



**INTEGRATED
ANNUAL REPORT**

2018

A MESSAGE FROM OUR CHAIRMAN

Pick n Pay's character is built on our values of consumer sovereignty, business efficiency, and doing good business. These values hold true in good times and bad. While sentiment in South Africa is considerably better – and brighter – than a year ago, the tough times are not yet behind us. But there is a new wave of optimism in our country and we need to build on that together.

At this time last year, we were living through some of the toughest economic times in our recent history. Economic growth was under strain, customers were feeling enormous pressure to provide for themselves and their families, and a sense of pessimism permeated South Africa. Our country's prospects were worrying and it was a tough environment in which to do business. But tough times are a test of character and I am proud of the character we demonstrated as a country and as a Group over that difficult period.

CREATING OPPORTUNITY

South Africa's greatest economic need is for investment and jobs. When times have been tough, others have looked overseas for growth and investment. Pick n Pay has done the opposite, staying true to our commitment to South Africa.

Over the past three years, we have invested R5.3 billion in opening and refurbishing stores and building our supply chain. By doing so, we have been able to create 13 700 net new jobs. As President Ramaphosa said in his first State of the Nation Address, it is our youth who are the hardest hit by unemployment and it is a tragic waste of human potential. The jobs we create often benefit young people who have not previously been employed. A job with Pick n Pay creates the opportunity to earn a decent wage, to learn new skills and, with hard work, to progress within the industry.

We will champion jobs in retail. Over the next three years Pick n Pay will endeavour to create another 15 000 new jobs, and we will find even better ways to target them towards young unemployed people.

EARNING TRUST

During the last year, our sector faced some big challenges, the first of which was the world's biggest outbreak of listeriosis, which claimed over 180 lives. Secondly, the reality of a prolonged drought in the Western Cape and other areas, which gave rise to the prospect of Day Zero, when the taps might actually run dry.

In both cases, the public looked for reassurance and answers, not just from Government, but from the businesses they trust to help them. This is how it should be. I'm proud that people turn to Pick n Pay when they want help and reassurance in tough times, that we don't hide in a crisis, and that we step forward and take responsibility.

The Minister of Health's announcement on listeriosis in March 2018 gave rise to widespread concern across the country and our neighbours about whether the food people were eating was safe, and what they should do if they had any doubts. I'm proud of the way our teams and our staff in stores responded, acting decisively after the Minister's announcement and providing reassurance to our customers.

Behind the scenes, as a responsible retailer and through our representative organisations, we are working hard to ensure that an outbreak like this will not happen again. The industry has to work together on this, and making sure we do is one of my priorities as co-chair of the Consumer Goods Council of South Africa.

Thankfully, the water crisis in the Western Cape has not yet given rise to Day Zero. I want to pay tribute to the people of Cape Town and surrounds who really stepped up to prevent Day Zero becoming a reality.

In the way they responded, Cape Town achieved, in a short space of time, more than many other developed cities have managed to do.

Households, businesses, the farming community and Government working together cut water usage to levels which would not have been thought possible a year ago. It is an amazing lesson in trust. Social scientists tell us that we often don't do the right thing as individuals – like reducing our own personal water usage – because we think our neighbours can't be trusted to do the same. It's what they call "the tragedy of the commons". Together, by trusting each other, we have proven that theory spectacularly wrong.

And again, Pick n Pay will play a leadership role on the water issue. We have told our customers that we will find a way to keep our stores open and running as normal even if Day Zero comes. We have a strong plan in place. We will also supply as much bottled water as we can to supplement whatever people can get from other sources.

Customers know they can trust Pick n Pay – in the bad times as well as the good.

BEHAVING SUSTAINABLY

As a retailer with thousands of suppliers and millions of customers, we are mindful of our broad reach and broad impact. In 2015, we announced our War on Waste, focusing on reducing food waste, using water and electricity more efficiently and carefully, and reducing waste in human potential by committing ourselves to creating jobs.

On the issue of food waste, which is a considerable problem in South Africa, we are getting more accurate in our procurement and replenishment, and we are steadily reducing the amount of food which goes to waste in stores. While we have not eliminated waste, I'm proud of the fact that we are now FoodForward SA's biggest retail partner. This year we donated over R70 million in edible food for distribution to their 600 beneficiary organisations, providing more than seven million meals annually.

