

### Financial highlights – continuing operations

|       | Turnover R'billion | Headline earnings cents per share | Interim dividend cents per share |
|-------|--------------------|-----------------------------------|----------------------------------|
| 2011: | 27.1               | 54.73                             | 22.50                            |
| 2010: | 25.2               | 90.17                             | 37.00                            |



### REVIEW OF OPERATIONS

We have seen encouraging turnover growth, above the market for the first time in a few years, however the investments we have made in transforming Pick n Pay into a world class retailer, have had a material impact on earnings. The most significant of these are the launch and set up of our loyalty programme Smart Shopper, the investment in building a specialised category buying function, and supply chain improvements. These initiatives will enable us to better serve our customers in the future.

Notwithstanding the challenges facing the Group and the scale of the work still to come, there have been a number of highlights over the last 6 months, which give us a renewed momentum going forward.

#### Strategic update

The core of our strategy is focused on realising the full potential of our South African businesses. To do so we are closely focused on improving our customer offer and streamlining our operations. We are consolidating and upgrading our support functions so that they can better enable our colleagues to deliver outstanding products in great stores at competitive prices. The first steps in this consolidation are the set-up of our specialist category buying function and the centralisation of our supply chain. At the same time, improving our customer offer was significantly enhanced by the launch of our Smart Shopper loyalty programme. Looking ahead, we will be simplifying our regional and store structures and our administration functions.

**Smart Shopper** – We successfully launched our Smart Shopper loyalty programme in March, which has been extremely well received. We aimed to sign up 3 million cardholders in the first year and achieved 4.1 million in the first 6 months. Although still in its infancy, we believe the encouraging growth in turnover is due in part to this programme. Substantial set-up costs have impacted the earnings of the Group in the first half of the year, but we expect the programme to drive turnover growth in the medium to long-term and generate additional value through more effective marketing to our customers.

**Specialised buying** – We are investing a great deal of time and resources in transforming our buying into a focused, centralised category management function. This will enable us to

improve our customer offer and work more efficiently with our suppliers. Regional work undertaken to date has already had a positive impact on gross margin. Costs associated with this project have also had a significant impact on the earnings for the last 6 months. The new category management team was announced in mid-October and will be functional by March 2012.

**Central distribution** – Centralising distribution continues. We plan to optimise the Longmeadow operation before proceeding with our new distribution centres in the Western Cape, KwaZulu-Natal, Eastern Cape and Gauteng over the next 5 years. We have achieved operational improvements at Longmeadow over the last 6 months, with a decrease in distribution cost per case. Our Western Cape distribution centre is due to open in May 2012.

**Expense control** – The 13.7% increase in operating expenses over last year reflects the investment phase we are in. General expense control was satisfactorily maintained during the six months, with the majority of the increase in expenses being contributed by Smart Shopper. However, we remain resolutely focused on expense control to ensure that our cost of doing business is in line with, or lower than, that of our competition.

**Labour** – In line with Group strategy, much work is being done to achieve optimal labour utilisation. We have just completed a CCMA facilitation process with SACCAWU, without the parties reaching a solution to retrenchments. We will do everything feasible to minimise dismissals.

**Franklins, Australia** – We have completed the sale of Franklins to Metcash after a 15-month delay due to opposition by the Australian Competition and Consumer Commission (the ACCC) and subsequent Federal Court proceedings. The sale proceeds, subject to final working capital adjustments, will be approximately R1.3 billion, all of which will be invested in our core South African operations. Although the ACCC have appealed the court's decision, we are very confident that the initial verdict, which was comprehensively in our favour, will be upheld. In the unlikely event of the ACCC succeeding with their appeal, Pick n Pay has agreed to share any divestiture costs or penalties equally with Metcash. As the Group concluded the sale of Franklins on 30 September 2011, it continues to be disclosed as a discontinued operation at 31 August 2011, and its results have been reflected separately from continuing operations.

### Financial highlights

**Group turnover** at R27.1 billion for the period is 7.4% above last year, with strong growth from like-for-like stores. This is encouraging in a highly competitive environment and gives us confidence that our Smart Shopper programme is proving popular with customers. While our own internal selling price inflation remains below CPI we are seeing increases which when combined with economic uncertainty will lead our customers to exercise caution.

**Gross profit margin** has declined slightly from 17.8% last year to 17.7% this year. The margin benefits from improved specialist buying have been offset by the discounts offered under the Smart Shopper programme. We anticipate that we will be able to strengthen our margins over the next few years while maintaining our competitive price position through our work on category management and supply chain improvements.

