ELECTRONIC TRANSMISSION DISCLAIMER

IMPORTANT: You must read the following disclaimer before continuing. This disclaimer applies to the attached rights offer circular (the "**Circular**") and you are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the attached Circular. In accessing this disclaimer and the attached Circular, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from Pick n Pay Stores Limited ("**PIK**" or the "**Company**") as a result of such access. You acknowledge that the delivery of this disclaimer and the attached Circular is confidential and intended for you only and you agree that you will not forward, reproduce or publish this disclaimer or the attached Circular to any other person other than in compliance with the attached Circular if you have disposed of all of your ordinary shares ("**PIK Shares**") in PIK.

The information in this disclaimer and the attached Circular is not intended to be viewed by or distributed or passed on (directly or indirectly) to, and should not be acted upon by, any other class of persons, save for such persons or class of persons contemplated herein.

The securities referred to in this disclaimer and the attached Circular (the "**Securities**") have not been and will not be registered under the US Securities Act of 1933, as amended (the "**US Securities Act**") or with any securities regulatory authority of any state or jurisdiction of the United States, and subject to certain exceptions, may not be offered or sold within the United States. The Securities are being offered and sold (A) outside the United States in offshore transactions in reliance on Regulation S under the US Securities Act ("**Regulation S**") and (B) in the case of Letters of Allocation and the Rights Offer Shares (excluding Rump Shares) (as such terms are defined in the attached Circular) within the United States to "qualified institutional buyers" ("**QIBs**") as defined in Rule 144A under the US Securities Act only through an exemption from, or in a transaction not subject to, the registration requirements under the US Securities Act. The Rump Shares, if any, will not be offered or sold in the United States. No public offer of the Securities will be made in the United States. For a description of these and certain further restrictions on offers, sales and transfers of the Securities and the distribution of the attached Circular, see *"13 Underwriting Arrangements"* and *"7 Circular to Qualifying Shareholders—7.3 Particulars of the Rights Offer—7.3.13 Overseas Shareholders."* Qualifying Shareholders (as defined in the attached Circular) who are located in the United States will be required to execute and deliver an Investor Letter set forth in Appendix 1 to the attached Circular prior to taking up or transferring Rights (as defined in the attached Circular) in the Rights Offer (as defined below) or subscribing for Rights Offer Shares in the Rights Offer. Nothing in this disclaimer and the attached Circular constitutes an offer of securities for sale in any jurisdiction where it is unlawful to do so.

The Securities have also not been and will not be registered under the securities laws and regulations of any jurisdiction, including Australia, Canada, Hong Kong or Japan and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within Australia, Canada, Hong Kong or Japan or any other jurisdiction where it is unlawful to do so, except pursuant to an applicable exemption.

This disclaimer, the attached Circular and the rights offer to the relevant holders of PIK Shares that are Qualifying Shareholders (the "**Rights Offer**") are only addressed to and directed at persons in member states of the European Economic Area (the "**EEA**") who are "qualified investors" within the meaning of Article 2(e) of the Prospectus Regulation (Regulation (EU) 2017/1129, as amended) ("**Qualified Investors**"). In the United Kingdom, this disclaimer and the attached Circular are being distributed only to, and are directed only at persons who are "qualified investors" within the meaning of Article 2(e) of Regulation (EU) 2017/1129 (as amended) as it forms part of assimilated law by virtue of the European Union (Withdrawal) Act 2018 and who are (i) persons having professional experience in matters relating to investments falling under Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**"); (ii) who are high net worth entities falling within Article 49(2)(a) to (d) of the Order; or (iii) are other persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as "**Relevant Persons**"). This disclaimer and the attached Circular must not be acted on or relied on (i) in the United Kingdom, by persons who are not Relevant Persons, and (ii) in any member state of the EEA, by persons who are not Qualified Investors. Any investment or investment activity to which this disclaimer and the attached Circular relates is available only to (i) Relevant Persons in the United Kingdom, and (ii) Qualified Investors in any member state of the EEA, and will be engaged in only with such persons.

Solely for the purposes of the product governance requirements of Chapter 3 of the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK Product Governance Requirements**"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the UK Product Governance Requirements) may otherwise have with respect thereto, the Securities which are the subject of the Rights Offer have been subject to a product approval process, which has determined that such Securities are (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in Chapter 3 of the FCA Handbook Conduct of Business Sourcebook; and (ii) eligible for distribution through all permitted distribution channels (the "**Target Market Assessment**"). Notwithstanding the Target Market Assessment, "distributors" (for the purposes of the UK Product Governance Requirements) should note that (i) the price of the Securities may decline and investors could lose all or part of their investment; (ii) the Securities offer no guaranteed income and no capital protection; and (iii) an investment in the Securities is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Rights Offer. Furthermore, it is noted that, notwithstanding the Target Market Assessment, the Joint Global Coordinators and Joint Underwriters (as defined below) will only procure investors who meet the criteria of professional clients and eligible counterparties.

For the avoidance of doubt, the Target Market Assessment does not constitute (i) an assessment of suitability or appropriateness for the purposes of Chapters 9A or 10A, respectively, of the FCA Handbook Conduct of Business Sourcebook; or (ii) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Securities.

Each distributor is responsible for undertaking its own target market assessment in respect of the Securities and determining appropriate distribution channels.

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended ("**MiFID II**"); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the "**MiFID II Product Governance Requirements**"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the Securities which are the subject of the Rights Offer have been subject to a product approval process, which has determined that such Securities are (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all permitted distribution channels as are permitted by MiFID II (the "**MiFID II Target Market Assessment**"). Notwithstanding the MiFID II Target Market Assessment, "distributors" (for the purposes of the MiFID II Product Governance Requirements) should note that: the price of the Securities may decline and investors could lose all or part of their investment; the Securities offer no guaranteed income and no capital protection; and an investment in the Securities is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The MiFID II Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Rights Offer. Furthermore, it is noted that, notwithstanding the MiFID II Target Market Assessment, the Joint Global Coordinators and Joint Underwriters will only procure investors who meet the criteria of professional clients and eligible counterparties.

For the avoidance of doubt, the MiFID II Target Market Assessment does not constitute (i) an assessment of suitability or appropriateness for the purposes of MiFID II; or (ii) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Securities.

Each distributor is responsible for undertaking its own target market assessment in respect of the Securities and determining appropriate distribution channels.

Confirmation of Your Representation: This disclaimer and the attached Circular are delivered to you on the basis that you are deemed to have represented to the Company; Rand Merchant Bank (a division of FirstRand Bank Limited) ("**RMB**"), Absa Bank Limited, acting through its Corporate and Investment Banking division ("**ABSA**") and The Standard Bank of South Africa Limited, acting through its Corporate and Investment Banking division ("**SBSA**") in their capacities as joint global coordinators, bookrunners and/or underwriters, as applicable (the "**Joint Global Coordinators and Joint Underwriters**"), that (i) if you are in the United States, you are a QIB acquiring Securities (excluding Rump Shares) for your own account or for the account of another QIB; (ii) if you are outside the United States, you are acquiring Securities in offshore transactions in compliance with Regulation S under the US Securities Act; (iii) if you are in the United Kingdom, you are a Relevant Person; (iv) if you are in any member state of the EEA, you are a Qualified Investor; (v) you are an institutional investor that is eligible to receive this disclaimer and the attached Circular; (vi) you are not a resident of, or located in, Australia, Canada, Hong Kong or Japan, or any jurisdiction where it is unlawful to receive this disclaimer and the attached Circular; and (vii) you consent to delivery of this disclaimer and the attached Circular.

These materials are not for distribution, directly or indirectly, in or into the United States (including its territories and dependencies, any state or jurisdiction of the United States and the District of Columbia), Australia, Canada, Hong Kong, Japan or in any other jurisdiction where the direct or indirect distribution of these materials is unlawful. There will be no public offering of any Securities in the United States, Australia, Canada, Hong Kong, Japan or any other jurisdiction.

You are reminded that you have received this disclaimer and the attached Circular on the basis that you are a person into whose possession this disclaimer and the attached Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this disclaimer or the attached Circular, electronically or otherwise, to any other person.

The Joint Global Coordinators and Joint Underwriters are acting exclusively for the Company and no one else in connection with the Rights Offer. They will not regard any other person (whether or not a recipient of the attached Circular) as their respective client in relation to the Rights Offer and will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients nor for giving advice in relation to the Rights Offer or any transaction or arrangement referred to herein. No representation or warranty, express or implied, is made by the Joint Global Coordinators and Joint Underwriters as to the accuracy, completeness or verification of the information set forth in the attached Circular, and nothing contained in the attached Circular is, or shall be relied upon as, a promise or representation in this respect, whether as to the past or the future. The Joint Global Coordinators and Joint Underwriters assume no responsibility for the accuracy, completeness or verification of the attached Circular and, accordingly, disclaim, to the fullest extent permitted by applicable law, any and all liability which they might otherwise be found to have in respect of the attached Circular or any such statement.

Where this Circular has been sent to you in an electronic form, you are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Joint Global Coordinators and Joint Underwriters, any person who controls any of the Joint Global Coordinators and Joint Underwriters or the Company, any director, officer, employee or agent of any of them or any affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the attached Circular distributed to you in electronic format and the hard copy version of the attached Circular. If verification is required, please request a hard copy of the attached Circular.

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The *"Definitions and Interpretations"* commencing on page 125 of this Circular apply throughout this Circular, including this cover page.

Pick n Pay Stores Limited
(Registration number 1968/008034/06)
(Incorporated in the Republic of South Africa)
JSE and A2X Ordinary share code: PIK
Ordinary share ISIN: ZAE000005443
("**PIK**" or the "**Company**")

RENOUNCEABLE RIGHTS OFFER OF 252,206,809 NEW PIK SHARES AT ZAR15.86 PER NEW PIK SHARE

The implementation of the renounceable rights offer by PIK to Qualifying Shareholders being PIK Shareholders (excluding Restricted Shareholders) recorded as such in PIK's securities register on the Record Date (as defined below) (the "**Register**") to subscribe for new PIK Shares (as defined below) ("**Rights Offer Shares**") will take place through the issuance by PIK of the Letters of Allocation to Qualifying Shareholders, which shall trade as "nil paid" rights in accordance with the timetable set out on page 12 of this Circular. The Letters of Allocation to which Qualifying Certificated Shareholders are entitled have been created and can only be traded in electronic form. To facilitate such trading in electronic form, an electronic record for Qualifying Certificated Shareholders is being maintained by Computershare Investor Services Proprietary Limited (the "**Transfer Secretaries**"), which has made it possible for Qualifying Certificated Shareholders to enjoy the same rights and opportunities as Qualifying Dematerialised Shareholders in respect of the Letters of Allocation. Qualifying Dematerialised Shareholders will have their Letters of Allocation credited to their accounts at their Central Securities Depository Participant ("**CSDP**") or any person registered as a broking member (equities) in terms of the listings requirements (the "**Listings Requirements**") of the exchange operated by JSE Limited (the "**JSE**") made in accordance with the provisions of the Financial Markets Act ("**Broker**"). The tradeable rights the Qualifying Shareholders will receive to subscribe for the Rights Offer Shares (the "**Rights**") that are represented by the Letters of Allocation are negotiable and may be traded in Dematerialised form on the exchange operated by the JSE under **Share Code: PIKN** and **ISIN: ZAE000336145**. If a Qualifying Certificated Shareholder wishes to dispose of all or part of their Rights under the Letters of Allocation, the relevant Form of Instruction enclosed in this Circular must be completed and returned to the Transfer Secretaries, if by hand: First Floor, Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196, South Africa; if by post: Private Bag X3000, Saxonwold, Johannesburg, 2132, South Africa in accordance with the instructions contained therein; or if by email: *corporate.events@computershare.co.za*.

Qualifying Shareholders are also referred to page 1 of this Circular, which sets out the detailed actions required of them with regard to the Rights Offer (as defined below). If you are in any doubt as to the action that you should take, please consult your CSDP, Broker, banker, legal adviser, accountant or other professional adviser immediately.

This Circular to Qualifying Shareholders relates to:

A renounceable rights offer to Qualifying Shareholders, at the close of business (SAST) on Friday, 19 July 2024 (the "**Record Date**") of Rights to subscribe for 252,206,809 Rights Offer Shares at the Rights Offer Share Price (as defined below) (the "**Rights Offer**"). Qualifying Shareholders who hold the no par value ordinary shares in the issued share capital of PIK ("**PIK Shares**") on the Record Date will receive 51.11 Rights for every 100 Existing PIK Shares held. Each Right entitles the holder to subscribe for one new PIK Share at a subscription price of 1,586.0 cents (ZAR15.86) ("**Rights Offer Share Price**") per Rights Offer Share.

Applications for excess Rights Offer Shares will be permitted, pursuant to which Qualifying Shareholders may apply to subscribe for additional Rights Offer Shares over and above their *pro rata* entitlements to Rights Offer Shares under the Rights Offer. Qualifying Shareholders are referred to page 1 of this Circular, which sets out the actions required of them with regard to the excess applications.

This Circular includes a Form of Instruction in respect of the Letters of Allocation (to be completed by Qualifying Certificated Shareholders only; Qualifying Dematerialised Shareholders should refer to "*7 Circular to Qualifying Shareholders—7.3 Particulars of the Rights Offer*" on page 38 of this Circular for instructions on how to participate in the Rights Offer).

The Company has entered into an underwriting agreement with the Joint Global Coordinators and Joint Underwriters (the "**Underwriting Agreement**"), pursuant to which the Joint Global Coordinators and Joint Underwriters have severally agreed (and not jointly or jointly and severally), subject to customary terms and conditions, to underwrite in equal proportions the Rights Offer Shares for a maximum underwriting commitment of ZAR4.0 billion (the **"Underwriting Commitment"**) for which (i) Rights under the Letters of Allocation are not exercised or treated as invalid and (ii) excess applications for additional Rights Offer Shares have not been made and/or allocated (the "**Rump Shares**"). See "*13 Underwriting Arrangements*" commencing on page 100 of this Circular for a summary of the key terms of the Underwriting Agreement. Subject to the Underwriting Commitment, in the event that there are Rump Shares that the Joint Global Coordinators and Joint Underwriters are required to purchase in terms of the Underwriting Agreement, the Joint Global Coordinators and Joint Underwriters may procure subscribers for such Rump Shares outside of the United States in offshore transactions in reliance on Regulation S under the US Securities Act ("**Regulation S**"), or, failing which, will be subscribed for by the Joint Global Coordinators and Joint Underwriters themselves.

You are advised to examine all the risks and legal requirements that might be relevant in connection with acquiring the Letters of Allocation or subscribing for the Rights Offer Shares. Acquiring the Letters of Allocation or subscribing for the Rights Offer Shares involves risk. See "*6 Risk Factors*" commencing on page 17 of this Circular for a discussion of selected risk factors you should carefully consider before acquiring the Letters of Allocation or subscribing for the Rights Offer Shares.

Subject to the restrictions set out below, if you have disposed of all your PIK Shares, then this Circular (including the Form of Instruction) should be handed or forwarded to the purchaser of such shares or to the CSDP, Broker, banker or other agent through whom the disposal was effected. Neither this Circular nor any Letter of Allocation should be distributed in, forwarded to or transmitted in or into or from the United States, or in, into or from Australia, Canada, Hong Kong or Japan or any other jurisdiction where to do so might constitute a violation of local securities laws or regulations (the "**Restricted Territories**") (except in the absolute discretion of PIK pursuant to any exemption from such laws or regulations).

This Circular is issued in compliance with the Listings Requirements and the South African Companies Act, No. 71 of 2008, as amended, (the "**Companies Act**") for the purpose of providing information to the PIK Shareholders regarding the Rights Offer. The Rights Offer is a rights offer as contemplated in Section 96(1)(d) of the Companies Act and will not constitute an "offer to the public," as envisaged in Chapter 4 of the Companies Act and, accordingly (i) this Circular does not, nor does it intend to, constitute a "registered prospectus," as contemplated in Chapter 4 of the Companies Act, and (ii) no prospectus has been filed with the Companies and Intellectual Property Commission (the "**CIPC**") in respect of the Rights Offer or any component thereof. As a result, except to the extent prescribed in the Companies Act, this Circular does not comply with the substance and form requirements for a prospectus set out in the Companies Act and the South African Companies Regulations, 2011 and has not been approved by, and/or registered with, the CIPC, or any other South African authority, save for the JSE. The Rights Offer (including the potential placement of the Rump Shares) is not an invitation to the public in any jurisdiction to subscribe for Securities in the Company. PIK does not accept responsibility, and will not be held liable, for any failure on the part of the CSDP or Broker of a Qualifying Dematerialised Shareholder to notify such shareholder of the details of this Circular.

The Rights Offer Shares will be listed and admitted to trading on the JSE and the A2X under the share code "PIK". The Issuer Regulation Division of the JSE has approved the listing of the Letters of Allocation on the JSE (for the avoidance of doubt, the Letters of Allocation will not be listed on the A2X) in respect of all of the Rights Offer Shares with effect from the commencement of trade on Wednesday, 17 July 2024 (SAST) to the close of trade on Tuesday, 30 July 2024 (SAST), both days inclusive. The Issuer Regulation Division of the JSE and the A2X have approved the listing and admission to trading of all of the Rights Offer Shares with effect from the commencement of trade on Wednesday, 31 July 2024 (SAST).

Rights Offer opens at 09:00 (SAST) on Monday, 22 July 2024.

Rights Offer closes at 12:00 (SAST) on Friday, 2 August 2024.

The PIK directors (the "**Directors**"), whose names are given on page 101 of this Circular, collectively and individually, accept full responsibility for the accuracy of the information given in this Circular and certify that, to the best of their knowledge and belief, there are no facts that have been omitted from this Circular which would make any statement in this Circular false or misleading and that all reasonable enquiries to ascertain such facts have been made and that this Circular contains all information required by law and the Listings Requirements.

Letters of Allocation, which are renounceable, can only be traded in Dematerialised form and, accordingly, PIK has issued all Letters of Allocation in Dematerialised form. The electronic record for holders of Certificated Shares is being maintained by the Transfer Secretaries which has made it possible for holders of Certificated Shares to enjoy the same rights and opportunities as holders of Dematerialised Shares in respect of the Letters of Allocation.

The Letters of Allocation and the Rights Offer Shares have not been and will not be registered under the US Securities Act of 1933, as amended (the "**US Securities Act**") or with any securities regulatory authority of any state or jurisdiction of the United States, and subject to certain exceptions, may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within the United States. The Letters of Allocation and the Rights Offer Shares are being offered and sold (A) outside the United States in offshore transactions in reliance on Regulation S and (B) in the case of the Letters of Allocation and the Rights Offer Shares (excluding Rump Shares) within the United States to "qualified institutional buyers" ("**QIBs**") as defined in Rule 144A under the US Securities Act only through an exemption from, or in a transaction not subject to, the registration requirements under the US Securities Act. No public offer of the Letters of Allocation and the Rights Offer Shares will be made in the United States. An offer of the Letters of Allocation and the Rights Offer Shares in the United States will only be made through an exemption from, or in a transaction not subject to, the registration requirements under the US Securities Act to a limited number of existing shareholders who are both existing shareholders in PIK and QIBs. Qualifying Shareholders who are located in the United States will be required to execute and deliver an Investor Letter set forth in Appendix 1 to this Circular prior to taking up or transferring Rights in the Rights Offer or subscribing for Rights Offer Shares in the Rights Offer. The Rump Shares, if any, will not be offered or sold in the United States. Nothing in this Circular constitutes an offer of securities for sale in any jurisdiction where it is unlawful to do so.

The Letters of Allocation and the Rights Offer Shares will also not be registered under the securities laws and regulations of any jurisdiction, including the Restricted Territories and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within such jurisdictions except pursuant to an applicable exemption. In particular, subject to certain exceptions, this Circular, the Letters of Allocation and any other such documents should not be distributed in, forwarded to or transmitted in or into the United States or the Restricted Territories.

This Circular is available in English only. Copies of this circular may be obtained from the registered office of the Company and from the registered office of the Transaction Sponsor whose addresses are set out in the "*Corporate Information and Advisers*" section of this Circular. An electronic copy of this Circular may be obtained from the Company's website, being www.picknpayinvestor.co.za from the date of this Circular up to and including Friday, 2 August 2024 and can be made available through a secure electronic manner at the election of the person requesting inspection. Save as expressly stated elsewhere in this Circular, information contained on the Company's website is not incorporated by reference in this Circular and does not form a part of this Circular.

Joint Global Coordinators and Joint Underwriters

RMB

absa

Standard Bank

Transaction Sponsor

RMB

Legal advisers to PIK as to South African law

BOWMANS
THE VALUE OF KNOWING

Legal advisers to PIK as to US and English law

Milbank

Legal advisers to the Joint Global Coordinators and Joint Underwriters as to South African law

WEBBER WENTZEL
in alliance with > Linklaters

Legal advisers to the Joint Global Coordinators and Joint Underwriters as to US and English law

Linklaters

Independent auditor of PIK

EY
Building a better working world

Transfer Secretaries of PIK

Computershare

Circular dated Monday, 15 July 2024

CORPORATE INFORMATION AND ADVISERS

DIRECTORS OF PIK
Executive
S R Summers (*Chief Executive Officer*)
L Olivier (*Chief Financial Officer*)

Non-executive
G M Ackerman (*Chair*)
S D Ackerman
J G Ackerman
D Robins

Independent non-executive
H I Bhorat
J R Formby (*Lead Independent Director*)
D Friedland
A Jakoet
A M Mothupi
A van der Merwe

Company secretary
Vaughan Pierce
BA *(LLB)(LLM)*
101 Rosmead Avenue
Kenilworth, Cape Town, 7708
South Africa
(PO Box 23087, Claremont, Cape Town, 7735, South Africa)

Registered office of PIK
101 Rosmead Avenue
Kenilworth, Cape Town, 7708
South Africa
(PO Box 23087, Claremont, Cape Town, 7735, South Africa)

Date of incorporation of PIK
18 July 1968

Place of incorporation of PIK
South Africa

Joint Global Coordinators and Joint Underwriters

Absa Bank Limited
(acting through its Corporate and Investment Banking division)
(Registration Number 1986/003934/06)
15 Alice Lane
Sandton, 2196
South Africa

Rand Merchant Bank
(a division of FirstRand Bank Limited)
(Registration Number 1929/001225/06)
1 Merchant Place
Corner Rivonia Road and Fredman Drive
Sandton, 2196
South Africa
(PO Box 786273, Sandton, 2146, South Africa)

The Standard Bank of South Africa Limited
(acting through its Corporate and Investment Banking division)
(Registration Number 1962/000738/06)
3rd Floor
30 Baker Street
Rosebank, 2196
South Africa
(PO Box 7725, Johannesburg, 2000, South Africa)

Transfer Secretaries
Computershare Investor Services Proprietary Limited
(Registration Number 2004/003647/07)
First Floor Rosebank Towers
15 Biermann Avenue
Rosebank, Johannesburg, 2196
South Africa
(Private Bag X3000, Saxonwold, 2132, South Africa)

Legal advisers to PIK as to South African law
Bowman Gilfillan Inc.
(Registration Number 1998/021409/21)
11 Alice Lane
Sandton, 2196
South Africa
(PO Box 785812, Sandton, 2146, South Africa)

Legal advisers to PIK as to US and English law
Milbank LLP
100 Liverpool Street
London EC2M 2AT
United Kingdom

Legal advisers to the Joint Global Coordinators and Joint Underwriters as to South African law
Webber Wentzel
90 Rivonia Road
Sandton, Johannesburg, 2196
South Africa
(PO Box 61771, Marshalltown, 2107, South Africa)

Legal advisers to the Joint Global Coordinators and Joint Underwriters as to US and English law
Linklaters LLP
One Silk Street
London EC2Y 8HQ
United Kingdom

Independent auditor of the Group
Ernst & Young Inc.
(Registration Number 2005/002308/21)
3rd floor, Waterway House
3 Dock Road
V&A Waterfront
South Africa
(PO Box 656, Cape Town, 8000, South Africa)

Transaction Sponsor to PIK
Rand Merchant Bank
(a division of FirstRand Bank Limited)
(Registration Number 1929/001225/06)
1 Merchant Place
Corner Rivonia Road and Fredman Drive
Sandton, 2196
South Africa
(PO Box 786273, Sandton, 2146, South Africa)

NOTICE TO INVESTORS

The Rights Offer is being made in accordance with the Companies Act and the Listings Requirements and is only addressed to persons to whom it may lawfully be made. By subscribing for any Rights Offer Shares or purchasing any Letters of Allocation, you will be deemed to have represented and agreed that (i) you are not (and any person for whom you are acting is not) a Restricted Shareholder or otherwise (a) a resident in any jurisdiction in which such offer would be unlawful, or (b) a person to whom the Rights Offer may not lawfully be made; and (ii) you have received all necessary information required to make an informed investment decision.

This Circular is not an offer of new PIK Shares, or an invitation to exercise any of the Rights pursuant to the Letters of Allocation, in any jurisdiction in which such offer would be unlawful. In a number of countries, in particular in the United States and the Restricted Territories, the distribution of this Circular, the exercise of Rights pursuant to the Letters of Allocation, the offer of the Rights Offer Shares, as well as the sale of the Rights Offer Shares, are subject to restrictions imposed by law (such as registration, admission or other regulations). No action has been or will be taken by PIK or by the Joint Global Coordinators and Joint Underwriters to permit the possession or distribution of this Circular (or any Letter of Allocation) in any jurisdiction where such distribution may otherwise lead to a breach of any law or regulatory requirement.

Accordingly, neither this Circular nor any advertisement nor any other offering material may be distributed or published in any jurisdiction except under circumstances that will be in compliance with applicable laws and regulations. Persons into whose possession this Circular may come are required to inform themselves about and comply with such restrictions, in particular not to publish or distribute this Circular in violation of applicable securities regulations. Any failure to comply with such restrictions may result in a violation of applicable securities regulations. This Circular does not constitute an offer to sell the Letters of Allocation or the Rights Offer Shares to any person in any jurisdiction in which it is unlawful to make such offer to such person, or a solicitation of an offer to buy the Letters of Allocation or the Rights Offer Shares from a person in a jurisdiction in which it is unlawful to make such solicitation.

No person is or has been authorised to give information or to make any representation regarding the Rights Offer other than those contained in this Circular and, if given or made, such information or representations shall not be relied upon as having been so authorised. In particular, save as expressly stated elsewhere in this Circular, the contents of PIK's website are not incorporated by reference in this Circular and do not form a part of this Circular, and investors should not rely on them. No representation or warranty, express or implied, is made by the Joint Global Coordinators and Joint Underwriters as to or in respect of the contents of this Circular, or in relation to the accuracy, completeness or verification of the information contained in this Circular, and nothing contained in this Circular is, or shall be relied upon as, a promise or representation by the Joint Global Coordinators and Joint Underwriters in this respect, whether as to the past or the future. The Joint Global Coordinators and Joint Underwriters assume no responsibility for its accuracy, completeness or verification of the information contained in this Circular and, accordingly, disclaim to the fullest extent permitted by applicable law any and all liability, whether arising in tort (delict), contract or otherwise, which they might otherwise be found to have in respect of this Circular or any such statement. Information given or representations made in connection with the Rights Offer or the subscription or the sale of the Letters of Allocation or the Rights Offer Shares that are inconsistent with those contained in this Circular are invalid.

Investors acknowledge that (i) they have not relied on the Joint Global Coordinators and Joint Underwriters or any person affiliated with the Joint Global Coordinators and Joint Underwriters in connection with any investigation of the accuracy of any information contained in this Circular or their investment decision; and (ii) they have relied only on the information contained in this Circular, and that no person has been authorised to give any information or to make any representation concerning the Group, the Letters of Allocation or the Rights Offer Shares (other than as contained in this Circular) and, if given or made, any such other information or representation should not be relied upon as having been authorised by PIK or the Joint Global Coordinators and Joint Underwriters.

The distribution of this Circular does not mean that the data contained herein is current as of any time after the date of this Circular. In particular, neither the delivery of this Circular nor the offer, sale or delivery of the Letters of Allocation or the Rights Offer Shares means that no adverse changes have occurred or no events have happened after the date of this Circular which may or could result in an adverse effect on the Group's business, financial condition or results of operations.

Nothing contained in this Circular is intended to constitute investment, legal, tax, accounting or other professional advice. This Circular is for your information and nothing in this Circular is intended to endorse or recommend a particular course of action. In making an investment decision, each investor must rely on its own examination, analysis and enquiry of the Group and the terms of the Rights Offer, including the merits and risks involved. Neither PIK, nor any of the Joint Global Coordinators and Joint Underwriters, nor any of their respective representatives or affiliates, is making any representation to any offeree, subscriber or purchaser of the Letters of Allocation or the Rights Offer Shares regarding the legality of an investment in Letters of Allocation for the Rights Offer Shares by such offeree, subscriber or purchaser under the laws applicable to such offeree, subscriber or purchaser. Each investor should consult its own advisers before acquiring the Letters of Allocation or subscribing for or purchasing the Rights Offer Shares. Investors are required to make their independent assessment of the legal, tax, business, financial and other consequences of acquiring the Letters of Allocation or subscribing for or purchasing the Rights or the Rights Offer Shares. They are also required to make their independent assessment of the risks involved in acquiring the Letters of Allocation the Rights or subscribing for the Rights Offer Shares.

The Joint Global Coordinators and Joint Underwriters are acting exclusively for PIK and no one else in connection with the Rights Offer. They will not regard any other person (whether or not a recipient of this Circular) as their respective client in relation to the Rights Offer and will also not be responsible to anyone other than PIK for providing the protections afforded to their clients or for giving advice in relation to the Rights Offer or any transaction or arrangement referred to herein.

In connection with the Rights Offer, each of the Joint Global Coordinators and Joint Underwriters and any of their respective affiliates, acting as an investor for its own account, may exercise Rights in terms of the Letters of Allocation in the Rights Offer and in that capacity may subscribe for, retain, purchase or sell for its own account such securities and any Letters of Allocation or Rights Offer Shares or related investments and may offer or sell such securities or other investments otherwise than in connection with the Rights Offer. Accordingly, references in this Circular to shares or securities being offered should be read as including any offering of Letters of Allocation or Rights Offer Shares to any of the Joint Global Coordinators and Joint Underwriters or any of their respective affiliates acting in such capacity. None of the Joint Global Coordinators and Joint Underwriters intend to disclose the extent of such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

NOTICE TO INVESTORS IN THE UNITED STATES

The Letters of Allocation and the Rights Offer Shares offered hereby have not been and will not be registered under the US Securities Act, or with any securities regulatory authority of any state or other jurisdiction in the United States, and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, in or into the United States at any time except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction in the United States. There will be no public offer of the Letters of Allocation and the Rights Offer Shares in the United States. The Letters of Allocation are being issued and the Rights Offer Shares (excluding the Rump Shares) are being offered and sold in the United States only to QIBs through an exemption from, or in a transaction not subject to, the registration requirements under the US Securities Act. Qualifying Shareholders who are located in the United States will be required to execute and deliver an Investor Letter set forth in Appendix 1 to this Circular prior to taking up or transferring Rights in the Rights Offer or subscribing for Rights Offer Shares in the Rights Offer.

THE LETTERS OF ALLOCATION AND THE RIGHTS OFFER SHARES OFFERED HEREBY HAVE NOT BEEN RECOMMENDED BY ANY US FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT PASSED UPON THE MERITS OF THE OFFERING OR CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

In the United States, this Circular is being furnished on a confidential basis solely for the purpose of enabling a prospective purchaser to consider purchasing the particular securities described herein.

The information contained in this Circular has been provided by PIK or obtained from the other sources identified herein. Distribution of this Circular to any person other than the offeree specified by PIK and those persons, if any, retained to advise such offeree with respect to this Circular, is unauthorised, and any disclosure of the contents of this Circular, without the prior written consent of PIK, is prohibited. Any reproduction or distribution of this Circular in the United States, in whole or in part, and any disclosure of its contents to any other person in the United States is prohibited. This Circular is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire the Rights Offer Shares described herein. Investors agree to the foregoing by accepting delivery of this Circular.

NOTICE TO INVESTORS IN SOUTH AFRICA

The Rights Offer is a rights offer as contemplated in Section 96(1)(d) of the Companies Act and will not constitute an "offer to the public", as envisaged in Chapter 4 of the Companies Act and any placement of Rump Shares will be made to selected persons falling into one or more of the categories specified Section 96(1)(a) of the Companies Act and/or in respect of whom the total contemplated acquisition cost for Rump Shares is not less than ZAR1,000,000 per single addressee acting as principal as contemplated in Section 96(1)(b) of the Companies Act. Accordingly (i) this Circular does not, nor does it intend to, constitute a "registered prospectus", as contemplated in Chapter 4 of the Companies Act, and (ii) no prospectus has been filed with the CIPC in respect of the Rights Offer or any component thereof. As a result, except to the extent prescribed in the Companies Act, this Circular does not comply with the substance and form requirements for a prospectus set out in the Companies Act and the Companies Regulations and has not been approved by, and/or registered with, the CIPC , or any other South African authority, save for the JSE. The Circular has been submitted to the Financial Surveillance Department as part of the exchange control approval process, but not separately approved by SARB. Should any person who is not a Qualifying Shareholder (or its renouncee) receive this Circular, they should not, and will not be entitled to, subscribe for any Rights Offer Shares or acquire Letters of Allocation or Rights or otherwise act thereon.

The information contained in this Circular constitutes factual information as contemplated in section 1(3)(a) of the South African Financial Advisory and Intermediary Services Act, No. 19 of 2012, as amended, ("**FAIS Act**") and should not be construed as an express or implied recommendation, guide or proposal that any particular transaction in respect of the Rights Offer Shares or Letters of Allocation or in relation to the business or future investments of the Company, is appropriate to the particular investment objectives, financial situations or needs of a prospective investor, and nothing in this Circular should be construed as constituting the canvassing for, or marketing or advertising of, financial services in South Africa. The Company is not a financial services provider licensed as such under the FAIS Act and the Company's advisers are acting for the Company only in respect of the Rights Offer and are not giving or purporting to have given any financial advice as contemplated in the FAIS Act to any investor of the Company.

NOTICE TO INVESTORS IN THE UNITED KINGDOM

This Circular is only being distributed to and is only directed at persons in the United Kingdom who are "qualified investors" as defined in the UK Prospectus Regulation and who are (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 ("**FSMA**") (Financial Promotion) Order 2005, as amended (the "**Order**"); (ii) high net worth entities falling within Article 49(2)(a) to (d) of the Order; or (iii) other persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as "**Relevant Persons**"). The Rights Offer Shares are only available to, and any invitation, offer or agreement to subscribe for such Rights Offer Shares will be engaged in only with, Relevant Persons. Any person who is not a Relevant Person should not act or rely on this Circular or any of its contents.

No Rights Offer Shares or Letters of Allocation have been offered or will be offered pursuant to the Rights Offer to the public in United Kingdom, except that offers of Rights Offer Shares or Letters of Allocation may be made to the public in the United Kingdom at any time under the following exemptions from the UK Prospectus Regulation:

(i) to any legal entity which is a "qualified investor" as defined in under Article 2 of the UK Prospectus Regulation; or

(ii) to fewer than 150 natural or legal persons (other than "qualified investors" as defined under Article 2 of the UK Prospectus Regulation), subject to obtaining prior consent of the Joint Global Coordinators and Joint Underwriters for any such offer; or

(iii) in any other circumstances falling within Section 86 of the FSMA,

provided that no such offer of Rights Offer Shares or Letters of Allocation shall result in a requirement for the Company or the Joint Global Coordinators and Joint Underwriters to publish a prospectus pursuant to Section 85 of the FSMA or supplement to a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision, the expression an "offer to the public" in relation to any Rights Offer Shares or Letters of Allocation in the United Kingdom means the communication in any form and by any means of sufficient information on the terms of the Rights Offer, the Rights Offer Shares and Letters of Allocation to be offered so as to enable an investor to decide to subscribe for any Rights Offer Shares or take transfer of any Letters of Allocation and the expression "UK Prospectus Regulation" means Regulation (EU) 2017/1129, as amended, as it forms part of assimilated law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**").

NOTICE TO INVESTORS IN AUSTRALIA, CANADA, HONG KONG AND JAPAN AND CERTAIN OTHER JURISDICTIONS

Subject to certain exceptions, the Rights Offer will not be made to persons who are residents of Australia, Canada, Hong Kong and Japan or in any jurisdiction in which such offering would be unlawful.

MEMBER STATES OF THE EUROPEAN ECONOMIC AREA

In relation to member states of the European Economic Area (the "**EEA**") (a "**Relevant State**"), an offer to the public of any Rights Offer Shares or Letters of Allocation contemplated by this Circular may not be made in that Relevant State prior to the publication of a prospectus in relation to the Rights Offer Shares or Letters of Allocation which has been approved by the competent authority in that Relevant State or, where appropriate, approved in another Relevant State and notified to the competent authority in the Relevant State, all in accordance with the Prospectus Regulation, except that an offer to the public in that Relevant State may be made under the following exemptions under the Prospectus Regulation:

(i) to any legal entity which is a "qualified investor" as defined under Article 2 of the Prospectus Regulation;

(ii) to fewer than 150 natural or legal persons (other than "qualified investors" as defined under Article 2 of the Prospectus Regulation), subject to obtaining the prior written consent of the Joint Global Coordinators and Joint Underwriters for any such offer; or

(iii) in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Rights Offer Shares shall result in a requirement for the publication by the Company or the Joint Global Coordinators and Joint Underwriters of a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an "offer to the public" in relation to any Rights Offer Shares or Letters of Allocation in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the Rights Offer, the Rights Offer Shares and Letters of Allocation to be offered so as to enable an investor to decide to subscribe for any Rights Offer Shares or take transfer of any Letters of Allocation, and the expression "Prospectus Regulation" means Regulation (EU) 2017/1129, as amended.

NOTICE TO NOMINEES, CUSTODIANS AND FINANCIAL INTERMEDIARIES

Any person, including nominees, custodians and other financial intermediaries who would, or otherwise intends to, or has a contractual or legal obligation to forward this Circular or any information relating to this Rights Offer to any jurisdiction outside of South Africa, should adhere to the restrictions set out above and in "*7 Circular to Qualifying Shareholders—7.3 Particulars of the Rights Offer—7.3.13 Overseas Shareholders*" on page 42 of this Circular. In connection with any subscriptions for the Rights Offer Shares or any sales or purchases of the Letters of Allocation, nominees, custodians and financial intermediaries will be deemed to have represented and warranted that they have complied with the terms of the Rights Offer.

ENFORCEMENT OF CIVIL LIABILITIES

The ability of an Overseas Shareholder to bring an action against PIK may be limited under law. The rights of PIK Shareholders are governed by South African law, the Listings Requirements and by PIK's memorandum of incorporation (the "**MOI**"). An Overseas Shareholder may not be able to enforce a judgment against some or all of the Directors and/or executive officers. It may not be possible for an Overseas Shareholder to effect service of process upon the Directors and/or executive officers within the Overseas Shareholder's country of residence or to enforce against the Directors and/or executive officers judgments of courts of the Overseas Shareholder's country of residence based on civil liabilities under that country's securities laws. There can be no assurances that an Overseas Shareholder will be able to enforce any judgments in civil and commercial matters or any judgments under the securities laws of countries other than South Africa against the Directors and/or executive officers who are residents of countries other than those in which judgment is made. In addition, South African or other courts may not impose civil liability on the Directors and/or executive officers in any original action based solely on foreign securities laws brought against PIK or its Directors and/or executive officers in a court of competent jurisdiction in South Africa or other countries.

CERTAIN FORWARD-LOOKING STATEMENTS

This Circular includes certain "forward-looking statements" that reflect the current views or expectations of the Group with respect to future events and future financial and operational performance. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements, including, without limitation, those concerning: the economic outlook for the industry; use of the proceeds from the Rights Offer; the Group's ability to implement its strategy; the competitive environments in which the Group operates; trends in the industries and markets in which the Group operates; future operating results, growth prospects and outlook for the operations of the Group, individually or in the aggregate; and the Group's liquidity and available capital resources and expenditure. Such forward-looking statements generally reflect the Group's current plans, estimates, projections and expectations concerning future results and events and generally may be identified by the use of forward-looking words or phrases such as "believe," "aim," "expect," "anticipate," "intend," "foresee," "forecast," "likely," "should," "planned," "may," "estimated," "potential" or similar words and phrases. Similarly, statements that describe the Group's objectives, plans or goals are or may be forward-looking statements. Forward-looking statements are included in, among other sections, "*2 Background to and Rationale for the Rights Offer*," "*3 Use of Proceeds*," "*4 Dividends and Dividend Policy*," "*6 Risk Factors*," "*9 Operating and Financial Review*" and "*10 Business Description*." Any forward-looking statement has not been reviewed nor reported on by the Company's independent auditor.

Although the Group believes that the expectations reflected in these and other forward-looking statements are reasonable, no assurances can be given that such expectations will materialise or prove to be correct. Such forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause future events or the Group's actual results, performance or achievements to differ materially from those expressed or implied by these forward-looking statements. These forward-looking statements are based on various estimates and/or assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future.

Among the important factors that could cause the Group's actual results, performance or achievements to differ materially include, among others:

- **Risks related to the Group's liquidity and financial condition including, among others:**
  - the Group's substantial leverage and debt service obligations; and
  - the Group's ability to successfully complete the Recapitalisation Plan.
- **Risks related to the Group's business and industry including, among others:**
  - adverse geopolitical and macroeconomic conditions;
  - the adverse impact of load-shedding on the Group's operations in South Africa;
  - the adverse impact of increases in energy or water costs on the Group's operations in South Africa;
  - the Group's ability to successfully compete in the retail industry;
  - the Group's ability to anticipate and respond quickly to changing consumer preferences;
  - risks associated with non-compliance with laws and regulations, including with respect to the safety and quality of the Group's products and/or concerns about the safety of the food industry in general;
  - the Group's reliance on information systems provided by third parties;
  - the ability to retain the Group's existing key personnel members or attract qualified new personnel;
  - the adverse effects of climate change;
  - the Group's ability to implement its long-term strategy;
  - catastrophic events, such as war, terrorist attacks, civil unrest, disruptive geopolitical events, epidemics, pandemics, and natural disasters;
  - the Group's ability to obtain or renew commercial insurance;
  - the Group's ability to successfully maintain and develop its omni-channel offering and keep pace with new technological developments in the online grocery business;
  - disruptions in the Group's supply chain, including the production and distribution of goods;
  - seasonal fluctuations in certain activities of the Group;
  - the Group's reliance on certain suppliers and partners, the majority of which are third parties, and any adverse effects resulting from doing business with these suppliers and partners;
  - increased transportation costs or disruption to transportation services;
  - losses from criminal activity, including theft, robbery, shoplifting, fraud, misappropriation and human error;
  - risks associated with the Group renting the majority of its properties pursuant to commercial leases that are subject to adjustments that could increase expenses and which may not be renewed or may be terminated;
  - significant disruptions in the Group's workforce or the workforce of its suppliers or a failure to extend, renew, or renegotiate trade union agreements that could lead to labour disputes;
  - risks associated with litigation and other claims;
  - risks associated with the Group's franchise business model;
  - the Group's ability to effectively conduct its marketing campaigns and communications strategy;
  - intellectual property claims by third parties or the Group's failure or inability to protect its intellectual property rights;
  - the Group's exposure to payments risks, including processing risks, increases in transaction fees and actions taken by third parties that could disrupt its operations; and
  - failure to maintain compliance with applicable data collection and privacy laws.
- **Risks related to South Africa and other regions in which the Group conducts its business operations including, among others:**
  - uncertainty with respect to the political environment in South Africa;
  - civil unrest in South Africa;
  - risks associated with a change to the Group's B-BBEE rating in South Africa;
  - changes to labour laws in South Africa;
  - risks associated with investing in and conducting business in emerging markets outside of South Africa;
  - risks associated with the Group's strategic focus on foreign investment returns, including currency devaluation, earnings volatility, and economic headwinds in the Group's Rest of Africa division; and
  - exchange control regulations.
- **Risks related to the Rights Offer and the Rights Offer Shares including, among others:**
  - risks associated with the Rights Offer being underwritten, including the Underwriting Agreement being subject to customary provisions allowing the Joint Global Coordinators and Joint Underwriters to terminate the Underwriting Agreement in certain limited circumstances;
  - the risks associated with the Group having to recognise a significant minority interest following the Boxer IPO;
  - the Controlling Shareholders having significant voting power and the ability to significantly influence (but not control) matters requiring shareholder approval;
  - the market price of the PIK Shares may fluctuate;
  - the Group's vulnerability to takeover offers, which may not reflect the full value of the Group;
  - the Group's ability to pay dividends at recent levels or at all;
  - the risks associated with the development of an active trading market in the Letters of Allocation and, if a market does develop, the Letters of Allocation may be subject to greater volatility than PIK Shares;
  - the risks associated with Qualifying Shareholders' ability to sell a substantial number of the Letters of Allocation or the PIK Shares;
  - Qualifying Shareholders who do not acquire Rights Offer Shares will experience dilution in their ownership of PIK;

- any future issues of PIK Shares may further dilute the holdings of current PIK Shareholders and could adversely affect the market price of PIK Shares;
- Shareholders outside South Africa may not be able to receive the Rights Offer Shares or participate in future issues of securities (including Ordinary Shares) carried out by the Company and their shareholding may be diluted;
- Shareholders in countries with currencies other than the Rand face additional investment risk from currency exchange rate fluctuations in connection with their holding of PIK Shares; and
- Overseas Shareholders not being able to effect service of process upon the Company or enforce judgments of courts outside of South Africa against the Company or bring actions based on securities laws of jurisdictions other than South Africa against the Company or members of the Board and the ability of Overseas Shareholders to bring actions or enforce judgments against the Company may be limited.

Additional factors that could cause the Group's actual results, performance or achievements to differ materially from those contained herein include, but are not limited to, those discussed herein and under "*6 Risk Factors*." Consequently, investors are cautioned not to place undue reliance on the forward-looking statements.

Qualifying Shareholders should carefully review all information included in this Circular, including the historical published consolidated annual financial statements and the notes thereto available on the Company's website (https://www.picknpayinvestor.co.za/results-reports-presentations.php). The forward-looking statements included in this Circular are made only as at the date of this Circular. PIK undertakes no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this Circular or to reflect the occurrence of future events. All subsequent written and oral forward-looking statements attributable to PIK or any person acting on its behalf are qualified by the cautionary statements above.

IMPORTANT INFORMATION

PRESENTATION OF FINANCIAL INFORMATION

This Circular presents the historical published consolidated financial information for the Group for the 52 weeks ended 25 February 2024, 26 February 2023 and 27 February 2022. In particular, this Circular incorporates by reference the following:

- The published audited consolidated financial statements as at and for the 52 weeks ended 25 February 2024 ("**FY2024**"), including the notes thereto which have been prepared in accordance with IFRS and interpretations as issued by the IASB and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements and the Financial Reporting Standards Council and in accordance with the Companies Act. The published audited consolidated financial statements as at and for the 52 weeks ended 25 February 2024 have been audited in accordance with International Standards on Auditing ("**ISA**") by Ernst & Young Inc. ("**Ernst & Young**") and their audit report is also incorporated by reference herein (together, the "**2024 Audited Financial Statements**").

  The 2024 Audited Financial Statements are available on the Company's website (https://www.picknpayinvestor.co.za/pdf/annual-report/2024/afs/picknpay-afs-2024-doubles.pdf).

- The published audited consolidated financial statements as at and for the 52 weeks ended 26 February 2023 ("**FY2023**"), including the notes thereto which have been prepared in accordance with IFRS and interpretations as issued by IASB and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements and the Financial Reporting Standards Council and in accordance with the Companies Act. The published audited consolidated financial statements as at and for the 52 weeks ended 26 February 2023 have been audited in accordance with ISA by Ernst & Young and their audit report is also incorporated by reference herein (together, the "**2023 Audited Financial Statements**").

  The 2023 Audited Financial Statements are available on the Company's website (https://www.picknpayinvestor.co.za/pdf/annual-report/2023/afs/picknpay-afs-2023-doubles.pdf).

- The published audited consolidated financial statements as at and for the 52 weeks ended 27 February 2022 ("**FY2022**"), including the notes thereto which have been prepared in accordance with IFRS and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements and the Financial Reporting Standards Council and in accordance with the Companies Act. The published audited consolidated financial statements as at and for the 52 weeks ended 27 February 2022 have been audited in accordance with ISA by Ernst & Young and their audit report is also incorporated by reference herein (together, the "**2022 Audited Financial Statements**").

  The 2022 Audited Financial Statements are available on the Company's website (https://www.picknpayinvestor.co.za/pdf/annual-report/2022/afs/picknpay-afs-2022-spreads.pdf).

References to the website are included in this Circular as inactive textual reference only.

Non-IFRS Measures

This Circular contains certain measures which are not measures defined by IFRS and which are used by the Group to assess the financial performance of its businesses. For the Group, these measures include, among others, the following (collectively, the "**Non-IFRS Measures**"):

- **Like-for-like sales growth** comparisons remove the impact of store openings, closures (including damaged and looted stores closed due to the 2021 civil unrest) and conversions in FY2024, FY2023 and FY2022 reporting periods, and in the FY2024 reporting period removes the impact of the new franchise model trialled by the Group. This franchise model offers a higher purchasing rebate to the Group's franchisees (recorded against turnover) in exchange for a higher franchise royalty fee (recorded in other income). New or closed liquor stores adjacent to a supermarket are treated as like-for-like sales for the Group as these liquor sales are regarded as incremental to the Group's like-for-like turnover, as this is the manner in which the Group manages its store base.
- **Like-for-like trading expenses growth** comparisons remove the impact of store openings, closures (including damaged and looted stores closed due to the 2021 civil unrest) and conversions in FY2024, FY2023 and FY2022 reporting periods, and for the FY2024 period remove the impact of once-off employee restructuring programmes (see "*9 Operating and Financial Review—9.4 Key factors affecting comparability of results of operations—9.4.2 Once-off employee restructuring costs*") and incremental increase in expected credit loss provisioning. New or closed liquor stores adjacent to a supermarket are treated as like-for-like expenses for the Group as these expenses are regarded as incremental to the Group's like-for-like expenses, as this is the manner in which the Group manages its store base.
- **Rest of Africa constant currency sales growth** is defined as sales from customers within the Group's Rest of Africa division excluding the impact of foreign currency fluctuations. The Group's sales from customers growth in constant currency is calculated by translating the prior period local currency turnover at the current period average exchange rates on a country-by-country basis and then comparing that against the current period sales from customers translated at current period average exchange rates. Sales from customers comprises of reported turnover, in terms of IFRS, and direct supplier deliveries. Direct supplier deliveries are deliveries made directly to the rest of Africa franchisees by in-country suppliers, in those countries where the Group does not have a statutory presence. These deliveries do not qualify as turnover, in terms of IFRS, but are included in sales from customers for the purposes of the Group's review of its Rest of Africa segment. In those countries where the Group has a statutory presence, direct deliveries are included in the reported turnover. Constant currency financial information is considered to be *pro forma* financial information in terms of the Listings Requirements and has previously been opined on by Ernst & Young. Rest of Africa constant currency sales, along with the respective reports thereon, are incorporated by reference herein from the 2024 Audited Financial Statements, the 2023 Audited Financial Statements and the 2022 Audited Financial Statements (collectively, referred to as the "**Audited Financial Statements**").

- **EBITDA (pre-IFRS 16)** is defined as earnings before interest, tax, depreciation, and amortisation. Earnings is defined as profit before tax before capital items, before share of associate's earnings *plus* other finance income (finance income excluding funding interest income, largely related to interest on overdue franchise debtors) *less* lease liability payments *plus* net investments in lease receipts and lease incentives received. Net investment in lease receipts and lease incentives all relate to income received on leases, for example where the Group has a head-lease, pays the rent, but also receives rent back from the franchisee that it sub-leases the property to. The calculation of EBITDA (pre-IFRS 16) is considered to be *pro forma* financial information in terms of the Listings Requirements and has been reported on by Ernst & Young.
- **Headline earnings** is defined as net profit for the period adjusted for the after-tax effect of capital items. The Listings Requirements require the calculation of headline earnings and disclosure of a detailed reconciliation of headline earnings to the earnings numbers used in the calculation of basic earnings per share in accordance with the requirements of IAS 33 – *Earnings per Share*. Disclosure of headline earnings is not a requirement of IFRS. Headline earnings is defined and calculated in accordance with the circular titled Headline Earnings issued by the South African Institute of Chartered Accountants ("**SAICA**"), as amended from time to time. Headline earnings, along with the respective audit opinions thereon, are incorporated by reference herein from the Audited Financial Statements.
- **Headline earnings per share** is defined as headline earnings divided by the weighted average number of shares in issue for the period. The Listings Requirements require the calculation and disclosure of headline earnings per share. Headline earnings per share is defined and calculated in accordance with the circular titled Headline Earnings issued by SAICA, as amended from time to time. Headline earnings per share, along with the respective audit opinions thereon, is incorporated by reference herein from the Audited Financial Statements.
- **Comparable headline earnings** is defined as headline earnings excluding hyperinflation net monetary adjustments in respect of the Group's investment in associate (TM Supermarkets in Zimbabwe) attributable to IAS 29 Financial Reporting in Hyperinflationary Economies (IAS 29).
- **Comparable headline earnings per share** is comparable headline earnings divided by the weighted average number of shares in issue for the period.
- **Net debt/(net cash)** is defined as short and long-term borrowings (excluding lease liabilities) net of cash and cash equivalents.
- **Net debt/(net cash) to EBITDA (pre-IFRS 16) ratio** is defined as net debt/(net cash) divided by EBITDA (pre-IFRS 16).

The underlying information used in the preparation of the Non-IFRS Measures has been prepared using the accounting policies that comply with IFRS. These are consistent with those applied in the Audited Financial Statements.

These Non-IFRS Measures are supplemental and such Non-IFRS Measures are often utilised to evaluate the performance of similarly situated companies. The Non-IFRS Measures are used as supplemental financial performance measures by management and by external users of the Group's Audited Financial Statements, such as investors and commercial banks. Set forth below is additional detail on how management uses these Non-IFRS Measures as measures of performance.

Management uses the Non-IFRS Measures in several ways to assess the Group's consolidated financial and operating performance, and the Group believes these measures are helpful to management and external users in identifying trends in Group performance. For example:

- In the Group's view, like-for-like comparisons is an indication of the underlying growth in same stores or operations year-on-year, excluding the impact of store openings or closing or specific detail once off items.
- In the Group's view, EBITDA (pre-IFRS 16) provides a more consistent EBITDA view. IFRS 16 (leases) removes the straight-line rent cost previously recognised in respect of operating leases under IAS 17 and replaces the cost with depreciation on right-of-use assets and interest charged on outstanding lease liabilities, and thereby effectively removes it from the EBITDA calculation where it was previously included.
- In the Group's view, comparable headline earnings per share provides a clearer view of the underlying profit performance on a year-on-year basis.

The Non-IFRS Measures presented herein are not recognised accounting measures under IFRS, but measures used by management to monitor the underlying performance of the Group's business and operations. In particular, the Non-IFRS Measures should not be viewed in isolation or as substitutes for revenue, gross profit, operating profit before finance costs, profit for the year, cash flows from operating activities or other statement of comprehensive income or cash flow items computed in accordance with IFRS. The Non-IFRS Measures do not necessarily indicate whether cash flow will be sufficient or available to meet the Group's cash requirements and may not be indicative of the Group's historical operating results and financial position, nor are such measures meant to be predictive of the Group's future results.

These Non-IFRS Measures are included because the Company believes that these measures enhance an investor's understanding of the Group's results of operations and financial performance as they present additional financial measures regularly used by the management of the Group to assess operating performance. These measures are not uniformly defined by all companies and, accordingly, these measures may not be comparable with similarly titled measures and disclosures by other companies. Reconciliations of the measures discussed above to their nearest IFRS measures are provided in "*8 Selected Financial and Other Information—8.5 Other Selected Figures*."

The Non-IFRS Measures are the responsibility of the Directors, and, unless indicated otherwise, have not been reviewed nor reported on by the Group's independent auditor, and have been prepared for illustrative purposes only and, because of their nature, may not fairly present the Group's financial position, changes in equity or results of operations.

Information Incorporated by Reference

This Circular should be read and construed in conjunction with the information set out below. Physical copies of the documents incorporated by reference in this Circular are available for inspection at the registered offices of PIK and the Transaction Sponsor at no charge during business hours (excluding Saturdays, Sundays and gazetted national South African public holidays) at the addresses set out in the "*Corporate Information and Advisers*" section and other than the copies of the service agreements with the Directors which will not be made available online, the remainder of the documents and electronic copies of all documents will be available online at www.picknpayinvestor.co.za or on request from the company secretary (CompanySecretary@pnp.co.za) during normal business hours from the date of this Circular to Friday, 2 August 2024, both days inclusive.

- The 2024 Audited Financial Statements are available on the Company's website (https://www.picknpayinvestor.co.za/pdf/annual-report/2024/afs/picknpay-afs-2024-doubles.pdf).
- The 2023 Audited Financial Statements are available on the Company's website (https://www.picknpayinvestor.co.za/pdf/annual-report/2023/afs/picknpay-afs-2023-doubles.pdf).
- The 2022 Audited Financial Statements are available on the Company's website (https://www.picknpayinvestor.co.za/pdf/annual-report/2022/afs/picknpay-afs-2022-spreads.pdf).
- The Company's Application of the King IV Report on Corporate Governance for South Africa, 2016 is available on the Company's website (https://www.picknpayinvestor.co.za/pdf/annual-report/2023/corporate-governance-report-singles-2023.pdf).

Industry Information

Information included in this Circular relating to markets and other industry data pertaining to the Group's business consists of information from data reports compiled by professional third-party organisations and analysts, data from external sources, PIK's knowledge of the industries in which it operates and PIK's own calculations based on such information. In many cases, there is no readily available external information (whether from trade associations, government bodies or other organisations) to validate industry-related analyses and estimates, thus requiring PIK to rely on internally developed estimates. While PIK has compiled, extracted and reproduced industry data from external sources, including third-party or industry or general publications, PIK has not independently verified the data. Industry publications generally state that the information they contain has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. Internal surveys, estimates and market research, while believed to be reliable, have not been independently verified. PIK does not make any representation as to the accuracy or completeness of such data and information and/or the veracity or appropriateness of the research methodology, findings or information. While PIK believes its internal estimates to be reasonable, they have not been verified by any independent sources, and PIK cannot assure their accuracy or completeness.

Trademarks

The Group owns or has the right to use certain trademarks, trade names or service marks that it uses in connection with the operation of its business. PIK asserts, to the fullest extent under applicable law, its rights to these trademarks, trade names or service marks. Each trademark, trade name or service mark of any other company appearing in this Circular belongs to its holder. Solely for convenience, the trademarks, trade names and copyrights referred to in this Circular are listed without the TM, ® and © symbols.

Tax Consequences

No PIK Shareholder or any other interested party should construe the contents of this Circular and the documentation accompanying it as tax or other advice, including in relation to the issue, exercise or transfer of the Rights and the subsequent subscription for, holding of and/or dealing in Rights Offer Shares.

PIK Shareholders are advised to consult their tax and financial advisers regarding any tax consequences applicable to them as a result of receiving, exercising and disposing of the Rights and subscribing for Rights Offer Shares in terms of the Rights Offer. Additional information is provided in "*12 Taxation*."

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1. ACTION REQUIRED BY QUALIFYING SHAREHOLDERS

NOTE:

Please take careful note of the following provisions regarding the action required by Qualifying Shareholders.

If you are in any doubt as to what action you should take, you should consult your CSDP, Broker, banker, legal adviser, accountant or other professional adviser immediately.

1.1 **Action Required by Qualifying Certificated Shareholders**

If you are a Qualifying Certificated Shareholder, the Form of Instruction enclosed with this Circular is applicable to you. The Rights allocated to you under the Letter of Allocation issued to you as reflected in the Form of Instruction will be created in electronic form with the Transfer Secretaries to afford you the same rights and opportunities as those Qualifying Shareholders who have already Dematerialised their PIK Shares. Please note that the Letters of Allocation commence trading on Wednesday, 17 July 2024 and the last day to trade Letters of Allocation is Tuesday, 30 July 2024.

If you do not wish to subscribe for all or part of the Rights Offer Shares or wish to dispose of all or part of your Rights

If you do not wish to subscribe for all of the Rights Offer Shares to be issued to you in terms of the Rights allocated to you as reflected in the Form of Instruction, you may either dispose of or renounce all or part of your Rights in the following manner:

If you wish to dispose of all or part of your Rights:

If you wish to dispose of all or part of your Rights, you must complete Form A in the enclosed Form of Instruction and return it to the Transfer Secretaries so that it is received by no later than 12:00 (SAST) on Tuesday, 30 July 2024. The Transfer Secretaries will endeavour to procure the sale of your Rights on the JSE on your behalf and to remit the proceeds less any fees paid to the Transfer Secretaries and any applicable taxes, withholdings or other costs in accordance with your instructions. In this regard, neither the Transfer Secretaries nor PIK will have any obligation or be responsible for any loss or damage whatsoever in relation to or arising from the timing of such sales, the price obtained or the failure to dispose of such Rights.

If you wish to renounce all or part of your Rights:

If you wish to renounce all or part of your Rights in favour of any named renouncee, you must complete Form B in the enclosed Form of Instruction, and the renouncee must complete Form C in the enclosed Form of Instruction and return it to the Transfer Secretaries so as to be received by no later than 12:00 (SAST) on Tuesday, 30 July 2024.

If you wish to take up part of your Rights or you wish to take up all of your Rights and/or you wish to apply for additional Rights Offer Shares

If you wish to take up part of your Rights, or you wish to take up all of your Rights and/or you wish to apply for additional Rights Offer Shares, you must complete the enclosed Form of Instruction in accordance with the instructions contained therein and remit sufficient funds to cover your total application. Qualifying Certificated Shareholders are referred to in "*7 Circular to Qualifying Shareholders—7.3 Particulars of the Rights Offer—7.3.8 Excess Applications*" for further information regarding excess applications.

Rights Offer Shares will only be issued in Dematerialised form. In order to subscribe for Rights Offer Shares under the Rights Offer, you will therefore need to have an existing account with a Broker or CSDP ("Option 1" on the Form of Instruction (*grey*)) or create a new account ("Option 2" on the Form of Instruction (*grey*)). If you do not provide your Broker or CSDP account details or if the details provided by you are incorrect or incomplete, you will be issued with a statement of allocation, confirming the number of Rights Offer Shares due to you, and the shares will be held by the Transfer Secretaries on your behalf pending confirmation of your Broker or CSDP account details. The statement of allocation will be posted to you at your risk.

Qualifying Certificated Shareholders (or their renouncees) will be afforded the option to "rematerialise" their Rights Offer Shares and replace them with a physical Document of Title, provided they have elected "Option 3" on Form D of the Form of Instruction (*grey*) and lodged it with the Transfer Secretaries on or before 12:00 (SAST) on Tuesday, 30 July 2024.

To the extent applicable, the Documents of Title in respect of your Rights Offer Shares will be posted to you (or the renouncees), at your (or the renouncees') own risk, as soon as possible following the implementation of the Rights Offer.

Qualifying Certificated Shareholders (or their renouncees) receiving new Certificated Shares must note that they will not be able to trade such Certificated Shares on the JSE until these Certificated Shares have been Dematerialised, which could take between one and ten Business Days, depending on the volumes being processed at the time.

Payment

Payment for the Rights Offer Shares subscribed for (i) must be made in full by electronic funds transfer ("**EFT**") into the designated bank account, details of which are available from the Transfer Secretaries on request by contacting the Transfer Secretaries' call centre for corporate actions on +27 11 370 5000 and, in South Africa only, 086 1100 634; (ii) must be paid in Rands; and (iii) proof of EFT payment must be lodged, posted or e-mailed, as the case may be, together with the completed Form of Instruction, as follows:

By hand or courier to:	By post to:
Pick n Pay Stores Limited – Pick n Pay Stores Limited Transfer Secretaries c/o Computershare Investor Services Proprietary Limited First Floor Rosebank Towers 15 Biermann Avenue Rosebank, Johannesburg, 2196 South Africa	**Pick n Pay Stores Limited – Pick n Pay Stores Limited Transfer Secretaries** c/o Computershare Investor Services Proprietary Limited Private Bag X3000 Saxonwold, Johannesburg, 2132 South Africa **By email to**: *corporate.events@computershare.co.za*

Qualifying Certificated Shareholders are encouraged to (i) return completed Forms of Instruction to the Transfer Secretaries preferably by e-mail and (ii) pay for the Rights Offer Shares subscribed for by EFT with the proof of payment returned by e-mail together with the completed Form of Instruction. If Qualifying Certificated Shareholders elect to return completed Forms of Instruction and proof of EFT payment by hand, by courier or by post, Qualifying Certificated Shareholders are encouraged to contact the Transfer Secretaries to confirm receipt thereof.

The Company and the Transfer Secretaries accept no responsibility and will not be held liable for any allocation (or omission thereof) of Rights Offer Shares pursuant to payment being made or alleged to have been made by way of EFT and where the EFT proof of payment has not been received, or purported proof of such payment being insufficient or defective for the Company, or the Transfer Secretaries for any reason not being able to reconcile a payment or purported payment with a particular application for Rights Offer Shares.

Qualifying Certificated Shareholders or their renouncees who submit Forms of Instruction (*grey*) following their Rights but who fail to elect Option 1, 2 or 3 on Form D of the Form of Instruction (*grey*) will be deemed to have elected "*Option 2*" and will be issued with a statement of allocation confirming the number of Rights Offer Shares due to them, and the shares will be held by the Transfer Secretaries on their behalf pending confirmation of their Broker or CSDP account details. The statement of allocation will be posted to such Qualifying Certificated Shareholder at its risk.

If you have any queries, please contact the Transfer Secretaries via email on corporate.events@computershare.co.za or telephonically on +27 11 370 5000 and, in South Africa only, 086 1100 634. Calls will be charged at the standard geographic rate and will vary by provider. Calls outside South Africa will be charged at the applicable international rate. The helpline is open between 08:00 – 17:00 (SAST), Monday to Friday, excluding public holidays in South Africa.

The Transfer Secretaries will not be responsible for any loss and/or damage whatsoever in relation to or arising from the late or non-receipt of delivered, posted or emailed Forms of Instruction or owing to Forms of Instruction being forwarded or delivered to any physical address, postal address or email address other than that provided above. Qualifying Certificated Shareholders posting their Forms of Instruction to the Transfer Secretaries should take note of the state of postal delivery efficacy so as to ensure that the Forms of Instruction are received by the Transfer Secretaries timeously. Notwithstanding anything to the contrary, it is the Qualifying Certificated Shareholder's responsibility to ensure that their Form of Instruction is received by the Transfer Secretaries timeously.

If the required documentation and payment have not been received in accordance with the instructions contained in the enclosed Form of Instruction, either from the Qualifying Certificated Shareholder or from any person in whose favour the Rights have been renounced, by 12:00 (SAST) on Friday, 2 August 2024, then the Rights of that Qualifying Certificated Shareholder to those unsubscribed Rights Offer Shares will be deemed to have been declined and the Rights will lapse for such Qualifying Certificated Shareholder.

1.2 **Action Required by Qualifying Dematerialised Shareholders**

If you are a Qualifying Dematerialised Shareholder, the printed Form of Instruction is not applicable to you. Your CSDP or Broker will credit your account with the number of Rights to which you are entitled and you should receive notification from your CSDP or Broker in this regard. If your CSDP or Broker does not contact you, you should contact your CSDP or Broker and provide them with your instructions.

If you do not wish to subscribe for all or part of the Rights Offer Shares or wish to dispose of all or part of your Rights

If you do not wish to subscribe for all of the Rights Offer Shares to be issued to you in terms of the Rights allocated to you, you may either dispose of or renounce all or part of your Rights, in the following manner:

If you wish to dispose of all or part of your Rights:

If you wish to dispose of all or part of your Rights, you are required to instruct your CSDP or Broker as to the number of Rights you wish to dispose.

If you wish to renounce all or part of your Rights:

If you wish to renounce all or part of your Rights in favour of any named renouncee, you are required to instruct your CSDP or Broker as to the number of Rights you wish to renounce and in favour of whom you wish to renounce those Rights.

If you wish to take up part of your Rights, or wish to take up all of your Rights and/or you wish to apply for additional Rights Offer Shares

If you wish to take up all or part of your Rights, and/or you wish to apply for additional Rights Offer Shares, you are required to instruct your CSDP or Broker as to the number of additional Rights Offer Shares for which you wish to subscribe. Qualifying Dematerialised Shareholders are referred to "*7 Circular to Qualifying Shareholders—7.3 Particulars of the Rights Offer—7.3.8 Excess Applications*" for further information regarding excess applications.

Payment

CSDPs effect payment on a delivery versus payment basis.

Instructions to your CSDP or Broker:

Instructions to your CSDP or Broker must be provided in the manner and time stipulated in the custody agreement governing the relationship between yourself and your CSDP or Broker. If your CSDP or Broker does not obtain instructions from you, they are obliged to act in terms of the mandate granted to them by you or, if the mandate is silent in this regard, your Rights may lapse.

PIK does not take responsibility and will not be held liable for any failure on the part of any CSDP or Broker to notify you of the Rights Offer and/or to obtain instructions from you to subscribe for the Rights Offer Shares and/or to dispose of the Rights allocated.

Qualifying Dematerialised Shareholders are required to inform their CSDP or Brokers of their instructions in terms of the Rights Offer in the manner and time stipulated in the agreement governing the relationship between the Qualifying Dematerialised Shareholder and their CSDP or Broker. Qualifying Dematerialised Shareholders are advised to contact their CSDP or Broker as early as possible to establish what the cut-off dates and times are for acceptance of the Rights Offer, as set out in the custody agreement, as this may be earlier than the proposed closing time of the Rights Offer.

1.3 **Overseas Shareholders and Restricted Shareholders**

Additional information for Overseas Shareholders is provided in "*7 Circular to Qualifying Shareholders—7.3 Particulars of the Rights Offer—7.3.13 Overseas Shareholders*" and "*7 Circular to Qualifying Shareholders—7.3 Particulars of the Rights Offer—7.3.15 Representations and warranties.*"

Additional information relevant to the treatment of Restricted Shareholders' Rights is provided in "*7 Circular to Qualifying Shareholders—7.3 Particulars of the Rights Offer—7.3.11 Lapse of Rights*."

1.4 **Action Required if You Have Already Disposed of Your PIK Shares**

If you have disposed of all of your PIK Shares, this Circular should be forwarded to the purchaser to whom, or the CSDP, Broker, banker or agent through whom, you disposed of such shares, but not if the purchaser or transferee is in the United States, a Restricted Territory or any other jurisdiction where to do so may constitute a violation of local securities laws or regulations.

1.5 **Dematerialisation or Rematerialisation of Securities**

Shares in companies listed on the JSE cannot be traded on the JSE unless they have been Dematerialised onto the Strate system. It is therefore suggested that Certificated Shareholders Dematerialise their Shares and replace their Documents of Title with electronic records of ownership.

If you wish to Dematerialise your PIK Shares: (A) please contact (i) the Transfer Secretaries; or (ii) your Broker or CSDP, the details of which are available from Strate at liaisondesk@strate.co.za or telephone +27 11 759 5300 or by facsimile on +27 11 759 5503; and (B) please note that:

- in relation to the Rights Offer, no Dematerialisation or rematerialisation of Shares by PIK Shareholders may take place between Wednesday, 17 July 2024 and Friday, 19 July 2024, both days inclusive; and
- the Dematerialisation process can take between one and ten Business Days, depending on the volumes being processed at the time.

The Rights that are represented by Letters of Allocation are valuable and may be traded on the JSE. Letters of Allocation can, however, only be traded in Dematerialised form and accordingly, all Letters of Allocation will be issued in Dematerialised form.

2. BACKGROUND TO AND RATIONALE FOR THE RIGHTS OFFER

During July 2023, the Group raised long-term funding facilities amounting to ZAR5.5 billion through new bilateral and syndicated loans, of which ZAR4.5 billion was drawn. The facilities were raised to support capital investment planned under the Group's previous long-term strategy.

All the Group's financing arrangements, including long-term loans and short-term working capital facilities, are subject to floating interest rates. These rates are determined by margins that are tied to either the three-month Johannesburg Interbank Agreed Rate ("**JIBAR**") or the Prime rate, both of which are adjusted based on the South African Reserve Bank's Repo rate.

As set out in the Group's announcement released on Monday, 27 May 2024, a deterioration in the performance of the Group's core Pick n Pay Supermarkets business has resulted in a substantial trading loss in the Pick n Pay division of ZAR1.5 billion, compared to a trading profit of ZAR1.3 billion in the prior year, and an overall loss for the period at Group level of ZAR3.2 billion, including asset impairments, for FY2024.

The FY2024 loss in the Pick n Pay segment reflects the combined impact of muted sales growth, gross profit margin contraction and higher operating costs. Additionally, the Group's losses were worsened by a significant increase in interest charges. This escalation was driven by both the utilisation of the additional funding the Group had raised and an increase in the South African Reserve Bank's Repo rate, which rose from 4.0% to 8.25% between 27 February 2022 and 25 February 2024.

The decline in Pick n Pay earnings alongside an escalation in the Group's net debt/(net cash) position from ZAR3.7 billion at February 2023 to ZAR6.1 billion at February 2024, exacerbated by the trading loss in the Pick n Pay segment, placed significant pressure on the Group's long-term debt covenants, with net debt/(net cash) to EBITDA (pre-IFRS 16) ratio increasing from 1.1 to 6.3 times.

Subsequently, as a direct result of the losses incurred, management reviewed the fair value of the underlying Pick n Pay Supermarkets business assets and identified the need for a non-cash asset impairment amounting to ZAR2.8 billion. The increased gearing, together with this impairment, put significant pressure on the Group's liquidity and solvency.

The Board undertook several key steps to safeguard the Group's liquidity position and to strengthen the underlying performance of the Pick n Pay Supermarkets business, including the appointment of new Chief Executive Officer ("**CEO**"), Sean Summers, to lead the Pick n Pay turnaround strategy and the restructuring of senior leadership and operational structures. Alongside the immediate action taken at an operational level, the Board prioritised the development of a sustainable capital structure for the Group, which would reduce debt levels, provide sufficient support for investment in the turnaround of Pick n Pay's Supermarkets business, listing the Boxer business to ensure Boxer is accorded a market value which appropriately reflects its growth trajectory and return on invested capital and unlock shareholder value embedded in the Group. To this end, the Group announced an intended two-step Recapitalisation Plan on SENS and ANS on 22 February 2024.

The Recapitalisation Plan comprises the Rights Offer, followed by the Boxer IPO. As discussed in "*3 Use of Proceeds*," the combined net proceeds of the Rights Offer and Boxer IPO will primarily be used to settle the Group's outstanding debt as well as for considered re-investment to secure the turnaround of the Group's Pick n Pay Supermarkets business.

The Group engaged closely with its long-term funders and was able to secure a full covenant waiver for the twelve-month period ended February 2024, with revised, less restrictive covenants for the twelve-month period ending in August 2024. In addition, the Group was able to secure the Restructuring Support Agreement with all its short-term and long-term funders in May 2024 to secure the availability of its debt facilities until 1 September 2025. One of the key terms of the Restructuring Support Agreement is that the Company is required to meet certain milestones, including the release of the Rights Offer declaration announcement by no later than 16 July 2024 (which it has done). A detailed description of the terms of the Restructuring Support Agreement is set out in "*14 Additional Information—14.4 Material Funding Agreements—14.4.1 Restructuring Support Agreement.*"

3. USE OF PROCEEDS

De-gearing the Group through a two-step Recapitalisation Plan will substantially reduce Group debt service costs, reduce risk and provide management with the operational flexibility and resources to drive the Pick n Pay segments' return to profitability.

The net proceeds of the Rights Offer, combined with the Boxer IPO, will be primarily used to settle the Group's outstanding debt as well as for considered re-investment to secure the turnaround of the Group's Pick n Pay Supermarkets business.

Having considered the Group's near-term capital requirements, its level of debt and taking into account prevailing market conditions, the Group believes that the Rights Offer of ZAR4.0 billion, in conjunction with working capital improvements and the Boxer IPO, will assist the Group with sufficient liquidity to:

- reduce Group long-term debt levels which will save on interest costs currently being charged by the Group's lending banks;
- allow progress on the turnaround strategy of the Pick n Pay Supermarket business;
- unlock shareholder value inherent in the Group; and
- facilitate the incremental operational funding needed for the remainder of the 2025 financial year.

4. DIVIDENDS AND DIVIDEND POLICY

4.1 **Dividends**

For the 52 weeks ended 25 February 2024, due to the loss incurred and in accordance with the Group's dividend policy, the Board did not declare a dividend.

For the 52 weeks ended 26 February 2023, the Board declared dividends amounting to 185.15 cents per PIK Share, down 16.3% from the previous year in line with the decline in the Group's pro forma headline earnings per share.

For the 52 weeks ended 27 February 2022, the Board declared dividends amounting to 221.15 cents per Share, an increase of 23.0% from the previous year in line with the increase in the Group's pro forma headline earnings per share.

4.2 **Dividend Policy**

Each PIK Share entitles the holder of Ordinary Shares to participate proportionately in any distribution of profit to PIK Shareholders.

Dividends on Ordinary Shares are declared by the Board in accordance with the MOI and the Companies Act.

The B Shares have no economic rights and shall not be entitled to any participation in the profits of the Company or any distribution of the assets or capital of the Company.

As a result of the loss incurred, the Board has not declared a dividend in FY2024 and has suspended all dividend payments until such time that the Board believes that there is sufficient cash generation to review the dividend policy.

While the arrangements contemplated by the Restructuring Support Agreement are in place, all dividend payments require prior lender consent.

5. SUMMARY

The following summary information is not a comprehensive description of the Rights Offer and matters related thereto and should be read as an introduction to the more detailed information appearing elsewhere in this Circular. Qualifying Shareholders are advised to consider this Circular as a whole before making any investment decision, and such decision should not be based solely on this summarised information. It is also recommended that you consult your own professional adviser regarding the consequences of any investment decision relating to the Rights Offer and the Group.

