Pick n Pay

Reviewed condensed consolidated results for the year ended 28 February 2009

Turnover ↑17.4%

Trading profit ↑11.2%

Diluted headline earnings per share ↑18.1%

Headline earnings per share ↑13.4%

Total dividend per share ↑14.0%

RESULT OVERVIEW – CONTINUING OPERATIONS

We are pleased with this result considering the current economic climate and the tightening of consumer spending. Consumers have been particularly hard hit by high food inflation, erratic fuel prices and high interest rates.

As disclosed more fully in note 8 below, the results of Score Supermarkets have been disclosed as a discontinued operation as we are winding down the business and sub-letting many of its sites to black franchisees as Pick n Pay Family stores.

Turnover

Group turnover at R49.9 billion is 17.4% above last year, with a growth of 17.3% in Southern Africa and 18.2% in Australia. The Franklins increase in Australian dollars is 3.5%.

Trading profit

Trading profit margin is down from 3.6% to 3.4%. This is as a result of significant price investment to help consumers (gross profit margin down 0.4% to 19.0%). The effect is cushioned by a reduction in expenses of 0.2% of turnover.

Interest

Interest received increased over last year due to higher interest rates and better average cash balances. Interest paid was also up on last year due to the R500 million term loan drawn down in June 2007 owing for a full year.

Headline earnings per share ("HEPS") and diluted HEPS

HEPS at 232.48 cents reflects an increase of 13.4%. Diluted HEPS shows an increase of 18.1% as last year's base already allowed for the full dilution of the 20 million new ordinary shares issued on 31 December 2007.

Dividends per share

The final dividend per share of 134.25 cents for Pick n Pay Stores Limited and 65.52 cents for Pick n Pay Holdings Limited brings the total dividend for the year to 170.00 cents and 82.97 cents respectively, an increase of 14.0%.

OPERATIONAL HIGHLIGHTS

- **Franklins Australia** saw a substantial turnaround with a swing of R52.0 million to a R23.5 million trading profit before capital profits in the current year. The key drivers to this significant improvement are further increased operating efficiencies and double digit turnover growth from refurbished stores.

  The success of the 11 fully refurbished stores in the current year is not only producing good turnover growth and increased profitability but is also starting to open doors with landlords for prospective new stores. During the 2010 financial year we will complete another 14 store refurbishments.

  We are delighted by the outstanding turnaround achieved by Franklins which has now established a solid foundation for long term growth in Australia.
- **Hypermarkets** traded strongly, especially in the new format and refurbished stores.
- **Supermarkets** continue to show robust turnover growth, particularly from our new look refurbished stores such as Claremont, Benmore and Bedfordview. Based on this positive uplift in turnover from the 23 supermarkets (11 corporate, 12 franchise) refurbished in the current year, we will be expanding our 'new look' refurbishment programme in the year ahead to another 54 stores (21 corporate, 33 franchise).
- **Pick n Pay Retail Strategy implementation continues to deliver according to plan**
  - We have seen ***great customer acceptance*** of:
    - o New Hypermarket (Woodmead) and Supermarket (Claremont, Benmore and Bedfordview) branding and "look and feel".
    - o Re-launched private label products.
    - o New store fresh foods initiatives.
    - o Pick n Pay Express forecourt stores.
    - o Converted Score stores.
  - ***Score conversions*** are on track with 38 complete, achieving substantially higher turnovers. Next year we plan to convert a further 29 stores. The only stores remaining to be converted in the 2011 financial year are a few in Botswana.
  - ***SAP*** implementation is 65% complete, with the remaining Pick n Pay regions to be completed in the next 18 months.
  - Phase I of the ***Longmeadow Distribution Centre*** is now complete with all set-up costs fully absorbed. The distribution centre now supplies all 263 inland stores. Phase II will expand the facility to accommodate central distribution, automatic replenishment and strategic buy-ins. This will commence during the 2010 financial year.
  - ***Sustainability*** – We have implemented many new initiatives within the Group around energy saving, reducing our carbon footprint, and recycling. Sustainable practices are becoming a new way of life at Pick n Pay and we are confident that not only will it cultivate a more sustainable environment but will also lead to increased operating efficiencies. We continue to facilitate ways that customers can help the environment. As an example, we have recently launched an initiative to encourage customers to significantly reduce the use of plastic bags.
- **Boxer** produced another very solid result with a significant increase in turnover and profit.
- **New stores** – We continue to expand our store footprint. Including Score store conversions we opened 67 new stores in the current year and plan to open a further 58 next year.

