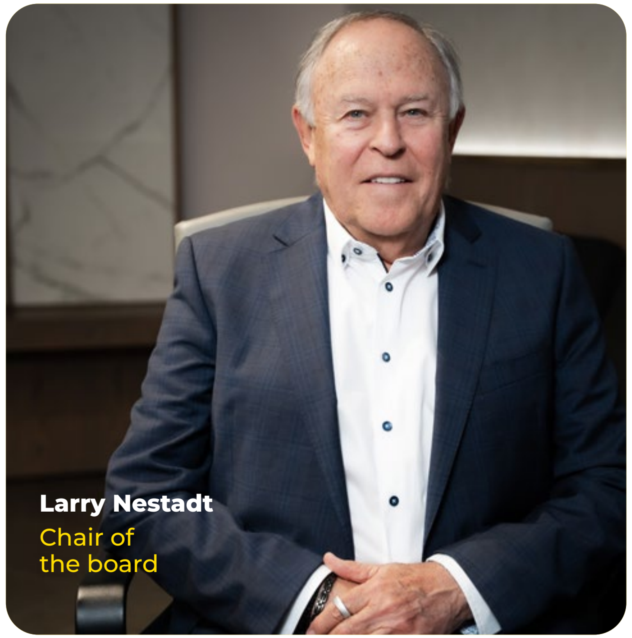

Larry Nestadt
Chair of the board

Group revenue
▲ **9.3%** to R42.8 billion

Total income
▲ **9.5%** to R13.2 billion

HEPS
▼ **17.3%**

Chair's Report

The 2026 financial year was marked by a complex and evolving operating environment. South African consumers continued to face pressure from elevated living costs, constrained disposable income, and persistent macroeconomic uncertainty.

At the same time, the healthcare and retail sectors experienced ongoing structural change, driven by digital transformation, shifting consumer behaviour, regulatory developments – including the continued evolution of the National Health Insurance framework – and rising expectations for accessibility, affordability, and service delivery.

Against this backdrop, Dis-Chem Pharmacies Limited delivered a resilient performance, with Group revenue up 9.3% to R42.8 billion. Total income excluding the property gain in the prior period rose 8.7% (9.6% when excluding the property gain in the prior period) to R13.2 billion, reflecting continued market share gains across core retail categories and an improving total income margin. Earnings per share and headline earnings per share declined by 17.1% and 17.3%, respectively – a consequence of the Group's deliberate and Board-endorsed R330 million investment to establish X, bigly labs, together with certain non-recurring expenses. Excluding this ecosystem investment and non-recurring items in the current and prior periods, Group profit before tax increased by 20.1%. The Board considers this investment to be strategically essential and is satisfied that early proof points, including the successful launch of the Better Rewards programme and the Group's Store of the Future design – the Health Hub – validate the investment thesis.

FY2026 was also a year of meaningful transition for the Group, both in strategic direction and in leadership. Most notably, we mark the retirement of our co-founder, Ivan Saltzman, from his executive role, effective 30 June 2026, after 48 years of extraordinary service to Dis-Chem. Ivan's contribution to this organisation and to the South African retail pharmacy sector is without parallel. From a single pharmacy in Mondeor in 1978, he built one of South Africa's most trusted and recognised healthcare brands, driven by entrepreneurial vision, relentless dedication, deep customer focus, and an unwavering commitment to accessibility and value.

Under Ivan's leadership, Dis-Chem evolved from a family-owned business into a diversified, JSE-listed healthcare group with a national footprint, integrated distribution capabilities, digital healthcare platforms, and a differentiated customer offering. His passion for healthcare, innovation, and operational excellence shaped the Group's culture and identity, laying the foundation for the business we are today.

Ivan will remain on the Board as a Non-Executive Director, and the Board looks forward to the continued benefit of his deep industry knowledge and strategic insight as the Group enters its next phase of growth. On behalf of the Board, management, employees, and all stakeholders, I express our sincere gratitude to Ivan for his decades of leadership and his enduring legacy.