5.1 **Introduction**

PIK first announced on Thursday, 22 February 2024 via SENS and ANS that it intends to implement a capital raise of ZAR4.0 billion by way of a renounceable rights offer to PIK Shareholders as part of the Recapitalisation Plan.

5.2 **Information on the Group**

The Group is one of South Africa's leading multi-format and omni-channel retailers, operating on an owned and franchise basis. As at 25 February 2024, the Group operates a flexible and diverse portfolio of stores and online platforms, providing a broad food, grocery, liquor, general merchandise, clothing and value-added services offer across eight countries in the African continent. The Group, which is headquartered in Cape Town, has a portfolio of 1,484 Company-owned stores and 722 franchise stores, operating through multiple formats under two main trading banners, Pick n Pay and Boxer.

5.3 **Strategy**

5.3.1 **Introduction**

The Group's operations in South Africa include its Pick n Pay grocery retail business (groceries, liquor and general merchandise across owned stores, franchised stores and online), Pick n Pay Clothing, and Boxer, each of which has a distinct market positioning. As such, the strategies the Group employs in connection with each of its divisions vary and are presented separately herein. In recognition of the greater need for improvement in the Pick n Pay core retail business, the Group's strategy for this division is laid out in a high level of detail below.

5.3.2 **Pick n Pay core retail**

As part of the Group's ongoing efforts to optimise its business operations and pave the way for sustainable growth in the long-term, the Group launched its turnaround strategy for Pick n Pay. The strategy is premised on three key criteria:

1. Reasonable: that any targets set are realistic and reasonably attainable;
2. Defendable: that it is demonstrably justifiable to the Group's broad base of investors and stakeholders; and
3. Actionable: that it is actionable with the human and capital resources, which the Group possesses or can access.

In implementing the turnaround strategy, the Group aims to improve upon its overall results of operations, financial condition and prospects, which it aims to reflect in certain key indicators, namely operating cash flow, profit before tax and operating profit margin.

The strategy is based on a bold and renewed vision for Pick n Pay, which focuses on six major priorities:

1. Leadership and people
2. Reset the store estate
3. Improve offer to drive sales
4. Optimise operating model
5. Leverage strength of partnerships
6. Recapitalisation

Details on these six priorities are provided hereafter.

Leadership and people

Pick n Pay's leadership and people necessarily underpin any strategic undertaking. As such, in March 2024, the Group implemented a new leadership structure in Pick n Pay, with enhanced emphasis on role clarity and leadership accountability, increased focus on the most important product categories (groceries, fresh meat and produce, and general merchandise) and a strengthened regional structure, all with the continued support of the Group's support offices.

Pick n Pay's revamped leadership is comprised of senior and experienced executives with proven track records, who are appointed to key roles. These executives have carefully diagnosed which areas require improvement, developed detailed plans, and have progressed to implementation. Furthermore, to ensure institutional resilience and continuity, the Group is putting in place a strong and structured succession plan across all levels of Pick n Pay.

As part of the redesign of Pick n Pay's leadership structure, the retail business has been divided into six trading regions (previously three). This change is intended to strengthen regional leadership, with regional experts being given greater capacity to tailor Pick n Pay's offering according to their local knowledge, thereby enhancing autonomy, accountability and effectiveness. The redesign also embeds regional buying teams in the local market to deepen relationships with, and ensure the careful selection of, vendors across the key product categories. The Group's aim is to drive like-for-like sales via a local team with understanding of local conditions and consumer preferences, and with the required level of focus and speed-to-market.

At the store-level, Pick n Pay is strengthening store management teams by restoring roles where teams have been weakened in recent years, particularly amongst store managers, frontline personnel and fresh area staff.

The Group recognises the importance of culture and employee relations. The Group recently launched an internal campaign at Pick n Pay aimed at step-changing advocacy for its people, the 'Hearts and Minds' campaign. 'Hearts and Minds' aims to communicate the need for Pick n Pay to transition to the new competitive reality and a more competitive operating model, to spark collaboration and help regain a collective sense of purpose and pride in the Pick n Pay brand. The strengthened regional structures will play an important role in implementing the campaign and channelling clear and uniform messaging.

Pick n Pay's internal marketing campaign will also play a pivotal role in its focus to improve customer service (see "—*Improve offer to grow sales*").

Reset the store estate

The Group has substantially increased its focus on Pick n Pay's store estate through a comprehensive store-by-store review. This review has informed the Group's renewed estate reset plan, which places most emphasis on stores that have made losses over a multi-year period. Moving forward, the Group's focus for Pick n Pay will not be on 'scale-at-all-cost', but rather on a smaller but more profitable business, with fewer but better stores.

Several factors have contributed to a decline in store profitability over the years, including centres experiencing a decline in customers as newer shopping centres opened up elsewhere and/or the market has shifted, landlords underinvesting in centres, leading to a decline in footfall, competitor store openings and, in some cases, sub-standard store execution and customer service. Stores identified as requiring action pursuant to the Pick n Pay estate reset plan will be either converted into Boxer stores, converted into franchise stores or closed entirely.

Conversion of loss-making stores to Boxer stores serves to focus the Pick n Pay banner at the middle-income and more affluent segment of the market and limit overlap with the Boxer banner which targets less affluent segments of the market. In the store review process, management has identified several Pick n Pay stores that are in locations and catchment areas better served by the Boxer business. Converting these loss-making stores will serve the dual purpose of avoiding further Pick n Pay losses, and supporting the new store pipeline for Boxer.

The rationale for converting certain corporate-owned stores into franchise stores is different. The Group's internal benchmarks have demonstrated that Pick n Pay franchisees achieve greater trading density and sales per store compared to a typical corporate-owned store. This is driven by the franchisee's greater focus on in-store operations and customer service. This initiative aims to secure suitable franchisees and convert stores, unlocking benefits to both parties, as franchisees improve the economics of the stores and restore profitability, while Pick n Pay avoids losses and retains supply volumes. Pick n Pay has initiated the process of engaging potential interest from franchisees and a number of stores have been earmarked as potential franchise conversions in market segments where existing franchisees have established a solid footprint and understanding of the market.

Certain stores are not suitable for conversion either into Boxer stores or franchise stores and are being considered for permanent closure. The remaining lease term and liabilities in some instances present suitable pay-back periods on closure. Despite the additional costs associated with these measures, the closures are expected to have an attractive pay-back profile. The Group is currently negotiating potential early exits with landlords, with traction already gained in a number of cases. Some stores are already in an advanced stage of the process with hand-back dates already provisionally set for within the 53 weeks ending 23 February 2025.

Throughout the store reset process, the Pick n Pay property team is engaging landlords on opportunities to redress store layout deficiencies, address critical repairs and undertake maintenance work at stores which have been deferred. These discussions include store resizing that aims to hand back inefficient space in certain centres that have the potential to become line shops or used for other purposes.

Improve offer to drive sales

The Group aims to improve Pick n Pay's offer primarily along four axes: (1) price and promotions, (2) customer service, (3) product range, and (4) hypermarkets.

Pick n Pay sets out to ensure that it offers customers more consistent value and competitive prices across a core basket of goods. This is intended to be achieved through targeted promotional activities and an aim to offer lower prices across key product lines. Our promotional strategy will further drive a better-balanced margin outcome on promotions. To achieve this, Pick n Pay is taking steps to optimise its use of data across multiple datasets (internal and external) and work with suppliers to improve price and promotional strategies. Pick n Pay also utilises advanced systems to drive large scale personalised customer engagement, enhance promotional effectiveness and improve its fulfilment processes.

Pick n Pay's customer service initiative will be driven and supported by the strengthened regional structures, the 'Hearts and Minds' campaign, and an update of the Pick n Pay customer service training programme. The Group further seeks to improve Pick n Pay service levels through the opportunity that multi-skilling and role flexibility provides, which will enable it to redeploy staff in stores to customer-facing areas during busier times. These roles include cashiers, till packers and service area assistants, who are being re-trained to ensure consistent service delivery, with over 7,000 employees currently on the frontline multi-skilling programme.

The Group has further updated the Pick n Pay customer service training programme, which will now include face-to-face sessions in all stores rather than online courses.

In terms of product range, the Group aims to significantly improve Pick n Pay's fresh offer, with an objective to reinstate fresh food cornerstones across bakery, butchery, produce and deli segments. Pick n Pay will reverse non-optimal range decisions implemented over recent years. Moreover, Pick n Pay will rebuild its own brand and confined label products, with a view to reducing cost of sales and improve margins, and place greater emphasis on local ranges where the opportunity exists to better meet customer needs. The plan includes a significant reset of general merchandise in Pick n Pay Hypermarkets, expanding the range across DIY, kitchen, home, gardening, pet, pool, braai, stationery and audio/visual.

Pick n Pay intends to further differentiate its hypermarket offering from its supermarket offering, which will attract more footfall and enhance the appeal of hypermarkets as a destination shopping journey. Pick n Pay will pursue opportunities to reduce excess space across its hypermarkets estate without impacting sales, as opportunities exist to improve sales densities and reduce store costs. Pick n Pay is also planning to increase its emphasis on promotions, bulk-buy opportunities and various events at its hypermarkets. In addition to the hypermarket general merchandise range reset, Pick n Pay will strengthen regional buying with a focus on volume and economies of scale, and place greater emphasis on fresh and food services (coffee, lunch, grab-and-go) to drive frequency.

Optimise operating model

Pick n Pay has an opportunity to trade significantly better and more profitably through heightened operational execution, which will be key to unlocking improved like-for-like sales growth and positive operating leverage. The Group's strategy to optimise Pick n Pay's operating model hinges on reforms to its marketing and advertising spend, Smart Shopper offering, store operations, support offices and supply chain management.

Optimisation of marketing and advertising spend requires a full revisit to ensure Pick n Pay maximises the value received for its marketing spend. This will be facilitated by centralising marketing and advertising spend to extract efficiencies and avoid duplicated spend. Pick n Pay will work with regional buyers to improve local market advertising content.

Smart Shopper is Pick n Pay's loyalty programme, which allows customers to participate in promotional discounts as well as earn points which they can redeem as cash back on other purchases. By improving the relevance of the Smart Shopper offering, the Group aims to enhance the value Pick n Pay offers to its customers and ultimately drive greater volumes and sales.

Regional leadership and in-store management will focus on driving simplification and delivering better execution across Pick n Pay's store estate. This entails improvements in staff productivity through training, multi-skilling and role flexibility, and greater levels of responsibility and accountability. Additionally, store operations will be further optimised through expense savings across several areas, including shortage (waste and shrink/theft) and goods-not-for-resale (packaging, diesel costs, outsourced services etc.).

In connection with Pick n Pay's support offices, the Group will implement a multi-year programme to ensure it resources key roles required to deliver the strategy (especially in the regions), while eliminating excess costs in areas where Pick n Pay is over-staffed or where certain functions have become redundant. There are three phases to this plan:

- Phase 1: establishing the new Pick n Pay senior leadership structure, which was implemented at the beginning of 2024.
- Phase 2: implementing the changes to Pick n Pay's operational structure required to deliver the strategy across the six trading regions.
- Phase 3: reinforcing Pick n Pay's store management structures, which entails the reassignment of store staff to new or existing roles in stores and redeploying some head-office employees to regions and stores.

For the optimisation of Pick n Pay's supply chain, a cost mitigation plan has been developed to offset the impact of lost volumes from store closures and Boxer conversions. Such cost savings can be unlocked through (i) lower distribution centre operating expenses, (ii) higher picking productivity at the Eastport distribution centre, driven by labour multi-skilling, improving warehouse layout, space utilisation and travel distances, and by the semi-automated picking tunnel that went live in May 2024, (iii) transport savings resulting from better delivery scheduling and fleet utilisation, and (iv) right-sizing of the current general merchandise supply chain activities after integrating general merchandise from the current external service provider into the integrated Pick n Pay supply chain.

Leverage strength of partnerships

A key component of the turnaround strategy is leveraging the strength of Pick n Pay's partnerships through (1) strengthening relationships with its staff, (2) long-standing partnerships with its suppliers and franchisees, and (3) ongoing engagements with landlords.

Employees are key not only in the implementation of the strategy, but in the strengthening of Pick n Pay's relationships with its stakeholders. The comprehensive 'Hearts and Minds' campaign is critical to the journey over the next few years.

Pick n Pay's three newly appointed Commercial Executives (across the groceries, fresh and general merchandise departments) meet with Pick n Pay's suppliers on a regular basis to maintain and enhance strong partnerships with Pick n Pay's key vendors. Such engagements focus on agreeing on mutually beneficial plans to drive sales ("**buy-to-sell**") and align on priorities at store-level that will deliver growth.

Additionally, Pick n Pay is working with its franchisees to modernise its franchise model so that both parties can increase their respective profits with a revised long-term, sustainable model. The introduction of an interim franchise model in the financial year ended 25 February 2024 has improved the commercial terms with Pick n Pay's key franchise partners. Broadly, franchisees have been in support of this change.

Engagements with landlords are well underway, and ongoing dialogue is showing solid traction to implement several store estate reset opportunities. Where further beneficial agreements are reached, it has the potential to further strengthen the plan.

Recapitalisation

De-gearing the Group through a two-step Recapitalisation Plan will substantially reduce Group debt service costs, reduce risk and provide management with the operational flexibility and resources to drive the Pick n Pay Supermarkets business return to profitability.

The Group plans to achieve its recapitalisation targets via the Recapitalisation Plan to meet the Group's funding needs, facilitate a more efficient capital structure and unlock shareholder value from the Boxer IPO. Furthermore, Pick n Pay intends to place a firm focus on freeing up cash tied up in working capital.

The proceeds from the Recapitalisation Plan will be used to primarily settle the Group's debt. A substantial saving in funding costs will be realised for the Group and Pick n Pay's retail business as debt is settled. Please see "*9 Operating and Financial Review—9.9.2 Restructuring Support Agreement and Recapitalisation Plan*."

In addition, working capital benefits will arise from the store estate reset, through a new approach to stock replenishments at store level which will help reduce inventory days. The process will be supported by a new unified demand forecasting system in SAP, across groceries in particular, which does not require manual input, is more data and fact-driven and calculates orders more accurately at the most granular level in stores.

5.3.3 **Pick n Pay Clothing**

Pick n Pay Clothing is a value offering and focuses on essentials and commercial fashion for the whole family. The casualwear proposition is built on offering better fabrics and comfortable fits while optimising accessibility through everyday value and easily accessible destinations, such as regional malls and convenience centres.

Pick n Pay Clothing is available in over 500 locations including standalone clothing stores, supermarkets, hypermarkets and online. The long-term ambition is to accelerate like-for-like growth on the basis of its developed ladieswear offering and leveraging it to also grow the kids and menswear segments.

Pick n Pay Clothing has a de-risked sourcing strategy, with approximately 40% of its products sold being manufactured locally. Further, its ESG strategy is built into its aggressive store roll out plan, with Green Building Council-certified stores and social contribution in the form of creating jobs for local communities. Pick n Pay Clothing employs over three thousand permanent full-time employees, of which approximately 20% hold managerial roles.

5.3.4 **Boxer**

Boxer's strategy is centred around executing on its vision to be Africa's leading discounter. This encompasses a range of elements, with particular emphasis on offering customers compelling value on a limited range of stock-keeping units ("**SKUs**"), being the lowest-cost operator, continuously re-investing in price to drive like-for-like volumes, and consistent store rollout to achieve the full store growth potential of its soft discounter format.

Boxer's strategy has four key pillars, namely: (1) volume, (2) value, (3) efficiency and (4) expansion. Boxer has specific strategies to drive each of these pillars, which together have generated self-reinforcing sales and profit growth momentum.

Volume is driven through its focused limited assortment product range, combo-focused promotions to increase share of wallet, and stores set up for high throughput on busy days. Value for customers is given through innovative promotions, with immediate value back at the till and on future promotions, and a highly competitive confined label offering, making up approximately 20% of the total range—a factor that in itself can also drive customer loyalty.

Efficiency and cost savings are generated through the simplicity of the business model, a highly efficient, centralised supply chain covering dry goods, and an outsourced distribution network covering frozen and chilled perishables and fruit and vegetables. Boxer uses a variety of technology-enabled IT solutions, both in-house developed and best-in-class international software applications. The core point of sale and back-end merchandise systems are owned, maintained and enhanced by the company, with significant savings in maintenance and licence fees. In forecasting and replenishment, where sophisticated algorithms, artificial intelligence and machine learning make for a more accurate outcome, Boxer has chosen to partner with an international expert, namely Relex, whose applications and solutions are used by many retailers worldwide to manage inventory.

Market research suggests that there is a significant opportunity for Boxer to extend its footprint. The Group believes that there is opportunity to increase Boxer's Superstore footprint more than three-fold in the medium-to-long term. Boxer aims to grow following a multi-faceted approach. Besides the opening of greenfield Boxer Superstores, it will also seek to open new Boxer Superliquor and small-format stores where the opportunity arises, and benefit from the conversion of certain Pick n Pay stores into Boxer stores (see "*—10.3.2 Pick n Pay—Reset the store estate*"). There are also opportunities to acquire supermarkets from independent and Pick n Pay franchisee operators. To support the planned rollout of its store network, Boxer is extending its supply chain by commencing construction of its seventh distribution centre in KwaZulu-Natal. Boxer is vertically integrated in the processed meat category: its KwaZulu-Natal meat processing plant is a significant producer of sausages and polony, which allows it to offer customers value and manage margin in this category.

5.4 **Fiscal Year Summary**

Turnover for the 52 weeks ended 25 February 2024 increased to ZAR112.3 billion (52 weeks ended 26 February 2023: ZAR106.6 billion) and profit for the period decreased to a loss of ZAR3,190.1 million (52 weeks ended 26 February 2023: profit of ZAR1,169.9 million). Headline earnings per share dropped to a loss of 203.06 cents per share (52 weeks ended 26 February 2023: profit of 259.25 cents per share).

5.5 **Principal Terms of the Rights Offer**

The Rights Offer will be made on the basis of: 51.11 Rights for every 100 Existing PIK Shares held on the Record Date by Qualifying Shareholders and/or such proportionate lower number of PIK Shares in respect of a holding of less than 100 Existing PIK Shares ("**Ratio of Entitlement**"), offered for subscription at a price of ZAR15.86 per Rights Offer Share. In this regard, Qualifying Shareholders are referred to Annexure 1 to this Circular.

The aggregate proceeds of the Rights Offer will amount to ZAR4.0 billion. The Rights Offer Share Price represents a discount of approximately 32.48% to the theoretical ex-Rights price calculated using the closing price of the PIK Shares as at the Last Practicable Date, being ZAR27.39 per PIK Share. The Rights Offer is underwritten by the Joint Global Coordinators and Joint Underwriters in equal proportions subject to the customary terms and conditions contained in the Underwriting Agreement. Additional information on the Joint Global Coordinators and Joint Underwriters and the Underwriting Agreement is provided in "*13 Underwriting Arrangements*."

It is expected that the PIK Shares will trade ex-Rights on the JSE from 09:00 (SAST) on Wednesday, 17 July 2024.

The Letters of Allocation in respect of the Rights Offer are negotiable and will be listed on the JSE on Wednesday, 17 July 2024, under the JSE **Share Code: PIKN** and **ISIN: ZAE000336145**.

The Rights Offer will open at 09:00 (SAST) on Monday, 22 July 2024 and will close at 12:00 (SAST) on Friday, 2 August 2024.

Each Rights Offer Share will, upon issue, rank *pari passu* with each Existing PIK Share, and shall be fully paid up and freely transferable.

In addition, certain PIK Shareholders, including AIH, have entered into irrevocable undertakings in favour of PIK to subscribe for, and/ or recommend to their clients to subscribe for, and pay for in full, all of the Rights Offer Shares which such PIK Shareholders are entitled to as at the Record Date (the "**Committed Shareholder Undertakings**"), representing approximately 45% of the current PIK Shares in issue (the "**Irrevocably Committed Shares**"). Copies of the Committed Shareholder Undertakings will be available for inspection at the registered offices of PIK and at the offices of the Transaction Sponsor.

Pursuant to the terms of the Underwriting Agreement, the Company will pay the Joint Global Coordinators and Joint Underwriters an underwriting fee equal to 1.5% of the aggregate Capital Raise Amount in consideration for the bookrunning and underwriting obligations performed by them (the "**Underwriting Fee**"). Any fees payable to any providers of the Committed Shareholder Undertakings will be payable by the Joint Global Coordinators and Joint Underwriters out of the Underwriting Fee.

The Company has also agreed to pay the Joint Global Coordinators and Joint Underwriters a stand-by availability fee equal to 0.5% of the aggregate Capital Raise Amount, in respect of the period from the date of the Standby Underwriting Agreement until the date when the Underwriting Agreement is executed (the "**Standby Fee**"), which shall become payable upon the completion of the Rights Offer as set out in the Underwriting Agreement and recoverable from the proceeds of the Rights Offer in accordance with and subject to the terms and conditions of the Standby Underwriting Agreement. If the Underwriting Agreement is terminated prior to the completion of the Rights Offer, the Standby Fee shall become payable in accordance with the terms of the Standby Underwriting Agreement.

5.6 **Rights Offer Statistics**

The price per Rights Offer Share is ZAR15.86 (the "**Rights Offer Share Price**").

The total number of PIK Shares in issue at the date of this Circular is 493,450,321. The number of Rights Offer Shares to be issued by the Company will be 252,206,809.

The total number of PIK Shares in issue immediately following completion of the Rights Offer will be 745,657,130.

The Rights Offer Shares will represent 33.8% of the total number of issued PIK Shares immediately following completion of the Rights Offer.

The gross proceeds receivable by the Company are ZAR4.0 billion. The Board intends to use the net proceeds of the Rights Offer as described in "*3 Use of Proceeds*."

The estimated expenses of the Rights Offer are ZAR113.8 million. For a detailed breakdown of the estimated expenses of the Rights Offer, see "*14 Additional Information—14.2 Stated Capital and Major PIK Shareholders—14.2.10 Estimated Expenses in Relation to the Rights Offer.*"

5.7 **Rights Offer Timetable**

The timetable for the Rights Offer is as follows:	**2024**
Declaration announcement released on SENS and ANS on	Tuesday, 9 July
Finalisation announcement released by 11:00 (SAST) on SENS and ANS on or about	Thursday, 11 July
Rights Offer Circular including Form of Instruction made available on the Company's website on or about	Monday, 15 July
Last day to trade in PIK Shares in order to qualify to participate in the Rights Offer (*cum* Rights) on	Tuesday, 16 July
PIK Shares commence trading on the JSE ex-Rights at 09:00 (SAST) on	Wednesday, 17 July
Listing of and trading in the Letters of Allocation commences under JSE **Share Code: PIKN** and **ISIN: ZAE000336145** at 09:00 (SAST) on	Wednesday, 17 July
Rights Offer Circular and Form of Instruction posted to Qualifying Certificated Shareholders on or about	Thursday, 18 July
Record Date for the Rights Offer	Friday, 19 July
Rights Offer opens at 09:00 (SAST) on	Monday, 22 July
Rights Offer Circular posted to Qualifying Dematerialised Shareholders on or about	Monday, 22 July
Letters of Allocation credited to an electronic account held at the Transfer Secretaries in respect of Qualifying Certificated Shareholders on	Monday, 22 July
Letters of Allocation credited to CSDP or Broker accounts in respect of Qualifying Dematerialised Shareholders on	Monday, 22 July
Last day for trading Letters of Allocation on the JSE in order to participate in the Rights Offer	Tuesday, 30 July
Last day to lodge Form of Instruction with the Transfer Secretaries in respect of Qualifying Certificated Shareholders (or their renouncees) wishing to sell all or some of their Letters of Allocation by 12:00 (SAST) on	Tuesday, 30 July
Listing of Rights Offer Shares and trading therein on the JSE and A2X commences at 09:00 (SAST) on	Wednesday, 31 July
Payment to be made and Form of Instruction to be lodged with the Transfer Secretaries by Qualifying Certificated Shareholders and Qualifying Dematerialised Shareholders wishing to exercise all or some of their Rights by 12:00 (SAST) on	Friday, 2 August
Rights Offer closes at 12:00 (SAST) on	Friday, 2 August
Last day for Qualifying Certificated Shareholders (or their renouncees) to lodge the Form of Instruction *(grey)* by 12:00 (SAST), on	Friday, 2 August
Record Date for the Letters of Allocation on	Friday, 2 August
Rights Offer Shares issued on	Monday, 5 August
Results of the Rights Offer and basis of allocation of excess Rights Offer Shares announced on SENS and ANS on or about	Monday, 5 August
CSDP or Broker accounts of Qualifying Dematerialised Shareholders (or their renouncees or purchasers of their Letters of Allocation) updated with Rights Offer Shares at 09:00 (SAST) on	Monday, 5 August
Accounts of Qualifying Certificated Shareholders (or their renouncees) will be credited with the Rights Offer Shares at 09:00 (SAST), on	Monday, 5 August
In respect of successful excess applications, if applicable, CSDP or Broker accounts of Qualifying Dematerialised Shareholders updated with Rights Offer Shares	Wednesday, 7 August
In respect of successful excess applications, accounts of Qualifying Certificated Shareholders (or their renouncees) will be credited with the Rights Offer Shares at 09:00 (SAST)	Wednesday, 7 August
In respect of unsuccessful excess applications, if applicable, refunds made to Qualifying Certificated Shareholders on or about	Wednesday, 7 August

1. Share certificates in respect of PIK Shares may not be Dematerialised or rematerialised in the case of PIK Shares listed on the JSE, between Wednesday, 17 July 2024 and Friday, 19 July 2024 both days inclusive.
2. CSDPs effect payment on a delivery versus payment (DvP) basis in respect of Dematerialised Shares.
3. Qualifying Dematerialised Shareholders are required to inform their CSDP or Brokers of their instructions in terms of the Rights Offer in the manner and time stipulated in the custody agreement governing the relationship between the Qualifying Dematerialised Shareholder and their CSDP or Broker. Qualifying Dematerialised Shareholders are advised to contact their CSDP or Broker as early as possible to establish what the cut-off dates and times are for acceptance of the Rights Offer, as set out in the custody agreement, as this may be earlier than the proposed closing time of the Rights Offer.
4. All of the above dates and times have been determined based on certain assumptions in relation to the Rights Offer and are subject to change. PIK Shareholders will be notified of any amendments to the above dates and times on SENS and ANS.
5. Qualifying Certificated Shareholders must complete the Form of Instruction attached to this Circular and dispatch their Form of Instruction to the Transfer Secretaries so that it is received by no later than 12:00 (SAST) on Tuesday, 30 July 2024 if they wish to dispose of a part or all of their Rights. The Transfer Secretaries will endeavour to procure the sale of their Rights on the JSE on their behalf and to remit the proceeds less any fees paid to the Transfer Secretaries and any applicable taxes, withholdings or other costs in accordance with their instructions. Qualifying Certificated Shareholders who wish to renounce all or part of their Rights in favour of any named renouncee, must complete Form B in the enclosed Form of Instruction, and the renouncee must complete Form C in the enclosed Form of Instruction, and return it to the Transfer Secretaries so as to be received by no later than 12:00 (SAST) on Tuesday, 30 July 2024.
6. The Rights Offer Shares, including Rights Offer Shares to be issued pursuant to excess applications, may only be issued in Dematerialised form. Accordingly, Qualifying Certificated Shareholders (or their renouncees) will be required to open an account with a Broker or CSDP (if they do not already have one). Alternatively, Qualifying Certificated Shareholders (or their renouncees) will be afforded the option to "rematerialise" their Rights Offer Shares and replace them with a physical Document of Title, provided that such persons have elected as such on their Form of Instruction *(grey)* and lodged same with the Transfer Secretaries on or before 12:00 (SAST) on Tuesday, 30 July 2024. The Documents of Title in respect of the Rights Offer Shares (if applicable) will be posted to such persons, at their own risk, as soon as possible following implementation of the Rights Offer.

5.8 Summary Financial Information of the Group

This Circular presents the historical published consolidated financial information for the Group for the 52 weeks ended 25 February 2024, 26 February 2023 and 27 February 2022. In particular, this Circular incorporates by reference the following:

- The 2024 Audited Financial Statements are available on the Company's website (https://www.picknpayinvestor.co.za/pdf/annual-report/2024/afs/picknpay-afs-2024-doubles.pdf).
- The 2023 Audited Financial Statements are available on the Company's website (https://www.picknpayinvestor.co.za/pdf/annual-report/2023/afs/picknpay-afs-2023-doubles.pdf).
- The 2022 Audited Financial Statements are available on the Company's website (https://www.picknpayinvestor.co.za/pdf/annual-report/2022/afs/picknpay-afs-2022-spreads.pdf).

Unless otherwise indicated, the financial information for the 52 weeks ended 25 February 2024 included in this Circular is derived from the 2024 Audited Financial Statements, the financial information for the 52 weeks ended 26 February 2023 included in this Circular is derived from the 2023 Audited Financial Statements, the financial information for the 52 weeks ended 27 February 2022 included in this Circular is derived from the 2022 Audited Financial Statements.

5.9 **Summary Consolidated Statement of Comprehensive Income**

	52 weeks to		
	25 February 2024	**26 February 2023**	**27 February 2022**
(ZAR millions)	**(audited)**	**(audited)**	**(audited)**
Revenue	**115,370.8**	**109,278.2**	**100,902.4**
Turnover	**112,294.8**	**106,561.8**	**97,872.8**
Cost of merchandise sold	(92,014.9)	(85,625.2)	(79,476.7)
Gross profit	**20,279.9**	**20,936.6**	**18,396.1**
Other income	**2,653.5**	**2,265.3**	**2,505.1**
Franchise fee income	1,021.8	447.7	428.3
Operating lease income	112.5	157.4	115.6
Commissions, dividend and other income	1,519.2	1,399.5	1,213.0
Insurance recoveries	–	260.7	748.2
Trading expenses	**(22,548.4)**	**(20,153.9)**	**(18,014.7)**
Employee costs	(9,000.0)	(8,347.9)	(7,836.3)
Occupancy	(3,439.1)	(3,054.2)	(2,662.1)
Operations	(6,117.5)	(5,384.3)	(4,535.1)
Merchandising and administration	(3,358.1)	(3,168.6)	(2,891.5)
Expected credit loss allowance(1)	(633.7)	(198.9)	(89.7)
Trading profit	**385.0**	**3,048.0**	**2,886.5**
Finance income(2)	422.5	451.1	524.5
Funding finance income	227.4	260.3	319.6
Leases finance income	195.1	190.8	204.9
Finance costs(2)	(2,442.6)	(1,773.9)	(1,674.9)
Funding finance expense	(836.2)	(431.4)	(341.0)
Leases finance expense	(1,606.4)	(1,342.5)	(1,333.9)
Share of associate's earnings	211.5	75.0	71.6
(Loss)/profit before tax before capital items	**(1,423.6)**	**1,800.2**	**1,807.7**
Loss on capital items	(2,723.1)	(92.6)	(46.2)
(Loss)/profit before tax	**(4,146.7)**	**1,707.6**	**1,761.5**
Tax	956.6	(537.7)	(547.0)
(Loss)/profit for the period	**(3,190.1)**	**1,169.9**	**1,214.5**
Other comprehensive income, net of tax			
Items that will not be reclassified to profit or loss	37.0	(0.2)	25.4
Items that may be reclassified to profit or loss	(43.9)	(38.1)	16.2
Total comprehensive (loss)/income for the period	**(3,197.0)**	**1,131.6**	**1,256.1**

(1) Expected credit loss allowances, related to the Group's trade and other receivables, previously recorded within merchandising and administration expenses have now been separately disclosed.

(2) In order to support expanded segmental disclosure, the Group has now presented finance income and finance costs split between funding and leasing.

5.10 Summary Consolidated Statement of Financial Position

(ZAR millions)	As at 25 February 2024 (audited)	As at 26 February 2023 (audited)	As at 27 February 2022 (audited)
ASSETS			
Non-current assets			
Intangible assets	1,076.0	1,424.4	987.1
Property, plant and equipment	9,190.6	8,893.2	7,150.5
Right-of-use assets	11,596.1	11,195.0	9,588.9
Net investment in lease receivables	1,901.9	1,949.1	2,069.0
Deferred tax assets	2,133.5	734.1	822.5
Investment in associate	–	72.4	106.0
Loans	170.4	117.8	85.9
Retirement scheme assets	50.8	68.6	122.0
Investment in insurance cell captive	61.1	71.3	47.4
Operating lease assets	6.2	8.9	7.9
Trade and other receivables	1.7	84.7	106.5
Total non-current assets	**26,188.3**	**24,619.5**	**21,093.7**
Current assets			
Inventory	10,186.6	10,647.0	8,277.3
Trade and other receivables	4,255.3	4,472.0	4,207.6
Cash and cash equivalents	5,383.2	1,997.8	6,425.3
Net investment in lease receivables	417.8	333.4	319.1
Right-of-return assets	24.0	23.4	21.5
Derivative financial instruments	1.7	22.0	–
Total current assets	**20,268.6**	**17,495.6**	**19,250.8**
Non-current asset held for sale	**56.0**	**250.0**	**–**
Total assets	**46,512.9**	**42,365.1**	**40,344.5**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	6.0	6.0	6.0
Treasury shares	(556.8)	(643.8)	(702.1)
Retained earnings	756.0	4,685.2	4,717.3
Other reserves	0.5	20.1	(8.6)
Foreign currency translation reserve	(388.3)	(364.7)	(296.9)
Total equity	**(182.6)**	**3,702.8**	**3,715.7**
Non-current liabilities			
Lease liabilities	16,464.8	15,133.2	13,656.5
Borrowings	4,500.0	–	–
Total non-current liabilities	**20,964.8**	**15,133.2**	**13,656.5**
Current liabilities			
Trade and other payables	15,184.1	14,661.0	12,976.4
Lease liabilities	2,904.3	2,470.8	2,431.4
Deferred revenue	323.7	377.9	385.1
Bank overdraft and overnight borrowings	5,178.7	2,800.0	2,800.0
Borrowings	1,766.1	2,869.4	4,003.1
Current tax liabilities	272.9	269.8	279.8
Provisions[1]	100.9	80.2	88.8
Derivative financial instruments	–	–	7.7
Total current liabilities	**25,730.7**	**23,529.1**	**22,972.3**
Total equity and liabilities	**46,512.9**	**42,365.1**	**40,344.5**

(1) In order to improve disclosure, the Group has separately disclosed provisions previously recorded within trade and other payables. As at 27 February 2022, provisions were recorded as part of trade and other payables.

5.11 **Summary Consolidated Statement of Cash Flows**

	52 weeks to		
	25 February 2024	26 February 2023	27 February 2022
(ZAR millions)	(audited)	(audited)	(audited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Trading profit	385.0	3,048.0	2,886.5
Adjusted for dividend income	**(25.0)**	**–**	**–**
Adjusted for non-cash items	**4,073.2**	**3,626.3**	**3,391.5**
Depreciation of property, plant and equipment	1,521.9	1,320.5	1,216.0
Depreciation of right-of-use assets	2,395.2	2,148.2	1,979.9
Amortisation of intangible assets	111.5	96.6	123.4
Share-based payments expense	(2.2)	59.4	149.0
Lease adjustments	(39.2)	(28.9)	(42.4)
Movement in operating lease assets	2.7	(1.0)	3.1
Movement in retirement scheme assets	68.5	51.8	(4.0)
Fair value and foreign exchange adjustments	14.8	(20.3)	(33.5)
Cash generated before movements in working capital	**4,433.2**	**6,674.3**	**6,278.0**
Movements in working capital	**1,087.4**	**(968.2)**	**(563.6)**
Movements in trade and other payables, provisions and deferred revenue	289.8	1,668.9	898.2
Movements in inventory and right-of-return assets	494.8	(2,338.2)	(1,074.2)
Movements in trade and other receivables	302.8	(298.9)	(387.6)
Cash generated from trading activities	**5,520.6**	**5,706.1**	**5,714.4**
Other interest received	225.3	251.7	300.1
Other interest paid	(728.7)	(431.4)	(341.0)
Interest received on net investment in lease receivables	195.0	191.9	203.7
Interest paid on lease liabilities	(1,625.1)	(1,446.0)	(1,364.4)
Cash generated from operations	**3,587.1**	**4,272.3**	**4,512.8**
Dividends received	31.6	16.0	20.1
Dividends paid	(686.9)	(1,112.8)	(959.6)
Tax paid	(453.5)	(458.4)	(403.9)
Cash generated from operating activities	**2,478.3**	**2,717.1**	**3,169.4**
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in intangible assets	(269.5)	(231.5)	(88.1)
Investment in property, plant and equipment	(3,174.3)	(3,401.9)	(1,990.1)
Purchase of operations	(307.5)	(329.7)	(55.7)
Proceeds on disposal of intangible assets	23.6	25.7	4.0
Proceeds on disposal of property, plant and equipment	1,030.4	42.6	135.9
Insurance proceeds on capital items	–	13.8	210.5
Principal net investment in lease receipts	350.0	299.1	251.6
Lease incentives received	49.5	89.6	52.0
Loans repaid	101.8	62.4	14.8
Loans advanced	(154.4)	(94.3)	(41.5)
Cash utilised in investing activities	**(2,350.4)**	**(3,524.2)**	**(1,506.6)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal lease liability payments	(2,515.6)	(2,408.8)	(2,059.8)
Borrowings raised	15,606.5	6,804.8	6,020.4
Repayment of borrowings	(12,209.8)	(7,938.5)	(5,348.5)
Share purchases	–	(90.1)	(114.2)
Cash generated from/(utilised in) financing activities	**881.1**	**(3,632.6)**	**(1,502.1)**
Net increase/(decrease) in cash and cash equivalents	**1,009.0**	**(4,439.7)**	**160.7**
Net cash and cash equivalents at beginning of period	(802.2)	3,625.3	3,463.7
Foreign currency translations	(2.3)	12.2	0.9
Net cash and cash equivalents at end of period	**204.5**	**(802.2)**	**3,625.3**

6. RISK FACTORS

The following risks should be considered carefully together with the rest of the information contained in this Circular by Qualifying Shareholders and the investors before making any investment decision.

This section addresses the existing and future material risks to the business of the Group. The risks below are not the only ones that the Group faces or will face. Some risks are not yet known and some that are not currently deemed material could later prove to be material. The order in which the categories of risks are presented below is not necessarily an indication of the likelihood of the risks actually materialising, or the potential significance of the risks or of the scope of any potential harm to the Group's business, prospects, results of operations and financial condition.

All of these risks could materially adversely affect the Group, its reputation, business, financial condition, results of operations and prospects. In such cases, the market price of PIK Shares or the Letters of Allocation may decline, and Qualifying Shareholders could lose all or part of their investment. Qualifying Shareholders should read this section carefully and in conjunction with "7 Circular to Qualifying Shareholders," "9 Operating and Financial Review" and "10 Business Description" but must form their own views before making any decision in respect of the Rights Offer. Furthermore, before making an investment decision with respect to this Rights Offer, prospective investors should consult their own professional advisers and carefully review the risks associated with the Rights Offer and consider such investment decision in light of their own personal circumstances.

6.1 **Risks related to the Group's liquidity and financial condition**

The Group's substantial leverage and debt service obligations could adversely affect the Group's business.

The Group is highly leveraged and will have significant debt service obligations. As at 25 February 2024, the Group had gross debt of ZAR11,444.8 million, net debt/(net cash) of ZAR6,061.6 million and a net debt/(net cash) to EBITDA (pre-IFRS 16) ratio of 6.3x from 1.1x as at 26 February 2023. The degree to which the Group is leveraged could have important consequences, including:

- making it difficult for the Group to satisfy its obligations with respect to its debt obligations, including the risk of an event of default under the prevailing funding agreements with the Group's lenders;
- making the Group vulnerable to, and reducing its flexibility in planning for, or reacting to, changes in its business and the competitive environment, the industry in which it operates, and general adverse economic and industry conditions;
- requiring the dedication of a substantial portion of the Group's cash flow from operations to the payment of interest on indebtedness, thereby reducing the availability of such cash flow for working capital, capital expenditures, acquisitions, joint ventures, or other general corporate purposes;
- placing the Group at a competitive disadvantage compared to its competitors, to the extent that they are not as highly leveraged; and
- limiting the Group's ability to borrow additional funds and increasing the cost of any such borrowing.

Any of these factors could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

As noted in *"2 Background to and Rationale for the Rights Offer*" above, the Group was able to secure a full covenant waiver for the twelve-month period ended February 2024, with revised, less restrictive covenants for the twelve-month period ending in August 2024 from its lenders. In addition, the Group was able, through the conclusion of the Restructuring Support Agreement with its funders in May 2024, to secure the availability of its debt facilities until 1 September 2025 (see "*14 Additional Information–14.4 Material Funding Agreements–14.4.1 Restructuring Support Agreement*"). However, if the Group fails to comply with its obligations under the Restructuring Support Agreement (as outlined further below) it may be subject to certain default provisions and customary remedial measures associated with these, including the possibility of the termination of the Restructuring Support Agreement.

The Group may not be able to complete the Recapitalisation Plan successfully. If the Group does not successfully complete the Recapitalisation Plan and generate sufficient cash to service its indebtedness this will have a material adverse effect on the Group's business, financial condition, results of operations, and prospects unless it takes other actions to meet its obligations, which actions may also not be successful.

The Group has significant debt service obligations, thus making the Rights Offer and overall Recapitalisation Plan (as defined below) necessary (see "*2 Background to and Rationale for the Rights Offer*"). It is also obliged to implement the Recapitalisation Plan within a certain time period in accordance with the terms of the Restructuring Support Agreement. A detailed description of the terms of the Restructuring Support Agreement is set out in "*14 Additional Information–14.4 Material Funding Agreements–14.4.1 Restructuring Support Agreement*."

The Group's ability to make principal or interest payments when due on its indebtedness, to fund its ongoing operations and to maintain its capital position, depends on the success of the Recapitalisation Plan, its future performance and its ability to generate cash, which, to a certain extent, is subject to general economic, financial, competitive, legislative, legal, regulatory, and other factors, many of which are beyond its control. While the Group believes that, following its Recapitalisation Plan, it will have sufficient funds to meet its obligations and liquidity needs, there can be no assurance these will be successful or sufficient.

At the maturity of its outstanding loans, if the Recapitalisation Plan, including the Boxer IPO, is not implemented or successful and the Group does not have sufficient cash flows from the Recapitalisation Plan or other actions, its operations and other capital resources to pay its debt obligations, or to fund its other liquidity needs, or it is otherwise restricted from doing so due to corporate, tax, or contractual limitations, the Group's lenders will have a right to accelerate the repayment of the existing indebtedness and enforce and realise their security interests. If the Group is unable to refinance all or a portion of its indebtedness or obtain such refinancing on terms acceptable to it, it may be forced to reduce or delay its business obligations, activities or capital expenditures, sell assets, raise additional debt or equity financing in amounts that could be substantial, or restructure or refinance all or a portion of its debt, on or before maturity. The Group cannot guarantee that it would be able to accomplish any of these alternatives on a timely basis or on satisfactory terms, if at all, or that those actions would secure sufficient funds to meet its obligations under its indebtedness.

In particular, the Group's ability to raise indebtedness, restructure or refinance its debt depends in part on its financial condition at such time as well as on many factors outside of its control, including then prevailing conditions in the international credit and capital markets. Any debt raise or refinancing of its debt could be at higher interest rates than its current debt and may require the Group to comply with more onerous covenants. The terms of existing or future debt instruments may restrict the Group from adopting some of these alternatives. Any obligation related to the mandatory or special prepayments of existing or future debt could have a material effect on the Group's cash position. In addition, any failure to make payments of interest or principal on its outstanding indebtedness on a timely basis could lead to cross-default and acceleration, or entitle the lenders to enforce their security (which includes a pledge over all of the shares held by the Group in its Boxer business) and in any case would likely result in a downgrade of the Group's credit rating, which could harm its ability to incur additional indebtedness.

In the absence of operating results and resources sufficient to service its indebtedness, the Group will face substantial liquidity problems and might be required to dispose of material assets or operations to meet its debt service and other obligations. The terms of its indebtedness restrict the Group's ability to transfer or sell assets and the use of proceeds from any such disposal other than for the purpose of debt repayment only. The Group may not be able to carry out certain disposals or to obtain the funds that it could have realised from the proceeds of such dispositions, and any proceeds it does realize from asset dispositions may not be adequate to meet any of its debt service obligations then due. These alternative measures may not be successful and may not permit the Group to meet its debt service obligations. A failure to meet the Group's liquidity needs could have a material adverse effect on the Group's business, financial condition, results of operations, and prospects.

6.2 **Risks related to the Group's business and industry**

Adverse geopolitical and macroeconomic conditions may have a material adverse effect on the Group's ability to maintain its customer value proposition and overall business, results of operations, financial condition and prospects.

The Group's results of operations may be materially affected by deterioration and volatility in geopolitical and macroeconomic conditions in South Africa and globally. Such macroeconomic conditions include, amongst others, inflation, rising interest rates, rising fuel and energy costs, electricity availability and 'load-shedding' (i.e., electricity rationing and planned blackouts as a means of managing demand for electricity when such demand outweighs the grid's supply capacity), business and government spending and the impact of the ongoing wars in Ukraine and Gaza on commodity prices. Adverse changes in global economic conditions and uncertainty arising from such changes could reduce access to capital or credit for customers and/or limit the ability of customers to manage interest rate and other related risks. Further, changes in general economic conditions may also result in higher operating costs, increased costs of debt and increased costs associated with retaining and recruiting key management and skilled employees. The occurrence of one or more of these events could have a material adverse effect on the Group's business, financial condition, results of operations, and prospects.

The economic situation in South Africa remains challenging, marked by low economic growth, high unemployment and increasing living costs, in particular, in the aftermath of the 2021 civil unrest in South Africa. These issues were compounded in 2023 by widespread power and water supply disruptions. Consumers are also dealing with food inflation and additional financial pressures from higher interest rates, as well as rising fuel, electricity, and utility costs. This mix of factors is expected to continue pressuring consumers financially in the short term. South Africa has a system of social grants for certain categories of persons, including a Social Relief of Distress Grant for persons in financial need, which has remained in place since the Covid-19 pandemic. These are administered in terms of the South African Social Assistance Act, No. 13 of 2004, as amended from time to time, and are subject to the appropriation of funds by Parliament. However, there is no guarantee that these grants (in particular the Social Relief of Distress grant) will continue at current levels, in particular given the political uncertainty following the recent elections in May 2024, and the creation of a government of national unity (as discussed further below, see "*6.3 Risks Related to South Africa and Other Regions in which the Group Conducts its Business Operations–The political environment of South Africa tends to be characterised by higher levels of uncertainty*"). If the new administration made the decision to decrease the amount paid in social grants, consumers would be faced with increased economic burden, resulting in consumers having to decrease their budgets.

South Africa has historically experienced high rates of inflation, which have been further impacted by recent macroeconomic trends, and may experience high levels of inflation in the future. Inflation, as well as government efforts to combat inflation, have had significant negative effects on the South African economy. Inflation rates were 6.9% in 2022, 6.0% in 2023 and 5.2% in April 2024, as measured by Statistics South Africa. The South African government's measures to control inflation have often included maintaining tight monetary policy with high interest rates, thereby restricting the availability of credit and reducing economic growth. From November 2021 until May 2023, South Africa's central bank pursued significant and continual interest rate increases, with the repo rate rising from 3.50% to 8.25%. High rates of inflation and actions that may be implemented to combat inflation, as well as public speculation about any possible additional actions, may also contribute materially to economic uncertainty in South Africa and accordingly weaken investor confidence, thus adversely impacting the Group's ability to access the international capital markets and increasing the Group's costs, such as labour and energy costs. Conversely, more lenient government policies and interest rate decreases may trigger increases in inflation and, consequently, growth volatility and the need for sudden and significant interest rate increases, which could negatively affect the Group's business by eroding the Group's customers' spending power and decreasing their disposable income.

Suppliers in the Group's value chain could face increased operational costs and disruptions, for example from the shortage of energy and water supply or social factors, such as the 2021 civil unrest in South Africa, affecting input costs and the stability of supply, with small and medium-sized enterprises facing the greatest risks. Against this backdrop, the Group's customer value proposition ("**CVP**") must meet customers' demands for affordability and value. Without strategic adjustments, the Group's profit margins could suffer in the short term.

The economic challenges have further squeezed consumer budgets, increasing the demand for more affordable products. This trend, coupled with inflation and higher fuel, electricity and utility costs, presents risks to the Group's profit growth and margins.

In a challenging economic landscape characterised by worsening macro- and socio-economic conditions, consumers face escalating financial burdens. This adverse environment not only strains customers but also amplifies competition for their limited financial resources. The Group, alongside its franchisees and various stakeholders within the value chain, faces significant hurdles in fully absorbing escalating cost pressures. The Group's CVP may not always fully align with rapidly evolving consumer needs arising out of these economic constraints.

In response, the Group must refine its CVP to better meet the evolving needs and expectations of its consumers. If the Group cannot adjust its strategy to address these challenges, including the risks associated with its suppliers and franchisees, this may materially and adversely affect the Group's business, results of operations and financial condition.

The Group's operations in South Africa have been and may continue to be adversely affected by load-shedding.

The Group relies upon an uninterrupted flow of electrical power to operate its stores. Since 2022, South Africa has been subject to extensive load-shedding, which stops the power supply in targeted areas forcing commercial users of electricity, like the Group, to rely on diesel generators or shut down their operations. Eskom, the state-owned electricity producer in South Africa, has advised that the South African power grid may remain under strain for a number of years until new power stations come online, and load-shedding remains a possibility during this time. Eskom carries out load-shedding in accordance with predetermined load-shedding stages, determined by the number of megawatts ("**MW**") being shed, which completely stops the power supply for varying periods of time. Eight schedules have been developed based on the level of risk and to ensure that load shedding is applied in a fair and equitable manner: Stage 1 allows for up to 1000 MW of the national load to be shed; Stage 2 allows for up to 2000 MW of the national load to be shed; Stage 3 allows for up to 3000 MW of the national load to be shed; Stage 4 allows for up to 4000 MW of the national load to be shed; Stage 5 allows for up to 5000 MW of the national load to be shed; Stage 6 allows for up to 6000 MW of the national load to be shed; Stage 7 allows for up to 7000 MW of the national load to be shed; and Stage 8 allows for up to 8000 MW of the national load to be shed. Load-shedding in Stages 1 to 4 are implemented in most parts of the country in two-hour blocks, with such blocks being doubled progressively to four hours as Stages 5 to 8 are activated.

Persistent load-shedding has been, and continues to be, a significant operational hurdle, with all Group stores relying on diesel generators to stay powered during outages. As a result, the Group has incurred, and continues to incur, substantial additional energy costs, not accounting for the indirect impact on sales due to decreased footfall, and losses and increased maintenance costs resulting from equipment failures. Any disruption in electricity supply or reductions in the availability of other essential services, such as the availability of internet and mobile networks and the supply of water in areas where pumps are required, may have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The energy crisis is particularly challenging for food retailers, due to their reliance on electricity in part to keep food chilled and safe. The Group incurred total diesel costs to run its generators of ZAR698 million during the 52 weeks ended 25 February 2024, compared to ZAR652 million for the 52 weeks ended 26 February 2023. This cost consists of the diesel costs required to run the generators to keep stores powered during load-shedding, however, this does not include additional costs associated with (i) product spoilage across the business as a result of cold chain disruption, (ii) lost trade due to reduced product availability, (iii) reduced footfall in dark shopping centres, (iv) spend related to the repair and maintenance of generators, refrigeration and other machinery vulnerable to damage as a result of power outages and power surges, (v) reduced digital connectivity when mobile and other service providers provide unstable services and (vi) low employee morale and motivation related to the operational disruption of load-shedding, including power and water outages, slower systems connectivity, lower levels of stock availability, and the inconvenience to customers.

The Group relies upon electrical power to operate all of its facilities across its distribution network. To attain maximum performance, these types of facilities must often operate on a continuous basis and at the appropriate pre-set temperatures. As a result, any interruption in power supply, such as those frequently sustained as a result of load-shedding, may result in food spoilage and any extended power supply shortages or interruptions could result in perishable food losses, each of which could have a material adverse effect on its business, financial condition, and results of operations. Cold chain requirements, setting out the temperatures at which ingredients and products must be stored and transported, are established both by law and by the Group to help guarantee the safety of its food products. The Group maintains the cold chain from the moment the ingredients arrive at, or are frozen by, its suppliers, through transportation and ultimately to the time of sale in its stores or delivery to its customers, both to ensure it complies with all health and safety protocols and to extend certain products' shelf life. A failure in the Group's cold chain could lead to food spoilage, risks to the health of its customers, fines, litigation and other penalties, and damage to its brand and reputation, each of which could materially adversely affect its business, financial condition, and results of operations.

Although load-shedding was significantly reduced in the weeks leading up to the 29 May 2024 elections, there is no guarantee that this will continue to be the case going forward, and there remains a risk that load-shedding may continue or rise, particularly in the winter months. Despite the Group's energy resilience plan, negotiations with landlords to maximise renewable electricity sources and discussions with the government for diesel tax rebates, there can be no assurance that it will be able to adequately control, mitigate or at all reduce the additional costs incurred as a result of load-shedding and may sustain a material adverse effect on its business, results of operations, financial condition and prospects.

The Group's operations in South Africa may be adversely affected by increases in energy or water costs.

Increases in energy or other commodity costs, including electricity, fuel, and water may adversely affect consumer spending and demand for the Group's products and increase the cost of sales, adversely impact its result of operations due to consequential increases in operating costs and will divert financial and management resources from more beneficial uses. Energy and water costs in South Africa have fluctuated significantly in the past and may fluctuate in the future. For example, electricity tariffs charged by Eskom (South Africa's state-owned energy provider) increased by 13.29% on average for the 2024/2025 period.

Any future fluctuations in petrol or diesel costs have resulted and may in the future result in an increase in the Group's transportation costs for distribution, utility costs for stores and costs to purchase merchandise from third-party manufacturers. Similar to its competitors, the Group may not be able to pass all or a portion of these higher costs on to its customers, which could adversely affect the Group's margins and decrease its sales, with material adverse effect on the Group's business, results of operations, financial condition and prospects.

As the retail industry is highly competitive and trend-sensitive, failure to compete successfully and maintain a competitive position may affect the Group's business, results of operations, financial condition and prospects.

The South African retail industry is highly competitive. Such competition places pressure on the Group's turnover, pricing strategy, margins and profitability. The Group faces several competitive pressures, including:

- competitively pricing the Group's products and services and successfully meeting the customer perception of value;
- offering streamlined shopping experiences on e-commerce platforms (see "*–The Group may be unable to successfully maintain and develop its omni-channel offering and keep pace with new technological developments in the online grocery business, which, along with the increasing complexity of its business and costs, may reduce demand for its products and services and materially adversely impact its relationships with its customers, market share, results of operations, financial condition, and prospects*");
- offering value and consistent quality products and services across the price spectrum;
- sourcing merchandise efficiently and cost effectively;
- adapting the Group's store network to the changing needs of the Group's customers and securing the most appropriate mix of omni-channel distribution;
- competing against new web-based competitors and other new entrants with low barriers to entry; and
- aggressive new store rollout by competitors, which could reduce sales of existing Group stores when a competitor store is opened in the proximity of a Group store.

Some of the Group's competitors offer a broad range of product categories while others are specialist retailers that compete only in certain product categories. Although the Group is generally one of the leaders in the markets in which it operates, certain of the Group's competitors may have greater market presence and brand recognition, or may be perceived to offer higher quality products at the same or lower prices or similar quality products at lower prices and therefore offer greater value for money than the Group.

If the Group does not anticipate and respond quickly to changing consumer preferences in the future, its business, results of operations, financial condition and prospects could suffer.

A large part of the Group's business is dependent on its ability to make trend-right decisions in a broad range of categories. If the Group does not predict and quickly respond to changing consumer preferences and spending patterns, it may experience lower sales, spoilage, and increased inventory markdowns, which could adversely affect its results of operations. The Group's ability to predict and adapt to changing consumer preferences depends on many factors, including obtaining accurate and relevant data on customer preferences, successfully implementing new technologies and capabilities emphasising relevant product categories, effectively managing its inventory levels (see "*–The efficiency of the Group's supply chain is critical to its business and operations. Significant disruptions in its production and/or distribution, particularly for perishable goods, or the failure to grow the Group's supply chain in line with the growth of its business could materially adversely affect the Group's business, financial condition, and results of operations*"), and implementing competitive and effective pricing and promotion strategies. The Group has not always been able to predict rapid changes in consumer preferences and spending patterns, which has previously resulted in insufficient or excess inventory, increased costs, and adverse impacts on its results of operations. If the Group is unable to effectively adapt to future changes in consumer preferences and spending patterns, its business, results of operations, financial condition and prospects could be adversely affected.

Risks associated with non-compliance with laws and regulations and adverse developments with respect to the safety and quality of the Group's products and/or concerns about the safety of the food industry in general.

Food and product safety and food hygiene and traceability (including in respect of product origins, freshness, and conditions of preservation through the supply chain) are top priorities for the Group. The actual safety of the food and other products and services which the Group offers, as well as the public's perception of that safety, are essential to its business, brand, and reputation. The Group's decisions and protocols are guided by the advice of expert scientific bodies, including the South African Department of Health and the National Institute for Communicable Diseases, ensuring that food safety is maintained by robust health and safety standards across the food chain to mitigate the significant risks associated with unsafe food. Notwithstanding the Group's adherence to these standards, there is always a risk that safety standards may not be followed in stores, distribution centres, or support offices, putting customers or people at risk of ill health or injury. Furthermore, business partners may not always adhere to the Group's overall minimum health and safety standards, which increases the risk of inadvertently stocking or preparing unsafe food or other grocery products that harm customers.

Regulatory risk

The Group is subject to a number of food safety and hygiene regulations. See "*11 Regulatory Matters.*" Failures to comply with these regulations could result in a number of adverse consequences, including fines, loss of licences, costs of compliance or certification requirements. The Group may not be able to ensure that its customers always enjoy safe, quality products. It sells food for human consumption, which subjects it to safety risks such as contamination (including the presence of an undeclared allergen, a foreign object, substance, unintentional microbe or chemical, other agent or residue or the introduction of a genetically modified organism), spoilage, mislabelling and product tampering, all of which could lead, and has in the past led, to product withdrawals or recalls or destruction of inventory and could result in bad publicity, temporary store or warehouse closures and substantial costs in connection with compliance or remediation. The Group may also be impacted by any assertion that its products have caused illness or injury, whether true or false, proven or unproven.

Risks to the health of its customers can also arise from the Group's branded and own-brand or confined label suppliers, the majority of whom are third parties operating outside of its direct control, in relation to the ingredients, foods, and products it sells in its stores. Its use of third-party suppliers increases the risk that any of the aforementioned types of incidents could be caused by factors outside of its control and that multiple store locations could be affected. In addition, food or product safety-related risks may also occur under any one of its own-brand labels, and it may be impacted by negative publicity regarding any assertion that its food or other products have resulted in illness or injury. Its customers expect that it will provide them with a large selection of safe, high-quality products. If the Group is unable to control and guarantee the quality of the products it sells, especially its own-brand labels and in-store services, its brand and reputation may be negatively impacted.

Non-compliance with laws and regulations relevant to the business including food safety laws mentioned above and liquor laws may, in addition to compliance notices, directives, fines, reputational harm and other adverse effects, result in licences, certificates or registrations which the Group requires to conduct its operations being revoked, suspended, cancelled or not renewed when they are due for renewal.

Consumer safety and product liability

Consumers are increasingly focused on the traceability of food products to assist them in deciding what to purchase. While the Group conducts quality practices and procedures, it may be difficult to detect contamination, spoilage, mislabelling, product tampering, or any other incidents that compromise the safety and quality of its products, particularly fraudulent or malicious activity. Adverse publicity about these types of problems, whether valid or not, may discourage customers from buying its products or may affect its brand and reputation. The Group's actual or perceived sale of unsafe food products could result in product liability claims, a loss of customer confidence, product recalls, and legal claims, which could have a material adverse effect on its business, financial condition, and results of operations.

The Group also faces additional risks from product defects in relation to the sale of its non-food products, including, for example, the risks of battery explosions, appliance malfunction, or toys or other items that prove to be dangerous. If products it purchases from its suppliers are damaged or defective, it may not be able to return products to these suppliers and obtain refunds on its purchase price or obtain indemnification from them for any damages caused. Its brand and reputation could be damaged by the marketing of such dangerous or defective products, especially in case of serious defects, such as products containing harmful substances, causing death, physical harm, or other health problems. In addition, there is a risk that compliance lapses by the Group or by its suppliers could occur, which could lead to investigation by agencies responsible for customer product safety. In all such cases, especially if there is a prolonged impact on product quality, its brand and reputation, business, financial condition, and results of operations may be materially adversely affected.

Certain risks are inherent in the operation of food-to-go, display, and self-serve counters, as well as the operation of dedicated food processing facilities, such as Pick n Pay's abattoir and meat packing plant and Boxer's meat processing plant. The Group's brand and reputation could be damaged to the extent that the quality of these facilities falls below its established standards. For example, if particular temperatures and environments are not properly maintained, food safety could be compromised, and harmful bacteria, such as Escherichia coli or Listeria monocytogenes, could develop. Additionally, these facilities are also subject to public tampering and contamination, over which the Group has limited control.

A significant lawsuit, widespread product recall, or other events leading to the loss of customer confidence in the safety and quality of its products could damage the Group's brand and reputation and negatively impact its sales, profitability, and prospects for growth. Further, if a product recall is required in circumstances where the financial consequences are not covered by the relevant supplier or the Group's insurance policy, it may have a material adverse effect on the Group's financial performance. Although the Group maintains product liability insurance, it cannot be certain that its insurance cover will be adequate for liabilities actually incurred or that insurance will continue to be available to it on economically reasonable terms, or at all.

Even if future product liability claims against the Group are unsuccessful, these claims could be costly and time-consuming to defend and may divert management's time and resources from operating the Group's business and may harm its brand and reputation. Even if its products are not affected by contamination or other incidents that compromise their safety and quality, the Group is subject to risks affecting the food industry generally, including risks posed by widespread contamination, widespread diseases (such as H1N1, SARS, MERS, BSE, and avian influenza), and evolving nutritional and health-related concerns. Regulatory authorities may limit the supply of certain types of food products in response to public health concerns, and customers may perceive certain products to be unsafe or unhealthy, which could require the Group or its suppliers to find alternative ingredients or products that may not be available at commercially reasonable prices or within acceptable time constraints. In addition, such governmental regulations may require the Group to identify replacement products for its customers or, alternatively, to discontinue certain offerings or limit the range of product offerings. The Group may be unable to find substitutes that are as appealing to its customers, or such substitutes may not be widely available or may be available only at increased costs. Such substitutions or limitations could also reduce demand for its products. Each of the factors above may have a material adverse effect on the Group's business, financial condition, results of operations, and prospects.

The Group relies extensively on information systems to process transactions, compile and report its results, and manage its business. These systems are interdependent, and disruptions in the IT infrastructure that the Group uses, including those provided by third parties, could materially adversely affect its business, results of operations, and financial condition.

The Group relies on an extensive array of information systems (including servers, networks, cloud infrastructure, applications, websites, and databases) that are essential to the operation and management of its activities. The development, implementation, and continuous and uninterrupted performance of its hardware, network, applications, website, and other systems, including those which may be provided by third parties, are important factors in the delivery of products and services to its customers. The Group is dependent on its technical infrastructure and computer applications for all aspects of the day-to-day management of its business, including sourcing, purchasing, distribution, point-of-sale, online sales, customer delivery, data analytics, invoicing, cash collection, reporting and consolidation, as well as electronic data exchange and access to internal information, all of which provide necessary information upon which management makes its business decisions.

Enterprise-wide information technology ("**IT**") supports and facilitates critical functions across the Group's operations, including point-of-sale transactions, value-added financial services, product forecast and replenishment, labour scheduling, the Smart Shopper loyalty programme, its online shopping platforms, real-time financial reporting, and remote working. Risks to systems stability and security are increasing due to the frequency of global cyber and ransomware attacks, the acceleration in digitisation across its business, and the increase in online transactions. Potential impacts include system disruption that affects the Group's ability to serve customers and run its business effectively, cyber-attacks and the impact on the security of personal and confidential information, reliance on IT systems that are unable to support growth and innovation, and a lack of accuracy or timeliness of information having a negative impact on decision-making ability.

The effects of load-shedding are compounded by the Group's reliance on information systems. In particular, prolonged power outages may not only create interruptions to the Group's own systems, but also affect third-party systems and infrastructure, such as internet and telecommunication networks, on which the Group relies for processing payments, leading to material loss of sales and customer dissatisfaction. In addition, any such interruptions may affect the Group's ability to accurately record sales, track inventory, and coordinate operations and store management. In these instances, the Group may be unable to resume store operations, in part or entirely, even if back-up power generators are available for individual stores, until such third-party systems and infrastructures are back online. Any such event could have a material adverse effect on the Group's business, financial condition, results of operations, and prospects.

The Group's performance depends on accurate, timely information and numerical data from key software applications to aid day-to-day business and decision-making processes. It is exposed to operational risks, such as the breakdown or failure of equipment, interruption of power supplies or processes, fires, floods or other natural disasters, intentional destruction and vandalism of property, and industrial accidents. The Group relies on its information technology systems for communication among its suppliers, stores, distribution centres, and support offices and for its online sales. It may be adversely affected if its controls fail to detect or contain operational risks. If the Group does not allocate and effectively manage the resources necessary to build and sustain the proper technology infrastructure and to maintain the related automated and manual control processes, it could be subject to adverse effects, including billing and collection errors, business disruptions, and damages related to security breaches. Any disruption caused by failings in its information technology infrastructure or underlying equipment or of communication networks could delay or otherwise impact its day-to-day business and decision-making processes and negatively impact its performance.

The Group also relies on third-party software and cloud infrastructure providers for certain IT systems. If such providers were to terminate their agreements with the Group or stop providing services for any reason, or if such providers were to considerably raise the price of their services, the Group's business would be materially and adversely affected. The Group cannot guarantee that it will be able to find and retain alternative providers or obtain licences to proprietary software or other intellectual property important to its operations if its current or future providers become financially unstable. To the extent that any of these systems, technologies, or programmes do not function properly and the Group cannot find and retain a suitable IT provider to help remedy the fault, it may experience material adverse effects on its business that require substantial additional investments to remedy, or which it may not be able to remedy at all. In addition, regular maintenance and updates to the Group's enterprise resource planning ("**ERP**") systems are carried out in the ordinary course of business. If not managed effectively, these upgrades could exceed budget, take longer than anticipated, or fail to deliver the expected benefits. Additionally, the process of upgrading or maintaining ERP systems can lead to system downtime, during which the Group's operational capabilities could be impaired, potentially resulting in productivity loss, disruption of the Group's supply chain, and customer service issues. There is also the risk that the upgrades to ERP systems may not integrate well with the Group's existing IT infrastructure, leading to further operational disruptions and additional costs. Ineffective implementation could result in data loss or data integrity issues, which could impact decision-making processes and lead to operational errors. The performance of the IT systems that the Group uses depends on, among other things, its ability to effectively safeguard such IT systems and related equipment against damage or compromise from interruptions to telecommunication services, data breaches, hacking and phishing attempts, and the introduction of malware and computer viruses.

Any failure of such IT systems due to a technical issue or a cyber-attack, any failure of the Group's IT systems' support teams to mitigate such IT system failures, and any inadequacy in the Group's insurance policies with respect to any resulting losses could have a material adverse effect on the Group's business operations and assets. For example, any such failure could impact the availability of electronic point-of-sale systems and therefore limit the Group's ability to complete sales or pay suppliers that in turn may rely on such systems for their own sales. Moreover, a failure that causes the Group's websites to become unavailable could materially adversely affect online product viewing opportunities and sales. Furthermore, if the Group's security measures were compromised and the Group's efforts to combat such a breach were unsuccessful, the Group's operations would be interrupted, and its reputation could be harmed, leading to a material adverse effect on its business, financial condition, and results of operations.

The Group depends on the services of key personnel members and the Group's business and growth strategy could be materially harmed if it was to lose these individuals and was unable to replace them with individuals of equal experience and capabilities.

The Group depends on the services of key personnel, in particular Sean Summers, who was re-appointed as CEO to lead the Group's strategic initiative, other senior executives, highly qualified managers and technically proficient specialists ("**Key Personnel**"), and its business and long-term strategy could be materially harmed by the loss of such individuals to competitors, or as a result of emigration, if the Group is unable to replace them with executives and managers of equal experience and capabilities. The Group's success depends, in part, upon the continued services of its Key Personnel to operate the business and execute the Group's strategic initiatives. The Key Personnel's knowledge of the market and the Group's businesses represents a key strength of the Group's business model, and the Group's experience and human capital serve as a barrier to entry to potential competitors. The success of the Group's long-term strategy and future growth also depends on its ability to attract, train, retain and motivate its Key Personnel. There can be no assurance that any of the Group's Key Personnel will continue to be employed by the Group or that the Group will be able to attract and retain qualified personnel in the future. The loss of one or more of the Group's Key Personnel, or the failure to attract and retain additional Key Personnel, could have a material adverse effect on the Group's business, financial condition, results of operations, and prospects. This could also result in additional duties for the remaining members of management, which could, in turn, have a material adverse effect on the Group's business, financial condition, results of operations, and prospects.

The Group faces significant risks due to climate change which impacts scarce resources and can lead to environmental degradation.

Climate change represents a substantial threat to the continuity and efficiency of the Group's food and grocery retail operations. The escalating effects of climate change, including, but not limited to, erratic weather patterns, scarcity of water resources, over-exploitation of seafood resources, and environmental degradation, directly imperil the availability and stability of raw materials essential for the Group's product range. These adverse conditions could lead to disruptions in the Group's supply chain and fluctuations in energy supply, critically affecting operational capability.

As climate change threatens ecosystems and biodiversity, it undermines the sustainability and prosperity of the agricultural sector and, in turn, any adverse effect to farmers may materially impact producers and retailers that rely on the quality, quantity and cost of farmers' output. The result is not only a risk to food availability and quality but also an exacerbation of poverty and hunger in South Africa and other regions the Group serves, further limiting customers' spending power and thwarting the growth of the economies within which the Group operates. Water scarcity, a direct consequence of climate change, further jeopardises food production and supply, placing additional pressure on the Group's ability to maintain a stable and high-quality product offering. Following three consecutive years of limited rainfall, in January 2018 South African governmental officials announced that Cape Town was suffering from a widespread, drought-induced municipal water failure. The local government increased water tariffs and enforced prohibitions on heavy users. By the end of 2018, these emergency efforts, coupled with the return of average rainfall in June 2018, largely stabilised the water supply, though concerns relating to the level and consistency of water quality remain. Dam levels in various areas in South Africa remain below pre-drought levels and there can be no assurance that another water supply crisis or other disruption will not occur in the future, which may have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group's reliance on agricultural products, such as meat and dairy, is particularly vulnerable to the impacts of climate change. With agriculture being highly susceptible to variations in weather and climate conditions, any significant disruption could lead to decreased availability or increased costs for these essential commodities. Climate change-induced phenomena, such as extreme weather events, could exacerbate the price volatility for these commodities, impacting the Group's operating margins and financial condition. Increased costs or shortages in poultry and dairy products, driven by factors like adverse weather conditions, disease outbreaks, or shifts in consumer demand, could significantly inflate operational costs. The Group has not always been, and in the future may not be, able to pass on such price increases to its consumers due to, among other things, price competition with its peers. As a result, such inflation could materially and adversely affect the Group's business, results of operations and financial condition.

Risks associated with the implementation of the Group's long-term strategy.

The Group's new CEO has introduced a new multi-year plan for the Pick n Pay segment of the Group, the Pick n Pay turnaround strategy, to recapitalise the business, reduce its debt, improve its liquidity and improve the quality and effectiveness of its store operations in order to drive long-term sustainable growth. The Pick n Pay turnaround strategy involves six elements: (1) a reorganisation of Pick n Pay's leadership structure, (2) a reset of its store estate, including conversions of underperforming Pick n Pay company-owned stores to Boxer and Pick n Pay franchise, as well as Pick n Pay store closures, (3) the improvement of Pick n Pay's offering to drive sales, (4) the optimisation of Pick n Pay's operating model, (5) leveraging the strength of partnerships with suppliers and franchisees, and (6) the Recapitalisation Plan (see "*10 Business Description–10.3 Strategy*"). The successful execution of the new strategy is paramount for the Group's ambition to achieve a sustainable return to profitability. However, this strategy introduces significant challenges and risks to the Group's operations and financial stability. Most notably, the store conversions and closures could result in the need for negotiations with labour unions and employees and have an overall adverse impact on employee morale. Moreover, such changes will require sufficient interest from franchisees to agree to take up converted company-owned Pick n Pay stores and substantial negotiation of the terms and conditions of the store conversions with the relevant franchisees. These changes will also necessitate landlords' cooperation in connection with lease terminations (in the case of closures), resizing and subletting (in the case of conversions). Additionally, store closures and conversions are likely to require the Group incurring restructuring costs in order to achieve the medium-term profitability gains targeted by its long-term strategy.

Therefore, the success of Pick n Pay's new strategy hinges upon the Group's ability to navigate these risks, successfully carry out its comprehensive plans, and adapt to the changing retail environment. Failure to do so could have a material adverse effect on the Group's business, results of operations and financial condition, potentially compromising the Group's strategic goals.

The occurrence of catastrophic events, such as war, terrorist attacks, civil unrest, disruptive geopolitical events, epidemics, pandemics, and natural disasters, has in the past and may in the future materially adversely affect the Group's and its stakeholders' (including all suppliers and other third parties on which the Group relies) business, financial condition, and results of operations.

The occurrence of one or more natural disasters, such as floods, wildfires (like those that broke out in the Cape Town area in December 2023), earthquakes, tsunamis, hurricanes, tropical storms and tornadoes; weather and climate conditions, such as winter and summer storms, heatwaves, severe cold weather, and droughts, whether as a result of climate change or otherwise; geopolitical events; public health situations, such as epidemics, pandemics and other contagious outbreaks, such as the global coronavirus pandemic; and catastrophic events, such as war, including the Russia-Ukraine and Israel-Hamas conflicts, civil unrest, terrorist attacks or other acts of violence, including active shooter situations, knife attacks, as well as protests, strikes, and boycotts have in the past and may in the future materially adversely affect the Group's and its suppliers' (including other third parties on which the Group relies) business, financial condition, and results of operations.

Such events could result in the closure of, physical damage to, or the complete loss of, one or more of the Group's and its suppliers' (including other third parties on which the Group relies) properties, limitations on operating hours, workforce shortages, the inability of customers and employees to reach or have transportation to the Group's stores and facilities, the evacuation of the population from areas in which the Group's stores and facilities are located, the unavailability of the Group's online platforms, changes in customer purchasing patterns (including the frequency of visits to physical retail locations, whether as a result of limitations on large gatherings, travel and movement limitations or otherwise) and in disposable income, disruptions to supply and logistics chain, reduced availability of products in the Group's stores, disruptions to utilities for the Group's stores and facilities, and disruptions to its communications network. Responding to such events and their effects may require a significant amount of management attention and resources, which may disrupt or otherwise have a material adverse effect on the Group's ongoing business operations.

The Group bears the risk of losses incurred as a result of damage to, or destruction of its stores and its suppliers' (including other third parties on which the Group relies) facilities, loss or spoilage of inventory, and business and service interruption caused by such events. These events and their impact have and could otherwise disrupt and materially adversely affect the Group's business, financial condition, and results of operations. Furthermore, the Group cannot provide any assurance that it would be able to successfully recover its costs, in full or in part, should it experience an event of the types described above or other business continuity problem. Each of the factors above may have a material adverse effect on the Group's business, financial condition, results of operations, and prospects.

It may be difficult or expensive to obtain or renew commercial insurance and there can be no assurance that sufficient cover will be secured or maintained.

The Group maintains insurance in amounts that it believes to be appropriate in relation to the risks commonly insured against by similar businesses and will seek to maintain such insurance. Certain types of risks may be, or may become, however, either uninsurable or not economically viable to insure, as a result of a material change in the way that insurers view the Group's risk profile or the sector in which the Group operates. Significant macroeconomic events may also negatively impact the insurance underwriters' solvency and liquidity, and the availability of insurance coverage or the terms on which the Group can obtain it. For example, as a direct result of the July 2021 civil unrest, the South African government's public insurer for civil commotion, public disorder, strikes, riots and terrorism, Sasria SOC Limited ("**Sasria**"), incurred losses amounting approximately to ZAR37 billion. There can be no assurance that if such events reoccur, Sasria or any other insurer will have sufficient liquidity to cover all resulting claims, or that the South African government will provide additional liquidity to cover any such insufficiency, which could result in significant uninsured losses for the Group, materially impacting the Group's business, financial condition, results of operations, and prospects.

Additionally, the Group insures against risk in part by self-insuring through its captive insurance subsidiary, which provides insurance exclusively to the Group. The Group also obtains insurance in certain areas from third-party providers in excess of the coverage provided through its captive insurance subsidiary.

Even with such insurance in place, the risk remains that the Group may incur asset losses, income losses or liabilities to clients or customers and other third parties which exceed the limits of such insurance cover or are not covered, in full or part, by it. There can be no guarantee that the Group will be able to obtain appropriate or sufficient levels of cover on acceptable terms in the future. If any of the Group's insurers become insolvent, refuse to renew or revoke coverage or otherwise cannot satisfy the Group's insurance requirements, then the Group's overall risk exposure and operational costs could materially increase, and the Group's business operations could be significantly disrupted. In such circumstances, there would be a material adverse effect on the Group's business, financial condition, results of operations, and prospects.

The Group may be unable to successfully maintain and develop its omni-channel offering and keep pace with new technological developments in the online grocery business, which, along with the increasing complexity of its business and costs, may reduce demand for its products and services and materially adversely impact its relationships with its customers, market share, results of operations, financial condition, and prospects.

