2008

SHOPRITE HOLDINGS LTD

Financial Results

FOR THE YEAR ENDED 30 JUNE 2008

Financial Highlights

Carel Goosen *Deputy Managing Director*

Size of Operation

	June 2008
Turnover	R48 bn
Owned Outlets	984
Franchise Outlets	256
Countries	17
Employees	73,000
Market Capitalisation	R24 bn*

*During August 2008

Financial Results

Turnover	+ 22.3%	R 47,7bn
Trading Profit	+ 43.7 %	R 2,3bn
Trading Margin	From 4.1% to	4.8%
Diluted Headline EPS	+ 54.1%	298.6c
Dividend per share	Cover = 2x	155.0c

Key Information

- **Turnover**
  - Total + 22.3%
  - RSA Supermarkets + 21.8%
  - Non-RSA Supermarkets + 38.1%
  - Furniture + 5.6%
  - Franchise + 17.7%

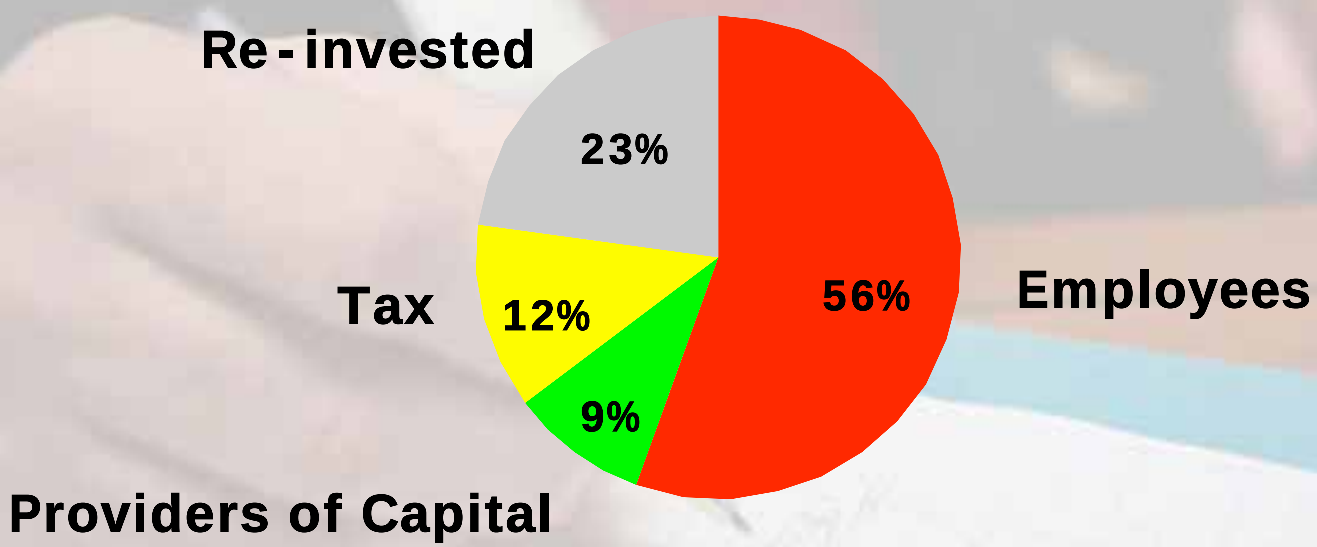
- **Trading profit**
  - Total + 43.7%
  - RSA Supermarkets + 47.1%
  - Non-RSA Supermarkets > 100.0%
  - Furniture - 24.2%
  - Franchise + 71.6%

Key Information

• Diluted Headline EPS	+ 54.1% to 298.6c
• Dividends per share	+ 53.5% to 155.0c
• NAV per share	+ 30.8% to 938.0c

Value Added Statement (R'm)

• Employees	3 913
• Providers of Capital	643
• Tax	876
• Re-invested	1 614



Sales Growth Analysis

	Existing stores	Net New stores	Total
RSA Supermarkets	17.9%	3.9%	21.8%
Non-RSA Supermarkets	30.5%	7.6%	38.1%
Furniture	(1.1%)	6.7%	5.6%
Franchise	21.0%	(3.3%)	17.7%

Store Portfolios

	July 2007	Opened	Closed	June 2008
Supermarkets	604	42	(10)	636
Hungry Lion	97	18	(3)	112
Furniture	216	22	(2)	236
Owned Stores	**917**	**82**	**(15)**	**984**
Franchise	264	29	(37)	256
Total Stores	**1,181**	**111**	**(52)**	**1,240**
Pharmacies	44	10	(1)	53
Liquor stores	18	14	-	32
Countries	17	-	-	17

Highlights of Results

Gross margin decreased

- Cut margins on basic foods
- Alleviate impact of high food inflation on consumers
- Resulting in high sales volumes

Highlights of Results

Other operating income increased 23.1%

	Jun 2007 R'm	Jun 2008 R'm	Growth %
Finance income earned	163	171	4.7
Net premiums earned	186	201	8.0
Operating lease income	175	197	12.5
Commissions received	169	210	24.4
Franchise fees received	24	29	20.3
Investment income	8	28	259.7
Sundry income	73	147	100.1
Total	**798**	**983**	**23.1**

Highlights of Results

- **Depreciation and amortisation increased 15.4%**
  - Increased spend on revamps and new branches
- **Operating lease increased 12.5%**
  - Due to 67 corporate stores opened in financial year
  - Turnover rentals on high sales growth
- **Employee benefits increased 17.9%**
  - Resulting staffing requirements due to increased turnover
  - Productivity increased
  - New stores
- **Other operating expenses increased 8.4%**
  - Lower than CPIX of 8.7% for the year
  - Good cost control