The spotlight across the world has become more firmly focused on the harm that plastic can do to our environment, and particularly our oceans.

Gareth Ackerman
Chairman



13 700
NET NEW JOBS
CREATED

Over the past three years, we have invested R5.3 billion in opening and refurbishing stores and building our supply chain. By doing so we have been able to create almost 14 000 net new jobs

This relationship must go beyond seeking the advice and counsel of business. We must actively work together. Together, we will make the most of economic growth and increasing stability, and at the same time, work more cooperatively to consider the impact of proposed legislation more carefully.

- 1 Earning trust, creating opportunity, behaving sustainably. This is the Pick n Pay way, and I am exceptionally proud to be Chairman of this remarkable Group.
- 2 51 years ago my father set up Pick n Pay and said that doing good is good business.
- 3 We have never wavered from that belief and I am determined that we never will.

We have made good progress over a number of years in helping customers switch away from single-use plastic carrier bags.

Most South Africans are familiar with our reusable green bags, and last year we sold over a million of them.

We donate R1 from the sale of every green bag to a community programme.

Our supplier began as a beneficiary of our Enterprise Development Scheme. They are now a thriving independent business, employing more than 300 people.

We have also launched a range of recycled, reusable shopping bags made by the Township Group, a women-owned cooperative in the Western Cape. They employ over 70 women and have supplied us with over 600 000 reusable bags in recent years. But more needs to be done.

Around five trillion pieces of plastic are believed to be floating around the world's oceans. Experts fear that the total weight of plastic in our oceans could outweigh fish by 2050. South Africa's marine environment is spectacular, but highly vulnerable. So we need to be among the vanguard of those taking action to reverse the tide of plastic damage.

This a highly complex issue, with our reliance on plastic driven by issues such as food safety standards, convenience and affordability. There are no easy fixes, but Pick n Pay is committed to lead the change in plastic use across our industry. In June, we announced focused initiatives to reduce plastic waste across our operations, including the introduction of 100% recyclable plastic bags, the replacement of plastic straws with paper straws, reducing the plastic packaging in a range of own-brand products and providing free plastic collection from our online customers. Business and Government must seize the opportunity together to make a meaningful, measurable difference in the lives of ordinary South Africans.

We have made great progress as a business over the past year, and I want to thank everyone at Pick n Pay for their contribution to this success. Decisive action reduced costs and increased productivity, resulting in a leaner, fitter and stronger Group. This strategy, led by our CEO Richard Brasher and his team, delivered success, which was particularly evident in our final quarter. This augurs extremely well for the coming year and as we grow the benefits we bring to society will grow with us.

My thanks as always go to Richard and his team for their incredibly hard work. I would also like to extend a warm welcome to Pedro da Silva, now heading up our Pick n Pay division, who brings a wealth of international retail experience to our team. We are excited about the year ahead.

Gareth Ackerman
Chairman

22 June 2018



**WE ARE PLEASED
TO PROVIDE OUR 2018
INTEGRATED ANNUAL REPORT
TO OUR STAKEHOLDERS**

**INTRODUCING OUR
2018 INTEGRATED
ANNUAL REPORT**

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INTRODUCING OUR 2018 INTEGRATED ANNUAL REPORT

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ABOUT OUR REPORT

We are pleased to present our 2018 integrated annual report for the 52 weeks ended 25 February 2018.

The Board acknowledges its responsibility to ensure the integrity of the integrated annual report and believe it provides stakeholders with an accurate and balanced view of the Group's strategy, past performance, and future prospects, and addresses the material issues faced by the Group. The Board approved the integrated annual report for release to stakeholders on 22 June 2018.

Gareth Ackerman
Chairman

Richard Brasher
Chief Executive Officer

The integrated annual report is our primary report to stakeholders. It is principally aimed at providers of financial capital, being our shareholders and debt providers; however, it considers the information needs of all our stakeholders. This includes customers, suppliers, franchise partners, employees and wider community groups.

We believe this report provides our stakeholders with a good understanding of our business and how our strategy supports sustainable value creation in the short, medium and long term. This report provides insight into the Group's financial and operational performance, as well as the opportunities and related risks faced by the Group. It further demonstrates how these risks and opportunities underpin our business model, strategic objectives, governance structures and remuneration policy.