The retail industry continues to rapidly evolve, and consumer expectations regarding the use of digital tools and omni-channel shopping are rapidly evolving, with customers seeking to shop at retailers that offer technological solutions. As a result, the portion of total customer expenditures with retailers occurring through online platforms is increasing and the pace of this increase could accelerate. Accordingly, an important part of the Group's business strategy involves offering a seamless omni-channel customer experience by integrating innovative online and mobile application-based solutions. The Group's ability to develop online sales depends on a number of factors, most notably its capacity to allocate sufficient resources and make investments in its digital offering in line with its competitors, its ability to successfully market its websites and social media, its ability to identify additional key partnerships for the expansion of its online channels, the capability of its existing distribution network to accommodate its growing online operations and the ability to integrate its growing online operations on a profitable basis. Additionally, the Group cannot assure that its online operations will become as profitable as its brick-and-mortar businesses and, as a result, the expected increased proportion of online operations could negatively impact its future profitability.

The Group's investments in online channels, technology, store remodels and other customer-focused initiatives, may not adequately or effectively allow it to grow its omni-channel offering, maintain or grow its overall market position or otherwise offset the impact of the growth of its business. The success of its strategy will depend in large measure on its ability to continue building and delivering a seamless omni-channel shopping experience for its customers. Failure to successfully execute this strategy may adversely affect its market position and financial performance. In addition, increased online sales, including increasing online grocery sales, could result in a reduction in the amount of traffic in its stores, which would, in turn, reduce the opportunities for cross sales of merchandise that such traffic creates and could reduce its sales within its stores and materially adversely affect its financial performance.

In addition, integrating innovative omni-channel options into the retail store experience is critical for the Group to maintain its market position. This relies on identifying, developing and/or adopting key technology solutions that allow the integration of innovative online shopping processes into the Group's operations. The Group may not be able to secure the requisite technology to implement its strategy, either due to cost or intellectual property rights of third parties. The Group may also fail to integrate new digital tools into its systems which could reduce their effectiveness.

The cost of certain online and technology investments, including any operating losses incurred, could adversely impact the Group's financial performance in the short-term and failure to realise the benefits of these investments may adversely impact its financial performance over the longer term.

The Group relies in part on third parties for the development of and access to such new technologies and tools. The Group expects that new services and technologies will continue to emerge. These new services and technologies may be superior to, or render obsolete, the technologies that the Group currently uses. Incorporating new technologies into its products and services may require substantial investment and take considerable time, and ultimately may not be successful. In addition, the Group's ability to adopt new services and develop new technologies may be inhibited by industry-wide standards, new laws and regulations, or third parties' intellectual property rights. The Group's success will depend on its ability to develop new technologies and adapt to new technological changes and evolving industry standards. The inability to keep pace with these technological developments could result in a loss of market share which could have a material adverse effect on the Group's business, financial condition, results of operations, and prospects.

The efficiency of the Group's supply chain is critical to its business and operations. Significant disruptions in its production and/or distribution, particularly for perishable goods, or the failure to grow the Group's supply chain in line with the growth of its business could materially adversely affect the Group's business, financial condition, and results of operations.

The Group is subject to risks associated with the delivery of products to its customers through its distribution centres. The Group operates with tailored logistics structures with various strategically positioned distribution facilities to supply and deliver its products. There is a risk that any of these facilities may be materially adversely affected by extraordinary events, such as a fire or an explosion, among others. See "*–The occurrence of catastrophic events, such as war, terrorist attacks, civil unrest, disruptive geopolitical events, epidemics, pandemics, and natural disasters, could materially adversely affect the Group's and its stakeholders' (including all suppliers and other third parties on which the Group relies) business, financial condition, and results of operations.*" An impairment or loss of one or more distribution centres due to accidents, fires, technical disruptions, sabotage, labour action, civil unrest or any other reason, or an impairment or disruption in the Group's suppliers' service, including significant price increases, could result in a temporary disruption in the delivery of products to its stores and additional costs. Although the Group believes that it would be able to find an alternative distribution centre or an alternative operator, if necessary, it may be unable to find alternative providers in a timely fashion, on reasonable terms, or at all.

In some such cases, insurance is subject to limitations and therefore may not cover all of the Group's losses. Any increases in the cost of transportation, including as a result of increased fuel prices or environmental regulations or initiatives that mandate more costly methods of transport, could significantly increase the Group's cost of doing business. The efficiency and functioning of the Group's supply chain without disruptions or delays is essential, especially for its fresh food products. Moreover, any inefficiency or disruption to the Group's supply chain could have an adverse impact on its inventory management, and any such imbalance could lead to suboptimal allocations of products and generate undue stock surpluses or deficiencies. Changes in the Group's logistics structures, including as a result of impacts to its facilities, labour disruptions, fleet problems, natural events, technical disruptions, malfeasance or accidents, could lead to a temporary or extended disruption of its operations, disrupt product availability and inventory management, and have a negative impact on the Group's brand, reputation, business, financial condition, results of operations, and prospects. Furthermore, the growth of the Group's business is subject to limitations on the capacity of its current supply chain network and its ability to expand that network to meet its changing needs. The Group's failure to grow its supply chain network in line with the growth of its business could materially adversely affect its business, financial condition, results of operations, and prospects.

Certain activities of the Group's business are seasonal or cyclical in nature, and the Group's revenue, working capital requirements and results of operations in different periods of the year have varied in the past and may vary in the future as a result.

The Group's sales, profits, working capital requirements and cash flows within any given year have historically been affected by seasonal fluctuations. For example, sales volumes have historically been higher in the second half of the financial year and historically lower in the first half of the financial year. These seasonal influences have a direct impact on the Group's earnings, and fluctuations in its inventory, operational disruptions or store closings during peak trading periods could affect its working capital requirements. If seasonal fluctuations are greater than anticipated, there could be a material adverse effect on the Group's business, financial condition, results of operations, and prospects. The Group's half-year results of operations may also fluctuate significantly as a result of other factors, including the timing of new store openings, temporary or definitive closings or disposals, and the revenue contributed by new stores or the loss of revenue from closed, disposed or converted stores. For these reasons, sequential half-yearly comparisons may not be a good indication of the Group's performance or how it may perform in the future.

The Group relies on certain suppliers and partners, the majority of which are third parties, and any failure by these suppliers and partners to comply with their obligations could have a materially adverse impact on the Group's brand, reputation, business, results of operations, and financial condition. Additionally, agreements with these suppliers and partners may be subject to adjustments that could increase the Group's expenses.

The Group's business relations with its active suppliers and service providers, including in relation to its own-brand products, expose the Group to risks that such third parties may fail to meet timelines, provide it with sufficient inventory, or comply with its specifications. If a delay or interruption of delivery were to occur either temporarily or permanently for any reason, the Group might not be able to meet customer demand, which may result in fewer sales and may harm its brand. Further, as the Group requires its suppliers to meet certain specifications and standards to ensure the quality of its products, the use of third-party suppliers increases the demands on its quality control personnel. If the products provided by the Group's suppliers do not meet the relevant quality standards, its reputation may be materially adversely affected. In addition, the Group depends on its suppliers for certain of its successful popular own-brand products which contribute to store traffic and sales. Any disruption of delivery of these key high-volume products may have a material adverse effect on the Group's sales. Further, the associated reputational risks are heightened in the context of suppliers who supply and/or manufacture the Group's own-brand products.

There can be no guarantee that the Group will not be required to make changes to its supplier base, and at any point may be required to contract with other suppliers on less favourable terms and/or at a greater cost. While the Group has long-term relationships with many of its suppliers, and alternate suppliers are generally available, it does not have long-term contracts with all of its suppliers. As a result, certain of its suppliers could increase their prices, including as a result of reductions in Group order volumes, or fail to deliver sufficient quantities to it in a timely fashion or at all. There is also a risk that suppliers will consolidate, giving it fewer choices and creating pricing pressure. Any deterioration in the Group's relationships with its suppliers, the imposition of stricter conditions by suppliers (especially with respect to payment terms or as a result of the willingness of credit insurers to reduce the exposure of its suppliers) or the non-renewal of its key supply agreements may have a material adverse effect on its business, financial condition, and results of operations. If the Group experiences a need to replace an existing supplier, there can be no assurance that additional suppliers will be available when required on terms acceptable to it. In addition, even if the Group was able to find new suppliers on acceptable terms, it may encounter delays in production and added costs as a result of the time it would take to train such suppliers in the Group's methods, products, quality control standards, employment, health, and safety standards which could adversely affect its business, financial condition, results of operations, and prospects.

The Group's operations are dependent on its key supplier relationships, of which some are based on short-term contracts. Any interruption to such suppliers' operations could materially adversely affect the Group's business, financial condition, results of operations, and prospects. In addition, the Group is dependent on suppliers of the machinery used within its logistics facilities for their continued supply and maintenance. It is also dependent on other third parties, including landlords and distributors, and other service providers. If any such service provider ceases operations or becomes temporarily unable to supply its respective services, this could materially adversely affect the Group's operations or financial condition until an alternative service provider is found, and there could be no guarantee that any alternative service provider would be as satisfactory as the existing arrangements. Any adverse changes to the Group's relationships with these suppliers, service providers and other third parties or a reduction in availability or level of service offered by these providers could restrict its ability to conduct its business and thereby adversely impact its financial condition and prospects.

There is also a risk that the Group's suppliers and service providers may not comply with relevant anti-corruption laws, health and safety laws, environmental laws, or other laws and regulations, which could result in reputational damage to the Group's brand, loss of consumer trust, or human rights or anti-corruption law investigations of the Group. In addition to non-compliance with international or domestic labour, health and safety laws, or environmental laws, the Group faces a variety of risks generally associated with sourcing products from suppliers in foreign markets, including, among others, political instability; increased security requirements applicable to foreign goods; the imposition of taxes, duties, other charges, and restrictions on imports; currency and exchange rate risks; risks related to environmental matters or other issues in the foreign countries or factories in which its products are manufactured; delays in shipping; and increased costs of transportation. Any of these risks, in isolation or in combination, could materially adversely affect the Group's reputation, business, financial condition, results of operations and prospects. See "*–Risks associated with non-compliance with laws and regulations and adverse developments with respect to the safety and quality of the Group's products and/or concerns about the safety of the food industry in general*."

Increased transportation costs or disruption to transportation services could materially adversely impact the Group's business, results of operations and financial condition.

Cost-effective transportation of its products is an important element of the Group's cost structure. The Group depends on the use of refrigerated trailers for the transport of certain of its products from its suppliers' facilities to its distribution centres, from its distribution centres to its stores, and from its stores and distribution centres to its customers.

Transportation costs have historically fluctuated significantly over time, in particular in connection with oil prices, and increases in transportation costs could result in reduced profits. For example, the brent crude oil price as measured by Bloomberg has significantly increased to $77.04 per barrel on 1 January 2024 and has continued to increase into 2024, compared to $51.80 per barrel on 1 January 2021. Consequentially, the Group's transportation costs increased to

ZAR2,807.7 million for the 52 weeks ended 25 February 2024, compared to ZAR2,635.6 million for the 52 weeks ended 26 February 2023 and ZAR2,296.6 million for the 52 weeks ended 27 February 2022. Additionally, climate change-related taxes and levies are a large portion of the energy-related costs required to maintain the cold chain. These climate change-related taxes have been increasing in recent years and are expected to increase in the future.

The Group also requires last-mile transport for its omni-channel delivery services through third-party service agreements. Changes in these agreements governing the relationships with these providers could also result in reduced profits.

Any increases in the cost of transportation, and any disruption to its transportation and logistics systems, could have a material adverse effect on the Group's business, financial condition and results of operations, and prospects.

The Group has suffered and may suffer losses as a result of criminal activity, including theft, robbery, shoplifting, fraud, misappropriation and human error. Such losses may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Similar to its competitors, the Group has been the target of robberies, burglaries, theft and other forms of crime in the past. Despite its efforts to reduce its exposure to such crimes, for instance, through security guards or security cameras on its sites, the Group expects to continue to be exposed to such crimes and new forms of crime. There can be no assurance that the Group's current or future efforts to counteract crimes will be effective or that the cost of such efforts will not increase. Further, any crime the Group becomes a victim of may give rise to litigation and related costs, including reputational costs and the costs linked to the diversion of the attention of its management team from day-to-day operations of its business. The Group cannot assure that incidences of inventory loss and theft will not increase in the future, that insurance will cover such losses adequately, or that the measures it is taking against such theft will effectively decrease inventory shrinkage. In addition to increasing security costs to combat inventory theft, and the increase of the Group's insurance costs by 86% in the 52 weeks ended 26 February 2023, following the July 2021 civil unrest, the occurrence of such risks may have a material adverse impact on the Group's reputation, business, financial condition, results of operations, and prospects.

In the ordinary course of its business, the Group is also exposed to the risk of misappropriation of funds and products and to the risk of fraud and corruption in its stores, support offices, production facilities, online platforms and warehouses, as well as human error. For example, from time to time, products may be misappropriated during transportation, or the Group may experience a misappropriation of funds in its stores or at other levels of its business. A single significant incident of fraud, or increases in the overall level of fraud, may be sufficient to result in significant reputational damage and financial loss to the Group or could lead to the imposition of regulatory sanctions.

Notwithstanding the established controls the Group has put in place, if the Group is unable to control and reduce robberies, burglaries, fraud, embezzlement, or other forms of crime in a cost-effective manner, this could have a material adverse impact on its business, financial condition, results of operations, and prospects.

The Group rents the majority of its properties pursuant to commercial leases that may be subject to adjustments that could increase expenses, or that may not be renewed or may be terminated, any of which may have a material adverse effect on its business, results of operations financial condition and prospects.

The majority of the Group's stores and warehouses are leased pursuant to commercial leases for fixed terms consistent with market practice. Such leases usually provide for regular rent reviews, at which time the Group's rental costs may increase in line with certain indices. The Group's ability to maintain its existing rental rates during renewals or to renew any expired lease on favourable terms will depend on many factors which are not within its control, such as applicable real estate laws and regulations, payments for utilities, local taxes or assessments, conditions in the local real estate market, competition for desirable properties, and its relationships with current and prospective landlords. If rent reviews were to increase at higher rates than currently anticipated or if the Group were unable to renew any expired leases on commercially favourable terms, its results of operations and financial condition could be adversely impacted. As at the date of this Circular, the Group is party to several commercial lease agreements, in particular in shopping centres, whereby it holds a position as an anchor tenant, preventing its competitors from establishing their presence within the relevant shopping centre. Following discussions with the South African government, the Group and its competitors have agreed to cease such exclusivity arrangements from 2026. There can be no assurance that upon termination of the Group's anchor tenant arrangements, the Group will be able to renew these leases after they expire or that its competitors will not establish their presence within the same shopping centres, hence potentially drawing customers away from the Group's businesses.

Furthermore, the Group may be unable to extend expiring lease agreements at all or may have no or limited ability to close certain store locations that do not meet its financial targets or are no longer consistent with its brands' positioning. The inability to extend key lease agreements or to close non-performing store locations may have a significant impact on the Group's revenues and expenses from one period to the next. The Group's ability to enter into leases to open new retail locations depends on the availability of locations that meet its criteria for traffic, square footage, lease economics, demographics, and other factors. In addition, the market for suitable retail locations is highly competitive. Some of its competitors may have the ability to negotiate more favourable commercial lease terms than the Group can.

The Group holds multiple headleases with the purpose to sublease to franchisees. If a franchisee terminates the franchise agreement, the Group needs to source a new tenant or if a franchise store underperforms, the Group needs to either corporatise the franchise stores or find a new franchisee to take over the sublease.

If the Group is unable to renew its lease agreements as they expire or if any of its existing lease agreements are terminated for any reason and it is unable to secure other favourable locations on acceptable terms, this could have a material adverse effect on its business, financial condition, and results of operations.

A significant disruption in the Group's workforce or the workforce of its suppliers or a failure to extend, renew, or renegotiate trade union agreements could lead to labour disputes that might interfere with the Group's operations or otherwise materially adversely impact its business, results of operations, and financial condition.

As at 25 February 2024, the Group employed approximately 60,000 employees in its company-owned businesses, of whom approximately 45% are members of trade unions. In relation to the Pick n Pay trading banner, approximately 94% of these employees worked in its store network and 0.4% in its distribution network. From time to time, and in particular in its distribution networks, the Group may experience labour disputes and it can never rule out the possibility of work stoppages. The Group is also exposed to similar risks involving the workforce of its third-party suppliers, including all of its distribution centre and production facility operators. In particular, a labour stoppage or other interruption at one of its suppliers or distribution centres would impact the Group's ability to supply its stores or online orders and could have a pronounced effect on its operations as a result. As the Group does not directly control its suppliers or directly employ its distribution centre workers, it has limited information on labour relations between its suppliers and functional outsourced distribution centre agencies and their respective workforces. In addition, 39% of the Group's employees are members of trade unions and are parties to collective bargaining agreements, which contain provisions covering issues such as working hours and compensation. The Group may not be able to extend existing agreements, renew them on their current terms or, negotiate such agreements in a favourable and timely manner or without work stoppages, strikes or similar industrial actions, any of which may have a material adverse effect on its business. If the Group seeks to reduce employee terms, or otherwise is unable to maintain satisfactory employee and labour relations, the results could include work stoppages, strikes or other industrial action or labour difficulties (including higher labour costs), any of which could materially adversely affect its operations. As a result, any deterioration in the Group's relationships with its employees, unions, and other employee representatives could have a material adverse effect on its business, financial condition, and results of operations.

From time to time, disagreements and other disputes may emerge with the Group's workforce and/or their representatives. The Group is presently engaged in ordinary course litigation regarding dismissals, overtime work, and other routine disputes or actions. There is also an unfair discrimination claim instituted in 2018 by a trade union (SACCAWU) acting on behalf of the non-managerial bargaining unit in respect of payment of a premium for work performed on a Sunday. The claim was dismissed in December 2022 and was taken on appeal to the Labour Court, the outcome of which appeal is pending. Should the appeal succeed, the Group may be required to back pay the premiums.

The Group cannot assure investors that a future labour disturbance, work stoppage, or failure to attract and retain operative personnel at its or its suppliers' facilities in South Africa or elsewhere would not have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

The Group is subject to the risk of litigation and other claims.

From time to time, the Group is involved in various litigation matters, including personal injury, wrongful death claims, property damages and product liability claims, warranty obligations claims, alleged trademark infringements, alleged violations of environmental laws, regulatory investigations, market inquiries (including by the South African Competition Commission), health and safety laws criminal proceedings (such as those relating to injuries suffered by the Group's employees, which could result in criminal liabilities of the Group's legal representatives and administrative penalties against the Group), labour law related claims/claims with distributors, agents, product developers, other external workers, advisers and sales employees and others. When the Group determines that a significant risk of a future claim against it exists, the Group records provisions in an amount equal to the estimated liability. There can be no assurance that the Group's provisions will be sufficient to cover its actual litigation costs. In addition, third-party litigation, including litigation related to competition law, antitrust law, tax law and patent law could have an indirect, materially adverse impact on the Group and the market environment in which it operates.

The Group's operating results are closely tied to the success of the Group's franchisees; however, the Group's franchisees are independent operators and it has limited influence over their store operations.

More than 31% of the Group's Pick n Pay stores are owned and operated by franchisees. The Group's franchise business model presents a number of challenges, such as potential disputes with franchisees over store management, actual or threatened unilateral termination by franchisees of such arrangements, and failure by franchisees to meet their payment obligations towards the Group, which may lead to material losses and reputational damage, insufficient investment by the franchisees in their stores, the Group's limited, in some respects, influence over franchisees and reliance on franchisees to implement major initiatives, limited ability to facilitate changes in store ownership, limitations on enforcement of franchise obligations due to bankruptcy or insolvency proceedings and inability or unwillingness of franchisees to participate in the Group's strategic initiatives. For example, the Group's success in executing its long-term strategy (see "*–Risks associated with the implementation of the Group's long-term strategy*") will depend on the ability and willingness of the Group's franchisees to take part in certain strategic initiatives. The problems associated with these drawbacks may present a significant challenge for management.

The Group receives revenues in the form of royalties from its franchisees. As a result, the Group's operating results substantially depend upon its franchisees' sales volumes, store profitability and financial viability. However, the Group's franchisees are independent operators and it cannot control many factors that impact the profitability of their stores. Pursuant to the franchise agreements, the Group can, among other things, mandate signage, equipment, hours of operation, establish operating procedures and approve suppliers, distributors and products, and impose penalties to enforce compliance. However, the quality of franchise store operations may be diminished by any number of factors beyond the Group's control. Consequently, franchisees may not successfully operate stores in a manner consistent with the Group's standards and requirements, such as its cleanliness standards, or standards set by national and local governmental laws and regulations. While the Group ultimately can take action to terminate franchisees that do not comply with the standards contained in its franchise agreements, it may not be able to identify problems and take action quickly enough and, as a result, the franchisees actions may cause harm to the Group's brand and reputation, and its franchise revenues and results of operations could decline. Moreover, termination may not always be a desirable solution to such issues, in which case the Group must attempt to exercise a degree of control over its franchisees, whether contractually or through the use of incentives. It is significantly more difficult for the Group to exercise such control over master franchisees, such as those in Botswana, Lesotho, eSwatini and Namibia, as their large number of stores and geographic exclusivity enhance their negotiating power vis-à-vis the Group.

Certain franchisees may need additional support to deal with economic challenges, which the Group may provide in the form of reductions in royalties collected or deferrals of payments to the Group. Such support measures may lead to a diminishment of franchisees' contributions to the Group's results of operations or an accumulation of the franchisees' trade payables owed to the Group and other suppliers, which in the long-term could foster undue dependence. Some franchisees may also seek external support in the form of increased indebtedness. As vital strategic partners, their success is crucial to the Group's overall performance and any increase in franchisees' indebtedness may impact their ability to conduct their operations or meet their payment obligations towards the Group. A franchisee bankruptcy could have a substantial negative impact on the Group's ability to collect payments due under such franchisee's franchise agreements.

If sales trends or economic conditions worsen for franchisees, their financial results may deteriorate, which could result in, among other things, store closures, delayed or reduced payments to the Group of royalties, advertising contributions, trade debt and rent, and an inability for such franchisees to obtain financing to fund development, store remodels or equipment initiatives on acceptable terms or at all. Furthermore, franchisees may not be willing or able to renew their franchise agreements with the Group due to low sales volumes, or high real estate costs, or may be unable to renew due to the failure to secure lease renewals. The Group's franchisees are on occasion targeted by the Group's competitors, who may attempt to entice the franchisee to either convert to the competitors' franchise banner or convert the store to a competitors' company-owned store. If the Group's franchisees fail to renew their franchise agreements, its royalty revenues and the wholesale volumes through the Group's supply chain may decrease which in turn could materially and adversely affect the Group's business, financial condition, results of operations and prospects.

The Group's marketing campaigns and communications strategy may prove ineffective and could adversely affect its business, financial condition, results of operations and prospects.

The Group's sales depend to a certain extent on the success of its marketing approach and communication strategy. The Group uses various marketing platforms as part of its marketing approach, including brochures, digital marketing events, regional television and radio campaigns, social media, internet advertising, direct mailing, text messaging and visual merchandising.

From time to time, the Group will need to refresh or reinvent its marketing campaigns, which will require additional expense. If one of the Group's marketing campaigns fails, the investments made will turn out to be ineffective and the Group could face reputational harm, a decrease in customer demand and a resulting decline in sales which, especially if marketing campaigns repeatedly prove ineffective, may have a material adverse effect on the Group's business, financial condition, results of operations and prospects. See "*10 Business Description–10.13 Marketing and customer service*."

Intellectual property claims by third parties or the Group's failure or inability to protect its intellectual property rights could diminish the value of its brand and weaken its competitive position.

The Group's products, services, websites, or acts conducted in the ordinary course of its business may violate, or be perceived to violate, intellectual property rights of third parties (in particular, copyrights, trademarks, design rights, patents, and software) and it may be, and has in the past been, subject to infringement claims, including by the Group's competitors, in connection with its marketing and branding materials as well as its own brand and confined label products. It may also be involved in claims raised by third parties against its suppliers. For example, it may be involved in claims regarding products or services supplied by its suppliers that are perceived as infringing intellectual property rights of third parties. Third parties may assert intellectual property claims against the Group as it expands its business to include new services and continue to develop its online channel. It may also face claims from its suppliers or competitors if they consider that their intellectual property rights are being misused, especially where those suppliers or competitors have a strong brand image and reputation. The Group's defence of any claim, regardless of its merit, could be expensive and time-consuming and could divert management resources. Successful infringement claims against the Group could result in significant monetary liability and prevent it from selling some of its products and/or services. In addition, the resolution of claims may require the Group to abandon the sale or provision of any implicated product or service, redesign its own private-label products, or acquire license rights from third parties, which could have a material adverse impact on its business, results of operations, financial condition and prospects.

In addition, the Group owns or uses a variety of trade names, logos, domain names, service marks, and trademarks in its business and relies on trademark and copyright laws, confidentiality procedures, and contractual provisions to protect its intellectual proprietary rights. The Group may not have adequate protections for its intellectual property rights, may be accused of infringing intellectual property rights of third parties or may not be able to discover or determine the extent of any unauthorised use of its proprietary right. If the Group is unable to protect and maintain its own intellectual property rights or its use of the intellectual property rights owned by others, or it is unable to renew its intellectual property rights when they expire, the value of its brands could be diminished, and its competitive position could weaken.

The Group is exposed to payments risks, including processing risks, increases in transaction fees, actions taken by third parties that could disrupt its operations, failure by the Group or third parties on whom it relies to fully comply with rules and standards governing payment processing, and system failures and security breaches.

The Group is reliant on electronic payment methods. As it offers new payment options to customers, the Group and its customers may be increasingly exposed to fraud (although fraud is not currently a significant concern). For existing and future payment options it offers its customers, the Group may become subject to additional regulations and compliance requirements (including obligations to implement enhanced authentication processes that could result in significant costs and reduce the ease of use of its payments products). It pays interchange and other fees for these card payments, which may increase over time and raise operating costs and lower margins. The Group relies on third parties to provide payment processing services, and its operations could be disrupted if these companies become unwilling or unable to provide these services.

Any failure of the Group's payment processing systems, whether caused by a systems failure or otherwise, will adversely affect its income in the short term and may result in it losing customers which may have a material adverse effect on its financial condition and prospects. In addition, there can be no assurance that advances in computer capabilities, new discoveries in the field of cryptography, or other events or developments will not result in a compromise or breach of the processes it uses to protect customer transaction data. If any such compromise or breach were to occur, it could have a material adverse effect on its reputation, business, prospects, financial condition, and results of operations.

Failure to maintain compliance with applicable data collection and privacy laws may materially adversely affect the Group's business, financial condition, results of operations and prospects.

The Group operates in an industry in which it processes a considerable amount of personal data, most notably through its loyalty programmes. The regulatory environment governing the use of individually identifiable data of customers, employees and others is complex. Privacy and information security laws and requirements change frequently, and compliance with them may require the Group to incur costs to make necessary system changes and implement new administrative processes. If a data security breach occurs, or if there is any theft or misappropriation of employee, supplier or customer data, the Group's reputation could be damaged and it could experience lost sales, fines or lawsuits, which could have a material adverse effect on its business, financial condition and results of operations.

In South Africa, the South African Protection of Personal Information Act, No. 4 of 2013, as amended from time to time (the "**POPI Act**"), provides for general information protection rules applicable to organisations in both the public and private sectors. POPI was enacted on 26 November 2013 with a limited number of sections coming into force on 11 April 2014, most notably those establishing the information regulator (the "**Information Regulator**"). The provisions of POPI will apply to all South African members of the Group.

The general protection that the POPI Act provides may also be supplemented by industry-specific codes of conduct. The POPI Act provides an open-ended definition of "personal information." The definition includes information relating to both individuals and companies, and provides a detailed list of examples. A person's race, age, sexual orientation, marital status, correspondence and identifying symbols are all included as types of personal information protected under the POPI Act.

The POPI Act subjects the processing of "special personal information" to more stringent conditions than the ordinary requirements that apply to the protection of personal information. Special personal information includes a person's religious or philosophical beliefs, race or ethnic origin, trade union membership, political persuasion, health, sex life or biometric information, and information regarding alleged criminal behaviour. The eight conditions of lawful processing, which inform the lawful processing of personal information, lie at the heart of the POPI Act: accountability; specification of the purpose of processing; limitation on processing; limitation on further processing; information quality; openness; security safeguards; and data subject participation. These conditions ensure, among other things, that the person to whom personal information relates (the "**Data Subject**") is aware and in control of the processing, that the processing is limited to the extent necessary, without unjustifiably infringing on the privacy of the individual, and that it is subject to processes that are secure. In addition to the eight conditions of lawful process, the POPI Act also restricts the manner in which personal information may be transferred outside of South Africa, the manner in which data subjects may be subject to automated decision making and the manner in which responsible parties may conduct direct marketing. A responsible party will generally be held strictly liable for non-compliance with the provisions of the POPI Act.

If the Group fails to maintain compliance with applicable data collection and privacy laws or other applicable data security standards, it could be exposed to fines, penalties, restrictions, litigation or other expenses, which could adversely affect the reputation of the Group and its brands. Any inability to adequately address privacy concerns, even if unfounded, or comply with applicable privacy or data protection laws, regulations and policies, could result in additional cost and liability to the Group, damage its reputation, and adversely affect its business, financial condition, results of operations, and prospects.

6.3 Risks related to South Africa and other regions in which the Group conducts its business operations

The political environment of South Africa tends to be characterised by higher levels of uncertainty.

The majority of the Group's operations is in South Africa. Historically, the South African political environment has been characterised by a high level of uncertainty and, although the country has some robust institutions, concerns have been raised about the strength, effectiveness and independence of some of the country's institutions. During and since the administration of former president, Jacob Zuma, the risk of political and social instability increased as a result of accusations that members of a prominent family and their associates used the Government to further their interests and the interests of their associates in a form of political corruption known as state capture. These accusations resulted in the appointment of a commission of enquiry into potential state capture in January 2018 with outcome reports provided to the President of South Africa, Cyril Ramaphosa, in 2022. President Ramaphosa has since announced processes and changes addressing the recommendations arising from the commission of enquiry, including changes to the country's laws and the establishment of new agencies to focus on corruption. If these accusations, as well as the perception of significant private corruption, significantly undermine business confidence, or if they result in formal proceedings, they could have a further adverse impact on the political and social environment in South Africa. The performance of various Anti-Corruption Task Team institutions, in particular the National Prosecuting Authority, will continue to be of importance, particularly in light of the Government's commitment to hold accountable those responsible for corruption and 'state capture' during the tenure of former President Zuma.

Furthermore, although President Ramaphosa has strengthened his support base within the African National Congress ("**ANC**"), South Africa's governing party, there remain substantial divisions within the ANC which threaten to compromise his economic and structural reform plans. The outcome of the findings of an Independent Panel appointed by the South African Parliament under section 89 of the Constitution of the Republic of South Africa, 1996 in 2022 to investigate a robbery incident which took place at President Ramaphosa's game farm, Phala Phala, in connection with which President Ramaphosa was accused of serious misconduct, increased uncertainty in this regard. President Ramaphosa was, however, cleared of any wrongdoing and re-elected as ANC party president in December 2022.

Although the ANC has consistently been the ruling party of South Africa since 1994, in the recent national and provincial government elections, which took place on 29 May 2024, it lost its majority due to public dissatisfaction and political fragmentation. As a result, a number of political parties have worked together to form a Government of National Unity ("**GNU**") at the national level and coalition governments in certain provinces to foster unity, stability and collaborative governance. Although the GNU includes, among others, South Africa's two largest parties, the ANC and the Democratic Alliance, there are eleven parties included in total and there are ideological differences between a number of members of the GNU. It remains uncertain as to how effectively the GNU and provincial coalitions will function going forward. The risks associated with these political structures are, among other things, delays in government's decision-making, policy uncertainty, governmental instability and civil unrest, all of which may have a negative impact on investor confidence and the customers and suppliers of the Group, which in turn may have a materially adverse effect on the Group's business, financial condition, results of operations, and prospects.

In the past, there have been riots in South Africa due to political causes, most notably in July 2021 in the KwaZulu-Natal and Gauteng provinces. As a result, the Group experienced additional costs related to increased security measures and insurance covers. Such riots may occur again in the future and any new outbreak of social unrest could have a material adverse effect on the Group's business, financial condition, results of operations, and prospects. See "*–Civil unrest in South Africa may adversely affect the Group's business*."

The Group also anticipates that there will be very strong political debates in respect of various sensitive issues relating to the transformation of the South African economy in order to address the challenges of poverty, inequality, and unemployment. Political instability, including the inability of the Government to implement necessary structural reforms, may have an adverse impact on the South African economy and could consequently have an adverse effect on the Group, its business, financial condition, and results of operations. For example, the state's on-going funding of ailing state enterprises such as Eskom which has in total approximately ZAR254 billion in guarantees from Government constitutes an important matter of contention and has the potential to cause further divisions and political uncertainty in the South African political sphere. Ongoing political developments may impact private sector investment and the Group will continue to monitor the political and policy landscape carefully.

The Group's operations are situated in urban areas where many of the communities that live near the Group's facilities are in the grip of poverty and experience socio-economic stress. As a result, political and economic risks relating to South Africa, which have escalated over the last few years, could have a significant effect on the Group's profitability. Large parts of the South African population are unemployed and do not have access to adequate education, health care, housing and other services, including water and electricity. Government policies aimed at alleviating and redressing the disadvantages suffered by most citizens under previous governments may increase the Group's costs and reduce the Group's profitability. Crime levels in recent years in South Africa have increased which expose the business to increase in frequency and severity of security issues that may disrupt business operations. These problems may impede fixed inward investment into South Africa and increase emigration of skilled workers and as a result, the Group may have difficulties retaining qualified employees.

The sustained high unemployment rate of 45.5% for Q1 2024, as measured by Statistics South Africa, amongst the youth (15-34 years), rising inequality and increased lawlessness has increased the risk of civil unrest, such as protests and conflict, in the surrounding communities. Continuous lack of public service delivery, political instability and slow reformative action being taken by the South African government, specifically, in combating youth unemployment may increase the potential of violent civil unrest that could cause damage to property, harm to people and disrupt operations. This frustration was a contributing factor that led to heightened civil unrest, people committing crimes, vandalising property, and damaging infrastructure during 2023. On 8 March 2023, S&P Global downgraded South Africa's sovereign credit rating outlook to "stable" from "positive," citing infrastructure constraints and a severe power crisis, following Moody's downgrade of South Africa's sovereign credit rating to the non-investment grade credit rating of Ba1, due to the continuing deterioration in fiscal strength and structurally weak growth on 27 March 2020, and Moody's further downgrade of South Africa's sovereign credit rating to Ba2 on 20 November 2020. Fitch re-affirmed South Africa's rating as BB- with stable outlook in January 2024. A prolonged economic downturn could result in an extended period of high unemployment.

Civil unrest in South Africa has had, and may in the future have, an adverse effect on the Group's business.

The Group's operations have been, and in the future could be, adversely affected by civil unrest in South Africa. For example, the civil unrest in July 2021 affected many of the Group's stores, leading to prolonged closures, extensive property damage and theft, and operational interruptions to the Group's supply chain and distribution network. Specifically, 136 stores across the Group were looted and/or damaged by fire (68 Pick n Pay stores and 68 Boxer stores), 76 liquor stores were looted and/or burned and two distribution centres were looted and damaged. The effect of such civil unrest is particularly pronounced in the locations where Boxer stores and distribution centres operate, given Boxer's lower- to middle-income target demographic, as such areas have historically been those most affected by civil unrest. The relatively increased risk stemming from civil unrest for the Group's Boxer stores is further compounded by the effects of load-shedding and poor service delivery (see "*–6.2 Risks related to the Group's business and industry–The Group's operations in South Africa have been and may continue to be adversely affected by load-shedding*"), which tends to impact such lower- to middle-income demographics more, further contributing to general dissatisfaction that may lead to or exacerbate instances of civil unrest. The effect of such continued or new outbreaks of civil unrest could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

A change to the Group's B-BBEE rating in South Africa may adversely affect its reputation, business operations and relationship with the government in South Africa or affect the Group's ability to secure registration certificates or licences to manufacture, distribute or sell liquor or secure major supply contracts in respect of which B-BBEE is a selection consideration and/or risk it not being in compliance with certain existing contracts.

The South African government has put in place a regulatory regime aimed at the protection and/or advancement of historically disadvantaged South Africans ("**HDSAs**"). This process is referred to as broad-based black economic empowerment ("**B-BBEE**"). The legislative framework for the promotion of B-BBEE in South Africa was established through the B-BBEE Act and certain codes published under that Act, including generic non-sector specific codes of good practice, the B-BBEE Codes, which are applicable to the Group. See "*11 Regulatory Matters–11.2 South Africa–11.2.2 Broad-Based Black Economic Empowerment*".

The Group has invested significant effort to meet the objectives of the B-BBEE Act, which is specific to South Africa, and to implement the principles embodied in the B-BBEE Codes. The Group's B-BBEE strategy is centred around a wholesale approach to B-BBEE and touches on all aspects of its organisation.

As at 25 February 2024, the Group has achieved a level 5 B-BBEE rating (or contributor level) for its South African operations; however, there can be no assurances that the Group will again achieve or be able to maintain such a B-BBEE rating and there is a risk that it may achieve an inferior B-BBEE rating in subsequent measurement periods. Following any legislative changes to the B-BBEE Act and/or the B-BBEE Codes or the introduction of any new sector code applicable to the Group, the Group may be required to incur additional costs in maintaining or improving its B-BBEE rating under the B-BBEE Codes or may change or discontinue existing initiatives.

A company's B-BBEE rating in South Africa is often an important factor in regulatory and licensing contexts. Of particular importance in this regard for the Group is its liquor licences. As described in greater detail in "*11 Regulatory Matters–11.2.6–Liquor Regulation*") below, in terms of applicable national and provincial liquor legislation, an applicant for a respective licence or registration is required to make certain B-BBEE undertakings or commitments which commitments are often included as conditions of such licences or registration.

In addition to the importance of B-BBEE with respect to liquor licensing, it is also important to note that a company's B-BBEE rating is also important to potential customers since their own ratings are influenced by their partners. It could also affect the ability of the Group to attract and retain talented employees. Failure to achieve the objectives of B-BBEE laws and regulations could have a material adverse effect on the Group's reputation, business, financial condition, results of operations, and prospects.

Changes to labour laws in South Africa may result in additional operating costs or alter the Group's relationship with its employees.

The Group is required to comply with an extensive list of labour regulations in South Africa, including with respect to wages and other minimum conditions of employment, social security benefits and termination payments. See "*11 Regulatory Matters–11.3 Employees.*" In particular, South African laws relating to labour regulate work time, provide for mandatory compensation in the event of termination of employment for operational reasons, and impose monetary penalties for non-compliance with administrative and reporting requirements in respect of affirmative action policies. These could result in significant costs.

In recent times, amendments to labour legislation in South Africa have introduced more stringent requirements in relation to the relationship with employees. For example, the South African Labour Relations Act, No. 66 of 1995, as amended from time to time (the "**LRA**"), provides protections for employees earning below a certain threshold and who are employed on an 'atypical' basis (i.e., for a fixed-term part-time or via a third-party temporary employment service or 'labour broker'). An employee engaged on a fixed-term contract or via a 'labour broker' will be deemed to be permanently employed by the employer unless the employer can establish justification for employment on that basis. Part-time employees are required to be treated no less favourably than comparable full-time employees which may include the same pay and benefits. The LRA offers remedies to employees where employers fail to comply with these requirements, and in instances where employment is terminated unfairly, or employees are subjected to unfair labour practices (such as unfair treatment relating to promotion, demotion and benefits). These remedies include reinstatement, re-employment and the award of compensation to employees. In certain instances, breaches of the labour legislation amount to a criminal offense.

Furthermore, the South African Employment Equity Act, No. 55 of 1998, as amended from time to time (the "**Employment Equity Act**") creates obligations and administrative requirements in respect of non-discrimination and equity in employment matters. Fines of up to 10% of turnover related to the South African operations may be imposed in the event of repeated non-compliance with certain provisions of the Employment Equity Act.

In addition, there could be significant risks for the Group if it has not taken appropriate steps to eliminate sexual harassment or other forms of discrimination in the workplace. Employees who are victims of sexual harassment or discrimination may resign, claim constructive dismissal and be awarded compensation up to the equivalent of 24 months' remuneration. The Group could also be liable to pay damages or compensation to the victim of sexual harassment or discrimination in terms of the Employment Equity Act, either as a consequence of any discriminatory practices or as a result of a failure take necessary steps to eliminate conduct in contravention of the Employment Equity Act. Apart from the financial risk, there is also a risk of reputational damage if any allegations that the Group did not address issues of sexual harassment are made known to external parties.

Any significant increase in labour costs that cannot be passed to consumers, extensive work slowdowns, work stoppages or strike actions, whether caused by the factors described above or otherwise, could have a material adverse effect on the Group's business, financial condition, results of operations, and prospects.

There are risks associated with investing in and conducting business in emerging markets outside of South Africa.

The Group has operations in several African countries outside of South Africa, namely in Namibia, eSwatini, Zimbabwe, Zambia, Botswana, Lesotho and Nigeria. As a result, the Group faces political and economic risks and other uncertainties with respect to its operations in these countries. In the countries in which the Group operates, corporations have in the past experienced difficulties resulting from currency fluctuations, high interest rates, increases in corporate bankruptcies, political instability, stock market declines, corruption, threats and ransom demands, epidemics and other factors that may materially adversely affect the Group's business.

As the Group's operations are primarily in emerging markets, they are typically thought to be subject to many risks, including:

- adverse changes in economic and governmental policy;
- future downgrades of the debt ratings of the countries in which the Group operates;
- abrupt changes in currency values;
- abrupt currency shortages;
- high levels of unemployment;
- high levels of inflation and hyperinflation;
- high interest rates;
- relatively low levels of disposable consumer income;
- relatively high levels of crime;
- large-scale involuntary migration caused by violence or economic decline;
- volatility in capital markets;
- relatively unstable institutions;
- exchange controls;
- government interventions;
- unpredictable changes in the legal and regulatory environment;
- difficulties in staffing and managing operations and ensuring the safety of the Group's employees;
- greater risk of uncollectible accounts and longer collection cycles;
- pressure on working capital cycles due to significant volatility in commodity prices and unmatched increases in credit limits from suppliers, thereby placing the Group's funding and related covenants under pressure;
- disruptions in supply chain infrastructure such as ports and mayor roads;
- insufficient service delivery;
- inconsistent application of existing laws and regulations;
- change in tax laws; and
- slow or insufficient legal remedies.

Moreover, financial turmoil in any emerging market country tends to adversely affect prices in the financial markets of other emerging market countries, as investors move their money to more stable and developed markets. As has happened in the past, financial problems or an increase in the perceived risks associated with investing in emerging economies could dampen foreign investment in any of the countries in which the Group operates and adversely affect any such jurisdiction's economy. In addition, during such times, companies that operate in emerging markets can face severe liquidity constraints as foreign funding sources are withdrawn. Thus, even if the economy of one of the countries in which the Group operates remains relatively stable, financial turmoil in any emerging market country could adversely affect its business. Companies with operations in countries in emerging markets may be particularly susceptible to disruptions in the capital markets and the reduced availability of credit or the increased cost of debt, which could result in them experiencing financial difficulty. In addition, the availability of credit to entities operating within emerging markets is significantly influenced by levels of investor confidence in such markets as a whole and so any factors that impact market confidence (for example, a decrease in credit ratings or state or central bank intervention) could affect the price or availability of funding for entities within any of these markets. At both a global and emerging market level, rising inflation and resultant interest rates hikes, in order to protect currencies, increase the cost of funding and put downward pressure on consumer demand which further highlight potential operating and financial risk to the Group.

Any of the foregoing factors, as well as other political, economic, social, and other developments in the countries in which the Group operates, could have a material adverse effect on its business, financial condition, results of operations and prospects.

The Group's strategic focus on foreign investment returns is challenged by currency devaluation, earnings volatility, and economic headwinds in the Group's Rest of Africa division.

The Group's Rest of Africa division generated ZAR4,210.3 million, or 3.7% of total turnover, for the 52 weeks ended 25 February 2024. The Group's business on the rest of the African continent, excluding South Africa, are increasingly subject to significant risks. These include not only currency devaluation and earnings volatility within its Rest of Africa division, but also broader economic slowdowns. The Group's presence spans seven countries outside of South Africa, each of which has distinct political, economic, social, regulatory, and operational challenges.

Economic growth in Sub-Saharan Africa has been notably sluggish, influenced by global economic uncertainties, the underperformance of key economies, rampant inflation, and a marked deceleration in investment growth. According to the World Bank's April 2024 Africa's Pulse report, the region's economic growth is expected to reach 3.4% in 2024 and 3.8% in 2025. This slow economic growth varies across the continent, with certain areas, particularly in East Africa, expected to exhibit more resilience. However, the surge in public debt and inflation–reaching levels unprecedented in recent decades and affecting half of Sub-Saharan African countries with double-digit figures–significantly erodes household purchasing power, particularly impacting the financially vulnerable segments of the population.

For the Group, operating within this context presents multifaceted risks. Currency devaluation and economic volatility directly influence the Group's profitability, heightening the effective tax rate and necessitating financial adjustments for hyperinflation. To the extent that the Group is unable to mitigate these risks, the occurrence of one or more of them could have a material adverse effect on the Group's business, financial condition, results of operations, and prospects.

Exchange control regulations may restrict the Group's ability to make foreign investments and procure foreign denominated finance.

South Africa's Exchange Control Regulations restrict the ability of South African group companies to convert or transfer sums in foreign currencies to or from South Africa to countries other than those falling within the Common Monetary Area (being Lesotho, Namibia, South Africa and eSwatini). Transactions between South African residents (including companies) and non-residents (excluding residents of the Common Monetary Area) are subject to exchange controls enforced by the SARB.

As a result, the Group's ability to raise and deploy capital outside the Common Monetary Area is currently subject to consent from either the SARB, or where such authority has been delegated, an 'authorised dealer' with full capacity at an approved bank operating in South Africa. These restrictions could hinder the Group's financial and strategic flexibility.

In February 2020, the Minister of Finance announced a new capital flow management system in the 2020 Budget Speech in terms of which all foreign-currency transactions will be allowed, except for a risk-based list of capital flow measures. In subsequent budget speeches, the National Treasury again confirmed its commitment to modernisation, with further proposals announced in respect of individuals and companies as well as amendments with a view to easing controls and implementing a prudential based system. In February 2024, meaningful relaxations were proposed at the 2024 Budget Speech giving authorised dealers (i.e., local banks that are authorised to trade in foreign exchange) greater discretion over certain transactions and payment arrangements with the focus to boost long-term investment.

The Group can offer no assurance that additional restrictions on currency exchange will not be implemented in the future, which could have a material adverse effect on its business, financial condition, results of operations and prospects.

6.4 **Risks related to the Rights Offer and the Rights Offer Shares**

The Rights Offer and Rights Offer Shares are subject, *inter alia*, to the following key risks:

- risk of fluctuation in the price of the PIK Shares, which may fluctuate below the Rights Offer Share Price;
- the Group cannot give any assurance that there will be an active trading market for the Letters of Allocation or Rights Offer Shares (once issued);
- if PIK Shareholders do not exercise their Rights in a proper and timely manner, there is a risk that they may not be able to subscribe for Rights Offer Shares, their percentage ownership and voting interests in the Company's share capital will accordingly be diluted, and they may not receive any compensation for their unexercised Rights;
- due to various legal restrictions, Shareholders in certain jurisdictions may not be able to participate in the Rights Offer and their percentage ownership and voting interests in the Company's share capital will accordingly be diluted; and
- the Rights Offer Shares may not be freely transferable in the Restricted Territories.

Even though the Rights Offer is underwritten, the Underwriting Agreement is subject to customary provisions allowing the Joint Global Coordinators and Joint Underwriters to terminate the Underwriting Agreement in certain limited circumstances.

The Joint Global Coordinators and Joint Underwriters have agreed to procure subscribers for, or failing which to subscribe and pay for the Rump Shares. However, the Underwriting Agreement includes certain customary termination events, which permit the Joint Global Coordinators and Joint Underwriters to terminate the Underwriting Agreement if those circumstances arise at any time prior to the date of settlement of the Rights Offer. See "*13 Underwriting Arrangements*." If the Joint Global Coordinators and Joint Underwriters terminate the Underwriting Agreement, the amount of proceeds the Group may raise from the Rights Offer could be substantially reduced.

Because the exercise of the Rights will be irrevocable upon exercise and may not be cancelled or modified after such time, Qualifying Shareholders who have exercised their Rights will be required to complete their purchase of Rights Offer Shares even if the Underwriting Agreement is terminated.

Following the Boxer IPO, the Group will need to recognise a significant minority interest, which may affect the price of the PIK Shares and PIK's overall market capitalisation.

On 22 February 2024, the Group announced its intention to carry out an initial public offering and listing of a portion of its Boxer business (the "**Boxer IPO**") on the Main Board of the JSE, which is currently expected to take place towards the end of 2024. As at the date of this Circular, the Group intends to retain a majority stake in Boxer after the Boxer IPO. Although maintaining a majority stake in Boxer means the Group will continue to consolidate Boxer's results of operations in the Group's results of operations, the Group will nonetheless need to recognise a significant minority interest to reflect the portion of Boxer's results of operations attributable to its minority shareholders. The impact of recognising this minority interest will be reflected as a subtraction from the Group's profit after tax.

The Controlling Shareholders have significant voting power and the ability to significantly influence (but not control) matters requiring shareholder approval from a legal perspective.

Upon completion of the Rights Offer, the Controlling Shareholders (with AIH having undertaken to follow their Rights under the Rights Offer) will remain the largest shareholder(s) of the Company owning at least 25.3% of the PIK Shares, and 100% of the B Shares.

The Controlling Shareholders have maintained voting control of PIK since completion of the 2016 Transaction whereby B Shares which each hold one additional voting right were issued to the Controlling Shareholders to maintain the effective controlling voting position held by the Controlling Shareholders prior to the 2016 Transaction.

However, as announced by PIK on SENS and ANS on 27 May 2024, the Controlling Shareholders have indicated their intention to forego majority voting control of PIK, by reducing their collective voting rights to slightly below 50% post implementation of the Rights Offer. The mechanics of how this will be achieved is described in greater detail below. See "*14 Additional Information–14.2 Stated Capital and Major PIK Shareholders–14.2.2 Dividend and voting rights.*"

Notwithstanding this, the Controlling Shareholders will continue to have influence over matters subject to approval by the PIK Shareholders, and will continue to have the ability to significantly influence the outcome of matters submitted for consideration at general meetings, including election of members of the Board and the payment of dividends. The commercial interests of the Controlling Shareholders may not always be aligned with, and may differ significantly from or may compete with the best interests of, the Company's other shareholders, and this concentration of ownership may not always be in the best interest of the Group's other shareholders. For example, the Controlling Shareholders could sell substantial amounts of their PIK Shares in the public market or discourage a potential acquirer from attempting to obtain control of the Group.

The market price of the PIK Shares may fluctuate.

The market price of the PIK Shares is subject to fluctuations due to changes in sentiment in the market in response to various facts and events, including the potential Boxer IPO, any regulatory changes affecting its operations, variations in its results of operations and the business developments of the Group or its competitors or changes in financial estimates by securities analysts. Stock markets have, from time to time, experienced significant price and volume fluctuations that have affected the market prices for securities, and which may be unrelated to its operating performance or prospects. Furthermore, the Group's operating results and prospects may, from time to time, be below the expectations of market analysts and investors. Any of these events could adversely affect the market price of PIK Shares. The Group cannot ensure that the public trading market prices of PIK Shares will not decline below the Rights Offer Share Price.

The Group may be vulnerable to takeover offers, which may not reflect the full value of the Group.

The Group believes that its share price over recent months has not fully reflected the value of the Group and accordingly that any takeover offer, even at a premium to its current share price, for the Group may not deliver what it believes to be full value to the Shareholders. In addition, the current share price may make the Company more vulnerable to any such takeover offers and such takeover offers, including any speculations of any potential takeover offer, may cause fluctuations and volatility in the market for PIK Shares.

In the future, the Group may not pay dividends at recent levels or at all.

The Group pays dividends to its Shareholders only if funds are available for that purpose. Whether funds are available depends on a variety of factors, including the amount of cash available, the funding required for the Group's existing projects and the timing at which they become cash generative, the Group's financing costs and other cash requirements existing at the time. See "*4 Dividends and Dividend Policy*" and "*9 Operating and Financial Review–9.9 Liquidity and Capital Resources.*" Under South African law, the Group is entitled to pay a dividend to its Shareholders only if it meets the solvency and liquidity tests set out in the Companies Act. Given these factors and the Board's discretion to declare a cash dividend, in the future the Group may not pay dividends for any given period.

An active trading market in the Letters of Allocation may not develop and, if a market does develop, the Letters of Allocation may be subject to greater volatility than PIK Shares.

The Letters of Allocation are expected to be traded on the JSE from 17 July 2024 to 30 July 2024. The Group does not intend to apply for the Letters of Allocation to be traded on any other exchange. An active trading market in the Letters of Allocation may not develop on the JSE during the trading period. If a market does develop, there is no assurance of the nature of such trading market. In particular, because the trading price of the Letters of Allocation depends on the trading price of PIK Shares, any volatility in the price of the PIK Shares may cause even greater volatility in the price of the Letters of Allocation.

Qualifying Shareholders' ability to sell a substantial number of the Letters of Allocation or the PIK Shares may be restricted by the limited liquidity of the Letters of Allocation or PIK Shares traded on the JSE.

The principal trading market for the Letters of Allocation and PIK Shares is the JSE. The PIK Shares are also listed on A2X, the licensed stock exchange authorised to provide a secondary listing venue for companies. Historically, aggregate trading volumes and liquidity of shares listed on the JSE and A2X have been lower in comparison with other major developed international trading markets. During the period between 2 January 2024 and 30 June 2024, a daily average of 2.98 million PIK Shares were traded on the JSE and on A2X, representing 0.6% of its issued share capital per day as at 30 June 2024. The liquidity of the PIK Shares or the Letters of Allocation traded on the JSE and the PIK Shares traded on A2X could affect Qualifying Shareholders' ability to sell the Letters of Allocations or PIK Shares.

Qualifying Shareholders who do not acquire Rights Offer Shares will experience dilution in their ownership of PIK.

If PIK's Shareholders do not take up the offer for Rights Offer Shares, then the percentage that their PIK Shares will represent, of all issued PIK Shares, will be reduced. Even if such a PIK Shareholder elects to sell their unexercised Letter of Allocation, or if such Letter of Allocation is sold on their behalf, the consideration they receive may not be sufficient to compensate them fully for the dilution of their percentage ownership of PIK's issued share capital that results from the Rights Offer.

Any future issues of PIK Shares may further dilute the holdings of current PIK Shareholders and could adversely affect the market price of PIK Shares.

Other than the proposed issue of PIK Shares under the Rights Offer, the Group has no current plans for an offering of PIK Shares. The Group may, subject to the necessary shareholder approvals, decide to offer or otherwise issue additional PIK Shares in the future either to raise capital or for other purposes. These offers and issues may or may not be made to PIK Shareholders on a *pro rata* basis. If not made on a *pro rata* basis, or if PIK Shareholders do not take up such a *pro rata* offer of PIK Shares or are not eligible to participate in such offering, the percentage that their PIK Shares represent of PIK's total issued shares (along with the corresponding share of voting rights) would be reduced accordingly and the value of their PIK Shares may stand diluted. An additional offering or issue, or significant sales of shares, could have a material adverse effect on the market price of PIK Shares as a whole.

Shareholders outside South Africa may not be able to receive the Rights Offer Shares or participate in future issues of securities (including Ordinary Shares) carried out by the Company and their shareholding may be diluted.

Securities laws of certain jurisdictions may restrict the Group's ability to allow participation by Shareholders in the Rights Offer. Shareholders who are located in the United States may not be able to exercise their Rights or participate in any future issue of securities by the Company unless a registration statement under the US Securities Act is effective with respect to such rights or an exemption from the registration requirements is available thereunder. The Rights Offer will not be registered under the US Securities Act. Securities laws of certain other jurisdictions may restrict the Group's ability to allow participation by its Shareholders in such jurisdictions in any future issue of securities carried out by the Company. Qualifying Shareholders who have a registered address in, who are resident in, or who are citizens of, countries other than South Africa should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to receive the Letter of Allocation and the Rights Offer Shares.

Shareholders in countries with currencies other than the Rand face additional investment risk from currency exchange rate fluctuations in connection with their holding of PIK Shares.

PIK Shares are quoted only in Rand and any future payments of dividends on PIK Shares (including the Rights Offer Shares) will be denominated in Rand. The US Dollar or other currency equivalent of any dividends paid or received in connection with PIK Shares (including the Rights Offer Shares) could be adversely affected by the fluctuations of the Rand against other currencies.

It may not be possible for Overseas Shareholders to effect service of process upon the Company or enforce judgments of courts outside of South Africa against the Company or bring actions based on securities laws of jurisdictions other than South Africa against the Company or members of the Board and the ability of Overseas Shareholders to bring actions or enforce judgments against the Company may be limited.

The Company is a public company incorporated in accordance with the laws of South Africa. As a result, the rights of Shareholders are governed by South African law and its MOI, and may differ from the rights of shareholders in companies incorporated in countries outside of South Africa, such as the United Kingdom or the United States, among others. In addition, the ability of Overseas Shareholders to bring an action against the Company may be limited under South African law, and it may not be possible for investors outside of South Africa to effect service of process outside South Africa against the Company, or to enforce the judgement of a court outside South Africa against the Company.

The Company and its executive officers are all residents of South Africa. In addition, the majority of the Company's assets are located wholly within South Africa. As a result, it may not be possible for investors to effect service of legal process outside of South Africa, upon the Company, the members of its Board and its executive officers. Moreover, it may not be possible for investors to enforce against the Company, the members of its Board or its executive officers, judgments obtained in courts outside South Africa, based on the civil liability provisions of the securities laws of those countries.

A judgment of a foreign court is not directly enforceable in South Africa, but constitutes a cause of action which will be enforced by South African courts provided that:

- the court which pronounced the judgment had jurisdiction to entertain the case according to the principles recognised by South African law with reference to the jurisdiction of foreign courts;
- the judgment is final and conclusive (that is, it cannot be altered by the court which pronounced it);
- the judgment has not lapsed;
- the recognition and enforcement of the judgment by South African courts would not be contrary to public policy, including observance of the rules of natural justice which require that no award is enforceable unless the defendant was duly served with documents initiating proceedings, that they were given a fair opportunity to be heard and that they enjoyed the right to be legally represented in a free and fair trial before an impartial tribunal;
- the judgment was not obtained by fraudulent means;
- the judgment does not involve the enforcement of a penal or revenue law; and
- the enforcement of the judgment is not otherwise precluded by the provisions of South African law, including the South African Protection of Businesses Act, No. 99 of 1978, as amended from time to time.

It is the policy of South African courts to award compensation for the loss or damage sustained by the person to whom the compensation is awarded. Although the award of punitive damages is generally unknown to the South African legal system that does not mean that such awards are necessarily contrary to public policy. Whether a judgment was contrary to public policy depends on the facts of each case. Exorbitant, unconscionable, or excessive awards will generally be contrary to public policy. South African courts cannot enter into the merits of a foreign judgment and cannot act as a court of appeal or review over the foreign court. South African courts will usually implement their own procedural laws and, where an action based on an international contract is brought before a South African court, the capacity of the parties to the contract will usually be determined in accordance with South African law.

It is doubtful whether an original action based on United States federal securities laws may be brought before South African courts. A plaintiff who is not resident in South Africa may be required to provide security for costs in the event of proceedings being initiated in South Africa. Furthermore, the Rules of the High Court of South Africa require that documents executed outside South Africa must be authenticated for use in South African courts. It may not be possible therefore for an investor to seek to impose liability on us in a South African court arising from a violation of United States federal securities laws.

See "*Notice to Investors–Enforcement of Civil Liabilities.*"

7. CIRCULAR TO QUALIFYING SHAREHOLDERS

7.1 **Introduction**

PIK first announced on Thursday, 22 February 2024 that it intends to proceed with a capital raise, to raise up to ZAR4.0 billion by way of a renounceable rights offer to PIK Shareholders. In this regard, PIK intends to implement the Rights Offer to Qualifying Shareholders pursuant to the Recapitalisation Plan (see, "*2 Background to and Rationale for the Rights Offer*").

Pursuant to the terms of the Rights Offer, 252,206,809 Rights Offer Shares will be offered for subscription to Qualifying Shareholders recorded in the Register at the close of trade (SAST) on the Record Date being Friday, 19 July 2024. Qualifying Shareholders will receive Rights to subscribe for Rights Offer Shares on the basis of 51.11 Rights Offer Shares for every 100 PIK Shares held, at a subscription price of ZAR15.86 per Rights Offer Share.

At the extraordinary general meeting ("**EGM**") of PIK Shareholders held on Wednesday, 26 June 2024, PIK Shareholders approved, amongst other things:

7.1.1 that, in accordance with regulation 31(5) as read together with regulation 31(6) of the Companies Regulations, all of the authorised and issued ordinary share capital of the Company, comprising 800,000,000 authorised Ordinary Shares and 493,450,321 issued Ordinary Shares having a par value of 1.25 cents each be converted to 800,000,000 authorised Ordinary Shares and 493,450,321 issued Ordinary Shares having no par value such that, save as to the nominal value, the rights attaching to the no par value PIK Shares shall be unaffected ("**Share Conversion**");

7.1.2 that, in terms of section 36(2)(a) and section 16(1)(c) of the Companies Act, the authorised Ordinary Share capital of the Company (post the Share Conversion contemplated above) be increased from 800,000,000 Ordinary Shares (of which 493,450,321 Ordinary Shares were in issue as at the last practicable date of the extraordinary general meeting circular) to 10,000,000,000 no par value Ordinary Shares, by the creation of a further 9,200,000,000 new authorised Ordinary Shares ranking *pari passu* in all respects with the existing shares in the Ordinary Share capital of the Company ("**Ordinary Share Capital Increase**");

7.1.3 that, in terms of section 36(2)(a) and section 16(1)(c) of the Companies Act, the authorised B Share capital of the Company be increased from 1,000,000,000 B Shares (of which 259,682,869 B Shares were in issue as at the last practicable date of the extraordinary general meeting circular) to 5,300,000,000 B Shares, by the creation of a further 4,300,000,000 new authorised B Shares ranking *pari passu* in all respects with the existing shares in the B Share capital of the Company ("**B Share Capital Increase**");

7.1.4 that, the MOI of the Company be amended in terms of section 16(1)(c) of the Companies Act, in order to reflect, among other things, the Ordinary Share Capital Increase and the B Share Capital Increase ("**MOI Share Capital Amendments**");

7.1.5 in order to allow greater flexibility with regard to "*Adjustment Events*" (as defined in clause 9 of the B Share Terms) that, the MOI of the Company be amended in terms of section 16(1)(c) of the Companies Act, such that the B Share Terms are amended to permit, with the approval of the B Shareholders by way of a special resolution, a reduction in the ratio of B Shares to Stapled Ordinary Shares (i.e., a holding of less than 1.98061 (one point nine eight zero six one) B Shares for every 1 (one) Stapled Ordinary Share;

7.1.6 that, the MOI of the Company be amended in terms of section 16(1)(c) of the Companies Act, in order to give effect to the amendment of the Director rotation by retirement provisions in the MOI; and

7.1.7 the Company is authorised, as contemplated in article 8 of the MOI and Section 41(3) of the Companies Act, to allot and issue (post the Share Conversion and the MOI Share Capital Amendments) such number of PIK Shares (and the Letters of Allocation in relation thereto) in the authorised but unissued share capital of the Company as are required to raise an aggregate amount of ZAR4.0 billion, for the purposes of the Rights Offer, given that such PIK Shares (and any additional B Shares issued in terms of the MOI–see "*14 Additional Information–14.2 Stated Capital and Major PIK Shareholders–14.2.2 Dividend and voting rights.*") may have voting power equal to or in excess 30% of the voting rights of all PIK Shares immediately prior to such issue.

To ensure that the authorised share capital is set at an appropriate level post implementation of the Rights Offer, the Company will, at the EGM to be held at the same time as or shortly after the AGM, propose a resolution authorising the reduction of the authorised Ordinary Share capital of the Company to such number of Ordinary Shares such that, following such reduction, the unissued Ordinary Shares in the share capital of the Company constitute no more than 10% of the total number of authorised Ordinary Shares immediately after the date of completion of the Rights Offer. This additional 10% would provide the Company with additional headroom for any potential future Ordinary Share issues which the Company may require, whether for capital raises, share incentive schemes or otherwise, although these would remain subject to any requisite authorisations and approvals being obtained.

To the extent that the newly created B Shares are not required for purposes of the Rights Offer and the Company complying with its obligations in terms of the MOI in relation thereto, the Company will, at the EGM to be held at the same time as or shortly after the AGM, propose a resolution authorising a reduction of the authorised B Share capital of the Company to such number of B Shares that, following such reduction, the unissued B Shares in the share capital of the Company constitutes no more than 10% of the total number of authorised B Shares immediately after the date of completion of the Rights Offer. This additional 10% would provide the Company with additional headroom for any potential future B Share issues which the Company may be required to make in terms of the MOI for any "*Adjustment Event*," as described in further detail in "*14 Additional Information–14.2 Stated Capital and Major PIK Shareholders–14.2.4*

Alterations to stated capital" below.

The JSE has agreed to the Letters of Allocation and the Rights Offer Shares being listed. The purpose of this Circular is to furnish Qualifying Shareholders with relevant information relating to the Rights Offer, the action required of Qualifying Shareholders and the implications of the Rights Offer, in accordance with the Companies Act and the Listings Requirements.

7.2 **Rationale and Use of Proceeds of the Rights Offer**

Details of PIK's rationale for the Rights Offer and use of proceeds are set out under "*2 Background to and Rationale for the Rights Offer*" and "*3 Use of Proceeds*."

7.3 **Particulars of the Rights Offer**

7.3.1 **Terms of the Rights Offer**

PIK hereby offers Qualifying Shareholders a total of 252,206,809 Rights Offer Shares for subscription, upon the terms and conditions set out in this Circular and, insofar as Qualifying Certificated Shareholders are concerned, also as set out in the Form of Instruction. The Rights Offer is made by way of Rights offered by PIK to Qualifying Shareholders to subscribe for Rights Offer Shares, through the issuance by PIK of the Letters of Allocation to Qualifying Shareholders, at a Rights Offer Share Price of ZAR15.86 per Rights Offer Share on the basis of the Ratio of Entitlement.

The aforementioned Rights Offer Share Price represents a discount of approximately 32.48% to the theoretical ex-Rights price calculated using the closing price of PIK Shares as at the Last Practicable Date, being ZAR27.39 per share.

Qualifying Shareholders recorded in the Register at 17:00 (SAST) on the Record Date will be entitled to participate in the Rights Offer.

The enclosed Form of Instruction contains details of the Rights to which Qualifying Certificated Shareholders are entitled, as well as the procedure for acceptance and/or sale and/or renunciation of all or part of those Rights. Qualifying Dematerialised Shareholders will be advised of the Rights to which they are entitled as well as the procedure for acceptance and/or sale and/or renunciation of all or part of those Rights by their CSDP or Broker in terms of the custody agreement entered into between the Qualifying Dematerialised Shareholder and their CSDP or Broker, as the case may be. PIK does not accept responsibility, and will not be held liable, for any failure on the part of the CSDP or Broker of a Qualifying Dematerialised Shareholder to notify such shareholder of the details of this Circular.

Qualifying Shareholders may apply for excess Rights Offer Shares not taken up by other Qualifying Shareholders on the basis described in "*–7.3.8 Excess applications*."

The Rights Offer Share Price is payable in full, in Rand, by Qualifying Certificated Shareholders on acceptance of the Rights Offer on the basis described in "*–7.3.9 Procedures for acceptance of Rights*." CSDPs will make payment, on a delivery versus payment basis, in respect of Qualifying Dematerialised Shareholders who have accepted the Rights Offer. Qualifying Dematerialised Shareholders who have accepted the Rights Offer must ensure that the necessary funds are deposited with the relevant CSDP or Broker, as the case may be.

The Rights Offer Shares will, upon allotment and issue, rank *pari passu* with all other Existing PIK Shares and shall be fully paid up and freely transferable.

In addition, certain PIK Shareholders, including AIH, have entered into Committed Shareholder Undertakings, representing the Irrevocably Committed Shares. Copies of the Committed Shareholder Undertakings will be available for inspection at the registered offices of PIK and from the offices of the Transaction Sponsor.

Pursuant to the terms of the Underwriting Agreement, the Company will pay the Joint Global Coordinators and Joint Underwriters the Underwriting Fee. Any fees payable to any providers of the Committed Shareholder Undertakings will be payable by the Joint Global Coordinators and Joint Underwriters out of the Underwriting Fee.

The Company has also agreed to pay the Joint Global Coordinators and Joint the Standby Fee, which shall become payable upon the completion of the Rights Offer as set out in the Underwriting Agreement and recoverable from the proceeds of the Rights Offer in accordance with and subject to the terms and conditions of the Standby Underwriting Agreement. If the Underwriting Agreement is terminated prior to the completion of the Rights Offer, the Standby Fee shall become payable in accordance with the terms of the Standby Underwriting Agreement.

7.3.2 **Rights Offer period**

The Rights Offer will open at 09:00 (SAST) on Monday, 22 July 2024 and will close at 12:00 (SAST) on Friday, 2 August 2024. The Letters of Allocation will be listed on the JSE from 09:00 (SAST) on Wednesday, 17 July 2024 until close of business (SAST) on Tuesday, 30 July 2024 under **Share Code: PIKN** and **ISIN: ZAE000336145**.

7.3.3 **Rights**

Qualifying Shareholders will receive Letters of Allocation conferring Rights to subscribe for Rights Offer Shares on the basis of the Ratio of Entitlement.

The table of entitlement illustrating the number of Rights Offer Shares to which Qualifying Shareholders will be entitled is set out in Annexure 1 to this Circular. The entitlement of each Qualifying Certificated Shareholder is reflected in the appropriate block in the Form of Instruction, which is enclosed with this Circular. If you are a Qualifying Dematerialised Shareholder, the printed Form of Instruction is not applicable to you. Qualifying Dematerialised Shareholders will have their accounts with their CSDP or Broker automatically credited with their entitlements in accordance with Annexure 1.

7.3.4 **Fractional entitlements**

The allocation of Rights Offer Shares will be such that Qualifying Shareholders will not be allocated a fraction of a Rights Offer Share and only whole numbers of Rights Offer Shares will be issued to Qualifying Shareholders. Fractional entitlements to Rights Offer Shares of 0.5 or greater will be rounded up and fractional entitlements of Rights Offer Shares of less than 0.5 will be rounded down.

7.3.5 **Holdings of odd lots in multiples other than 100 shares**

Qualifying Shareholders holding less than 100 Existing PIK Shares (if any), or not a whole multiple of 100 Existing PIK Shares, will be entitled, in respect of such holdings, to participate in the Rights Offer in the Ratio of Entitlements in accordance with the Table of Rights in Annexure 1.

7.3.6 **Underwriting**

The Rights Offer is underwritten in equal proportions by the Joint Global Coordinators and Joint Underwriters subject to the customary terms and conditions contained in the Underwriting Agreement. For additional information on the Underwriting Agreement, see "*13 Underwriting Arrangements.*"

7.3.7 **Minimum subscription**

The Rights Offer is not conditional on a minimum subscription. The Rights Offer is fully committed due to the Committed Shareholder Undertakings and underwriting commitments discussed in *"–7.3.1 Terms of the Rights Offer*" and "*–7.3.6 Underwriting*," respectively.

7.3.8 **Excess applications**

Qualifying Shareholders will have the right to apply for any Rights Offer Shares not taken up by other Qualifying Shareholders, subject to such Rights being transferable upon renunciation of the Letters of Allocation, and the pool of excess Rights Offer Shares will be allocated equitably by the Board to Qualifying Shareholders that make applications for such excess Rights Offer Shares in accordance with the following principles:

- if not all of the Rights Offer Shares are taken up in the Rights Offer, the pool of the excess Rights Offer Shares will be allocated equitably to Qualifying Shareholders that make excess applications, taking cognisance of the number of Existing PIK Shares held by each applicant just prior to such allocation, being the Record Date, including those taken up as a result of the Rights Offer and the number of excess applications applied for by such applicant;
- the Board shall allocate Rights Offer Shares to Qualifying Shareholders who have applied pursuant to an excess application in an equitable manner unless such allocation would (i) result in fractional shares, in which case such allocation shall be rounded to the nearest multiple of one Rights Offer Share (unless the application of the Ratio of Entitlement results in a fractional share of less than 0.5, in which case such allocation will be rounded down to zero); or (ii) result in a violation of applicable law or the rules or regulations of a South African governmental authority or the Listings Requirements; and
- if all the Rights Offer Shares are taken up in the Rights Offer, then no additional Rights Offer Shares will be made available for allocation to applicants.

Qualifying Certificated Shareholders who wish to apply for Rights Offer Shares in addition to those allocated to them in terms of the Rights Offer, may do so by indicating the number of additional Rights Offer Shares that they wish to subscribe for in Blocks (7) and (8) on the Form of Instruction and by enclosing proof of EFT payment, in accordance with "*–7.3.11 Payment*" of this Circular, for such additional Rights Offer Shares with their subscription. The completed Form of Instruction, together with payment, should be lodged with the Transfer Secretaries at the addresses set out under "*1 Action Required by Qualifying Shareholders–1.1 Action Required by Qualifying Certificated Shareholders*," so as to be received by the Transfer Secretaries by no later than 12:00 (SAST) on Tuesday, 30 July 2024.

Qualifying Dematerialised Shareholders who wish to apply for Rights Offer Shares in addition to those allocated to them in terms of the Rights Offer, should advise their CSDP or Broker in terms of the agreement entered into between them and their CSDP or Broker, as to the number of additional Rights Offer Shares for which they wish to apply and ensure that they have sufficient funds in their account.

An announcement will be released on SENS and ANS on or about Monday, 5 August 2024 stating the results of the Rights Offer and the basis of allocation of any additional Rights Offer Shares for which application is made.

Refunds in respect of unsuccessful applications for additional Rights Offer Shares by Qualifying Certificated Shareholders will be paid by EFT to the relevant applicants, on or about Wednesday, 7 August 2024. No interest will be paid on monies received in respect of unsuccessful applications.

Any Rights Offer Shares not taken up after excess applications constitute the Rump Shares and will be placed by the Joint Global Coordinators and Joint Underwriters or allocated to the Joint Global Coordinators and Joint Underwriters themselves subject to the terms and conditions of the Underwriting Agreement.

7.3.9 **Procedures for acceptance of Rights**

Qualifying Certificated Shareholders

If you are a Qualifying Certificated Shareholder and/or have had Rights renounced in your favour, and wish to subscribe for all or part of your entitlement in terms of the enclosed Form of Instruction, you must complete the enclosed Form of Instruction (*grey*) in accordance with the instructions contained therein and lodge it together with proof of EFT payment of the Rights Offer Share Price and EFT swift reference number with the Transfer Secretaries at the addresses set out under "*1 Action Required by Qualifying Shareholders–1.1 Action Required by Qualifying Certificated Shareholders*" so as to be received by the Transfer Secretaries by no later than 12:00 (SAST) on Tuesday, 30 July 2024. Once received by the Transfer Secretaries, the acceptance is irrevocable and may not be withdrawn.

If payment is not received by 12:00 (SAST) on Friday, 2 August 2024, the day of the closing of the Rights Offer, the Qualifying Certificated Shareholder or renouncee concerned will be deemed to have declined to acquire Rights Offer Shares pursuant to the Rights Offer.

Qualifying Certificated Shareholders are advised to take into consideration postal efficacy when posting their Forms of Instruction, as no late postal deliveries will be accepted. Qualifying Certificated Shareholders are advised to deliver their completed Forms of Instruction together with their proof of EFT payment and EFT swift reference number by courier or by e-mail, where possible to the Transfer Secretaries as set out in the enclosed Form of Instruction.

Rights Offer Shares will only be issued in Dematerialised form. In order to subscribe for Rights Offer Shares under the Rights Offer, you will need to have an existing account with a Broker or CSDP ("Option 1" on the Form of Instruction (*grey*)) or create a new account ("Option 2" on the Form of Instruction (*grey*)). If you do not provide your Broker or CSDP account details or if the details provided by you are incorrect or incomplete, you will be issued with a statement of allocation, confirming the number of Rights Offer Shares due to you, and the shares will be held by the Transfer Secretaries on your behalf pending confirmation of your Broker or CSDP account details. The statement of allocation will be posted to you at your risk.

Qualifying Certificated Shareholders (or their renouncees) will be afforded the option to "rematerialise" their Rights Offer Shares and replace them with a physical Document of Title, as discussed further in section 7.3.21 below.

Qualifying Dematerialised Shareholders

If you are a Qualifying Dematerialised Shareholder, please do not complete the printed Form of Instruction enclosed in this Circular which is not applicable to you. You should receive notification from your CSDP or Broker regarding the Rights to which you are entitled in terms of the Rights Offer. The CSDP or Broker appointed by you is obliged to contact you to ascertain (i) whether you wish to follow your Rights in terms of the Rights Offer or renounce your Rights and in respect of how many Rights Offer Shares; (ii) whether you wish to apply for excess Rights Offer Shares and if so, how many excess Rights Offer Shares you wish to apply for; and (iii) if you do not wish to follow all or any of your Rights, whether you wish to sell your Rights and how many of your Rights you wish to sell.

If you are not contacted by your CSDP or Broker, you should contact your CSDP or Broker and furnish them with your instruction. Should a CSDP or Broker not obtain instructions from a Qualifying Dematerialised Shareholder, they are obliged to act in terms of the mandate granted to them by such Qualifying Dematerialised Shareholder, or if the mandate is silent in this regard, they are obliged not to accept the Rights on behalf of such Shareholder.