Highlights of Results

- **Trading profit increased 43.7% with turnover increasing by 22.3%**
  - Contained overhead costs
  - Cut in gross margins resulted in higher sales growth
  - Higher turnover growth than expense growth
  - Growth in service departments
  - Trading margin highest ever: 4.8%
  - Increased contribution from Non-RSA operations

Highlights of Results

Exchange rate gains increased 39.9%

- Jun 2007: R24 million
- Jun 2008: R33 million

Rand to US Dollar exchange rates	**(R:$)**
June 2006	R7.11
June 2007	R7.10
June 2008	R7.96

Highlights of Results

	2007 R'm	2008 R'm
Capital items	**60**	**7**
– Mainly relating to fixed assets in the current year and sale of investments in the previous year		
Net interest received	**25**	**125**
– Higher interest rates and improved cash flows		
Tax		
– Normal	597	812
– STC	57	55
– Deferred	(31)	9
Total	**623**	**876**

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Highlights of Results

Capital Expenditure

	2007 R'm	2008 R'm
Land and buildings	308	401
Store Refurbishment	463	458
New Stores	239	220
Information Technology	159	213
Other replacements*	95	149
Total	**1,264**	**1,441**

*Distribution Centres, Motor Vehicles, Generators & Office Furniture

Highlights of Results

	2007 R'm	2008 R'm	Growth %
Inventory	3,699	4,707	27.3

Provisioning of new stores

Avoid "out-of-stock" due to lower supplier service standards

Forward buying – global food shortages and higher food inflation

Cash balances vs. Trade Creditors

Increases due to balance sheet closing date

Highlights of Results

Debtors

	2007 R'm	2008 R'm	Growth %
Furniture (net)	571	608	6.5
Franchise	285	375	31.6
Buy aid organisations	96	114	18.8
Other receivables	570	593	4.0
Total	**1,522**	**1,690**	**11.0**

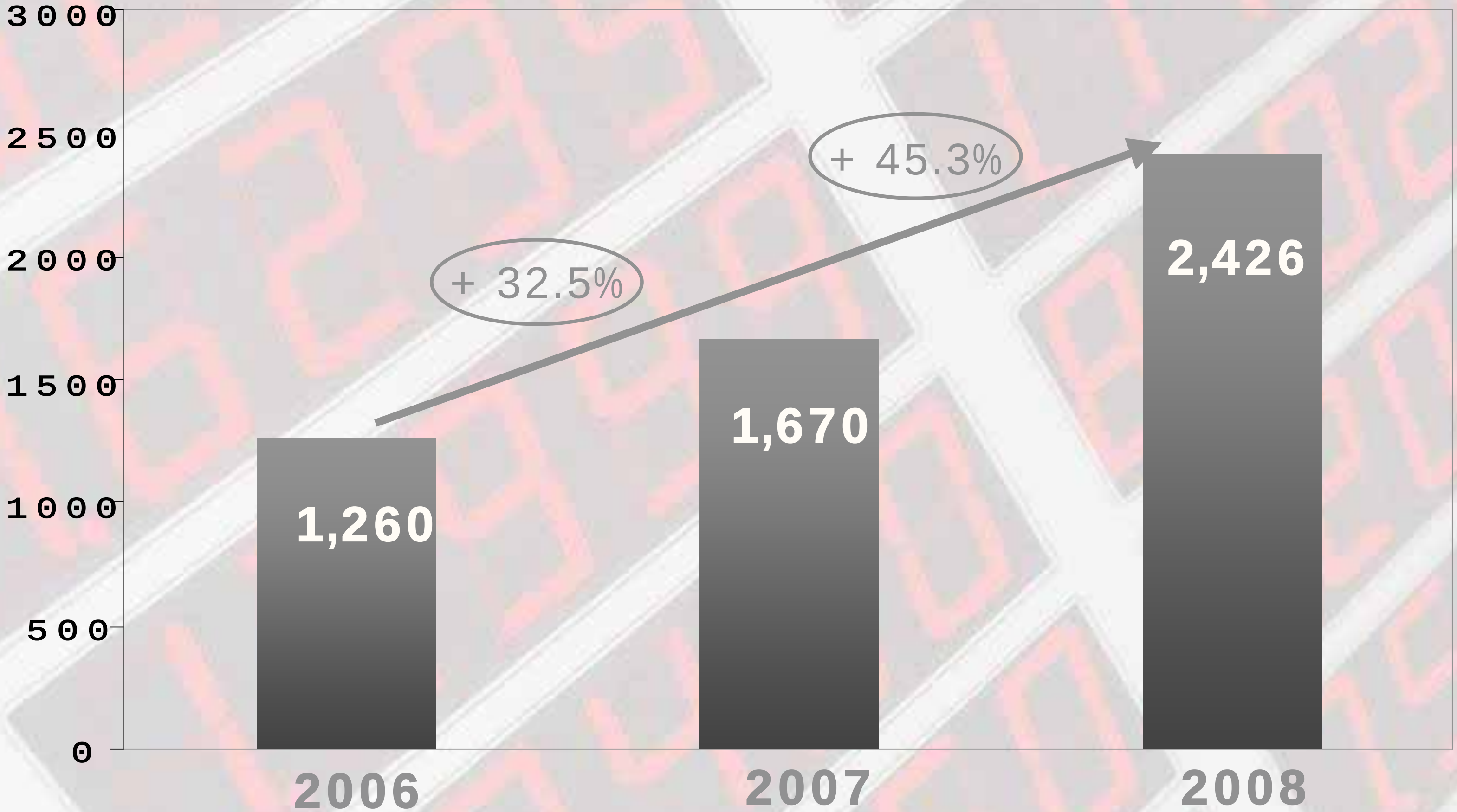
Highlights of Results

Cash flow reconciliation

	R'm
Cash at June 2007	1,988
Cash from operations	2,890
Changes in working capital	397
Net interest received	146
Dividends paid	(588)
Tax paid	(616)
Purchase of assets	(1,436)
Proceeds on disposal of assets	263
Other	92
Cash at June 2008	**3,136**

