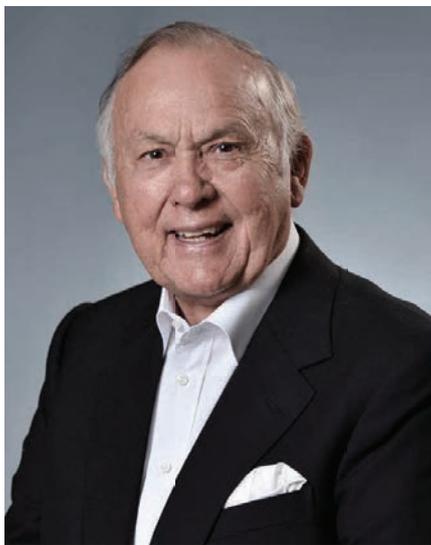


Chairman's report



CH Wiese

We continue to play a significant role as the country's largest private sector employer, adding on average 7 500 new jobs each year and providing training interventions to enable thousands of individuals to make better lives for themselves and identifying and nurturing talented individuals.

People have been predicting the death of bricks and mortar retail for some years.

At the Shoprite Group, we are not denying the signs, evident at least in pockets of the retail industry globally.

But we do not foresee its demise – certainly where we operate – where retail, and our Group in particular, has many opportunities for growth.

Our belief is that in the future retailers need to be omni-channel operators, a trend which highlights the continuous and increasing pressure to innovate.

The Shoprite Group, with its young management team, is fully committed to the concept of innovation. Our innovation and digital transformation strategies are driving our plans for sustainability well into the future as we continuously look for opportunities to deliver benefits to our customers.

Serving our customers

What we do see now, more than ever, is the customer being king. Those retailers that will succeed are those that best meet the needs and requirements of customers.

It is no secret that the South African consumer is having a particularly rough time, and we are doing our best to help where we can.

The VAT increase, record petrol prices, the effect of lingering drought conditions, poor gross domestic product growth, weakening rand and the stubbornly high and unacceptable level of joblessness continue to weigh heavily on our customers, whose expenses are rising faster than official inflation figures suggest.

Given the pressure on our customers' pockets, we are managing, through our concerted efforts and unrelenting focus, to contain inflation on the products we sell despite growing input costs.

In fact, we are in many respects in a period of internal price deflation, with 13 241 of our products selling at lower prices than a year ago.

We continue to be the market leader as we aim for optimal efficiencies and are positioning ourselves for growth opportunities while continuing to focus on our customers.

We fully understand that many of them work within very tight budgets, and that in meeting their needs, we should go the extra mile to make their basket as affordable as possible.

We do this through many initiatives developed over many years, which enable us to be the price leader in South Africa, and, in fact, in all the markets in which we operate.

Africa commitment

The past financial year has been a difficult one across the continent. Many African economies are still suffering from the slow recovery in commodity prices, but here and there we are starting to see rays of light coming through, and this is being reflected in our sales.

We remain fully committed to Africa, continue to build on the successful base we have established, and continue to believe in its vast potential.

Demographic projections indicate that at the turn of the century, nearly 40% of the world's population, or four billion people, will live in Africa. Africa is a market you neglect at your peril.

As the Group continues to gain in expertise and strength in its operations across the continent, the time has come for us to look further at other emerging markets.

We will proceed with the utmost caution. We are not betting the farm on any one initiative and we are making sure all the relevant and important boxes are ticked.

Our significant role in South Africa

While we have always been ambitious and successful, no matter the environment, we believe that leadership changes in South Africa herald a new and positive spirit in the country which is positive for our customers and for us as a business.

But we are not unaware of the challenges that government faces and we are committed to helping where we can to set South Africa on a new and winning course.

We are in favour of the introduction of a national minimum wage, which is one of many levers to pull to break the cycle of dire poverty in South Africa.

However, the only real way to break the cycle is to get the economy to grow – it is the rising tide that floats all boats.

South Africa cannot become the country it should be unless we dramatically, and in a short space of time, reduce unemployment, and we expect government to take the lead by increasing the ease of doing business.

For our part, we continue to play a significant role as the country's largest private sector employer, adding on average 7 500 new jobs each year, providing training interventions to enable thousands of individuals to make better lives for themselves and identifying and nurturing talented individuals.

We are committed to the youth employment scheme and offer bursaries and future employment to talented individuals.



On completion of the Group's Retail Readiness Programme, which transfers skills to young unemployed black people, participants receive a NQF-level 3 qualification, equipping them with the skills to enter the retail sector or start their own business. The programme has trained 12 850 people over the past three years – 4 040 within the reporting period.

We have extensive programmes in enterprise development, we add a growing number of entrepreneurial businesses to our 20 000-strong supply chain year after year and we help suppliers to grow their businesses.

We work hard to alleviate the burden on consumers through our low prices, subsidy of bread and other basic items, hunger relief programmes, donation of surplus food, Mobile Soup Kitchens, R5 meals, student discount weeks and food gardens.

Acknowledgements

We are in transition into a whole new era of doing business and I am confident that we have built up a talented team to deal with it. Our efforts are spearheaded by the Group's youthful and highly experienced leadership team. Our leadership transition with the appointment of Pieter Engelbrecht as Chief Executive Officer continued this year. Marius Bosman, Chief Financial Officer, retired from the Board on 2 July 2018 after 25 years of service and board membership since 2014.

He is replaced by Anton de Bruyn who has more than 15 years of service within the Group, most recently as Deputy General Manager Group Finance.

General Manager: Retail Investments Etienne Nel, who joined the company in 1997 and served on the board since 2005, retired with effect 29 June. His alternate director, Adrian Basson, also retired from the Board.

Whitey Basson retired from the Board as Vice Chairman and a non-executive director with effect from 25 October 2017. He served in this capacity since 1 January 2017 after retiring as CEO at the end of 2016, leaving a brilliant legacy.

I would like to thank all of these colleagues sincerely for their service and exceptional contribution to the success of the Group.

The Shoprite Group's ability to weather many storms is a testament to its exceptional management and the depth of expertise,

experience and commitment among all of our 147 478 employees, my fellow board members, our shareholders and our suppliers. Each one of them deserves our deepest gratitude and recognition.

The Shoprite Group is in business, first and foremost, for our customers, and I am most grateful that they continue to trust us to provide as best we can for them and their families.

CH Wiese
Chairman

20 August 2018