PIK does not take responsibility and will not be held liable for any failure on the part of any CSDP or Broker to notify you of the Rights Offer and/or to obtain instructions from you to subscribe for the Rights Offer Shares and/or to act in accordance with any instructions obtained from you and/or to sell the Rights allocated.

7.3.10 **Procedures for sale or renunciation of Rights**

Qualifying Certificated Shareholders

If you are a Qualifying Certificated Shareholder and do not wish to subscribe for all of the Rights allocated to you as reflected in the Form of Instruction, you may either dispose of or renounce all or part of your entitlement as follows:

- if you wish to sell all or part of your entitlement, you must complete **Form A** in the enclosed Form of Instruction and return it to the Transfer Secretaries to be received by no later than 12:00 (SAST) on Tuesday, 30 July 2024. The Transfer Secretaries will endeavour to procure the sale of Rights on the JSE on your behalf and to remit the net proceeds thereof in accordance with your instructions. In this regard, neither the Transfer Secretaries nor PIK will have any obligation or be responsible for any loss or damage whatsoever in relation to or arising from the timing of such sales, the price obtained, or the failure to dispose of such entitlements; and
- if you wish to renounce your entitlement or any part thereof in favour of any named renouncee, you must complete **Form B** in the enclosed Form of Instruction, and the renouncee must complete **Form C** in the enclosed Form of Instruction and return it to the Transfer Secretaries, to be received by no later than 12:00 (SAST) on Friday, 2 August 2024, **together with proof of payment that payment was effected by way of EFT accompanied by an EFT swift reference number for the appropriate subscription amount**. If you wish to renounce part of your entitlement in favour of different renouncees, you may copy **Form B** and use a copied **Form B** for each additional renouncee.

Qualifying Dematerialised Shareholders

If you are a Qualifying Dematerialised Shareholder and wish to renounce or sell some or all of the Rights allocated to you as a holder of Dematerialised Shares, you should make the necessary arrangements with your CSDP or Broker in the manner and time stipulated in the custody agreement governing the relationship between yourself and your CSDP or Broker.

7.3.11 **Lapse of Rights**

Qualifying Shareholders

If you are a Qualifying Certificated Shareholder and fail to instruct the Transfer Secretaries as to what action you intend to take with regard to your Rights, or fail to comply with the procedures set out in this section, within the timelines stipulated, your Rights will lapse and you will not be entitled to any payment under the terms of the Rights Offer.

If you are a Qualifying Dematerialised Shareholder and fail to subscribe for, sell or renounce your Rights, you risk your Rights lapsing if you fail to act in terms of the instructions received from your CSDP or Broker. Should such Rights lapse, you will not be entitled to any payment under the terms of the Rights Offer.

None of PIK, the Joint Global Coordinators and Joint Underwriters, the Transfer Secretaries or any Broker appointed by them will be responsible for any loss or damage whatsoever suffered by such Qualifying Shareholders in relation to the lapsing of their Rights.

Restricted Shareholders

To the extent that Restricted Shareholders are not entitled to participate in the Rights Offer as a result of any restrictions, such Restricted Shareholders should not take up their Rights Offer entitlement and should allow their Rights in terms of the Rights Offer to lapse or sell them through their CSDP or Broker.

None of PIK, the Transfer Secretaries, the Joint Global Coordinators and Joint Underwriters or any Broker appointed by them will have any obligation or be responsible for any loss or damage whatsoever in relation to or arising out of the timing of such sales or the remittance of the net proceeds of such sales.

7.3.12 **Payment**

The amount due on acceptance of the Rights Offer is payable in Rand.

Payment by Qualifying Certificated Shareholders (i) must be made in full by EFT (into the designated bank account, details of which are available from the Transfer Secretaries on request by contacting the Transfer Secretaries' call centre for corporate actions on +27 11 370 5000 and, in South Africa only, 086 1100 634); (ii) must be paid in Rands; and (iii) proof of EFT payment must be lodged, posted or e-mailed, as the case may be, together with the completed Form of Instruction as follows:

By hand or courier to:	By post to:
Pick n Pay Stores Limited – Pick n Pay Stores Limited Transfer Secretaries c/o Computershare Investor Services Proprietary Limited First Floor Rosebank Towers 15 Biermann Avenue Rosebank, Johannesburg, 2196 South Africa	**Pick n Pay Stores Limited – Pick n Pay Stores Limited Transfer Secretaries** c/o Computershare Investor Services Proprietary Limited Private Bag X3000 Saxonwold, Johannesburg, 2132 South Africa **By email to**: *corporate.events@computershare.co.za*

Payment must be received by no later than 12:00 (SAST) on Friday, 2 August 2024.

Qualifying Certificated Shareholders are encouraged to (i) return completed Forms of Instruction to the Transfer Secretaries preferably by e-mail and (ii) to pay for the Rights Offer Shares subscribed for by EFT with the proof of payment returned by e-mail together with the completed Form of Instruction. If Qualifying Certificated Shareholders elect to return completed Forms of Instruction and payment by hand, by courier or by post, Qualifying Certificated Shareholders are encouraged to contact the Transfer Secretaries to confirm receipt thereof.

If you have any queries, please contact the Transfer Secretaries via email on corporate.events@computershare.co.za or telephonically on, Telephone: +27 11 370 5000 and, in South Africa only, 086 1100 634. Calls will be charged at the standard geographic rate and will vary by provider. Calls outside South Africa will be charged at the applicable international rate. The helpline is open between 08:00 – 17:00 (SAST), Monday to Friday, excluding public holidays in South Africa.

The Transfer Secretaries will not be responsible for any loss and/or damage whatsoever in relation to or arising from the late or non-receipt of delivered, posted or emailed Forms of Instruction or owing to Forms of Instruction being forwarded to any physical address, postal address or email address other than that provided above. Qualifying Certificated Shareholders posting their Forms of Instruction to the Transfer Secretaries should take note of postal delivery efficacy so as to ensure that the Forms of Instruction are received by the Transfer Secretaries timeously. Notwithstanding anything to the contrary, it is the Qualifying Certificated Shareholder's responsibility to ensure that their Form of Instruction is received by the Transfer Secretaries timeously.

The payment will constitute an irrevocable acceptance by the shareholder or renouncee of the Rights Offer upon the terms and conditions set out in this Circular and in the enclosed Form of Instruction.

Money received in respect of an application that is rejected or otherwise treated as void by PIK, or which is otherwise not validly received in accordance with the terms stipulated, will be refunded by EFT, without interest, in Rand to the applicant concerned, on or about Wednesday, 7 August 2024 (provided the Transfer Secretaries are in possession of the relevant bank account details). If the applicant concerned is not a Qualifying Certificated Shareholder and gives no bank details in the enclosed Form of Instruction, then the relevant refund will be held by the Transfer Secretaries until collected by the applicant and no interest will accrue to the applicant in respect thereof.

Payment by Qualifying Dematerialised Shareholders will be effected on the Qualifying Shareholders' behalf by the CSDP or Broker. The CSDP or Broker will effect payment on a delivery versus payment basis.

7.3.13 **Overseas Shareholders**

General

The making or acceptance of the proposed grant of the Letters of Allocation and/or the offer of the Rights Offer Shares to persons who have registered addresses outside South Africa, or who are resident, or located, in, or citizens of, countries other than South Africa, may be affected by the laws of the relevant jurisdiction. Those persons should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their Rights.

It is the responsibility of any persons (including, without limitation, custodians, nominees and trustees) outside South Africa wishing to take up Rights under the Rights Offer or to transfer their Rights, to satisfy themselves as to the full observance of the laws of any relevant territory in connection therewith, including the obtainment of any governmental or other consents which may be required, the making of any filings which may be required, the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such territories. This section is intended as a general guide only and any Overseas Shareholder who is in doubt as to their position should consult their professional adviser without delay.

Receipt of this Circular or the crediting of the Letter of Allocation to a CSDP or Broker account will not constitute an offer to sell the Letters of Allocation or Rights Offer Shares to any person in any jurisdiction in which it would be unlawful to make such offer to such person, or a solicitation of an offer to buy the Letters of Allocation or the Rights Offer Shares in those jurisdictions in which it would be unlawful to make to do so and, in those circumstances, this Circular must be treated as sent for information purposes only and should not be copied or redistributed.

Rights Offer Shares will be provisionally allotted (nil paid) to all PIK Shareholders on the Register at the Record Date. Although Letters of Allocation may be credited to the CSDP or Broker accounts of Qualifying Dematerialised Shareholders (i) with a registered address, or resident, in one of the Restricted Territories; (ii) in the United States; or (iii) with a registered address, or who hold on behalf of persons located in the United States, or who hold on behalf of any person on a non-discretionary basis who is in the United States, or any state of the United States, such crediting of Letters of Allocation does not constitute an offer to such Qualifying Dematerialised Shareholders and such Qualifying Dematerialised Shareholders will not be entitled to take up or transfer Rights in the Rights Offer or acquire Rights Offer Shares in the Rights Offer unless such action would not result in the contravention of any registration or other legal requirement in any jurisdiction.

No person receiving a copy of this Circular and/or Form of Instruction and/or receiving a credit of a Letter of Allocation to a CSDP or Broker account may treat the same as constituting an invitation or offer to him or her, nor should either he or she in any event use the Form of Instruction, unless such an invitation or offer could lawfully be made to him or her or the Letter of Allocation or Form of Instruction could lawfully be used or dealt with without contravention of any registration or other legal requirements. In such circumstances, this Circular and the Form of Instruction are to be treated as sent for information purposes only and should not be copied or redistributed. Persons (including, without limitation, custodians, nominees and trustees) receiving a copy of this Circular and/or a Form of Instruction or whose CSDP or Broker account is credited with Letters of Allocation should not, in connection with the Rights Offer, distribute or send the same or transfer Letters of Allocation in or into any jurisdiction where to do so would or might contravene local securities laws or regulations, including, but not limited to, the United States and the Restricted Territories. If a Form of Instruction or a credit of a Letter of Allocation is received in their CSDP or Broker account by any person in any such Restricted Territory, or by their agent or nominee, he or she must not seek to take up the Rights referred to in the Form of Instruction or in this Circular or renounce the Form of Instruction or transfer the Letter of Allocation unless PIK determines that such actions would not violate applicable legal or regulatory requirements. Any person (including, without limitation, custodians, nominees and trustees) who does forward this Circular or a Form of Instruction or transfer a Letter of Allocation into any such Restricted Territories (whether pursuant to a contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this paragraph and "*–7.3.15 Representations and warranties*."

Further, it is the responsibility of any PIK Shareholder (including, without limitation, custodians, nominees and trustees) outside South Africa wishing to exercise their Rights under the Rights Offer (including a transfer of their Rights) to inform itself about, and observe, the laws and regulations of any relevant territory in connection therewith, including the obtainment of any governmental or other consents which may be required, the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such territories. This section is intended as a general guide only and any Overseas Shareholder who is in doubt as to its position should immediately consult its professional adviser.

The Company reserves the right to treat as invalid and will not be bound to allot or issue a Letter of Allocation, to enforce any Rights exercised or purportedly exercised, or to allot and issue any Rights Offer Shares in respect of any acceptance or purported acceptance of the offer of Rights Offer Shares which:

- appears to the Company or its agents to have been executed, effected or dispatched from the United States or any Restricted Territory or executed, effected or dispatched in a manner which may involve a breach of the securities laws or regulations of any jurisdiction;
- in the case of a Form of Instruction, provides an address for delivery of share certificates in, or, in the case of a credit of Rights Offer Shares in Strate, to a person with a CSDP or Broker account in Strate who is a Restricted Shareholder or a PIK Shareholder whose registered address is in the United States or any Restricted Territory or any other jurisdiction outside South Africa in which it would be unlawful to deliver such Form of Instruction or make such a credit; or
- purports to exclude the warranties required by "*–7.3.15 Representations and warranties*."

The attention of Overseas Shareholders who are Restricted Shareholders is drawn to this paragraph and to "*–7.3.15 Representations and warranties*."

Subject to certain limited exceptions, the Letters of Allocation and the Rights Offer Shares may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within the United States.

<u>Member States of the European Economic Area</u>

In relation to each Relevant State that has implemented the Prospectus Regulation, an offer to the public of any Rights Offer Shares or Letters of Allocation contemplated by this Circular may not be made in that Relevant State prior to the publication of a prospectus in relation to the Rights Offer Shares or Letters of Allocation which has been approved by the competent authority in that Relevant State or, where appropriate, approved in another Relevant State and notified to the competent authority in the Relevant State, all in accordance with the Prospectus Regulation, except that an offer to the public in that Relevant State may be made under the following exemptions under the Prospectus Regulation:

(i) to any legal entity which is a "qualified investor" as defined under Article 2 of the Prospectus Regulation;
(ii) to fewer than 150 natural or legal persons (other than "qualified investors" as defined under Article 2 of the Prospectus Regulation), subject to obtaining the prior written consent of the Joint Global Coordinators and Joint Underwriters for any such offer; or
(iii) in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Rights Offer Shares shall result in a requirement for the publication by the Company or the Joint Global Coordinators and Joint Underwriters of a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an "offer to the public" in relation to any Rights Offer Shares or Letters of Allocation in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the Rights Offer, the Rights Offer Shares and Letters of Allocation to be offered so as to enable an investor to decide to subscribe for any Rights Offer Shares or take transfer of any Letters of Allocation and the expression "Prospectus Regulation" means Regulation (EU) 2017/1129, as amended.

<u>United Kingdom</u>

In relation to the United Kingdom, an offer of any Rights Offer Shares or Letters of Allocation contemplated by this Circular is only directed at persons who are "qualified investors" as defined in the UK Prospectus Regulation and who are (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**"); (ii) high net worth entities falling within Article 49(2)(a) to (d) of the Order; or (iii) other persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as "**Relevant Persons**").

No Rights Offer Shares or Letters of Allocation have been offered or will be offered pursuant to the Rights Offer to the public in United Kingdom, except that offers of Rights Offer Shares or Letters of Allocation may be made to the public in the United Kingdom at any time under the following exemptions from the UK Prospectus Regulation:

(i) to any legal entity which is a "qualified investor" as defined in under Article 2 of the UK Prospectus Regulation;
(ii) to fewer than 150 natural or legal persons (other than "qualified investors" as defined under Article 2 of the UK Prospectus Regulation), subject to obtaining prior consent of the Joint Global Coordinators and Joint Underwriters for any such offer; or
(iii) in any other circumstances falling within Section 86 of the FSMA,

provided that no such offer of Rights Offer Shares or Letters of Allocation shall result in a requirement for the Company or the Joint Global Coordinators and Joint Underwriters to publish a prospectus pursuant to Section 85 of the FSMA or supplement to a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision, the expression an "offer to the public" in relation to any Rights Offer Shares or Letters of Allocation in the United Kingdom means the communication in any form and by any means of sufficient information on the terms of the Rights Offer, the Rights Offer Shares and Letters of Allocation to be offered so as to enable an investor to decide to subscribe for any Rights Offer Shares or take transfer of any Letters of Allocation and the expression "UK Prospectus Regulation" means Regulation (EU) 2017/1129 as it forms part of assimilated law by virtue of the EUWA.

United States

The Letters of Allocation and the Rights Offer Shares have not been and will not be registered under the US Securities Act or with any securities regulatory authority of any state or jurisdiction of the United States, and subject to certain exceptions, may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within the United States. The Letters of Allocation and the Rights Offer Shares are being offered and sold (A) outside the United States in offshore transactions in reliance on Regulation S and (B) in the case of Letters of Allocation and the Rights Offer Shares (excluding Rump Shares) within the United States only to QIBs as defined in Rule 144A under the US Securities Act only through an exemption from, or in a transaction not subject to, the registration requirements under the US Securities Act. No public offer of the Letters of Allocation and the Rights Offer Shares will be made in the United States. An offer of the Letters of Allocation and the Rights Offer Shares in the United States will only be made through an exemption from, or in a transaction not subject to, the registration requirements under the US Securities Act to a limited number of existing shareholders who are both existing shareholders in PIK and QIBs. Qualifying Shareholders who are located in the United States will be required to execute and deliver an Investor Letter set forth in Appendix 1 to this Circular prior to taking up or transferring Rights in the Rights Offer or subscribing for Rights Offer Shares in the Rights Offer. The Rump Shares, if any, will not be offered or sold in the United States. Nothing in this Circular constitutes an offer of securities for sale in any jurisdiction where it is unlawful to do so.

Except for Qualifying Shareholders in the United States who are QIBs, any person who acquires Letters of Allocation or the Rights Offer Shares (excluding Rump Shares) will be deemed to have declared, warranted and agreed, by accepting delivery of this Circular, taking up their Rights or accepting delivery of the Letters of Allocation or the Rights Offer Shares, that it is not, and that at the time of acquiring the Letters of Allocation or the Rights Offer Shares it will not be, in the United States or acting on behalf of, or for the account or benefit of, a person on a non-discretionary basis in the United States or any state of the United States.

Except for Qualifying Shareholders in the United States who are QIBs, PIK Shareholders with a registered address in the United States will be treated as unexercising holders and PIK expects that the applicable Rights will be sold by the Transfer Secretaries on behalf of such PIK Shareholders. The cash proceeds therefrom will be distributed to such PIK Shareholders (net of applicable fees, expenses, taxes and charges), in proportion to such PIK Shareholder's Right to the Rights Offer Shares. There can be no assurances as to what price such PIK Shareholders will receive for such disposal or the timing or exchange rate conversion of such receipt, to the extent applicable.

To the extent that Restricted Shareholders are not entitled to participate in the Rights Offer as a result of any restrictions, such Restricted Shareholders should not take up their Rights Offer entitlement. The Transfer Secretaries will endeavour to sell such Rights on the JSE. If a premium can be obtained over the expenses of the sale of the Rights of Restricted Shareholders, such premium shall be remitted to such Restricted Shareholder, less any transfer and withholding taxes and any other cost related to or incurred as a result of such sale. If such Rights cannot be sold, they will lapse.

Although Letters of Allocation may be credited to the CSDP or Broker accounts of Qualifying Dematerialised Shareholders (i) with a registered address, or resident, in one of the Restricted Territories; (ii) in the United States; or (iii) with a registered address, or who hold on behalf of persons located in the United States, or who hold on behalf of any person on a non-discretionary basis who is in the United States, or any state of the United States, such crediting of Letters of Allocation does not constitute an offer to Restricted Shareholders and such Restricted Shareholders will not be entitled to take up or transfer Rights in the Rights Offer or acquire Rights Offer Shares in the Rights Offer unless such action would not result in the contravention of any registration or other legal requirement in any jurisdiction.

In addition, until 40 days after the commencement of the Rights Offer, an offer, sale or transfer of the Rights Offer Shares or the Letters of Allocation within the United States by any dealer (whether or not participating in the Rights Offer) may violate the registration requirements of the US Securities Act.

This Circular does not contain a discussion of the consequences to the United States persons (as defined for United States federal income tax purposes) under United States federal, state or local tax laws of the Rights Offer or of the acquisition, exercise, ownership or disposition of the Letters of Allocation or Rights Offer Shares received in exchange thereof. Investors that are United States persons are urged to consult their own professional advisers with respect to any United States federal, as well as state and local, tax consequences relating to the Rights Offer and the acquisition, exercise ownership or disposition of the Letters of Allocation or Rights Offer Shares received in exchange thereof.

Restricted Territories

Subject to certain exceptions, the Letters of Allocation and the Rights Offer Shares may not be transferred or sold to, or renounced or delivered in, the Restricted Territories. No offer of Rights Offer Shares is being made by virtue of this Circular into the Restricted Territories. No person may forward or otherwise transmit this Circular to any territory other than where it is lawful to make the Rights Offer contemplated in this Circular.

To the extent that Restricted Shareholders are not entitled to participate in the Rights Offer as a result of any restrictions, such Restricted Shareholders should not take up their Rights Offer entitlement and should allow their Rights in terms of the Rights Offer to lapse or sell them through their CSDP or Broker.

Although Letters of Allocation may be credited to the CSDP or Broker accounts of Qualifying Dematerialised Shareholders (i) with a registered address, or resident, in one of the Restricted Territories; (ii) in the United States; or (iii) with a registered address, or who hold on behalf of persons located in the United States, or who hold on behalf of any person on a non-discretionary basis who is in the United States, or any state of the United

States, such crediting of Letters of Allocation does not constitute an offer to Restricted Shareholders and Restricted Shareholders will not be entitled to take up or transfer Rights in the Rights Offer or acquire Rights Offer Shares in the Rights Offer unless such action would not result in the contravention of any registration or other legal requirement in any jurisdiction.

Subject to certain exceptions, PIK Shareholders with a registered address in the Restricted Territories will be treated as unexercising holders and PIK expects that the applicable Rights will be sold by the Transfer Secretaries on behalf of such PIK Shareholders. The cash proceeds therefrom will be distributed to such PIK Shareholders (net of applicable fees, expenses, taxes and charges) in proportion to such PIK Shareholder's Right to the Rights Offer Shares. There can be no assurances as to what price such PIK Shareholders will receive for such disposal or the timing or exchange rate conversion of such receipt to the extent applicable.

7.3.14 **Rump Shares**

With respect to any Rump Shares for which subscribers will be procured by the Joint Global Coordinators and Joint Underwriters or, failing which, will be subscribed for severally by the Joint Global Coordinators and Joint Underwriters in equal proportions pursuant to the Underwriting Agreement, such Rump Shares have not been and will not be registered under the US Securities Act and may not be offered or sold within the United States. In addition, until 40 days after the commencement of the Rights Offer an offer of or sale of Rump Shares within the United States by any dealer (whether or not participating in the Rights Offer) may violate the registration requirements of the US Securities Act.

This Circular does not constitute or form a part of any offer or solicitation or advertisement to purchase and/ or subscribe for Rump Shares in South Africa, including an offer to the public for the sale of, or subscription for, or the solicitation of an offer to buy and/or subscribe for, shares as defined in the Companies Act and will not be distributed to any person in South Africa in any manner that could be construed as an offer to the public in terms of the Companies Act. Accordingly, in South Africa, Rump Shares will only be offered to (i) persons falling within the exemptions set out in Section 96(1)(a) or (ii) single addressees who, as principal, contemplate subscribing for the Rump Shares for an aggregate acquisition cost of not less than ZAR1,000,000, as envisaged in Section 96(1)(b), of the Companies Act (all such persons in (i) and (ii) being referred to as "**relevant persons**"). Any investment activity relating to the Rump Shares to which this Circular relates will only be available to, and will only be engaged with, relevant persons. Any person who is not a relevant person should not act on this Circular or any of its contents. This Circular does not, nor does it intend to, constitute a "registered prospectus," as contemplated by the Companies Act.

The Rump Shares, if applicable, will be offered and sold outside of the United States in reliance on Regulation S.

7.3.15 **Representations and warranties**

<u>Qualifying Certificated Shareholders</u>

Any person accepting and/or renouncing and/or disposing of their Rights by completing the Form of Instruction represents and warrants to the Company and the Joint Global Coordinators and Joint Underwriters that, except where proof has been provided to the Company's satisfaction that such person's use of the Form of Instruction, the Letters of Allocation or the Rights Offer Shares, as the case may be, will not result in the contravention of any applicable legal requirement in any jurisdiction (i) such person is not accepting and/or renouncing and/or disposing of their Rights from within the United States or the Restricted Territories; (ii) such person is not in any jurisdiction in which it is unlawful to make or accept an offer to subscribe for Rights Offer Shares and/or transfer the Letters of Allocation; (iii) such person is not accepting or renouncing for the account of a person located within the United States unless (a) the instruction to accept or renounce was received from a person outside the United States and (b) the instructing person has advised such person that it has the authority to give such instruction and that either it (x) has investment discretion or authority over such account or (y) otherwise is acquiring the Rights Offer Shares in an offshore transaction within the meaning of Regulation S; and (iv) such person is not acquiring Rights Offer Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Rights Offer Shares into the United States or any other Restricted Territory. The Company may treat as invalid any acceptance or purported acceptance of the allotment of Rights Offer Shares comprised in the Form of Instruction or renunciation or purported renunciation of the Rights if it (i) appears to the Company to have been executed in or dispatched from the United States or any other Restricted Territory or otherwise in a manner which may involve a breach of the laws of any jurisdiction or if it believes the same may violate any applicable legal or regulatory requirement; (ii) provides an address in the United States or any other Restricted Territory for delivery of definitive share certificates for Rights Offer Shares (or any jurisdiction outside South Africa in which it would be unlawful to deliver such certificates); or (iii) purports to exclude the warranty required by this paragraph.

<u>Qualifying Dematerialised Shareholders</u>

Any person who makes a valid acceptance in accordance with the procedures set out in this section "*–7.3 Particulars of the Rights Offer*" represents and warrants to the Company and the Joint Global Coordinators and Joint Underwriters that, except where proof has been provided to the Company's satisfaction that such person's use of the Letters of Allocation or the Rights Offer Shares, as the case may be, will not result in the contravention of any applicable legal requirement in any jurisdiction (i) such person is not accepting and/ or renouncing and/or disposing of their Rights from within the United States or the Restricted Territories; (ii) such person is not in any jurisdiction in which it is unlawful to make or accept an offer to subscribe for Rights Offer Shares; (iii) such person is not accepting for the account of a person located within the United States unless (a) the instruction to accept was received from a person outside the United States and (b) the instructing person has advised such person that it has the authority to give such instruction and that either it (x) has investment discretion or authority over such account or (y) otherwise is acquiring the Rights Offer Shares in an offshore transaction within the meaning of Regulation S; and (iv) such person is not acquiring Rights Offer Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Rights Offer Shares into the United States or any other Restricted Territory.

7.3.16 **Exchange Control Regulations**

The following summary is intended only as a guide and is, therefore, not comprehensive. If Qualifying Shareholders are in any doubt as to the appropriate course of action, they are advised to consult their professional advisers or Authorised Dealers.

Pursuant to the Exchange Control Regulations, non-residents of the Common Monetary Area, that have never been residents of the Common Monetary Area will be allowed to:

(i) take up Rights in terms of the Rights Offer;
(ii) purchase Letters of Allocation on the JSE;
(iii) subscribe for the Rights Offer Shares arising in respect of the Letters of Allocation purchased on the JSE; and
(iv) subscribe for excess Rights Offer Shares that have been applied for in terms of the Rights Offer (if applicable),

provided that payment is received either through normal banking channels in foreign currency, or in Rand from a non-resident Rand account conducted in the name of the Qualifying Shareholder and/or from a vostro account in the books of the Authorised Dealer.

All applications by non-residents of the Common Monetary Area for the above purposes must be made through an Authorised Dealer. Shares subsequently re-materialised and issued in certificated form, will be endorsed "non-resident."

Where a Right in terms of the Rights Offer falls due to a former resident of the Common Monetary Area, which right is based on shares controlled in terms of the Exchange Control Regulations, only funds in the emigrant's capital account may be used to take up this Right. Such funds may also be used to:

(i) take up the Rights in terms of the Rights Offer;
(ii) purchase Letters of Allocation on the JSE;
(iii) subscribe for the Rights Offer Shares arising in respect of the Letters of Allocation purchased on the JSE; and
(iv) subscribe for excess Rights Offer Shares that have been applied for in terms of the Rights Offer (if applicable).

All applications by emigrants to use funds in their capital account for the above purposes must be made through the Authorised Dealer in South Africa controlling their remaining assets. Any Rights Offer Shares issued pursuant to the use of funds in the emigrant capital account will be credited to their share accounts at the CSDP controlling their remaining portfolios. The proceeds due to emigrants from the sale of the Letters of Allocation or Rights Offer Shares, if applicable, will be returned to the Authorised Dealer controlling their remaining assets for credit to such emigrants' capital accounts. Dematerialised share certificates issued to such emigrants will be marked "non-resident" and placed under the control of the Authorised Dealer controlling their remaining assets. The electronic statement issued in terms of the Strate system will be dispatched by the CSDP or Broker to the address of the emigrant in the records of the CSDP or Broker.

Alternatively, where a Right in terms of the Rights Offer falls due to a former resident of the Common Monetary Area, which Right is based on shares acquired with funds from offshore, offshore funds may be used to exercise this Right. Such funds may be used to:

(i) purchase Letters of Allocation on the JSE;
(ii) subscribe for the Rights Offer Shares arising in respect of the Letters of Allocation purchased on the JSE; and
(iii) subscribe for excess Rights Offer Shares that have been applied for in terms of the Rights Offer (if applicable)

provided that payment is received either through normal banking channels in foreign currency, or in Rand from a non-resident Rand account in the name of the Qualifying Shareholder and/or Rand from a vostro account conducted in the books of the Authorised Dealer.

All applications by former residents of the Common Monetary Area for the above purposes must be made through an Authorised Dealer. Shares subsequently re-materialised and issued in certificated form, will be endorsed "non-resident."

Any Rights Offer Shares issued pursuant to the use of offshore funds will not be credited to the emigrant capital account. Similarly, the sale proceeds of Letters of Allocation or Rights Offer Shares, if applicable, will not be credited to such emigrants' capital accounts and can be freely remitted offshore.

Dematerialised share certificates issued to such emigrants will be marked "non-resident." The electronic statement issued in terms of the Strate system will be dispatched by the CSDP or Broker to the address of the emigrant in the records of the CSDP or Broker. Shares subsequently re-materialised and issued in certificated form will similarly be endorsed "non-resident."

Any Qualifying Shareholder resident outside the Common Monetary Area who receives this Circular and Form of Instruction should obtain advice as to whether any governmental and/or other legal consent is required and/or any other formality must be observed to enable a subscription to be made in terms of such Form of Instruction.

No Qualifying Shareholder should construe the contents of this Circular and the documentation accompanying it as legal or other advice. Each Qualifying Shareholder should make its own enquiries and consult its own professional advisers or Authorised Dealers as to the content of this Circular and the documentation accompanying it regarding the acceptance and exercise of its Rights in terms of the Rights Offer.

7.3.17 **South African law**

No PIK Shareholder should construe the contents of this Circular and the documentation accompanying it as legal or other advice. PIK Shareholders should make their own enquiries and consult their own professional advisers as to the content of this Circular and the documentation accompanying it regarding the acceptance of their Rights in terms of the Rights Offer.

The information contained in this Circular constitutes factual information as contemplated in section 1(3)(a) of the South African Financial Advisory and Intermediary Services Act, 32 of 2002, as amended ("**FAIS Act**") and should not be construed as an express or implied recommendation, guide or proposal that any particular transaction in respect of the Rights Offer Shares or in relation to the business or future investments of the Company and/or the Group, is appropriate to the particular investment objectives, financial situations or needs of a prospective investor, and nothing in this Circular should be construed as constituting the canvassing for, or marketing or advertising of, financial services in South Africa. The Company is not a financial services provider licensed as such under the FAIS Act.

All transactions arising from the provisions of this Circular and the documentation accompanying it will be governed by and be subject to the laws of South Africa. PIK Shareholders agree that any legal action or proceeding arising out of or in connection with this Circular or otherwise shall be brought in the High Court of South Africa (Gauteng Local Division, Johannesburg) and irrevocably consent and submit to the non-exclusive jurisdiction of such court.

7.3.18 **Approval to exclude Restricted Shareholders from the Rights Offer**

On 24 June 2024, the CIPC granted approval to the Company to exclude the Restricted Shareholders from participating in the Rights Offer in terms of section 99(7) of the Companies Act.

7.3.19 **Tax consequences**

No PIK Shareholder should construe the contents of this Circular and the documentation accompanying it as tax or other advice.

PIK Shareholders are advised to consult their tax, legal and financial advisers regarding any taxation implications pertaining to them regarding the acceptance of their Rights in terms of the Rights Offer. Additional information (which is provided for information purposes only) is provided in "*12 Taxation.*"

7.3.20 **Estimated expenses in relation to the Rights Offer**

The estimated expenses in relation to the Rights Offer are set out in "*14 Additional Information–14.2 Stated Capital and Major PIK Shareholders–14.2.10 Estimated Expenses in Relation to the Rights Offer.*"

7.3.21 **Documents of Title**

The Rights Offer Shares, including Rights Offer Shares to be issued pursuant to excess applications, may only be issued in Dematerialised form.

Notwithstanding the above, Qualifying Certificated Shareholders (or their renouncees) will be afforded the option to "rematerialise" their Rights Offer Shares and replace them with a physical Document of Title, provided they have elected "*Option 3*" on Form D of this Form of Instruction (*grey*) and lodged it with the Transfer Secretaries on or before 12:00 (SAST) on Tuesday, 30 July 2024.

To the extent applicable, the Documents of Title in respect of your Rights Offer Shares will be posted to you (or the renouncees), at your (or the renouncees') own risk, as soon as possible following implementation of the Rights Offer.

Qualifying Certificated Shareholders (or their renouncees) receiving new Certificated Shares must note that they will not be able to trade such Shares on the JSE until these Shares have been Dematerialised, which could take between one and ten Business Days, depending on the volumes being processed at the time.

Qualifying Dematerialised Shareholders will have their accounts at their CSDP or Broker updated with the Rights Offer Shares to which they were entitled and for which they have subscribed on Monday, 5 August 2024.

7.3.22 **Listings**

(i) The JSE has approved the listing of the Letters of Allocation on the JSE (for the avoidance of doubt, the Letters of Allocation will not be listed on the A2X) under **Share Code**: **PIKN** and **ISIN**: **ZAE000336145** in respect of all of the 252,206,809 Rights Offer Shares with effect from the commencement of trade (SAST) on Wednesday, 17 July 2024 to the close of trade (SAST) on Tuesday, 30 July 2024, both days inclusive.
(ii) The JSE and the A2X have approved the listing of 252,206,809 Rights Offer Shares with effect from the commencement of trade (SAST) on Wednesday, 31 July 2024.

8. SELECTED FINANCIAL AND OTHER INFORMATION

8.1 **Selected Financial Information of the Group**

This Circular presents the historical published consolidated financial information for the Group for the 52 weeks ended 25 February 2024, 26 February 2023 and 27 February 2022. In particular, this Circular incorporates by reference the following:

- The 2024 Audited Financial Statements are available on the Company's website (https://www.picknpayinvestor.co.za/pdf/annual-report/2024/afs/picknpay-afs-2024-doubles.pdf).
- The 2023 Audited Financial Statements are available on the Company's website (https://www.picknpayinvestor.co.za/pdf/annual-report/2023/afs/picknpay-afs-2023-doubles.pdf).
- The 2022 Audited Financial Statements are available on the Company's website (https://www.picknpayinvestor.co.za/pdf/annual-report/2022/afs/picknpay-afs-2022-spreads.pdf).

Unless otherwise indicated, the financial information for the 52 weeks ended 25 February 2024 included in this Circular is derived from the 2024 Audited Financial Statements, the financial information for the 52 weeks ended 26 February 2023 included in this Circular is derived from the 2023 Audited Financial Statements, the financial information for the 52 weeks ended 27 February 2022 included in this Circular is derived from the 2022 Audited Financial Statements.

The financial information presented in this Circular, including in a number of tables, has been rounded to the nearest decimal place. Therefore, when presented in a table, the sum of the numbers in a column may not conform exactly to the total figure given for that column. In addition, certain percentages presented in the tables in this Circular reflect calculations based upon the underlying information prior to rounding and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

8.2 **Consolidated Statement of Comprehensive Income**

	52 weeks to		
	25 February 2024	**26 February 2023**	**27 February 2022**
(ZAR millions)	**(audited)**	**(audited)**	**(audited)**
Revenue	**115,370.8**	**109,278.2**	**100,902.4**
Turnover	**112,294.8**	**106,561.8**	**97,872.8**
Cost of merchandise sold	(92,014.9)	(85,625.2)	(79,476.7)
Gross profit	**20,279.9**	**20,936.6**	**18,396.1**
Other income	**2,653.5**	**2,265.3**	**2,505.1**
Franchise fee income	1,021.8	447.7	428.3
Operating lease income	112.5	157.4	115.6
Commissions, dividend and other income	1,519.2	1,399.5	1,213.0
Insurance recoveries	–	260.7	748.2
Trading expenses	**(22,548.4)**	**(20,153.9)**	**(18,014.7)**
Employee costs	(9,000.0)	(8,347.9)	(7,836.3)
Occupancy	(3,439.1)	(3,054.2)	(2,662.1)
Operations	(6,117.5)	(5,384.3)	(4,535.1)
Merchandising and administration	(3,358.1)	(3,168.6)	(2,891.5)
Expected credit loss allowance(1)	(633.7)	(198.9)	(89.7)
Trading profit	**385.0**	**3,048.0**	**2,886.5**
Finance income(2)	422.5	451.1	524.5
Funding finance income	227.4	260.3	319.6
Leases finance income	195.1	190.8	204.9
Finance costs(2)	(2,442.6)	(1,773.9)	(1,674.9)
Funding finance expense	(836.2)	(431.4)	(341.0)
Leases finance expense	(1,606.4)	(1,342.5)	(1,333.9)
Share of associate's earnings	211.5	75.0	71.6
(Loss)/profit before tax before capital items	**(1,423.6)**	**1,800.2**	**1,807.7**
Loss on capital items	(2,723.1)	(92.6)	(46.2)
(Loss)/profit before tax	**(4,146.7)**	**1,707.6**	**1,761.5**
Tax	956.6	(537.7)	(547.0)
(Loss)/profit for the period	**(3,190.1)**	**1,169.9**	**1,214.5**
Other comprehensive income, net of tax			
Items that will not be reclassified to profit or loss	37.0	(0.2)	25.4
Items that may be reclassified to profit or loss	(43.9)	(38.1)	16.2
Total comprehensive (loss)/income for the period	**(3,197.0)**	**1,131.6**	**1,256.1**

(1) Expected credit loss allowances, related to the Group's trade and other receivables, previously recorded within merchandising and administration expenses have now been separately disclosed.

(2) In order to support expanded segmental disclosure, the Group has now presented finance income and finance costs split between funding and leasing.

8.3 Consolidated Statement of Financial Position

(ZAR millions)	As at 25 February 2024 (audited)	As at 26 February 2023 (audited)	As at 27 February 2022 (audited)
ASSETS			
Non-current assets			
Intangible assets	1,076.0	1,424.4	987.1
Property, plant and equipment	9,190.6	8,893.2	7,150.5
Right-of-use assets	11,596.1	11,195.0	9,588.9
Net investment in lease receivables	1,901.9	1,949.1	2,069.0
Deferred tax assets	2,133.5	734.1	822.5
Investment in associate	–	72.4	106.0
Loans	170.4	117.8	85.9
Retirement scheme assets	50.8	68.6	122.0
Investment in insurance cell captive	61.1	71.3	47.4
Operating lease assets	6.2	8.9	7.9
Trade and other receivables	1.7	84.7	106.5
Total non-current assets	**26,188.3**	**24,619.5**	**21,093.7**
Current assets			
Inventory	10,186.6	10,647.0	8,277.3
Trade and other receivables	4,255.3	4,472.0	4,207.6
Cash and cash equivalents	5,383.2	1,997.8	6,425.3
Net investment in lease receivables	417.8	333.4	319.1
Right-of-return assets	24.0	23.4	21.5
Derivative financial instruments	1.7	22.0	–
Total current assets	**20,268.6**	**17,495.6**	**19,250.8**
Non-current asset held for sale	**56.0**	**250.0**	**–**
Total assets	**46,512.9**	**42,365.1**	**40,344.5**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	6.0	6.0	6.0
Treasury shares	(556.8)	(643.8)	(702.1)
Retained earnings	756.0	4,685.2	4,717.3
Other reserves	0.5	20.1	(8.6)
Foreign currency translation reserve	(388.3)	(364.7)	(296.9)
Total equity	**(182.6)**	**3,702.8**	**3,715.7**
Non-current liabilities			
Lease liabilities	16,464.8	15,133.2	13,656.5
Borrowings	4,500.0	–	–
Total non-current liabilities	**20,964.8**	**15,133.2**	**13,656.5**
Current liabilities			
Trade and other payables	15,184.1	14,661.0	12,976.4
Lease liabilities	2,904.3	2,470.8	2,431.4
Deferred revenue	323.7	377.9	385.1
Bank overdraft and overnight borrowings	5,178.7	2,800.0	2,800.0
Borrowings	1,766.1	2,869.4	4,003.1
Current tax liabilities	272.9	269.8	279.8
Provisions(1)	100.9	80.2	88.8
Derivative financial instruments	–	–	7.7
Total current liabilities	**25,730.7**	**23,529.1**	**22,972.3**
Total equity and liabilities	**46,512.9**	**42,365.1**	**40,344.5**

(1) In order to improve disclosure, the Group has separately disclosed provisions previously recorded within trade and other payables. As at 27 February 2022, provisions were recorded as part of trade and other payables.

8.4 **Consolidated Cash Flows**

(ZAR millions)	52 weeks to 25 February 2024 (audited)	26 February 2023 (audited)	27 February 2022 (audited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Trading profit	385.0	3,048.0	2,886.5
Adjusted for dividend income	**(25.0)**	**–**	**–**
Adjusted for non-cash items	**4,073.2**	**3,626.3**	**3,391.5**
Depreciation of property, plant and equipment	1,521.9	1,320.5	1,216.0
Depreciation of right-of-use assets	2,395.2	2,148.2	1,979.9
Amortisation of intangible assets	111.5	96.6	123.4
Share-based payments expense	(2.2)	59.4	149.0
Lease adjustments	(39.2)	(28.9)	(42.4)
Movement in operating lease assets	2.7	(1.0)	3.1
Movement in retirement scheme assets	68.5	51.8	(4.0)
Fair value and foreign exchange adjustments	14.8	(20.3)	(33.5)
Cash generated before movements in working capital	**4,433.2**	**6,674.3**	**6,278.0**
Movements in working capital	**1,087.4**	**(968.2)**	**(563.6)**
Movements in trade and other payables, provisions and deferred revenue	289.8	1,668.9	898.2
Movements in inventory and right-of-return assets	494.8	(2,338.2)	(1,074.2)
Movements in trade and other receivables	302.8	(298.9)	(387.6)
Cash generated from trading activities	**5,520.6**	**5,706.1**	**5,714.4**
Other interest received	225.3	251.7	300.1
Other interest paid	(728.7)	(431.4)	(341.0)
Interest received on net investment in lease receivables	195.0	191.9	203.7
Interest paid on lease liabilities	(1,625.1)	(1,446.0)	(1,364.4)
Cash generated from operations	**3,587.1**	**4,272.3**	**4,512.8**
Dividends received	31.6	16.0	20.1
Dividends paid	(686.9)	(1,112.8)	(959.6)
Tax paid	(453.5)	(458.4)	(403.9)
Cash generated from operating activities	**2,478.3**	**2,717.1**	**3,169.4**
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in intangible assets	(269.5)	(231.5)	(88.1)
Investment in property, plant and equipment	(3,174.3)	(3,401.9)	(1,990.1)
Purchase of operations	(307.5)	(329.7)	(55.7)
Proceeds on disposal of intangible assets	23.6	25.7	4.0
Proceeds on disposal of property, plant and equipment	1,030.4	42.6	135.9
Insurance proceeds on capital items	–	13.8	210.5
Principal net investment in lease receipts	350.0	299.1	251.6
Lease incentives received	49.5	89.6	52.0
Loans repaid	101.8	62.4	14.8
Loans advanced	(154.4)	(94.3)	(41.5)
Cash utilised in investing activities	**(2,350.4)**	**(3,524.2)**	**(1,506.6)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal lease liability payments	(2,515.6)	(2,408.8)	(2,059.8)
Borrowings raised	15,606.5	6,804.8	6,020.4
Repayment of borrowings	(12,209.8)	(7,938.5)	(5,348.5)
Share purchases	–	(90.1)	(114.2)
Cash generated from/(utilised in) financing activities	**881.1**	**(3,632.6)**	**(1,502.1)**
Net increase/(decrease) in cash and cash equivalents	**1,009.0**	**(4,439.7)**	**160.7**
Net cash and cash equivalents at beginning of period	(802.2)	3,625.3	3,463.7
Foreign currency translations	(2.3)	12.2	0.9
Net cash and cash equivalents at end of period	**204.5**	**(802.2)**	**3,625.3**

8.5 **Other Selected Figures**

The measures presented below are considered Non-IFRS Measures.

The underlying information used in the preparation of the Non-IFRS Measures has been prepared using the accounting policies that comply with IFRS. These are consistent with those applied in the Audited Financial Statements.

	As at and 52 weeks to		
(ZAR millions, unless stated otherwise)	**25 February 2024**	**26 February 2023**	**27 February 2022**
Like-for-like sales growth[(1)]			
Group [(1)]	2.9%	4.8%	4.0%
Pick n Pay (South Africa and Rest of Africa)[(1)]	0.7%	4.0%	2.7%
Pick n Pay (South Africa)[(1)]	0.2%	3.5%	2.4%
Boxer[(1)]	8.1%	7.2%	7.9%
Like-for-like trading expenses growth[(2)]	5.5%	7.9%	4.0%
Rest of Africa constant currency sales growth[(3)]	12.5%	7.8%	8.4%
EBITDA (pre-IFRS 16)[(4)]	960.4	3,402.9	3,339.6
Net debt/(net cash)[(5)]	6,061.6	3,671.6	377.8
Net debt/(net cash) to EBITDA (pre-IFRS 16) ratio[(4)(5)]	6.3x	1.1x	0.1x
Headline (loss)/earnings[(6)]	(979.0)	1,246.2	1,258.9
Headline (loss)/earnings per share[(6)]	(203.06) cents	259.25 cents	262.59 cents
Comparable headline (loss)/earnings[(6)]	(1,228.1)	1,269.6	1,284.0
Comparable headline (loss)/earnings per share[(6)]	(254.72) cents	264.12 cents	267.84 cents

(1) The following presents a reconciliation from turnover (computed in accordance with IFRS) to like-for-like sales growth for the Pick n Pay (South Africa and Rest of Africa), Pick n Pay (South Africa) and Boxer on a historical basis for each of the periods indicated.

	52 weeks to						
	25 February 2024			26 February 2023			
(ZAR millions, unless stated otherwise)	**Total turnover**	**Not like-for-like**	**Like-for-like**	**Total turnover**	**Not like-for-like**	**Like-for-like**	**Like-for-like % growth**
Pick n Pay sales (South Africa and Rest of Africa)	74,876	(591)	74,285	74,665	(886)	73,779	0.7%
o/w Pick n Pay sales (South Africa)	71,264	(549)	70,715	71,372	(831)	70,541	0.2%
Boxer sales	37,419	(3,083)	34,336	31,897	(134)	31,763	8.1%
Group turnover	**112,295**	**(3,674)**	**108,621**	**106,562**	**(1,020)**	**105,542**	**2.9%**

	52 weeks to						
	26 February 2023			27 February 2022			
(ZAR millions, unless stated otherwise)	**Total turnover**	**Not like-for-like**	**Like-for-like**	**Total turnover**	**Not like-for-like**	**Like-for-like**	**Like-for-like % growth**
Pick n Pay sales (South Africa and Rest of Africa)	74,665	1,644	76,309	71,290	2,104	73,394	4.0%
o/w Pick n Pay sales (South Africa)	71,372	1,729	73,101	68,450	2,204	70,654	3.5%
Boxer sales	31,897	(3,780)	28,117	26,583	(344)	26,239	7.2%
Group turnover	**106,562**	**(2,136)**	**104,426**	**97,873**	**1,760**	**99,633**	**4.8%**

(ZAR millions, unless stated otherwise)	52 weeks to 27 February 2022 Total turnover	Not like-for-like	Like-for-like	28 February 2021 Total turnover	Not like-for-like	Like-for-like	Like-for-like % growth
Pick n Pay sales (South Africa and Rest of Africa)	71,290	(2,429)	68,861	69,269	(2,208)	67,061	2.7%
o/w Pick n Pay sales (South Africa)	68,450	(2,316)	66,134	66,632	(2,056)	64,576	2.4%
Boxer sales	26,583	(2,530)	24,053	23,810	(1,517)	22,293	7.9%
Group turnover	**97,873**	**(4,959)**	**92,914**	**93,079**	**(3,725)**	**89,354**	**4.0%**

(2) The following presents a reconciliation from trading expenses (computed in accordance with IFRS) to like-for-like trading expenses growth for the Group on a historical basis for each of the periods indicated.

(ZAR millions, unless stated otherwise)	52 weeks to 25 February 2024 Total	Not like-for-like	Like-for-like	26 February 2023 Total	Not like-for-like	Like-for-like	Like-for-like % growth
Trading expenses(*)	**22,548**	**(1,611)**	**20,937**	**20,154**	**(317)**	**19,837**	**5.5%**

* Like-for-like trading expenses growth for the 52 weeks ended 25 February 2024 excludes the ZAR434.8 million increase in credit loss allowance and the ZAR307 million employee restructuring cost incurred during the period.

(ZAR millions, unless stated otherwise)	52 weeks to 26 February 2023 Total	Not like-for-like	Like-for-like	27 February 2022 Total	Not like-for-like	Like-for-like	Like-for-like % growth
Trading expenses	**20,154**	**(1,117)**	**19,037**	**18,015**	**(368)**	**17,647**	**7.9%**

(ZAR millions, unless stated otherwise)	52 weeks to 27 February 2022 Total	Not like-for-like	Like-for-like	28 February 2021 Total	Not like-for-like	Like-for-like	Like-for-like % growth
Trading expenses(*)	**18,015**	**(943)**	**17,071**	**17,295**	**(878)**	**16,417**	**4.0%**

* Like-for-like trading expenses growth for the 52 weeks ended 27 February 2022 excludes the ZAR250 million of once-off employee costs incurred during the period.

(3) The following presents a reconciliation from segmental turnover from customers in the Group's Rest of Africa division (computed in accordance with IFRS) to Rest of Africa constant currency sales from customers growth on a historical basis for each of the periods indicated.

(ZAR millions, unless stated otherwise)	52 weeks to 25 February 2024	26 February 2023	% growth
Rest of Africa – segmental turnover	4,210	3,840	
Direct deliveries(*)	1,390	1,246	
Rest of Africa sales from customers	**5,600**	**5,086**	**10.1%**
Constant currency adjustment(**)	n/a	(108)	
Rest of Africa sales based on constant currency	**5,600**	**4,978**	**12.5%**

* Direct deliveries are deliveries made directly to the Rest of Africa franchisees by in-country suppliers, in those countries where the Group does not have a statutory presence. These deliveries do not qualify as turnover, in accordance with IFRS, but are included in the Rest of Africa segmental sales from customers for the purposes of the Group's review of the Rest of Africa segment. In those countries where the Group has a statutory presence, direct deliveries are included in reported turnover.

** The average Zambia kwacha exchange rate to the South African rand for FY2024 was 1.14 (FY2023: 1.02) and the average Botswana pula exchange rate to the South African rand for FY2024 was 0.72 (FY2023: 0.75).

(ZAR millions, unless stated otherwise)	52 weeks to 26 February 2023	52 weeks to 27 February 2022	% growth
Rest of Africa – segmental turnover	3,840	3,338	
Direct deliveries(*)	1,246	1,101	
Rest of Africa sales from customers	**5,086**	**4,439**	**14.6%**
Constant currency adjustment(**)	n/a	278	
Rest of Africa sales based on constant currency	**5,086**	**4,717**	**7.8%**

* Direct deliveries are deliveries made directly to the Rest of Africa franchisees by in-country suppliers, in those countries where the Group does not have a statutory presence. These deliveries do not qualify as turnover, in accordance with IFRS, but are included in the Rest of Africa segmental sales from customers for the purposes of the Group's review of the Rest of Africa segment. In those countries where the Group has a statutory presence, direct deliveries are included in reported turnover.

** The average Zambia kwacha exchange rate to the South African rand for FY2023 was 1.02 (FY2022: 1.27) and the average Botswana pula exchange rate to the South African rand for FY2023 was 0.75 (FY2022: 0.75).

(ZAR millions, unless stated otherwise)	52 weeks to 27 February 2022	52 weeks to 28 February 2021	% growth
Rest of Africa – segmental turnover	3,338	3,160	
Direct deliveries(*)	1,101	1,067	
Rest of Africa sales from customers	**4,439**	**4,227**	**5.0%**
Constant currency adjustment(**)	n/a	(132)	
Rest of Africa sales based on constant currency	**4,439**	**4,095**	**8.4%**

* Direct deliveries are deliveries made directly to the Rest of Africa franchisees by in-country suppliers, in those countries where the Group does not have a statutory presence. These deliveries do not qualify as turnover, in accordance with IFRS, but are included in the Rest of Africa segmental sales from customers for the purposes of the Group's review of the Rest of Africa segment. In those countries where the Group has a statutory presence, direct deliveries are included in reported turnover.

** The average Zambia kwacha exchange rate to the South African rand for FY2022 was 1.27 (FY2021: 1.18) and the average Botswana pula exchange rate to the South African rand for FY2022 was 0.75 (FY2021: 0.69).

(4) The following presents a reconciliation from (loss)/profit before tax (computed in accordance with IFRS) to EBITDA (pre-IFRS 16) for the Group on a historical basis for each of the periods indicated. Individual line items have been computed in accordance with IFRS. The calculation of EBITDA (pre-IFRS 16) is considered to be *pro forma* financial information in terms of the Listings Requirements and has been prepared to provide a more consistent EBITDA view. IFRS 16 (leases) removes the straight-line rent cost previously recognised in respect of operating leases under IAS 17 and replaces the cost with depreciation on right-of-use assets and interest charged on outstanding lease liabilities, and thereby effectively removes it from the EBITDA calculation where it was previously included. The calculation of EBITDA (pre-IFRS 16) has been prepared for illustrative purposes only and because of its nature, it may not fairly present the Group's financial position, changes in equity, results of operations or cash flows. The calculation of EBITDA (pre-IFRS 16) is presented in accordance with the Listings Requirements and The Guide on Pro forma Financial Information, issued by SAICA. The calculation of EBITDA (pre-IFRS 16) is the responsibility of the Directors. Ernst & Young have issued an independent auditor's report on the calculation of EBITDA (pre-IFRS 16), as included in Annexure 4 to this Circular. The starting point, and all adjustments thereto, have been extracted, without adjustment, from the Audited Financial Statements.

(ZAR millions)	52 weeks to 25 February 2024	52 weeks to 26 February 2023	52 weeks to 27 February 2022
(Loss)/profit for the period	**(3,190.1)**	**1,169.9**	**1,214.5**
Loss on capital items	2,723.1	92.6	46.2
Share of associate's earnings	(211.5)	(75.0)	(71.6)
Other finance income	93.0	63.8	50.7
Lease liability payments	(4,140.7)	(3,869.8)	(3,452.8)
Net investment in lease receipts	545.0	506.0	483.9
Lease incentives	49.5	89.6	52.0
Earnings	**(4,131.7)**	**(2,022.9)**	**(1,677.1)**
Finance costs	2,442.6	1,773.9	1,674.9
Funding finance costs	836.2	431.4	341.0
Leases finance costs	1,606.4	1,342.5	1,333.9
Finance income	(422.5)	(451.1)	(524.5)
Funding finance income	(227.4)	(260.3)	(319.6)
Lease finance income	(195.1)	(190.8)	(204.9)
Tax	(956.6)	537.7	547.0
Depreciation on property, plant and equipment	1,521.9	1,320.5	1,216.0
Depreciation on right of use asset	2,395.2	2,148.2	1,979.9
Amortisation on intangible assets	111.5	96.6	123.4
EBITDA (pre-IFRS 16)	**960.4**	**3,402.9**	**3,339.6**

(5) The following presents a reconciliation from cash and cash equivalents and bank overdraft and overnight borrowings and borrowings (computed in accordance with IFRS) to net debt/(net cash) for the Group on a historical basis for each of the periods indicated.

(ZAR millions, unless stated otherwise)	As at 25 February 2024	 26 February 2023	 27 February 2022
Cash and cash equivalents	(5,383.2)	(1,997.8)	(6,425.3)
Bank overdraft and overnight borrowings	5,178.7	2,800.0	2,800.0
Borrowings – current	1,766.1	2,869.4	4,003.1
Borrowings – non-current	4,500.0	–	–
Net debt/(net cash)	**6,061.6**	**3,671.6**	**377.8**
Net debt/(net cash) to EBITDA (pre-IFRS 16) ratio	**6.3x**	**1.1x**	**0.1x**

(6) The following presents a reconciliation from (loss)/profit for the period – basic earnings for the period (computed in accordance with IFRS) to headline (loss)/earnings for the period, comparable headline (loss)/earnings for the period, headline (loss)/earnings per share and comparable headline (loss)/earnings per share for the Group on a historical basis for each of the periods indicated. All individual line items have been computed in accordance with IFRS.

(ZAR millions, unless stated otherwise)	52 weeks to 25 February 2024	 26 February 2023	 27 February 2022
(Loss)/profit for the period – basic earnings for the period	**(3,190.1)**	**1,169.9**	**1,214.5**
Adjustments:	2,211.1	76.3	44.4
(Profit)/loss on disposal of assets	(368.7)	33.9	(31.6)
Tax effect of profit/(loss) on disposal of assets	53.3	(9.5)	3.5
Loss from impairments and scrapping of assets	2,838.2	66.8	273.6
Tax effect of loss from impairments and scrapping of assets	(565.3)	(10.7)	(63.9)
Insurance recoveries on scrapping of assets due to civil unrest	–	(13.8)	(210.5)
Tax effect of insurance recoveries on scrapping of assets due to civil unrest	–	3.9	58.9
Impairment loss on investment in associate	253.6	5.7	14.4
Headline (loss)/earnings for the period	**(979.0)**	**1,246.2**	**1,258.9**
Share of associate's hyperinflation net monetary adjustments under IAS29	(249.1)	23.4	25.1
Comparable headline (loss)/earnings for the peri**od**	**(1,228.1)**	**1,269.6**	**1,284.0**
Weighted average number of ordinary shares in issue (excluding treasury shares)	482,131,800	480,702,100	479,389,300
Headline (loss)/earnings per share	**(203.06) cents**	**259.25 cents**	**262.59 cents**
Comparable headline (loss)/earnings per share	**(254.72) cents**	**264.12 cents**	**267.84 cents**

9. OPERATING AND FINANCIAL REVIEW

The following review of the Group's financial position and operating results should be read in conjunction with the financial information of the Group included elsewhere in this Circular, "Important Information–Presentation of Financial Information," "6 Risk Factors," "10 Business Description" and the respective financial statements and related notes which have been prepared in accordance with IFRS and included in this Circular.

This review contains forward-looking statements based on current expectations and assumptions about the Group's future business. The actual results of the Group may differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below and elsewhere in this Circular, including under "6 Risk Factors" and "Certain Forward-looking Statements."

9.1 Overview

The Group is one of South Africa's leading multi-format and omni-channel retailers, operating on an owned and franchise basis. As at 25 February 2024, the Group operates a flexible and diverse portfolio of stores and online platforms, providing a broad food, grocery, liquor, general merchandise, clothing and value-added services offer across eight countries in the African continent. The Group, which is headquartered in Cape Town, has a portfolio of 1,484 Company-owned stores and 722 franchise stores, operating through multiple formats under two main trading banners, Pick n Pay and Boxer.

Turnover for the 52 weeks ended 25 February 2024 increased to ZAR112.3 billion (52 weeks ended 26 February 2023: ZAR106.6 billion) and profit for the period decreased to an after tax loss of ZAR3,190.1 million (52 weeks ended 26 February 2023: profit after tax of ZAR1,169.9 million). Headline earnings per share dropped to a loss of 203.06 cents per share (52 weeks ended 26 February 2023: profit of 259.25 cents per share).

9.2 Current Trading and Prospects

Group total turnover growth for the first twelve weeks of the 2025 financial year was 4.2%, slightly below the 5.4% growth recorded for the 52 weeks ended 25 February 2024, but like-for-like ("**LFL**") turnover growth, also at 4.2%, was ahead of the 2.9% LFL growth in the 52 weeks ended 25 February 2024. Pick n Pay's total turnover for the period declined slightly as a result of store closures. Importantly, LFL turnover growth for Pick n Pay increased compared to the 52 weeks ended 25 February 2024, driven by sequential monthly improvements in company-owned stores, as execution of the strategy gains traction.

9.3 Key Factors Affecting Results of Operations

The Group's results of operations are affected by a variety of factors. Set out below is a discussion of the most significant factors that have affected the Group's results in the periods under review and which it expects may affect the financial results in the future. Factors other than those set forth below could also have a significant impact on the Group's results of operations and financial position.

9.3.1 Consumer demand, competition and macroeconomic conditions in South Africa and other regions in which the Group operates

The Group's results of operations are affected by the economic and political conditions in the regions in which the Group operates and specifically conditions in South Africa. Additionally, changes in macroeconomic conditions in South Africa, as well as in other regions in which the Group operates, including the GDP growth rate, unemployment rate, wages (including minimum wages), social grants, levels of load-shedding, individual consumption, consumer confidence, interest rates, inflation, access to credit, availability of foreign exchange and currency devaluations, could impact the overall affluence of the society, consumers' purchasing power and disposable income, thus shaping consumer spending habits. These factors also affect the Group's product prices, cost of overheads and value of sales, and thereby affect its financial performance.

In particular, the Group's results of operations are correlated with the general condition of the retail market, which is in turn affected by inflation and the GDP growth rate of the regions in which the Group operates. South Africa remains the Group's largest geographic market. In the 52 weeks ended 25 February 2024, South Africa contributed 96.3% to the Group's total turnover. For this reason, South Africa's macroeconomic conditions, driven by the economic environment in the region and the global economy, have significant importance for the Group's operating results. South Africa delivered GDP growth rate of 1.9% in calendar year 2022 and 0.6% in calendar year 2023. On 8 March 2023, S&P Global downgraded South Africa's sovereign credit rating outlook to "stable" from "positive," citing infrastructure constraints and a severe power crisis. This followed Moody's downgrade of South Africa's sovereign credit rating on 27 March 2020 to the non-investment grade credit rating of Ba1, due to the continuing deterioration in fiscal strength and structurally weak growth, and Moody's further downgrade of South Africa's sovereign credit rating to Ba2 on 20 November 2020. Fitch re-affirmed South Africa's rating as BB- with stable outlook in January 2024.

South Africa has also faced challenging inflationary conditions in recent years, with the consumer price index ("**CPI**") for food inflation having increased by an average rate of around 9% over the past three years. Commodity products, in particular cereals and grains, saw the highest increases in externally driven inflation, with the annual increase in bread and cereal products reaching almost 14% in 2023. Furthermore, transport inflation had a significant impact due to double-digit fuel inflation. As a result, consumers remained under severe pressure as purchasing power eroded. The Group's ability to pass through such increases, as well as increases in operating costs, specifically the costs related to load-shedding to its customers is limited due to the highly competitive market in which the Group operates. Absorbing such increased costs led to a contraction in the Group's net profit margin, particularly in the Pick n Pay Supermarkets business, as inflation grew faster than the Group's volumes, which remained flat or, at times, contracted. This, in turn, resulted in reduced levels of cash generated from operating activities and affected the Group's competitive position and results of operations.

9.3.2 **Competitive environment**

The Group operates in a fiercely contested retail market, characterised by well-capitalised and competitive traditional grocers, and a shift away from brick-and-mortar stores to online purchasing.

The market structure is highly oriented towards traditional supermarkets, with discounter market share remaining low. However, the Group expects discounters to increase their penetration of the market over time, led by the Group's Boxer business.

Slow economic growth has had the effect of heightening competitive intensity as retailers have competed harder for existing customer spend, and consumers have increasingly focused on price. The result has been increased price competition and an increase of promotional sales as a percentage of overall turnover (promotional participation), both of which pressurise gross profit margins and, as a result of the Group's sensitivity to changes in its gross profit margin, materially affected the Group's results of operations in the period under review.

The shift towards online purchasing in the South African grocery market has been led by the growth of on-demand grocery delivery services, which typically deliver groceries within one hour of placing the order. The Group's offerings on-demand online category, Pick n Pay asap! and Pick n Pay groceries on the Takealot Group's Mr D app, are showing strong growth, driving on-demand turnover growth of 102.3% for the 52 weeks ended 25 February 2024 and over 100% in the 52 weeks ended 26 February 2023. The Group's total online turnover grew by 74.4% in the 52 weeks ended 25 February 2024 and 72.0% in the 52 weeks ended 26 February 2023.

Across all of the Group's market channels, it competes with retailers and other operators for customers, employees, locations, products and other important aspects of the Group's business. The Group's success depends on its ability to differentiate itself from its competitors and to compete effectively against them on product selection, quality, price, convenience of location, consistency of in-store execution, customer service, and overall shopping experience.

9.3.3 **Trading expenses**

The Group's results of operations are materially impacted by the increase in its trading expenses relative to its turnover growth. At ZAR22.5 billion, Group trading expenses amounted to 20.1% of turnover for the 52 weeks ended 25 February 2024, compared to 18.9% for the 52 weeks ended 26 February 2023. Trading expenses increased by 11.9% in that period (compared to a 5.4% growth in turnover), and 11.9% in the 52 weeks ended 26 February 2023. Trading expenses growth for the 52 weeks ended 25 February 2024 was impacted by ZAR307 million of once-off employee restructuring costs and a ZAR434.8 million incremental increase in the trade and other receivables provisions for expected credit losses, which related to franchise debtors, all in the Pick n Pay segment. If both of these are excluded trading expenses increased by 8.2% (like-for-like 5.5%). Load-shedding costs remain a major cost strain for the Group.

Load-shedding

Load-shedding is a major impediment to South Africa's overall macro-economic growth. The energy crisis is particularly challenging for food retailers, due to their reliance on electricity in part to keep the stores operational and food chilled and safe.

In response to load-shedding, the Group has ensured that all its stores are equipped with backup power in the form of diesel generators (and backup battery power for Pick n Pay Clothing stores). However, severe load-shedding creates significant challenges. The Group incurred total diesel costs to run generators of ZAR698 million in the 52 weeks ended 25 February 2024, up 7.1% on the ZAR652 million spent in the 52 weeks ended 26 February 2023. The Group incurred net incremental energy costs of ZAR38 million during the 52 weeks ended 25 February 2024, compared to ZAR430 million for the 52 weeks ended 26 February 2023, such decrease owing to the fact that incremental energy costs are now largely part of the Group's cost base. This incremental energy cost consists of the annual increase in diesel costs required to run the generators to keep stores powered during load-shedding, net of the electricity savings as a result of not taking power from the grid (on average, a diesel generator is five-to-six times more costly than electricity, per kilowatt hour of energy utilised).

In response, the Group has developed an energy resilience plan to mitigate energy costs. The plan includes tighter store disciplines to be even more energy-conscious, accelerated investment in low-energy LED lighting, and more efficient refrigeration. In addition, the Group is engaging in negotiations with landlords to maximise solar installations and the provision of renewable electricity to the Group's stores as well as making the case to government for diesel tax rebates.

As per Eskom data, load-shedding levels reduced substantially in March, April, May and June 2024, cumulatively down 85% year-on-year for these two months. It is unclear to the Group whether this substantially lower level of load-shedding will continue for the foreseeable future, but if these lower levels of load-shedding are sustained, this would likely result in a substantial cost saving for the Group given the ZAR698 million the Group spent on diesel costs from running generators in the 52 weeks ended 25 February 2024.

Employee costs

Employee costs represent the Group's largest single cost line and include salaries and wages, staff benefits and training. For the 52 weeks ended 25 February 2024, employee costs increased by 7.8% to ZAR9,000.0 million compared to ZAR8,347.9 million and ZAR7,836.3 million for the 52 weeks ended 26 February 2023 and 27 February 2022, respectively. The increases in these costs in the 52 weeks ended 25 February 2024 were driven by restructuring costs, primarily relating to the Voluntary Severance Programme and Junior Store Management restructuring programme. Excluding these restructuring costs, underlying employee cost growth of 4.5% was well contained despite the accelerated Boxer and Pick n Pay Clothing store rollout, reflecting tight employee cost control, particularly in Pick n Pay's South African operations.

The Group's employee costs, specifically in the Pick n Pay segment, remain a focus area for the Group as these costs limit the Group's ability to compete effectively. Non-optimal labour productivity in the Pick n Pay segment relative to competitors drives such costs upwards. In addition, the Group is currently addressing the Pick n Pay segment's customer service levels, which it considers to be below potential, and inconsistent in-store execution relative to remuneration and benefits.

9.3.4 **Indebtedness and interest rate environment**

The Group is highly leveraged and will have significant debt service obligations absent the Recapitalisation Plan (see "*–9.3.6 Two-step recapitalisation plan*"). All of the Group's debt service costs periodically adjust up or down to reflect economic or financial conditions, linked either to 3-month JIBAR or the Prime interest rate, both of which are driven by the South African Reserve Bank's Repo rate. The Repo rate is currently at 8.25%, up from a cyclical low of 3.5% which extended from mid-2020 to late-2021. The Repo rate has been flat since May 2023, suggesting that South African rates may be peaking, in line with expectations for global interest rates.

The Group's net debt/(net cash) increased to ZAR6.1 billion as at 25 February 2024 from ZAR3.7 billion as at 26 February 2023, while in the same period its net debt/(net cash) to EBITDA (pre-IFRS 16) ratio increased to 6.3x from 1.1x. The decline in the Pick n Pay segment's earnings from a trading profit of ZAR1,285.2 million in the 52 weeks ended 26 February 2023 to a trading loss of ZAR1,543.7 million in the 52 weeks ended 25 February 2024, which resulted from its trading expenses growth rate outpacing its turnover and gross profit growth rate, placed significant pressure on Group long-term debt covenants, and alongside the escalation in the Group's long-term debt materially affected the Group's liquidity.

The Group engaged with its long-term funders and was able to secure a full covenant waiver for the twelve-month period ended February 2024, with revised, less restrictive covenants for the twelve-month period ending in August 2024. In addition, the Group was able to secure a multilateral Restructuring Support Agreement with all its short-term and long-term funders in May 2024 to secure the availability of its debt facilities until 1 September 2025 (as described in further detail in "*14 Additional Information–14.4 Material Funding Agreements–14.4.1 Restructuring Support Agreement*").

9.3.5 **Impairment**

The Group raised additional long-term debt in the 52 weeks ended 25 February 2024 to fund capital investment under its previous long-term strategy. Investment in the Group's Boxer, Pick n Pay Clothing and Online divisions generated growth, however severe under-performance in the Group's core Pick n Pay Supermarkets business resulted in negative investment returns and a substantial trading loss in the Pick n Pay division of ZAR1,543.7 million, compared to a profit of ZAR1,285.2 million in the previous year. As a result of the losses incurred and the significant year-on-year decline in profitability, management reviewed the fair value of the underlying Pick n Pay Supermarkets store tangible and intangible assets and identified the need for a non-cash asset impairment amounting to ZAR2.8 billion relating to the Pick n Pay Supermarkets store assets. The impairment, which covers tangible and intangible assets, including right-of-use and physical store assets, has two components:

- ZAR1.8 billion impairment of assets of selected loss-making company-owned Pick n Pay stores which will be closed or converted to Pick n Pay franchises or Boxer stores under Pick n Pay's strategic plan. These closures and conversions will enhance the store estate and reduce the impact of loss-making company-owned Pick n Pay stores on ongoing Group profitability; and
- ZAR1.0 billion impairment of selected underperforming company-owned stores that will remain open. This reflects the revaluation of the assets of stores where the expected profitability is below the value of assets, but where the Group has chosen to retain the stores and drive improved performance over time.

9.3.6 **Two-step recapitalisation plan**

In response to the Group's rising net debt/(net cash) of ZAR6.1 billion at 25 February 2024, the risk of breaching its previous syndicated loan and bilateral loan covenants, as well as the desire to develop a sustainable capital structure for the Group which would reduce debt levels, provide sufficient support for investment in the turnaround of Pick n Pay and unlock shareholder value, through the listing of the Boxer business to ensure Boxer is accorded a market value which appropriately reflects its growth potential and return on invested capital, the Group announced on SENS and ANS on 22 February 2024 that the Board had approved a two-step recapitalisation plan (the "**Recapitalisation Plan**"). This Recapitalisation Plan comprises the Rights Offer, followed by an offering and listing of the Group's Boxer business on the Main Board of the Johannesburg Stock Exchange (the "**Boxer IPO**"). Please refer to "*2 Background to and Rationale for the Rights Offer.*"

The final decision on the total size of the Recapitalisation Plan has not yet been determined. This will ultimately be decided by the Board, in conjunction with the Group's advisers. The Group has indicatively guided that the total size of the Recapitalisation Plan is between ZAR10 billion and ZAR12 billion, implying a potential Boxer IPO capital raise of between ZAR6 billion and ZAR8 billion. The final decision on the Boxer IPO size will be influenced by a number of factors including:

- Group debt to be paid down by the Boxer IPO. The Group will pay down all remaining debt immediately subsequent to the Boxer IPO, except to the extent that lenders elect to provide ongoing working capital facilities beyond the Boxer IPO;
- Pick n Pay Supermarkets restructuring costs that will be borne in order to execute the "Reset of the Store Estate" component of the strategic plan;
- Post-Boxer IPO Pick n Pay capital investment that will be required to rejuvenate the Pick n Pay company-owned store estate;
- Boxer's proposed capital structure on listing; and
- The optimal post-listing free-float and aftermarket trading of the Boxer listed shares.

The Group's intention is to adequately address the above-mentioned capital requirements whilst simultaneously minimising the portion of Boxer to be sold and thus maximise post-IPO Boxer value accruing to Pick n Pay and its shareholders. The Group anticipates retaining a majority stake in Boxer post the Boxer IPO, while creating a free-float that supports liquidity to maximise value at the implementation of the Boxer IPO. The Group anticipates that the Boxer IPO will take place towards the end of 2024.

9.4 Key Factors Affecting Comparability of Results of Operations

9.4.1 Franchise model

While the Group's Boxer segment only has company-owned stores and will continue with this operating model going forward, the franchise model is a meaningful component of the Group's Pick n Pay segment. The Group had 722 franchise stores as at 25 February 2024, accounting for 33% of the Group's 2,206 stores, and 41.7% of the Group's 1,729 Pick n Pay stores (excluding Boxer and TM Supermarkets).

The Group sources product and sells to franchisees on a wholesale basis and generates royalty fees from franchisees. The success of the franchise model is dependent on the Group's ability to attract and retain competent franchisees; the ability of the franchisees to profitably run stores; and the Group's ability to generate appropriate returns from wholesale margins and royalty fees. The South African grocery retail franchise model has come under some stress in recent years as a result of a generally more competitive food and grocery retail market (which has impacted gross profit margins for the franchisor and franchisee) and inflation of franchisee operating costs, particularly diesel costs to run generators during load-shedding.

In the first half of the 2024 financial year, the Group embarked on a collaborative journey with its franchisees to modernise the franchise agreement and ensure the Group continued to offer the best franchise model in South Africa. The core element of the new franchise model currently being trialled is a higher purchasing rebate to the Group's franchisees to encourage them to increase loyalty by increasing purchases through the Group's centralised supply chain in exchange for a higher franchisee fee (royalty). The objective of the model change is the creation of a mutually beneficial model through an increased franchisee loyalty rate whereby franchisees gain through a reduced purchase price from Pick n Pay and can thus operate more profitably, and a benefit to Pick n Pay brought about by higher volumes through its supply chain and increased royalty fees. The purchasing rebate is recorded against turnover and gross profit, and the royalty fee is recorded in other income. As a result, the Group's gross profit margin is impacted by the franchise model change, with an offsetting increase in franchise income, recorded within other income. The overall impact of the model change is broadly neutral for the Group.

9.4.2 Once-off employee restructuring costs

The Group has embarked on a number of employee restructuring initiatives over the past few years in order to right-size its workforce and improve overall productivity and efficiency. The Group incurred once-off employee restructuring costs of ZAR307 million in the 52 weeks ended 25 February 2024 arising from a voluntary severance programme and Junior Store Management restructuring programme.

9.4.3 Duplicated supply chain costs

The Group incurred ZAR116 million of once-off duplicated supply chain costs in the 52 weeks ended 25 February 2024 related to its move from its Longmeadow distribution centre in Gauteng to its larger and more modern Eastport facility.

9.4.4 Additional trade and other receivables provisioning

The Group's expected credit loss allowance increased by ZAR434.8 million to ZAR633.7 million in the 52 weeks ended 25 February 2024, partly due to a R201 million provision increase on the Group's Botswana franchise receivable and additional provisioning across the Group's remaining franchise book, considered prudent in the current economic climate. The credit loss allowance included in the statement of comprehensive income equated to 12.8% of gross trade receivables, compared to 4.1% and 2.0% in the 52 weeks ended 26 February 2023 and 27 February 2022, respectively.

9.4.5 **Interest costs**

Excluding interest received on trade receivables, the Group incurred incremental net debt service costs of ZAR466.9 million in the 52 weeks ended 25 February 2024, from increased gearing and higher interest rates as a result of a 100 basis point rise in the South African Reserve Bank's Repo between February 2023 and February 2024.

9.4.6 **Insurance recoveries relating to the losses incurred as a result of the July 2021 civil unrest**

As a result of the insurance recoveries received in connection with the July 2021 civil unrest, the financial statements of the Group may not be fully comparable from one period to another.

The Group received substantial insurance recoveries in connection with the losses it suffered as a result of the July 2021 civil unrest in the KwaZulu-Natal province, which amounted to ZAR958.7 million.

Such recoveries contributed ZAR748.2 million to the Group's other income for the 52 weeks ended 27 February 2022, and a further ZAR260.7 million to the Group's other income for the 52 weeks ended 26 February 2023.

Insurance recoveries for the losses incurred as a result of the July 2021 civil unrest affected the comparability of the Group's operations because (i) although the losses were incurred in the 52 weeks ended 27 February 2022, a part of the relevant insurance recoveries were not received until the next financial period, and (ii) the recording of losses incurred and insurance recoveries is spread across different line items; for example, the impact on sales was recorded as an effect on gross profit and insurance recoveries for such losses were recorded as other income, while damages to assets were recorded as capital losses on assets scrapped and monies received to replace these assets for such losses were recorded as a capital proceeds.

9.5 **Operating Segments**

The Group has two operating segments, namely Pick n Pay and Boxer, operating on the African continent.