Chair's Report continued

The Board's role and effectiveness

The Board remained focused on fulfilling its responsibilities with diligence, independence, and accountability throughout the year. In line with its fiduciary duties, the Board provided oversight of strategy, governance, risk management, capital allocation, and stakeholder engagement, while maintaining a clear distinction between governance oversight and executive execution.

Key focus areas during the year included:

- Oversight of the Group's long-term strategic positioning and its transition towards an integrated healthcare ecosystem.
- The Board's deliberate endorsement and monitoring of the R330 million ecosystem investment in X, bigly labs, including assessing early proof points and return milestones.
- Digital enablement and omnichannel growth, including the Better Rewards programme and the forthcoming relaunch of the Dis-Chem app.
- Capital allocation discipline, working capital optimisation, and cash generation in a constrained consumer environment.
- The performance and sustainability of the wholesale and distribution platform, including CJ Distribution's external revenue growth of 11.3%.
- Ongoing oversight of regulatory compliance, including developments related to the National Health Insurance Act and healthcare pricing regulations.
- Cybersecurity, technology governance, data management, and AI oversight in line with King V™ Principle 10.
- Succession planning and leadership continuity, particularly in the context of Ivan Saltzman's transition from Executive Director to Non-Executive Director.

The Board continued to engage constructively with management on operational performance, investment priorities, and execution risks. The focus was on balancing growth initiatives with cost control, margin protection, and cash generation in a constrained economic environment.

During the year, the Board conducted a formal assessment of its effectiveness and that of its committees and individual Directors. The evaluation confirmed that the Board and its committees continue to operate effectively and maintain the appropriate balance of skills, experience, independence, and diversity required to fulfil their responsibilities. Opportunities for ongoing improvement were identified and incorporated into the Board's workplans and governance processes.

Governance and ethical leadership

The Board remains committed to the highest standards of corporate governance and ethical leadership. A significant governance milestone in FY2026 was Dis-Chem's formal transition from King IV™ to the King V™ Report on Corporate Governance, which takes effect for financial years commencing on or after 1 January 2026. King V™ introduces a more evolved governance philosophy centred on 'systems value creation', recognising that the long-term success of organisations is inextricably linked to the vitality of the broader socio-ecological systems in which they operate.

Key aspects of our King V™ application during FY2026 include:

- **Technology and AI Governance (Principle 10):** The Group has established clear accountability for AI-enabled systems, ensuring they are subject to human oversight and adhere to values of transparency, explainability, and fairness.
- **Strengthened Committee Composition:** Our Social and Ethics Committee and Risk Committee each now have a majority of non-executive members, including at least one independent member, in line with King V™'s more rigorous standards.
- **Enhanced Independence Assessments:** We have refined our criteria for assessing board independence, incorporating nine-year tenure as a holistic factor to be considered alongside other indicators of objective judgment.
- **Double Materiality:** Our reporting now encompasses both matters that affect the Group's financial position and the significant impacts of our operations on stakeholders and the environment.

The Board's governance oversight extended beyond compliance to promote accountability, responsible corporate citizenship, and a values-driven culture throughout the organisation. The Board is satisfied that the Group maintained an effective system of internal control throughout the year and that appropriate governance structures remain in place to support responsible and sustainable business practices.

Strategy oversight

The Board devoted considerable time over the year to strategic oversight and long-term positioning. In partnership with management, the Board reviewed the Group's strategic priorities in light of evolving market conditions, consumer trends, and industry developments.

Key strategic themes considered by the Board included:

- Strengthening the Group's integrated healthcare ecosystem, building on the successful launch of Better Rewards – which, in its first 17 weeks, delivered revenue growth of 9.6% among participating brands and volume growth of 18.7%.