Highlights of Results

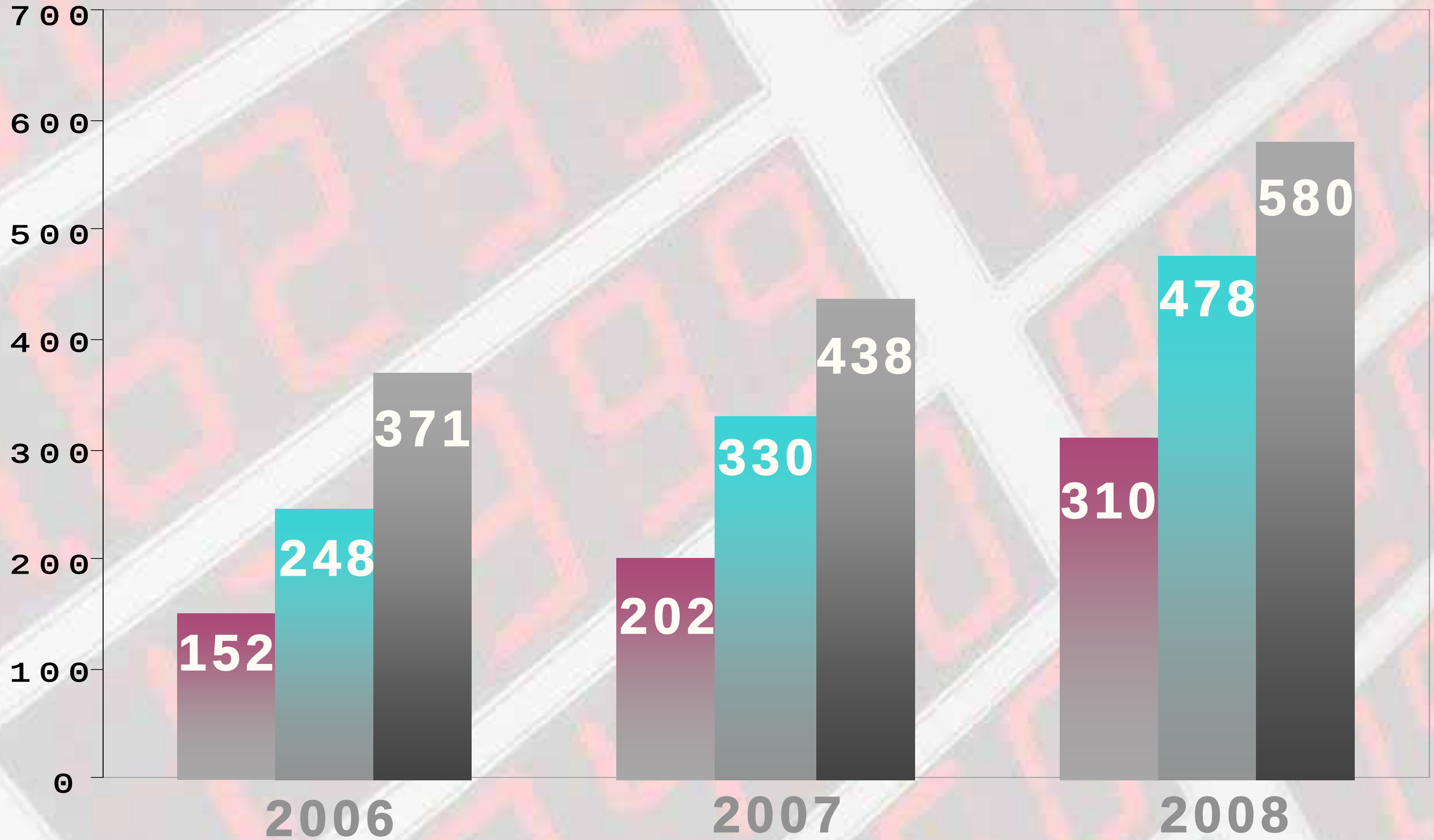
Cash Earnings* (R'm)



*Cash flows from operating activities excluding dividends paid and changes in working capital

Highlights of Results

HEPS vs Cash EPS* vs EBITDA per share (cents)



*Cash flows from operating activities excluding dividends paid and changes in working capital

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Furniture

Aubrey Karp

Furniture

- **Highlights**
  - Sales increase by 5.6% to R2,26bn
  - Sales and income growth in OK Furniture outstrips inflation
  - 22 new stores opened
  - First batch of salespeople learnerships now complete
  - Trading profit drops by 24,2% to R155,18 million (2006 – R204,84 million)
    - Significantly affected by sluggish trading and ongoing reductions in the House & Home credit business
    - House & Home profit reductions limited by excellent growth in OK Furniture and OK Power Express