GENERAL COMMENTS AND PROSPECTS

Given the tough trading conditions and the investment phase we are in, we are pleased with this result. We remain optimistic for the year ahead due to our strategic investments now starting to bear fruit, the relief brought to our consumers by lower interest rates and reducing inflation. We forecast improved growth in 2010 headline earnings per share over that achieved this year. (This forecast financial information has not been reviewed and reported on by the Group independent auditors).

For and on behalf of the board

Raymond Ackerman
Chairman

Nick Badminton
Chief Executive Officer

21 April 2009

Income statement

	Reviewed Year to Feb 2009 Rm	Growth %	Audited Year to Feb 2008* Rm
Continuing operations			
Revenue (note 2)	**50 135.8**		42 677.2
Turnover	**49 862.1**	**17.4**	42 474.3
Cost of merchandise sold	**(40 404.7)**		(34 216.2)
Gross profit	**9 457.4**		8 258.1
Other trading income	**201.8**		157.9
Trading expenses	**(7 958.9)**		(6 894.3)
Loss on sale of equipment and vehicles	**(13.7)**		(4.4)
Trading profit	**1 686.6**	**11.2**	1 517.3
Interest received	**71.9**		45.0
Interest paid	**(107.5)**		(79.2)
Profit on sale of property	**68.7**		—
Profit on sale of stores	**15.1**		47.0
Operating profit	**1 734.8**		1 530.1
Impairment of investment in associate	**—**		(9.1)
Profit before tax	**1 734.8**		1 521.0
Tax	**(568.0)**		(556.3)
Profit for the year from continuing operations	**1 166.8**		964.7
Loss from discontinued operation (note 8)	**(118.5)**		(31.3)
Profit for the year	**1 048.3**		933.4
Trading profit margin	**3.4%**		3.6%
Earnings per share – cents			
Basic	**222.23**		205.43
Continuing operations	**247.35**	**16.5**	212.31
Discontinued operation	**(25.12)**		(6.88)
Diluted	**220.45**		195.75
Continuing operations	**245.37**	**21.3**	202.30
Discontinued operation	**(24.92)**		(6.55)
Interim dividend – No. 81 paid	**35.75**		31.10
Final dividend – No. 82 payable	**134.25**		118.00
Total dividend	**170.00**	**14.0**	149.10
Headline earnings reconciliation			
Profit for the year	**1 048.3**		933.4
Loss on sale of equipment and vehicles	**13.7**		4.4
Loss on sale of equipment and vehicles – discontinued operation	**3.9**		—
Profit on sale of property	**(68.7)**		—
Profit on sale of stores	**(15.1)**		(47.0)
Impairment of investment in associate	**—**		9.1
Headline earnings	**982.1**		899.9
Continuing operations	**1 096.7**	**17.8**	931.2
Discontinued operation	**(114.6)**		(31.3)
Headline earnings per share – cents			
Headline	**208.19**		198.06
Continuing operations	**232.48**	**13.4**	204.94
Discontinued operation	**(24.29)**		(6.88)
Diluted	**206.53**		188.73
Continuing operations	**230.62**	**18.1**	195.28
Discontinued operation	**(24.09)**		(6.55)

*Restated – refer note 4.