9.5.1 **Pick n Pay**

The Pick n Pay operating segment includes all retail operations under the Pick n Pay brand, most notably including Pick n Pay Supermarkets, Pick n Pay Clothing, Pick n Pay Liquor, Pick n Pay asap! and Pick n Pay Express, operating under an omni-channel retail operation under an owned or franchise model, selling products such as food, groceries, general merchandise, clothing and liquor.

9.5.2 **Boxer**

The Boxer operating segment includes all retail operations under the Boxer brand, including Boxer Superstores, Boxer Superliquor and Boxer Build and selling products such as food, groceries, general merchandise and liquor.

9.6 **Key Statement of Comprehensive Income Line Items**

9.6.1 **Revenue**

Revenue is recognised when the Group satisfies performance obligations and transfers control of goods or services to its customers at an amount that reflects the consideration the Group expects to be entitled to in exchange for these goods or services, allocated to each specific performance obligation.

9.6.2 **Turnover**

Revenue from the sale of goods, or turnover, comprises sales to customers through its owned stores and the Group's supply arrangements. All turnover is stated exclusive of value added tax.

Turnover is recognised at a point in time when the Group transfers control of goods to its customer at the point of sale and is measured at the consideration received or receivable, net of returns, trade discounts, loyalty discounts and volume rebates. Discounts, rebates or loyalty payments to customers are deducted from turnover, unless it is directly funded by suppliers. Payment of the transaction price in respect of the sale of goods is due immediately when the customer purchases goods and takes delivery.

Turnover recognised through deferred revenue transactions (Smart Shopper loyalty programme, prepaid gift cards and refunds arising from virtual transactions) is not recognised at the time of the initial transaction, but is deferred and recognised as a contract liability (deferred revenue) when the consideration is received and recognised as turnover over time, as and when the Group's obligations are fulfilled.

Smart Shopper loyalty programme

The Group has a customer loyalty programme in South Africa, Smart Shopper, whereby customers are awarded with reward credits (loyalty points) which are effectively used as cash back against future purchases. Loyalty points granted to customers participating in the Smart Shopper loyalty programme provide rights to customers that are accounted for as separate performance obligations.

The consideration received in relation to the Smart Shopper loyalty programme transactions is allocated between the sale of goods supplied and the loyalty points granted. The consideration allocated to the loyalty points is measured by reference to their relative stand-alone selling price which is calculated as the amount for which the loyalty points could be separately sold, adjusted for an expected forfeiture rate. Such consideration is not recognised as turnover at the time of the sales transaction, but is recognised as a deferred revenue liability until the loyalty points have been redeemed or forfeited. The likelihood of redemption, based on judgement applied when determining the expected redemption rates, is reviewed on a regular basis and any adjustments to the deferred revenue liability is recognised in turnover. Please refer to Note 27 to the 2024 Audited Financial Statements.

9.6.3 **Gross profit**

Gross profit is the difference between the Group's turnover and the cost of goods sold. The cost of goods sold includes *inter alia* the net purchase price of products (net of rebates and other supplier incentive income), the cost of warehousing and distribution and product-specific marketing costs. All expenses related to the cost of goods sold are recognised as an expense when the associated revenue is recognised.

9.6.4 **Other income**

Other income is recognised as and when the Group satisfies its obligations in terms of the contract and includes income earned from the sale of Smart Shopper analytical data and the sale of advertising space through the Group's various advertising mediums.

9.6.5 **Trading expenses**

Trading expenses are recognised in the statement of comprehensive income when it is probable that an outflow of economic benefits associated with the transaction will occur and that it can be measured reliably. Expenditure relating to advertising and promotional activities are recognised as an expense when the Group has received such services.

9.6.6 **Trading profit/(loss)**

Trading profit/(loss) reflects the Group's profitability from its primary retail operations, excluding the effects of all financing, leasing and other non-operating items. Trading profit is calculated by subtracting operating expenses (selling, depreciation and amortisation, general, and administrative expenses) from gross profit and other income.

9.6.7 **Finance income and finance costs**

Finance income and costs reflects the Group's lease finance income and expenses, funding interest on borrowings and interest received on surplus funds.

9.6.8 **Profit before tax**

Profit before tax represents the Group's earnings before income tax is deducted. Profit before tax is calculated by taking the Group's total revenues and subtracting all operating expenses, including cost of goods sold, selling, general and administrative expenses, depreciation, amortisation, finance income and finance costs, share of associates earnings and capital items. Profit before tax reflects the Group's profitability before the impact of current and deferred tax charges.

9.6.9 **Profit for the period**

The Group's net profit for the financial year after the deduction of attributable income and deferred tax charges.

9.7 **Critical Accounting Policies**

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies, reported amounts and related disclosures.

Estimates and underlying assumptions related to critical judgements are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Significant areas of estimation, uncertainty and critical judgements made in applying the Group's accounting policies that potentially have a significant effect on the amounts recognised in the financial statements are set out in the Notes to the 2024 Audited Financial Statements.

9.8 **Results of Operations**

The following table sets out statement of comprehensive income line items for the 52 weeks ended 25 February 2024, 26 February 2023 and 27 February 2022, as extracted from the Group's consolidated financial statements incorporated by reference in this Circular.

	52 weeks to		
	25 February 2024	**26 February 2023**	**27 February 2022**
(ZAR millions)	**(audited)**	**(audited)**	**(audited)**
Revenue	**115,370.8**	**109,278.2**	**100,902.4**
Turnover	**112,294.8**	**106,561.8**	**97,872.8**
Cost of merchandise sold	(92,014.9)	(85,625.2)	(79,476.7)
Gross profit	**20,279.9**	**20,936.6**	**18,396.1**
Other income	**2,653.5**	**2,265.3**	**2,505.1**
Franchise fee income	1,021.8	447.7	428.3
Operating lease income	112.5	157.4	115.6
Commissions, dividend and other income	1,519.2	1,399.5	1,213.0
Insurance recoveries	–	260.7	748.2
Trading expenses	**(22,548.4)**	**(20,153.9)**	**(18,014.7)**
Employee costs	(9,000.0)	(8,347.9)	(7,836.3)
Occupancy	(3,439.1)	(3,054.2)	(2,662.1)
Operations	(6,117.5)	(5,384.3)	(4,535.1)
Merchandising and administration(1)	(3,358.1)	(3,168.6)	(2,891.5)
Expected credit loss allowance(1)	(633.7)	(198.9)	(89.7)
Trading profit	**385.0**	**3,048.0**	**2,886.5**
Finance income	422.5	451.1	524.5
Funding finance income	227.4	260.3	319.6
Leases finance income	195.1	190.8	204.9
Finance costs	(2,442.6)	(1,773.9)	(1,674.9)
Funding finance expense	(836.2)	(431.4)	(341.0)
Leases finance expense	(1,606.4)	(1,342.5)	(1,333.9)
Share of associate's earnings	211.5	75.0	71.6
(Loss)/profit before tax before capital items	**(1,423.6)**	**1,800.2**	**1,807.7**
Loss on capital items	(2,723.1)	(92.6)	(46.2)
Net profit/(loss) on disposal of assets	*368.7*	*(20.1)*	*241.8*
Loss from impairments	*(2,838.2)*	*(66.8)*	*(273.6)*
Impairment loss on investment in associate	*(253.6)*	*(5.7)*	*(14.4)*
(Loss)/profit before tax	**(4,146.7)**	**1,707.6**	**1,761.5**
Tax	956.6	(537.7)	(547.0)
(Loss)/profit for the period	**(3,190.1)**	**1,169.9**	**1,214.5**
Other comprehensive income, net of tax			
Items that will not be reclassified to profit or loss	37.0	(0.2)	25.4
Remeasurement in retirement scheme assets	*50.7*	*(1.6)*	*35.3*
Tax on items that will not be reclassified to profit or loss	*(13.7)*	*1.4*	*(9.9)*
Items that may be reclassified to profit or loss	(43.9)	(38.1)	16.2
Foreign currency translations	*(23.5)*	*(67.3)*	*19.0*
Movement in cash flow hedge	*(20.3)*	*29.7*	*(0.2)*
Tax on items that may be reclassified to profit or loss	*(0.1)*	*(0.5)*	*(2.6)*
Total comprehensive (loss)/income for the period	**(3,197.0)**	**1,131.6**	**1,256.1**

(1) Expected credit loss allowances, related to the Group's trade and other receivables, previously recorded within merchandising and administration expenses, are separately disclosed for the 52 weeks ended 25 February 2024.

9.8.1 **Comparison of the 52 weeks ended 25 February 2024 with the 52 weeks ended 26 February 2023**

Revenue

The Group increased its revenue to ZAR115,370.80 million for the 52 weeks ended 25 February 2024 from ZAR109,278.2 million for the 52 weeks ended 26 February 2023, an increase of ZAR6,092.6 million or 5.6%. Revenue growth was largely driven by the Boxer segment, which grew by 16.7%, partially offset by softer growth in Pick n Pay of 0.9% in the 52 weeks ended 25 February 2024.

Turnover

The Group increased its turnover to ZAR112,294.8 million for the 52 weeks ended 25 February 2024 from ZAR106,561.8 million for the 52 weeks ended 26 February 2023, an increase of ZAR5,733.0 million or 5.4%. Turnover growth was mostly driven by strong growth from the Boxer segment (17.3% growth in the 52 weeks ended 25 February 2024) that was partially offset by weaker growth in Pick n Pay of 0.3%, which included 17.0% growth in Pick n Pay Clothing during the same period.

Cost of merchandise sold

The Group increased its cost of merchandise sold to ZAR92,014.9 million for the 52 weeks ended 25 February 2024 from ZAR85,625.2 million for the 52 weeks ended 26 February 2023, an increase of ZAR6,389.7 million or 7.5%. The increase in cost of merchandise sold was primarily driven by lower year-on-year supplier incentives in Pick n Pay, the impact from the change in the interim franchise model, and once-off duplicated logistics costs of ZAR116 million incurred in connection with the transition from the Longmeadow distribution centre to Eastport.

Gross profit

The Group decreased its gross profit to ZAR20,279.9 million for the 52 weeks ended 25 February 2024 from ZAR20,936.6 million for the 52 weeks ended 26 February 2023, a decrease of ZAR656.7 million or 3.1%. The reported gross profit margin declined 1.5% to 18.1%. Excluding the 0.5% impact from the interim franchise model change (offset by increased franchise income recorded in other income) and the once-off duplicated logistics costs from the Longmeadow to Eastport distribution centre transition (0.1% gross profit margin impact), the underlying gross profit margin for the 52 weeks ended 25 February 2024 declined 0.9% year-on-year. The gross profit decline was driven by a decrease in turnover as a result of lower volumes and increased promotional participation, together with an increase in cost of merchandise sold as a result of lower supplier incentives.

Franchise fee income

The Group increased its franchise fee income to ZAR1,021.8 million for the 52 weeks ended 25 February 2024 from ZAR447.7 million for the 52 weeks ended 26 February 2023, an increase of ZAR574.1 million or 128.2%. Franchise fee income growth was largely driven by the change to the terms of the Group's franchise model in this financial period, which had a positive effect of ZAR564 million. Excluding this franchise model change, franchise fee income would have increased by 2.3%. When taking into account the negative impact on cost of merchandise sold, the impact of the changed franchise model on the Group's profit for the 52 weeks ended 25 February 2024 was broadly neutral.

Operating lease income

Operating lease income decreased to ZAR112.5 million for the 52 weeks ended 25 February 2024 from ZAR157.4 million for the 52 weeks ended 26 February 2023, a decrease of ZAR44.9 million or 28.5%. The decline was primarily driven by the sale of two retail shopping centres to improve the Group's gearing position, resulting in a reduction in lease income received from various tenants with the centres. This was largely offset by the reduction in funding interest paid.

Commissions, dividend and other income

The Group increased its commissions, dividend and other income to ZAR1,519.2 million for the 52 weeks ended 25 February 2024 from ZAR1,399.5 million for the 52 weeks ended 26 February 2023, an increase of ZAR119.7 million or 8.6%. Commissions, dividend and other income growth was mostly driven by growth in value-added services of 13.1% year-on-year. Specifically, financial services, especially retail banking, gained traction in Cash In and Out services and in-store money transfers.

Insurance recoveries

The Group's insurance recoveries of ZAR260.7 million related to once-off civil unrest insurance pay-outs received in the 52 weeks ended 26 February 2023 for losses that occurred in the 52 weeks ended 27 February 2022 which did not recur in the 52 weeks ended 25 February 2024.

Other income

The Group increased its other income to ZAR2,653.5 million for the 52 weeks ended 25 February 2024 from ZAR2,265.3 million for the 52 weeks ended 26 February 2023, an increase of ZAR388.2 million or 17.1%. Other income growth was primarily driven by the change to the franchise model, which was partially offset by the once-off ZAR260.7 million of insurance recoveries recorded in the 52 weeks ended 26 February 2023 that related to the 2021 civil unrest and which did not recur in the subsequent financial period. Excluding the net effect of these two factors, underlying other income growth was 4.2% as compared to the previous period.

Employee costs

The Group increased its employee costs to ZAR9,000.0 million for the 52 weeks ended 25 February 2024 from ZAR8,347.9 million for the 52 weeks ended 26 February 2023, an increase of ZAR652.1 million or 7.8%. Employee costs growth was primarily driven by the once-off restructuring costs from the Voluntary Severance Programme and Junior Store Management restructuring. The Group's employee cost growth was relatively contained despite the aggressive Boxer and Pick n Pay Clothing store rollout, reflecting the Group's effort at employee cost control, especially in Pick n Pay's South African operations.

Occupancy costs

The Group increased its occupancy costs to ZAR3,439.1 million for the 52 weeks ended 25 February 2024 from ZAR3,054.2 million for the 52 weeks ended 26 February 2023, an increase of ZAR384.9 million or 12.6%. Occupancy costs growth was largely driven by costs associated with the accelerated Boxer and Pick n Pay Clothing store rollouts, which included increased security costs, which grew by 14% year-on-year, and rates costs, which grew by 14.9% year-on-year. Insurance costs, which spiked post the July 2021 civil unrest, are now in the Group's cost base, having increased by low single-digits in the 52 weeks ended 25 February 2024.

Operations costs

The Group increased its operations costs to ZAR6,117.5 million for the 52 weeks ended 25 February 2024 from ZAR5,384.3 million for the 52 weeks ended 26 February 2023, an increase of ZAR733.2 million or 13.6%. Operations costs growth was mostly driven by net energy costs, including diesel to run generators and electricity, which increased by 10.0% in the 52 weeks ended 25 February 2024, following a 43.1% increase in the 52 weeks ended 26 February 2023, as the high costs of loadshedding are now largely included in the baseline. The Group incurred total diesel costs to run generators of ZAR698 million, a year-on-year increase of 7.1%. Energy savings initiatives resulted in annual savings of ZAR226 million. Key drivers of cost growth within operations included repairs and maintenance, which grew by 18.2% year-on-year as the Group focussed on maintaining the store estate, and depreciation and amortisation, which grew by 14.4% year-on-year.

Merchandising and administration expenses

The Group increased its merchandising and administration expenses to ZAR3,358.1 million for the 52 weeks ended 25 February 2024 from ZAR3,168.6 million for the 52 weeks ended 26 February 2023, an increase of ZAR189.5 million or 6.0%. Merchandising and administration expenses growth was mostly driven by carefully controlled variable expenses, while focussing on ensuring an increase in the Group's effectiveness of its communication with the market, specifically in relation to Pick n Pay.

Expected credit loss allowance

The Group increased its expected credit loss allowance to ZAR633.7 million for the 52 weeks ended 25 February 2024 from ZAR198.9 million for the 52 weeks ended 26 February 2023, an increase of ZAR434.8 million or 218.6%. Expected credit loss allowance was partly due to a ZAR201 million provision increase on the Botswana master franchise and additional provisioning across the Group's franchise book, which the Group considered prudent in the current economic climate.

Trading expenses

The Group increased its trading expenses to ZAR22,548.4 million for the 52 weeks ended 25 February 2024 from ZAR20,153.9 million for the 52 weeks ended 26 February 2023, an increase of ZAR2,394.5 million or 11.9%. Excluding the ZAR434.8 million credit loss allowance increase and the ZAR307 million employee restructuring cost incurred during the period, underlying trading expenses growth was 8.2%, and like-for-like trading expenses growth was 5.5%, as compared to the previous period.

Trading profit

The Group decreased its trading profit to ZAR385.0 million for the 52 weeks ended 25 February 2024 from ZAR3,048.0 million for the 52 weeks ended 26 February 2023, a decrease of ZAR2,663 million or 87.4%. The trading profit decline was primarily driven by the ZAR1,543.7 million trading loss for Pick n Pay, partly offset by a ZAR1,928.7 million trading profit for Boxer. Pick n Pay's trading loss was due to a confluence of factors, primarily (a) the soft 0.3% turnover growth falling well below underlying operating cost growth and thus driving negative operating leverage, (b) gross profit margin contraction (including duplicated costs incurred during the Longmeadow to Eastport handover), (c) the employee restructuring costs, and (d) the increase in the franchise debtors provision. Boxer's trading profit was driven by underlying trading profit growth of 21.1% growth, excluding the effect of ZAR170 million of non-recurring insurance recoveries in the 52 weeks ended 26 February 2023.

Finance income

The Group decreased its finance income to ZAR422.5 million for the 52 weeks ended 25 February 2024 from ZAR451.1 million for the 52 weeks ended 26 February 2023, a decrease of ZAR28.6 million or 6.3%. Finance income decline was largely driven by the factors influencing funding finance income and leases finance income set out below.

Funding finance income

The Group decreased its funding finance income to ZAR227.4 million for the 52 weeks ended 25 February 2024 from ZAR260.3 million for the 52 weeks ended 26 February 2023, a decrease of ZAR32.9 million or 12.6%. Funding finance income decline was largely driven by a reduction in average surplus cash invested in the year as a result of a decrease in arbitrage between funding interest received and funding interest paid and less surplus cash, due to increased average debt.

Leases finance income

The Group increased its leases finance income to ZAR195.1 million for the 52 weeks ended 25 February 2024 from ZAR190.8 million for the 52 weeks ended 26 February 2023, an increase of ZAR4.3 million or 2.3%. Finance income growth was largely driven by the related movements in the Group's net investments in lease assets.

Finance costs

The Group increased its finance costs to ZAR2,442.6 million for the 52 weeks ended 25 February 2024 from ZAR1,773.9 million for the 52 weeks ended 26 February 2023, an increase of ZAR668.7 million or 37.7%. Finance costs growth was primarily driven by the factors influencing funding finance expense and leases finance expense set out below.

Funding finance expense

The Group increased its funding finance expense to ZAR836.2 million for the 52 weeks ended 25 February 2024 from ZAR431.4 million for the 52 weeks ended 26 February 2023, an increase of ZAR404.8 million or 93.8%. Funding finance expense growth was primarily driven by increased gearing and higher interest rates over the period.

Leases finance expense

The Group increased its lease finance expense to ZAR1,606.4 million for the 52 weeks ended 25 February 2024 from ZAR1,342.5 million for the 52 weeks ended 26 February 2023, an increase of ZAR263.9 million or 19.7%. Leases finance expense growth was primarily driven by both the Boxer and Pick n Pay Clothing store rollouts, as well as the commencement of operations at the leased Eastport distribution centre.

Share of associate's earnings

The Group increased its share of associate's earnings to ZAR211.5 million for the 52 weeks ended 25 February 2024 from ZAR75.0 million for the 52 weeks ended 26 February 2023, an increase of ZAR136.5 million or 182.0%. Share of associate's earnings growth was mostly driven by a ZAR249.1 million non-cash hyperinflation net monetary gain under the requirements of hyperinflation accounting, which reflects the impact of the in-country economic factors more than the entity-specific performance. Excluding this adjustment, the Group reported an underlying loss from TM Supermarkets of ZAR37.6 million, compared to a profit of ZAR98.4 million for the 52 weeks ended 26 February 2023. The associate's carrying value increased in the period due to the impact of the IAS 29 equity accounted earnings, but because of the negative economic conditions of Zimbabwe the Group recorded an impairment of ZAR253.6 million, which resulted in TM Supermarket's book value being impaired to zero. The Group also received a ZAR6.6 million dividend from TM Supermarkets for the 52 weeks ended 25 February 2024, compared to a dividend of ZAR16.0 million for the 52 weeks ended 26 February 2023.

(Loss)/profit before tax before capital items

The Group decreased its profit before tax before capital items to a loss of ZAR1,423.6 million for the 52 weeks ended 25 February 2024 from a profit of ZAR1,800.2 million for the 52 weeks ended 26 February 2023, a decrease of ZAR3,223.8 million or 179.1%. Profit before tax before capital items decline was largely driven by the decline in trading profit and a near doubling of net interest paid to ZAR701.8 million as a result of higher gearing and increased interest rates.

Loss on capital items

The Group increased its loss on capital items to ZAR2,723.1 million for the 52 weeks ended 25 February 2024 from ZAR92.6 million for the 52 weeks ended 26 February 2023, an increase of ZAR2,630.5 million. This increase in loss on capital items was mostly driven by the impairments detailed below.

Net profit/(loss) on disposal of assets

The Group increased its net profit on disposal of assets to a profit of ZAR368.7 million for the 52 weeks ended 25 February 2024 from a loss of ZAR20.1 million for the 52 weeks ended 26 February 2023, a change of ZAR388.8 million. Growth in net profit on disposal of assets was primarily driven by a profit on the sale of the Longmeadow distribution centre and the disposal of two retail shopping centres.

Loss from impairments of assets

The Group increased its loss from impairments of assets to ZAR2,838.2 million for the 52 weeks ended 25 February 2024 from ZAR66.8 million for the 52 weeks ended 26 February 2023, an increase of ZAR2,771.4 million. Loss from impairments of assets growth was driven by the significant decline during the year in the performance of the Pick n Pay business to a trading loss of ZAR1,543.7 million from a profit of ZAR1,285.2 million which triggered a ZAR2.8 billion non-cash impairment on the assets of Pick n Pay company-owned stores.

Impairment loss on investment in associate

The Group increased its impairment loss on investment in associate to ZAR253.6 million for the 52 weeks ended 25 February 2024 from ZAR5.7 million for the 52 weeks ended 26 February 2023, an increase of ZAR247.9 million. The associate's carrying value increased in the period due to the impact of the IAS 29 equity accounted earnings, but because of the negative economic conditions of Zimbabwe the Group recorded an impairment of ZAR253.6 million, which resulted in TM Supermarket's book value being impaired to zero.

(Loss)/profit before tax

The Group decreased its year profit before tax to a loss of ZAR4,146.7 million for the 52 weeks ended 25 February 2024 from a profit of ZAR1,707.6 million for the 52 weeks ended 26 February 2023, a decrease of ZAR5,854.3 million or 342.8%. Profit before tax decline was primarily driven by the factors outlined above.

Tax

The Group recorded a tax credit of ZAR956.6 million for the 52 weeks ended 25 February 2024, compared to a tax expense of ZAR537.7 million for the 52 weeks ended 26 February 2023, a change of ZAR1,494.3 million or 277.9%. The decline in tax expense was driven by the trading loss in the Pick n Pay segment and the impairments in the current period and the resultant deferred tax asset on the calculated assessed loss of the Group's Pick n Pay segment.

(Loss)/profit for the period

The Group decreased its profit for the period to a loss of ZAR3,190.1 million for the 52 weeks ended 25 February 2024 from a profit of ZAR1,169.9 million for the 52 weeks ended 26 February 2023, a decrease of ZAR4,360.0 million or 372.7%. Profit for the period decline was primarily driven by the factors outlined above.

Items that will not be reclassified to profit or loss

The Group increased its items that will not be reclassified to profit or loss for the period to a gain of ZAR37.0 million for the 52 weeks ended 25 February 2024 from a loss of ZAR0.2 million for the 52 weeks ended 26 February 2023, an increase of ZAR37.2 million. Items that will not be reclassified to profit or loss growth was mostly driven by the factors set out below.

Remeasurement in retirement scheme assets

The Group increased its remeasurement in retirement scheme assets for the period to a gain of ZAR50.7 million for the 52 weeks ended 25 February 2024 from a loss of ZAR1.6 million for the 52 weeks ended 26 February 2023, an increase of ZAR52.3 million. Remeasurement in retirement scheme assets growth was largely driven by the release of a surplus of the Group's retirement scheme.

Tax on items that will not be reclassified to profit or loss

The Group increased its tax on items that will not be reclassified to profit or loss for the period to a loss of ZAR13.7 million for the 52 weeks ended 25 February 2024 from a gain of ZAR1.4 million for the 52 weeks ended 26 February 2023, an increase of ZAR15.1 million. Tax on items that will not be reclassified to profit or loss growth was primarily driven by the resulting tax impact of the factors detailed above.

Items that may be reclassified to profit or loss

The Group decreased its items that may be reclassified to profit or loss for the period to a loss of ZAR43.9 million for the 52 weeks ended 25 February 2024 from a loss of ZAR38.1 million for the 52 weeks ended 26 February 2023, an increase of ZAR5.8 million or 15.2%. Items that may be reclassified to profit or loss growth was largely driven by the factors set out below.

Foreign currency translations

The Group increased its foreign currency translations for the period to a loss of ZAR23.5 million for the 52 weeks ended 25 February 2024 from a loss of ZAR67.3 million for the 52 weeks ended 26 February 2023, an increase of ZAR43.8 million or 65.1%. Foreign currency translations growth was primarily driven by the year-on-year movement of the foreign currency exchange rates in the countries in which the Group operates.

Movement in cash flow hedge

The Group decreased its movement in cash flow hedge for the period to a loss of ZAR20.3 million for the 52 weeks ended 25 February 2024 from a gain of ZAR29.7 million for the 52 weeks ended 26 February 2023, a decrease of ZAR50.0 million or 168.4%. Movement in cash flow hedge was primarily driven by year-on-year movement in the currencies for which the Group takes out foreign exchange contracts as forward cover of its foreign purchases and the level of forward cover that was required.

Tax on items that may be reclassified to profit or loss

The Group decreased its tax on items that may be reclassified to profit or loss for the period to ZAR0.1 million for the 52 weeks ended 25 February 2024 from a loss of ZAR0.5 million for the 52 weeks ended 26 February 2023, a decrease of ZAR0.4 million or 80.0%. The movement in tax on items that may be reclassified to profit or loss was largely driven by cash flow hedges.

Total comprehensive (loss)/income for the period

The Group decreased its total comprehensive income for the period to a loss of ZAR3,197.0 million for the 52 weeks ended 25 February 2024 from a gain of ZAR1,131.6 million for the 52 weeks ended 26 February 2023, a decrease of ZAR4,328.6 million or 382.5%. Total comprehensive income for the period decline was mostly driven by factors discussed above.

9.8.2 **Comparison of the 52 weeks ended 26 February 2023 with the 52 weeks ended 27 February 2022**

Revenue

The Group increased its revenue to ZAR109,278.2 million for the 52 weeks ended 26 February 2023 from ZAR100,902.4 million for the 52 weeks ended 27 February 2022, an increase of ZAR8,375.8 million or 8.3%. Revenue growth was primarily driven by increased turnover for the period.

Turnover

The Group increased its turnover to ZAR106,561.8 million for the 52 weeks ended 26 February 2023 from ZAR97,872.8 million for the 52 weeks ended 27 February 2022, an increase of ZAR8,689.0 million or 8.9%. Turnover growth was mostly driven primarily by turnover growth in Boxer, supported by its strong store roll-out programme. For the 52 weeks ended 26 February 2023, Boxer opened 60 new stores, compared to 36 for the 52 weeks ended 27 February 2022. The Group's Clothing business also supported turnover growth, up 15.3% in standalone stores for the 52 weeks ended 26 February 2023.

Cost of merchandise sold

The Group increased its cost of merchandise sold to ZAR85,625.2 million for the 52 weeks ended 26 February 2023 from ZAR79,476.7 million for the 52 weeks ended 27 February 2022, an increase of ZAR6,148.5 million or 7.7%, below the increase in turnover of 8.9%. This was largely the result of the non-repeat of civil unrest stock losses of ZAR627.8 million in the prior year, largely recovered from insurance, with the recovery included in other income in that year.

Gross profit

The Group increased its gross profit to ZAR20,936.6 million for the 52 weeks ended 26 February 2023 from ZAR18,396.1 million for the 52 weeks ended 27 February 2022, an increase of ZAR2,540.5 million or 13.8%. Gross profit margin increase was primarily driven by the elimination of the once-off impact of the July 2021 civil unrest that had a negative impact on the gross profit for the 52 weeks ended 27 February 2022. If this impact is excluded, the underlying gross profit margin was flat year-on-year.

Franchise fee income

The Group increased its franchise fee income to ZAR447.7 million for the 52 weeks ended 26 February 2023 from ZAR428.3 million for the 52 weeks ended 27 February 2022, an increase of ZAR19.4 million or 4.5%. This growth reflected the negative impacts of the civil unrest and liquor restrictions on franchise sales in the base period, offset by the conversion of a number of franchise stores to company-owned Pick n Pay and Boxer stores over the year. Strong franchise partners are a key growth driver for the Group, with 35 new franchise stores opened over the period.

Operating lease income

The Group increased its operating lease income to ZAR157.4 million for the 52 weeks ended 26 February 2023 from ZAR115.6 million for the 52 weeks ended 27 February 2022, an increase of ZAR41.8 million or 36.2%. Operating lease income growth was mainly driven by the addition of two new shopping centres.

Commissions, dividend and other income

The Group increased its commissions, dividend and other income to ZAR1,399.5 million for the 52 weeks ended 26 February 2023 from ZAR1,213.0 million for the 52 weeks ended 27 February 2022, an increase of ZAR186.5 million or 15.4%. Commissions, dividend and other income growth was primarily driven by the Group's value-added services, which grew by 19.8% compared to the previous period, due to strong growth in financial services, driven by banking services in stores and domestic money transfers. In addition, digital and media income increased by 10.1% compared to the previous period.

Insurance recoveries

The Group's insurance recoveries declined to ZAR260.7 million for the 52 weeks ended 26 February 2023 from ZAR748.2 million for the 52 weeks ended 27 February 2022, a decrease of ZAR487.5 million or 65.2%. These insurance recoveries mainly relate to the July 2021 civil unrest losses suffered by the Group.

Other income

The Group's other income declined to ZAR2,265.3 million for the 52 weeks ended 26 February 2023 from ZAR2,505.1 million for the 52 weeks ended 27 February 2022, a decrease of ZAR239.8 million or 9.6%. The decline in the Group's other income was primarily driven by a decrease in insurance recoveries from ZAR748.2 million for the 52 weeks ended 27 February 2022 to ZAR260.7 million for the 52 weeks ended 26 February 2023. The insurance recoveries received in the 52 weeks ended 27 February 2022 resulted from the July 2021 civil unrest and related losses.

Employee costs

The Group's employee costs grew by 6.5% to ZAR8,347.9 million for the 52 weeks ended 26 February 2023 from ZAR7,836.3 million for the 52 weeks ended 27 February 2022, an increase of ZAR511.6 million. Employee costs remained relatively stable despite the Group's extensive Boxer and Clothing store roll-out, reflecting tight employee cost control in Pick n Pay, aimed at achieving certain efficiency benchmarks.

Occupancy costs

The Group increased its occupancy costs to ZAR3,054.2 million for the 52 weeks ended 26 February 2023 from ZAR2,662.1 million for the 52 weeks ended 27 February 2022, an increase of ZAR392.1 million or 14.7%. Occupancy costs growth was largely driven by both the accelerated Boxer and Pick n Pay Clothing store roll-outs and above-inflation increases in rates, security and insurance costs. Elevated occupancy cost growth was directly attributable to the July 2021 civil unrest, which has resulted in additional security costs, and insurance premiums accelerating by 86%.

Operations costs

The Group increased its operations costs to ZAR5,384.3 million for the 52 weeks ended 26 February 2023 from ZAR4,535.1 million for the 52 weeks ended 27 February 2022, an increase of ZAR849.2 million or 18.7%. Operations costs growth was primarily driven by utilities costs increasing by more than twofold as a result of increased fuel consumption to drive store generators and a higher fuel price, and higher electricity costs, due to tariff hikes, and despite the forced savings from load-shedding.

Merchandising and administration expenses

The Group increased its merchandising and administration expenses to ZAR3,168.6 million for the 52 weeks ended 26 February 2023 from ZAR2,891.5 million for the 52 weeks ended 27 February 2022, an increase of ZAR277.1 million or 9.6%. Merchandising and administration expenses growth was mostly driven by increased advertising spend in support of the drive to rejuvenate turnover growth.

Expected credit loss allowance

The Group increased its expected credit loss allowance to ZAR198.9 million for the 52 weeks ended 26 February 2023 from ZAR89.7 million for the 52 weeks ended 27 February 2022, an increase of ZAR109.2 million or 121.7%. Expected credit loss allowance was driven by additional provisioning across the Group's franchise book.

Trading expenses

The Group's trading expenses increased to ZAR20,153.9 million for the 52 weeks ended 26 February 2023 from ZAR18,014.7 million for the 52 weeks ended 27 February 2022, an increase of ZAR2,139.2 million or 11.9%. Trading expenses included cost pressures from a range of costs related to the higher levels of load-shedding experienced in the 52 weeks ended 26 February 2023, and particularly in the second half of the period. The greatest consequence of these was the ZAR430 million net incremental energy costs to power the Group's stores through generators, of which approximately 80% was spent in the second half of the reporting period. Such expenses were partially offset by tight cost control in the context of broad inflationary pressures (particularly on rates and utility costs), the Boxer and Pick n Pay Clothing store roll-outs, and sharply higher insurance costs (as a consequence of the July 2021 civil unrest). The Group's well-controlled underlying trading expenses growth was largely driven by containing employee costs, the Group's largest single cost line.

Trading profit

The Group increased its trading profit to ZAR3,048.0 million for the 52 weeks ended 26 February 2023 from ZAR2,886.5 million for the 52 weeks ended 27 February 2022, an increase of ZAR161.5 million or 5.6%. Trading profit growth was impacted by insurance recoveries received in the 52 weeks ended 26 February 2023 relating to events in the previous financial period. If this effect is excluded, the decline in trading profit was primarily driven by the unprecedented increase in load-shedding and the associated incremental energy costs.

Finance income

The Group's finance income declined by ZAR73.4 million, or 14.0%, to ZAR451.1 million for the 52 weeks ended 26 February 2023 from ZAR524.5 million for the 52 weeks ended 27 February 2022. Finance income decline was largely driven by a decrease in average cash balances.

Funding finance income

The Group decreased its funding finance income to ZAR260.3 million for the 52 weeks ended 26 February 2023 from ZAR319.6 million for the 52 weeks ended 27 February 2022, a decrease of ZAR59.3 million or 18.6%. Funding finance income decline was largely driven by a reduction in the average cash balances during the period.

Leases finance income

The Group decreased its leases finance income to ZAR190.8 million for the 52 weeks ended 26 February 2023 from ZAR204.9 million for the 52 weeks ended 27 February 2022, a decrease of ZAR14.1 million or 6.9%. Finance income decline was largely driven by the conversion of franchise stores to company-owned stores.

Finance costs

The Group's finance costs increased to ZAR1,773.9 million for the 52 weeks ended 26 February 2023 from ZAR1,674.9 million for the 52 weeks ended 27 February 2022, an increase of ZAR99.0 million or 5.9%. Finance cost growth was mainly driven by the factors influencing funding finance expense and leases finance expense set out below.

Funding finance expense

The Group increased its funding finance expense to ZAR431.4 million for the 52 weeks ended 26 February 2023 from ZAR341.0 million for the 52 weeks ended 27 February 2022, an increase of ZAR90.4 million or 26.5%. Funding finance expense growth was primarily driven by (i) an increase of net interest paid including IFRS 16, which increased 15% year-on-year to ZAR1.3 billion, and (ii) an increase in the Group's net funding cost (net of trade receivables interest) ZAR21.4 million for the 52 weeks ended 27 February 2022 to ZAR171.1 million for the 52 weeks ended 26 February 2023, reflecting increased net gearing (driven by increased capital investment) and higher interest rates over the period.

Leases finance expense

The Group increased its lease finance expense to ZAR1,342.5 million for the 52 weeks ended 26 February 2023 from ZAR1,333.9 million for the 52 weeks ended 27 February 2022, an increase of ZAR8.6 million or 0.6%. Leases finance expense of ZAR1.2 billion mainly reflected implied net interest charges under IFRS 16, up 2% year-on-year, due to supply chain savings, specifically related to a strategic change in contracted logistics services. Combined net lease interest and depreciation of right-of-use assets (the effective lease expense under IFRS16) increased 6.1% to ZAR3.3 billion, which was primarily driven by new store roll-out.

Share of associate's earnings

The Group's share of associate's earnings remained stable at ZAR75.0 million for the 52 weeks ended 26 February 2023, compared to ZAR71.6 million for the 52 weeks ended 27 February 2022, an increase of ZAR3.4 million or 4.7%. This reflected driven by underlying performance of TM Supermarkets (as defined below) offset by the negative impact of foreign currency translation and hyperinflation accounting.

Profit before tax before capital items

The Group's profit before tax before capital items remained stable, decreasing slightly by ZAR7.5 million, or 0.4%, to ZAR1,800.2 million for the 52 weeks ended 26 February 2023 from ZAR1,807.7 million for the 52 weeks ended 27 February 2022. Profit before tax before capital items was mainly driven by decrease in profit before tax associated with the Group's South African operations resulting from trading disruptions associated with the first year of the Group's Ekuseni plan (which has now been discontinued) and unprecedented levels of load-shedding.

Loss on capital items

The Group's losses on capital items increased by ZAR46.4 million or 100.4% to ZAR92.6 million for the 52 weeks ended 26 February 2023 from ZAR46.2 million for the 52 weeks ended 27 February 2022. This increase was mainly driven by the factors outlined below.

Net profit/(loss) on disposal of assets and insurance recoveries on scrapping of assets

The Group's disposal of assets and insurance recoveries on scrapping of assets led to a loss of ZAR20.1 million for the 52 weeks ended 26 February 2023, compared to a profit of ZAR241.8 million for the 52 weeks ended 27 February 2022, a decrease of ZAR261.9 million or 108.3%. This decline was largely driven by the prior year insurance recoveries on scrapping of assets which was not repeated in the 52 weeks ended 26 February 2023.

Loss from impairments and scrapping of assets

The Group loss from impairments and scrapping of assets decreased by ZAR206.8 million, or 75.6%, to ZAR66.8 million for the 52 weeks ended 26 February 2023 from ZAR273.6 million for the 52 weeks ended 27 February 2022. The decrease in loss from impairments and scrapping of assets was mainly driven by the scrapping of assets relating to the 2021 civil unrest which was not repeated in the 52 weeks ended 26 February 2023.

Impairment loss on investment in associate

The Group decreased its impairment loss on investment in associate to ZAR5.7 million for the 52 weeks ended 26 February 2023 from ZAR14.4 million for the 52 weeks ended 27 February 2022, a decrease of ZAR8.7 million or 60.4%. The Group has a 49% investment in TM Supermarkets (Pvt) Limited ("**TM Supermarkets**"), which operates supermarkets throughout Zimbabwe, the carrying value of which is reviewed against its recoverable amount for each reporting period.

Profit before tax

The Group's profit before tax declined to ZAR1,707.6 million for the 52 weeks ended 26 February 2023 from ZAR1,761.5 million for the 52 weeks ended 27 February 2022, a decrease of ZAR53.9 million or 3.1%. The decline in profit before tax was largely driven by the disruption in the implementation of the Group's Ekuseni strategy (which has now been discontinued), unprecedented levels of loadshedding, partially offset by insurance recoveries relating to the prior period, which were received in the 52 weeks ended 26 February 2023.

Tax

The Group's tax expense decreased by ZAR9.3 million, or 1.7%, to ZAR537.7 million for the 52 weeks ended 26 February 2023 from ZAR547.0 million for the 52 weeks ended 27 February 2022. The tax expense decline was due to the lower level of taxable profits.

Profit for the period

The Group's profit for the period decreased to ZAR1,169.9 million for the 52 weeks ended 26 February 2023 from ZAR1,214.5 million for the 52 weeks ended 27 February 2022, a decrease of ZAR44.6 million or 3.7%. The decline in profit for the period was largely driven by the factors outlined above.

Items that will not be reclassified to profit or loss

The Group's income from items that will not be reclassified to profit or loss declined to a loss of ZAR0.2 million for the 52 weeks ended 26 February 2023 from a gain of ZAR25.4 million for the 52 weeks ended 27 February 2022, a decrease of ZAR25.6 million or 100.8%. This difference was primarily due to the reasons set out below.

Remeasurement in retirement scheme assets

The Group decreased its income from remeasurement in retirement scheme assets for the period to a loss of ZAR1.6 million for the 52 weeks ended 26 February 2023 from a gain of ZAR35.3 million for the 52 weeks ended 27 February 2022, a decrease of ZAR36.9 million or 104.5%. This difference was largely due to the release of a surplus of the Group's retirement scheme in the prior year base which was not repeated in the 52 weeks ended 26 February 2023.

Tax on items that will not be reclassified to profit or loss

The Group's income from tax on items that will not be reclassified to profit or loss for the period increased to a gain of ZAR1.4 million for the 52 weeks ended 26 February 2023 from a loss of ZAR9.9 million for the 52 weeks ended 27 February 2022, an increase of ZAR11.3 million or 114.1%. This difference in tax on items that will not be reclassified to profit or loss reflects the impact of the factors discussed above and the resulting tax impact on these factors.

Items that may be reclassified to profit or loss

The Group's income from items that may be reclassified to profit or loss for the period led to a loss of ZAR38.1 million for the 52 weeks ended 26 February 2023 from a gain of ZAR16.2 million for the 52 weeks ended 27 February 2022, a decrease of ZAR54.3 million or 335.2%. The decline in income from items that may be reclassified to profit or loss was mainly driven by losses from foreign currency translations, partially offset by positive movement in cash flow hedge.

Foreign currency translations

The Group's foreign currency translations for the period led to a loss of ZAR67.3 million for the 52 weeks ended 26 February 2023 from a gain of ZAR19.0 million for the 52 weeks ended 27 February 2022, a decrease of ZAR86.3 million. This was primarily a result of the year-on-year movement of the foreign currency exchange rates in the countries in which the Group operates.

Movement in cash flow hedge

The Group's movement in cash flow hedge for the period led to a gain of ZAR29.7 million for the 52 weeks ended 26 February 2023 from a loss of ZAR0.2 million for the 52 weeks ended 27 February 2022, an increase of ZAR29.9 million. The difference in movement in cash flow hedge was largely driven by year-on-year movement in the currencies for which the Group takes out foreign exchange contracts as forward cover of its foreign purchases.

Tax on items that may be reclassified to profit or loss

The Group's tax on items that may be reclassified to profit or loss for the period led to a loss of ZAR0.5 million for the 52 weeks ended 26 February 2023 from a loss of ZAR2.6 million for the 52 weeks ended 27 February 2022, a decrease of ZAR2.1 million or 80.8%. The decline in tax on items that may be reclassified to profit or loss was largely a result of cash flow hedges.

Total comprehensive income for the period

The Group's total comprehensive income for the period decreased to ZAR1,131.6 million for the 52 weeks ended 26 February 2023 from ZAR1,256.1 million for the 52 weeks ended 27 February 2022, a decrease of ZAR124.5 million or 9.9%. The decline in total comprehensive income was primarily driven by the factors discussed above.

9.9 Liquidity and Capital Resources

9.9.1 Net gearing

The Group's principal sources of liquidity have been cash flows from operating activities and its short-term and long-term borrowings. The Group's long-term loans consist of a bilateral loan of ZAR1.0 billion, syndicated loan facilities totalling ZAR4.5 billion, and certain short-term loans totalling ZAR6.5 billion, and a new facility of ZAR500 million, the availability of which was extended under the Restructuring Support Agreement (see *–9.9.2 Restructuring Support Agreement and Recapitalisation Plan*"). Funds under the bilateral loans, the syndicated loan and short-term loans were drawn as at 25 February 2024, bearing interest rates varying between 8.1% and 11.8%.

Group net debt/(net cash) (excluding leases) increased from ZAR3.7 billion as at 26 February 2023 to ZAR6.1 billion as at 25 February 2024. The increase, combined with lower EBITDA, resulted in the Group exceeding its previous net debt/(net cash) to EBITDA (pre-IFRS 16) ratio and interest cover covenants on its syndicated and bilateral loans. The Group successfully renegotiated these covenants, resulting in the February 2024 covenants being waived and the August 2024 covenants being in part amended and in part waived.

	As at	
(ZAR millions)	**25 February 2024**	**26 February 2023**
Gross debt	11,444.8	5,669.4
Cash and cash equivalents	(5,383.2)	(1,997.8)
Net gearing	**6,061.6**	**3,671.6**

9.9.2 Restructuring Support Agreement and Recapitalisation Plan

The Group subsequently agreed and concluded the Restructuring Support Agreement with both its short-term and long-term lenders, which puts in place certain waivers and forbearances effective from 7 May 2024 until 1 September 2025 and establishes a framework for the Recapitalisation Plan (see "*–9.3 Key factors affecting results of operations–9.3.7 Two-step recapitalisation plan*"). During this period but subject to certain carve-outs and enforcement events, no lender will take any enforcement action against the Group, and the Group will continue to pay interest to the lenders, but not make any repayments other than in accordance with the cashflow waterfall stipulated in the Restructuring Support Agreement to be carried out pursuant to the Recapitalisation Plan. Save in respect of specified general banking facilities, any amounts that the Group repays in such manner may not be redrawn. In this way, the Group secures its liquidity and funding up to 1 September 2025. De-gearing the Group through the Recapitalisation Plan will substantially reduce Group debt service costs, reduce risk and provide management with the operational flexibility and resources to drive the Pick n Pay segment's return to profitability. The net proceeds of the Rights Offer, combined with the Boxer IPO, will be primarily used to settle the Group's outstanding debt, except to the extent that lenders elect to provide ongoing working capital lines beyond the Boxer IPO, as well as for considered re-investment to secure the turnaround of the Group's Pick n Pay Supermarkets business.

As part of the Restructuring Support Agreement, the Group extended the guarantee coverage provided by Boxer, which was previously only in place for the bilateral and syndicated loans, to all lending parties. According to the terms of the Restructuring Support Agreement, Boxer's guarantee coverage will remain in place until the approval by the JSE of the pre-listing statement in connection with the Boxer IPO, at which time it will be released to ensure Boxer shares are unencumbered in order to facilitate the implementation of the Boxer IPO. To the extent that the Boxer IPO does not take place within a prescribed period, the guarantee is reinstated for the benefit of lenders. As part of the Restructuring Support Agreement, security over the Boxer shares was also provided to all lenders. The Restructuring Support Agreement is subject to certain default provisions and customary remedial measures associated with these.

9.9.3 Working capital

The year-on-year cash flow movements in the Group's working capital which are used in its day-to-day trading operations include trade and other payables, provisions and deferred revenue, inventory and right-of-return assets, and trade and other receivables. The Group's working capital requirements are mainly guided by the level of its inventories, trade and other receivables and trade and other payables. For the 52 weeks ended 25 February 2024, 26 February 2023 and 27 February 2022, the Group's working capital amounted to an inflow of ZAR1,087.4 million, and outflows of ZAR968.2 million ZAR563.6 million, respectively.

The ZAR1,087.4 million of liquidity from working capital released during the 52 weeks ended 25 February 2024, represented the combined impact of an inventory reduction, an increase in trade creditors, and a receivables reduction. Working capital absorbed ZAR1.0 billion of cash in the second half of the period under review ("**H2**"), after releasing ZAR2.1 billion in the first half of the period under review ("**H1**"). The reversal in H2 was the result of normal seasonality (H1 typically releases cash from working capital).

Inventory declined 4.3% year-on-year to ZAR10.2 billion, releasing ZAR494.8 million of liquidity. Boxer inventory increased by ZAR0.4 billion during the year (a consequence of new stores and the opening of a new distribution centre), while Pick n Pay inventory declined by ZAR0.9 billion, primarily due to efficiencies, but also due to the ZAR0.4 billion duplicate stock unwind related to the opening of the Eastport distribution centre. While the Group held excess stock as at December 2023, as a result of below-expectation November and December sales within the Pick n Pay business, a substantial portion of this inventory was cleared by the end of February 2024.

Trade and other receivables (current and non-current) decreased by 6.6% year-on-year to ZAR4.3 billion. Gross trade receivables (predominantly franchisees) rose 1.2% to ZAR4.4 billion, while net trade receivables declined 7.7% to ZAR3.8 billion as a result of the increased trade receivables provision. The credit loss allowance included in the statement of comprehensive income equated to 12.8% of gross trade receivables, compared to an average of 3.0% over the prior two years.

Trade and other payables increased 3.6%, or ZAR15.2 billion, releasing ZAR289.8 million of liquidity.

9.10 Cash Flows

The table below sets forth the principal components of the Group's cash flows for 52 weeks ended 25 February 2024, 26 February 2023 and 27 February 2022.

	As at and for the 52 weeks ended		
	25 February 2024	**26 February 2023**	**27 February 2022**
(ZAR millions)	**(audited)**	**(audited)**	**(audited)**
Trading profit	**385.0**	**3,048.0**	**2,886.5**
Cash flows from operating activities:			
Adjusted for non-cash items	4,073.2	3,626.3	3,391.5
Cash generated before movements in working capital	4,433.2	6,674.3	6,278.0
Cash generated from trading activities	5,520.6	5,706.1	5,714.4
Cash generated from operations	3,587.1	4,272.3	4,512.8
Cash generated from operating activities	**2,478.3**	**2,717.1**	**3,169.4**
Cash flows from investing activities:			
Cash utilised in investing activities	**(2,350.4)**	**(3,524.2)**	**(1,506.6)**
Cash flows from financing activities:			
Cash generated from/(utilised in) financing activities	**881.1**	**(3,632.6)**	**(1,502.1)**
Net increase/(decrease) in cash and cash equivalents	**1,009.0**	**(4,439.7)**	**160.7**
Net cash and cash equivalents at end of period	**204.5**	**(802.2)**	**3,625.3**

9.10.1 Cash generated from operating activities

The Group recorded cash generated from operating activities of ZAR2,478.3 million for the 52 weeks ended 25 February 2024 compared to ZAR2,717.1 million for the 52 weeks ended 26 February 2023, a decrease of ZAR238.8 million, or 8.8%. The change was primarily due to decrease in the Group's trading profit, increase in Group's funding costs, offset by improvement in working capital and a reduction in dividends paid.

The Group recorded cash generated from operating activities of ZAR2,717.1 million for the 52 weeks ended 26 February 2023 compared to ZAR3,169.4 million for the 52 weeks ended 27 February 2022, a decrease of ZAR452.3 million, or 14.3%. The decrease was primarily a result of the increase in dividends paid in the current year relating to the prior year. No dividends were declared for the FY2024 reporting period.

9.10.2 Cash utilised in investing activities

The Group recorded cash utilised in investing activities of ZAR2,350.4 million for the 52 weeks ended 25 February 2024 compared to ZAR3,524.2 million for the 52 weeks ended 26 February 2023, a decrease of ZAR1,173.8 million, or 33.3%. The change was primarily due to an increase in proceeds from the disposal of properties.

The Group recorded cash utilised in investing activities of ZAR3,524.2 million for the 52 weeks ended 26 February 2023 compared to ZAR1,506.6 million for the 52 weeks ended 27 February 2022, an increase of ZAR2,017.6 million, or 133.9%. The change was primarily due to increased investment in property, plant and equipment as part of a store improvement project.

9.10.3 Cash generated from/utilised in financing activities

The Group recorded cash generated from financing activities of ZAR881.1 million for the 52 weeks ended 25 February 2024 compared to cash utilised in financing activities of ZAR3,632.6 million for the 52 weeks ended 26 February 2023, a change of ZAR4,513.7 million, or 124.3%. The change was primarily due to the Group's increased borrowings.

The Group recorded cash utilised in financing activities of ZAR3,632.6 million for the 52 weeks ended 26 February 2023 compared to ZAR1,502.1 million for the 52 weeks ended 27 February 2022, an increase of ZAR2,130.5 million, or 141.8%. The change was primarily due to the Group's increased borrowings.

9.11 **Contractual Obligations**

The following are the undiscounted contractual maturities of financial liabilities, including estimated interest payments:

	As at 25 February 2024					
(ZAR millions)	**Carrying amount**	**Contractual cash flows**	**Within 1 year**	**Within 2-5 years**	**Within 6-10 years**	**More than 10 years**
Overnight borrowings*	5,178.7	5,178.7	5,178.7	–	–	–
Unsecured loans*	6,266.1	8,071.6	2,230.8	5,840.8	–	–
Trade and other payables	14,658.9	14,658.9	14,658.9	–	–	–
Lease liabilities	19,369.1	27,555.4	4,500.4	14,873.2	6,459.4	1,722.4
Refund liabilities	27.4	27.4	27.4	–	–	–
Total	**45,500.2**	**55,492.0**	**26,596.2**	**20,714.0**	**6,459.4**	**1,722.4**

* *Subsequent to period end, the Group entered into a Restructuring Support Agreement with its short-term and long-term lenders. As a result, all outstanding loans and borrowings will mature on 1 September 2025*.

9.12 **Capital Investment**

The Group invested ZAR3.8 billion in capital projects in the 52 weeks ended 25 February 2024, a 5.3% decrease on the ZAR4.0 billion invested in the 52 weeks ended 26 February 2023. Net capital investment (i.e., net of proceeds from asset disposals) was ZAR2.8 billion, a 30.0% decline from the ZAR4.0 billion invested in the 52 weeks ended 26 February 2023. Included in the ZAR3.8 billion capital investment for the period is ZAR1.1 billion for Boxer and ZAR0.2 billion for Pick n Pay Clothing. Asset disposals for the year totalled ZAR1.0 billion, including ZAR0.5 billion proceeds from the Longmeadow distribution centre sale and ZAR0.5 billion from the sale of two of the Group's retail properties.

9.13 **Financial Risk Management**

The Group is exposed to credit, market and liquidity risk due to the effects of changes in debt, exchange rates and interest rates experienced in the normal course of business. The Group's objective is to effectively manage each of the risks associated with its financial instruments in order to minimise the potential adverse effect on the financial performance and position of the Group.

The Board is ultimately responsible for ensuring that adequate procedures and processes are in place to identify, assess, manage and monitor financial risks. A treasury committee, a subcommittee of the Group Audit, Risk and Compliance Committee, comprising executive directors and senior executives, set and monitor the adherence to appropriate risk limits and controls. This committee has now been replaced by a Board committee, the Finance and Investment Committee. Risk management is carried out by a central treasury department in line with the overall treasury policy as reviewed and approved by the Board on a regular basis.

9.13.1 **Credit risk**

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations. Financial assets, which potentially subject the Group to credit risk, consist principally of net investment in lease receivables, loans, trade and other receivables and cash and cash equivalents.

Net investment in lease receivables and trade and other receivables

Net investment in lease receivables and trade and other receivables mainly relate to amounts owing by franchisees and are presented net of impairment losses (refer to Notes 13 and 18 to the 2024 Audited Financial Statements). Rigorous credit granting procedures are applied to assess the credit quality of debtors, taking into account their financial position and credit rating. The Group obtains various forms of security from its debtors, including bank guarantees, notarial bonds over inventory and moveable assets and suretyships from shareholders. The total credit risk with respect to receivables from franchise debtors is further limited as a result of the dispersion amongst the individual franchisees and across different geographic areas in South Africa. Consequently, the Group does not consider there to be any significant concentration or exposure to credit risk in South Africa. During the period under review a group of franchisees exited their franchise agreements as a collective and all exposure on this matter has been fully provided for with repayments received after financial period-end. The Group operates as a franchisor in Botswana, eSwatini, Lesotho and Namibia and has a master franchisee arrangement in each of these countries. These arrangements result in a concentration risk in these jurisdictions, and are managed on an active basis with regular engagement with the master franchisee and active debt management. For the 52 weeks ended 25 February 2024, the trading results of the master franchisee in Botswana deteriorated, resulting in a year-on-year movement of ZAR201.0 million recorded in the related expected credit loss provision allowance in the statement of comprehensive income.

Loans

Loans comprise employee loans, granted in line with the Group's remuneration policy, and other landlord loans. Loans are granted after reviewing the affordability of each debtor and, where appropriate, suitable forms of security are obtained. Majority of the loans are secured and are considered to have low credit risk. Refer to Note 16 to the 2024 Audited Financial Statements.

Cash and cash equivalents

The Group's cash is placed with major South African and international financial institutions, which at period end had a high credit standing and had a long-term credit rating of zaAA (refer to Note 19 to the 2024 Audited Financial Statements).

9.13.2 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk (such as equity price risk). Financial instruments affected by market risk include borrowings, lease liabilities, loans, deposits, fair value through profit or loss financial instruments and derivative financial instruments. The objective of market risk management is to manage and control exposure to market risk, while optimising the return on the risk.

Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities and the Group's net investment in foreign subsidiaries.

Transactional currency risk – FEC's

The Group has transactional currency exposures arising from the acquisition of goods and services in currencies other than its functional currency. The Group operates internationally and is exposed to currency risk through the importation of merchandise and service and licence agreements denominated in currencies other than ZAR; however it does not have material foreign creditors as inventory imports are mostly prepaid. Investments in foreign operations and master franchise agreements with international counter parties do not contribute to transactional currency risk as the related transactions and balances are denominated in South African rands.

The Group imports inventory from foreign countries and is exposed to fluctuations in foreign exchange rates. The Group uses FEC's to mitigate its foreign exchange risks from the import of inventory. It is the Group's policy to cover all foreign inventory purchases by utilising a derivative contract ("**FEC**"). The Group does not use derivatives for speculative purposes.

The Group's FEC's have been designated as cash flow hedges of firm commitments. All firm commitments are expected to be realised within twelve months. An economic relationship exists between the hedged items and the hedging instruments. The Group has established a hedge ratio of 1:1, as the terms of the FEC's match the terms of the firm commitments. To test hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks. The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income in the cash flow hedge reserve. For the 52 weeks ended 25 February 2024, ZAR0.7 million was reclassified to cost of sales in the statement of comprehensive income, compared to ZAR1.0 million for the 52 weeks ended 26 February 2023.

Forward exchange contract assets/(liabilities) (ZAR millions)	**Carrying amount**	**ZAR equivalent**	**Average forward rate**	**Fair value**
2024				
US Dollars	0.9	16.9	19.1	0.3
Euro	3.8	78.7	20.7	1.2
British Pound	0.1	1.9	22.7	0.1
Swedish Krone	1.7	3.2	1.8	0.1
Total		**100.7**		**1.7**
2023				
US Dollars	6.7	121.8	18.0	3.4
Euro	12.6	229.5	18.3	16.9
British Pound	0.1	1.0	19.5	0.1
Australian Dollar	0.1	0.8	13.1	–
Chinese Renminbi	0.9	2.3	2.4	0.2
Swedish Krone	13.3	22.2	1.7	1.4
Total		**377.6**		**22.0**

Transactional currency risk – Foreign cash balances, trade and other receivables, trade and other payables and lease liabilities

The Group has exposure to foreign currency translation risk through its foreign cash balances, trade and other receivables, trade and other payables and lease liabilities included in the net assets and liabilities of foreign subsidiaries denominated in currencies other than the South African rand. These balances are immaterial in relation to the total of the line items they are included in. These risks are not hedged.

Sensitivity of the Group's exposure to material foreign currencies is estimated by assessing the impact of a reasonable expected movement of the currencies on the statement of comprehensive income, statement of financial position and statement of changes in equity of the Group. A sensitivity analysis is not presented as the estimated impact of the expected movement in currencies is not material.

The following significant foreign exchange rates applied during the period:	**52 weeks ended 25 February 2024**	**52 weeks ended 26 February 2023**	**52 weeks ended 25 February 2024**	**52 weeks ended 26 February 2023**
USD/ZAR	18.7	16.7	19.3	18.4
Euro/ZAR	20.3	17.4	20.9	19.5
GBP/ZAR	23.4	20.3	24.5	22.0
USD/ZMW	21.5	17.1	23.0	19.7
AUD/ZAR	12.3	11.5	12.7	12.4
ZAR/CNH	0.4	0.4	0.4	0.4
ZAR/SEK	0.6	0.6	0.5	0.6

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises from borrowings, cash and cash equivalents and loans. Variable-rate interest-bearing borrowings, loans, cash and cash equivalents and overnight borrowings results in cash flow interest rate risk. The exposure to interest rate risk is managed though the Group's cash management system taking into account expected movements in interest rates when funding or investing decisions are made.

The effective weighted average interest rates on financial instruments at end of period are (%):	**52 weeks ended 25 February 2024**	**52 weeks ended 26 February 2023**
FINANCIAL ASSETS		
Variable-rate interest-bearing financial assets		
Cash and cash equivalents and cash investments	3.6 – 9.9	2.5 – 8.3
Other loans	12.0	10.6
Fixed-rate interest-bearing financial assets		
Net investment in lease receivables	8.4	8.2
Employee loans	4.8	4.7
FINANCIAL LIABILITIES		
Variable-rate interest-bearing liabilities		
Bank overdraft	9.5 – 10.5	6.3 – 9.5
Overnight borrowings	8.1 – 11.8	4.6 – 8.5
Unsecured loans	8.2 – 10.0	5.4 – 9.2
Fixed-rate interest-bearing liabilities		
Lease liabilities	8.8	8.1

Sensitivity of the Group's exposure to interest rate risk is estimated by assessing the impact of a reasonable expected movement in the relevant interest rates on the statement of comprehensive income and statement of changes in equity of the Group. The Group performed a sensitivity analysis for financial instruments exposed to interest rate risk during the current financial period. As at 25 February 2024, a change of 1% in the applicable interest rates for the various financial instruments would have had an effect on net financing costs of approximately ZAR74 million, compared to approximately ZAR33 million as at 26 February 2023.

9.13.3 **Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages the risk by maintaining adequate reserves and unutilised borrowing facilities (listed below) and by continuously monitoring forecast and actual cash flows, ensuring that the maturity profiles of financial assets and liabilities do not expose the Group to liquidity risk.

On average, inventory, trade and other payables are settled within 40, 45 and 60 days respectively, and lease liabilities are used to fund right of use assets and net investment in lease receivables.

In terms of the MOI, the Company's borrowing powers are unlimited. However, the Finance and Investment Committee maintains strict control over the acceptance of and draw down of any loan facility.

In response to the weak trading conditions faced by the Group's Pick n Pay segment, the increased net funding position and the decline in the net asset value of the Group, the Group performed liquidity risk assessments and noted that the Group is in a net current liability position on a carrying value basis, on a fair value basis however the Group's solvency ratio remains strong. The Group has mitigated this risk through the following actions:

- The Group has intensified its process around liquidity management, including robust and regular forecasting of monthly liquidity requirements, including stress testing of cash forecast scenarios.
- The Group has constituted a formal Board committee–the Finance and Investment Committee–and appointed its Lead Independent Director with formidable experience in the banking and funding sector as the Chairperson, providing the necessary support to the Board and management in managing this risk.
- After period end, the Group restructured its borrowings and entered into the Restructuring Support Agreement with its lenders, thereby securing available funding over the next twelve months, and beyond. To further address the net current liability risk, all current funding facilities have been reset to long-term liabilities (effective 7 May 2024, shortly after financial period-end) through the Restructuring Support Agreement. The Group's borrowings are subject to certain covenants, guarantees and security. Refer to Note 35 to the 2024 Audited Financial Statements for further information.
- The Group announced its Recapitalisation Plan, intended to deleverage and strengthen the Group's balance sheet.

As a result, the Group does not anticipate any cash shortfalls for the next twelve months (or beyond).

Unitilised borrowing facilities (ZAR million)	**52 weeks ended 25 February 2024**	**52 weeks ended 26 February 2023**
Total available facilities	14,251.5	9,827.0
Total utilised facilities	(11,545.4)	(6,047.0)
Bilateral loan approved post balance sheet date	–	1,000.0
Total available facilities	**2,706.1**	**4,780.0**

The Group has drawn-down, on average during the 52 weeks ended 25 February 2024, 81% (compared to 62% during the 52 weeks ended 26 February 2023) of its available facilities to strengthen liquidity. All surplus funds were invested in high yielding money market funds.

9.14 **Recent Accounting Pronouncements**

There are no new accounting pronouncements that have been issued but not adopted in the 2024 Audited Financial Statements that are expected to have a material impact on the Consolidated Financial Statements. See Note 37 to the 2024 Audited Financial Statements.

10. BUSINESS DESCRIPTION

10.1 **Overview**

The Group is one of South Africa's leading multi-format and omni-channel retailers, operating on an owned and franchise basis. As at 25 February 2024, the Group operates a flexible and diverse portfolio of stores and online platforms, providing a broad food, grocery, liquor, general merchandise, clothing and value-added services offer across eight countries in the African continent. The Group, which is headquartered in Cape Town, has a portfolio of 1,484 Company-owned stores and 722 franchise stores, operating through multiple formats under two main trading banners, Pick n Pay and Boxer.

Turnover for the 52 weeks ended 25 February 2024 increased to ZAR112.3 billion (52 weeks ended 26 February 2023: ZAR106.6 billion) and profit for the period decreased to an after tax loss of ZAR3,190.1 million (52 weeks ended 26 February 2023: profit after tax of ZAR1,169.9 million). Headline earnings per share dropped to a loss of 203.06 cents per share (52 weeks ended 26 February 2023: profit of 259.25 cents per share).

10.2 **Strengths**

The Group presents a combination of market-leading growth in its Boxer segment with a turnaround opportunity in its underperforming Pick n Pay segment. Management is focussed on unlocking shareholder value by:

- returning the Pick n Pay segment to trading profitability via execution of a turnaround strategy in Pick n Pay Supermarkets;
- continuing to accelerate the key growth drivers of Boxer, Pick n Pay Clothing and Online;
- listing the Boxer business to ensure Boxer is accorded a market value which appropriately reflects its superior growth and return on invested capital (ROIC) characteristics; and
- de-gearing the Group via the two-step recapitalisation programme, which will substantially reduce Group debt service costs, reduce risk, and provide management with the operational flexibility and resources to drive the Pick n Pay segment return to profitability.

10.2.1 **Boxer: the soft-discounter leading South African food retail market growth.**

Boxer is one of the fastest growing grocery retailers globally. Boxer grew its sales at a market-leading CAGR of 19% for the two-year period ended 25 February 2024 (7.6% average on a like-for-like basis across the 52 weeks ended 25 February 2024 and 26 February 2023), as a result of its compelling customer value proposition and accelerated store rollout programme. Boxer's store estate, at 477 stores as at 25 February 2024 (including 296 supermarkets) remains relatively small in comparison to larger competitors, meaning there is considerable headroom for expansion of the store estate over time. According to the Institute of Grocery Distribution, discounter penetration of the offline grocery market is only 7% in South Africa, well below many other countries (including Poland at 38%, Turkey at 25%, and the United Kingdom at 16%). The Group believes that Boxer is well positioned to lead increased penetration of the discounter category in South Africa over coming years. The Boxer business model is based on a focused assortment of approximately 3,000 SKUs, which offers consumers compelling value. Boxer's combination of high sales density, low-cost operating model, and relatively light asset base allows Boxer to generate high returns on investment, with a return on invested capital in excess of 20% for the 52 weeks ended 25 February 2024. Boxer has a stable and highly experienced management team led by CEO Marek Masojada, who has been at Boxer for 30 years.

10.2.2 **Pick n Pay Clothing: the fast-growth value-oriented clothing chain.**

Pick n Pay Clothing (reported within the Pick n Pay segment) is a casualwear-focused, value-oriented clothing store format, targeting family shoppers. While womenswear is the cornerstone of the format's success, Pick n Pay Clothing is gaining traction in childrenswear and menswear. Pick n Pay Clothing grew its sales in standalone stores by a market leading 17% for the 52 weeks ended 25 February 2024 (7.7% on a like-for-like basis) and 15.3% for the 52 weeks ended 26 February 2023 (5.6% on a like-for-like), driven by its compelling customer value proposition and new store rollout program. As at 25 February 2024, Pick n Pay Clothing had 366 standalone company-owned clothing stores, having increased its portfolio by 52 stores in the 52 weeks ended 25 February 2024.

10.2.3 **Strong online sales growth, driven by on-demand platforms.**

Including its scheduled delivery service, the Group achieved online sales growth of 74.4% for the 52 weeks ended 25 February 2024, following a reported growth of 72.0% for the 52 weeks ended 26 February 2023. The Group's online sales growth was driven by the Group's on-demand offerings, asap! and Pick n Pay groceries on the Takealot Group's Mr D mobile application. The Group's on-demand platforms delivered growth of 102.3% in the 52 weeks to 25 February 2024, establishing the Group as the second-ranking on-demand grocery provider amongst South African consumers. Over 25,000 products are available on asap!, which delivers from over 500 stores, including liquor stores. In October 2023, the asap! application was refreshed and relaunched with enhanced functionality, including an AI-driven search function.

10.2.4 **Strengths of the core Pick n Pay Supermarkets business**

Pick n Pay is one of South Africa's most iconic and loved brands. Pick n Pay was recognised as the strongest brand in South Africa in April 2023 according to Brand Finance, an authority on brand valuation. Similarly in May 2023, Pick n Pay was voted the Best Everyday Grocery Store in The Star newspaper Reader's Choice survey. As at 25 February 2024, Pick n Pay had an estate of 346 company-owned supermarkets and hypermarkets, and 278 franchise supermarkets. While the Group has acknowledged in its recent strategic review that selected loss-making stores need to be closed or converted, the Group retains a large base of well-positioned and profitable stores. The Group's entrepreneurial franchise partners have been a key element of the Group's success over many years, given their skills and passion for the business, and the Group intends to capitalise on this further over the medium-term.

10.3 Strategy

10.3.1 Introduction

The Group's operations in South Africa include its Pick n Pay grocery retail business (groceries, liquor and general merchandise across owned stores, franchised stores and online), Pick n Pay Clothing, and Boxer, each of which has a distinct market positioning. As such, the strategies the Group employs in connection with each of its divisions vary and are presented separately herein. In recognition of the greater need for improvement in the Pick n Pay core retail business, the Group's strategy for this division is laid out in a high level of detail below.

10.3.2 Pick n Pay core retail

As part of the Group's ongoing efforts to optimise its business operations and pave the way for sustainable growth in the long-term, the Group launched its turnaround strategy for Pick n Pay. The strategy is premised on three key criteria:

1. Reasonable: that any targets set are realistic and reasonably attainable;
2. Defendable: that it is demonstrably justifiable to the Group's broad base of investors and stakeholders; and
3. Actionable: that it is actionable with the human and capital resources, which the Group possesses or can access.

In implementing the turnaround strategy, the Group aims to improve upon its overall results of operations, financial condition and prospects, which it aims to reflect in certain key indicators, namely operating cash flow, profit before tax and operating profit margin.

The strategy is based on a bold and renewed vision for Pick n Pay, which focuses on six major priorities:

1. Leadership and people
2. Reset the store estate
3. Improve offer to drive sales
4. Optimise operating model
5. Leverage strength of partnerships
6. Recapitalisation

Details on these six priorities are provided hereafter.

Leadership and people

Pick n Pay's leadership and people necessarily underpin any strategic undertaking. As such, in March 2024, the Group implemented a new leadership structure in Pick n Pay, with enhanced emphasis on role clarity and leadership accountability, increased focus on the most important product categories (groceries, fresh meat and produce, and general merchandise) and a strengthened regional structure, all with the continued support of the Group's support offices.

Pick n Pay's revamped leadership is comprised of senior and experienced executives with proven track records, who are appointed to key roles. These executives have carefully diagnosed which areas require improvement, developed detailed plans, and have progressed to implementation. Furthermore, to ensure institutional resilience and continuity, the Group is putting in place a strong and structured succession plan across all levels of Pick n Pay.

As part of the redesign of Pick n Pay's leadership structure, the retail business has been divided into six trading regions (previously three). This change is intended to strengthen regional leadership, with regional experts being given greater capacity to tailor Pick n Pay's offering according to their local knowledge, thereby enhancing autonomy, accountability and effectiveness. The redesign also embeds regional buying teams in the local market to deepen relationships with, and ensure the careful selection of, vendors across the key product categories. The Group's aim is to drive like-for-like sales via a local team with understanding of local conditions and consumer preferences, and with the required level of focus and speed-to-market.

At the store-level, Pick n Pay is strengthening store management teams by restoring roles where teams have been weakened in recent years, particularly amongst store managers, frontline personnel and fresh area staff.

The Group recognises the importance of culture and employee relations. The Group recently launched an internal campaign at Pick n Pay aimed at step-changing advocacy for its people, the 'Hearts and Minds' campaign. 'Hearts and Minds' aims to communicate the need for Pick n Pay to transition to the new competitive reality and a more competitive operating model, to spark collaboration and help regain a collective sense of purpose and pride in the Pick n Pay brand. The strengthened regional structures will play an important role in implementing the campaign and channelling clear and uniform messaging.

Pick n Pay's internal marketing campaign will also play a pivotal role in its focus to improve customer service (see "—*Improve offer to grow sales*").

Reset the store estate

The Group has substantially increased its focus on Pick n Pay's store estate through a comprehensive store-by-store review. This review has informed the Group's renewed estate reset plan, which places most emphasis on stores that have made losses over a multi-year period. Moving forward, the Group's focus for Pick n Pay will not be on 'scale-at-all-cost', but rather on a smaller but more profitable business, with fewer but better stores.

Several factors have contributed to a decline in store profitability over the years, including centres experiencing a decline in customers as newer shopping centres opened up elsewhere and/or the market has shifted, landlords underinvesting in centres, leading to a decline in footfall, competitor store openings and, in some cases, sub-standard store execution and customer service. Stores identified as requiring action pursuant to the Pick n Pay estate reset plan will be either converted into Boxer stores, converted into franchise stores or closed entirely.

Conversion of loss-making stores to Boxer stores serves to focus the Pick n Pay banner at the middle-income and more affluent segment of the market and limit overlap with the Boxer banner which targets less affluent segments of the market. In the store review process, management has identified several Pick n Pay stores that are in locations and catchment areas better served by the Boxer business. Converting these loss-making stores will serve the dual purpose of avoiding further Pick n Pay losses, and supporting the new store pipeline for Boxer.

The rationale for converting certain corporate-owned stores into franchise stores is different. The Group's internal benchmarks have demonstrated that Pick n Pay franchisees achieve greater trading density and sales per store compared to a typical corporate-owned store. This is driven by the franchisee's greater focus on in-store operations and customer service. This initiative aims to secure suitable franchisees and convert stores, unlocking benefits to both parties, as franchisees improve the economics of the stores and restore profitability, while Pick n Pay avoids losses and retains supply volumes. Pick n Pay has initiated the process of engaging potential interest from franchisees and a number of stores have been earmarked as potential franchise conversions in market segments where existing franchisees have established a solid footprint and understanding of the market.

Certain stores are not suitable for conversion either into Boxer stores or franchise stores and are being considered for permanent closure. The remaining lease term and liabilities in some instances present suitable pay-back periods on closure. Despite the additional costs associated with these measures, the closures are expected to have an attractive pay-back profile. The Group is currently negotiating potential early exits with landlords, with traction already gained in a number of cases. Some stores are already in an advanced stage of the process with hand-back dates already provisionally set for within the 53 weeks ending 23 February 2025.

Throughout the store reset process, the Pick n Pay property team is engaging landlords on opportunities to redress store layout deficiencies, address critical repairs and undertake maintenance work at stores which have been deferred. These discussions include store resizing that aims to hand back inefficient space in certain centres that have the potential to become line shops or used for other purposes.

Improve offer to drive sales

The Group aims to improve Pick n Pay's offer primarily along four axes: (1) price and promotions, (2) customer service, (3) product range, and (4) hypermarkets.

Pick n Pay sets out to ensure that it offers customers more consistent value and competitive prices across a core basket of goods. This is intended to be achieved through targeted promotional activities and an aim to offer lower prices across key product lines. Our promotional strategy will further drive a better-balanced margin outcome on promotions. To achieve this, Pick n Pay is taking steps to optimise its use of data across multiple datasets (internal and external) and work with suppliers to improve price and promotional strategies. Pick n Pay also utilises advanced systems to drive large scale personalised customer engagement, enhance promotional effectiveness and improve its fulfilment processes.

Pick n Pay's customer service initiative will be driven and supported by the strengthened regional structures, the 'Hearts and Minds' campaign, and an update of the Pick n Pay customer service training programme. The Group further seeks to improve Pick n Pay service levels through the opportunity that multi-skilling and role flexibility provides, which will enable it to redeploy staff in stores to customer-facing areas during busier times. These roles include cashiers, till packers and service area assistants, who are being re-trained to ensure consistent service delivery, with over 7,000 employees currently on the frontline multi-skilling programme. The Group has further updated the Pick n Pay customer service training programme, which will now include face-to-face sessions in all stores rather than online courses.

In terms of product range, the Group aims to significantly improve Pick n Pay's fresh offer, with an objective to reinstate fresh food cornerstones across bakery, butchery, produce and deli segments. Pick n Pay will reverse non-optimal range decisions implemented over recent years. Moreover, Pick n Pay will rebuild its own brand and confined label products, with a view to reducing cost of sales and improve margins, and place greater emphasis on local ranges where the opportunity exists to better meet customer needs. The plan includes a significant reset of general merchandise in Pick n Pay Hypermarkets, expanding the range across DIY, kitchen, home, gardening, pet, pool, braai, stationery and audio/visual.

Pick n Pay intends to further differentiate its hypermarket offering from its supermarket offering, which will attract more footfall and enhance the appeal of hypermarkets as a destination shopping journey. Pick n Pay will pursue opportunities to reduce excess space across its hypermarkets estate without impacting sales, as opportunities exist to improve sales densities and reduce store costs. Pick n Pay is also planning to increase its emphasis on promotions, bulk-buy opportunities and various events at its hypermarkets. In addition to the hypermarket general merchandise range reset, Pick n Pay will strengthen regional buying with a focus on volume and economies of scale, and place greater emphasis on fresh and food services (coffee, lunch, grab-and-go) to drive frequency.

Optimise operating model

Pick n Pay has an opportunity to trade significantly better and more profitably through heightened operational execution, which will be key to unlocking improved like-for-like sales growth and positive operating leverage. The Group's strategy to optimise Pick n Pay's operating model hinges on reforms to its marketing and advertising spend, Smart Shopper offering, store operations, support offices and supply chain management.