Furniture

- **Trading environment**
  - Slowdown in expenditure and disposable income erosion continues in the middle to higher consumer LSM's
  - Mainly precipitated by:
    - Past uncontrolled and excessive credit binges and high levels of consumer credit exposure (78%)
    - High interest rates and massive increases in food, petrol, electricity, medical and other costs
  - Price deflation persists in the home entertainment and furniture related departments, with only small increases in the appliance departments

Furniture

Stores	Opened	Total	Confirmed until June 2009
OK Furniture	14	183	16
OK Power Express	0	14	0
House and Home	8	39	7
Total	**22**	**236**	**23**

Target remains 265 stores by June 2009

Furniture

- Sales Growth

	2007 (R'bn)	2008 (R'bn)
Increased by 5.6%	2,139	2,258

- OK Furniture and OK Power Express increased by 13.23% (GEB: 8.39%)
- House and Home decreased by 3.20% (GEB: -11.73%)
- Reported Department of Statistics furniture and appliance deflation: 0.90%
- Furniture division – internal deflation: 0.20%

Furniture

- Sales Mix – Merchandise Sales

	2007	2008
Home entertainment & appliances	64%	65%
Furniture, bedding, patio & carpeting	36%	35%

Furniture

- Sales Mix – Cash and Credit

	2007	2008
Cash	67.90%	69.75%
Credit	30.10%	30.25%
# of new contracts (4.28% decrease)	249 134	238 482

- OK Furniture credit participation now higher than the previous year
- House and Home still significantly down (- 6.76%)

Furniture

- **National Credit Act**
  - Continuing negative effect on credit advancement – particularly in the market serviced by House and Home
  - Still no specific guidelines on affordability formula standardisation
  - Debtors reluctant to provide detail of monthly expenditure and sometimes no clear lines as to “who pays what” (Credit application changed to include customer and spouse financial details)
  - More stable debt administration process, but remains under pressure (long delays) and some abuse already reported
  - Joint retailers and banks national debt mediation association now implemented, with qualified debt administrators (supported by Regulator)

Furniture

- Trading Profit

	2007 (R'000)	2008 (R'000)
Decreased by 24.2%	204 839	155 181

- Affected by:
  - Reduced sales and credit in the House & Home – affects all other incomes, (finance, insurance, carpet fitting and contract initiation incomes)
  - No product inflation and in some cases ongoing deflation
  - Market competitiveness – affects margins

Furniture

Debtors Book	2007	2008	% Variance
Actual Arrears	4.12%	5.80%	43.42%
Balance of Contract Arrears	18.82%	24.20%	28.40%
Bad Debt and UFC Provisions	18.72%	11.69%	-37.64%

House & Home book balance decrease (–34.14%)

NCA debt administration process and time lag

UFC will eventually reduce to zero

Furniture

- **Prospects**

  Expect slower trading environment and growth to continue – at least until the end of 2009
- As a consequence of:
  - Remaining negative effects of new Credit Act
  - The ongoing erosion of consumer disposable income
- Caused primarily by:
  - High debt levels affecting NCA affordability
  - Previous interest rate increases
  - Ongoing food, medical, energy and fuel cost increases

Furniture

- **Prospects**
- Some level of product inflation expected
- Due to increased raw material, transport and labour costs caused by:
  - Petrol price increases
  - Weaker Rand exchange rates
  - Weaker currencies in most export countries

Furniture

- **Growth**
- Future focused on organic growth, sales and customers:
  - Continuation of planned store footprint expansion
  - Continued range enhancements and product innovation
  - Increased imported product participation (margin advantage)
  - Continued achievement of volume growths through discounted pricing (other traditional furniture retailers starting to follow)

Furniture

- **Growth**
- Future focused on organic growth, sales and customers:
  - Continual customer service focus and improvement
  - Enhanced staff training and development programmes to provide better product knowledge and customer service (SETA approved salespeople, store management and other learnerships)
  - Maintain focus on costs – squeeze additional reductions through operating efficiencies

Operating Highlights

Whitey Basson *Chief Executive Officer*

Performance History

- The average cumulative growth for the 22 years since listing in 1986:
  - Sales 30.9%
  - Trading profit 33.6%
  - R100 invested in Shoprite Shares in 1986 would be worth R30 000 today – growth of 30% per annum
  - Market Cap of R24bn

