R57 million.

Dorbyl's headline earnings declined by 28% to R102 million.

The difficult trading conditions worsened during the last six months of the financial year and any improvement is only expected towards the end of the current year. As a result Dorbyl has been forced to continue to rationalise and reduce costs. On the positive side however, the weakness of the SA rand has improved export possibilities and the promotion of exports will continue to be a major focus.

LENCO: Group interest 32.7% (1998: 21.2%)

Lenco Holdings Limited (Lenco) reported headline earnings of R17 million for the year under review (1998: R23 million). This reflects, amongst other, the difficult trading conditions experienced by its continuing operations.

During the past financial year, Lenco exchanged its packaging operations for shares in Malbak Limited (Malbak) and sold its clothing division for cash which was used to reduce debt. Lenco equity accounted its 14.3% in Malbak for the twelve months to March 1999.

MALBAK: Group interest 47.5% (1998: 38.8%)

Malbak Limited (Malbak) reported headline earnings of R224 million for the year under review, representing an increase of 21%. Excluding a deferred tax rate adjustment, earnings would have improved by 11%.

Malbak Limited (Malbak) reported headline earnings of R224 million for the year under review, representing an increase of 21%. Excluding a deferred tax rate adjustment, earnings would have improved by 11%. Operating margins improved notwithstanding selling price pressure and fierce competition as the benefits from past rationalisations were realised. 38% of Malbak's headline earnings was derived from offshore operations.

The past year has seen a significant reshaping of the Malbak Group. Non-core activities have either been disposed of or have been earmarked for disposal, and acquisitions either made or identified. These activities, executed within a strategic framework, are resulting in an internationally focused packaging group concentrating on folding cartons, cores and flexible and rigid plastic packaging.

In pursuit of its strategic goals, Malbak intends to use its substantial cash resources to actively seek acquisitions locally and internationally in its chosen fields of activity.

FINANCIAL SERVICES

Contribution to headline earnings:

- R232 mio (1998: R196 mio)
  - Increase 18.4%

Percentage of headline earnings:

- 8.1% (1998: 8.9%)

ABSA: Group interest 9.5% (1998: 9.5%)

ABSA Group Limited's (ABSA) attributable income for the year under review grew by 19.2% from R1 598 million to R1 905 million. Headline earnings increased by 16.3% from R1 692 million to R1 968 million.

Net interest income increased by 10.8% to R6 788 million despite pressure on margins and a slowdown in credit extension in the economy as a whole. The net interest margin decreased to 4.26% from 4.30% for the 1998 financial year.

The substantial increase in real interest rates as well as the slowdown in economic growth placed South African consumers under severe strain, resulting in higher levels of provisions for bad and doubtful advances. ABSA's charge against income increased by 45.6% to R1 460 million and to 1.11% (1998: 0.86%) as a percentage of net advances.

ABSA expects that earnings growth may be somewhat dampened for the first half of the forthcoming year. An anticipated improvement in trading conditions later, together with ABSA's focus on improving cost efficiency, should lead to sound growth for the full year ahead.

SAGE: Group interest 16.4% (1998: 16.5%)

Sage Group Limited's (Sage) headline earnings increased by 26.7% to R281.8 million. Its life assurance and unit trust activities contributed 70% of its earnings, the balance being from other financial services, including foreign interests and property activities.

CORPORATE AND OTHER INTERESTS

Contribution to headline earnings:

- R398 mio (1998: R312 mio)
  - Increase 27.6%

Percentage of headline earnings:

- 13.9% (1998: 14.1%)

CORPORATE: Group interest 100% (1998: 100%)

The corporate interests mainly comprise group services, group treasury and portfolio investments. These interests contributed R198.9 million (1998: R168 million) to Group earnings. Cash resources amounted to R2 102 million at year-end compared to R1 631 million the previous year.

Rainbow Chicken Limited's (Rainbow) operating profit before exceptional items and interest amounted to R34.0 million (1998: loss R146.9 million) for the year to March 1999. Attributable losses amounted to R13.5 million (1998: R268.4 million).

MEDI-CLINIC: Group interest 50.4% (1998: 50.4%)

Medi-Clinic Corporation Limited's (Medi-Clinic) acquisition of the hospital business of the Auckland Health Group, effective 1 July 1998, has expanded its network of multi-disciplinary hospitals by 11 to 33 and total bed capacity by almost 1 000 to approximately 5 000 beds. Taking this into account, Medi-Clinic's turnover rose by 35.6% to R1 540 million while its operating income before depreciation increased by 36.3% to R314 million. Headline earnings of 47.2 cents per permanent unit of capital are 15.4% higher than the previous year. The steady performance of Medi-Clinic has been maintained in spite of the poor economic conditions over the past year.

The full effect of the capacity increase described above, will only be realised in the new financial year. Medi-Clinic is also in a favourable position to utilise the opportunities offered by managed health care in co-operation with the Apex Health Care Network.

From June 1999, labour legislation will add further costs to hospital service providers including the public sector hospitals. The new Medical Schemes Act and regulations are on the whole not regarded as a threat.

VODACOM: Group interest 13.5% (1998: 13.5%)

Vodacom Group (Pty) Limited (Vodacom) has maintained and entrenched its position as South Africa's leading mobile telephone network. The growth in the industry continues and will be further stimulated by the entry in the market of the third network operator and the development of new products.

Vodacom's turnover rose by 56.4% to R6.8 billion, and attributable income increased to R715.7 million, representing growth in excess of 55%.

Network expansion will require capital expenditure for the coming financial year in excess of R2.3 billion. This will be financed from internal resources.

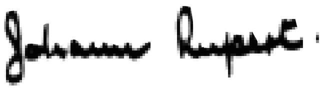
TRACKER: Group interest 48.8% (1998: 48.8%)

During the past year Tracker Investment Holdings (Pty) Limited (Tracker) consolidated its position as a leading player in the relatively new vehicle recovery industry. More than 50 000 vehicles have already been equipped with the Tracker system, representing an estimated 45% of the market. To date more than 3 500 stolen vehicles have been recovered, 500 arrests made and several vehicle crime syndicates exposed. These benefits accrue not only to the users of the Tracker system but also to the broader community.

A network expansion programme is now under way. At its completion by August 1999, Tracker will have one of the most comprehensive private communication networks at its disposal. Two and a half years after the installation of the first Tracker unit, the company is already profitable.

ACKNOWLEDGEMENTS

To all of those who contributed to the success of the Group over the past year, we extend our sincere thanks: to the shareholders for their continued confidence; the managing directors and all colleagues in the various Group companies for their co-operation and support; all other directors, officials and employees for their dedication and all parties concerned for services rendered to the Group.



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15 June 1999