Optimisation of marketing and advertising spend requires a full revisit to ensure Pick n Pay maximises the value received for its marketing spend. This will be facilitated by centralising marketing and advertising spend to extract efficiencies and avoid duplicated spend. Pick n Pay will work with regional buyers to improve local market advertising content.

Smart Shopper is Pick n Pay's loyalty programme, which allows customers to participate in promotional discounts as well as earn points which they can redeem as cash back on other purchases. By improving the relevance of the Smart Shopper offering, the Group aims to enhance the value Pick n Pay offers to its customers and ultimately drive greater volumes and sales.

Regional leadership and in-store management will focus on driving simplification and delivering better execution across Pick n Pay's store estate. This entails improvements in staff productivity through training, multi-skilling and role flexibility, and greater levels of responsibility and accountability. Additionally, store operations will be further optimised through expense savings across several areas, including shortage (waste and shrink/theft) and goods-not-for-resale (packaging, diesel costs, outsourced services etc.).

In connection with Pick n Pay's support offices, the Group will implement a multi-year programme to ensure it resources key roles required to deliver the strategy (especially in the regions), while eliminating excess costs in areas where Pick n Pay is over-staffed or where certain functions have become redundant. There are three phases to this plan:

- Phase 1: establishing the new Pick n Pay senior leadership structure, which was implemented at the beginning of 2024.
- Phase 2: implementing the changes to Pick n Pay's operational structure required to deliver the strategy across the six trading regions.
- Phase 3: reinforcing Pick n Pay's store management structures, which entails the reassignment of store staff to new or existing roles in stores and redeploying some head-office employees to regions and stores.

For the optimisation of Pick n Pay's supply chain, a cost mitigation plan has been developed to offset the impact of lost volumes from store closures and Boxer conversions. Such cost savings can be unlocked through (i) lower distribution centre operating expenses, (ii) higher picking productivity at the Eastport distribution centre, driven by labour multi-skilling, improving warehouse layout, space utilisation and travel distances, and by the semi-automated picking tunnel that went live in May 2024, (iii) transport savings resulting from better delivery scheduling and fleet utilisation, and (iv) right-sizing of the current general merchandise supply chain activities after integrating general merchandise from the current external service provider into the integrated Pick n Pay supply chain.

Leverage strength of partnerships

A key components of the turnaround strategy is leveraging the strength of Pick n Pay's partnerships through (1) strengthening relationships with its staff, (2) longstanding partnerships with its suppliers and franchisees, and (3) ongoing engagements with landlords.

Employees are key not only in the implementation of the strategy, but in the strengthening of Pick n Pay's relationships with its stakeholders. The comprehensive 'Hearts and Minds' campaign is critical to the journey over the next few years.

Pick n Pay's three newly appointed Commercial Executives (across the groceries, fresh and general merchandise departments) meet with Pick n Pay's suppliers on a regular basis to maintain and enhance strong partnerships with Pick n Pay's key vendors. Such engagements focus on agreeing on mutually beneficial plans to drive sales ("**buy-to-sell**") and align on priorities at store-level that will deliver growth.

Additionally, Pick n Pay is working with its franchisees to modernise its franchise model so that both parties can increase their respective profits with a revised long-term, sustainable model. The introduction of an interim franchise model in the financial year ended 25 February 2024 has improved the commercial terms with Pick n Pay's key franchise partners. Broadly, franchisees have been in support of this change.

Engagements with landlords are well underway, and ongoing dialogue is showing solid traction to implement several store estate reset opportunities. Where further beneficial agreements are reached, it has the potential to further strengthen the plan.

Recapitalisation

De-gearing the Group through a two-step Recapitalisation Plan will substantially reduce Group debt service costs, reduce risk and provide management with the operational flexibility and resources to drive the Pick n Pay Supermarkets business return to profitability.

The Group plans to achieve its recapitalisation targets via the Recapitalisation Plan to meet the Group's funding needs, facilitate a more efficient capital structure and unlock shareholder value from the Boxer IPO. Furthermore, Pick n Pay intends to place a firm focus on freeing up cash tied up in working capital.

The proceeds from the Recapitalisation Plan will be used to primarily settle the Group's debt. A substantial saving in funding costs will be realised for the Group and Pick n Pay's retail business as debt is settled. Please see "*9 Operating and Financial Review—9.9.2 Restructuring Support Agreement and Recapitalisation Plan*."

In addition, working capital benefits will arise from the store estate reset, through a new approach to stock replenishments at store level which will help reduce inventory days. The process will be supported by a new unified demand forecasting system in SAP, across groceries in particular, which does not require manual input, is more data and fact-driven and calculates orders more accurately at the most granular level in stores.

10.3.3 **Pick n Pay Clothing**

Pick n Pay Clothing is a value offering and focuses on essentials and commercial fashion for the whole family. The casualwear proposition is built on offering better fabrics and comfortable fits while optimising accessibility through everyday value and easily accessible destinations, such as regional malls and convenience centres.

Pick n Pay Clothing is available in over 500 locations including standalone clothing stores, supermarkets, hypermarkets and online. The long-term ambition is to accelerate like-for-like growth on the basis of its developed ladieswear offering and leveraging it to also grow the kids and menswear segments.

Pick n Pay Clothing has a de-risked sourcing strategy, with approximately 40% of its products sold being manufactured locally. Further, its ESG strategy is built into its aggressive store roll out plan, with Green Building Council-certified stores and social contribution in the form of creating jobs for local communities. Pick n Pay Clothing employs over three thousand permanent full-time employees, of which approximately 20% hold managerial roles.

10.3.4 **Boxer**

Boxer's strategy is centred around executing on its vision to be Africa's leading discounter. This encompasses a range of elements, with particular emphasis on offering customers compelling value on a limited range of SKUs, being the lowest-cost operator, continuously re-investing in price to drive like-for-like volumes, and consistent store rollout to achieve the full store growth potential of its soft discounter format.

Boxer's strategy has four key pillars, namely: (1) volume, (2) value, (3) efficiency and (4) expansion. Boxer has specific strategies to drive each of these pillars, which together have generated self-reinforcing sales and profit growth momentum.

Volume is driven through its focused limited assortment product range, combo-focused promotions to increase share of wallet, and stores set up for high throughput on busy days. Value for customers is given through innovative promotions, with immediate value back at the till and on future promotions, and a highly competitive confined label offering, making up approximately 20% of the total range—a factor that in itself can also drive customer loyalty.

Efficiency and cost savings are generated through the simplicity of the business model, a highly efficient, centralised supply chain covering dry goods, and an outsourced distribution network covering frozen and chilled perishables and fruit and vegetables. Boxer uses a variety of technology-enabled IT solutions, both in-house developed and best-in-class international software applications. The core point of sale and back-end merchandise systems are owned, maintained and enhanced by the company, with significant savings in maintenance and licence fees. In forecasting and replenishment, where sophisticated algorithms, artificial intelligence and machine learning make for a more accurate outcome, Boxer has chosen to partner with an international expert, namely Relex, whose applications and solutions are used by many retailers worldwide to manage inventory.

Market research suggests that there is a significant opportunity for Boxer to extend its footprint. The Group believes that there is opportunity to increase Boxer's Superstore footprint more than three-fold in the medium-to-long term. Boxer aims to grow following a multi-faceted approach. Besides the opening of greenfield Boxer Superstores, it will also seek to open new Boxer Superliquor and small-format stores where the opportunity arises, and benefit from the conversion of certain Pick n Pay stores into Boxer stores (see "*—10.3.2 Pick n Pay—Reset the store estate*"). There are also opportunities to acquire supermarkets from independent and Pick n Pay franchisee operators. To support the planned rollout of its store network, Boxer is extending its supply chain by commencing construction of its seventh distribution centre in KwaZulu-Natal. Boxer is vertically integrated in the processed meat category: its KwaZulu-Natal meat processing plant is a significant producer of sausages and polony, which allows it to offer customers value and manage margin in this category.

10.4 **History**

Consumer champion Raymond Ackerman purchased the first four Pick n Pay stores in Cape Town, South Africa in 1967. Since then, the Group's vision has grown and expanded to encompass 2,279 stores in South Africa, Namibia, Botswana, Zambia, eSwatini, Nigeria and Lesotho. In addition, the Group owns a 49% share of Zimbabwean supermarket chain, TM Supermarkets.

Customers are at the heart of the Group's business. Consumer sovereignty informs all of the Group's decisions, from how it sources and buys its products and the product range on offer, to how it designs and runs its stores to give customers great value and service. Putting the customer first means the Group always dedicates effort to understanding their diverse and changing needs and how the Group can serve them better.

Since its founding, the Group's ethos includes the pursuit of innovation and technological advancement which has enabled it to become one of the market leaders with its online offer.

10.5 The Group's Business Model

The Group's business model is designed to uphold its position as a leading retailer in the fast-moving consumer goods industry of southern Africa. Pick n Pay and Boxer aim to provide customers with quality products at competitive prices, maintaining a virtuous circle of value, volume and growth. The Group's business model is underpinned by the following key principles:

- Economies of scale: the Group's large scale, high-volume business enables its buying team to negotiate lower prices with suppliers.
- Competitive pricing: lower prices attract more customers, driving increased sales volumes.
- High inventory turnover: maintains the quality of fresh produce and reduces the Group's holding costs.
- Operational efficiency: cost-effective operations maintain profitability in a low-margin business.
- Broad market reach: customer inclusivity increases the potential for sustainable volume growth.
- Customer loyalty: low prices, good quality and high product availability and excellent customer service drives stronger customer advocacy and long-term sustainable growth

The Group follows a flexible investment and business model, seeking to find the most effective and appropriate operating model for a particular region; for example, operating company-owned stores, working alongside effective franchisees, or investing in businesses with established partners, while providing management support.

Changing customer demographics creates opportunity to extend the Group's reach and grow sales without impacting existing stores. The Group's expansion programme focuses on growing the business by opening stores that reflect the changing habits and needs of customers, and which will bring new customers and communities into the Pick n Pay and Boxer family. This includes smaller stores focused on customer demand for convenience, and a growing online platform. Greater operating flexibility, efficiency and cost effectiveness allows the Group to operate successfully in a broad range of locations.

Company-owned

The Group operates 1,484 company-owned stores under its Pick n Pay and Boxer banners, and these stores are directly owned by the Group. Boxer branded stores are all company-owned and there are currently no franchise stores under this brand.

Franchise

The 722 franchise stores are an integral part of the Group. The Group supports its franchisees by helping them build profitable and sustainable businesses through mutually beneficial partnerships. These partnerships are built on the strength of the Pick n Pay brand and are supported by efficient and effective distribution and administrative platforms.

The Group tracks several measures to assess the quality of its franchise relationships, including, but not limited to, (i) growth in franchise point-of-sale turnover, wholesale turnover and royalties, (ii) improvements in order and delivery strike rates from Pick n Pay distribution centres to franchise stores, and (iii) stability and recoverability of franchise debt.

The Group's interim franchise business model is delivered through providing competitive pricing through its high-volume order book and access to a highly efficient distribution network. Furthermore, the Group offers a flexible franchise model, committed to supporting start-up businesses, smaller formats, or those struggling in tough trading environments, including through management and administrative support.

The Group's franchise partners continue to provide the Group with sustainable opportunities for growth and are often a benchmark for innovation and operational excellence. The Group also formed a franchise forum to engage and consult on the modernisation of Pick n Pay's franchise agreement, to ensure it remains relevant, effective and continues to deliver mutually sustainable returns over the long-term.

Associate

The Group has a 49% investment in its associate TM Supermarkets which operates 73 stores in Zimbabwe.

The following table sets out an overview of the Group's store estate as at 25 February 2024.

	Pick n Pay		Boxer	TM	
	Owned	**Franchise**	**Owned**	**Associate**	**Total**
Country:					
South Africa	982	640	468	–	2,090
Zimbabwe	–	–	–	73	73
Namibia	–	36	–	–	36
eSwatini	–	23	9	–	32
Zambia	23	–	–	–	23
Botswana	–	19	–	–	19
Lesotho	–	4	–	–	4
Nigeria	2	–	–	–	2
	1,007	**722**	**477**	**73**	**2,279**
Formats:					
Hypermarkets	21	–	–	–	21
Supermarkets[(1)]	325	473	296	61	1,155
Clothing	366	19	–	–	385
Liquor	295	230	150	12	687
Build	–	–	31	–	31

(1) *Including smaller Express and Market store formats.*

10.6 The Group's Businesses

The Group is one of South Africa's leading multi-format and omni-channel retailers, operating on an owned and franchise basis. As at 25 February 2024, the Group operates a flexible and diverse portfolio of stores and online platforms, providing a broad food, grocery, liquor, general merchandise, clothing and value-added services offer across eight countries in the African continent. The Group, which is headquartered in Cape Town, has a portfolio of 1,484 Company-owned stores, and 722 franchise stores, operating through multiple formats under two main trading banners, Pick n Pay and Boxer.

10.6.1 The Group's trading banners

The Group trades under two main banners, Pick n Pay and Boxer, and through its associate TM Supermarkets.

Pick n Pay

Pick n Pay is one of South Africa's leading retail brands. Pick n Pay has moved hand in hand with the changing needs of its customers for 57 years.

For the 52 weeks ended 25 February 2024, the Pick n Pay trading banner accounted for 66.7% of the Group's turnover.

The Group operates its stores as Pick n Pay Supermarkets, Pick n Pay Hypermarkets, Pick n Pay Liquor, Pick n Pay Clothing, Pick n Pay Express, Pick n Pay Online and Pick n Pay asap!.

As at 25 February 2024, Pick n Pay operated 1,007 company owned stores and 722 franchise stores in seven countries across Sub-Saharan Africa and 57 associated stores trading as Pick n Pay in Zimbabwe.

Pick n Pay Supermarkets

Pick n Pay company-owned and franchise supermarkets offer a wide range of food and groceries and a targeted range of clothing, general merchandise and value-added services. Fresh produce and butchery offerings are complemented by in-store bakeries, delis and hot food counters. Customers can buy everything they need, from a daily top-up to a larger weekly or monthly bulk shop.

The Group's long-term strategy is focused on stronger like-for-like sales growth through improvements in the CVP tailored to meet the individual needs of the customers served. Pick n Pay sets out to ensure that customers are offered good quality at great value, and that the in-store experience are notably improved.

Pick n Pay Supermarkets serve customers in middle- to higher-income communities, with an expanded range of products that delivers on innovation, quality, freshness and convenience, including through experiential meat, produce, and bakery lines.

As part of the Pick n Pay Supermarkets offering, the stores also provide a compelling range of value-added services, including third-party bill payments, travel and event ticketing, money transfers, insurance products, mobile technology and data and a range of point-of-sale banking and finance solutions which has increased the Group's capability to assist with consumer affordability and financial inclusion.

As part of the Group's long-term strategy, Pick n Pay QualiSave supermarkets are intended to be rebranded and incorporated into the Pick n Pay Supermarkets store estate in the near future. Pick n Pay QualiSave stores were launched in August 2022. These supermarkets are currently dedicated to serving customers at the crucial middle and lower-income segment of the market with a tailored range of approximately 8,000 essential food and grocery products. Following the implementation of the Group's new turnaround strategy, the existing QualiSave stores will become Pick n Pay Supermarkets, where feasible.

As at 25 February 2024, 325 company-owned and 473 franchise Pick n Pay Supermarkets were operated in South Africa, Botswana, Lesotho, Namibia, Nigeria, eSwatini and Zambia, and had an average size of 2,900 square metres. For the 52 weeks ended 25 February 2024, the Group opened three new Pick n Pay Supermarkets.

Pick n Pay Hypermarkets

The Pick n Pay Hypermarket is the Group's largest store format. Essentially a "one-stop-shop," hypermarkets provide a strong fresh meat and produce offer, a wide range of food and grocery products, an expanded clothing range and specialist general merchandise categories not always available in the Group's smaller Pick n Pay supermarket formats. Pick n Pay's Hypermarket division also provides a growing wholesale offer to cater for an expanding customer base of independent traders. Customers are increasingly seeking greater convenience through smaller stores located close to home, work and transport. As such, the Group's growth plans in recent years have focused on smaller format stores, and there are no plans to open additional hypermarkets. The Group remains focused on utilising this format more effectively as a "destination shop," through targeted promotions on essential food and grocery lines, including multi-pack, bulk-buy and combination deals, alongside an increasingly tailored clothing and general merchandise range.

As at 25 February 2024, 21 company-owned Pick n Pay Hypermarkets were operated in South Africa and had an average size of 12,875 square metres.

Pick n Pay Liquor

Pick n Pay Liquor stores are situated close to Pick n Pay's supermarkets and hypermarkets, but with separate entrances. These stores offer a range of wine, spirits and beer, including innovative local craft products. Pick n Pay Liquor stores provide customers with the added convenience of purchasing liquor at the same time as doing their grocery shopping.

As at 25 February 2024, 295 company-owned and 230 franchise Pick n Pay Liquor stores were operated throughout six countries in Sub-Saharan Africa and had an average size of 170 square metres.

Pick n Pay Clothing

Pick n Pay Clothing provides high-quality, fashionable wardrobe essentials for the whole family at competitive prices. Womenswear has traditionally underpinned the format's success, however, Pick n Pay Clothing is also gaining solid traction in childrenswear and menswear.

The format's clear customer value proposition and highly efficient operating model has delivered strong market share gains for five consecutive years, and across all market segments served. For the 52 weeks ended 25 February 2024, Pick n Pay Clothing outgrew the market by 6.3%, having opened 58 new stand-alone stores and generating sales growth of 17.0%.

Local sourcing now represents more than 40% of total clothing sales, which is approximately double the volume since the localisation strategy was launched in 2019, providing the opportunity for exciting collaborations with local designers and entrepreneurs, while reducing order lead times and maintaining high levels of availability.

The Pick n Pay Clothing division has been resolutely focused on building an energy-efficient and socially responsible clothing business that is wholly aligned with the Group's principle of doing good is good business and remains a meaningful contributor to the achievement of the Group's long-term ESG goals.

Approximately 38% of Pick n Pay Clothing products are responsibly sourced and over 5000 trees have been planted in Platbos Forest Reserve. 65 stores have a green star level 4 rating and there is a Western Cape distribution centre with a green star level 4 rating. The Pick n Pay Clothing division created over 1,000 jobs in 2023 and has 95% African, Coloured and Indian representation (of which more than 75% is female). This division also donated ZAR12 million to clothing banks in 2023.

As at 25 February 2024, 366 company-owned and 19 franchise Pick n Pay Clothing stores were operated throughout South Africa and eSwatini and had an average size of 450 square metres. For the 52 weeks ended 25 February 2024, the Group opened 55 new Pick n Pay Clothing stores.

Pick n Pay Express

The Group's partnership with BP, one of the world's leading international oil and gas companies, provides small 24-hour Pick n Pay Express convenience stores at BP service station forecourts in South Africa. Pick n Pay Express offers a targeted convenience range to satisfy an immediate top-up shop or a quick meal solution. The range is limited and mainly focused on daily needs. Sites are in high-traffic-flow areas, including high-density residential areas and public transport intersections. Pick n Pay's Smart Shopper loyalty customers can buy fuel with accumulated Smart Shopper points.

As at 25 February 2024, 195 forecourt franchise Pick n Pay Express convenience stores were operated throughout South Africa and had an average size of 300 square metres. For the 52 weeks ended 25 February 2024, the Group opened eight new Pick n Pay Express convenience stores.

Pick n Pay Online

The Group's integrated online platform offers its customers a wide range of services. The key component of the Group's core online offering is its on-demand delivery service which delivers goods to customers within one hour of ordering from over 500 delivery locations. The on-demand business generated 83% of Pick n Pay Online turnover and more than doubled for the 52 weeks ended 25 February 2024.

The Group's online on-demand platform was extended by the launch of Pick n Pay's food and grocery offer on the Takealot Group's Mr D delivery application.

Combined with sales from the highly popular Pick n Pay asap! application, which was relaunched with enhanced functionality in October 2023, the Group's on-demand online sales grew by 102.3% in the 52 weeks ended 25 February 2024. On-demand grocery retail is only one element of the Group's omni-channel grocery proposition, which includes its traditional scheduled delivery service and a Click n Collect service. For the 52 weeks ended 25 February 2024, the Group achieved total online sales growth for the year of 74.4%, across all platforms. The Group is working on improvements to its scheduled delivery service, to provide customers with wider choice and greater flexibility on delivery.

Boxer

Boxer has a 47-year history and is one of South Africa's fastest growing discount supermarket chains, with strong market share gains over several years. In the 52 weeks ended 25 February 2024, Boxer experienced 14% customer growth, 2.9% basket growth and 17.3% sales growth, 8.1% of which on a like-for-like basis. Boxer provides value on the products that are most important to customers in the lower- to middle-income urban, peri-urban and rural South African and eSwatini communities.

For the 52 weeks ended 25 February 2024, the Boxer trading banner accounted for 33.3% of the Group's turnover. In this financial period, own brand and confined label products represented approximately 23% of Boxer's trading revenue.

All Boxer stores are located close to public transportation hubs and have a welcoming market-style atmosphere, offering essential daily commodities such as maize meal, rice, samp, sugar, oil and beans, as well as perishables, health and beauty products, general merchandise and bulk-buy offers. There are no franchise stores under this brand.

Boxer's geographical heartland is KwaZulu-Natal and the Eastern Cape, but it has a presence in all nine South African provinces and eSwatini, with opportunities for growth across South Africa and particularly Gauteng, where it can serve the needs of communities through its focused product range, affordable prices and community-rooted staff.

As at 25 February 2024, Boxer operated in South Africa and eSwatini through 477 company-owned stores, 50 of which opened in the last financial period, with a two-year store roll-out CAGR of 14%. The three Boxer store formats include Boxer Superstores, Boxer Superliquor and Boxer Build.

Boxer Superstores

Boxer Superstores provides customers with a clear CVP across a range of approximately 3,000 essential food and grocery products. The supermarkets provide value through a simple, low-cost and highly effective operating model. Boxer Superstores are full-service stores offering a focused range of food and groceries. This includes high-quality fresh meat and produce, alongside essential commodities, health and beauty products, general merchandise and bulk-buy promotions. Butcheries, bakeries and deli sections provide a choice of prepared convenience meals.

Boxer Superstores also provide a compelling range of value-added services, including third-party bill payments, travel and event ticketing, money transfers, insurance products, mobile technology and data and a range of point-of-sale banking and finance solutions which has increased the Group's capability to assist with consumer affordability and financial inclusion.

As at the 25 February 2024, 296 company-owned Boxer Superstores were operated throughout South Africa and eSwatini and had an average size of 1,900 square metres. For the 52 weeks ended 25 February 2024, the Group opened 17 new Boxer Superstores.

Boxer Superliquor

Boxer Superliquor stores are situated close to Boxer Superstores, but with separate entrances. These liquor stores provide customers with the added convenience of purchasing liquor at the same time as doing their grocery shopping.

As at the 25 February 2024, 150 company-owned Boxer Superliquor stores were operated throughout South Africa and eSwatini and had an average size of 450 square metres and average yard size of 1,000 square metres. For the 52 weeks ended 25 February 2024, the Group opened 32 new Boxer Superliquor stores.

Boxer Build

Boxer Build stocks a broad range of building and hardware supplies to satisfy DIY and home improvement needs at competitive prices. Boxer Build stores offer savings cards and access to short-term credit facilities. Purchase delivery can be arranged at store level.

As at 25 February 2024, 31 company-owned Boxer Build stores were operated throughout South Africa and had an average size of 450 square metres.

Boxer Bulk Online

Boxer is developing its Boxer Bulk Online offering, through which it will sell its goods on a wholesale basis to spaza shops, traders, tuck shops and small business owners. Through its Bulk Online offering, Boxer aims to process a high volume of goods in relatively few orders compared to retail sales, while providing wholesale customers the benefit of increased savings as a result of the associated economies of scale.

10.7 **Customers**

The Group's Pick n Pay and Boxer trading banners and its associate TM Supermarkets are each optimised to meet their individual target customer needs. This allows the Group to compete effectively across the full customer spectrum.

Pick n Pay targets middle- to higher-income consumers who prefer the depth of range, quality and innovation in their shopping experience. Consumers benefit from great value and the best quality while the stores are intended to be aspirational and powerfully fresh. Pick n Pay also offers experiential service.

Boxer targets lower- to middle-income consumers who prefer a focused range and Boxer's own brand products. Consumers benefit from lower prices while the stores are intended to be vibrant. Boxer also strives for service that is friendly and familiar.

10.8 **Quality Control**

The Group is committed to providing its customers with high-quality food and groceries and a safe and secure shopping experience. The Group protects the health of its people and customers by upholding rigorous hygiene standards across the Group's stores, offices and supply chain. The Group's decisions and protocols are guided by the advice of expert scientific bodies, including the South African Department of Health and the National Institute for Communicable Diseases. Food safety is maintained by robust health and safety standards across the food chain to mitigate the significant risks associated with unsafe food. For more information on the relevant regulations applicable to the Group, see "*11 Regulatory Matters—11.2 South Africa—11.2.5 Foodstuff Products Regulation.*"

As part of the Group's quality control processes, formal health and safety protocols are maintained in stores, support offices and distribution centres, including regular handwashing and rigorous in-store cleaning and sanitising and clear sickness protocols. As part of the Group's efforts to ensure the highest levels of quality control, all stores undergo regular stringent food safety audits, undertaken by independent service providers and internal audit teams and the Group has established crisis management and escalation processes, including product recall protocols. Furthermore, the Group's franchise agreements regulate minimum in-store safety requirements. The Group's suppliers are contractually bound to comply with all legislated health and safety requirements, including certain additional minimum standards set by the Group. For example, suppliers are subject to regular food safety standard audits by independent third-party auditors, and non-compliance with food safety standards results in suspension of supply agreements until compliance is restored.

10.9 **Supply Chain and Logistics**

The Group's Pick n Pay and Boxer trading banners have separate supply chain and logistics arrangements which are tailored to support each of Pick n Pay and Boxer trading banners' respective extensive store and online businesses. As part of Pick n Pay's overall supply chain and logistics framework strategy, Pick n Pay procures goods and services from a broad network of suppliers and service providers, including many small, medium and micro enterprises ("**SMMEs**") that were mentored through its enterprise development programmes. The Group aims to source high-quality products at the best price and ensure food safety, sustainable and ethical business practices, innovation and consistent on-shelf availability.

The Group tracks several measures to assess the quality of these relationships, including, but not limited to, relative product performance within category, effectiveness of targeted promotions, including volume uplift, number of suppliers mentored through the enterprise development programme and spend on black-owned and women-owned businesses.

In relation to its suppliers, the Group is committed to fair, efficient and mutually beneficial business relationships, with a strong focus on local procurement. The Group's strategy focuses on building a cost-effective and efficient supply chain within its Pick n Pay and Boxer trading banners. Key aspects of this strategy include, developing small businesses and diverse and ethical suppliers, including through more own brand and confined label products, developing strategic partnerships on the Group's value-added services and Smart Shopper loyalty platforms and offering Pick n Pay Fast Pay which involves the Group's key banking partners to provide competitive funding to participating suppliers for the early settlement of invoices.

The Pick n Pay and Boxer trading banners have each developed a centralised, and increasingly effective, procurement and distribution channel. As part of their respective supply chain and logistics strategies, the common key focus has been on contingency planning as a result of elevated levels of load-shedding, including strategic buy-ins to maintain the on-shelf availability of staple food and grocery items. The Group employs a dynamic approach to inventory management, leveraging analytics to respond promptly to fluctuations in demand. By strategically stockpiling goods ahead of busy periods and anticipated price hikes, the Group optimises margins and ensures supply continuity. The focus on local procurement enhances stock optimisation, effectively addressing logistical challenges. Additionally, the Group's agility is evident in its capacity to adapt swiftly to major disruptions, ensuring a consistent supply chain through proactive and data-driven decision-making.

Pick n Pay

The Group's Pick n Pay trading banner leases all of its distribution centres, which perform an important function in Pick n Pay's supply chain operations. As part of its long-term strategy, Pick n Pay opened its new Eastport distribution centre in Gauteng in March 2023. Eastport is the largest and most modern facility in southern Africa which has assisted Pick n Pay in the efficient transition from its Longmeadow distribution centre, to ensure undisrupted supply, high levels of order fulfilment and minimal waste. Pick n Pay expects Eastport's larger capacity, improved layout, and enhanced systems to drive further supply chain efficiency.

The Pick n Pay trading banner does not own a fleet of vans and trucks and it outsources its transportation needs to third-party service providers.

Boxer

The Group's Boxer trading banner has various distribution centres, of which the Group owns one in East London and 40% of another in Benoni, and leases the remaining four in Gauteng, Polokwane, Lynnfield and Cape Town. Boxer's distribution centres form the backbone of its supply chain and logistics operations. Furthermore, Boxer is currently developing one new distribution centre in KwaZulu-Natal, the construction of which is estimated to be completed in the first quarter of the 2026 financial year. Additionally, Boxer's supply chain benefits from vertical integration in connection with the products of its meat processing plant in KwaZulu-Natal.

The Boxer trading banner does not own a fleet of vans and trucks and it outsources its transportation needs to third-party service providers.

10.10 **Risk Management and Security**

The Group invests a significant amount of capital into its risk management framework. Some of the key initiatives include, among other things, the preparation of business continuity and disaster recovery plans, implementation of crisis management protocols and executive working groups responsible for responding to potential catastrophic events which may have a material adverse effect on the Group's business operations.

Since the July 2021 civil unrest, the Group has identified and made arrangements for alternative distribution centres as source of supply which can be used in the event that the Group loses one of its distribution centres. Furthermore, in light of the increased political instability in South Africa and the aftermath of the July 2021 civil unrest, the Group has made significant investments and put in place processes to strengthen security measures across the Group's store estate.

Furthermore, given the widespread issues with load-shedding, the Group has installed generators in all stores and distribution centres to ensure business continuation.

10.11 **Employees**

The Group's company-owned operations employed a total of approximately 60,000 employees as at 25 February 2024. The following table sets forth the breakdown of the Group's company-owned employees by the relevant metric as at the dates set below.

	As at 25 February 2024	**As at 26 February 2023**	**As at 27 February 2022**
Total number of employees (*000s*)	60.3	59.9	57.0
o/w Pick n Pay	31.3	33.2	33.4
o/w Boxer	29.0	26.7	23.6

The Group is committed to building a strong and diverse team that reflects the communities it serves. The Group engages with employees to communicate strategy and responsibilities, improve its productivity and efficiency, identify needs, recognise and reward good performance and hold each team member accountable for their individual contribution to the Group's success.

The Group tracks several measures to assess the quality of employee relationships, including, but not limited to:

- Employee morale through quarterly surveys, to assess the drivers of morale, motivation and productivity and to actively address areas of dissatisfaction;
- Stability of employee turnover across fixed-time and variable-time employees;
- Value of investment in training, including bursaries, and the number of employees participating in training interventions, including internships, apprenticeships and graduate programmes; and
- Employee wellness through numerous employee wellness programmes.

The Group is committed to providing fair and competitive remuneration as well as training and development programmes. The Group's strategy is based on building a lean and effective organisational structure for the benefit of all and advancing employee opportunity and diversity. The Group also offers various health and mental wellness programmes.

As at 25 February 2024, approximately 45% of the Group's employees (and 66% in the Pick n Pay trading banner) belong to a labour union, where wages are governed by labour union agreements. Employees remunerated under contractual agreements with labour unions are paid in accordance with agreed hourly pay scales and additional benefits, without any differentiation based on race, gender or disability.

10.12 **Property**

The Group has commercial lease agreements with respect to its directly operated stores, distribution centres and certain other property. The Group's leases are entered into under standard commercial terms customary in the retail industry and have an average term of 5–15 years. While the Group leases the majority of its property, the Group owns 15 commercial properties, including stores, facilities, office parks and distribution centres.

10.13 **Marketing and Customer Service**

Marketing is an integral part of the promotion of the Group's brands, stores and products. The Group carries out a number of branding and advertising initiatives through its stores and websites, as well as through print, social and broadcast advertising campaigns. The Group works through owned, earned and paid channels. The key focus of the Group's messaging to its customers is an emphasis on value, the innovative, high-quality and well-priced products the Group offers and brand sentiment, services and ways to shop as well as a focus on corporate social responsibility. The Group is recognised for its commitment to future-thinking initiatives and won the Value Achievement Award at the 2023 SAAMA Awards and Pick n Pay's Fast Pay supply chain finance service won a global award at the Working Capital Awards 2022.

Customer service is key to winning and retaining customers. The Group makes customer service available in its stores, online and by telephone. The Group also offers its customers loyalty programmes, such as the Smart Shopper loyalty scheme. Smart Shopper allows the Group's customers to save money with Smart Shopper Price discounts on thousands of products as well as personalised discounts on the products the Group's customers buy most often.

Customers are rewarded with Smart Shopper loyalty points (reward credits) and personal Smart Shopper discounts which are effectively redeemed as cash against future purchases. Smart Shopper loyalty points and discounts are redeemable on demand and expire, on average, 12 months after its award date. The balance outstanding at period end represents the stand-alone selling prices of points and discounts granted yet to be redeemed, adjusted for an expected forfeiture rate of 28.0% for the 52 weeks ended 25 February 2024 (25.0% for the 52 weeks ended 26 February 2023).

10.14 **Broad-based Black Economic Empowerment (B-BBEE)**

The Group has a longstanding commitment to the South African government's legislative framework for the promotion of B-BBEE, a government policy to advance economic transformation and enhance the economic participation of black people in the South African economy. Achievement of B-BBEE objectives is measured by a "scorecard" which establishes weightings for the various components of B-BBEE, such as ownership, management control, skills development, enterprise and supplier development (which encompasses preferential procurement) and socio-economic development, which is then translated into an entity's "contributor level." An entity's contributor levels are improved when such entities contract with businesses that have earned high B-BBEE contributor levels themselves, and certain corporate, governmental and state-owned enterprises in South Africa have set minimum standards for B-BBEE contributor levels for potential bidders for contracts. It is important for the Group to achieve applicable B-BBEE objectives from both a compliance and corporate social responsibility standpoint.

Inclusiveness and diversity are part of the Group's ongoing commitment to societal transformation. The Group's efforts are reflected in the high proportion of HDSAs) in the Group's workforce. For the 52 weeks ended 25 February 2024, 26 February 2023 and 27 February 2022, the Group's employees who are deemed HDSA represented 99%, 99% and 99% of the Group's total workforce, respectively.

The Group, through its Social, Ethics and Transformation committee, ensures that an appropriate transformation strategy exists that is aligned with the B-BBEE legislation, and which delivers shared value through various empowerment initiatives, while making a meaningful contribution to many of its stakeholders and ensuring the long-term stability and profitability of its business.

As at the Last Practicable Date, the Group expects its current level 5 B-BBEE rating to be updated on or before 16 July 2024.

For further details on B-BBEE's impact on the Group's operations, see "*11 Regulatory Matters—11.2 South Africa—11.2.2 Broad-Based Black Economic Empowerment*" and "*11 Regulatory Matters—11.2 South Africa—11.2.6 Liquor Regulation.*"

10.15 **Environmental, Social and Governance (ESG)**

As a responsible retailer, the Group recognises the urgent need to address environmental challenges. The Group's commitment to sustainability is unwavering, and it is constantly striving to minimise the Group's ecological footprint through innovative initiatives and adopting eco-friendly practices across the Group's operations. The Group continues to explore packaging alternatives, support responsible waste management, and invest in initiatives that drive biodiversity conservation. The Group has long embraced the belief that "Doing Good is Good Business" and has been quietly first to market in many sustainability arenas.

The Group's sustainability efforts continue to grow its positive contribution in reducing the impact of large-scale social and environmental challenges in its target markets. A holistic approach is needed, and ESG is increasingly considered in every decision. The Group's focus is on managing material ESG risks and on driving positive impact through its core business model. The Group works in partnership, harnessing its brands, retail store network, supply chains and stakeholder relationships in support of collective action.

The Group's strategic ESG framework focuses decision-making and action across the Group. The framework provides a view on the business in the context of the Group's relationships with society and nature. It aligns with the six UN Sustainable Development Goals where the Group believes it can have the biggest positive impact.

Partnering to shift the food system

South Africa's food system remains under strain, and progress towards alleviating food scarcity requires a big picture view and the ability to work with multiple market participants across the system. As one of the largest retailers in South Africa, the Group is able to play an influential role both up and down the value chain. The Group's key focus areas with respect to its store offerings include affordability of basic goods, targeted through trading under two supermarket banners and cost reduction, promoting healthy eating and lifestyles, and increasing the sustainability attributes of products and product ranges. The Group also invests in supply chain inclusion, with support for smaller, local suppliers and works with all suppliers to ensure responsible and ethical production practices while reducing food waste.

Reducing the Group's environmental impact

The Group provides a wide range of products to consumers. Each of these products impacts the environment at virtually every stage of the product life cycle. The Group's relevant teams work together systematically to reduce adverse environmental impact through decarbonising the value chain, optimising energy and water efficiency, removing harmful chemicals, particularly in refrigerants, and focusing on waste reduction, recycling and reuse, with a focus on packaging. Since 2022, the Group has been running diesel generators to mitigate the impact of the disruptions caused by load-shedding, which has led to an increase in the Group's Scope 1 emissions. All of the Group's stand-alone corporate Pick n Pay Clothing stores have been fitted with inverter and battery power backup which ensure sustainable operation through load-shedding.

The Group's low carbon transition plan also includes a focus on reducing refrigeration emissions. The Group's conversion to a climate-friendly natural refrigerants programme is gaining momentum. In the 52 weeks ended 25 February 2024, the Group converted the final outstanding 11 company-owned stores, with 100% of the Group's company stores now being equipped with climate-friendly natural refrigerants. All of the Group's distribution centres are running natural refrigeration systems.

Energy efficiency in Pick n Pay is tracked using extensive metering that enables Pick n Pay to measure real-time consumption. The Group is working towards a target of 45% improvement in energy efficiency for Pick n Pay company-owned by 2030 against a FY10 baseline. The roll-out of eco-friendly LED lighting to stores continues, including back of house and trading floors. Over 95% of Boxer stores use LED lighting systems, including store refrigeration. The rapid escalation in the Group's online shopping deliveries requires increasing levels of transportation, predominantly using motorcycles. To reduce transport emissions, the Group is partnering with on-demand logistics company Picup and partner Takealot, in trialling the use of electronic motorcycles.

Supporting communities

South Africa continues to be challenged by stark inequalities and many people struggle to access what they need each day. The Group's corporate social investment approach is based on long-term partnerships and focuses on supporting educational initiatives, promoting awareness of social and environmental issues, responding to household food insecurity, including crisis interventions through store community support and Feed the Nation Foundation. Furthermore, the Group has launched Boxer's small-scale farmers initiative which supports local farmers and emerging small businesses.

As part of the Group's commitment to the communities it serves, the Group is proud of its Pick n Pay and Boxer School Club (the "**School Club**"). Spanning over two decades, the School Club is the largest brand-funded educational resource programme in South Africa, reaching over 114,800 teachers, 2.4 million learners and 3.6 million guardians in 3,280 private, urban, suburban and rural schools across South Africa. The footprint continues to grow as the Group opens new stores, notably Boxer stores, and identifies local schools to register and take part in the School Club.

The School Club delivers much-needed educational support that is curriculum compliant (CAPS). The free educational material supplied is co-created with partners and updated annually. The platform includes free access to digital content through its website to its schools. In the 52 weeks ended 25 February 2024, the Group launched an updated website, with the latest curriculum content for grades 1–12, available at no cost for any school. A popular ongoing initiative is the Group's Hero Awards programme in primary schools, which recognises learners for their positive societal impact.

Investing in the Group's people

The Group's operations engage thousands of employees and suppliers, and millions of customers. The Group is committed to creating quality jobs and promoting diversity, equity and inclusion. The Group is committed to promoting diversity, equity and inclusion, with a focus on alignment with B-BBEE provisions. See also "*—10.14 Broad-based black economic empowerment (B-BBEE)*." Some of the key initiatives around the Group's stakeholder engagement and outreach includes advocacy initiatives together with the Group's retail peers.

Key performance indicators and targets

As part of the Group's ESG framework, it has committed to workings towards the following targets:

- Zero carbon by 2050, with a 60% reduction targeted by 2040;
- 100% CO2 refrigeration by 2040;
- 20% reduction in water usage per store by 2025;
- 50% reduction in food waste by 2030;
- 100% packaging to be recyclable / reusable by 2025; and
- 75% of all waste diverted from landfill by 2025.

10.16 **Intellectual Property**

The Group uses a variety of trade names, service marks and trademarks in its business and rely on trademark and copyright laws, confidentiality procedures and contractual provisions to protect its intellectual proprietary rights. The Group's key brands are, among others: Pick n Pay, Pick n Pay Clothing, Pick n Pay Liquor, Pick n Pay Express, Pick n Pay asap!, Boxer, Boxer Superliquor and Boxer Build.

The Group believes that the brand names of each of its various banners enjoy high brand recognition and are material to the Group's business. The Group's intellectual property policy is centred around the protection of its brands, associated logos and its domain names. This policy involves filings and reservations on either a local country basis or in the full range of countries where the Group operates or wishes to preserve and protect its rights.

10.17 **Information Technology (IT)**

The Group's information systems are critical to its business operations. They provide analytical and performance evaluation tools that assist management at all levels to undertake business processes. The Group's technical infrastructure and computer applications are also used for the day-to-day management of its business, including purchasing, sourcing, distribution, online sales, invoicing, cash collection, reporting, consolidation and electronic data interchange. The Group's business depends on the ability of its colleagues to process transactions on secure information systems and its capacity to store, retrieve, process and manage information. The Group's information systems are highly integrated, covering most of its fundamental business service areas. The Group believes that its information systems are robust, adequate to support its activities and operate at standards that are comparable to other operators in the Group's industry.

10.18 **Insurance**

The Group has a comprehensive insurance programme which covers the principal risks it identifies via internal risk reviews or through operational requirements identified by the Group's in-house insurance team or brokers or insurers as part of its ongoing risk surveys.

The Group's insurance programme is reviewed continually throughout the year and is updated with new policies or enhancements to ensure the Group has the appropriate level of risk transfer available to mitigate losses. The Group also annually reviews its policy loss limits and deductibles by analysing its claims experience, sums insured and total cost of risk, with the amounts amended as necessary to provide the best level of coverage.

The Group considers its policies adequate to cover the major risks of the Group's business, and it believes that the level of insurance which the Group maintains is comparable, in each case, to that maintained by other companies in its primary markets operating in the same business area, but there can be no assurance that this coverage will be sufficient to cover the cost of defence or damages in the event of a significant claim. See "*6 Risk Factors—6.2 Risks related to the Group's business and industry—It may be difficult or expensive to obtain or renew commercial insurance and there can be no assurance that sufficient cover will be secured or maintained.*"

10.19 **Legal Proceedings**

In the ordinary course of business, the Group is involved, and may in the future become involved, in lawsuits, claims, investigations and proceedings, including commercial, environment, health and safety matters and tax claims. The Company is not aware of any legal or arbitration proceedings, including proceedings that are pending or threatened, that may have or had, in the previous 12 months, a material effect on the Group's financial positions.

11. REGULATORY MATTERS

11.1 **Introduction**

The Group is subject to and complies with legislation, regulations and codes that are applicable in the jurisdictions in which the Group operates. In particular, as the Group's turnover generating operations are primarily situated in South Africa, government regulations in South Africa have a material effect on the Group's business.

Each of the Group's trading subsidiaries is required to develop risk management procedures that identify and implement the controls necessary to comply with applicable laws and regulations and utilise monitoring procedures to assess and ensure compliance.

The sections below set out the primary laws and regulatory concepts to which the Group is subject. Please also see the part of this document entitled "*6 Risk Factors*" for a further description of the risks such regulations and laws pose to the Group's business.

11.2 **South Africa**

11.2.1 **Personal Information and Data**

The POPI Act was promulgated into law on 26 November 2013 in South Africa. Certain sections of the POPI Act, relating, among other things, to the appointment of the Information Regulator and the making of Regulations, came into effect on 11 April 2014. The Information Regulator was appointed on 1 December 2016 and the final Regulations were published on 14 December 2018. The majority of the remainder of the provisions of the POPI Act came into effect on 1 July 2020. However, responsible parties were afforded a 12-month grace period within which to comply with the POPI Act and its provisions became enforceable on 1 July 2021.

The provisions of the POPI Act apply to all South African members of the Group (referred to as a "responsible party" under the POPI Act, i.e., being a public or private body or any other person which, alone or in conjunction with others, determines the purpose of and means for processing personal information).

The general protection that the POPI Act provides may also be supplemented by industry-specific codes of conduct promulgated by the Information Regulator. The POPI Act provides an open-ended definition of "personal information", which means information relating to an identifiable, living, natural person, and where it is applicable, an identifiable, existing juristic person. It accordingly includes information relating to both individuals and companies and provides a detailed list of examples, such as a person's race, age, sexual orientation, marital status, correspondence and identifying symbols.

The POPI Act subjects the processing of "special personal information" to more stringent conditions than the ordinary requirements that apply to the protection of personal information. Special personal information includes a person's religious or philosophical beliefs, race or ethnic origin, trade union membership, political persuasion, health, sex life or biometric information, and information regarding alleged criminal behaviour.

The eight conditions for the lawful processing of personal information lie at the heart of the POPI Act, namely: accountability; specification of the purpose of processing; limitation on processing; limitation on further processing; information quality; openness; security safeguards; and data subject participation. These conditions ensure, amongst other things, that the data subject is aware, and in control, of the processing of their personal information, that the processing is limited to the extent necessary without unjustifiably infringing on the privacy of the individual, and that the processing is subject to appropriate safeguards. A responsible party will generally be held liable for non-compliance with the conditions for lawful processing.

The data subject's rights under the POPI Act include the right to request, free of charge, confirmation as to whether or not the responsible party holds personal information about them, as well as a description of the personal information held, the right to request access to the personal information, the right to object to the processing of their personal (in limited circumstances), and the right to request the correction or deletion of their personal information. Additionally, in the event of a security compromise, the responsible party must notify both the Information Regulator and the affected data subjects (to the extent that their identity is known).

The Information Regulator may investigate complaints instituted, or initiate an investigation or assessment on its own initiative, concerning any non-compliance with the provisions of the POPI Act, including relating to breaches of the conditions for lawful processing, the requirements of notification of security compromises, direct marketing, directories and automated decision-making and the provisions governing the transfers of personal information outside of South Africa.

The Information Regulator must attempt to settle the complaints between the parties concerned, if possible. The Information Regulator is empowered to enforce the provisions of the POPI Act in various ways by, for example, once a complaint has been investigated, the Information Regulator may refer it to the Enforcement Committee which will hear both parties, consider the complaint and make recommendations. The Information Regulator can then, after considering the recommendation of the enforcement committee, issue an enforcement notice compelling the responsible party to take certain steps or to stop processing the personal information. An appeal against an enforcement notice can be made to the High Court of South Africa. The Information Regulator may also issue an assessment report, which contains the results of any assessment and the recommendations that the Information Regulator considers appropriate. An assessment report is deemed to be the equivalent of an enforcement notice.

The POPI Act imposes criminal penalties for offences that include the unlawful obstruction, interference with or influence of the Information Regulator, the failure to assist a person executing a warrant in accordance with a search and seizure operation without reasonable excuse and the failure to comply with an enforcement notice. In general, a person convicted of an offence under the POPI Act may be liable to a fine or imprisonment for a period not exceeding 10 years, or both. The Information Regulator may seek to alternatively impose an administrative fine on a responsible party who has committed an offence (but who has not been criminally charged for such an offence), in an amount not exceeding ZAR10 million. The responsible party may elect to pay the administrative fine or to be tried in court on a charge of having committed the alleged offence. A data subject or the Information Regulator, at the request of the data subject, may also institute civil action, which may result in damages being awarded against a responsible party.

In addition, a number of existing South African statutes regulate electronic communications, including the Electronic Communications Act, No. 36 of 2005, as amended, and the Electronic Communications and Transactions Act, No. 25 of 2002, as amended, apply to a number of aspects of the Group's business. These statutes regulate the generation, communication, production, processing, sending, receiving, recording, retaining, storing, displaying and use of any information, document or signature by or in electronic form.

As part of the Group's risk mitigation and compliance procedures, PIK evaluated (prior to the POPI Act coming into effect) the potential impact of the POPI Act taking into account its then existing and planned privacy and data security practices and procedures. Based on the evaluation, it was established that the POPI Act's implementation would likely have an impact on the Group's data security and business costs, practices and procedures in South Africa. Accordingly, through the implementation of new policies, amending existing policies, procedures and processes as well as providing training and awareness as per the obligations under the POPI Act, the Group has complied with the requirements of the POPI Act. In line with the Company's policy on other regulatory matters, the Group will focus on continued compliance with the POPI Act.

11.2.2 Broad-Based Black Economic Empowerment

Historically, South African citizens who were racially classified as African, Indian, or Coloured were excluded from any meaningful participation in the economy. As a result, one of key challenges the democratic and constitutional South Africa had to resolve was to redress racial inequalities created by colonialism and apartheid which, among others, limited black ownership.

To this end, as provided for by the Constitution of the Republic of South Africa, 1996, the South African government introduced broad-based black economic empowerment ("**B-BBEE**") laws and policies. B-BBEE is a central part of the South African government's economic transformation strategy and comprises various components aimed at increasing the numbers of black people who manage, own and control the country's economy, decreasing racially based income inequalities and achieving a substantial change in the racial composition of ownership and management structures.

The Broad-Based Black Economic Empowerment Act, No. 53 of 2003 (the "**B-BBEE Act**") is the primary legislation through which this B-BBEE policy is implemented. In terms of the B-BBEE Act, B-BBEE consists of measures and initiatives that are aimed at increasing levels of equity ownership by Black People in businesses operating in South Africa, increasing the number of Black People who participate in management roles and/or are employed in business, improving the skills of black employees, assisting small and medium businesses that are majority-owned by Black People, procuring goods and services from businesses that are good contributors to B-BBEE and corporate social investment. The Minister of Trade, Industry and Competition (the "**Minister**") has published various codes, including certain sector-specific codes, under the B-BBEE Act. These codes set out the details of how B-BBEE scores are measured on each of the different elements identified above, namely ownership, management control, skills development, enterprise and supplier development and socio-economic development. Companies are scored in terms of a scorecard set out in the codes on the extent to which they meet the specified targets.

Each element has its own scorecard and a measured enterprise's performance in relation to a particular element is scored in terms of the scorecard and formulae specifically created for that element. Measured entities that do not fall within a sector regulated by a charter, such as the manufacturing industry, are measured under the B-BBEE Codes' generic scorecard ("**Generic Scorecard**").

Under the Generic Scorecard, a measured entity may be scored as a level 1 (135% B-BBEE procurement recognition) to level 8 contributor (10% B-BBEE procurement recognition).

An entity which scores below a relevant threshold on the Generic Scorecard is considered to be a noncompliant contributor (0% B-BBEE procurement recognition).

In terms of the B-BBEE Act, every organ of state and public entity in South Africa is legally bound to consider and as far as is reasonably possible, to apply the B-BBEE Codes in, *inter alia*, determining criteria for the issuing of licences and developing a procurement policy for selecting their service providers. There is no legal obligation on a private enterprise to comply with the B-BBEE Codes but it is important for companies that wish to do business with the public sector or obtain licences (e.g., in liquor licensing, see "*11.2.6—Liquor Regulation*") or concessions from the Government to ensure that they score as high as possible in terms of the scorecard. B-BBEE also has a cascading effect, even where a particular company does not interact with the Government or the public sector, as in order to score highly on the procurement element of the scorecard, companies need to ensure that as many of their service providers as possible also score highly on the scorecard and will, therefore, give preference to service providers who have good B-BBEE credentials. Compliance with the B-BBEE Codes is therefore often more of a commercial imperative than a legal one. In addition, a public company listed on the JSE must submit a compliance report required to be included annually in terms of section 13G(2) of the B-BBEE Act annually to the B-BBEE Commission in the prescribed form, within 30 days of the approval of the audited financial statements and annual report or 90 days at the end of the financial year.

11.2.3 **Employees**

(i) Labour Relations

The Constitution gives every person the right to fair labour practices. The LRA is the principal legislation that gives effect to the framework in which employees, employers and industrial relations at both an individual and collective level are regulated. As a premise, the LRA regulates the manner in which employees, employers, trade unions and employer's organisations interact and engage with one another in the workplace. This includes processes related to recognition of trade unions, collective bargaining, dismissals, unfair labour practices, and industrial action such as an employee strike and an employer lock-out.

The LRA framework is geared at the protection of employee and employer rights through various structures. The LRA allows for the creation of trade unions and employer's organisations. The extent of a trade union's entitlement to organisational rights is subject to the size of its membership base at a particular workplace. Depending on the number of employees who are members of the trade union, the trade union may be allowed to access the workplace, elect members to represent trade union members at the workplace, have meetings at the workplace and access information relevant to the trade unions and employees.

The LRA does not provide for a statutory duty to bargain collectively or otherwise, which is a purely voluntary decision (save that a trade union may embark on a strike to obtain the right to collectively bargain with the employer). The LRA also does not prescribe that bargaining can only be achieved if a trade union reaches, for example, a 50% plus 1 majority status in the appropriate bargaining unit or bargaining forum. The LRA permits a co-operative approach whereby two or more trade unions can aggregate their membership for the purposes of achieving majority representation or otherwise increasing their representation in order to obtain and exercise statutory organisational rights.

If a dispute between the employer and employee arises, the LRA clearly delineates the dispute-resolution process which applies. As a premise, the LRA strictly stipulates and regulates the requirements for a lawful strike, lockout or picketing. In this regard the LRA expressly identifies who is allowed to engage in industrial action of this nature, which processes must be followed and for which purposes employees and employers may engage in such industrial action. Should the industrial action require the parties to engage in a process of consultation or negotiation, the LRA also prescribes the procedures to be followed.

The LRA establishes the Commission for Conciliation, Mediation and Arbitration ("**CCMA**") as a principal forum for the resolution of the majority of employment-related disputes that typically arise in the workplace. The LRA also establishes industry specific bargaining councils which are responsible for the resolution of dispute falling within the ambit of the bargaining council.

The LRA prohibits unfair dismissals (including automatically unfair dismissals). In summary, the LRA does not recognise employment "at-will" and an employer must act fairly when seeking to dismiss an employee. The LRA recognises that employees may be dismissed as a result of the employee's misconduct, the employee's incapacity (which also encompasses ill health and poor work performance) and the employer's operational requirements. The fairness of a dismissal is assessed based on an analysis of both the substantive and procedural aspects thereof. The pre-dismissal procedure to be applied depends on the reason for the proposed dismissal.

In the event that an employee is dismissed and wishes to refer a dispute against the employer to challenge the fairness of the dismissal, a process of conciliation is peremptory in this regard. Should the dispute remain unresolved after conciliation, the vast majority of employment matters may be arbitrated, at the request of the former employee, and the resultant arbitration award made by the CCMA or relevant bargaining council is final and binding. An arbitration award or ruling is not appealable and may only be reviewed and set aside by the Labour Court on the basis of certain limited grounds. Certain unfair dismissal disputes (including automatically unfair dismissals and large-scale dismissals due to the employer's operational requirements) may not be arbitrated by the CCMA and must be referred to the Labour Court.

(ii) Basic Conditions of Employment

The Basic Conditions of Employment Act No. 75 of 1997 ("**BCEA**") aims to give effect to the constitutional right to fair labour practices by establishing and making provision for the regulation of basic conditions of employment. The BCEA provides minimum terms and conditions of employment pertaining to, among other things, working hours, leave (including annual, sick, family responsibility, maternity and parental leave), particulars of employment and remuneration, termination of employment, prohibition of forced labour and child labour and the variation of the basic conditions of employment. The BCEA forms part of all contracts of employment unless any other law or the contract itself provides for more favourable terms to the employee. The BCEA also affords certain additional statutory protections to employees who earn below an earnings threshold established by the Minister of Employment and Labour from time to time (which is currently ZAR254,371.67 per annum).

(iii) Unemployment Insurance

The Unemployment Insurance Act No. 63 of 2001 serves to establish the Unemployment Insurance Fund ("**UIF**") which provides for the payment of unemployment benefits to certain employees who become unemployed, and for the payment of illness, maternity, parental, adoption, commissioning parental and dependant's benefits. This Act applies to all employers and employees, other than employees employed for less than 24 hours per month, learners, public servants and workers who earn commission only.

(iv) Unemployment Insurance Contributions

In order to fund the UIF, the Unemployment Insurance Contributions Act 4 of 2002 provides that employers are required to deduct 1% of the employee's gross earnings and pay that to the UIF monthly. Employers are also required to contribute a further 1% of each employee's gross earnings to the UIF. The contributions are capped at ZAR177.12 each per month.

(v) Skills Development

The Skills Development Act, No. 97 of 1998, as amended ("**Skills Development Act**") aims to develop the skills of the South African workforce while improving quality of life and prospects for work and labour mobility. The Skills Development Act also aims to improve productivity in the workplace and the competitiveness of employers while promoting self-employment. It also aims to increase levels of investment in education and training. It governs various bodies, which encourage partnerships between the public and private sectors of the economy and help new entrants to the labour market in finding work. One of these bodies is the National Skills Fund into which those employers who are registered with the South African Revenue Service for Pay As You Earn tax are required to contribute, *provided* that their payroll exceeds ZAR500,000 per annum.

PIK regards investment in its employees' skills development as critical for business growth as well as employee individual growth and empowerment.

(vi) Employment Equity

The Employment Equity Act, *inter alia*, promotes equity in the workplace by promoting equal opportunity and fair treatment in the workplace, including during recruitment, through the elimination of unfair discrimination and the implementation of affirmative action measures to redress the disadvantages in employment experienced by designated groups, in order to ensure equitable representation in all occupational categories and levels in the workforce. People from designated groups are those South Africans who are Black (African, Coloured or Indian), women or people with disabilities.

Designated employers (i.e., currently employers who generate an annual turnover above a sector-specific threshold or those who employ more than 50 employees) are required to implement an employment equity plan and submit employment equity reports to the Department of Labour on an annual basis. The employment equity plan sets out the employer's goals in achieving employment equity in the workplace, while the employment equity report sets out the employer's progress in meeting its planned goals. A designated employer's failure to comply with these provisions of the Employment Equity Act may result in fines of ZAR1.5 million or 2% of the employer's annual turnover where there have been no previous contraventions, up to ZAR2.7 million or 10% of the employer's annual turnover in the case of ongoing contraventions, whichever is the greater.

It is imperative that regard must be had of the necessity to remunerate employees based on the principle of equal pay for work of equal value. Work will be identified as of equal value when the work done by the employee is the same, substantially the same or of equal value when compared to an appropriate comparator.

To determine whether discrimination between employees occurs, the Employment Equity Act identifies 22 listed grounds upon which an employer could potentially discriminate between employees. Race, gender, language and family responsibility are examples of these listed grounds. Differentiation on the basis of these grounds is presumed to be unfair discrimination between employees. The Employment Equity Act furthermore identifies an "arbitrary ground" of differentiation as a ground upon which unfair discrimination can take place.

Should an employee wish to launch a claim against the employer for not remunerating its employees based on the principle of equal pay for work of equal value, or for discriminating against an employee or group of employees on a listed ground, the Employment Equity Act identifies the CCMA as the forum of first instance to resolve the dispute through a process of conciliation. The same applies to disputes relating to harassment, which also constitutes a form of unfair discrimination pursuant to Code of Good Practice on the Prevention and Elimination of Harassment, which came into effect on 18 March 2022.

11.2.4 **Competition**

The SA Competition Act prohibits anti-competitive restrictive practices and abuses of a dominant position, and requires that transactions resulting in a change of control (a "**merger**") in which the parties exceed certain turnover (generated in the preceding financial year) and asset values must be approved by the relevant competition authority before implementation. The SA Competition Act established the Competition Commission and the Competition Tribunal ("**Tribunal**") to enforce the SA Competition Act. The Tribunal may impose an administrative penalty for SA Competition Act violations of up to 10% of a company's turnover (generated in the preceding financial year) in South Africa and its exports from South Africa in the case of a first-time offender and up to 25% of a company's turnover in South Africa and its exports from South Africa in the case of a repeat offender. The SA Competition Act also established the Competition Appeal Court ("**Appeal Court**"), a specialist division of the High Court of South Africa, to adjudicate Tribunal competition law cases. In certain circumstances, competition law cases can be appealed from the Appeal Court to the Constitutional Court of South Africa.

Compliance with the SA Competition Act is a priority item for the Group. As part of its compliance efforts, a set of competition law guidelines have been developed and is applicable to the entire Group (save where contrary to applicable legislation in county in which case local applicable legislation will prevail) reviewed periodically as required. Training and awareness sessions are conducted in various business areas on an ongoing basis.

Fresh Produce Market Inquiry

On 31 March 2023, the Competition Commission ("**the Commission**") formally launched the Fresh Produce Market Inquiry ("**FPMI**") to examine whether any features in the fresh produce value chain impede, restrict, or distort competition in the market. The market inquiry focuses on particular issues at each layer of the value chain – broadly grouped into three themes (i) efficiency of the value chain, with an emphasis on the dynamics around fresh produce market facilities; (ii) market dynamics of key inputs and its impact on producers; and (iii) barriers to entry, expansion and participation (particularly for black, small-scale and emerging farmers).

On 18 June 2024, the Commission published its provisional report on the FPMI following extensive engagements with all stakeholders in the fresh produce value chain. The Commission made various findings, and proposed a series of actions to remedy these findings, including:

- That there is transparency in relation to unit prices (per kg or per gram pricing on all fresh produce items). This will come at a cost for retailers with regards to labelling.
- That retailers increase their spend on supplier development, namely a 3% spend of after-tax income (in line with the Agriculture and Agro-processing Master Plan commitments), *alternatively*, retailers are required to increase supplier development spend by 10% annually for a period of 5 years.

It is anticipated that the Commission will finalise its report before the end of 2024. Some of its recommendations will have a cost element for retailers, including Pick n Pay.

Revised Public Interest Guidelines for merger control

In February 2019, the Competition Amendment Act was signed into law. The most significant amendment relating to merger control was the introduction of the new public interest requirement. This new public interest requirement obliges the Commission to consider the effect of a merger on the promotion of a greater spread of ownership by historically disadvantaged persons ("**HDPs**") and workers in firms in the market. Since the amendment, the Commission has put more and more emphasis on this consideration. However, the approach adopted by the Commission in assessing public interest factors since 2019 has been inconsistent, which has led to uncertainty in merger control.

In an attempt to create more certainty on public interest assessment in South African merger control, the Commission issued its final Revised Public Interest Guidelines for merger control (the "**Guidelines**") on 20 March 2024. The most notable provision in the Guidelines relates to the fact that each merger notified to it will be required to demonstrate a measurable increase in the level of HDP or worker ownership (possibly both). This is regardless of whether the merger has any negative effect on public interest. Possible remedies for insufficient HDP/worker ownership include equity sales to HDPs post-merger and employee share ownership plans (ESOPs).

From a Pick n Pay perspective, the Guidelines may be a challenge in growing the franchise business—particularly where the Company converts corporate-owned stores to non-HDP franchisees, or where another franchisee seeks to acquire an HDP-owned business.

11.2.5 **Foodstuff Products Regulation**

The sale; import and export; supply; transportation; advertisement; packaging and labelling; and distribution of foodstuff products is highly regulated in South Africa. Without providing an exhaustive list, the main relevant laws include:

- the Foods, Cosmetics and Disinfectant Act 54 of 1972 (the "**Foodstuff Act**") and the various regulations and guidelines issued pursuant to the Foodstuffs Act;
- the Meat Safety Act 40 of 2000;
- the South African National Standards Act 8 of 2008;
- the National Regulator for Compulsory Specifications Act 6 of 2008;
- the Legal Metrology Act 9 of 2014; and
- the Agricultural Product Standards Act 119 of 1990 and regulations made thereunder.

In the main, the above statutes provide legal requirements that are applicable to (i) the sale of foodstuff, including food safety; (ii) foodstuff ingredients; (iii) labelling and advertising of foodstuff; and advertising of foodstuffs.

The food regulatory environment within South Africa can be described as fragmented, as different authorities regulate different aspects of labelling, food safety, facility design and product standards. There are three main regulators of foodstuffs in South Africa, being:

- the Agricultural Production, Health and Food Safety branch of the Department of Agriculture, Land Reform and Rural Development which regulates the safety and quality of agriculture and animal products pursuant to various pieces of legislation, including, amongst others, the Meat Safety Act 40 of 2000, the Agricultural Products Standards Act 119 of 1990 and the Animal Diseases Act 35 of 1984;
- the National Department of Health, Food Directorate which is tasked with the management of food hygiene (certifying manufacturers through the issue of a Certificate of Acceptability), developing food safety & quality standards, and managing the country's food labelling, nutrition and fortification requirements in order to ensure that they are safe for human consumption, which mandate it fulfils primarily in terms of the Foodstuffs Act; and

- the Department of Trade Industry and Competition and its subsidiary agencies regulate (i) legal metrology which protects consumers from false measurements pursuant to the Legal Metrology Act; and consumer protection (including the regulation of mandatory and voluntary recalls) by the National Consumer Commission (the "**NCC**") and the National Consumer Tribunal (the "**Consumer Tribunal**") pursuant to the Consumer Protection Act discussed below.

The provisions of the regulatory framework applicable to the retail food sector in South Africa are enforced by inspectors who have been granted wide powers. This often leads to compliance complexities and the fragmentation of the applicable legal framework.

11.2.6 **Liquor Regulation**

Liquor regulation in South Africa is subject to concurrent jurisdiction and requires complex cooperative governance and compliance frameworks. This is because the control and administration of the manufacture, importation, distribution and sale of intoxicating liquor are dealt with in various interrelated statutes.

More specifically, liquor licences and the control of undertakings that manufacture and sell liquor to the public are functional areas of exclusive provincial legislative competence under Parts A and B respectively of Schedule 5 to the Constitution. This means that, while national legislation regulates registration of manufacturers and distributors through the Liquor Act, each province may establish its own rules for licensing/registering manufacturers, distributors, wholesalers, retail sellers, storage and the conditions for licences/registration. In fact, with the exception of Limpopo and North West, all provinces have promulgated their own provincial legislation to this end.[(1)] Limpopo and North West continue to implement the Liquor Act 27 of 1989 for provincially regulated matters.

The Liquor Act and the respective provincial statutes regulate the whole liquor value chain including macro manufacturing and distribution which is regulated by the Liquor Act and micro manufacturing, storage and retail being regulated by the respective provincial statutes where these are in places.

It is worth mentioning that the Liquor Act does not prohibit registered manufacturers/distributors from applying to provincial authorities to be licensed as retail sellers, but it does confer the Minister with the discretion to reconsider and vary the conditions of registration of the manufacturers/distributors if they apply for retail licences. Any registered manufacturer/distributor that applies for a retail licence in any province is required to notify the National Liquor Authority.

Under both the Liquor Act and the respective provincial statutes, no one may without the required registration or licence (i) manufacture liquor; (ii) distribute manufactured liquor to anyone else except another licensed manufacturer; distributor; or retail seller; and (iii) manufacture, distribute or retail on unregistered premises and at a location not approved by the relevant authority; and (iv) directly sell to the public except in terms of provincial legislation (i.e., if a retail license is obtained). There are offences and sanctions/penalties for undertaking any of these activities without the requisite licenses or approvals.

An applicant for a respective licence or registration is required to make certain B-BBEE undertakings or commitments which commitments are often included as conditions of such licences or registration. Failure to comply with the relevant B-BBEE undertakings without an acceptable explanation may result in cancellation or suspension of the relevant authorisation which will in turn result in the Group not being to lawfully distribute, wholesale or retail liquor.

11.2.7 **Consumer Protection and Product Liability**

The Consumer Protection Act 68 of 2008 (the "**CPA**") is the primary legislation in South Africa which provides for consumer protection and governs liability in respect of defective or unsafe goods. Amongst other things, the CPA aims to (i) promote a fair, accessible and sustainable marketplace for consumer products and services; (ii) establish national norms and standards to ensure consumer protection; (iii) make provision for improved standards of consumer information, to prohibit certain unfair marketing and business practices; (iv) promote responsible consumer behaviour; and (v) promote a consistent legislative and enforcement framework, related to consumer transactions and agreements.

The CPA applies to transactions occurring within South Africa unless exempted. The CPA exemptions are wide ranging, and, in this framework, the Group does not deal with the relevant exemptions as they need to be considered in the context of a specific transaction.

In respect of unsafe goods, product failures; defective goods, the CPA establishes strict liability (i.e., a no fault-based liability). More specifically, section 61 of the CPA provides that a producer, importer, distributor, or retailer of any goods can be liable for any harm caused wholly or partly as a consequence of (i) supply any unsafe goods; (ii) product failure, defect or hazard in any goods; or (iii) inadequate instructions or warnings provided to the consumer pertaining to any hazard arising from or associated with any goods; irrespective of whether the harm resulted from any negligence on the part of the producer, importer, distributor or retailer, as the case may be.

Although liability under the CPA is a no-fault liability, the producer, importer, distributor or retailer may only be held liable for harm as described in section 61(5) of the CPA. The harm which a person may be held strictly liable in terms of this section includes (i) the death of, or injury to, any natural purpose; (ii) an illness of any natural person; (iii) any loss of, or physical damage to, any property, irrespective of whether it is movable or immovable; and (iv) any economic loss as a result of the aforesaid.

[(1)] *For example, see the Gauteng Liquor Act 2 of 2003, the KwaZulu-Natal Liquor Licensing Act 6 of 2010, the Mpumalanga Liquor Licensing Act 5 of 2006, the Northern Cape Liquor Act 2 of 2008, and the Western Cape Liquor Act 4 of 2008; the Eastern Cape Liquor Act 10 of 2003; and the Free State Gambling, Liquor and Tourism Act 6 of 2010.*

It is also worth mentioning that where more than one person is liable (involved in a product failure chain), the liability of such persons is joint and several. Therefore, under South African product liability law, it does not matter whether the harm resulted from any negligence or other blameworthy conduct and any person role player in the value chain (i.e., producer, distributor or retailer) may be liable.

Besides product liability provisions, the other major CPA provision is the requirement that the NCC must promote the development, adoption and application of industry-wide codes of practice providing for effective and efficient systems for, *inter alia*, product monitoring and recall. More specifically, if the NCC has reasonable grounds to believe that any goods may be unsafe, or that there is a potential risk to the public from the continued use of or exposure to the goods, and the producer or importer of those goods has not taken any steps required by an applicable code contemplated in the CPA, the NCC, by written notice, may require the producer to (i) conduct an investigation; or (ii) carry out a recall programme on any terms required by the NCC.

A producer or importer affected by such notice may apply to the Consumer Tribunal to set aside the notice in whole or in part. In addition to the CPA provisions, the NCC has published Consumer Product Safety Recall Guidelines, which provides detail as to what a supplier is required to do when conducting a product safety recall.

It is an offence engage in conduct which is in contravention of the CPA (which would include a failure to comply with any aspect of an order issued in terms of section 60(2)), the NCC may issue a compliance notice pursuant to section 100 of the CPA which compliance notice. If there is a failure to comply with the compliance notice, the NCC may either:

- apply to the Consumer Tribunal to have an administrative fine imposed not greater than 10% of the respondent's annual turnover during the preceding financial year or ZAR1,000,000.00; or
- refer the matter to the National Prosecuting Authority.

It must be noted that in the event that such a compliance notice has been issued by the NCC, the aggrieved party is entitled to object to such compliance notice within 15 business days of receiving such notice. You would be permitted to make representations and the Consumer Tribunal may thereafter either cancel or modify the compliance notice initially issued.

11.2.8 Export and Import Control

A variety of legislation and related regulations apply to the export and import of goods administered, *inter alia*, by the South African Revenue Service and International Trade Administration Commission ("**ITAC**").

ITAC also investigates dumping, subsidised exports and safeguard measures, amendments of customs duties in the common customs area and processes applications for rebates and drawbacks.

11.2.9 Environmental laws

PIK is subject to various environmental laws and legislation in light of the nature of waste generated from its operations; packaging material that is involved in distribution or retail in foodstuff; water uses in its operations and in its wider value chain and the need for sustainable seafood/fresh fish choices in its business.

Various laws and regulations relating to the protection of the environment and sustainable use of natural resources are in place. These include section 24 of the South African Constitution which provides for a justiciable right to an environment that is not harmful to human health or well-being, and to the protection of that environment for the benefit of present and future generations through reasonable legislation and other measures that secure justifiable ecologically sustainable development. In addition, the Constitution and various environmental legislation enacted and implemented since 1996, grant legal standing to a wide range of interest groups to institute legal proceedings to enforce their environmental rights, which are enforceable against private entities as well as the South African government.

South African environmental legislation commonly requires businesses whose operations may have an impact on the environment to exercise duty of care to prevent land, water and atmospheric pollution. In some instances, there may be an obligation to obtain environmental authorisations, permits, licences and other approvals for those operations (e.g., construction of greenfield warehouse facilities near water bodies or other listed activities), and to comply with the conditions of approval prescribed in these authorisations.

National and provincial legislation, and municipal by-laws prescribe the required environmental licences and permits. The most important environmental legislation governing PIK's operations in South Africa are:

- the National Environmental Management Act, No. 107 of 1998, as amended from time to time ("**NEMA**"), as the overarching or framework environmental legislation in South Africa, which *inter alia* duties of care to prevent and/or remediate land pollution it causes. Breach of this duty may result in the issuance of compliance notices or directives in terms of NEMA which may bring operations to a halt, in addition to possibility of fines and imprisonments or both;
- the National Water Act No. 36 of 1998 ("**NWA**"), which requires persons undertaking certain water uses, including the storage of water above certain quantities, or disposing wastewater or water containing waste into the environment to obtain authorisation by way of water use licences and/or registrations under the NWA and its associated regulations. The NWA also has a general duty of care to prevent water pollution and the breach of the duty may result in the issuance of compliance notices or directives;

- the National Environmental Management: Waste Act, No. 59 of 2008, as amended from time to time ("**NEMWA**"), and associated regulations, including the Extended Producer Responsibility ("**EPR**") Regulations, 2020. NEMWA, *inter alia*, requires a holder of waste take all reasonable measures to (a) avoid the generation of waste and where such generation cannot be avoided to minimise the toxicity and amounts of waste that are generated; and (b) reduce, re-use, recycle and recover waste. The EPR Regulations impose various recycling and takeback obligations on 'producers' (including importers). Therefore, the EPR Regulations only apply to 'producers' which is defined as 'any entity, person or category of persons identified as being responsible for extended producer responsibility.' Producers who place in excess of 10 tonnes of identified products onto the market on an annual basis are responsible for extended producer responsibility. The regulations also contain additional criteria to determine whether an entity, person or category of persons is a 'producer.' Pertinent to foodstuffs, a call up notice has been published which concerns '*Paper, Packaging and Single-use Products*' (including products such as glass, metal, plastic, and biodegradable plastic packaging). The EPR Regulations in respect of the paper, packaging and some single use products do not impose mandatory takeback obligations but have collection and recycling targets for each identified waste stream which increase over a 5-year period from November 2021.The targets are listed in Annexure 1 in the EPR Regulations for '*Paper, Packaging and Single-use Products*';
- the National Environment Management: Air Quality Act, No. 39 2004, as amended from time to time, and associated regulations, which regulate air pollution in South Africa and provide for the setting of frameworks and standards to monitor air pollution;
- the Hazardous Substances Act No. 15 of 1973, which requires persons dealing with hazardous substances, as defined in the relevant act, to obtain certain licences. PIK sites with hazardous chemicals are subject to registration of the site's hazardous chemical agents store with local municipalities and these are renewed accordingly, however no additional hazardous chemical licences are required; and
- various municipal by-laws relating to the discharge of industrial effluent.

The costs associated with compliance with these laws and regulations are substantial, and possible future laws and regulation and/or changes to existing laws and regulations could cause additional expense and capital expenditures. It could also cause restrictions on or suspensions of the PIK's operations.

12. TAXATION

The following summary describes certain income tax consequences of receiving, exercising and disposing of the Rights and acquiring, owning and disposing of the Rights Offer Shares. It is not an exhaustive or complete description of all the possible tax consequences of such purchase, ownership or disposal. This summary is based on the laws as in force and as applied in practice on the date of this Circular and is subject to changes to those laws and practices subsequent to the date of this Circular. In the case of persons who are non-residents of South Africa for income tax purposes, it should be read in conjunction with the provisions of any applicable agreement for the avoidance of double taxation concluded between South Africa and their country of tax residence. Investors should consult their own advisers as to the tax consequences of the purchase, ownership and disposal of Rights Offer Shares in light of their particular circumstances, including, in particular, the effect of any state, regional, local or other tax laws.

This Circular does not contain a discussion of the consequences to the United States persons (as defined for United States federal income tax purposes) under United States federal, state or local tax laws of the Rights Offer or of the acquisition, exercise, ownership or disposition of the Letters of Allocation or Rights Offer Shares received in exchange thereof. Investors that are United States persons are urged to consult their own professional advisers with respect to any United States federal as well as state and local tax consequences relating to the Rights Offer and the acquisition, exercise ownership or disposition of the Letters of Allocation or Rights Offer Shares received in exchange thereof.

12.1 **South Africa**

This summary of certain material South African tax consequences only deals with PIK Shareholders that are SA Holders, as defined below, and that will hold the Rights Offer Shares as capital assets. As used herein, the term "SA Holder" means a "shareholder" who is (i) a natural person ordinarily resident in South Africa; (ii) a natural person not ordinarily resident in South Africa, but whose physical presence in South Africa exceeds certain minimum thresholds; or (iii) a person, other than a natural person, which is incorporated, established or formed in South Africa or which has its place of effective management in South Africa. The term does not include any person who is deemed to be exclusively the resident of another country for purposes of the application of any agreement for the avoidance of double taxation entered into between South Africa and that other country of residence (the "**DTA**"). In general, a "shareholder" means the registered shareholder in respect of a share or, where some person other than the registered shareholder is entitled to all or part of the benefit of the rights of participation in the profits, income or capital attaching to that share, that other person to the extent of that entitlement. PIK Shareholders should consult their tax advisers regarding their tax status.