Market Capitalisation of Retailers at the end of August 2008

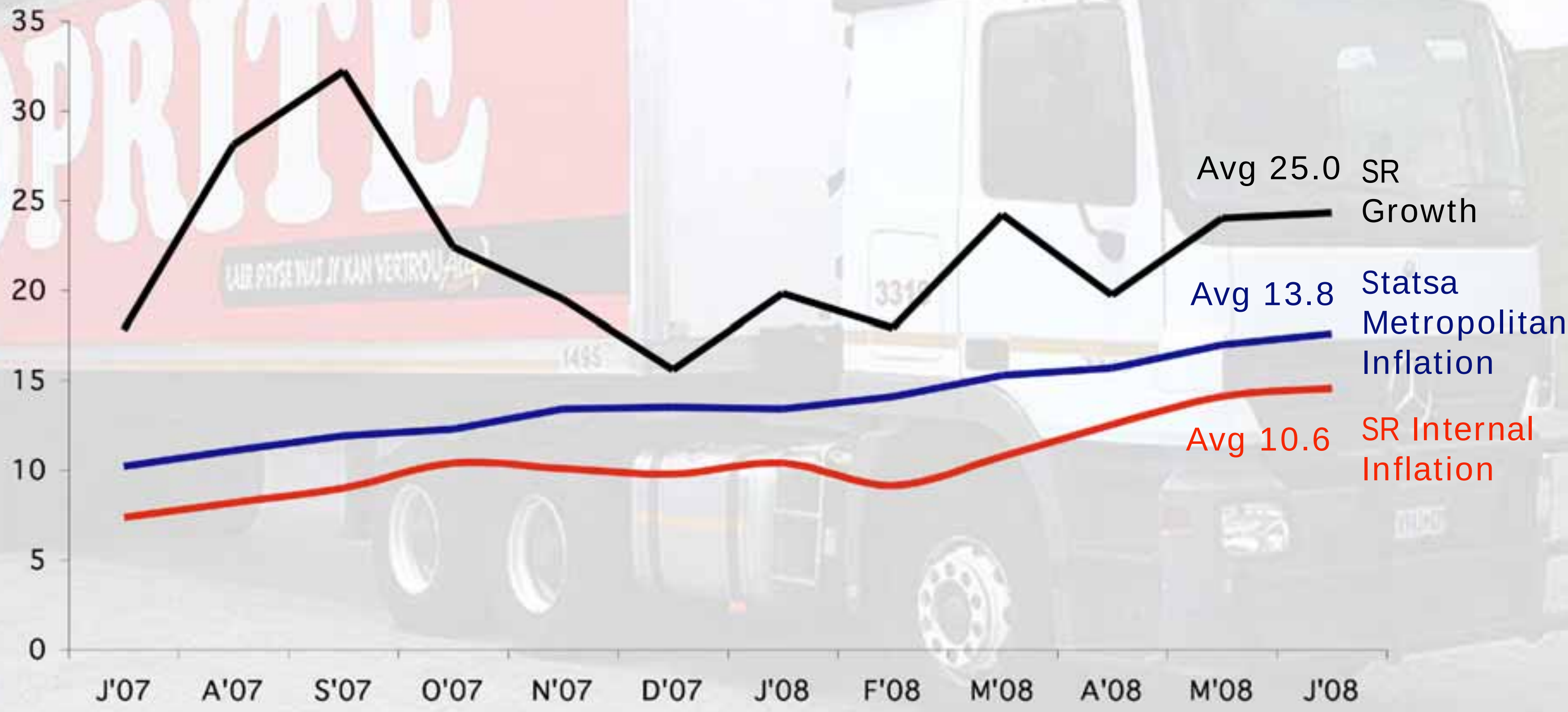
Operational Review

- Sales growth of 22.3%
  - Selling enough sausage that will span the coastline of Africa
  - 10 000 ha of potatoes
  - And apples that would stretch from Cape Town to Paris and back
  - Sugar enough to give each one on earth a double chocolate chip cookie
  - Processing 6 million orders per year
- Number of customers increased by 10.3%
- We now serve more than 55m customers p/month

Operational Review

- Lower Supplier Service levels – some were 20% lower than that of the DC - required a larger investment in stock
- Direct-to-store service levels have hit an all time low of 67% following capacity constraints and the profits of high inflation
- Interesting to note Group uses 15m liters of fuel p.a
- Every 10c fuel price increase costs group R1.5m
- RSA Market Share of 29.3% up 1.84% for the month of June
- Trading profit growth of 43.7%
- Trading margin of 4.8% as a result of a deliberate reduction in gross profit which improved sales volume

