

Pick n Pay Stores Limited
 Incorporated in the Republic of South Africa
 Registration number: 1968/008034/06
 ISIN: ZAE00005443
 JSE share code: PIK
 ("Pick n Pay" or "the Group")

UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS FOR THE 26 WEEKS ENDED 1 SEPTEMBER 2019

This short-form announcement is the responsibility of the directors and is only a summary of the information contained in the Group's full interim announcement.

Any investment decision should be based on the full interim announcement published on the Group's website at www.picknpayinvestor.co.za and on the JSE website using the link <https://senspdf.jse.co.za/documents/2019/jse/isse/PIK/FY20H1.pdf>.

Copies of the full announcement are available for inspection at, or may also be requested from, the Group's registered office or the office of our sponsor, at no charge, during office hours. To request a copy of the full announcement, contact our Company Secretary, Debra Muller at demuller@pnp.co.za.

The information contained in this announcement has neither been audited nor reviewed by the Group's external auditors.

CONSISTENCY AT THE CORE DELIVERS ANOTHER STRONG RESULT

Key financial indicators	26 weeks to 1 September 2019	26 weeks to 26 August 2018*	% change
Turnover - comparable#	R43.1 billion	R40.7 billion	6.0
Turnover - reported#	R43.2 billion	R41.2 billion	4.8
Revenue	R44.2 billion	R42.2 billion	4.8
Gross profit margin	19.8%	18.8%	
Trading profit	R1 187.6 million	R1 056.0 million	12.5
Trading profit margin	2.7%	2.6%	
Trading profit - South Africa	R1 158.0 million	R995.0 million	16.4
Trading profit margin - South Africa	2.8%	2.5%	
Profit before tax (PBT) before net monetary gain and capital items	R554.8 million	R505.6 million	9.7
PBT margin before net monetary gain and capital items	1.3%	1.2%	
Basic earnings per share	81.31 cents	80.57 cents	0.9
Reported headline earnings per share (HEPS)^	91.28 cents	77.67 cents	17.5
Reported diluted headline earnings per share (DHEPS)^	90.61 cents	76.27 cents	18.8
Comparable HEPS excluding hyperinflation net monetary gain^	85.03 cents	77.67 cents	9.5
Comparable DHEPS excluding hyperinflation net monetary gain^	84.41 cents	76.27 cents	10.7
Net asset value per share	636.66 cents	638.99 cents	(0.4)
Interim dividend per share	42.80 cents	39.10 cents	9.5

*The financial information presented for the prior period is on a restated basis, with the full retrospective adoption of IFRS 16 Leases (IFRS 16). Refer to note 12 of the Group's full interim announcement for further information.

#After a strategic change in our arrangements with airtime and data providers this year, the Group now only transacts on an agency basis. Airtime and data sales and related purchases previously recognised on a gross basis within turnover and cost of sales, are now recognised on a net basis within other income. Comparable turnover information is provided, with relevant airtime and sales excluded, to allow for a comparable assessment of year-on-year performance. Refer to the Appendix of the Group's full interim announcement for further information.

^Reported headline earnings and diluted headline earnings per share include a non-cash hyperinflation gain recognised in the current year in respect of the Group's investment in its associate, TM Supermarkets in Zimbabwe, under the requirements of IAS 29 Financial Reporting in Hyperinflationary Economies (IAS 29). Comparable headline earnings and diluted headline earnings per share exclude the impact of hyperinflation accounting. Refer to note 8 of the Group's full interim announcement for further information.

RESULT HIGHLIGHTS

- By following a successful long-term strategy, the Group has delivered another period of turnover growth and improved profit margins despite a

difficult consumer environment

- A positive performance by our core South African operations resulted in overall earnings growth at Group level, despite challenges in Zambia and Zimbabwe
- Comparable Group turnover growth of 6.0%, with like-for-like turnover growth of 2.9%
- South African operations delivered comparable turnover growth of 6.5%, against a strong base last year, with like-for-like turnover growth of 3.5%
- Selling price inflation restricted to 2.2%, below general price and food inflation, with like-for-like volume growth in South Africa of 1.3%
- Stronger performances across all Pick n Pay and Boxer owned and franchise formats, with an increased relative contribution from company-owned stores lifting gross profit margin to 19.8%
- Strong earnings contribution from core South African business, with trading profit up 16.4%, and trading profit margin up from 2.5% to 2.8% of turnover
- On a comparable basis, excluding hyperinflation gains and losses, operations outside South Africa contributed R45.8 million to profit before tax. Reported earnings from the Rest of Africa division are down 79.8% year-on-year, reflecting in particular difficult economic conditions in Zimbabwe, with the Group's share of associate income now accounted for under the provisions of IAS 29 Financial Reporting in Hyperinflationary Economies (IAS 29)
- Comparable headline earnings per share, excluding the impact of hyperinflation accounting in Zimbabwe, and reflecting underlying operating performance, up 9.5%
- Interim dividend up 9.5% to 42.80 cents per share in line with comparable growth in headline earnings per share, with plans to maintain a recalibrated dividend cover under IFRS 16 of 1.3 times earnings for the full year (equal to 1.5 times earnings cover pre-IFRS 16)

Despite a difficult trading environment inside and outside South Africa, the Group has delivered another positive performance, maintaining growth in both sales and earnings. Over a number of years, the Group has succeeded in developing much greater relevance and flexibility in its customer offer, format and operating model. An emphasis on cost discipline and greater efficiency has provided headroom for investment in price, quality and value for all customers. Our Pick n Pay and Boxer stores now appeal across a very broad range of incomes, preferences and communities. This has positioned the Group well to identify and pursue opportunities for growth in a dynamic and sustainable way within a persistently low-growth economy.