THE SUMMARY OF SOUTH AFRICAN TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL RECIPIENTS OF RIGHTS AND ALL PROSPECTIVE HOLDERS OF RIGHTS OFFER SHARES AS WELL AS THE JOINT GLOBAL COORDINATORS AND JOINT UNDERWRITERS SHOULD CONSULT THEIR OWN TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF RECEIVING, EXERCISING AND DISPOSING OF RIGHTS AND ACQUIRING, OWNING AND DISPOSING OF THE RIGHTS OFFER SHARES, INCLUDING THE APPLICABILITY AND EFFECT OF OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAWS.

Receipt of Rights

The tax consequences of the receipt of Rights by a SA Holder are generally neutral. PIK cannot deduct any amount associated with the granting of the Rights and the expenditure that is actually incurred by the SA Holders in respect of the acquisition of the Rights will be nil (other than for instance where expenditure is incurred to acquire the rights in the market, as dealt with further below). The receipt of Rights by a SA Holder does not constitute a dividend for purposes of South African tax legislation.

Sale or other disposal of Rights

Upon a sale or other disposal of Rights, a SA Holder will generally recognise a capital gain or loss equal to the difference, if any, between the proceeds of the disposal, i.e., the SA Rand value of the amount realised, and the SA Holder's base cost in respect of the Rights, i.e., the expenditure that the SA Holder incurred in order to acquire the Rights. If a SA Holder is already a shareholder of PIK, the expenditure incurred by such SA Holder will be nil. It will thus be subject to capital gains on the entire proceeds so received or accrued on the sale or other disposal of the Rights. The capital gain will be subject to Capital Gains Tax ("**CGT**").

If a SA Holder has purchased the Rights through the market or otherwise, the amount paid by the SA Holder for the acquisition of the Rights, together with certain legal and other related direct costs that it may have incurred in the process, will form part of the base cost of the Rights.

To the extent that a SA Holder sells or otherwise disposes of the Rights as part of a business in carrying out a profit-making scheme, the proceeds associated with the sale or other disposal of the Rights may be subject to income tax instead of CGT. The question whether the proceeds are on capital or revenue account depends on the specific circumstances of the SA Holder.

Expiration of Rights

If a SA Holder allows the Rights to expire without selling or disposing of them in any other manner or exercising them or does not receive any proceeds with respect to the sale of Rights, the SA Holder will not recognise any gain or loss. If the SA Holder which holds the Rights as a capital asset sells its Rights to a connected person for a price below an arm's length price, it will be deemed to have sold the Rights at their market value on the date of sale. As a result, it may realise a capital gain on the sale, which capital gain will be subject to CGT.

If a SA Holder has purchased the Rights through the market or otherwise, and the SA Holder allows the Rights to expire, that SA Holder will incur a capital loss when the Rights expire.

SA Holders that realise losses should seek advice on whether such losses may be utilised.

Exercise of Rights

The issue of Rights Offer Shares will be tax neutral for a SA Holder. A SA Holder will not recognise taxable income, a capital gain or capital loss upon the issue to it of Rights Offer Shares pursuant to the exercise of Rights. A SA Holder's expenditure or base cost in respect of the Rights Offer Shares will be equal to the amount paid for the Rights (if any) and the Rights Offer Share Price together with whatever legal and other related direct costs that may have been incurred in the process.

Taxation in Respect of Rights Offer Shares

Distributions

Currently, any amount transferred or applied by a South African resident company for the benefit of or on behalf of any person in respect of any share in that company constitutes a dividend for tax purposes, unless it *inter alia* (i) results in a reduction of Contributed Tax Capital ("**CTC**") (see "—*Distributions of CTC*"); (ii) constitutes a capitalisation award; or (iii) constitutes a general open market purchase by a listed company of its own shares on the exchange operated by the JSE.

CTC essentially comprises a company's stated capital or share capital and share premium immediately before 1 January 2011 (excluding any portion thereof representing capitalised reserves), plus (i) the consideration received by the company for the issue of shares on or after 1 January 2011; and (ii) if where a class of shares includes or consists of shares that were converted from another class of shares, any consideration received by or accrued by a company in respect of the conversion and so much of the CTC in respect of the convertible class of shares immediately prior to their conversion, reduced by the amount transferred on or after 1 January 2011 to shareholders as a return of CTC which the directors of the company or some person or body of persons with comparable authority have determined to be an amount so transferred.

In most cases, dividends paid by PIK to SA Holders and Non-SA Holders are exempt from South African income tax in their hands.

Dividends tax

Under current law, PIK Shareholders will, subject to available exemptions, be subject to a tax known as dividends tax ("**Dividends Tax**"). Dividends Tax is a withholding tax payable in respect of dividends paid by South African resident companies.

Dividends Tax is imposed on the beneficial owner of a dividend in respect of any cash dividend paid by a company. The tax is withheld by the company paying the dividend. Dividends Tax is levied at a rate of 20%.

In relation to a dividend which constitutes a distribution of assets *in specie*, the liability for Dividends Tax falls on the company that declares and pays the dividend.

The Dividends Tax rate of 20% may be reduced in respect of dividends which are paid to non-residents under the provisions of certain DTA. In addition, the Dividends Tax legislation legislative provisions include a number of exemptions, including an exemption for dividends paid to South African resident companies and dividends paid to certain exempt entities such as pension funds. In all cases, the reduced rate of Dividends Tax can only be applied where the prescribed administrative requirements are met.

Dividends paid to natural persons who are PIK Shareholders will, however, be subject to the Dividends Tax at the rate of 20%. In the case of foreign tax residents, the rate of tax may be reduced by the provisions of a DTA.

Distributions of CTC

Where a company elects to classify a distribution to its shareholders as a return of CTC for tax purposes, the distribution will not constitute a dividend. Rather, it will constitute a return of capital and will not be subject to Dividends Tax. The return of capital may have CGT consequences.

The company which makes the distribution is required to determine the extent to which a distribution reduces its CTC. This determination can be made by the directors of the company or a person or body of persons which has comparable authority to that of the directors. Where the determination is made by the directors of a company, the South African Revenue Service envisages this determination to be evidenced by a directors' resolution. The company which makes the distribution must first adopt a board resolution that the distribution reduces its CTC and the company is thereafter obliged to notify the person to whom the distribution is made, in writing and by the time the distribution is made, of the extent to which the distribution constitutes a return of capital (i.e., reduces its CTC).

The CTC provisions are complex, have been amended over the years and each recipient of CTC is advised to seek advice on how to account for such an accrual.

Taxation of Capital Gains and Losses

SA Holders – Individuals

A disposal or deemed disposal or part disposal or part deemed disposal of Rights Offer Shares where such Rights Offer Shares are held on capital account by an individual SA Holder may give rise to a gain (or loss) for CGT purposes. Generally, gains realised on shares disposed of after being held continuously for at least three years are deemed to be subject to CGT.

The capital gain (or loss) on disposal or part disposal of the individual's Rights Offer Shares is equal to the difference between the disposal proceeds and the base cost of the Rights Offer Shares. The base cost in the Rights Offer Shares will generally be the consideration paid for those Rights Offer Shares. It will also include any amount paid in respect of the acquisition of the Rights and/or legal costs incurred. SA Holders are advised to seek confirmation of what costs may be added to the base cost.

A capital gain or capital loss of an individual on a disposal of the Rights Offer Shares, together with other capital gains or capital losses for the individual's tax year, less the annual exclusion (currently ZAR40,000 for a natural person) and less the allowable assessed capital loss brought forward from the prior year of assessment, is included in the individual shareholder's normal income tax calculation at an inclusion rate of 40%. This results in a maximum effective tax rate on capital gains for individuals of 18%, assuming a maximum marginal tax rate of 45% to the extent that it exceeds the annual exclusion (ZAR40,000 for the years of assessment ending 28 February 2025). On the death of a taxpayer, there will be a deemed disposal of the Rights Offer Shares (for CGT purposes) at their market value, unless the Rights Offer Shares are bequeathed to or in favour of a surviving spouse.

Deemed disposals to a surviving spouse who is a South African resident are treated, in practical effect, as taking place at no gain or loss. The annual exclusion where death occurs during the year of assessment ending 28 February 2025 is ZAR300,000. Where a taxpayer emigrates (i.e., gives up South African tax residence), there will also be a deemed disposal of the Rights Offer Shares at market value and this may trigger CGT.

SA Holders – Corporates

A disposal or part disposal of the Rights Offer Shares where such Rights Offer Shares are held on capital account by a SA Holder who is not a natural person, may give rise to a capital gain (or loss) for CGT purposes. Generally, gains realised on shares disposed of after being held continuously for at least three years are deemed to be subject to CGT.

The capital gain (or loss) on disposal of the corporate's Rights Offer Shares is equal to the difference between the disposal proceeds and the base cost. The base cost in the Rights Offer Shares will generally be the consideration paid for the Rights Offer Shares (which will include the cost, if any, incurred in acquiring the Rights). It will also include any amount paid in respect of the acquisition of the Rights and/or legal costs incurred. Corporate sellers of Rights Offer Shares are advised to seek confirmation of amounts that may be added to the base cost.

A capital gain or a capital loss on disposal of the corporate's Rights Offer Shares, together with other capital gains or capital losses for the tax year less the allowable assessed capital loss brought forward from the prior year of assessment is included in a company's normal income tax calculation at an inclusion rate of 80%. This results in a maximum effective tax rate on capital gains of 21.6%.

Non-South African Resident Shareholders – Individuals and Corporates

A disposal of the Rights Offer Shares by a non-South African resident may give rise to a gain (or loss) for the purposes of taxation of CGT to the extent that the gains are realised pursuant to the disposal of any interest in or right to immovable property situated in South Africa or the disposal of assets which are attributable to South African permanent establishment.

An interest in immovable property situated in South Africa includes the Rights Offer Shares if:

- **Part 1**: 80% or more of the market value of the Rights Offer Shares, at the time of disposal, is attributable directly or indirectly to immovable property; and
- **Part 2**: the shareholder (alone or together with any connected person in relation to that shareholder), directly or indirectly, holds at least 20% of the shares in the company.

Currently, less than 80% of the market value of the Rights Offer Shares is attributable to immovable property and no foreign shareholder holds 20% of the shares in the Company. Consequently, a disposal of the Rights Offer Shares by a non-South African resident should not fall within the ambit of the South African CGT tax legislation in this context.

However, where the Rights Offer Shares are attributable to a South African permanent establishment of the non-South African resident shareholder, a disposal or part disposal of the Rights Offer Shares by such shareholder may give rise to a capital gain (or loss) for the purposes of CGT. Non-resident natural persons pay CGT at a maximum effective rate of 18% and non-resident companies pay CGT at an effective rate of 21.6%. This is however still subject to the terms of a DTA.

Estate Duty

Where a person holds the Rights Offer Shares at the date of their death, the market value of such Rights Offer Shares will be included in his/her estate. Estate duty is levied at a rate of 20% on the dutiable amount of a deceased estate that does not exceed ZAR30.0 million and 25% on the dutiable amount of a deceased estate exceeding ZAR30.0 million. The dutiable amount is determined after deducting ZAR3.5 million from the net value of the deceased estate. In determining the dutiable amount of an estate, deductions are, *inter alia*, allowed for the value of bequests and property left to a surviving spouse, and estate liabilities, including CGT paid on the deemed disposal of the Rights Offer Shares on date of death.

Securities Transfer Tax ("STT")

STT of 0.25% of the applicable taxable amount is payable in respect of every "transfer" of securities issued by a company incorporated in South Africa. "Transfer" as a general rule includes any cancellation or redemption of a security, but does not include the issue of a security or any event that does not result in a change in beneficial ownership of a security. Consequently, the issue of the Rights Offer Shares by PIK will not be subject to STT. Similarly, the issue of the Rights as well as the dealing in them will not be subject to STT.

A purchase of the Rights Offer Shares from or through the agency of a JSE-registered Broker is subject to STT of 0.25% of the purchase consideration. The STT is payable by the Broker which may recover it from the transferee. Where the Rights Offer Shares are not purchased from or through the agency of a Broker, but the change in beneficial ownership is effected by a CSDP, STT of 0.25% of the greater of the declared purchase consideration or the JSE closing price of the Rights Offer Shares on the date of the transaction is payable by the CSDP, which may recover it from the transferee.

In any other case of a change in beneficial ownership of the Rights Offer Shares, as a general rule, STT of 0.25% of the greater of the declared purchase consideration or the JSE closing price of the Rights Offer Shares is payable by the transferee through the Broker or participant, which holds the Rights Offer Shares in custody or through the company.

Value-added Tax ("VAT")

The issue of the Rights and/or the acquisition of the Rights Offer Shares constitute an exempt supply for purposes of the (South African) Value-added Tax Act, No. 89 of 1991, as amended. Consequently, no VAT is payable on the issue of the Rights and/or the acquisition of the Rights Offer Shares. Similarly, no VAT is payable on the disposal of the Rights or the Rights Offer Shares.

13. UNDERWRITING ARRANGEMENTS

PIK has entered into an underwriting agreement with the Joint Global Coordinators and Joint Underwriters, dated 10 July 2024, with respect to the Rights Offer Shares (the "**Underwriting Agreement**"). Pursuant to the terms of the Underwriting Agreement, if there are any Rump Shares, the Joint Global Coordinators and Joint Underwriters may elect to procure subscribers for such Rump Shares outside of the United States in offshore transactions in reliance on Regulation S on PIK's behalf, otherwise such Rump Shares will be subscribed for by the Joint Global Coordinators and Joint Underwriters themselves as principal (or by sub-underwriters or other subscribers procured by the Joint Global Coordinators and Joint Underwriters) severally but not jointly (or jointly and severally) in equal proportions.

As indicated above, if and to the extent that the Joint Global Coordinators and Joint Underwriters have not procured any subscribers for the Rump Shares by way of an international private placement in the market, the purchase and any resale, or the procurement of any sub-underwriter or persons to take up any Rump Shares, by the Joint Global Coordinators and Joint Underwriters will be for their own account. Any transaction carried out by the Joint Global Coordinators and Joint Underwriters pursuant to the Underwriting Agreement in relation to the issue of Letters of Allocation or Rights Offer Shares will constitute a transaction carried out in the capacity of agent at the request of PIK and not in respect of the Joint Global Coordinators and Joint Underwriters' own accounts.

The obligations of the Joint Global Coordinators and Joint Underwriters pursuant to the Underwriting Agreement are subject to certain conditions that are typical for an agreement of this nature. These conditions include, among others, the accuracy of the representations and warranties in the Underwriting Agreement, the receipt of opinions on certain legal matters from counsel and other conditions customary in international capital markets transactions.

PIK has agreed to indemnify the Joint Global Coordinators and Joint Underwriters and their affiliates against certain losses and liabilities arising out of or in connection with the Rights Offer, including liabilities under the US Securities Act and the US Securities Exchange Act of 1934. In addition, PIK has agreed to reimburse the Joint Global Coordinators and Joint Underwriters for their costs and expenses incurred in connection with the Rights Offer and the purchase and sale of any Rights Offer Shares.

PIK has agreed that it will not, for a period of 180 days following the execution of the Underwriting Agreement, without the prior written consent of the Joint Global Coordinators and Joint Underwriters, issue, offer, sell, contract to sell, pledge or otherwise dispose of (or publicly announce any such issuance, offer, sale or disposal of) (i) any PIK Shares or securities convertible, or exchangeable into, or exercisable for, shares of PIK or (ii) warrants or other rights to purchase PIK Shares or (iii) any security or financial product whose value is determined directly or indirectly by reference to the price of the underlying securities, including equity swaps, forward sales and options. This restriction does not apply to (i) the issuance of Rights Offer Shares to be issued in the context of the Rights Offer; and (ii) issuances or trades from time to time pursuant to share option plans or other employee or management incentive plans of PIK.

The Underwriting Agreement provides that, until the settlement of the Rights Offer, the Joint Global Coordinators and Joint Underwriters may terminate their several commitments under the Underwriting Agreement and demand payment of costs and expenses incurred to date in connection with the Rights Offer upon the occurrence of, *inter alia*, any of the following customary termination events:

- any of the conditions to the Underwriting Agreement not being satisfied or (to the extent capable of being waived) waived;
- any breach by PIK of any representation or warranty under the Underwriting Agreement; or
- there has occurred or, in the opinion of the Joint Global Coordinators and Joint Underwriters, acting in good faith, it is reasonably likely that there will occur a material adverse change in, *inter alia*, the financial markets in South Africa, the United States or the United Kingdom and/or the condition or the earnings, liquidity, gearing, management, business, solvency, or prospect of the Company or the Group, whether or not arising in the ordinary course,

which the Joint Global Coordinators and Joint Underwriters consider, acting in good faith and following consultation with PIK, is such as to make it unlawful, impossible, impracticable, inappropriate or inadvisable to proceed with the Rights Offer or the underwriting of the Rights Offer Shares.

As is customary in transactions of this nature, PIK will pay the Joint Global Coordinators and Joint Underwriters the Underwriting Fee.

The Underwriting Agreement provides that the Underwriting Fee will not be paid until the underwriting commitments have been met.

The Joint Global Coordinators and Joint Underwriters and their affiliates have from time to time engaged in, and may in the future engage in, various commercial banking, investment banking and financial advisory transactions and services in the ordinary course of their business with PIK. The Joint Global Coordinators and Joint Underwriters have received and will receive customary fees and commissions for these transactions and services.

The Underwriting Agreement is subject to certain conditions precedent and is terminable by the Joint Global Coordinators and Joint Underwriters in certain circumstances. Notwithstanding these conditions precedent and termination rights, the Underwriting Agreement will not be capable of being unilaterally revoked by the Joint Global Coordinators and Joint Underwriters and consequently the Underwriting Agreement will become irrevocable not later than 11:00 (SAST) on Thursday, 11 July 2024.

The Directors of PIK have made due and careful enquiry to confirm that at the date of signing the Underwriting Agreement, the Joint Global Coordinators and Joint Underwriters can meet their obligations and commitments in terms of the Rights Offer, subject to and in accordance with the terms of the Underwriting Agreement, and are in a position to meet their underwriting commitments in terms of the Underwriting Agreement in conjunction with any other underwriting or similar agreements running concurrently with the present commitment.

14. ADDITIONAL INFORMATION

14.1 **Information on the Directors and Senior Management of PIK**

14.1.1 ***Board of Directors***

The full names, positions, business addresses, dates of appointment, ages as at the Last Practicable Date, nationalities, qualifications, experience and other directorships of the Directors are set out below.

Executive Directors

Sean Robin Summers	
Position	Chief Executive Officer
Appointed	30 September 2023
Age	70
Nationality	South African
Qualifications	N/A
Business address	Pick n Pay Office Park 101 Rosmead Avenue Kenilworth, Cape Town, 7708 South Africa (PO Box 23087, Claremont, Cape Town, 7735, South Africa)
Experience	Sean worked for the Group between 1974 and 2007, rising to become Managing Director in 1996, and CEO in 1999. He left the Group in 2007 and advanced his career in international retailing. He has a unique understanding of the Pick n Pay and Boxer businesses and South African grocery retailing and was reappointed as CEO of the Pick n Pay Group in September 2023.
Current directorships	Pick n Pay (Gabriel Road) Proprietary Limited Pick n Pay Supply Chain Proprietary Limited Socius Trading Proprietary Limited Boxer Holdings Proprietary Limited Pick n Pay Investment Holdings Proprietary Limited Boxer Superstores Proprietary Limited Pick n Pay Stores Limited Pick n Pay Retailers Proprietary Limited
Other directorships in the past five years	Summers Family Trust

Lerena Olivier	
Position	Chief Financial Officer
Appointed	6 September 2019
Age	48
Nationality	South African
Qualifications	*CA(SA)*
Business address	Pick n Pay Office Park 101 Rosmead Avenue Kenilworth, Cape Town, 7708 South Africa (PO Box 23087, Claremont, Cape Town, 7735, South Africa)
Experience	Lerena joined the Group 13 years ago, taking responsibility for Group financial reporting and the finance team. During her more than 20 years of experience in JSE-listed companies in the retail sector, Lerena has gained expertise across a number of key business areas, including corporate finance, risk management, strategy, debt restructuring, corporate actions, information systems, governance and compliance, value-added and retail-related financial services, accounting and tax.
Current directorships	Pick n Pay Stores Limited Socius Trading Proprietary Limited Score Supermarkets (Trading) Proprietary Limited Pick n Pay Holdings Proprietary Limited Pick n Pay Investment Holdings Proprietary Limited Score Supermarkets Operating Proprietary Limited Boxer Holdings Proprietary Limited Pick n Pay Garages Proprietary Limited Boxer Superstores Proprietary Limited Pick n Pay Retailers Proprietary Limited Pick n Pay Supply Chain Proprietary Limited Pick n Pay (Gabriel Road) Proprietary Limited
Other directorships in the past five years	Pick n Pay (Newton Park) Proprietary Limited (deregistered) Pick n Pay Pharmaceutical Wholesalers Proprietary Limited (deregistered) Boxer Fresh Meats Proprietary Limited (deregistered) Pick n Pay Wholesalers (Transvaal) Proprietary Limited (deregistered) Hypermarkets Proprietary Limited (deregistered) Pick n Pay (Bophuthatswana) Proprietary Limited (deregistered) Pick n Pay Wholesalers Proprietary Limited (deregistered)

Gareth Mark Ackerman	
Position	Chair
Appointed	23 March 1990
Age	66
Nationality	South African
Qualifications	*BSocSci, CMS and AMP (Oxon)*
Business address	Pick n Pay Office Park 101 Rosmead Avenue Kenilworth, Cape Town, 7708 South Africa (PO Box 23087, Claremont, Cape Town, 7735, South Africa)
Experience	An executive at Pick n Pay for 15 years until 1999, Gareth headed up various divisions and served as Joint Group Managing Director and the Managing Director of Pick n Pay Group Enterprises. He was appointed to the Board in 1990 as an executive director, until becoming a non-executive director in 1999. From 2002 to 2010 Gareth was Chair of Pick n Pay Holdings Limited, which at that time was the ultimate holding company of the Group. In 2010 he was appointed non-executive Chair of the Company. Among his other involvements, Gareth is co-chair of the Consumer Goods Council of South Africa and GS1 SA and is previous co-chair of the International Consumer Goods Forum. Gareth sits on the Board of Business Unity South Africa and was a trustee of the Masisizane Fund and was a member of the global board of the Young Presidents' Organization (YPO). He is a member of the board of advisers of UJ Business School and a Trustee of WWF SA. He is an associate Fellow at Green Templeton College, University of Oxford. Gareth chairs the Ackerman Family interests.
Current directorships	Pick n Pay Stores Limited Pick n Pay (Gabriel Road) Proprietary Limited Pick n Pay Supply Chain Proprietary Limited Pick n Pay Investment Holdings Proprietary Limited Score Supermarkets Operating Proprietary Limited GS1 South Africa NPC Pick n Pay Holdings Proprietary Limited Score Supermarkets (Trading) Proprietary Limited Boxer Superstores Proprietary Limited Pick n Pay Garages Proprietary Limited Soleprops 72 Proprietary Limited Ackerman Holdings Proprietary Limited Pick n Pay Retailers Proprietary Limited Raymond Ackerman Proprietary Limited Boxer Holdings Proprietary Limited Socius Trading Proprietary Limited Meadowbuck Investments Proprietary Limited WA Investments Proprietary Limited Ackerman Investment Holdings (RF) Proprietary Limited Ndoro Investments Proprietary Limited Association of Marketers (Pty) NPC Burrumbuck Investments (Pty) Limited Soleprops 72 Investments (Pty) Limited Consumer Goods Council of South Africa Foundation NPC Business Against Crime South Africa NPC Meadowbuck Enterprises Proprietary Limited Business Unity South Africa NPC
Other directorships in the past five years	Boxer Fresh Meats Proprietary Limited (deregistered) Pick n Pay Wholesalers (Transvaal) Proprietary Limited (deregistered) Hypermarkets Proprietary Limited (deregistered) Pick n Pay Wholesalers Proprietary Limited (deregistered)

Suzanne Dale Ackerman	
Position	Non-executive Director
Appointed	30 June 2009
Age	61
Nationality	South African
Qualifications	*BA, Fellow: Aspen Business Institute; First Movers; International Professor of Practice, Rutgers School of Business-Camden*
Business address	Pick n Pay Office Park 101 Rosmead Avenue Kenilworth, Cape Town, 7708 South Africa (PO Box 23087, Claremont, Cape Town, 7735, South Africa)
Experience	Following broad executive experience in the Group, Suzanne was appointed Director of Transformation in 2007. In addition to her executive contribution to the Group, she was appointed to the Board as a representative of the Controlling Shareholders in March 2010. Suzanne retired as an executive director on 31 March 2022, on which date she was appointed to the Board as a non-executive Director. Suzanne holds the position of International Professor of Practice at the Rutgers School of Business–Camden (United States), where she lectures to undergraduate and graduate students and members of the business community in New Jersey and Philadelphia. Suzanne also remains active in many areas of philanthropy across different sectors of society. In particular, she is a passionate proponent of enterprise development and acts as adviser and mentor to the Pick n Pay Enterprise Development division. Suzanne is the Founder and a Trustee of the Feed the Nation Foundation, Chair of the Ackerman Pick n Pay Foundation, a Trustee of the David Sussman Community Forum and a Trustee of the Smile Foundation.
Current directorships	Ackerman Holdings Proprietary Limited Ackerman Family Holdings Proprietary Limited Pick n Pay Stores Limited Smile Foundation NPC Newshelf 1323 Proprietary Limited Newshelf 1324 Proprietary Limited Rob Investments Proprietary Limited
Other directorships in the past five years	N/A

Jonathan Gustave Ackerman	
Position	Non-executive Director
Appointed	30 June 2009
Age	57
Nationality	South African
Qualifications	*BA Marketing*
Business address	Pick n Pay Office Park 101 Rosmead Avenue Kenilworth, Cape Town, 7708 South Africa (PO Box 23087, Claremont, Cape Town, 7735, South Africa)
Experience	Returning to South Africa after studying and working in the United States, Jonathan joined the Group in 1992. Over a distinguished career with the Group, Jonathan held key leadership roles, most notably in marketing and store operations. Jonathan was appointed to the Board as a representative of the Controlling Shareholders in March 2010, and as the Group's director of Values he ensured that the well-being of customers was the primary motivating factor for any strategic decision taken in the Group. Jonathan retired as an executive director on 31 March 2023 and has served as a non-executive Director from that date.
Current directorships	Ackerman Family Holdings Proprietary Limited Ackerman Holdings Proprietary Limited JGA Investments Proprietary Limited Gillion Property Investments Proprietary Limited Trakprops 104 Proprietary Limited Pick n Pay Stores Limited Betskins Proprietary Limited
Other directorships in the past five years	Pick n Pay Retailers Proprietary Limited

David Robins	
Position	Non-executive Director
Appointed	7 October 2002
Age	70
Nationality	South African
Qualifications	*BBusSci*
Business address	Pick n Pay Office Park 101 Rosmead Avenue Kenilworth, Cape Town, 7708 South Africa (PO Box 23087, Claremont, Cape Town, 7735, South Africa)
Experience	David joined the Group in 1994 and was appointed in 2005 as the executive responsible for expansion outside South African borders. In 2002 he was appointed as Deputy Chair of the Group and as an executive director. During 2008 he retired from his executive position. David remains on the Board as a non-executive Director and as a representative of the Controlling Shareholders until the 2024 AGM, when he will retire after an exceptional career with the Group.
Current directorships	Newshelf 1330 Proprietary Limited Leeuwenhof Property Holdings Proprietary Limited Beekay 201 Investments Proprietary Limited C R Designs CC Pick n Pay Stores Limited Friedshelf 1683 Proprietary Limited Turnibase Proprietary Limited Gemini Marine One x Time
Other directorships in the past five years	N/A

Independent non-executive Directors

Haroon Ismail Bhorat	
Position	Independent non-executive Director
Appointed	18 May 2020
Age	55
Nationality	South African
Qualifications	*PhD in Economics*
Business address	Pick n Pay Office Park 101 Rosmead Avenue Kenilworth, Cape Town, 7708 South Africa (PO Box 23087, Claremont, Cape Town, 7735, South Africa)
Experience	Haroon is Professor of Economics and Director of the Development Policy Research Unit at the University of Cape Town. He is currently a member of the Presidential Economic Advisory Council (PEAC), established in 2019 by President Ramaphosa. Haroon is the Independent Non-Executive Chair of Sygnia Asset Management and serves as the Co-Chair of its Investment Committee. Haroon is also Chair of the Nimble Group. Haroon is a Non-Resident Senior Fellow at the Brookings Institution – the world's leading global think tank. He was recently invited to join the UCT College of Fellows. He is a member of the executive committee of the International Economic Association. His career appointments include serving as an economic adviser to former Minister of Finance Pravin Gordhan and to former presidents Thabo Mbeki and Kgalema Motlanthe, formally serving on the Presidential Economic Advisory Panel.
Current directorships	Silk Road Investments Proprietary Limited Growth Grid Venture Capital Partners (RF) Proprietary Limited Nimble Group Proprietary Limited Sygnia Limited Sygnia Itrix (RF) Proprietary Limited Sygnia Collective Investments (RF) Proprietary Limited Sygnia Nominees (RF) Proprietary Limited Pick n Pay Stores Limited Sygnia Life Limited Grindrod SA Operations Proprietary Limited Ntiso Logistics Proprietary Limited Gustav Street Investment Holding Robin Hood Unclaimed Benefits Proprietary Limited
Other directorships in the past five years	N/A

James Roger Formby	
Position	Lead independent non-executive Director
Appointed	10 October 2022
Age	54
Nationality	South African
Qualifications	*CA(SA)* *Masters in Philosophy in Management Studies*
Business address	Pick n Pay Office Park 101 Rosmead Avenue Kenilworth, Cape Town, 7708 South Africa (PO Box 23087, Claremont, Cape Town, 7735, South Africa)
Experience	James was appointed to the Board in October 2022, following his retirement as Chief Executive Officer of the RMB group. James had a successful 25-year career with RMB, holding a number of senior leadership roles over his tenure including in corporate finance and investment banking. James' transactional skills and his ability to structure large corporate deals made him a core member in many B-BBEE transactions, initial public offerings, de-listings, mergers, debt restructures and disposals over his tenure with RMB. As Chief Executive Officer, James played a significant role in developing RMB's strategy.
Current directorships	Pick n Pay Stores Limited Formby Investment Proprietary Limited Business Venture Investments No 417 Proprietary Limited Nimble Group Proprietary Limited Vukile Property Fund Limited
Other directorships in the past five years	N/A

David Friedland	
Position	Independent non-executive Director
Appointed	13 December 2013
Age	70
Nationality	South African
Qualifications	*CA(SA)*
Business address	Pick n Pay Office Park 101 Rosmead Avenue Kenilworth, Cape Town, 7708 South Africa (PO Box 23087, Claremont, Cape Town, 7735, South Africa)
Experience	David was the audit engagement partner and lead/relationship partner at Arthur Andersen and KPMG for several listed companies, as well as large owner-managed companies, principally in the retail sector. David served on the boards of Investec Limited and Investec plc until August 2022.
Current directorships	Pick n Pay Stores Limited The Foschini Group Limited Lewlef Investments Proprietary Limited Pres Les Proprietary Limited
Other directorships in the past five years	N/A

Aboubakar (Bakar) Jakoet	
Position	Independent non-executive Director
Appointed	6 September 2019
Age	68
Nationality	South African
Qualifications	*CA(SA)*
Business address	Pick n Pay Office Park 101 Rosmead Avenue Kenilworth, Cape Town, 7708 South Africa (PO Box 23087, Claremont, Cape Town, 7735, South Africa)
Experience	Following his 34-year career in the finance team of the Group, Bakar retired as Chief Financial Officer and executive director in September 2019. Given his extensive experience in retail, strategy, tax and finance, the Group is privileged to retain his expertise and experience in his capacity as a non-executive Director.
Current directorships	Pick n Pay Stores Limited Boxer Superstores Proprietary Limited Oceana Group Limited Pick n Pay Retailers Proprietary Limited Sygnia Limited
Other directorships in the past five years	N/A

Audrey Mamoshoeshoe Mothupi	
Position	Independent non-executive Director
Appointed	13 December 2013
Age	54
Nationality	South African
Qualifications	*BA (Hons)*
Business address	Pick n Pay Office Park 101 Rosmead Avenue Kenilworth, Cape Town, 7708 South Africa (PO Box 23087, Claremont, Cape Town, 7735, South Africa)
Experience	Audrey is currently the Chief Executive Officer of South African based SystemicLogic Group, a global financial innovation, data, and technology company in which she took a majority shareholding in 2014. The company has a proven track record for delivering practical solutions to clients across a wide range of industries and geographies, helping them improve productivity and profitability, and has acquired businesses such as Knowledge Factory in 2019, to enable them to provide end-to-end data analytics solutions. Audrey was awarded Female CEO of the Year for Best Financial Innovation & Technology Disruptor CEO (South Africa) in 2022. Audrey holds numerous leadership positions including G100 Global Chair – AI/Data and Cybersecurity. Audrey is a Fellow of the Africa Leadership Initiative (ALI), a board member of the International Women's Forum of South Africa (IWFSA), and a member of the International Women's Forum (IWF).
Current directorships	Pick n Pay Stores Limited Boxer Superstores Proprietary Limited Systemiclogic Proprietary Limited Systemiclogic Group Proprietary Limited Systemic Talent Proprietary Limited Parktown West Security NPC Systemiclogic Technologies Proprietary Limited Systemiclogic Innovation Agency Proprietary Limited Systemiclogic Advertising and Marketing Proprietary Limited Life Healthcare Group Holdings Limited Knowledge Factory Proprietary Limited Systemiclogic Investments Proprietary Limited The International Women's Forum South Africa NPC
Other directorships in the past five years	Roedean School (South Africa) NPC

Annamarie van der Merwe	
Position	Independent non-executive Director
Appointed	4 August 2020
Age	60
Nationality	South African
Qualifications	*B.Juris, LLB, LLM, EMP*
Business address	Pick n Pay Office Park 101 Rosmead Avenue Kenilworth, Cape Town, 7708 South Africa (PO Box 23087, Claremont, Cape Town, 7735, South Africa)
Experience	Annamarie is the Executive Chair of the FluidRock Governance Group, a business that she co-founded 17 years ago. Annamarie has been a corporate lawyer and company secretary of companies in the listed environment for more than 30 years. She was until late 2020 a member of the King Committee on Corporate Governance for South Africa and was actively involved in the writing of King II, III and IV with a particular focus on the sections dealing with the functioning of boards and responsibilities of directors. Annamarie serves as a member of the JSE Advisory Committee. She is a well-known presenter of workshops on issues such as board effectiveness, good corporate governance and statutory duties and liabilities faced by boards and individual directors. Annamarie acted as a facilitator for the IoDSA for more than 16 years and currently chairs the board of the Bureau of Food and Agricultural Policy NPC (BFAP) as well as the Vastfontein Community Transformation NPC.
Current directorships	Pick n Pay Stores Limited Fluidrock Statutory Proprietary Limited Fluidrock Advisory Proprietary Limited Amazing Graces Social Investments NPC Fluidrock Co Sec Proprietary Limited Bureau For Food And Agricultural Policy NPC AVDM Deysel Proprietary Limited Fluidrock Governance Group Proprietary Limited Ridgeview 406 Proprietary Limited Fluidrock Compliance Proprietary Limited Fluidrock North Proprietary Limited Fluidrock Governance Academy Proprietary Limited Fluidrock South Proprietary Limited Fluidrock Holdings Proprietary Limited
Other directorships in the past five years	N/A

All of the Directors have completed Directors' declarations in terms of Schedule 13 of the Listings Requirements upon their appointment to the Board. There will be no changes to the Board as a result of the implementation of the Rights Offer.

14.1.2 ***Company secretary***

Vaughan Pierce	
Appointed	14 March 2024
Age	41
Nationality	South African
Qualifications	*BA (LLB), LLM*
Business address	Pick n Pay Office Park 101 Rosmead Avenue Kenilworth, Cape Town, 7708 South Africa (PO Box 23087, Claremont, Cape Town, 7735, South Africa)
Experience	Vaughan served as Senior Legal Advisor for the Group for 13 years. During his tenure, he performed a number of other key roles, including as Vice Chairperson of the Pick n Pay Medical Aid Scheme and as Trustee on the Ackerman Pick n Pay Foundation and Feed the Nation Foundation. Vaughan assumed the role of Executive for ESG for the Group two years ago, and he continues to oversee the integration of environmental, social and governance considerations across the Group's operations.
Current directorships	Socius Trading Pick n Pay Retailers (Pty) Ltd Feed The Nation Foundation Boxer Holdings (Pty) Ltd Boxer Superstores (Pty) Ltd Pick n Pay (Gabriel Road) (Pty) Ltd Pick n Pay Garages (Pty) Ltd Pick n Pay Stores Ltd Pick n Pay Investment Holdings Ltd Pick n Pay Supply Chain (Pty) Ltd Pick n Pay Holdings (Pty) Ltd Score Supermarkets (Trading) (Pty) Ltd Score Supermarkets Operating Ltd Pick n Pay Namibia (Pty) Ltd Excellion Investments 8 Pty Ltd Excellion Investments 12 Pty Ltd By Agency Investments Pty Ltd Pezula Private Residence Share Block Company

14.1.3 ***Directors of major subsidiaries***

The full names, positions and dates of appointment of the directors of (i) Boxer Superstores Proprietary Limited and (ii) Pick n Pay Retailers Proprietary Limited are set out below. Their business addresses, ages as at the Last Practicable Date, nationalities, qualifications, experience and other directorships are provided under "*—14.1.1 Board of Directors*" above.

Boxer Superstores Proprietary Limited

Sean Robin Summers	
Position	Director
Appointed	30 September 2023

Lerena Olivier	
Position	Director
Appointed	6 September 2019

Gareth Mark Ackerman	
Position	Non-executive director
Appointed	23 March 2009

Aboubakar (Bakar) Jakoet	
Position	Non-executive director
Appointed	6 September 2019

Audrey Mamoshoeshoe Mothupi	
Position	Non-executive director
Appointed	13 December 2013

Pick n Pay Retailers Proprietary Limited

Sean Robin Summers	
Position	Director
Appointed	30 September 2023

Lerena Olivier	
Position	Director
Appointed	6 September 2019

Gareth Mark Ackerman	
Position	Non-executive director
Appointed	1 March 2010

Suzanne Dale Ackerman	
Position	Non-executive director
Appointed	1 March 2010

Aboubakar (Bakar) Jakoet	
Position	Non-executive director
Appointed	8 February 2021

Audrey Mamoshoeshoe Mothupi	
Position	Non-executive director
Appointed	8 February 2021

14.1.4 ***Directors' declarations***

None of the Directors mentioned above have:

(i) ever been convicted of an offence resulting from dishonesty, fraud, theft, forgery, perjury, misrepresentation or embezzlement;

(ii) ever been adjudged bankrupt, insolvent or sequestrated in any jurisdiction;

(iii) at any time been a party to a scheme or arrangement or made any other form of compromise with their creditors;

(iv) ever been involved, as a director with an executive function, in any business rescue plans and/or by any entity to commence business rescue proceedings, application having been made for any entity to begin business rescue proceedings, notices having been delivered in terms of Section 129(7) of the Companies Act, receiverships, compulsory liquidations, creditors' voluntary liquidations, administrations, company voluntary arrangements or any composition or arrangement with its creditors generally or any class of its creditors of any company at the time of, or within the 12 months preceding, any such event(s) or any analogous process or proceedings under the laws of any applicable jurisdiction outside of South Africa;

(v) ever been found guilty in disciplinary proceedings by an employer or regulatory body due to dishonest activities;

(vi) ever been involved in any receiverships, compulsory liquidations, administrations or partnership voluntary arrangements of any partnership where they were partners at the time of, or within 12 months preceding, any such event(s);

(vii) ever received public criticisms from statutory or regulatory authorities, including professional bodies, and none has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company;

(viii) ever been barred from entry into a profession or occupation;

(ix) ever been convicted in any jurisdiction of any criminal offence or an offence under legislation relating to the Companies Act, and no company of which he or she was a director, alternate director or officer at the time of the offence has been convicted in any jurisdiction of any criminal offence, or an offence under legislation relating to the Companies Act or under any laws of any applicable jurisdiction outside of South Africa;

(x) ever been removed from an office of trust on the grounds of misconduct and involving dishonesty; or

(xi) ever been declared delinquent or placed under probation in terms of Section 162 of the Companies Act or disqualified from taking part in the management of a corporation in terms of Section 47 of the Close Corporations Act, or disqualified to act as a director in terms of Section 219 of the 1973 Companies Act or Section 69 of the Companies Act or any under laws of any applicable jurisdiction outside of South Africa.

14.1.5 ***Executive management***

The Executive Directors of PIK and the Company secretary are considered to be members of executive management and their details have been provided under sections 14.1.1 and 14.1.2 above.

14.1.6 ***Executive management declarations***

None of the executive managers mentioned above have:

(i) ever been convicted of an offence resulting from dishonesty, fraud, theft, forgery, perjury, misrepresentation or embezzlement;

(ii) ever been declared bankrupt, insolvent or sequestrated in any jurisdiction;

(iii) at any time been a party to a scheme or arrangement or made any other form of compromise with their creditors;

(iv) ever been involved, as a director with an executive function, in any business rescue plans and/or resolutions proposed by any entity to commence business rescue proceedings, applications having been made for any entity to begin business rescue proceedings, notices having been delivered in terms of Section 129(7) of the Companies Act, receiverships, compulsory liquidations, creditors' voluntary liquidations, administrations, company voluntary arrangements or any composition or arrangement with its creditors generally or any class of its creditors of any company at the time of, or within the 12 months preceding, any such event(s);

(v) ever been found guilty in disciplinary proceedings by an employer or regulatory body due to dishonest activities;

(vi) ever been involved in any receiverships, compulsory liquidations, administrations or partnership, voluntary arrangements of any partnership where they were partners at the time of, or within 12 months preceding, any such event(s);

(vii) ever received public criticisms from statutory or regulatory authorities, including professional bodies, and none have ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company;

(viii) ever been barred from entry into a profession or occupation;

(ix) ever been convicted in any jurisdiction of any criminal offence or an offence under legislation relating to the Companies Act, and no company of which he or she was a director, alternate director or officer at the time of the offence has been convicted in any jurisdiction of any criminal offence, or an offence under legislation relating to the Companies Act;

(x) ever been removed from an office of trust on the grounds of misconduct and involving dishonesty; or

(xi) ever been declared delinquent or placed under probation in terms of Section 162 of the Companies Act and/or disqualified from taking part in the management of a corporation in terms of Section 47 of the Close Corporations Act or disqualified to act as a director in terms of section 219 of the 1973 Companies Act or Section 69 of the Companies Act.

14.1.7 ***Qualification, remuneration, borrowing powers and appointment of Directors***

Borrowing powers

In terms of the MOI, the powers of management granted to the Directors in terms of Section 66(1) of the Companies Act are limited in that the total amount owing by the Company in respect of monies borrowed by the Company shall not exceed the amount authorised by the Company's holding company from time to time.

Directors' emoluments

The total remuneration, benefits and fees for the 52 weeks ended 25 February 2024 was as follows:

Executive Directors	**Total Remuneration (*ZAR'000*)**
Sean Robin Summers[1]	10,000.0
Lerena Olivier	5,986.1
Total:	**15,986.1**

Non-executive Directors	**Total Remuneration (*ZAR'000*)**
Gareth Mark Ackerman	4,893.0
Suzanne Dale Ackerman	809.0
Jonathan Gustave Ackerman	550.8
David Robins	591.3
Total:	**6,844.1**

Independent non-executive Directors	**Total Remuneration (*ZAR'000*)**
Haroon Ismail Bhorat	891.3
Mariam Cassim[2]	686.0
James Roger Formby	1,073.3
David Friedland	786.0
Aboubakar (Bakar) Jakoet	1,011.3
Audrey Mamoshoeshoe Mothupi	1,009.0
Annamarie van der Merwe	691.3
Total:	**6,148.2**

(1) Sean Robin Summers assumed the position of Chief Executive Officer on 30 September 2023. As such, Mr. Summers' remuneration for the 52 weeks ended 25 February 2024 only covers the period from 30 September 2023 to 25 February 2024. Prior to Mr. Summers' appointment, the position of Chief Executive Officer was held by Pieter Boone.

(2) Mariam Cassim resigned as an independent non-executive Director of the Board, and accordingly as member of the Audit, Risk and Compliance Committee and the Finance and Investment Committee, effective 5 July 2024.

There will be no variation in the remuneration receivable by any of the Directors as a consequence of this Rights Offer.

As at the Last Practicable Date, there were no outstanding loans granted by any member of the Group to any Director, nor by any Director to any member of the Group. There were no guarantees which had been provided by any member of the Group for the benefit of any Director, or by any Director for the benefit of any member of the Group, outstanding. The Directors, including any director who has resigned from the Company in the last 18 months, had no material beneficial interest, whether direct or indirect, in any transaction effected by the Company during the current or immediately preceding financial year or in an earlier year and which remains in any respect outstanding or unperformed.

14.1.8 ***Corporate governance***

The Board is committed to the highest standards of ethical and effective governance, resulting in sustainable organisational performance that creates long-term value for all stakeholders. The Board has adopted and applies the principles of the King Code and fully endorses and cultivates principles set out therein, and the Board is further guided by the Companies Act and the additional requirements of the Listings Requirements. Details of how the Company applies the principles of the King Code are available on the Company's website (https://www.picknpayinvestor.co.za/pdf/annual-report/2023/corporate-governance-report-singles-2023.pdf) and are incorporated by reference into this Circular.

14.1.9 ***Trading history of PIK Shares on the JSE***

A table setting out the trading history of PIK Shares on the JSE has been included in Annexure 3 to this Circular.

14.2 **Stated Capital and Major PIK Shareholders**

14.2.1 ***Authorised and issued share capital***

The authorised and issued Shares in PIK, at the date of this Circular, following the Share Conversion and Share Increase and as at the date of this Circular, is set out below:

As at the date of this Circular	Number of Shares
Ordinary Shares of No Par Value	
Authorised	10,000,000,000
Issued	493,450,321
B Shares of No Par Value[(1)]	
Authorised	5,300,000,000
Issued	259,682,869

(1) The B Shares have no economic rights and shall not be entitled to any participation in the profits of the Company or any distribution of the assets or capital of the Company. See "—15.2.2 Dividend and voting rights."

Other than the Ordinary Shares, no securities of the Company are listed on any stock exchanges other than the JSE and A2X.

As at the Last Practicable Date, all PIK Shares rank *pari passu* in every respect. Upon issue, each Rights Offer Share will rank *pari passu* in every respect with each existing PIK Share.

14.2.2 ***Dividend and voting rights***

The holders of Ordinary Shares are entitled to receive dividends as declared from time to time and are entitled to one vote per Ordinary Share at meetings of the Company.

The B Shares have no economic rights and shall not be entitled to any participation in the profits of the Company or any distribution of the assets or capital of the Company.

At every general meeting or adjourned general meeting of the Company at which Ordinary Shareholders and holders of B Shares are present and entitled to vote on any particular matter, upon a poll, or in respect of any written resolution contemplated in Section 60 of the Companies Act on which the Ordinary Shareholders and the holders of B Shares are entitled to vote, each B Shareholder shall, in respect of that particular matter, be entitled to exercise one vote for every B Share held and entitled to vote at that time.

14.2.3 ***B Shares***

All the B Shares are stapled to certain Ordinary Shares (i.e., the Stapled Ordinary Shares).

In terms of the B Share Terms, upon the occurrence of an "Adjustment Event" (as defined in clause 9 of the B Share Terms), which includes the Rights Offer if the holders of B Shares follow their Rights under the Rights Offer, the holders of Stapled Ordinary Shares who participate in the Rights Offer would be issued with additional B Shares to maintain the B Share Issue Ratio prescribed in the MOI (being a ratio of 1.98061 (one point nine eight zero six one) B Shares for every one Stapled Ordinary Share) ("**B Share Issue Ratio**").

However, as announced by PIK on SENS and ANS on 27 May 2024, the Controlling Shareholders have indicated their intention to forego majority voting control of PIK, by reducing their collective voting rights to slightly below 50% post implementation of the Rights Offer.

In this regard it was proposed and approved by PIK Shareholders at the EGM held on Wednesday, 26 June 2024, that the B Share Terms be amended to permit, with the approval of the B Shareholders by way of a special resolution, a reduction in the B Share Issue Ratio. ("**MOI B Share Terms Amendments**"). The Controlling Shareholders have committed to passing such resolution prior to the Rights Offer to achieve the proposed reduction in their collective voting rights to slightly below 50% post implementation of the Rights Offer.

14.2.4 ***Alterations to stated capital***

In order to give effect to the Rights Offer, at the EGM held on Wednesday, 26 June 2024, the PIK Shareholders, passed resolutions to, amongst other things, (i) convert all of the authorised and issued Ordinary Share capital of the Company, comprising 800,000,000 Ordinary Shares having a par value of 1.25 cents each to 800,000,000 Ordinary Shares having no par value; and (ii) increase the authorised Ordinary Share capital of the Company to 10,000,000,000, by the creating of a further 9,200,000,000 new authorised ordinary no par value shares, ranking *pari passu* in all respects with the existing Ordinary Shares in the authorised but unissued Ordinary Share capital of PIK.

As noted above, if a B Shareholder follows its Rights in respect of its Stapled Ordinary Shares in the Rights Offer, this constitutes an "*Adjustment Event*" in terms of the B Share Terms, and PIK is legally obliged in terms of the MOI to issue additional B Shares to such B Shareholder to maintain the B Share Issue Ratio. For this reason, and in order to ensure that PIK is able to comply with its legal obligations in terms of the MOI, the PIK Shareholders also passed a special resolution at the EGM held on Wednesday, 26 June 2024 to increase the authorised B Shares capital from 1,000,000,000 B Shares to 5,300,000,000 B Shares, by the creation of a further 4,300,000,000 new authorised B Shares.

However, as noted above, the MOI B Share Terms amendments have been adopted in order to permit a reduction in the B Share Issue Ratio by way of a special resolution of B Shareholders

Accordingly, the number of B Shares in issue once implementation of the Rights Offer has occurred will depend on whether the B Shareholders elect to exercise their Rights to subscribe for the Rights Offer Shares for which they are entitled to subscribe in respect of their Stapled Ordinary Shares under the Rights Offer, whether they approve a B Share Issue Ratio which is less than 1.98061 (one point nine eight zero six one) B Shares for every one Stapled Ordinary Share and the number of Ordinary Shares issued under the Rights Offer.

Furthermore to ensure that the authorised Share capital is set at an appropriate level post implementation of the Rights Offer, the Company will, at the EGM to be held at the same time as or shortly after the AGM, propose a resolution authorising the reduction of the authorised Ordinary Share capital of the Company to such number of Ordinary Shares such that, following such reduction, the unissued Ordinary Shares in the share capital of the Company constitute no more than 10% of the total number of authorised Ordinary Shares immediately after the date of completion of the Rights Offer. This additional 10% would provide the Company with additional headroom for any potential future Ordinary Share issues which the Company may require, whether for capital raises, share incentive schemes or otherwise, although these would remain subject to any requisite authorisations and approvals being obtained.

To the extent that the newly created B Shares are not required for purposes of the Rights Offer and the Company complying with its obligations in terms of the MOI in relation thereto, the Company will, at the EGM to be held at the same time as or shortly after the AGM, propose a resolution authorising a reduction of the authorised B Share capital of the Company to such number of B Shares that, following such reduction, the unissued B Shares in the share capital of the Company constitutes no more than 10% of the total number of authorised B Shares immediately after the date of completion of the Rights Offer. This additional 10% would provide the Company with additional headroom for any potential future B Share issues which the Company may be required to make in terms of the MOI for any "*Adjustment Event*."

14.2.5 ***Commissions***

Other than the Underwriting Fee and the Standby Fee, which are payable in terms of the Underwriting Agreement and the Standby Underwriting Agreement, respectively, in connection with the Rights Offer (see "*13 Underwriting Arrangements*"), no commissions or consideration, including underwriting commission in respect of the allotment or issue of PIK Shares, have been paid by PIK during the three years preceding the Last Practicable Date.

14.2.6 *Interests of Directors*

The interests (both direct and indirect) in PIK Shares held by all the Directors (including their associates and any director who has resigned during the last 18 months) as at 25 February 2024 are set out below.

	How held[(1)]	Beneficial/ non-beneficial interest[(2)]	PIK Shares prior to implementation of the Rights Offer
Gareth Ackerman	Direct	Beneficial	309
	Indirect	Beneficial	1,748,776
	Indirect	Non-beneficial	19,762
Ackerman Pick n Pay Foundation[(3)]	Indirect	Non-beneficial	101,900
Ackerman Family Investment Holdings Proprietary Limited[(4)]	Indirect	Non-beneficial	1
AIH[(5)]	Indirect	Non-beneficial	124,677,237
Mistral Trust[(6)]	Indirect	Non-beneficial	3,000,000
Lerena Olivier	Direct	Beneficial	96,150
	Direct – RSP	Beneficial	34,800
Suzanne Ackerman	Direct	Beneficial	120,528
	Indirect	Beneficial	553,883
Jonathan Ackerman[(7)]	Direct	Beneficial	122,888
	Indirect	Beneficial	865,055
	Indirect	Non-beneficial	2,161
Aboubakar Jakoet	Direct	Beneficial	8,764
	Indirect*	Beneficial	750,000
	Indirect	Non-beneficial	13,059
David Friedland	Indirect	Beneficial	34,188
David Robins	Direct	Beneficial	975
	Indirect	Non-beneficial	90,436
James Formby	Direct	Beneficial	4,000
	Indirect	Beneficial	26,725

* *Defined as an indirect beneficial shareholding in terms of JSE classifications. However, the Director only has a 10% shareholding in the company which holds these shares, does not exercise any control over the shares, and receives no direct benefit.*

(1) *Direct interests represent a holding in the Director's personal capacity. Indirect interests represent a holding by a trust (of which the Director is a trustee), a spouse or minor children of the Directors.*

(2) *Beneficial interest represents an interest in shares in which a person is entitled to receive income payable in respect to that shareholding and obtain any benefit as a result of holding those shares. Non-beneficial interest represents an interest in shares in which a person will not benefit directly as a result of holding those shares.*

(3) *The indirect non-beneficial interest in the Ackerman Pick n Pay Foundation represents the holdings of Gareth Ackerman and Suzanne Ackerman in their capacities as trustees.*

(4) *The indirect non-beneficial interest in Ackerman Family Investment Holdings Proprietary Limited represents a portion of the holdings of Gareth Ackerman, Suzanne Ackerman and Jonathan Ackerman.*

(5) *The indirect non-beneficial interest in AIH represents a portion of the holdings of Gareth Ackerman, Suzanne Ackerman and Jonathan Ackerman.*

(6) *The indirect non-beneficial interest in Mistral Trust represents a portion of the holdings of Gareth Ackerman, Suzanne Ackerman and Jonathan Ackerman in their capacity as trustees and/or potential beneficiaries.*

(7) *Jonathan Ackerman retired as an executive director on 31 March 2023, and was appointed as a non-executive Director on that date.*

The Group's Remuneration Committee has resolved to award Sean Summers 4,000,000 performance-based PIK Shares in terms of the Restricted Share Plan, with performance conditions linked to targets under the Group's long-term plan. As the Group is currently in a closed period due to it being under cautionary announcement in relation to the proposed two-step Recapitalisation Plan, the formal allocation of the shares and clearance to trade will be deferred until after the terms of the Rights Offer have been announced in the market, which is expected mid-July 2024, and the cautionary announcement has been withdrawn. There have been no other changes to the Directors interests since 25 February 2024.

14.2.7 ***Change of Controlling Shareholders due to amendments to B Share Terms***

As at the Last Practicable Date, the Controlling Shareholders of the Company, together hold 26.8% of the PIK Shares (with an effective voting interest of 52% due to their aggregate holding of 259,682,869 B Shares, which each carry one additional vote on all matters voted on by Shareholders).

The Controlling Shareholders have maintained voting control of PIK since completion of the 2016 Transaction whereby the B Shares were issued to the Controlling Shareholders to maintain the effective 52.8% voting position held by the Controlling Shareholders in relation to the Group prior to the 2016 Transaction.

However, as noted above, as announced by PIK on SENS and ANS on 27 May 2024, the Controlling Shareholders have indicated their intention to forego majority voting control of PIK, by reducing their collective voting rights to slightly below 50% post implementation of the Rights Offer and the MOI B Share Terms Amendments have been adopted to create the flexibility to allow a reduction of the B Share Issue Ratio to achieve this by way of a special resolution of B Shareholders. The Controlling Shareholders have committed to passing such resolution prior to the Rights Offer to achieve the proposed reduction in their collective voting rights to slightly below 50% post implementation of the Rights Offer at the AGM.

14.2.8 ***Employee share schemes***

The Company has two share schemes, a legacy share option plan (the "**Share Option Scheme"**) which has since been replaced by a cash scheme, and a restricted share plan involving the issue of forfeitable restricted shares to participants (the "**Restricted Share Plan**" or "**RSP**").

The Company can issue new Shares to settle the Group's obligations under its employee share schemes, but issues in this regard are limited, in aggregate, to 5% of total issued Share capital. To date 15,743,000 Ordinary Shares have been issued, resulting in 8,929,516 Ordinary Shares remaining for this purpose.

Employees who have been allocated Shares in terms of the Restricted Share Plan may participate in the Rights Offer the same as any other Qualifying Shareholder; Shares under the Restricted Share Plan which have not been allocated may participate in the Rights Offer and the election of the Group entity by which they are held, as outlined below.

14.2.9 ***Treasury shares***

As at 28 June 2024, 9,945,687 Ordinary Shares are held in treasury for the purposes of fulfilling share awards outstanding in terms of PIK's share plans.

These are held in three entities:

1. The Pick n Pay Share Trust (the "**Trust**") – 3,816,452 Ordinary Shares;
2. Pick n Pay Retailers (Pty) Ltd ("**Retailers**") – 4,968,735 Ordinary Shares; and
3. Boxer Superstores – 1,160,000 Ordinary Shares.

The Trust hold shares for the Share Option Scheme for the settlement of "in-the-money" options, whereas Retailers and Boxer hold (a) Restricted Share Plan shares which have been allocated to individual participants, as escrow agents for and on behalf of those participants, and (b) unallocated Restricted Share Plan shares.

14.2.10 ***Major Shareholders***

The major beneficial Shareholders holding 3% or more of PIK Shares as at 28 June 2024 are set out below:

Major beneficial Shareholders	Number of Shares	% of issued capital
Ackerman Investment Holdings (RF) Proprietary Limited	124,677,237	25.3
Government Employees Pension Fund	87,990,742	17.8
Fidelity Series Emerging Markets Opportunities Fund	34,421,472	7.0
Allan Gray Balanced Fund	33,675,916	6.8

14.2.11 ***Estimated expenses in relation to the Rights Offer***

PIK has not incurred any preliminary expenses (within the meaning of the Listings Requirements and the Companies Act) over the last three financial years.

It is estimated that PIK's expenses relating to the Rights Offer will amount to approximately ZAR113.8 million (including VAT). These expenses will be paid from the proceeds of the Rights Offer. The expenses (including VAT) relating to the Rights Offer are detailed below:

Nature of expense	Paid/payable to	Amount (ZAR'000)
JSE documentation inspection fee	JSE	42
JSE listing fee	JSE	751
Transfer Secretaries	Computershare Investor Services Proprietary Limited	56
Printing and posting costs	GreyMatter & Finch (Pty) Ltd	482
Legal advisers to PIK as to South African law	Bowman Gilfillan Inc.	5,000
Legal advisers to PIK as to US and English law	Milbank LLP	13,500
Legal advisers to the Joint Global Coordinators and Joint Underwriters as to South African law	Webber Wentzel	3,000
Legal advisers to the Joint Global Coordinators and Joint Underwriters as to US and English law	Linklaters LLP	6,000
Independent Auditor	Ernst & Young Inc.	5,000
Underwriting fee	RMB	26,667
Underwriting fee	ABSA	26,667
Underwriting fee	SBSA	26,667
Total		**113,832**

14.3 **Disclosure of Conflict**

Notwithstanding the fact that the Joint Global Coordinators and Joint Underwriters are also lenders to the Group, and in the case of RMB, Transaction Sponsor, the Joint Global Coordinators and Joint Underwriters are acting only as Joint Global Coordinators and Joint Underwriters for purposes of the Rights Offer. It is the opinion of the Joint Global Coordinators and Joint Underwriters that there are no conflicts of interest that would prevent the Joint Global Coordinators and Joint Underwriters from performing their obligations under the Underwriting Agreement and the Standby Underwriting Agreement in respect of the Rights Offer as:

- the Underwriting Fee and the Standby Fee are not material in the context of the Joint Global Coordinators and Joint Underwriters' revenues or profits;
- the Underwriting Fee and the Standby Fee are market-related; and
- in particular in the case of RMB, the interests of the Joint Global Coordinators and the Joint Underwriters are aligned to ensure full compliance with the Listings Requirements and full and accurate disclosures. Notwithstanding that RMB is Joint Global Coordinator to the Rights Offer, this does not compromise RMB's independence to act as underwriter (and Transaction Sponsor) to the Company for the reasons stated above. As required in terms of the Listings Requirements, in order to mitigate any perceived conflicts of interest that may arise as a result of RMB's role of both Joint Global Coordinator and Joint Underwriter and Transaction Sponsor, RMB has in place the following procedures:
  - The RMB sponsor unit ("**RMB Sponsor**") is comprised of five individuals whose sole responsibility is that of fulfilling the functions of equity sponsor. In relation to the Rights Offer, RMB Sponsor is responsible for obtaining the necessary approval of the circular and ancillary documentation (the "**Transaction Documentation**") in its role as Transaction Sponsor;
  - RMB Sponsor has in place stringent compliance procedures to ensure that all activities are monitored and that effective information barriers are in place, which ensures independence and objectivity in relation to its role as Transaction Sponsor in respect of the Rights Offer;
  - The fees received are immaterial to RMB Sponsor;
  - The Group's certain existing facilities agreements where RMB acts as a lender are immaterial to RMB's total loan book;
  - While the proceeds of the rights offer may be partially used by the Group to repay certain indebtedness owed to RMB, that decision is entirely at the discretion of the Board and not RMB;
  - RMB Sponsor also has access restrictions to all sponsor information which is stored in a separate drive which only members of RMB Sponsor can access; and
  - RMB Sponsor does not have a vested interest in the successful implementation of the Rights Offer, save for managing the JSE approval process of the Transaction Documentation.

14.4 **Material Funding Agreements**

The Group's existing indebtedness comprises a variety of funding arrangements provided by various funders (the "**Lenders**"), as follows:

- a bilateral loan of ZAR1.0 billion, in terms of a bilateral facility agreement entered into between the Company and RMB on or about 14 July 2023 (the "**Bilateral Facility**");
- syndicated loans totalling ZAR4.5 billion in terms of a Sustainability Linked Facilities Agreement entered into between the Company and Investec Bank Limited ("**Investec**"), SBSA, ABSA and RMB on or about 13 July 2023 (the "**Syndicated Facilities**"); and
- certain general facilities with various lenders totalling ZAR6.5 billion (the "**General Facilities**" and together with the Bilateral Facility as the "**Existing Facilities**"),

14.4.1 **Restructuring Support Agreement**

On 7 May 2024, the Group entered into the Restructuring Support Agreement with the Lenders. The Restructuring Support Agreement effectively provides for certain waivers and restructures the debt arrangements referred to above, by setting out arrangements in terms of which specified outstandings under the Existing Facilities, other than outstandings of lenders that elect to provide ongoing finance to the Group ("**Continuing Lenders**") will be discharged pursuant to the Recapitalisation Plan, namely the Rights Offer and the Boxer IPO.

In terms of the Restructuring Support Agreement, it has been agreed that:

- the Group will continue to pay interest to the Lenders;
- specified Existing Facilities, net of Continuing Lenders, will be repaid from the proceeds of the Recapitalisation Plan pursuant to agreed cashflow waterfalls (the "**Cashflow Waterfalls**"); and
- save in respect of certain General Facilities and/or as contemplated by the Cashflow Waterfalls, no capital repayments will be made in respect of the Existing Facilities.

The Group has secured its liquidity and funding up to 1 September 2025 as the Lenders have effectively extended the maturity date for the Existing Facilities to 1 September 2025 subject to the terms and conditions of the Restructuring Support Agreement.

The proceeds from the Recapitalisation Plan will be primarily used to settle the Existing Facilities, net of Continuing Lenders, and also to re-invest in the Group's Pick n Pay Supermarkets business so as to secure its turnaround.

Pursuant to the Restructuring Support Agreement, Boxer has provided a guarantee to all Lenders (the "**Boxer Guarantee**"). In addition, the Existing Facilities benefit from a security cession and pledge over (i) claims of Group entities against Boxer and (ii) the shares held by Boxer Holdings Proprietary Limited ("**Boxer Holdings**") in Boxer (the "**Boxer Share Security**"), and the Company's shares in Boxer Holdings. Importantly, subject to the terms of the relevant finance documents, the Boxer Guarantee and Boxer Share Security will be released on the date of formal approval of the pre-listing statement for the Boxer IPO to ensure Boxer and the Boxer shares are unencumbered at the time of commencement of the IPO process. The pledge over the Boxer Holding shares in Boxer will be released upon repayment of specified Existing Facilities with the proceeds from the Boxer IPO.

The Restructuring Support Agreement may be terminated before 1 September 2025, *inter alia*, if the Rights Offer occurs but a minimum of ZAR3.0 billion is not applied to repay the Existing Facilities in accordance with the relevant Cashflow Waterfall or if the Boxer IPO occurs but the proceeds thereof are not applied to the discharge specified Existing Facilities, net of Continuing Lenders, in accordance with the relevant Cashflow Waterfall. It may also be terminated as a result of certain customary termination events (as set out in the Restructuring Support Agreement). If the Restructuring Support Agreement is terminated, all Lenders will revert to their original debt arrangements but with the benefit of the Boxer Guarantee and Boxer Share Security.

Moreover, if the Group misses the target date for this Rights Offer and the Boxer IPO target date due to (i) the Group electing to delay the Boxer IPO despite its equity and capital markets advisers' recommendation or (ii) the Group failing to take the steps required to prepare for the Boxer IPO, the Lenders may take certain remedial measures, including an increase in interest rates across all Existing Facilities by 1.00%.

14.4.2 **Material loans**

Sustainability-Linked Facilities Agreement

Pursuant to a sustainability-linked facilities agreement dated on or about 13 July 2023 between, among others, Retailers and the below listed lenders, as amended, the parties have agreed to the below funding terms:

<table>
<tr><td>Lenders</td><td>Absa Bank Limited (acting through its Corporate and Investment Banking division)

Investec Bank Limited (acting through its Investment Banking Division Corporate Solutions)

FirstRand Bank Limited (acting through its Rand Merchant Bank division)

The Standard Bank of South Africa Limited (acting through its Corporate and Investment Banking division)</td></tr>
<tr><td>Commitment</td><td>Facility A: ZAR1,300,000,000 (ABSA, RMB, SBSA)

Facility B: ZAR2,200,000,000 (Investec, RMB, SBSA)

Facility C: ZAR1,000,000,000 (ABSA, SBSA)

Facility D: ZAR500,000,000 (ABSA, Investec, RMB, SBSA)</td></tr>
<tr><td>Interest Rate</td><td>The Base Margin + applicable Margin as follows:
<table>
<tr><th>Net Debt to EBITDA Ratio</th><th>Margin: Facility A</th><th>Margin: Facility B</th><th>Margin: Facility C</th><th>Margin: Facility D</th></tr>
<tr><td>Less than or equal to 2.75:1</td><td>1.25%</td><td>1.45%</td><td>1.25%</td><td>1.31%</td></tr>
<tr><td>Greater than 2.75:1 but less than or equal to 3.00:1</td><td>1.82%</td><td>2.18%</td><td>1.88%</td><td>1.65%</td></tr>
<tr><td>Greater than 3.00:1 but less than or equal to 4.00:1</td><td>2.15%</td><td>2.40%</td><td>2.25%</td><td>1.97%</td></tr>
<tr><td>Greater than 4.00:1</td><td>2.57%</td><td>2.66%</td><td>2.68%</td><td>2.37%</td></tr>
</table></td></tr>
<tr><td>Default Rate</td><td>2% increase in the interest rate</td></tr>
<tr><td>Interest Payments</td><td>Interest is serviced on a quarterly basis.</td></tr>
<tr><td>Security</td><td>Secured by shares and claims in Boxer Superstores and if applicable, Boxer Listco.

Guaranteed by the Company and Boxer Superstores

Security and guarantee in respect of Boxer Superstores subject to a release mechanism (as applicable) with effect from the date of the formal approval by the JSE of a pre-listing statement to be issued by Boxer Superstores or Boxer Listco.</td></tr>
<tr><td>Final Maturity Date</td><td>31 August 2025</td></tr>
<tr><td>Repayment Terms</td><td>The Principal Amount for each Facility is to be repaid in full on the Final Maturity Date for that Facility.</td></tr>
<tr><td>Other relevant terms and conditions</td><td>Proceeds of:

• the Rights Offer; and
• any disposal transaction in respect of Boxer Superstores and/or any transaction in terms of which all or a portion of the Boxer Shares or Boxer Listco Shares are subject to an offering and listing on the JSE,

are to be applied in repayment of the Facilities (along with other Material Loans) in accordance with a cashflow waterfall set out in the Restructuring Support Agreement.</td></tr>
</table>

Bilateral Facilities Agreement

Pursuant to a bilateral facility agreement dated on or about 14 July 2023 between, among others, Retailers and FirstRand Bank Limited (acting through its Rand Merchant Bank division), the parties have agreed to the below funding terms:

<table>
<tr><td>Commitment</td><td>ZAR1,000,000,000</td></tr>
<tr><td>Interest Rate</td><td>The Base Margin + applicable Margin as follows:

Base Margin is:
• 1.5%; or
• 1.4% following the Green Loan Classification Date; and

<table>
<tr><th>Net Debt to EBITDA Ratio</th><th>Adjustment to Base Margin</th></tr>
<tr><td>Less than or equal to 2.75:1</td><td>No adjustment</td></tr>
<tr><td>Greater than 2.75:1 but less than or equal to 3.00:1</td><td>+0.4%</td></tr>
<tr><td>Greater than 3.00:1 but less than or equal to 4.00:1</td><td>+0.6%</td></tr>
<tr><td>Greater than 4.00:1</td><td>+1.0%</td></tr>
</table></td></tr>
<tr><td>Default Rate</td><td>2% increase in the interest rate</td></tr>
<tr><td>Interest Payments</td><td>Interest is serviced on a quarterly basis.</td></tr>
<tr><td>Security</td><td>Secured by shares and claims in Boxer Superstores and if applicable, Boxer Listco.

Guaranteed by the Company and Boxer Superstores

Security and guarantee in respect of Boxer Superstores subject to a release mechanism (as applicable) with effect from the date of the formal approval by the JSE of a pre-listing statement to be issued by Boxer Superstores or Boxer Listco.</td></tr>
<tr><td>Final Maturity Date</td><td>31 August 2025</td></tr>
<tr><td>Repayment Terms</td><td>The Principal Amount is to be repaid in full on the Final Maturity Date.</td></tr>
<tr><td>Other relevant terms and conditions</td><td>Proceeds of:
• the Rights Offer; and
• any disposal transaction in respect of Boxer Superstores and/or any transaction in terms of which all or a portion of the Boxer Shares or Boxer Listco Shares are subject to an offering and listing on the JSE,

are to be applied in repayment of the Facilities (along with other Material Loans) in accordance with a cashflow waterfall set out in the Restructuring Support Agreement.</td></tr>
</table>

General Facilities

Pursuant to a facility letter dated on or about 20 April 2018 between, amongst others, Retailers and Absa Bank Limited (acting through its Corporate Investment Banking division), the parties have agreed to the below funding terms:

Commitment	Overdraft: ZAR254,100,000 Money Market: ZAR1,700,000,000
Interest Rate	Overdraft: Prime less 1.4% Money market: 10.25%
Default Rate	2% increase in the interest rate
Interest Payments	Interest is serviced monthly
Security	Secured by shares and claims in Boxer Superstores and if applicable, Boxer Listco. Guaranteed by the Company and Boxer Superstores Security and guarantee in respect of Boxer Superstores subject to a release mechanism (as applicable) with effect from the date of the formal approval by the JSE of a pre-listing statement to be issued by Boxer Superstores or Boxer Listco.
Final Maturity Date	31 August 2025
Other relevant terms and conditions	Proceeds of: • the Rights Offer; and • any disposal transaction in respect of Boxer Superstores and/or any transaction in terms of which all or a portion of the Boxer Shares or Boxer Listco Shares are subject to an offering and listing on the JSE, are to be applied in repayment of the Facilities (along with other Material Loans) in accordance with a cashflow waterfall set out in the Restructuring Support Agreement.

Pursuant to the memorandum reflecting indebtedness dated 26 July 2023 between, amongst others, Retailers and Allan Gray Proprietary Limited, the parties have agreed to the below funding terms:

Commitment	ZAR250,000,000
Interest Rate	Prime plus 1.13%
Default Rate	Prime plus 2%
Interest Payments	Interest is serviced monthly.
Security	Secured by shares and claims in Boxer Superstores and if applicable, Boxer Listco. Guaranteed by the Company and Boxer Superstores Security and guarantee in respect of Boxer subject to a release mechanism (as applicable) with effect from the date of the formal approval by the JSE of a pre-listing statement to be issued by Boxer or Boxer Listco.
Final Maturity Date	31 August 2025
Repayment Terms	The Principal Amount is to be repaid in full on the Final Maturity Date.
Other relevant terms and conditions	Proceeds of: • the Rights Offer; and • any disposal transaction in respect of Boxer Superstores and/or any transaction in terms of which all or a portion of the Boxer Shares or Boxer Listco Shares are subject to an offering and listing on the JSE, are to be applied in repayment of the Facilities (along with other Material Loans) in accordance with a cashflow waterfall set out in the Restructuring Support Agreement.

Pursuant to the applicable debt confirmation dated 29 February 2024 between, amongts others, Retailers and Aluwani Capital Partners Proprietary Limited, the parties have agreed to the below funding terms:

Commitment	ZAR150,000,000
Interest Rate	3 month JIBAR plus 400bps
Default Rate	Higher of the contractual interest rate plus 2% and the prime rate plus 2%
Interest Payments	Interest payable quarterly
Security	Secured by shares and claims in Boxer Superstores and if applicable, Boxer Listco. Guaranteed by the Company and Boxer Superstores Security and guarantee in respect of Boxer Superstores subject to a release mechanism (as applicable) with effect from the date of the formal approval by the JSE of a pre-listing statement to be issued by Boxer Superstores or Boxer Listco.
Final Maturity Date	31 August 2025
Repayment Terms	The Principal Amount is to be repaid in full on the Final Maturity Date.
Other relevant terms and conditions	Proceeds of: • the Rights Offer; and • any disposal transaction in respect of Boxer Superstores and/or any transaction in terms of which all or a portion of the Boxer Shares or Boxer Listco Shares are subject to an offering and listing on the JSE, are to be applied in repayment of the Facilities (along with other Material Loans) in accordance with a cashflow waterfall set out in the Restructuring Support Agreement.

Pursuant to the facility agreement dated 14 July 2023 between, amongst others, Retailers and Bank of China Limited Johannesburg Branch, the parties have agreed to the below funding terms:

Commitment	ZAR1,000,000,000
Interest Rate	Overnight JIBAR plus 220bps
Default Rate	5% increase in the interest rate
Interest Payments	Interest is serviced monthly.
Security	Secured by shares and claims in Boxer Superstores and if applicable, Boxer Listco. Guaranteed by the Company and Boxer Superstores Security and guarantee in respect of Boxer Superstores subject to a release mechanism (as applicable) with effect from the date of the formal approval by the JSE of a pre-listing statement to be issued by Boxer Superstores or Boxer Listco.
Final Maturity Date	31 August 2025
Repayment Terms	The Principal Amount is to be repaid in full on the Final Maturity Date.
Other relevant terms and conditions	Proceeds of: • the Rights Offer; and • any disposal transaction in respect of Boxer Superstores and/or any transaction in terms of which all or a portion of the Boxer Shares or Boxer Listco Shares are subject to an offering and listing on the JSE, are to be applied in repayment of the Facilities (along with other Material Loans) in accordance with a cashflow waterfall set out in the Restructuring Support Agreement.

Pursuant to the facility letter dated 14 July 2023 between, amongst others, Retailers and FirstRand Bank Limited (acting through its Rand Merchant Bank division), the parties have agreed to the below funding terms:

Commitment	ZAR1,000,000,000
Interest Rate	9.90%
Interest Payments	Interest is serviced monthly
Security	Secured by shares and claims in Boxer Superstores and if applicable, Boxer Listco. Guaranteed by the Company and Boxer Superstores Security and guarantee in respect of Boxer Superstores subject to a release mechanism (as applicable) with effect from the date of the formal approval by the JSE of a pre-listing statement to be issued by Boxer Superstores or Boxer Listco.
Final Maturity Date	Repayable on demand.
Other relevant terms and conditions	Proceeds of: • the Rights Offer; and • any disposal transaction in respect of Boxer Superstores and/or any transaction in terms of which all or a portion of the Boxer Shares or Boxer Listco Shares are subject to an offering and listing on the JSE, are to be applied in repayment of the Facilities (along with other Material Loans) in accordance with a cashflow waterfall set out in the Restructuring Support Agreement.