Statement of changes in equity

	Reviewed Year to Feb 2009 Rm	Audited Year to Feb 2008 Rm
Total equity at 1 March – as previously stated	**1 340.9**	1 015.4
Prior year adjustments (notes 4 and 5)	**—**	(70.4)
Total equity at 1 March – as restated	**1 340.9**	945.0
Total recognised income and expense for the year	**949.5**	1 139.5
Profit for the year – as previously stated	**1 048.3**	936.8
Prior year adjustment (note 4)	**—**	(3.4)
Gains and losses recognised directly in equity:		
Foreign currency translation – as previously stated	**(98.8)**	225.1
Prior year adjustment (note 5)	**—**	(19.0)
Dividends paid	**(717.8)**	(614.9)
Issue of share capital	**—**	79.9
Share repurchases	**(21.6)**	(299.6)
Net effect of settlement of employee share options	**85.4**	45.8
Share options expense	**59.1**	45.2
Total equity at 28 February	**1 695.5**	1 340.9

Balance sheet

	Reviewed Feb 2009 Rm	Audited Feb 2008* Rm
Assets		
Non-current assets		
Intangible assets	**1 093.6**	1 155.9
Property, equipment and vehicles	**2 937.0**	2 802.5
Investments	**0.2**	0.2
Loans	**128.6**	120.7
Operating lease asset	**19.3**	10.9
Participation in export partnerships	**57.9**	61.5
Deferred tax	**99.8**	105.8
	4 336.4	4 257.5
Current assets		
Inventory	**3 334.5**	3 028.5
Trade and other receivables	**1 769.5**	1 243.9
Cash and cash equivalents	**1 072.8**	663.2
Assets held for sale – discontinued operation	**62.6**	—
	6 239.4	4 935.6
Total assets	**10 575.8**	9 193.1
Equity and liabilities		
Total equity	**1 695.5**	1 340.9
Non-current liabilities		
Long-term debt	**678.1**	681.3
Retirement scheme obligations	**8.2**	49.0
Operating lease liability	**658.5**	626.9
	1 344.8	1 357.2
Current liabilities		
Short-term debt	**38.3**	36.4
Trade and other payables	**7 315.8**	6 209.2
Tax	**181.4**	249.4
	7 535.5	6 495.0
Total equity and liabilities	**10 575.8**	9 193.1
Shares in issue – millions	**506.1**	506.1
Weighted average shares in issue – millions (note 3)	**471.7**	454.4
Net asset value – cents per share (property value based on directors' valuation)	**430.3**	374.7

*Restated – refer notes 4, 5 and 6.

Cash flow statement

	Reviewed Year to Feb 2009 Rm	Audited Year to Feb 2008* Rm
Cash flows from operating activities		
Trading profit	**1 686.6**	1 517.3
Loss on sale of equipment and vehicles	**13.7**	4.4
Depreciation and amortisation	**615.8**	481.9
Share options expense	**59.1**	45.2
Net operating lease obligations	**33.4**	31.5
Cash generated before movements in working capital	**2 408.6**	2 080.3
Movements in working capital	**221.0**	(489.9)
Increase in trade and other payables	**1 157.8**	487.2
Increase in inventory	**(415.2)**	(704.9)
Increase in trade and other receivables	**(521.6)**	(272.2)
Cash generated by trading activities	**2 629.6**	1 590.4
Interest received	**71.9**	45.0
Interest paid	**(107.5)**	(79.2)
Cash generated by operations	**2 594.0**	1 556.2
Dividends paid	**(717.8)**	(614.9)
Tax paid	**(567.7)**	(504.0)
Net cash from operating activities – continuing operations	**1 308.5**	437.3
Net cash (used in)/from operating activities – discontinued operation	**(56.1)**	8.5
Total net cash from operating activities	**1 252.4**	445.8
Cash flows from investing activities		
Intangible asset additions	**(66.1)**	(157.4)
Property additions	**(52.3)**	(107.5)
Proceeds on disposal of property	**78.0**	50.6
Equipment and vehicle additions	**(884.1)**	(587.0)
Proceeds on disposal of equipment and vehicles	**21.8**	—
Loans advanced	**(7.9)**	(11.9)
Net cash used in investing activities – continuing operations	**(910.6)**	(813.2)
Net cash from/(used in) investing activities – discontinued operation	**68.9**	(9.3)
Total net cash used in investing activities	**(841.7)**	(822.5)
Cash flows from financing activities		
Debt (repaid)/raised	**(1.3)**	484.2
Issue of shares	**—**	79.9
Share repurchases	**(21.6)**	(299.6)
Proceeds from employees on settlement of share options	**31.3**	45.8
Net cash from financing activities – continuing operations	**8.4**	310.3
Net increase/(decrease) in cash and cash equivalents	**419.1**	(66.4)
Cash and cash equivalents at 1 March	**663.2**	709.1
Effect of exchange rate fluctuations on cash and cash equivalents	**(9.5)**	20.5
Cash and cash equivalents at 28 February	**1 072.8**	663.2