**Trading profit** is down 31.7% to R492.2 million due to significant costs relating to our strategic transformation initiatives. A major portion of these costs are initial set-up costs relating to Smart Shopper and category management.

**EBITDA** (earnings before interest, tax, depreciation and amortisation) is down 17.8% to R882.4 million.

**Net cash from operating activities** at R1 190.0 million is up from R185.9 million for the same period last year, due to improved working capital management.

**The interim dividend per share** at 22.50 cents per share for Pick n Pay Stores Limited and 10.91 cents per share for Pick n Pay Holdings Limited is down 39.2% in line with the decrease in headline earnings per share from continuing operations.

### Operational highlights

**Pick n Pay and Boxer** – Turnover growth is encouraging, with particularly strong performances from private label, clothing, pharmacy and liquor. In addition Boxer continues to trade well in the highly competitive LSM 4-7 market.

During the period we opened 4 corporate supermarkets, 5 franchise supermarkets, 14 corporate liquor stores, 6 franchise liquor stores, and 9 clothing stores. In addition we

converted 3 franchise supermarkets to corporate stores. Boxer opened 4 new superstores, 6 Punch stores, 1 Boxer Build and 1 liquor store.

In the next 6 months we plan to open 9 new supermarkets (6 corporate and 3 franchise), 12 liquor stores, 6 clothing stores, and 9 Boxer superstores and 3 Punch stores.

Our steady growth into Africa continues. We now have 2 stores in Zambia, both trading extremely well, and our first store in Mozambique opened in June 2011, with our first store opening in Mauritius just after the 6 month period. In the next 6 months we will open 2 more stores in Zambia, 1 in Mozambique and 2 in Mauritius. We are still waiting for approval from the Zimbabwean Indigenisation Board in order to purchase an additional 24% of TM Supermarkets in Zimbabwe, to take our stake to 49%.

### GENERAL COMMENTS

We welcome Richard van Rensburg as Deputy CEO. Richard, who has been a valuable non-executive director on our Board for a number of years, brings with him much experience in accounting, retail, supply chain and information systems. He has been appointed to assist us in steering our change programme to successful completion.

We are making good progress in transforming the business. Although challenges lie ahead, we believe in our people and in this exceptional Group. We continue to look forward with excitement and anticipation at all we will be able to achieve. We thank the team for their continued commitment and hard work.

