Operational and Strategic Update

Financial
- Positive earnings momentum maintained year to date, both in rands and constant currency
- Quality of earnings remains sound; gross margins have held up overall; some wage pressure in operating costs in growing economies
- Net funding costs continue to decline vs PF2016;
- Working capital absorption continued into Q3 but will reverse into Q4; overall cash generation should be good for the year
- Have raised additional €85 million 3 year funding (fixed rates) for refinancing and Guzman acquisition; Our € funding rates (only on new debt) have increased by 30bps driven by higher inflation expectations in the euro zone
- Capex year to date slightly ahead of depreciation and amortisation charge – reflecting ongoing capacity investment into PPE ahead of requirements but within overall guidance previously provided (approx. 1.3% – 1.5% of revenue)
- Corporate activity:
  - To December 2016 – bolt-on’s R496 million, Q3 spend R153 million
  - Sale of 50% of Bakery business to Puratos effective April 2017, residual investment to be equity accounted
  - Acquisition of Guzman completed in April 2017

Strategic
- Global interest rates anticipated to rise in a transforming and volatile world, Bidcorp philosophy regarding gearing remains conservative – fundamental principle of debt matched to assets (natural hedge) remains
- Work continues on improving efficiency of Group capital structure but a medium term project
- Currency volatility will remain but businesses managed in their local currencies; long term returns should negate the negative effects of currency devaluations