Chair's Report continued

- Expanding digital and omnichannel capabilities, with the new Dis-Chem app scheduled for launch in FY2027.
- Investing in data analytics, automation, and AI platforms through X, bigly labs.
- Expanding wholesale market share; external wholesale revenue grew by 11.3% to R6.2 billion during the year.
- Optimising the Group's property and store network, with 31 net new retail pharmacy stores opened during FY2026.
- Improving operational efficiency, supply chain effectiveness, and working capital management.

The Group continued to invest meaningfully in technology, infrastructure, and strategic platforms throughout the year. The Board recognises that the front-loaded nature of the ecosystem investment creates near-term earnings pressure, but remains confident that this positions the Group to deliver sustained value creation over the medium and long term. Revenue growth of 9.3% and continued market share gains across all core retail categories reflect the underlying resilience of the business model.

Risk oversight

The Board recognises that effective risk governance is essential to long-term sustainability and value creation. With support from the Audit and Risk Committee, the Board continued to oversee the Group's risk management framework and material risk exposures throughout FY2026.

Key areas of focus included:

- Macroeconomic and consumer spending pressures, and their impact on demand patterns and discretionary spend.
- Regulatory and healthcare policy developments, including the NHI Act and SEP adjustments.
- Supply chain resilience and inventory management.
- Cybersecurity, information technology risks, and data privacy – particularly in the context of increased digital engagement and AI-enabled systems.
- Operational execution risks associated with growth initiatives, including the X, bigly labs investment and new store rollout.
- Talent retention, succession planning, and organisational culture.
- Reputational and conduct-related risks.

The Group's combined assurance framework continued to support effective oversight through coordinated assurance activities across management, internal audit, the Audit and Risk Committee, and external assurance providers. The Annual Financial Statements were audited by Forvis Mazars, which issued an unmodified audit opinion.

Stakeholder inclusivity

The Board recognises that long-term value creation depends on maintaining strong, constructive relationships with stakeholders. Throughout the year, the Board considered stakeholder interests in its decision-making and remained mindful of the Group's broader social and economic impact.

Stakeholder engagement remained focused on shareholders and investors; employees and organised labour; customers and patients; regulators and healthcare authorities; suppliers and strategic partners; and the communities where the Group operates.

The rapid growth in customer engagement through the Better Rewards programme – launched in the final quarter of FY2026 and already encompassing 180 brands – reflects the Group's ongoing focus on customer accessibility, convenience, and value. The Capitec partnership, which has demonstrably increased Capitec cardholders' engagement at Dis-Chem's point of sale, exemplifies how the Group is broadening its reach and deepening loyalty.

The Board recognises the important role employees continue to play in delivering the Group's strategy and its customer value proposition. Maintaining a strong organisational culture and investing in people remain critical priorities. Employee turnover has declined, and diversity within senior management continues to improve.

ESG and sustainability oversight

The Board continued to strengthen its oversight of environmental, social, and governance matters in FY2026, recognising the growing importance of sustainability to stakeholders, regulators, and long-term business resilience. The transition to King V™ has enhanced our approach to sustainability through a double materiality lens – requiring us to assess not only how sustainability matters affect the Group, but also how the Group's activities affect society and the environment.

The Board's ESG oversight focused on:

- Ethical governance and responsible corporate citizenship.
- Healthcare accessibility and affordability, including through the integrated health ecosystem and Better Rewards.
- Employee well-being, diversity, and talent development.
- Supply chain integrity and responsible sourcing.
- Data privacy, cybersecurity, and AI governance.
- Environmental efficiency initiatives, including the Group's ongoing solar infrastructure deployment.
- Evolving sustainability reporting expectations under King V™ and global reporting frameworks.

The Board remains committed to ensuring that sustainability considerations are integrated into strategic decision-making and risk-oversight processes across the organisation.

Board composition and changes

The Board remains satisfied that its composition provides an appropriate balance of skills, experience, independence, diversity, and industry knowledge, thereby supporting the Group's strategic priorities and governance responsibilities.