% Food Inflation vs % Sales Growth

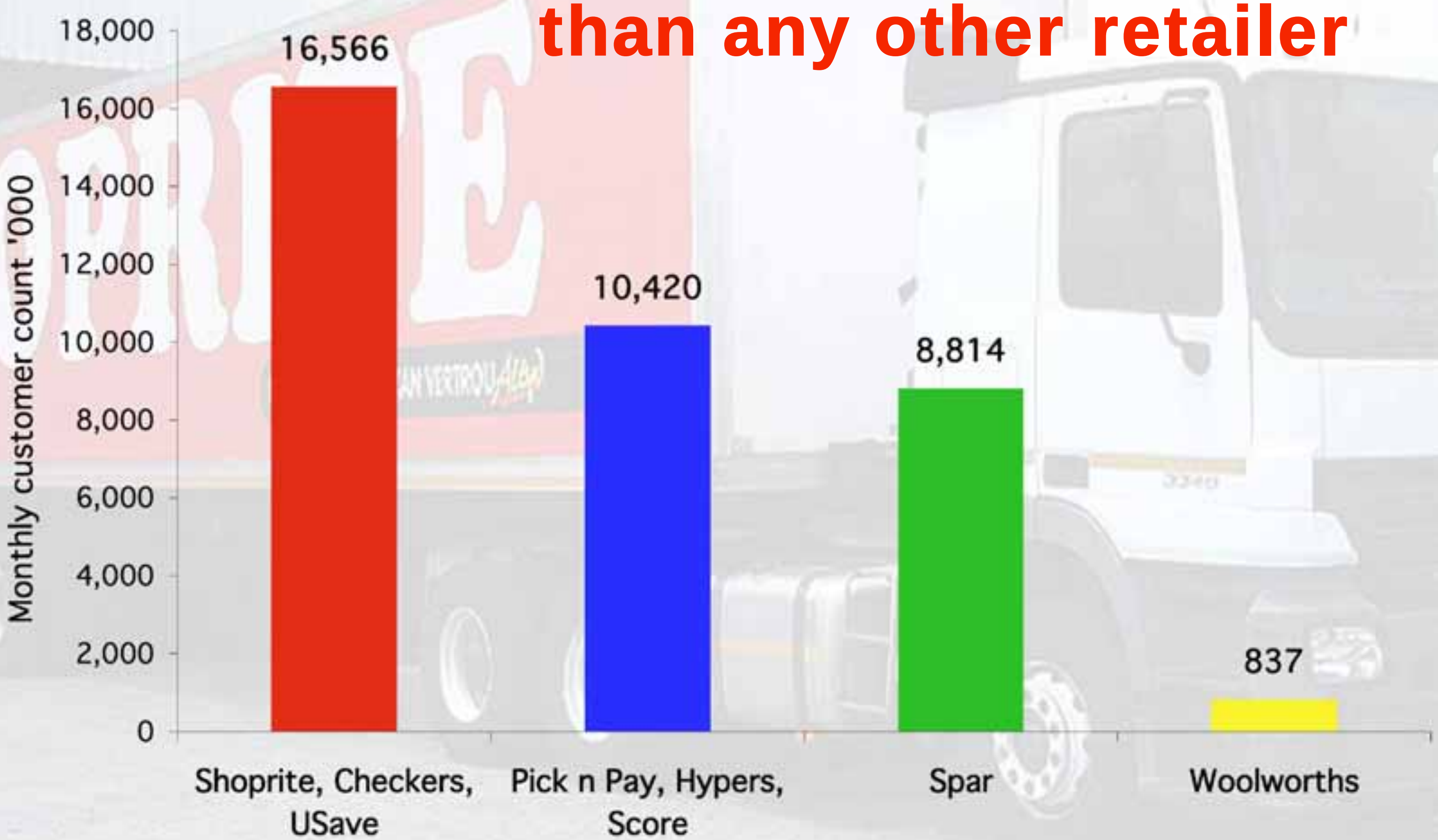


Source: Statistics South Africa, Shoprite Internal Results June 2008

Operational review

- Enjoy the strongest consumer loyalty as 63% (2% more than 12 months before) of adult population does their bulk shopping at any of our RSA Supermarkets (Nielsen: Shopper Trends Plus, June 2008)
- 16.6m unique adult shoppers per month - the largest of all retailers (AMPS 2007 AB)

Enjoy more customer support than any other retailer



Source: All Media and Products Survey (AMPS), 2007


ENTRADA PROIBIDA
Preços baixos em que pode confiar Sempre
10
11
fiar Sempre

Non-RSA

Non-RSA Overview

	2007	2008
Turnover growth	29.4%	38.1%
Non-RSA sales participation	10.8%	12.1%
Number of stores	95	100
Profit growth	> 50%	> 100%

6 premises purchased for own development in the next year

Non-RSA Overview

- The good results of Non-RSA was influenced by:
  - The boom in commodity prices raising GDP growths
  - Strengthening of currencies against the US Dollar while the Rand weakened
  - High inflation on average over 10%
- Export volumes up 24% in real terms but the supply chain worsened
- Average lead times increased from 30 to 55 days (some countries on 85 days) with port delays of up to 6 weeks
- Still have unresolved differences on tax rebates for exports

Non-RSA Overview

- India, Tanzania and Madagascar not profitable
- **India:**
  - Progress on FDI and MRP rules have been slower than anticipated and as a result:
  - Local and international retailers have slowed their India expansion
  - Evaluating our investment at present
- **Tanzania:**
  - After some changes during the 2nd part of the year Tanzania trading results improved substantially
  - Looks set for a good 2009
- **Madagascar:**
  - Current small format stores will be complemented with a new big store that will bring the required product differentiation

Supermarket Complimentary Services

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MONEY MARKET

Computicket the Ticket you can Trust

- Net income increased by 27%
- Money transfers grown over 300%
- We sell enough Mango flight tickets to fill 323 Boeing 737's
- Enough bus tickets to fill 21 000 Lux Liners
- And event tickets to fill Newlands 200 times
- Currently 12 006 events on sale
- Latest retail first with 100% no claim cash back life cover
- Extended travel business to be added soon

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MEDI-Rite PHARMACY

- 10 Pharmacies opened, now a total of 53
- Sales growth of 36.8%
- Scheduled products make up 74% of sales
- Health and Beauty integration showing growths of >100% in some categories
- Dispensing on its own not profitable

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HUNGRY LION

FOR THE LOVE OF CHICKEN

- A luxury in a slow economy for LSM 4-6
- Sales growth of 23.2%
- Trading profit growth of 10.5%
- Opened 116th store

- Sales and profitability up 3 times
- Opened 14 stores now 32 trading
- Positive contribution to overall store offering
- Combined wine sales with the supermarket increased – no cannibalisation
- Excellent penetration in Shoprite market segment
- 44 new applications submitted

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OK FRANCHISE DIVISION

- Good turnover growth on existing business of 21%
- Overall improvement of cost to income ratio together with the sales improvement increased trading profit by 71.6%
- Good debtors book with 95% on 30 days and under
- 29 newly recruited members

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Personnel

Productivity and employment

- Group: Sales per FTE +13.44%
- Employment: Headcount 73 373
- 4 096 permanent jobs directly created in the last 12 months
- Payroll produces 2 500 000 payslips annually in 17 countries

Achievements

- **Substantial increase in volumes:**
  - R102m (14% increase) invested into training
  - 98 816 training interventions
  - 821 learnerships – 9 full SETA qualifications
- 4 733 Managers attended training programmes
- 1 325 Trainee Branch Managers in training during last 6 months
- 3 125 employees received training in Africa
- Advanced Electronic Scheduling now in 270 stores