Group turnover increased by 6.0% on a comparable basis, with like-for-like turnover growth of 2.9%. Net new stores added 3.1% to sales growth. Trading conditions in Zambia remained constrained, with muted sales growth and the weaker Zambia kwacha weighing on Group turnover growth. On a constant currency basis, comparable Group turnover grew 6.2%. The Group's core South Africa division delivered comparable turnover growth of 6.5%, with like-for-like turnover growth of 3.5%. Efficiency gains from optimising our product range, improving availability and reducing waste enabled the Group to invest in lower prices, with selling price inflation restricted to just 2.2% year-on-year. The Group maintained positive volume growth despite operating in a difficult trading environment.

Consistent execution of the Group's long-term plan has delivered substantially improved performances across our company-owned and franchise estate. A pleasing increase in the sales and earnings contribution from company-owned Pick n Pay and Boxer supermarkets, particularly those serving lower- and middle-income customers, helped to lift the Group's gross profit margin to 19.8%.

The Groups' trading expenses grew 9.8% year-on-year, largely driven by the Group's expanding owned-store business, strengthened operational management teams, and the impact of double-digit increases in the cost of security, rates, water and other utilities.

Effective delivery of the Group's plan is particularly evident in the Group's core South Africa division, where tighter margin management and improved efficiency helped to deliver a 16.4% increase in underlying trading profit in South Africa.

Group earnings reflect the significant challenges experienced in operations outside South Africa, particularly in Zambia and Zimbabwe, with Zimbabwe also experiencing significant currency devaluation and hyperinflation over the period. The Group has applied the provisions of IAS 29 in the recognition of its share of associate income in Zimbabwe. This has resulted in a hyperinflation net monetary gain over the period, and a related capital impairment. The Group's comparable PBT, excluding the impact of hyperinflation was up 9.7% year-on-year to R554.8 million, with comparable PBT margin improvement from 1.2% to 1.3%.

The stability of the Group's balance sheet reflects the consistent execution of its long-term strategy, which has delivered industry-leading earnings growth for a number of years, alongside sustainable returns from a measured and targeted capital investment programme. The Group has no long-term funding and is efficiently and effectively geared through short-term debt. The Group has maintained its position of low debt over the past 12 months. The Group's net asset value was impacted by a reduction in the foreign currency translation reserve of R132.3 million as a result of the translation of our investment in TM Supermarkets at a rate of 12.4 Zimbabwe dollars to 1.0 US dollar (FY2019: 3.3 Zimbabwe dollars to 1.0 US dollar). The fair value of the Group's investment in TM exceeds its carrying value of R50.4 million and no further impairment is required.

Earnings per share increased by 0.9% to 81.31 cents, reflecting the impact of the Group's capital losses this period, including its share of the hyperinflation impairment loss in Zimbabwe, against capital profits in the prior year. Headline earnings per share grew 17.5% to 91.28 cents, with diluted HEPS up 18.8%. On a comparable basis, excluding hyperinflation gains in Zimbabwe, headline earnings per share were up 9.5%, and diluted headline earnings per share were up 10.7%, reflecting the progress made across our customer offer, an impactful new store and refurbishment programme, and cost and working capital discipline.

The Group will pay an interim dividend of 42.80 cents per share to shareholders, up 9.5% on last year.

We extend our sincere appreciation to our Pick n Pay and Boxer teams, including our valuable franchise partners, for all their hard work, their unwavering commitment to the customers they serve, and their determination to build an ever stronger and more sustainable business.

Gareth Ackerman
Chairman

Richard Brasher
Chief Executive Officer

21 October 2019

INTERIM DIVIDEND DECLARATION

Number of shares in issue: 493 450 321

Notice is hereby given that the directors have declared an interim gross dividend (number 103) of 42.80 cents per share out of income reserves.

The dividend declared is subject to dividend withholding tax at 20%.

The tax payable is 8.56 cents per share, resulting in shareholders who are not exempt from dividends tax with a net dividend of 34.24 cents per share.

Dividend dates

The last day of trade in order to participate in the dividend (CUM dividend) will be Tuesday, 3 December 2019. The shares will trade EX dividend from the commencement of business on Wednesday, 4 December 2019 and the record date will be Friday, 6 December 2019. The dividend will be paid on Monday, 9 December 2019. Share certificates may not be dematerialised or rematerialised between Wednesday, 4 December 2019 and Friday, 6 December 2019, both dates inclusive.

On behalf of the Board of directors

Debra Muller
Company Secretary

21 October 2019

ABOUT PICK N PAY STORES LIMITED

The Pick n Pay Stores Limited Group is a leading South African grocery, clothing, pharmaceuticals, liquor and general merchandise retailer, employing over 80 000 people through its owned and franchise operations, across its Pick n Pay and Boxer brands. The Group is managed through its South Africa and Rest of Africa divisions and owns a 49% share of a Zimbabwean supermarket business, TM Supermarkets. For further information on Pick n Pay, and its underlying businesses, please visit www.picknpayinvestor.co.za.

DIRECTORS OF PICK N PAY STORES LIMITED

Executive

Richard Brasher (CEO), Lerena Olivier (CFO), Richard van Rensburg (CIO), Suzanne Ackerman-Berman, Jonathan Ackerman

Non-executive

Gareth Ackerman (Chairman), Aboubakar Jakoet, David Robins

Independent non-executive

David Friedland, Hugh Herman, Alex Mathole, Audrey Mothupi, Jeff van Rooyen

CORPORATE INFORMATION

Registered office

101 Rosmead Avenue, Kenilworth, Cape Town 7708

Investor Relations

Penny Gerber

Email address: pennygerber@pnp.co.za

Sponsor

Investec Bank Limited

100 Grayston Drive, Sandton, 2196

Transfer secretaries

Computershare Investor Services Proprietary Limited

Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196