MATERIALITY

Materiality has been applied in determining the scope and content of the integrated annual report, to ensure the report focuses on information that the directors believe is material to its stakeholders' understanding of the business and its ability to create sustainable value over the short, medium and long term. In determining materiality and material issues, the Board takes into account the macroeconomic environment, changing industry and consumer trends, and the expectations and concerns of stakeholders. Material issues are also considered with reference to the Group's underlying capitals, which impact its ability to create value over time.

Materiality is determined, reviewed and approved annually by the Board. The Board considers those matters that could substantially affect the Group's ability to create value over time and materially impact the Group's current and projected revenue and profitability. These material matters include:

- Consumer environment
- Competitive environment
- Effectiveness of our procurement and distribution channel
- Food and other health and safety standards
- Effective execution of our strategy and long-term sustainable value creation
- Effectiveness of our information systems and technology
- Building and retaining a talented and diverse retail team
- Volatility of the Group's Rest of Africa division

For more insight into our materiality determination process, see the diagram on page 32 of this report.

→ ABOUT THIS REPORT

This report covers the integrated financial and non-financial performance of Pick n Pay Stores Limited and its subsidiaries and associate (the Group).

For more detail on the scope and boundary of this report, including forward-looking information, assurance, report structure and feedback, and distribution through online reporting, please refer to pages 102 to 103.

Any comments or requests for additional information can be emailed to our Company Secretary at demuller@pnp.co.za.

NAVIGATING OUR REPORTING SUITE

Our six capitals

Our ability to create long-term sustainable value for stakeholders depends on the use of various capitals within our business. The International Integrated Reporting <IR> Framework supports integrated financial reporting, and, in particular, the reporting of the Group's business model across these six forms of capital. Refer to "Our business model" on pages 20 to 21 for more information.



Our key stakeholders

The Group is committed to open and constructive engagement with all our stakeholders. Our business model and strategy are designed to consider and address the issues and concerns most relevant to our key stakeholders. Refer to the "Engaging with our stakeholders" section on pages 38 to 41 for more information.



Our business acceleration pillars

The second stage of our strategic long-term plan is organised around seven business acceleration pillars. These pillars represent the material growth opportunities that can materially affect our ability to create value over the short, medium and long term. Refer to our "Strategic focus" section on pages 44 to 51 for more information.



To best meet the needs of our various stakeholders, we produce a suite of publications that are tailored to meet our readers' specific information requirements, and comply with the reporting frameworks detailed below.

Integrated annual report 2018

A review of the Group's strategy, material issues, risks and opportunities and our operational and financial performance for the period. The report includes relevant extracts of the 2018 annual financial result, disclosure on environmental and social sustainability, our governance structures and our remuneration report.

- The King IV Report on Corporate Governance™ for South Africa 2016 (King IV™)
- The Global Reporting Initiative's Standards (for reporting non-financial information)
- The Companies Act, No 71 of 2008, as amended (Companies Act)
- The JSE Listings Requirements
- International Financial Reporting Standards (IFRS)
- The International Integrated Reporting <IR> Framework

Annual financial statements 2018

The audited Group and Company annual financial statements for Pick n Pay Stores Limited for the 2018 financial period. The report includes our audit, risk and compliance committee and directors' reports.

- Companies Act
- The JSE Listings Requirements
- IFRS
- King IV™

Corporate governance report 2018

A review of the Group's commitment to good corporate governance in the implementation of the Group's strategy and governance framework. The report includes our notice of the annual general meeting and Board committee reports.

- King IV™
- Companies Act
- The JSE Listings Requirements

Summarised results and 2018 AGM notices

A high-level review of our operational and financial performance, including summarised audited Group annual financial statements, remuneration report, relevant shareholder information, and notice of the annual general meeting and proxy voting form.

- Companies Act
- The JSE Listings Requirements
- IFRS
- King IV™

Sustainable living report 2017

This report is published in full every two years, and details our sustainability strategy and performance against strategic non-financial targets.

- King IV™
- The Global Reporting Initiative's Standards

Online version available on our website: www.picknpayinvestor.co.za

Print version available



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ABOUT US

KEY FACTS

20%
compound annual
growth in earnings
over the past five years

R81.6 billion
turnover

85 000
employees

1 685
stores

R7.6 billion
capital investment over
the past five years

95%
fresh produce procured from
South African suppliers

More than 400 000
jobs sustained through the
reach of our supply chain

7 million
loyalty customers

50%
recycled store waste

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
stores in South Africa, Namibia,
Botswana, Zambia, Swaziland
and Lesotho. In addition,
Pick n Pay owns a 49% share
of Zimbabwean supermarket
chain, TM Supermarkets.