*Restated – refer notes 4, 5 and 6.

Segmental report

	Continuing operations					
	Southern Africa		Australia		Total	
	Reviewed Feb 2009 Rm	Audited Feb 2008 Rm	**Reviewed Feb 2009 Rm**	Audited Feb 2008 Rm	**Reviewed Feb 2009 Rm**	Audited Feb 2008 Rm
Segment revenue	**44 256.2**	37 703.7	**5 879.6**	4 973.5	**50 135.8**	42 677.2
Turnover	**43 991.1**	37 506.9	**5 871.0**	4 967.4	**49 862.1**	42 474.3
– Australian dollars millions			**849.5**	820.8		
Segment result						
Operating profit before interest (note 7)	**1 745.5**	1 550.2	**24.9**	14.1	**1 770.4**	1 564.3
– Australian dollars millions (note 7)			**3.6**	2.3		
Included in segment result						
Depreciation and amortisation	**(518.4)**	(404.8)	**(97.4)**	(77.1)	**(615.8)**	(481.9)
Share options expense	**(59.1)**	(45.2)	**—**	—	**(59.1)**	(45.2)
Net operating lease obligations	**(33.4)**	(31.5)	**—**	—	**(33.4)**	(31.5)
Goodwill, included in total assets	**137.1**	137.1	**654.7**	720.4	**791.8**	857.5
Total assets, net of deferred tax	**8 373.7**	6 720.5	**1 786.3**	1 874.4	**10 160.0**	8 594.9
Total liabilities, net of tax	**7 700.5**	6 463.9	**670.7**	735.1	**8 371.2**	7 199.0
Capital expenditure	**816.1**	769.5	**186.4**	82.4	**1 002.5**	851.9

The above segmental information does not include Score Supermarkets Operating Limited, which has been classified as a discontinued operation (refer note 8).

Notes to the financial information

1. KPMG Inc, the Group's independent auditor, has reviewed the condensed consolidated results contained in this preliminary report, and has expressed an unmodified conclusion on the preliminary financial statements. Their review report is available for inspection at the Company's registered office. These preliminary financial statements have been prepared in accordance with the recognition and measurement requirements of IFRS and the disclosure requirements of IAS 34. Except as presented below in notes 4, 5 and 6, accounting policies are consistent with those of prior years.
2. Revenue comprises turnover, other trading income and interest received.
3. The weighted average number of shares is lower than that in issue due to the treasury shares held by the Group being treated as cancelled for this calculation.
4. The Group has reviewed its interpretation of IAS 2 in respect of the accounting for incentive income and distribution costs. The effect of the changes in interpretation are detailed below. Comparative figures have been restated accordingly.
   a. All distribution expenditure applicable to the transport of inventory to retail outlets (including overhead expenditure in respect of distribution centres) has been reclassified from trading expenses to cost of sales. This reclassification has no impact on the valuation of inventory, as inventory costings have always included transport and distribution costs.
   b. Advertising recoveries, net of related advertising expenditure, and sales-based volume and other rebates received from suppliers, previously disclosed in "other income" and trading expenses respectively, are now included within cost of sales. This reclassification has had an impact on the balance sheet, with rebates received and advertising recoveries, in e xcess of spend, now being taken into account in the valuation of inventory.