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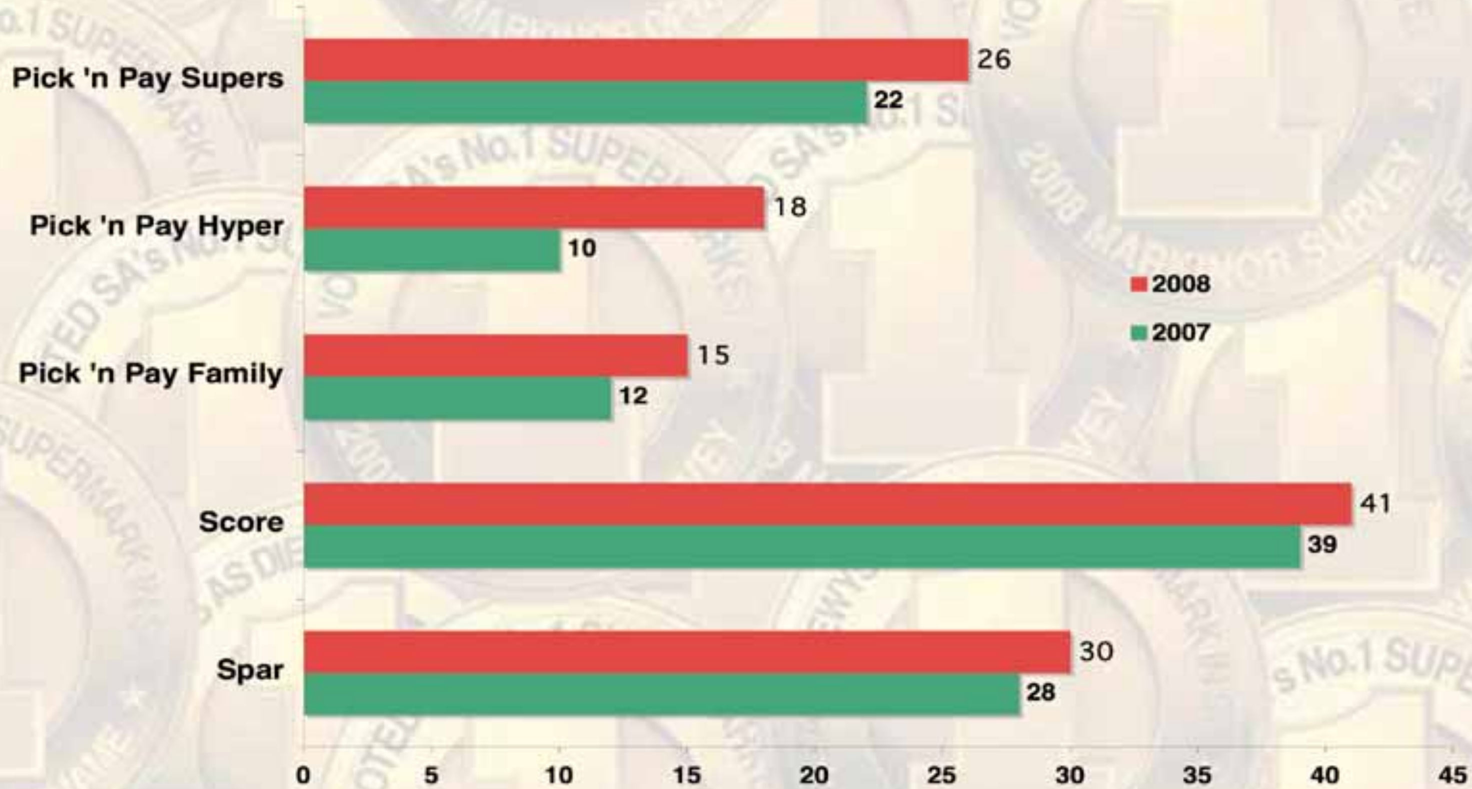
RSA Shoprite Overview

- No 1
- Sales growth of 25%
- Customer growth of 11.2%
- Market leader with 302 stores (7 new)
- Relentless low price investment proved a strong success factor during tough economic times
- Highest customer loyalty – 43% of customers do their bulk shopping exclusively at Shoprite (AMPS 2007 AB)

Shoprite improved its stature as the most preferred shopping destination when competitors' main bulk shoppers switch



Source: Nielsen Shopper Trends Plus June 2007 and June 2008

Emerging Markets

- Best positioned to capture emerging market
- 434 000 new jobs in RSA from Sep 2006 to Sep 2007
- Strict definition of unemployment down by 2.5% to 23%
- Degrees in low income households with a strong increase in R7000+ segment (AMPS 2007 AB)
- Continued growth in participation of emerging middle market across LSM 6-10 (AMPS 2007 AB)
- 33.4% of the emerging middle market moved into the LSM 5-10's in the last 3 years

On a yearly measure, Shoprite gained more customers than any other retailer

Source: All Media and Products Survey (AMPS), 2005, 2006, 2007


Lower
than Low
Prices
means
U PAY LESS
everyday
SHOPRITE
Usave
Where Good Food Costs Less...Everyday

Usave Overview

- Sales growth of 48.2%
- Customer growth of 21.9%
- Gross margin reduced by 1.3% - overall profitability improved (LESS IS MORE!!)
- Private label products now 127 at an average price difference of 15% and a 5% margin gain
- Although from a low base, the Usave market share has doubled over the last year
- Number of stores 116
- ROI in excess of 50%