For and on behalf of the board

Garth Ackerman

Chairman

Nick Badminton

Chief Executive Officer

18 October 2011



PICK N PAY STORES LIMITED – REG. NO. 1968/008034/06 SHARE CODE: PIK ISIN CODE: ZAE000005443

### Statement of comprehensive income

|   | Unaudited Six months ended |          | Audited Year to |             |
|---|----------------------------|----------|-----------------|-------------|
|   | Aug 2011 Rm                | Growth % | Aug 2010 Rm     | Feb 2011 Rm |
| <b>Continuing operations</b>                                    |                            |          |                 |             |
| Revenue (note 3)  | 27 213.1                   |          | 25 347.9        | 52 216.7    |
| <b>Turnover</b>   | 27 082.8                   | 7.4      | 25 208.4        | 51 945.8    |
| Cost of merchandise sold  | (2 282.4)                  |          | (2 071.5)       | (4 285.6)   |
| Gross profit  | 4 800.4                    |          | 4 491.9         | 9 086.2     |
| Other trading income  | 116.8                      |          | 117.6           | 231.4       |
| Trading expenses  | (4 421.1)                  |          | (3 889.2)       | (7 899.9)   |
| Loss on sale of property, equipment and vehicles                | (3.9)                      |          | —               | —           |
| <b>Trading profit</b>   | 492.2                      |          | 720.3           | 1 417.7     |
| Interest received   | 13.5                       |          | 21.9            | 39.5        |
| Interest paid   | (71.8)                     |          | (60.1)          | (111.0)     |
| Gain on recognition of investment in associate                  | —                          |          | —               | 7.5         |
| Share of associate's (loss)/income                              | (2.0)                      |          | —               | 2.4         |
| <b>Profit before tax</b>  | 431.9                      |          | 682.1           | 1 356.1     |
| Tax   | (174.5)                    |          | (253.8)         | (447.8)     |
| <b>Profit for the period from continuing operations</b>         | 257.4                      |          | 428.3           | 908.3       |
| Loss from discontinued operation (note 5)                       | (65.8)                     |          | (74.0)          | (123.4)     |
| <b>Profit for the period</b>                                    | 191.6                      |          | 354.3           | 784.9       |
| <b>Other comprehensive income</b>                               |                            |          |                 |             |
| Exchange rate differences on translating foreign operations     | 48.1                       |          | (58.5)          | 50.1        |
| Net loss on hedge of net investment in foreign operation        | (49.9)                     |          | —               | (52.2)      |
| Retirement benefit actuarial profit/(loss)                      | 4.5                        |          | (4.8)           | (12.5)      |
| <b>Total comprehensive income for the period</b>                | 194.3                      |          | 291.0           | 770.3       |
| <b>EBITDA</b>   | 882.4                      | (17.8)   | 1 074.0         | 2 160.9     |
| <b>Gross profit margin (%)</b>                                  | 17.7                       |          | 17.8            | 17.5        |
| <b>Trading profit margin (%)</b>                                | 1.8                        |          | 2.9             | 2.7         |
| <b>Earnings per share – cents</b>                               |                            |          |                 |             |
| Basic   | 40.14                      |          | 74.58           | 164.99      |
| Continuing operations   | 53.92                      |          | 90.17           | 190.92      |
| Discontinued operation  | (13.78)                    |          | (15.59)         | (25.93)     |
| Diluted   | 39.62                      |          | 73.04           | 162.20      |
| Continuing operations   | 53.23                      |          | 88.30           | 187.68      |
| Discontinued operation  | (13.61)                    |          | (15.26)         | (25.48)     |
| <b>Headline earnings reconciliation</b>                         |                            |          |                 |             |
| Profit for the period   | 191.6                      |          | 354.3           | 784.9       |
| Headline adjustments (net of tax):                              |                            |          |                 |             |
| Loss on sale of property, equipment and vehicles                | 3.9                        |          | —               | —           |
| Loss on sale of equipment and vehicles – discontinued operation | 0.8                        |          | 3.4             | 7.0         |
| Gain on recognition of investment in associate                  | —                          |          | —               | (7.5)       |
| <b>Headline earnings</b>  | 196.3                      |          | 357.7           | 784.4       |
| Continuing operations   | 261.3                      | (39.0)   | 428.3           | 900.8       |
| Discontinued operation  | (65.0)                     |          | (70.6)          | (116.4)     |
| <b>Headline earnings per share – cents</b>                      | 41.11                      |          | 75.31           | 164.90      |
| Continuing operations   | 54.73                      | (39.3)   | 90.17           | 189.35      |
| Discontinued operation  | (13.62)                    |          | (14.86)         | (24.45)     |
| <b>Diluted headline earnings per share – cents</b>              | 40.59                      |          | 73.74           | 162.10      |
| Continuing operations   | 54.03                      | (38.8)   | 88.30           | 186.14      |
| Discontinued operation  | (13.44)                    |          | (14.56)         | (24.04)     |
| <b>Interim dividend – No. 87 payable</b>                        | 22.50                      | (39.2)   | 37.00           | —           |