The effect of the above adjustments and reclassifications on the comparative figures are as follows:

Income statement	**Feb 2008 Rm**	**Balance sheet**	**Feb 2008 Rm**
Gross profit	870.0		
Other trading income	(1 838.9)	Inventory	(72.9)
Trading expenses	964.6	Tax	17.9
Tax	1.3	Total equity	(55.0)
Loss from discontinued operation	(0.4)	Profit for the year – 2008	(3.4)
Profit for the year	(3.4)	Profit for the year – prior years	(51.6)

5. In the prior year, an amount of R37.8 million, being the tax effect of foreign currency translations, has been reclassified from the foreign currency translation reserve to deferred tax. Comparative figures have been restated – with an adjustment of R19.0 million in respect of the 2008 year and R18.8 million for years prior to 2008.
6. At February 2008 computer hardware assets with a cost of R31.4 million were incorrectly included as part of intangible assets. This amount has been reallocated to property, equipment and vehicles and the February 2008 comparative numbers have been restated accordingly. Also note that in the current year Score assets with a net book value of R62.6 million have been reclassified as held for sale (refer note 8).
7. Operating profit in Australia includes a net R1.4 million (2008: R42.6 million) profit on sale of assets.
8. The Group has committed to the closure of its subsidiary, Score Supermarkets Operating Limited. The Score stores will be closed and the property, equipment and vehicles sold. Many of the stores will be sub-let to black franchisees and will be converted into Pick n Pay Family Franchise stores. Although this means a discontinuation of the Score brand, it is an exciting opportunity for the Group to expand the Pick n Pay brand into new markets, as well as being able to create franchise opportunities for black entrepreneurs. The closure of the Score operation will be predominantly complete by 28 February 2010.

   Score has been presented as a discontinued operation in the financial information to 28 February 2009, and the comparative information has been restated accordingly. The salient financial information of Score is as follows:

Income statement	**Reviewed Feb 2009 Rm**	Audited Feb 2008 Rm
Revenue	**2 073.0**	2 910.8
Turnover	**2 070.8**	2 906.4
Trading expenses	**512.4**	606.4
Loss on sale of equipment and vehicles	**3.9**	—
Trading loss for the year	**123.0**	35.2
Loss for the year	**118.5**	31.3
Balance sheet		
Total assets	**316.0**	492.4
Total liabilities	**328.9**	403.8
Cash flow statement		
Net cash (used in)/from operating activities	**(56.1)**	8.5
Net cash from/(used in) investing activities	**68.9**	(9.3)
Net cash from financing activities	**—**	—

Pick n Pay Holdings Limited ("PIKWIK")

Share code: PWK ISIN code: ZAE000005724

Pikwik's only asset is its 54.43% (2008: 54.68%) effective holding in Pick n Pay Stores Limited (excluding treasury shares). The Pikwik Group earnings are directly related to those of this investment. Headline earnings for the year amount to R535.8 million (2008: R499.9 million).

Headline earnings per share is 104.09 cents (2008: 97.51 cents). Diluted headline earnings per share is 101.91 cents (2008: 93.08 cents).

Headline earnings per share from continuing operations is 126.35 cents (2008: 103.61 cents). Diluted headline earnings per share from continuing operations is 123.93 cents (2008: 99.10 cents).

The total number of shares in issue is 527.2 million (2008: 527.2 million) and the weighted average number of shares in issue during the year is 514.7 million (2008: 512.6 million). Pikwik's total dividend per share is 82.97 cents (2008: 72.83 cents), an increase of 13.9%.

Dividend declarations

The directors have declared the following cash dividends:

Pick n Pay Stores Limited (No. 82) 134.25 cents per share
Pick n Pay Holdings Limited (No. 55) 65.52 cents per share

For both companies, the last day of trade in order to participate in the dividend (CUM dividend) will be Friday, 5 June 2009. The shares will trade EX dividend from the commencement of business on Monday, 8 June 2009 and the record date will be Friday, 12 June 2009.

The dividends will be paid on Monday, 15 June 2009.

Share certificates may not be dematerialised or rematerialised between Monday, 8 June 2009 and Friday, 12 June 2009, both dates inclusive.

On behalf of the Boards of directors

G F Lea – *Company Secretary* 21 April 2009

BASTION GRAPHICS