The most significant board change in FY2026 is the retirement of Ivan Saltzman from his Executive Director role, effective 30 June 2026, after 48 years of service. Ivan will continue to serve on the Board as a non-independent, Non-Executive Director from 1 July 2026, bringing his deep industry knowledge and co-founder perspective as a valuable governance resource.

Chair's Report continued

Stan Goetsch, an Executive Director and qualified pharmacist with 42 years' service to Dis-Chem, also retired from his executive role with effect from 30 June 2026. The Board thanks Stan for his significant contribution to the Group's pharmacy operations and culture. Saul Saltzman resigned as an Executive Director on 27 February 2026. He continues to serve on the Board as a non-independent, Non-Executive Director. The Board thanks Saul for his ongoing contribution to the Group.

The Board worked closely with management to ensure orderly transitions and continuity of leadership and strategic direction. The Board is confident that the Group's governance structures, leadership bench strength, and strategic foundations position Dis-Chem well for the next phase of its development.

Remuneration and accountability

The Board and the Remuneration Committee remain committed to responsible and fair remuneration practices that support the Group's strategic objectives and long-term sustainability.

The Group's remuneration philosophy aims to align remuneration with performance and shareholder value creation, attract and retain high-calibre talent, promote accountability and ethical behaviour, and support long-term organisational sustainability.

The Board acknowledges that the decline in EPS and HEPS in FY2026 – driven primarily by the front-loaded ecosystem investment – directly affected short-term incentive outcomes and the declared dividend per share. The final dividend of 15.92 cents per share reflects this, and the Board recognises that balancing appropriate reward with the economic realities facing shareholders requires ongoing thoughtfulness. The full remuneration report, including detailed outcomes and the application of the remuneration policy, is set out in the Remuneration Governance and Disclosure section of this Integrated Annual Report.

Relationship with management

The Board maintained a constructive, collaborative relationship with the executive management team throughout the year. Open engagement, transparency, and mutual accountability remain key features of the Group's governance environment.

While management is responsible for executing strategy and overseeing day-to-day operations, the Board provides oversight, guidance, and constructive challenge to support effective decision-making and sustainable performance.

Outlook

While the broader operating environment is expected to remain challenging in the near term, the Board remains confident in the Group's resilience and long-term prospects.

Dis-Chem is well-positioned to benefit from:

- Continued and growing demand for accessible healthcare and wellness solutions in South Africa.
- The maturing of the Better Rewards programme and further customer engagement gains.
- The launch of the new Dis-Chem app and expansion of omnichannel capabilities in FY2027.
- Progressive returns from the X, bigly labs ecosystem investment as data, analytics, and AI platforms are operationalised.
- Wholesale market share opportunities through CJ Distribution, TLC franchise stores, and independent pharmacy relationships.
- Ongoing operational and supply chain optimisation.
- Expansion of integrated healthcare services, including Dis-Chem Health and Dis-Chem Life.

The Board remains focused on supporting sustainable, long-term growth while maintaining prudent financial management, disciplined capital allocation, and strong governance standards. The Group's integrated healthcare ecosystem, trusted brand, national footprint, and experienced leadership team provide a solid foundation for future growth and sustained value creation.

Appreciation

On behalf of the Board, I would like to express my sincere appreciation to CEO Rui Morais, the executive management team, and all employees across the Group for their dedication, resilience, and commitment throughout the year. The organisation's ability to invest in its future while sustaining strong revenue growth in a challenging environment is a testament to the quality and commitment of its people.

I also express our gratitude to our shareholders, customers, suppliers, regulators, and all other stakeholders for their continued support and trust in the Group.

Finally, I wish to reiterate my deep appreciation for Ivan Saltzman. Over 48 years, Ivan built something extraordinary – not merely a business but a healthcare institution that has improved the lives of millions of South Africans. His entrepreneurial spirit, passion for healthcare, and unwavering commitment to doing the right thing have left an enduring legacy that will continue to shape this Group for generations. We are fortunate to retain his counsel as he transitions to his new role as a Non-Executive Director on the Board.

Larry Nestadt
Independent Non-Executive Chair