### Statement of financial position

|  | Unaudited   |             | Audited     |             |
|--|-------------|-------------|-------------|-------------|
|  | Aug 2011 Rm | Aug 2010 Rm | Aug 2010 Rm | Feb 2011 Rm |
| <b>Assets</b>  |             |             |             |             |
| <b>Non-current assets</b>  |             |             |             |             |
| Intangible assets  | 543.3       | 406.9       | 404.5       | —           |
| Property, equipment and vehicles   | 3 566.7     | 3 129.4     | 3 401.8     | —           |
| Operating lease asset  | 43.9        | 31.5        | 37.7        | —           |
| Participation in export partnerships   | 48.1        | 49.7        | 48.2        | —           |
| Deferred tax   | 107.4       | 75.3        | 85.8        | —           |
| Investment in associate  | 7.8         | —           | 9.9         | —           |
| Loans  | 79.7        | 109.8       | 90.2        | —           |
| Investments  | 0.2         | 0.2         | 0.2         | —           |
| <b>Total non-current assets</b>  | 4 397.1     | 3 802.8     | 4 078.3     | —           |
| <b>Current assets</b>  |             |             |             |             |
| Assets held for sale – discontinued operation (note 5)                           | 2 117.3     | 1 993.7     | 2 120.1     | —           |
| Inventory  | 3 173.8     | 2 944.6     | 3 162.7     | —           |
| Trade and other receivables  | 1 928.1     | 1 734.2     | 1 739.2     | —           |
| Cash and other equivalents   | 360.7       | 344.6       | —           | —           |
| <b>Total current assets</b>  | 7 579.9     | 7 017.1     | 7 022.0     | —           |
| <b>Total assets</b>  | 11 977.0    | 10 819.9    | 11 100.3    | —           |
| <b>Equity and liabilities</b>  |             |             |             |             |
| <b>Total shareholders' equity</b>  | 1 903.2     | 1 837.1     | 2 158.8     | —           |
| <b>Non-current liabilities</b>   |             |             |             |             |
| Long-term debt   | 1 033.1     | 660.0       | 626.9       | —           |
| Retirement scheme obligations  | 20.8        | 36.4        | 27.1        | —           |
| Operating lease liability  | 762.6       | 707.9       | 729.3       | —           |
| <b>Total non-current liabilities</b>   | 1 816.5     | 1 404.3     | 1 383.3     | —           |
| <b>Current liabilities</b>   |             |             |             |             |
| Liabilities held for sale – discontinued operation (note 5)                      | 838.9       | 762.9       | 826.6       | —           |
| Cash and cash equivalents  | —           | —           | 547.4       | —           |
| Short-term debt  | 49.1        | 36.7        | 50.2        | —           |
| Tax  | 94.1        | 212.4       | 96.2        | —           |
| Trade and other payables   | 7 275.2     | 6 566.5     | 6 037.8     | —           |
| <b>Total current liabilities</b>   | 8 257.3     | 7 578.5     | 7 558.2     | —           |
| <b>Total equity and liabilities</b>  | 11 977.0    | 10 819.9    | 11 100.3    | —           |
| Shares in issue – millions   | 480.4       | 480.4       | 480.4       | —           |
| Weighted average shares in issue – millions (note 4)                             | 477.4       | 475.1       | 475.7       | —           |
| Net asset value – cents per share (property value based on directors' valuation) | 430.6       | 447.6       | 503.0       | —           |

### Cash flow statement

|  | Unaudited Six months ended |             | Audited Year to |             |
|--|----------------------------|-------------|-----------------|-------------|
|  | Aug 2011 Rm                | Aug 2010 Rm | Aug 2010 Rm     | Feb 2011 Rm |
| <b>Cash flows from operating activities</b>  |                            |             |                 |             |
| Trading profit   | 492.2                      | 720.3       | 1 417.7         | —           |
| Loss on sale of property, equipment and vehicles                                   | 3.9                        | —           | —               | —           |
| Depreciation and amortisation  | 392.2                      | 353.7       | 733.3           | —           |
| Share options expense  | 42.6                       | 31.3        | 73.8            | —           |
| Net operating lease obligations  | 27.0                       | 14.0        | 29.3            | —           |
| <b>Cash generated before movements in working capital</b>                          | 957.9                      | 1 119.3     | 2 254.1         | —           |
| <b>Movements in working capital:</b>   | 1 034.8                    | (76.1)      | (844.8)         | —           |
| Increase / (decrease) in trade and other payables                                  | 1 234.7                    | (155.0)     | (678.1)         | —           |
| Increase in inventory  | (11.2)                     | (109.5)     | (349.1)         | —           |
| (Increase) / decrease in trade and other receivables                               | (188.7)                    | 188.4       | 182.4           | —           |
| <b>Cash generated by trading activities</b>  | 1 992.7                    | 1 043.2     | 1 409.3         | —           |
| Interest received  | 13.5                       | 21.9        | 39.5            | —           |
| Interest paid  | (71.8)                     | (60.1)      | (111.0)         | —           |
| <b>Cash generated by operations</b>  | 1 934.4                    | 1 005.0     | 1 337.8         | —           |
| Dividends paid   | (498.0)                    | (633.5)     | (808.0)         | —           |
| Tax paid   | (180.6)                    | (230.9)     | (526.3)         | —           |
| <b>Net cash from operating activities – continuing operations</b>                  | 1 255.8                    | 140.6       | 3.5             | —           |
| <b>Net cash (utilised in) / from operating activities – discontinued operation</b> | (65.8)                     | 45.3        | 13.9            | —           |
| <b>Total net cash from operating activities</b>                                    | 1 190.0                    | 185.9       | 17.4            | —           |
| <b>Cash flows from investing activities</b>  |                            |             |                 |             |
| Intangible asset additions   | (117.3)                    | (52.5)      | (82.5)          | —           |
| Property, equipment and vehicle additions  | (551.0)                    | (521.2)     | (1 163.2)       | —           |
| Purchase of operations   | (58.7)                     | —           | —               | —           |
| Proceeds on sale of property, equipment and vehicles                               | 27.4                       | —           | 21.9            | —           |
| Loans repaid   | 10.4                       | 14.9        | 34.5            | —           |
| <b>Net cash utilised in investing activities – continuing operations</b>           | (689.2)                    | (558.8)     | (1 189.3)       | —           |
| <b>Net cash utilised in investing activities – discontinued operation</b>          | (17.9)                     | (78.0)      | (151.4)         | —           |
| <b>Total net cash utilised in investing activities</b>                             | (707.1)                    | (636.8)     | (1 340.7)       | —           |
| <b>Cash flows from financing activities</b>  |                            |             |                 |             |
| Debt raised / (repaid)   | 405.1                      | (13.0)      | (32.5)          | —           |
| Share repurchases  | (25.5)                     | (68.3)      | (90.2)          | —           |
| Proceeds from employees on settlement of share options                             | 30.7                       | 36.4        | 25.1            | —           |
| <b>Net cash from / (utilised in) financing activities – continuing operations</b>  | 410.3                      | (44.9)      | (97.6)          | —           |
| <b>Net cash from financing activities – discontinued operation</b>                 | 12.4                       | 10.0        | 10.0            | —           |
| <b>Total net cash from / (utilised in) financing activities</b>                    | 422.7                      | (34.9)      | (87.6)          | —           |
| <b>Net increase / (decrease) in cash and cash equivalents</b>                      | 905.6                      | (485.8)     | (1 410.9)       | —           |
| Cash and cash equivalents at 1 March   | (431.8)                    | 1 055.3     | 1 055.3         | —           |
| Effect of exchange rate fluctuations on cash and cash equivalents                  | (81.5)                     | (10.4)      | (76.2)          | —           |
| <b>Cash and cash equivalents at 31 August / 28 February</b>                        | 392.3                      | 559.1       | (431.8)         | —           |
| Continuing operations  | 360.7                      | 344.6       | (547.4)         | —           |
| Discontinued operation   | 31.6                       | 214.5       | 115.6           | —           |