Pursuant to the memorandum reflecting Iindebtedness dated 29 March 2019 between, amongst others, Retailers and Futuregrowth Asset Management Proprietary Limited, the parties have agreed to the below funding terms:

Commitment	ZAR500,000,000
Interest Rate	3 month JIBAR plus 670bps
Default Rate	Prime Rate
Interest Payments	Interest is serviced monthly.
Security	Secured by shares and claims in Boxer Superstores and if applicable, Boxer Listco. Guaranteed by the Company and Boxer Superstores Security and guarantee in respect of Boxer Superstores subject to a release mechanism (as applicable) with effect from the date of the formal approval by the JSE of a pre-listing statement to be issued by Boxer Superstores or Boxer Listco.
Final Maturity Date	31 August 2025
Repayment Terms	The Principal Amount is to be repaid in full on the Final Maturity Date.
Other relevant terms and conditions	Proceeds of: • the Rights Offer; and • any disposal transaction in respect of Boxer Superstores and/or any transaction in terms of which all or a portion of the Boxer Shares or Boxer Listco Shares are subject to an offering and listing on the JSE, are to be applied in repayment of the Facilities (along with other Material Loans) in accordance with a cashflow waterfall set out in the Restructuring Support Agreement.

Pursuant to the facility letter dated June 2024 between, amongst others, Retailers and HSBC Bank plc – Johannesburg Branch, the parties have agreed to the below funding terms:

Commitment	ZAR300,000,000
Interest Rate	3 month JIBAR plus 475bps
Default Rate	1% increase in the interest rate
Interest Payments	Interest is serviced monthly.
Security	Secured by shares and claims in Boxer Superstores and if applicable, Boxer Listco. Guaranteed by the Company and Boxer Superstores Security and guarantee in respect of Boxer Superstores subject to a release mechanism (as applicable) with effect from the date of the formal approval by the JSE of a pre-listing statement to be issued by Boxer Superstores or Boxer Listco.
Final Maturity Date	1 September 2025
Repayment Terms	The Principal Amount is to be repaid in full on the Final Maturity Date.
Other relevant terms and conditions	Proceeds of: • the Rights Offer; and • any disposal transaction in respect of Boxer Superstores and/or any transaction in terms of which all or a portion of the Boxer Shares or Boxer Listco Shares are subject to an offering and listing on the JSE, are to be applied in repayment of the Facilities (along with other Material Loans) in accordance with a cashflow waterfall set out in the Restructuring Support Agreement.

Pursuant to the facility letter dated 9 February 2024, read with Standard Terms and Conditions, with reference STC000039, dated 4 July 2008, and supplemented by the most recent facility notice and annex between, amongst others, Retailers and Investec Bank Limited (acting through its Corporate and Institutional Banking division), the parties have agreed to the below funding terms:

Commitment	ZAR1,000,000,000
Interest Rate	11.00%
Interest Payments	Interest is serviced monthly
Security	Secured by shares and claims in Boxer Superstores and if applicable, Boxer Listco. Guaranteed by the Company and Boxer Superstores Security and guarantee in respect of Boxer Superstores subject to a release mechanism (as applicable) with effect from the date of the formal approval by the JSE of a pre-listing statement to be issued by Boxer Superstores or Boxer Listco.
Final Maturity Date	31 August 2025
Repayment Terms	The Principal Amount is to be repaid in full on the Final Maturity Date.
Other relevant terms and conditions	Proceeds of: • the Rights Offer; and • any disposal transaction in respect of Boxer Superstores and/or any transaction in terms of which all or a portion of the Boxer Shares or Boxer Listco Shares are subject to an offering and listing on the JSE, are to be applied in repayment of the Facilities (along with other Material Loans) in accordance with a cashflow waterfall set out in the Restructuring Support Agreement.

Pursuant to the facility letter dated 18 September 2018 between, amongst others, Retailers and Nedbank Limited (acting through its Nedbank Corporate and Investment Banking division), the parties have agreed to the below funding terms:

Commitment	ZAR500,000,000
Interest Rate	Prime Rate
Default Rate	Contractual rate plus 3%
Interest Payments	Interest is serviced monthly
Security	Secured by shares and claims in Boxer Superstores and if applicable, Boxer Listco. Guaranteed by the Company and Boxer Superstores. Security and guarantee in respect of Boxer Superstores subject to a release mechanism (as applicable) with effect from the date of the formal approval by the JSE of a pre-listing statement to be issued by Boxer Superstores or Boxer Listco.
Final Maturity Date	31 August 2025
Repayment Terms	The Principal Amount is to be repaid in full on the Final Maturity Date.
Other relevant terms and conditions	Proceeds of: • the Rights Offer; and • any disposal transaction in respect of Boxer Superstores and/or any transaction in terms of which all or a portion of the Boxer Shares or Boxer Listco Shares are subject to an offering and listing on the JSE, are to be applied in repayment of the Facilities (along with other Material Loans) in accordance with a cashflow waterfall set out in the Restructuring Support Agreement.

Pursuant to the applicable debt confirmation dated 29 February 2024 between, amongst others, Retailers and Sanlam Investment Management Proprietary Limited (acting on behalf of its third party clients), the parties have agreed to the below funding terms:

Commitment	ZAR200,000,000
Interest Rate	3 month JIBAR plus 525bps
Default Rate	Higher of the contractual interest rate plus 2% or the prime rate plus 2%
Interest Payments	Interest is serviced quarterly
Security	Secured by shares and claims in Boxer Superstores and if applicable, Boxer Listco. Guaranteed by the Company and Boxer Superstores Security and guarantee in respect of Boxer Superstores subject to a release mechanism (as applicable) with effect from the date of the formal approval by the JSE of a pre-listing statement to be issued by Boxer Superstores or Boxer Listco.
Final Maturity Date	31 August 2025
Repayment Terms	The Principal Amount is to be repaid in full on the Final Maturity Date.
Other relevant terms and conditions	Proceeds of: • the Rights Offer; and • any disposal transaction in respect of Boxer Superstores and/or any transaction in terms of which all or a portion of the Boxer Shares or Boxer Listco Shares are subject to an offering and listing on the JSE, are to be applied in repayment of the Facilities (along with other Material Loans) in accordance with a cashflow waterfall set out in the Restructuring Support Agreement.

Pursuant to the facility letter dated 14 August 2020 between, amongst others, Retailers and The Standard Bank of South Africa Limited (acting through its Corporate and Investment Banking division), the parties have agreed to the below funding terms:

Commitment	ZAR1,300,000,000
Interest Rate	Prime less 1.7%
Default Rate	Prime
Interest Payments	Interest is serviced monthly
Security	Secured by shares and claims in Boxer Superstores and if applicable, Boxer Listco. Guaranteed by the Company and Boxer Superstores Security and guarantee in respect of Boxer Superstores subject to a release mechanism (as applicable) with effect from the date of the formal approval by the JSE of a pre-listing statement to be issued by Boxer Superstores or Boxer Listco.
Final Maturity Date	31 August 2025
Repayment Terms	The Principal Amount is to be repaid in full on the Final Maturity Date.
Other relevant terms and conditions	Proceeds of: • the Rights Offer; and • any disposal transaction in respect of Boxer Superstores and/or any transaction in terms of which all or a portion of the Boxer Shares or Boxer Listco Shares are subject to an offering and listing on the JSE, are to be applied in repayment of the Facilities (along with other Material Loans) in accordance with a cashflow waterfall set out in the Restructuring Support Agreement.

14.5 **Related Party Transactions**

For details relating to the Group's related party transactions please see Note 30 on pages 77 – 78 of PIK's 2024 Audited Financial Statements available online at (https://www.picknpayinvestor.co.za/pdf/annual-report/2024/afs/picknpay-afs-2024-doubles.pdf).

14.6 **Directors' Responsibility Statement**

The Directors of PIK, whose names appear in the "*Corporate Information and Advisers"* section of this Circular, collectively and individually accept full responsibility for the accuracy of the information given in this Circular, and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement in this Circular false or misleading, and that they have made all reasonable inquiries to ascertain such facts, and that this Circular contains all information required by law and the Listings Requirements. All the Directors have read, and understand and agree with, the contents of this Circular and have authorised the CEO of the Company, by way of powers of attorney granted to him, to sign this Circular on their behalf.

14.7 **Consents**

Each of the advisers whose names appear on page iv of this Circular have consented to, and have not, prior to the Last Practicable Date, withdrawn their written consent to, the inclusion of their names and, where applicable, reports in the form and context in which they appear in this Circular.

A written consent under paragraph 7.F.10 of the Listings Requirements, or paragraph 8.55 of the Listings Requirements in respect of the independent auditor, is different from a consent filed with the SEC under Section 7 of the US Securities Act. Ernst & Young has not filed and will not be required to file a consent under Section 7 of the US Securities Act.

14.8 **Documents Available for Inspection**

Copies of the following documents will be available for inspection at the registered offices of the Company and from the registered offices of the Transaction Sponsor during normal business hours (excluding Saturdays, Sundays and gazetted national South African public holidays) at the addresses set out in the "*Corporate Information and Advisers*" section of this Circular and other than the copies of the service agreements with the Directors which will not be made available online, the remainder of the documents and electronic copies of all documents will be available online at www.picknpayinvestor.co.za and can be made available through a secure electronic manner at the election of the person requesting inspection during normal business hours from the date of this Circular to Friday, 2 August 2024, both days inclusive:

i. a signed copy of this Circular and the Form of Instruction;
ii. the MOI and the memorandum of incorporation of each of PIK's major subsidiaries;
iii. the audited consolidated financial statements of PIK as at and for the 52 weeks ended 25 February 2024, 26 February 2023 and 27 February 2022, including the notes thereto and any independent auditor's reports referred to therein;
iv. copies of the Committed Shareholder Undertakings;
v. a copy of the Underwriting Agreement;
vi. the signed letters of consent referred to in "*—14.9 Consents*"; and
vii. summaries of service agreements with Directors.

Signed at Cape Town, South Africa on behalf of PIK in terms of a resolution of the Board.

By order of the Board

15 July 2024

Vaughan Pierce

Company Secretary

15. DEFINITIONS AND INTERPRETATIONS

Throughout this Circular and the annexures hereto, unless the context indicates otherwise, the words in the column on the left below shall have the meanings stated opposite them in the column on the right below, reference to the singular shall include the plural and vice-versa, words denoting one gender include the others and words and expressions denoting natural persons include juristic persons and associations of persons:

"**2016 Transaction**"	means the 2016 transaction implemented in 2016, in terms of which the Group's listed pyramid structure was collapsed, and the Controlling Shareholders were issued with B Shares to maintain their effective 52.8% voting right in the Group that they had prior to such transaction;
"**1973 Companies Act**"	means the South African Companies Act, No. 61 of 1973, as amended from time to time;
"**A2X**"	means the A2X Market, the market infrastructure licensed as an exchange in terms of section 9 of the Financial Markets Act;
"**ABSA**"	means Absa Bank Limited, registration number 1986/004794/06, a public company incorporated in accordance with the laws of South Africa;
"**AGM**"	means the first annual general meeting of the Company to be held after the completion of the Rights Offer;
"**AIH**"	means Ackerman Investment Holdings (RF) Proprietary Limited registration number: 2015/279840/07, a private company duly registered and incorporated with limited liability in accordance with the laws of South Africa and an entity controlled by the Ackerman family, which currently directly holds 25.3% of the Ordinary Shares and 95.1% of the B Shares (with an aggregate voting interest of 49.3%);
"**ANS**"	means the A2X News Service;
"**Authorised Dealer**"	means an authorised dealer of the SARB, designated as such in accordance with the Exchange Control Regulations;
"**B-BBEE**"	means Broad-Based Black Economic Empowerment as per the B-BBEE Act;
"**B-BBEE Act**"	means the South African Broad-Based Black Economic Empowerment Act, 53 of 2003, as amended from time to time;
"**B-BBEE Codes**"	means the South African Codes of Good Practice on Broad-Based Black Economic Empowerment, issued under the B-BBEE Act;
"**B Shares**"	means the unlisted, non-convertible, non-participating, no par value B ordinary shares which the Company is authorised to issue, having the rights, privileges and conditions set out in the B Share Terms;
"**B Share Issue Ratio**"	means the ratio set out in the MOI of 1.98061 (one point nine eight zero six one) B Shares for every 1 (one) Stapled Ordinary Share held by the B Shareholders at the time of the issue and allotment of the B Shares (as amended from time to time in terms of the MOI);
"**B Share Terms**"	the rights, privileges and conditions attaching to the B Shares set out in *Annexure D (Rights, Privileges and Conditions attaching to the B Shares)* to the MOI;
"**B Shareholder**"	means a registered holder of an issued B Share from time to time;
"**Board**"	means the board of directors of PIK at the Last Practicable Date, as reflected in this Circular;
"**Boxer**"	means Boxer Superstores and its subsidiaries;
"**Boxer IPO**"	means the initial public offering and listing of a portion of the Group's Boxer business on the Main Board of the JSE, which is currently expected to take place towards the end of 2024.
"**Boxer Listco**"	means the newly incorporated entity established in connection with the Boxer IPO;
"**Boxer Listco Shares**"	means an ordinary share in the capital of Boxer Listco;
"**Boxer Shares**"	means an ordinary share in the capital of Boxer Superstores;
"**Boxer Superstores**"	means Boxer Superstores Pty Ltd;
"**Broker**"	means any person registered as a broking member (equities) in terms of the Listings Requirements and in accordance with the provisions of the Financial Markets Act;
"**Capital Raise Amount**"	means ZAR4.0 billion (four billion);
"**CEO**"	means chief executive officer;

“**Certificated Shares**”	means Existing PIK Shares that have not been Dematerialised in terms of the requirements of Strate, title to which is represented by the Documents of Title;
“**Circular**” or “**Rights Offer Circular**”	means this bound document, dated **Monday, 15 July 2024**, incorporating a Form of Instruction;
“**Close Corporations Act**”	means the South African Close Corporations Act, No. 69 of 1984, as amended from time to time;
“**Committed Shareholder Undertakings**”	means the irrevocable undertakings given by certain Shareholders, in terms of which such Shareholders undertake to take up their Rights fully and subscribe for its Irrevocably Committed Shares at the Rights Offer Share Price;
“**Common Monetary Area**”	the jurisdictional collective area comprising Lesotho, Namibia, South Africa and eSwatini;
“**Companies Act**”	means the South African Companies Act, No. 71 of 2008, as amended from time to time;
“**Companies Regulations**”	means the South African Companies Regulations, 2011, as amended from time to time;
“**Controlling Shareholders**”	means AIH and the Other Ackerman Shareholders;
“**CSDP**”	means a Central Securities Depository Participant, being a “participant” as defined in Section 1 of the Financial Markets Act and appointed by individual PIK Shareholders for the purposes of, and in regard to, dematerialisation in terms of the Financial Markets Act;
“**CTC**”	means Contributed Tax Capital;
“**Dematerialised**”	means the process whereby share certificates and any other Documents of Title to shares in a tangible form are Dematerialised into electronic records for the purposes of Strate;
“**Dematerialised Shares**”	means Existing PIK Shares which have been Dematerialised and which are therefore no longer evidenced by tangible Documents of Title and that have been incorporated into Strate and are recorded on the Company’s sub-register in electronic form, in terms of the Financial Markets Act;
“**Directors**”	means the PIK directors;
“**Dividends Tax**”	means a tax imposed on the beneficial owner of a dividend in respect of any dividend paid by a company to the extent it does not constitute an asset in specie;
“**Documents of Title**”	means share certificates, certified transfer deeds, balance receipts or any other documents of title to PIK Shares;
“**EEA**”	means the European Economic Area;
“**EFT**”	means electronic funds transfer;
“**EGM**”	means extraordinary general meeting of Shareholders;
“**Employment Equity Act**”	means the South African Employment Equity Act, No. 55 of 1998, as amended from time to time;
“**ESG**”	means environmental, social and governance;
“**Exchange Control Regulations**”	means the South African Exchange Control Regulations, 1961, promulgated in terms of Section 9 of the South African Currency and Exchanges Act, No. 9 of 1933, as amended from time to time;
“**Existing PIK Shares**”	means all of the issued PIK Shares as at the Record Date;
“**FAIS Act**”	means the South African Financial Advisory and Intermediary Services Act, No. 19 of 2012, as amended from time to time;
“**Financial Markets Act**”	means the South African Financial Markets Act, No. 19 of 2012, as amended from time to time;
“**Financial Surveillance Department**”	means the Financial Surveillance Department of SARB responsible for administering the Exchange Control Regulations;
“**Form of Instruction**”	means a form of instruction in respect of a Letter of Allocation reflecting the rights of Qualifying Certificated Shareholders and on which Qualifying Certificated Shareholders are entitled to indicate whether they wish to take up, dispose of or renounce all or any portion of their Rights, or apply for additional Rights Offer Shares;
“**Group**”	means PIK and its subsidiaries;
“**IASB**”	means the International Accounting Standards Board;
“**IFRS**”	means the IFRS® Accounting Standards and Interpretations as issued by the IASB and the International Financial Reporting Interpretations Committee of the IASB;

"**Irrevocably Committed Shares**"	means the Ordinary Shares in respect of which the Qualifying Shareholders set out in "*5 Summary—5.5 Principal Terms of the Rights Offer*" have committed to irrevocably follow their Rights under the Rights Offer pursuant to their Committed Shareholder Undertakings provided to the Company;
"**Joint Global Coordinators and Joint Underwriters**"	means each of ABSA, RMB and SBSA;
"**JSE**"	means, as the context requires, the Johannesburg Stock Exchange, a licensed exchange operated by JSE Limited, or the JSE Limited registration number 2005/022939/06, a public company incorporated in accordance with the laws of South Africa and licensed to operate the Johannesburg Stock Exchange under the Financial Markets Act;
"**King Code**"	means the South African Code of Corporate Practices and Conduct as set out in the fourth King Report on Corporate Governance as amended and substituted from time to time;
"**Last Practicable Date**"	means 10 July 2024;
"**Letter of Allocation**" or "**LOA**"	means a renounceable (nil paid) letter of allocation to be issued to Qualifying Shareholders, in electronic form relating to the Rights Offer;
"**Listings Requirements**"	means the Listings Requirements of the JSE, as amended from time to time;
"**MOI**"	means the memorandum of incorporation of PIK;
"**New Ordinary Shares**"	means the new PIK Shares proposed to be issued pursuant to the Rights Offer;
"**Order**"	means the United Kingdom Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended from time to time;
"Ordinary Share" or "PIK Share"	an ordinary share in the capital of the Company, which share is admitted to listing and trading on the JSE and A2X;
"**Other Ackerman Shareholders**"	members of the Ackerman family, their successors in title, controlled trusts, and legal entities (excluding AIH) who directly or indirectly hold in aggregate 1.5% of the PIK Shares (with an aggregate voting interest of 2.7%));
"**Overseas Shareholder**"	means a PIK Shareholder resident in, or a citizen of, jurisdictions outside South Africa;
"**PIK**" or the "**Company**"	means Pick n Pay Stores Limited registration number 1968/008034/06, a public company incorporated in accordance with the laws of South Africa and listed on the JSE and the A2X;
"**PIK Shareholder,**" "**Shareholder**" **or "Ordinary Shareholder"**	means a person recorded in the Register as the holder of PIK Shares;
"**Prospectus Regulation**"	means Regulation 2017/1129, as amended;
"**QIBs**"	means qualified institutional buyers as defined in Rule 144A under the US Securities Act;
"**Qualified Investors**"	means a person or entity described in (1) to (4) of Annex II of Directive 2014/65/EU;
"**Qualifying Certificated Shareholder**"	means a Qualifying Shareholder holding Certificated Shares;
"**Qualifying Dematerialised Shareholder**"	means a Qualifying Shareholder holding Dematerialised Shares;
"**Qualifying Shareholder**"	means a PIK Shareholder on the Record Date, excluding holders who are Restricted Shareholders recorded as such in the Register;
"**R**" or "**ZAR**" or "**Rand**"	means South African Rand, the official currency of South Africa;
"**Ratio of Entitlement**"	means the number of Rights Offer Shares which Qualifying Shareholders are entitled to subscribe for in terms of the Rights Offer, being 51.11 Rights Offer Shares for every 100 Existing PIK Shares held on the Record Date by Qualifying Shareholders and/or such proportionate lower number of Existing PIK Shares in respect of a holding of less than 100 Existing PIK Shares held on the Record Date;
"**Recapitalisation Plan**"	means the Group's two-step plan to achieve its recapitalisation targets via securities offerings in the form of the Rights Offer and Boxer IPO, in conjunction with working capital reductions and the disposal of certain assets (see "*10 Business Description—10.3 Strategy—Recapitalisation*").
"**Record Date**"	means the time and day at and on which PIK Shareholders must be recorded in the Register in order to be eligible to participate in the Rights Offer, being close of business (SAST) on Friday, 19 July 2024;
"**Register**"	means the securities register of PIK;

"**Regulation S**"	means Regulation S of the US Securities Act, as amended;
"**Relevant State**"	means member states of the EEA;
"**Restricted Shareholders**"	means a PIK Shareholder on the Record Date for the Rights Offer with a registered address, or who is resident or located in, any Restricted Territory;
"**Restricted Territories**"	means Australia, Canada, Hong Kong and Japan and any other jurisdiction where the direct or indirect distribution of this Circular or any accompanying document or material would be unlawful;
"Restructuring Support Agreement"	means the restructuring support agreement entered into between the Company and certain of its lenders, effective on or about 7 May 2024 to restructure its existing debt, as described in greater detail in "*14 Additional Information—14.4 Material Funding Agreements—14.4.1 Restructuring Support Agreement*";
"**Rights**"	means tradeable rights the Qualifying Shareholders will receive to subscribe for the Rights Offer Shares;
"**Rights Offer**"	means the renounceable offer by PIK to Qualifying Shareholders of Rights to subscribe for Rights Offer Shares at the Rights Offer Share Price in the Ratio of Entitlement;
"**Rights Offer Share Price**"	means the price per Rights Offer Share to be offered to Qualifying Shareholders in terms of the Rights Offer being ZAR15.86 per Rights Offer Share;
"**Rights Offer Shares**"	means the 252,206,809 New Ordinary Shares, which are the subject of the Rights Offer;
"**RMB**"	means Rand Merchant Bank (a division of FirstRand Bank Limited), registration number 1929/001225/06, a public company incorporated in accordance with the laws of South Africa;
"**ROCE**"	means return on capital employed;
"**Rule 144A**"	means Rule 144A under the US Securities Act;
"**Rump Shares**"	means any Rights Offer Shares not subscribed for pursuant to the exercise of Rights, Irrevocably Committed Shares, and excess applications for Rights Offer Shares, in the Rights Offer;
"**SA Holder**"	means a Shareholder who is (i) a natural person ordinarily resident in South Africa; (ii) a natural person not ordinarily resident in South Africa, but whose physical presence in South Africa exceeds certain minimum thresholds; or (iii) a person, other than a natural person, which is incorporated, established or formed in South Africa or which has its place of effective management in South Africa;
"**SAICA**"	means the South African Institute of Chartered Accountants;
"**SARB**"	means the South African Reserve Bank;
"**SAST**"	means South African Standard Time;
"**SBSA**"	means The Standard Bank of South Africa Limited (acting through its Corporate and Investment Banking division), registration number 1962/000738/06, a public company incorporated in accordance with under the laws of South Africa;
"**Securities**"	means the securities of PIK referred to in this Circular, being PIK Shares;
"**SENS**"	means the Stock Exchange News Service of the JSE;
"**Share Conversion**"	pursuant to Shareholder approval (including from holders of the B Shares) obtained at the EGM held on Wednesday, 26 June 2024, conversion of all of the authorised Ordinary Shares (whether issued or unissued) from par value shares of 1.25 cents each to no par value shares, which conversion was completed prior to the date of this Circular;
"**Share Increase**"	pursuant to Shareholder approval (including from holders of the B Shares) obtained at the EGM held on Wednesday, 26 June 2024, the Ordinary Share Increase and the B Share increase, which increases were completed prior to the date of this Circular;
"**Shares**"	means a B Share and/or an Ordinary Share, as the context requires;
"**South Africa**" or "**SA**"	means the Republic of South Africa;
"**Standby Fee**"	has the meaning ascribed thereto in "*5 Summary—5.5 Principal Terms of the Rights Offer*";
"**Standby Underwriting Agreement**"	means the standby underwriting agreement, dated 24 May 2024, between the Company and the Joint Global Coordinators and Joint Underwriters;
"**Stapled Ordinary Share**"	means an Ordinary Share held by a B Shareholder at the time of issue and allotment of a B Share, determined in accordance with the B Share Issue Ratio, which Ordinary Share is subject to the restrictions on disposal described in clause 6 of the B Share Terms;

"**Strate**"	means Strate Proprietary Limited registration number 1998/022242/07, a private company incorporated in accordance with the laws of South Africa, which is licensed as a registered central securities depositary under the Financial Markets Act responsible for the electronic custody and settlement system for transactions that take place on the JSE and off-market trades;
"**STT**"	means securities transfer tax;
"**Transaction Sponsor**"	means RMB being the transaction sponsor of PIK for purposes of this Rights Offer;
"**Transfer Secretaries**"	means Computershare Investor Services Proprietary Limited registration number 2004/003647/07, a private company duly incorporated in accordance with the laws of South Africa, being PIK's transfer secretaries;
"**UK Prospectus Regulation**"	means Regulation (EU) 2017/1129, as amended, as it forms part of assimilated law by virtue of the European Union (Withdrawal) Act 2018;
"**Underwriting Agreement**"	means the underwriting agreement, dated 10 July 2024, between the Company and the Joint Global Coordinators and Joint Underwriters;
"**United States**" or "**US**"	means the United States of America, its territories and possessions, any state of the United States and the District of Columbia;
"**US Securities Act**"	means the US Securities Act of 1933, as amended from time to time; and
"**VAT**"	means value-added tax in terms of the South African Value-Added Tax Act, No. 89 of 1991, as amended from time to time.

ANNEXURE 1 — TABLE OF RIGHTS

Table of Rights

The number of Rights Offer Shares to which Qualifying Shareholders will be entitled is set out below, based on Qualifying Shareholders being entitled to 51.11 Rights Offer Shares for every 100 Existing PIK Share held. Only whole numbers of Rights Offer Shares will be issued, and Qualifying Shareholders will be entitled to subscribe for rounded numbers of Rights Offer Shares once the Ratio of Entitlement has been applied. Fractional entitlements of 0.5 or greater will be rounded up and less than 0.5 will be rounded down.

Number of Existing PIK Shares held	Rights Offer entitlement	Number of Existing PIK Shares held	Rights Offer entitlement	Number of Existing PIK Shares held	Rights Offer entitlement	Number of Existing PIK Shares held	Rights Offer entitlement
1	1	27	14	53	27	79	40
2	1	28	14	54	28	80	41
3	2	29	15	55	28	81	41
4	2	30	15	56	29	82	42
5	3	31	16	57	29	83	42
6	3	32	16	58	30	84	43
7	4	33	17	59	30	85	43
8	4	34	17	60	31	86	44
9	5	35	18	61	31	87	44
10	5	36	18	62	32	88	45
11	6	37	19	63	32	89	45
12	6	38	19	64	33	90	46
13	7	39	20	65	33	91	47
14	7	40	20	66	34	92	47
15	8	41	21	67	34	93	48
16	8	42	21	68	35	94	48
17	9	43	22	69	35	95	49
18	9	44	22	70	36	96	49
19	10	45	23	71	36	97	50
20	10	46	24	72	37	98	50
21	11	47	24	73	37	99	51
22	11	48	25	74	38	100	51
23	12	49	25	75	38	1,000	511
24	12	50	26	76	39	10,000	5,111
25	13	51	26	77	39	100,000	51,110
26	13	52	27	78	40	1,000,000	511,100

ANNEXURE 2 — INFORMATION ON THE JOINT GLOBAL COORDINATORS AND JOINT UNDERWRITERS

Absa Bank Limited (acting through its Corporate and Investment Banking Division)	
Directors	Sello Moloko Arrie Rautenbach Deon Raju Tasneem Abdool-Samad Rose Keanly Nonhlanhla Mjoli-Mncube René van Wyk
Company secretary	Nadine Rochelle Drutman
Date and place of incorporation	26 November 1986, South Africa
Registration number	1986/004794/06
Bankers	Absa Bank Limited
Authorised share capital	320,000,000 ordinary shares of R1.00 each and 250,000,000 'A' ordinary shares of R0.01 each Authorised preference share capital of 30,000,000 non-cumulative, non-redeemable listed preference shares of R0.01 each
Issued share capital	302,609,369 ordinary shares of R1.00 each and 145,691,959 'A' ordinary shares of R0.01 each Issued preference share capital of 4,944,839 non-cumulative, non-redeemable listed preference shares of R0.01 each

FirstRand Bank Limited (acting through Rand Merchant Bank)	
Directors	Grant Glenn Gelink Johan Petrus Burger Louis Leon von Zeuner Mary Vilakazi Markos George Davias Premilla Devi (Shireen) Naidoo Sibusiso Patrick Sibisi Tamara Carol Isaacs Thomas Winterboer Zelda Roscherr
Company secretary	Carnita Low
Date and place of incorporation	11 January 1929, South Africa
Registration number	1929/001225/06
Bankers	First National Bank
Authorised share capital	2,000,000 shares with a par value of ZAR2.00 per share
Issued share capital	1,866,836 ordinary shares with a par value of ZAR2.00 per share

The Standard Bank of South Africa Limited (acting through its Corporate and Investment Banking division)	
Directors	Lwazi Loyiso Bam Paul Langabi Hogan Cook Olusola Adejoke David-Borha Arno Daehnke Geraldine Joslyn Fraser-Moleketi Lungisa Fuzile Gesina Maria Beatrix Kennealy Barend Johannes Kruger Li Li John Helenius Maree Nomgando Nomalungelo Angelina Matyumza Nonkululeko Merina Cheryl Nyembezi Martin Luke Oduor Otieno Simpiwe Kenneth Tshabalala
Company secretary	Kobus Froneman
Date and place of incorporation	13 March 1962, South Africa
Registration number	1962/000738/06
Bankers	The Standard Bank of South Africa Limited
Authorised share capital	80,000,000 ordinary shares of R1.00 each
Issued share capital	59,997,136

ANNEXURE 3 — TRADING HISTORY

The trading history of PIK Shares on the JSE is set out below.

Monthly	High	Low	Value	Volume
2024	*(Rand per Ordinary Share)*		*(ZAR'000)*	*(Ordinary Shares traded)*
July (to Last Practicable Date prior to publication of this Circular)	27.50	25.15	68,153,064	25,571,363
June	28.20	23.88	77,455,593	30,037,012
May	26.49	19.42	111,674,029	49,108,721
April	20.47	18.42	75,841,911	39,635,825
March	20.59	16.62	119,512,619	65,869,991
February	27.77	20.18	219,506,126	92,159,159
January	24.67	20.83	105,927,197	46,385,634
2023				
December	24.58	20.22	104,820,851	46,882,992
November	26.57	23.76	120,916,544	48,229,283
October	35.00	24.04	231,006,397	82,220,733
September	38.21	31.90	127,728,905	37,181,500
August	38.50	32.48	88,648,439	25,558,859
July	41.78	34.80	147,216,974	38,922,234

The 30-day trading history to and including the Last Practicable Date is set out below.

Date	High	Low	Value	Volume
2024	*(Rand per Ordinary Share)*		*(ZAR'000)*	*(Ordinary Shares traded)*
10 July 2024	27.41	26.49	10,594,470	3,922,278
9 July 2024	27.40	26.46	4,420,594	1,646,496
8 July 2024	27.50	26.30	7,143,665	2,655,756
5 July 2024	27.05	26.51	1,468,552	547,023
4 July 2024	27.10	25.67	27,870,400	10,460,574
3 July 2024	26.09	25.15	3,555,946	1,377,608
2 July 2024	26.10	25.21	1,979,817	775,689
1 July 2024	27.10	25.26	11,119,620	4,185,939
28 June 2024	26.49	24.61	2,093,563	813,540
27 June 2024	25.45	24.44	2,213,777	882,708
26 June 2024	25.52	24.50	1,161,476	462,703
25 June 2024	26.02	24.48	4,504,724	1,805,499
24 June 2024	27.20	25.51	1,457,342	562,221
21 June 2024	27.49	26.38	4,855,526	1,824,178
20 June 2024	28.20	26.75	4,279,161	1,563,290
19 June 2024	28.05	27.36	8,567,063	3,086,265
18 June 2024	28.02	25.68	7,760,157	2,877,143
14 June 2024	26.54	24.43	12,796,790	4,974,960
13 June 2024	25.38	24.41	4,040,712	1,623,899
12 June 2024	25.43	24.48	3,184,948	1,271,543
11 June 2024	25.75	24.50	3,524,956	1,416,197
10 June 2024	25.79	24.56	1,386,945	548,460
7 June 2024	25.17	23.88	2,176,451	884,092
6 June 2024	24.95	23.98	3,386,340	1,403,168
5 June 2024	25.25	24.53	3,455,658	1,384,803
4 June 2024	25.07	24.24	2,921,138	1,184,888
3 June 2024	25.55	24.40	3,688,866	1,467,455
31 May 2024	25.60	23.58	6,658,728	2,677,634
30 May 2024	26.19	23.21	9,521,421	3,811,268
28 May 2024	26.49	25.10	10,287,740	3,987,286

ANNEXURE 4 — INDEPENDENT AUDITOR'S ASSURANCE REPORT ON THE COMPILATION OF EBITDA (PRE-IFRS 16) INCLUDED IN THE RENOUNCEABLE RIGHTS OFFER CIRCULAR

To the Directors of Pick n Pay Stores Limited

Report on the Assurance Engagement on the Compilation of EBITDA (pre-IFRS 16) included in the Renounceable Rights Offer Circular

We have completed our assurance engagement to report on the compilation of *pro forma* financial information of Pick n Pay Stores Limited ("**Pick n Pay**") and its subsidiaries (collectively the "**Group**"), by the directors.

The *pro forma* financial information, as set out in note 4 of section 8.5 – *Other Selected Figures* of the Renounceable Rights Offer Circular, consists of the calculation of EBITDA (pre-IFRS 16) which is defined as earnings before interest, tax, depreciation, and amortisation. Earnings is defined as profit before tax before capital items, before share of associate's earnings *plus* other finance income (finance income excluding funding interest income, largely related to interest on overdue franchise debtors) less lease liability payments plus net investment in lease receipts and lease incentives received. Net investment in lease receipts and lease incentives all relate to income received on leases, for example where the Group has a head-lease, pays the rent, but also receives rent back from the franchisee that it sub-leases the property to for the 52 weeks ended 25 February 2024, 26 February 2023 and 27 February 2022, respectively ("**EBITDA (pre-IFRS 16)**"). The applicable criteria on the basis of which the directors have compiled EBITDA (pre-IFRS 16) are specified in the JSE Limited ("**JSE**") Listings Requirements and described in as set out note 4 of section 8.5 – *Other Selected Figures* of the Renounceable Rights Offer Circular.

EBITDA (pre-IFRS 16) has been compiled by the directors to illustrate a more consistent EBITDA view where IFRS 16 (leases) removes the straight-line rent cost previously recognised in respect of operating leases under IAS 17 and replaces the cost with depreciation on right-of-use assets and interest charged on outstanding lease liabilities, and thereby effectively removes it from the EBITDA calculation where it was previously included. As part of this process, information about the Group's financial performance has been extracted by the directors from the Group's financial statements for the 52 weeks ended 25 February 2024, 26 February 2023 and 27 February 2022 on which auditor's report were issued on 26 May 2024, 3 May 2023 and 16 May 2022.

Directors' Responsibility for EBITDA (pre-IFRS 16)

The directors are responsible for compiling EBITDA (pre-IFRS 16) on the basis of the applicable criteria specified in the JSE Listings Requirements and described in as set out note 4 of section 8.5 – *Other Selected Figures* of the Renounceable Rights Offer Circular.

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the *Code of Professional Conduct for Registered Auditors* issued by the Independent Regulatory Board for Auditors (IRBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*.

The firm applies International Standard on Quality Management 1 (ISQM 1) *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* which requires the firm to design, implement and operate a system of quality management, including documented policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Independent Auditor's Responsibility

Our responsibility is to express an opinion about whether EBITDA (pre-IFRS 16) has been compiled, in all material respects, by the directors on the basis specified in the JSE Listings Requirements and described in note 4 of section 8.5 – *Other Selected Figures* of the Renounceable Rights Offer Circular.

We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) ISAE 3420, *Assurance Engagements to Report on the Compilation of Pro forma Financial Information Included in a Prospectus*, which is applicable to an engagement of this nature, issued by the International Auditing and Assurance Standards Board. This standard requires that we comply with ethical requirements, plan and perform procedures to obtain reasonable assurance about whether EBITDA (pre-IFRS 16) has been compiled, in all material respects, on the basis specified in the JSE Listings Requirements.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling EBITDA (pre-IFRS 16), nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling EBITDA (pre-IFRS 16).

The purpose of EBITDA (pre-IFRS 16) included in the Renounceable Rights Offer Circular is to illustrate how the unadjusted financial information of the Group has been impacted by the calculation of EBITDA (pre-IFRS 16), as described in the basis of preparation.

A reasonable assurance engagement to report on whether EBITDA (pre-IFRS 16) has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of EBITDA (pre-IFRS 16) provides a reasonable basis for presenting the significant effects directly attributable to the adjustments made, and to obtain sufficient appropriate evidence about whether:

- The related *pro forma a*djustments give appropriate effect to those criteria; and
- EBITDA (pre-IFRS 16) reflects the proper application of those adjustments to the unadjusted financial information.

Our procedures selected depend on our judgment, having regard to our understanding of the nature of the Group, and the adjustments made in respect of which EBITDA (pre-IFRS 16) has been compiled, and other relevant engagement circumstances.

Our engagement also involves evaluating the overall presentation of EBITDA (pre-IFRS 16).

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, EBITDA (pre-IFRS 16) has been compiled, in all material respects, on the basis of the applicable criteria specified in the JSE Listings Requirements and described in note 4 of section 8.5 – *Other Selected Figures* of the Renounceable Rights Offer Circular.

Ernst & Young Inc.
Director: Tina Lesley Rookledge
Chartered Accountant (SA)
Registered Auditor
Cape Town

5 July 2024

APPENDIX 1 – FORM OF INVESTOR LETTER

NOTE TO QIBS: IN ORDER TO BE ENTITLED TO EXERCISE YOUR RIGHTS, QIBS MUST **EXECUTE AND RETURN THIS INVESTOR LETTER TO THEIR FINANCIAL INTERMEDIARY, TOGETHER WITH A DULY COMPLETED FORM OF INSTRUCTION, PRIOR TO OR ON 15 JULY 2024**. COPIES OF SUCH DOCUMENTS MUST ALSO BE SENT TO PIK IN CARE OF THE COMPANY SECRETARY (EMAIL: CompanySecretary@pnp.co.za) BY SUCH TIME.

Letterhead of Qualified Institutional Buyer in the United States

Pick n Pay Stores Limited
101 Rosmead Avenue
Kenilworth, Cape Town, 7708
South Africa

Attention: Company Secretary
Email: CompanySecretary@pnp.co.za

Date: July 2024

Ladies and Gentlemen:

This letter relates to the proposed issue of new ordinary shares (the "**New Ordinary Shares**") in the issued share capital of Pick n Pay Stores Limited (the "**Company**") and the renounceable (nil paid) letters of allocation to subscribe for the New Ordinary Shares (the "**LOAs**") by way of a rights offer to ordinary shareholders (the "**Rights Offer**") by the Company as described in the rights offer circular, dated Monday, 15 July 2024 (the "**Rights Offer Circular**"). Unless otherwise stated, or the context otherwise requires, capitalised terms in this letter shall have the same meaning as is given to them in the Rights Offer Circular.

In connection with our exercise of the LOAs and contemplated subscription for the New Ordinary Shares as set forth above, we hereby represent, warrant, confirm, acknowledge and agree that:

1. As at the close of trade (SAST) on Friday, 19 July 2024, we are (or any account for which we are acting is) an existing shareholder of the Company and are the beneficial holder of and/or exercise full investment discretion with respect to our ordinary shares in the issued share capital of the Company.
2. We are, and at the time of any exercise by us of Rights and/or take up of New Ordinary Shares will be, a "qualified institutional buyer" ("**QIB**") as defined in Rule 144A under the US Securities Act of 1933, as amended (the "**US Securities Act**"), and, if we are subscribing for the New Ordinary Shares as a fiduciary or an agent for one or more investor accounts, each owner of such account is, and at the time of any exercise by us of Rights and/or take up of New Ordinary Shares will be, a QIB, we have and will have full investment discretion with respect to each such account, and we have and will have the full power and authority to make the acknowledgements, representations and agreements herein on behalf of each owner of each such account.
3. We are subscribing for the New Ordinary Shares for our own account, or for the account or accounts of QIBs, in each case, for investment purposes, and not with a view to any distribution or resale, directly or indirectly, in the United States (within the meaning of the United States federal securities laws) or otherwise of the New Ordinary Shares or the LOAs that would be in violation of the US Securities Act.
4. We acknowledge that the Company is not a reporting company under the US Securities Exchange Act of 1934, as amended. We have received a copy of the Rights Offer Circular. We acknowledge that neither the Company nor any of its affiliates nor any other person (including the Joint Global Coordinators and Joint Underwriters) has made any representations, express or implied, to us with respect to the Company, the Rights Offer, the LOAs and New Ordinary Shares or the accuracy, completeness or adequacy of any financial or other information concerning the Company, the Rights Offer or the LOAs and New Ordinary Shares, other than (in the case of the Company and its affiliates only) the information contained or incorporated by reference in the Rights Offer Circular. We will carefully read and review a copy of the Rights Offer Circular upon its delivery to us. We have had access to and are relying exclusively on, such financial and other information (including the business, financial condition, prospects, creditworthiness, status and affairs of the Company) concerning the Company and the LOAs and New Ordinary Shares including, without limitation, the information noted above, as we have deemed necessary in connection with our own investment decision to exercise our Rights and/or take up the New Ordinary Shares. We acknowledge that our investment decision is based upon our own judgment, due diligence and analysis and not upon any view expressed or information provided by or on behalf of the Joint Global Coordinators and Joint Underwriters or their respective affiliates. We acknowledge that we have not relied on any information contained in any research reports prepared by the Joint Global Coordinators and Joint Underwriters or any of their respective affiliates. We understand that the Rights Offer Circular has been prepared in accordance with South African format, style and content requirements, particularly the listings requirements of the exchange operated by JSE Limited ("**JSE**"), which differ from United States format, style and content requirements. In particular, but without limitation, the financial information contained in the Rights Offer Circular has been prepared in accordance with International Financial Reporting Standards and thus may not be comparable to financial statements of United States companies prepared in accordance with United States generally accepted accounting principles. We understand that there may be certain consequences under United States and other tax laws resulting from an investment in the LOAs and the New Ordinary Shares and we have made such investigation and have consulted our own independent advisers or otherwise have satisfied ourselves concerning, without limitation, the effects of United States federal, state and local income tax laws and foreign tax laws, generally, and the US Securities Act, specifically.

5. We understand, and each beneficial owner has been advised, that the LOAs and the New Ordinary Shares have not been and will not be registered under the US Securities Act or any other applicable United States state securities laws, and are being offered and issued or sold to us (or such beneficial owner) in a transaction not involving a public offering in the United States within the meaning of the US Securities Act, that is exempt from the registration requirements of the US Securities Act.

6. We understand, and each beneficial owner has been advised, that the LOAs and the New Ordinary Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the US Securities Act and may not be deposited into any unrestricted depositary receipt facility, unless at the time of deposit such LOAs and New Ordinary Shares are no longer "restricted securities" within the meaning of Rule 144(a)(3) under the US Securities Act.

7. We are not subscribing for the New Ordinary Shares or purchasing the LOAs on the secondary market on the JSE as a result of any general solicitation or general advertising within the meaning of Rule 502 under the US Securities Act, or direct selling efforts (as that term is defined in Regulation S under the US Securities Act), including advertisements, articles, notices, or other communications published in any newspaper, magazine or similar media or broadcast over radio or television; or any seminar or meeting whose attendees have been invited by general solicitation or general advertising within the meaning of Rule 502 under the US Securities Act.

8. We have received and read a copy of the Rights Offer Circular, including the documents incorporated by reference therein. We have not relied on financial or other information supplied to us by any person other than information contained in, or incorporated by reference in, the Rights Offer Circular. We have made our own assessment concerning the relevant tax, legal and other economic considerations relevant to our investment in the LOAs and the New Ordinary Shares.

9. We have such knowledge and experience in financial and business matters as to be capable of evaluating, and have independently evaluated, the merits and risks of an investment in the New Ordinary Shares, and we have the financial ability to bear the economic risk of investment in the New Ordinary Shares.

10. We understand and agree that, although offers and sales in the United States of the LOAs and the New Ordinary Shares are being made only to QIBs, and that the LOAs and the New Ordinary Shares may be exercised only by QIBs in the United States, neither such offers and sales nor such exercises are being made under Rule 144A. We agree that if we wish to reoffer, resell, pledge or otherwise transfer any of the LOAs or the New Ordinary Shares, we will not do so except in accordance with any applicable United States federal and state securities laws, and we certify that we will transfer the LOAs and the New Ordinary Shares in an offshore transaction in accordance with Rule 903 or 904 of Regulation S under the US Securities Act . We understand (and each beneficial owner for which we are acting, if any, has been advised and understands) that no representation can be made by the Company or the Joint Global Coordinators and Joint Underwriters as to the availability of the exemption provided by Rule 144A or any other exemption under the US Securities Act for the reoffer, resale, pledge or transfer of the LOAs or the New Ordinary Shares.

11. We understand and acknowledge that the Company shall have no obligation to recognise any offer, sale, pledge or other transfer made other than in compliance with the restrictions on transfer set forth above and described herein.

12. We acknowledge that the Company its financial advisers and their respective affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations, warranties and agreements. We understand that the Company is relying on this letter in order to comply with the US Securities Act and other United States state securities laws. We irrevocably authorise any account operator, which includes any nominee, custodian or other financial intermediary through which we hold our LOAs and shares in the Company, to provide the Company with a copy of this letter and such information regarding our identity and holding of shares in the Company (including pertinent account information and details of our identity and contact information) as is necessary or appropriate to facilitate our exercise of the LOAs. We also irrevocably authorise the Company to produce this letter or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters set forth herein.

13. If any of the representations or warranties contained in this letter shall at any time become untrue, we agree immediately to notify the addressee hereof in writing. We also agree that we may not cancel, terminate or revoke this letter.

14. We confirm that, to the extent we are acquiring or purchasing New Ordinary Shares for the account of one or more other persons, (a) we have been duly authorized to sign this letter and make the confirmations, acknowledgements and agreements set forth herein on their behalf and (b) the provisions of this letter constitute legal, valid and binding obligations of it and any other person for whose account it is acting.

15. We are aware and understand that an investment in the New Ordinary Shares involves a considerable degree of risk and no US federal or state or non-US agency has made any finding or determination as to the fairness for investment or any recommendation or endorsement of any such investment.

16. We and any person acting on our behalf have all necessary consents and authorities to enable us to enter into the transactions contemplated hereby and to perform our obligations in relation thereto.

17. We confirm that the provisions of this letter constitute our legal, valid and binding obligations and the legal, valid and binding obligations of any other person for whose account we are acting.

18. We understand that this letter is not a confirmation of a sale of New Ordinary Shares or the terms thereof, and that any such confirmation will be sent to us separately.

19. The terms and provisions of this letter shall inure to the benefit of the Company and the Joint Global Coordinators and Joint Underwriters and their respective successors and permitted assigns, and the terms and provisions hereof shall be binding on our permitted successors in title, permitted assigns and permitted transferees.

We agree to hold the Rights Offer Circular and any form of instruction with respect to the Rights (the "**Form of Instruction**") we have received or will receive in confidence, it being understood that they are solely for our use and we confirm that we have not and will not duplicate, distribute, forward, transfer or otherwise transmit the Rights Offer Circular, the Form of Instruction or any other presentational or other materials concerning the Rights Offer (including electronic copies thereof) to any persons within the United States.

We understand that this letter is required in connection with the laws of the United States and shall be governed by and construed in accordance with the laws of the State of New York without giving effect to its choice of law principles.

The Company and its financial advisers shall be entitled to rely on this letter (and, if this letter is delivered to our custodian or nominee, to delivery of a copy of this letter on its request) and we irrevocably authorise you to produce this letter or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

By:
(Authorised Signature)
Name:
Title:
Address:
Number of Ordinary Shares to be subscribed for:

APPENDIX 2 – FORM OF INSTRUCTION IN RESPECT OF LETTERS OF ALLOCATION

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The "*Definitions and Interpretations*" commencing on page 125 of the accompanying Circular apply, *mutatis mutandis*, to the information contained in this Form of Instruction.

This Form of Instruction applies in respect of a renounceable (nil paid) Letter of Allocation. If you are in any doubt as to what action to take, please consult your CSDP, Broker, banker, legal adviser, accountant or other professional adviser immediately.

PIK has issued all Letters of Allocation in Dematerialised form, as letters of allocation can only be traded in Dematerialised form. The electronic record for Certificated Shareholders is being maintained by its Transfer Secretaries and Letters of Allocation to which Qualifying Certificated Shareholders are entitled have accordingly been credited to an account with the Transfer Secretaries for the benefit of Qualifying Certificated Shareholders. This enables Certificated Shareholders to enjoy the same rights and opportunities with respect to the Form of Instruction as Dematerialised Shareholders.

Should you wish to exercise all or some of your Rights or sell or renounce all or some of your Rights, you must complete this Form of Instruction and return it to the Transfer Secretaries at either of the addresses set out below.

Each alteration to this Form of Instruction must be signed in full and not merely initialled.

Pick n Pay Stores Limited
(Registration number 1968/008034/06)
(Incorporated in the Republic of South Africa)
JSE and A2X Ordinary share code: PIK
Ordinary share ISIN: ZAE000005443
("**PIK**" or the "**Company**")

RENOUNCEABLE RIGHTS OFFER OF 252,206,809 NEW PIK SHARES AT ZAR15.86 PER NEW PIK SHARE

FORM OF INSTRUCTION IN RESPECT OF A LETTER OF ALLOCATION ("FORM OF INSTRUCTION")

For use by only Qualifying Certificated Shareholders

The timetable for the Rights Offer is as follows:	2024
Declaration announcement released on SENS and ANS on	Tuesday, 9 July
Finalisation announcement released by 11:00 (SAST) on SENS and ANS on or about	Thursday, 11 July
Rights Offer Circular made available on the Company's website on or about	Monday, 15 July
Last day to trade in PIK Shares in order to qualify to participate in the Rights Offer (*cum* Rights) on	Tuesday, 16 July
PIK Shares commence trading on the JSE ex-Rights at 09:00 (SAST) on	Wednesday, 17 July
Listing of and trading in the Letters of Allocation commences under JSE **Share Code: PIKN** and **ISIN: ZAE000336145** at 09:00 (SAST) on	Wednesday, 17 July
Rights Offer Circular and Form of Instruction posted to Qualifying Certificated Shareholders on or about	Thursday, 18 July
Record Date for the Rights Offer	Friday, 19 July
Rights Offer opens at 09:00 (SAST) on	Monday, 22 July
Rights Offer Circular posted to Qualifying Dematerialised Shareholders on or about	Monday, 22 July
Letters of Allocation credited to an electronic account held at the Transfer Secretaries in respect of Qualifying Certificated Shareholders on	Monday, 22 July
Letters of Allocation credited to CSDP or Broker accounts in respect of Qualifying Dematerialised Shareholders on	Monday, 22 July
Last day for trading Letters of Allocation on the JSE in order to participate in the Rights Offer	Tuesday, 30 July
Last day to lodge Form of Instruction with the Transfer Secretaries in respect of Qualifying Certificated Shareholders (or their renouncees) wishing to sell all or some of their Letters of Allocation by 12:00 (SAST) on	Tuesday, 30 July
Listing of Rights Offer Shares and trading therein on the JSE and A2X commences at 09:00 (SAST) on	Wednesday, 31 July
Payment to be made and Form of Instruction to be lodged with the Transfer Secretaries by Qualifying Certificated Shareholders and Qualifying Dematerialised Shareholders wishing to exercise all or some of their Rights by 12:00 (SAST) on	Friday, 2 August
Rights Offer closes at 12:00 (SAST) on	Friday, 2 August
Last day for Qualifying Certificated Shareholders (or their renouncees) to lodge the Form of Instruction (*grey*) by 12:00 (SAST), on	Friday, 2 August
Record Date for the Letters of Allocation on	Friday, 2 August
Rights Offer Shares issued on	Monday, 5 August
Results of the Rights Offer and basis of allocation of excess Rights Offer Shares announced on SENS and ANS on or about	Monday, 5 August
CSDP or Broker accounts of Qualifying Dematerialised Shareholders (or their renouncees or purchasers of their Letters of Allocation) updated with Rights Offer Shares at 09:00 (SAST) on	Monday, 5 August
Accounts of Qualifying Certificated Shareholders (or their renouncees) will be credited with the Rights Offer Shares at 09:00 (SAST), on	Monday, 5 August
In respect of successful excess applications, if applicable, CSDP or Broker accounts of Qualifying Dematerialised Shareholders updated with Rights Offer Shares	Wednesday, 7 August
In respect of successful excess applications, accounts of Qualifying Certificated Shareholders (or their renouncees) will be credited with the Rights Offer Shares at 09:00 (SAST)	Wednesday, 7 August
In respect of unsuccessful excess applications, if applicable, refunds made to Qualifying Certificated Shareholders on or about	Wednesday, 7 August

(1) Share certificates in respect of PIK Shares may not be Dematerialised or rematerialised in the case of PIK Shares listed on the JSE, between Wednesday, 17 July 2024 and Friday, 19 July 2024 both days inclusive.

(2) CSDPs effect payment on a delivery versus payment (DvP) basis in respect of Dematerialised Shares.

(3) Qualifying Dematerialised Shareholders are required to inform their CSDP or Brokers of their instructions in terms of the Rights Offer in the manner and time stipulated in the custody agreement governing the relationship between the Qualifying Dematerialised Shareholder and their CSDP or Broker. Qualifying Dematerialised Shareholders are advised to contact their CSDP or Broker as early as possible to establish what the cut-off dates and times are for acceptance of the Rights Offer, as set out in the custody agreement, as this may be earlier than the proposed closing time of the Rights Offer.

(4) All of the above dates and times have been determined based on certain assumptions in relation to the Rights Offer and are subject to change. PIK Shareholders will be notified of any amendments to the above dates and times on SENS and ANS.

(5) Qualifying Certificated Shareholders must complete the Form of Instruction attached to this Circular and dispatch their Form of Instruction to the Transfer Secretaries so that it is received by no later than 12:00 (SAST) on Tuesday, 30 July 2024 if they wish to dispose of a part or all of their Rights. The Transfer Secretaries will endeavour to procure the sale of their Rights on the JSE on their behalf and to remit the proceeds less any fees paid to the Transfer Secretaries and any applicable taxes, withholdings or other costs in accordance with their instructions. Qualifying Certificated Shareholders who wish to renounce all or part of their Rights in favour of any named renouncee, must complete Form B in the enclosed Form of Instruction, and the renouncee must complete Form C in the enclosed Form of Instruction, and return it to the Transfer Secretaries so as to be received by no later than 12:00 (SAST) on Tuesday, 30 July 2024.

(6) The Rights Offer Shares, including Rights Offer Shares to be issued pursuant to excess applications, may only be issued in Dematerialised form. Accordingly, Qualifying Certificated Shareholders (or their renouncees) will be required to open an account with a Broker or CSDP (if they do not already have one). Alternatively, Qualifying Certificated Shareholders (or their renouncees) will be afforded the option to "rematerialise" their Rights Offer Shares and replace them with a physical Document of Title, *provided* that such persons have elected as such on their Form of Instruction (*grey*) and lodged same with the Transfer Secretaries on or before 12:00 on Tuesday, 30 July 2024. The Documents of Title in respect of the Rights Offer Shares (if applicable) will be posted to such persons, at their own risk, as soon as possible following implementation of the Rights Offer.

Dear Shareholder

1. The Rights Offer

Shareholders recorded in the Register of the Company at the close of trade on Friday, 19 July 2024, are offered, on the terms and conditions stated in the Circular dated Monday, 15 July 2024 (which shall, if in conflict with the information set out below, take precedence) Rights to subscribe for Rights Offer Shares at a subscription price of ZAR15.86 per Rights Offer Share ration the basis of 51.11 Rights Offer Shares for every 100 PIK Shares held on the Record Date.

2. Allocation (refer to the form attached)

The Rights Offer Shares stated in **Block (3)** have been provisionally allocated for issue at a subscription price of ZAR15.86 per Rights Offer Share to the Shareholder whose name is stated in **Block (1)**.

3. Acceptance and Payment

3.1 If you wish to accept the Rights Offer you must complete **Blocks (5)** and **(6)** above.

3.2 If you are the person(s) in whose name(s) this Form of Instruction was issued and wish to subscribe for all the Rights Offer Shares allocated to you, complete the applicable blocks as stated above. **Form B** and **Form C** of this Form of Instruction need not be completed.

3.3 If you are the person(s) in whose favour this Form of Instruction has been renounced and you wish to subscribe for the Rights Offer Shares, complete the applicable blocks as stated above as well as **Form C** of this Form of Instruction.

3.4 Payment of the Rand value of the subscription price may be made in full by EFT into the designated bank account, details of which are available from the Transfer Secretaries on request by contacting the Transfer Secretaries' call centre for corporate actions on +27 11 370 5000 and, in South Africa only, 086 1100 634.

3.5 If you wish to subscribe for Rights Offer Shares, a properly completed Form of Instruction, together with a proof of EFT payment (in accordance with 3.4 above) must be lodged, posted or e-mailed, as the case may be, together with the completed Form of Instruction to the Transfer Secretaries, so as to be received by no later than 12:00 (SAST) on Friday, 2 August 2024.

3.6 Such payment, when the EFT cleared into the designated bank account, will constitute acceptance of the Rights Offer upon the terms and conditions set out in the accompanying Circular and in this Form of Instruction.

3.7 No acknowledgement of receipt will be given for an EFT received in accordance with the Rights Offer.

3.8 The Rights Offer Shares, including Rights Offer Shares to be issued pursuant to excess applications, may only be issued in Dematerialised form. In this regard, if you are a Qualifying Certificated Shareholder:

- who wishes to receive the Rights Offer Shares allocated to you in Dematerialised form and you already have an account with a Broker or CSDP, you will have your account at your Broker or CSDP credited with the relevant Rights Offer Shares on implementation of the Rights Offer, on Monday, 5 August 2024, provided that you have provided your Form of Instruction, and have elected "*Option 1*" on Form D of this Form of Instruction (*grey*), along with the relevant Broker or CSDP details, to the Transfer Secretaries on or before 12:00 (SAST) on Friday, 2 August 2024. Should you fail to provide the necessary Broker or CSDP account details and other information requested in the Form of Instruction, it will not be possible to credit your Shareholder's account at your Broker or CSDP with the Rights Offer Shares, and as such you will instead be issued with a statement of allocation and will be required to provide the necessary Broker or CSDP account details and other information requested in this Form of Instruction (*grey*) so that the relevant Dematerialised Rights Offer Shares can be made available to you following implementation of the Rights Offer; or
- who wishes to receive the Rights Offer Shares allocated to you in Dematerialised form, but you do not have an account with a Broker or CSDP, you will be issued with a statement of allocation and will be required to appoint a Broker or CSDP following implementation of the Rights Offer so that Dematerialised Rights Offer Shares can be made available to you (you will be required to provide the statement of allocation to your duly appointed Broker or CSDP as proof of your holdings once an account has been opened with such Broker or CSDP), *provided* that you have elected "*Option 2*" on Form D of this Form of Instruction (*grey*). The statement of allocation in respect of your Rights Offer Shares will be posted to you, at your risk, as soon as possible following implementation of the Rights Offer; or
- who do not wish to hold the Rights Offer Shares allocated to you in Dematerialised form and prefer to hold your Rights Offer Shares in Certificated form, you will be afforded the option to "rematerialise" your Rights Offer Shares and replace them with a physical Document of Title, *provided* that you have elected "*Option 3*" on Form D of this Form of Instruction (*grey*) and lodged same with the Transfer Secretaries on or before 12:00 (SAST) on Friday, 2 August 2024. The Documents of Title in respect of your Rights Offer Shares will be posted to you, at your risk, as soon as possible following implementation of the Rights Offer.

3.9 If this Form of Instruction and the EFT proof of payment are not received as set out above, then the Rights Offer will be deemed to have been declined and the right to subscribe for the Rights Offer Shares offered to the addressee or renounced in favour of his/her renouncee will lapse, no matter who then holds it.

4. Renunciation of Rights

4.1 If you are a Qualifying Certificated Shareholder and you do not wish to subscribe for the Rights Offer Shares allocated to you in terms of the Rights Offer, you may renounce your rights by signing **Form B**, and the renouncee who wishes to subscribe for the Rights Offer Shares in terms of the Rights Offer must complete **Form C**, lodge this Form of Instruction, and make payment, in terms of paragraph 3.4 above, for the number of Rights Offer Shares in respect of which the Rights Offer is accepted.

4.2 The lodging of this Form of Instruction, with **Form B** purporting to be signed by the Shareholder whose name appears thereon, will be taken to be conclusive evidence of the right of the holder:

(a) to deal with this Form of Instruction; or

(b) to have the Rights Offer Shares in question allotted and to receive a certificate for those shares.

4.3 Therefore, PIK will not be obliged to investigate whether **Forms B** and **C** have been properly signed or completed or to investigate any fact surrounding the signing or lodging of either form.

5. Sale

5.1 If you wish to sell all or some of your Rights, you must complete Form A of this Form of Instruction and return it to the Transfer Secretaries in accordance with the instructions contained therein so as to reach the Transfer Secretaries by no later than Tuesday, 30 July 2024.

5.2 The Transfer Secretaries will endeavour to procure the sale of rights on the JSE on your behalf and to remit the net proceeds thereof in accordance with your instructions. In this regard, neither the Transfer Secretaries, nor any Broker appointed by it nor PIK will have any obligation or be responsible for any loss or damage whatsoever in relation to or arising out of the timing of such sales, the price obtained or any failure to sell such Rights.

6. Excess Applications

6.1 If you wish to accept the Rights Offer you must complete Blocks (7) and (8) above.

6.2 Excess Rights Offer Shares will be allocated in an equitable manner.

7. Exchange Control Regulations

7.1 Pursuant to the Exchange Control Regulations of South Africa, non-residents, excluding former residents, of the Common Monetary Area will be allowed to:

(a) take up rights allocated to them in terms of the Rights Offer;

(b) purchase Letters of Allocation on the JSE; and

(c) subscribe for the Rights Offer Shares arising from the Letters of Allocation purchased on the JSE,

provided that payment is received in foreign currency or in Rand from a Non-resident Rand account in the name of the non-resident and/or Rand from a vostro account held in the books of the Authorised Dealer either through normal banking channels from abroad or from a non-resident account.

7.2 All applications by non-residents for the above purposes must be made through an Authorised Dealer in foreign exchange. Electronic statements issued in terms of Strate and any Ordinary Share certificates issued pursuant to such applications will be endorsed "non-resident."

7.3 Where a right in terms of the Rights Offer becomes due to a former resident of the Common Monetary Area, which right is based on Ordinary Shares blocked in terms of the Exchange Control Regulations of South Africa, then only emigrant blocked funds may be used to:

(a) take up the rights allocated to them in terms of the Rights Offer;

(b) purchase Letters of Allocation on the JSE; and

(c) subscribe for the Rights Offer Shares arising from the Letters of Allocation purchased on the JSE.

7.4 Any Qualifying Shareholder resident outside the Common Monetary Area who receives this Circular and Form of Instruction should obtain advice as to whether any governmental and/or other legal consent is required and/or any other formality must be observed to enable a subscription to be made in terms of such Form of Instruction.

7.5 All applications by emigrants using blocked funds for the above purposes must be made through the Authorised Dealer in South Africa controlling their blocked assets. Share certificates issued to such emigrants will be endorsed "non-resident" and placed under the control of the Authorised Dealer in foreign exchange through whom the payment was made. The proceeds due to emigrants from the sale of the Letters of Allocation, if applicable, will be returned to the Authorised Dealer in foreign exchange for credit to such emigrants' blocked accounts. Electronic statements issued in terms of Strate and any Rights Offer Share certificates issued pursuant to blocked Rand transactions will be endorsed "non-resident" and placed under the control of the Authorised Dealer through whom the payment was made. The proceeds arising from the sale of Letters of Allocation or arising from the sale of blocked Ordinary Shares will be credited to the blocked accounts of the emigrants concerned.

7.6 New Ordinary Share certificates issued pursuant to the Rights Offer to an emigrant will be endorsed "non-resident" and forwarded to the address of the relevant Authorised Dealer controlling such emigrant's blocked assets for control in terms of the Exchange Control Regulations of South Africa. Where the emigrant's Ordinary Shares are in Dematerialised form with a CSDP or Broker, the electronic statement issued in terms of Strate will be despatched by the CSDP or Broker to the address of the emigrant in the records of the CSDP or Broker.

8. JSE and A2X Listings

8.1 The JSE has approved the listing of the Letters of Allocation on the JSE (for the avoidance of doubt, the Letters of Allocation will not be listed on the A2X) under **Share Code: PIKN** and **ISIN: ZAE000336145**, in respect of 252,206,809 Rights Offer Shares with effect from the commencement of trading on Wednesday, 17 July 2024 to the close of trade on Tuesday, 30 July 2024, both days inclusive.

8.2 The JSE and the A2X have approved the listing of 252,206,809 Rights Offer Shares with effect from the commencement of trading on Wednesday, 31 July 2024.

9. Documents of Title

9.1 The Rights Offer Shares, including Rights Offer Shares to be issued pursuant to excess applications, may only be issued in Dematerialised form.

9.2 Notwithstanding the above, Qualifying Certificated Shareholders (or their renouncees) will be afforded the option to "rematerialise" their Rights Offer Shares and replace them with a physical Document of Title, provided they have elected "*Option 3*" on Form D of this Form of Instruction (*grey*) and lodged it with the Transfer Secretaries on or before 12:00 (SAST) on Tuesday, 30 July 2024.

9.3 To the extent applicable, the Documents of Title in respect of your Rights Offer Shares will be posted to you (or the renouncees), at your (or the renouncees') own risk, as soon as possible following implementation of the Rights Offer.

9.4 Qualifying Certificated Shareholders (or their renouncees) receiving new Certificated Shares must note that they will not be able to trade such Shares on the JSE until these Shares have been Dematerialised, which could take between one and ten Business Days, depending on the volumes being processed at the time.

10. Refunds

10.1 Refunds in respect of unsuccessful applications for additional Rights Offer Shares by Qualifying Certificated Shareholders will be paid by EFT to the relevant applicants, on or about Wednesday, 7 August 2024. No interest will be paid on monies received in respect of unsuccessful applications.

By order of the Board

PICK N PAY STORES LIMITED

Cape Town
15 July 2024

GENERAL INSTRUCTIONS AND CONDITIONS

(A) **Married persons**: Married persons wishing to exercise their rights must comply with the provisions of the Matrimonial Property Act (No. 88 of 1984) or the Civil Union Act (Act No. 17 of 2006) or customary law or the applicable matrimonial law, and proof of such person's capacity to exercise such rights may be required by the Transfer Secretaries.

(B) **Powers of attorney**: If this form is signed under a power of attorney, then the original, or certified copy thereof, must be sent to the Transfer Secretaries for noting unless it has already been noted by PIK or the Transfer Secretaries.

(C) **Companies, close corporations or other incorporated entities**: A company or close corporation wishing to exercise its Rights must send the original or certified copy of the directors' or members' resolution authorising the exercise of such Rights to the Transfer Secretaries for noting.

(D) **Stamp of broking member of the JSE**: If any signature to **Form B** is confirmed by the stamp of a broking member of the JSE then (A), (B) or (C) above, as the case may be, will not apply.

(E) **Deceased estates and trusts**: Rights Offer Shares will not be allotted in the name of an estate or a trust. Therefore, where the right to the Rights Offer Shares has accrued to the estate of a deceased holder or a trust, the executor or administrator or trustee (as the case may be) must complete **Form B** in his/her representative capacity and **Form C** must be completed by the person in whose name the Rights Offer Shares are to be allotted without any reference to the estate or the trust.

(F) **Joint holders**: Where applicable, all joint holders of Letters of Allocation must sign.

(G) **Receipts and documents**: No receipts will be given for completed Letters of Allocation and remittances. Original documents accompanying applications will be returned by the Transfer Secretaries in due course, at the risk of the applicant.

(H) **Share certificates**: PIK uses the "certified transfer deeds and other temporary Documents of Title" procedure approved by the JSE and, therefore, will, if "*Option 3*" on Form D of this Form of Instruction (*grey*) is elected, issue only one Document of Title for the Rights Offer Shares allotted by it to each acceptor of the Rights Offer.

(I) All documentation to be forwarded to:

The Transfer Secretaries **PICK N PAY STORES LIMITED – Pick n Pay Stores Limited Transfer Secretaries** c/o Computershare Investor Services Proprietary Limited First Floor Rosebank Towers 15 Biermann Avenue Rosebank, Johannesburg, 2196 South Africa (Private Bag X3000 Saxonwold, Johannesburg, 2132 South Africa) corporate.events@computershare.co.za	Stamp of selling broker (if any) or stamp or name and address of lodging agent

FORM A: INSTRUCTION TO SELL

This form is to be signed by the offeree if the rights to the Rights Offer Shares are to be sold.

Stamp of selling broker (if any) or stamp or name and address of lodging agent

To the Directors,

PICK N PAY STORES LIMITED

I/We hereby instruct Computershare Investor Services Proprietary Limited to pay the proceeds, if any, of the sale of ____________ (insert number) Rights allocated to me/us in terms of this Form of Instruction (less fees calculated as follows: a dealing administration fee for trades greater than ZAR0.01 up to ZAR40,000.00 equal to ZAR155.84 inclusive of VAT and a further additional fee of 0.35% for trades greater than ZAR40,000.00 plus VAT (+ZAR155.84). An administration fee of ZAR100.00 will be levied in respect of the selling order.).

Payment instruction

By electronic funds transfer to the following bank account: **(certified copies of the bank statement and identification document must be attached to the Form of Instruction when payment via electronic funds transfer is requested and the same has not been submitted to the transfer secretaries to date)**.

Name of bank	
Account number	
Branch code	

In order to comply with the requirements of the Financial Intelligence Act 38 of 2001 (as amended), Computershare Investor Services Proprietary Limited will be unable to record any change of address mandated unless the following documentation is received from the relevant Shareholder:

- An original certified copy of your identity document,
- An original certified copy of a document issued by the South African Revenue Services to verify your tax number, if you do not have one please submit this in writing and have the letter signed by a Commissioner of Oaths; and
- An original or an original certified copy of a service bill to verify your residential address.

PLEASE NOTE THAT IF THE ABOVE INFORMATION IS NOT COMPLETE OR IF CONFLICTING INSTRUCTIONS ARE GIVEN, AN EFT PAYMENT OF THE AMOUNT DUE WILL BE PAID TO THE ABOVE BANK ACCOUNT DETAILS.

Signed	
Signature of offeree selling his/her rights	Assisted by me (where applicable) (all joint holders must sign)
Date	

FORM B: FORM OF RENUNCIATION

(To be signed by the shareholder named in **Block (1)** on the first page of this form if the right to the Rights Offer Shares is renounced.)

Stamp of selling broker (if any) or stamp or name and address of lodging agent

To the Directors,

PICK N PAY STORES LIMITED

I/We hereby renounce my/our right to subscribe for ____________ (insert number) of the Rights Offer shares allocated to me/us as stated in **Block (3)** on the second page of this form in favour of the person(s) completing the registration application form **(Form C)** in relation to such shares.

Signed	
Signature(s) of offeree selling his/her Rights	Assisted by me (where applicable) (all joint holders must sign)
Date	
(Note: Renouncees must attach a certified true copy of their identification document to the Form of Instruction when Form B: Form of renunciation is completed.)	

FORM C: REGISTRATION APPLICATION FORM

This form to be completed in respect of the person(s) (i.e., the renouncee(s)) in whose name(s) the Rights Offer Shares are to be allotted.

ONCE THIS FORM HAS BEEN COMPLETED THIS FORM OF INSTRUCTION WILL NO LONGER BE NEGOTIABLE.

Stamp of selling broker (if any) or stamp or name and address of lodging agent

To the Directors,

PICK N PAY STORES LIMITED

I/We hereby request you to allot the Rights Offer Shares comprised in this Form of Instruction and as indicated in **Blocks (5)**, **(6)** and **(7)** hereof in the following name(s) upon the conditions set out in the accompanying circular, dated Monday, 15 July 2024 and subject to the Memorandum of Incorporation of PIK.

I/We authorise you to place such name(s) on the register of PIK shareholders in respect thereof. Surname(s) or name of company.

Mr/Mrs/Miss/Ms	
First names in full	
Postal address (preferably a PO Box address)	
	Postal code
Telephone number (office hours): ( )	Cell phone number: ( )
Facsimile number: ( )	Email address:
Signed	
Signature(s) of offeree selling his/her rights	Assisted by me (where applicable) (all joint holders must sign)
Date	

FORM D: DOCUMENTS OF TITLE (ELECTION RELATING TO THE ISSUE OF RIGHTS OFFER SHARES)

The Rights Offer Shares, including Rights Offer Shares to be issued pursuant to excess applications, may only be issued in Dematerialised form.

All Qualifying Certificated Shareholders (or their renouncee(s)) who wish to follow their Rights in terms of the Rights Offer should kindly complete the section below dealing with the issue of the Rights Offer shares.

Option 1 ☐

1. Please tick this box **if you have an account with a Broker or CSDP** and wish for such account to be credited with the Rights Offer Shares which have been allocated to or renounced to you, and insert the details of such account below:

Name of account holder:
Name of Broker:
Name of CSDP:
Account number of Broker:
Name of account of CSDP:
Telephone number of Broker/CSDP:
SCA number of Broker/CSDP:

Please note: The information provided above must be stamped and signed by your Broker or CSDP.

Please note: Should the account details provided by you above be incorrect or incomplete, it will not be possible to credit such account with the Rights Offer Shares, in which case you will be issued with a statement of allocation, confirming the number of Rights Offer Shares due to you. The statement of allocation will be posted to you at your risk.

Option 2 ☐

2. Please tick this box **if you do not have an account with a Broker or CSDP**, but wish to receive the Rights Offer Shares in Dematerialised form and not in certificated form. It will be necessary for you to appoint a Broker or CSDP before the Rights Offer Shares to which you are entitled can be credited to your Broker or CSDP account. In the meantime, you will be issued with a statement of allocation, confirming the number of Rights Offer Shares due to you. The statement of allocation will be posted to you at your risk.

Option 3 ☐

3. Please tick this box **if you do NOT wish to receive the Rights Offer Shares to which you are entitled in Dematerialised form** and instead wish to "rematerialise" the Dematerialised Rights Offer Shares due to you and replace these with a physical Document of Title (e.g., share certificate) and insert the relevant details below. The Document of Title (e.g., share certificate) for the Rights Offer Shares will be posted to you at your risk. Qualified Certificated Shareholders wishing to receive the Rights Offer Shares allocated to them in terms of the Rights Offer in certificated form will not receive the relevant Documents of Title until the Dematerialised Rights Offer Shares have been rematerialised. Transfer Secretaries to kindly post the relevant Document of Title (e.g., share certificate) to the following address by registered post:

Name:
Address:

In order to comply with the requirements of the Financial Intelligence Act, No. 38 of 2001 (as amended), Computershare Investor Services Proprietary Limited will be unable to record any change of address unless the following documentation is received from the relevant Shareholder:

- an original certified copy of your identity document or, in respect of juristic persons, registration certificate;
- an original certified copy of a document issued by the South African Revenue Service to verify your tax number, if you do not have a tax number, please submit a letter stating this and have the letter signed by a Commissioner of Oaths; and
- an original or original certified copy of a service (or utility) bill not older than 3 months, to verify your residential address.

If no specific instructions are given here, the Documents of Title will be forwarded to the address as shown in **Block (1)** of the Form of Instruction.

A Shareholder wishing to collect their new Document of Title from the Transfer Secretaries must tick this block:

THIS FORM MUST BE COMPLETED IN ITS ENTIRETY AND RETURNED TO THE TRANSFER SECRETARIES:

Transfer Secretaries:
Computershare Investor Services Proprietary Limited
First Floor
Rosebank Towers
15 Biermann Avenue
Rosebank, Johannesburg, 2196
South Africa
(Private Bag X3000,
Saxonwold, Johannesburg, 2132, South Africa)

Name and address of Shareholder	**Account Number**
(1)	*Enquiries in connection with this Letter of Allocation should be addressed to the Transfer Secretaries, quoting the account number below:*

Number of Shares deemed to be registered in your name at the close of business on the Record Date	**Number of Rights Offer Shares to which you are deemed to be entitled in terms of the Rights Offer**	**Amount payable for the maximum number of Rights Offer Shares at ZAR15.86 per Rights Offer Share**
(2)	**(3)**	ZAR **(4)** = (3) × ZAR15.86

Acceptance of Rights Offer Shares	**Number of Rights Offer Shares subscribed for**	**Total amount due at ZAR15.86 per Rights Offer Share**
*(the same or lesser number of Rights Offer Shares as the number in **Block (3)** of this Form of Instruction may be accepted)*	**(5)**	ZAR **(6)** = (5) x ZAR15.86

Excess application:	**Number of excess Rights Offer Shares applied for**	**Amount due at ZAR15.86 per additional Rights Offer Share**
(to be completed by applicants wishing to apply for additional Rights Offer Shares)	**(7)**	ZAR **(8)** = (7) x ZAR15.86

Payment	**EFT swift reference number (only applicable if payment is made by EFT)**	**Amount of cheque, banker's draft or EFT**
(to be received by no later than 12:00 (SAST) on Friday, 2 August 2024)		ZAR **(9)** = (6) + (8)

Applicant's telephone number (office hours): ( )	
Cell phone number: ( )	
Facsimile number: ( )	
Email address:	
Signature:	Date:

18713