THE SECRET OF THE ODD BIN
Checkers
Free of antibiotics
Free of added hormones
CERTIFIED
Natural Lamb
Checkers
Over 400 cheeses to choose from
cheese WORLD
Checkers
Checkers
cheese WORLD
Checkers

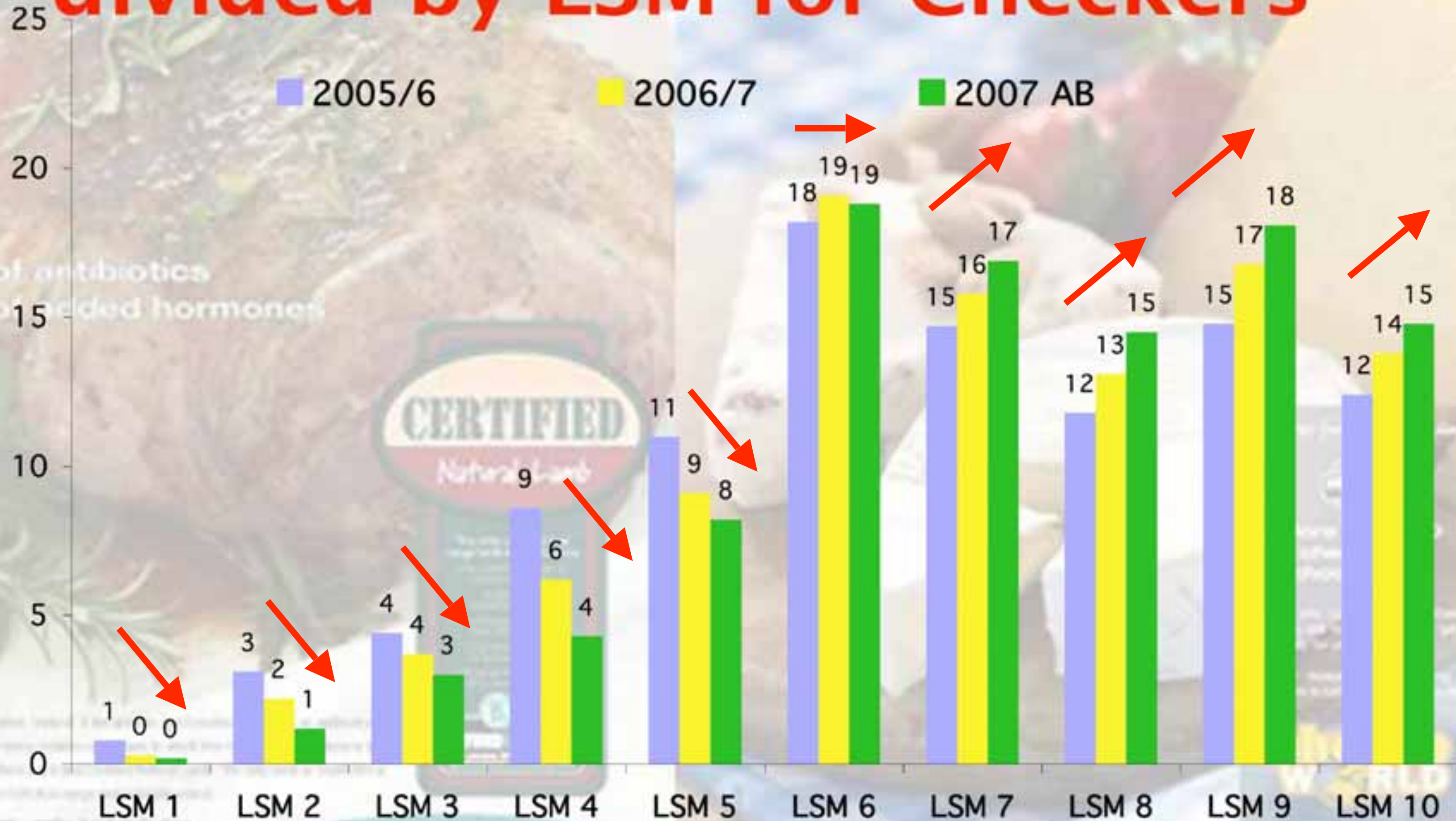
Checkers Overview

- Sales growth of 15.6% (GEB 12.9%)
- Customer growth of 6.2% to 13.3m customers per month
- Basket Size growth of 9%
- Number of stores 143 (7 new, 1 closed)

Checkers Strategy

- Main objective of repositioning is to become the preferred shopping destination of LSM 8-10 shoppers
- Evidence that strategy is gaining traction:
  - Highest % growth of all retailers in LSM 8-10
  - LSM 8-10 profile now sitting at 47.4% (AMPS 2007 AB)
- Total store sales have also grown above the market for the year under review and Checkers is the best performing retail brand for the last five months

Total customer participation divided by LSM for Checkers



Source: AMPS 2007

Checkers Categories

- Continue to enhance our leadership in key areas where we are outgrowing the market
- Focus categories include:
  - Wine
  - Cheese
  - Meat
    - Steakhouse Classic
    - Certified Natural Lamb
    - Championship Boerewors
- Perishable basket grew 20%
- Rapidly expanding fresh foods range and ready-to-table meal solutions

2009…

- Succession Management
  - How well are you positioned with your people?
  - No of graduates - 1 306
  - Entrepreneurs

- SA Demographic for future

Demographic spread makes us more resilient than other retailers

Source: AMPS 2007

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Questions