### Pick n Pay Holdings Limited ("PIKWIK")

Reg. No. 1981/009610/06  
Share Code: PWK ISIN code: ZAE000005724  
Pikwik's only asset is its 53.85% (2010: 53.97%) effective holding in Pick n Pay Stores Limited (excluding treasury shares). The Pikwik Group earnings are directly related to those of this investment.  
Headline earnings for the period amount to R105.3 million (2010: R193.2 million).  
Headline earnings per share is 20.40 cents (2010: 37.45 cents).  
Headline earnings per share from continuing operations is 27.19 cents (2010: 44.87 cents).  
Diluted headline earnings per share is 19.94 cents (2010: 36.21 cents).  
Diluted headline earnings per share from continuing operations is 26.68 cents (2010: 43.56 cents).  
The total number of shares in issue is 527.2 million (2010: 527.2 million) and the weighted average number of shares in issue during the period is 516.4 million (2010: 515.9 million). Pikwik's interim dividend per share is 10.91 cents (2010: 17.94 cents), a decrease of 39.2%.

### Dividend declarations

The directors have declared the following cash dividends:  
**Pick n Pay Stores Limited (No. 87)** 22.50 cents per share  
**Pick n Pay Holdings Limited (No. 60)** 10.91 cents per share  
For both Companies, the last day of trade in order to participate in the dividend (CUM dividend) will be Friday, 2 December 2011. The shares will trade EX dividend from the commencement of business on Monday, 5 December 2011 and the record date will be Friday, 9 December 2011.  
The dividends will be paid on Monday, 12 December 2011.  
Share certificates may not be dematerialised or rematerialised between Monday, 5 December 2011 and Friday, 9 December 2011, both dates inclusive.  
On behalf of the boards of directors  
DE Muller – Company Secretary 18 October 2011

### Directors of Pick n Pay Stores Limited:

**Executive:** NP Badminton (CEO), RS van Rensburg (Deputy CEO appointed 1 October 2011), A Jakoet (CFO), JG Ackerman, SD Ackerman-Berman  
**Non-executive:** GM Ackerman (Chairman), D Robins (German)  
**Independent non-executive:** HS Herman, A Mathole, L Phlatse, BJ van der Ross, J van Rooyen

### Directors of Pick n Pay Holdings Limited:

**Non-executive:** RD Ackerman (Chairman), GM Ack