Pick n Pay is a retail business in the fast-moving consumer goods industry on the African continent that believes doing good is good business. Pick n Pay operates through multiple store formats under two brands – Pick n Pay and Boxer – and we have the largest online grocery business in Africa.


We procure quality products at the best available prices. By operating a lean and efficient business, supported by a strong and talented team, we are able to provide our customers with a tailored range of high-quality food, grocery and general merchandise products at competitive prices.


Through ongoing investment in the customer offer, we are able to drive sales and grow value for all our stakeholders.

For further information on our business model and the value we create, refer to pages 20 to 23.

OUR MISSION

We serve 

With our hearts we create
a great place to be 

With our minds we create an
excellent place to shop 

OUR COMMITMENT TO CONSUMER SOVEREIGNTY

We keep customers at the heart of our business. This philosophy informs everything we do, from how we treat our customers, to the product range we offer, and how we design our stores. Putting the customer first means we work hard to understand their diverse and changing needs and how we can serve them better. Through our Pick n Pay and Boxer brands, the Group serves customers across the diverse spectrum of South African society, and is expanding its reach into the African continent. More than half of all South Africans shop regularly in our stores and we have some of the most loyal customers in the country.

OUTSTANDING STORES AND FLEXIBLE FORMATS

The Group operates on both an owned and franchise basis and has 1 685 stores across all formats, including its investment in TM Supermarkets in Zimbabwe. Our store formats range from large hypermarkets, where customers can buy everything under one roof, through to small convenience stores, where customers can shop quickly for their immediate needs. In addition, our online platform, gives customers the opportunity to shop from their homes and have their order delivered to their door in one-hour time slots.

OUR LEADING CUSTOMER OFFER

Our customer offer focuses on food, non-edible groceries, health and beauty products, clothing, liquor, pharmaceuticals, building and hardware and general merchandise. The offer also includes value-added services such as third-party bill payments, ticketing services and financial transactions at till points. In addition to manufacturer-branded products, we have a growing own-brand range, in both Pick n Pay and Boxer, to suit every customer's budget. We are focused on delivering good quality at great prices and we appeal broadly across all sectors of society. We seek to move hand-in-hand with the changing needs and aspirations of our customers.

OUR WINNING TEAM

We employ 52 000 people in our company-owned stores and operations. Our franchise stores extend this to 85 000 people working under the Pick n Pay and Boxer banners in seven countries. Working at Pick n Pay is more than a job; it is an opportunity to learn, develop new skills and benefit through teamwork. We are committed to training, developing and empowering our people.

WHAT SETS US APART

WHAT SETS US APART

OUR FOCUS ON BUSINESS EFFICIENCY

Greater operating efficiency provides headroom for us to invest in improving the customer experience. We work in partnership with suppliers and service providers to provide value and convenience for our customers. The scale of our business allows us to give our suppliers sufficient volume so that they can plan and manage their operations to reduce costs. We procure, transport, store and display our products as efficiently as possible to keep costs to a minimum. Our focus on centralisation across all areas of the business has increased our business efficiency.

WORLD-CLASS TECHNOLOGY

The Group benefits from an outstanding information technology infrastructure, with an end-to-end SAP system, which allows for automated and centralised processing, including the forecast and replenishment of inventory. Our point-of-sale system ably supports our Brand Match campaign, personalised discount vouchers, and has contributed to our Smart Shopper loyalty programme being voted South Africa's favourite loyalty programme for the past five years.

OUR VISION TO BE A TRULY AFRICAN RETAILER

Pick n Pay has 144 stores outside South Africa, which generated segmental revenue of R4.6 billion this year and contributed meaningfully to our profits. We tailor our ownership model in each country to what is appropriate for the local market, whether establishing owned stores, franchised stores or a part-investment in an independent operation. With established operations in Botswana, Lesotho, Namibia, Swaziland, Zambia and Zimbabwe, the Group is working on plans to bring Pick n Pay to Nigeria over the next two years.

A GROWING CENTRALISED SUPPLY CHAIN

The Group operates 12 distribution centres across the country catering for groceries, fresh and perishable produce, and clothing. Our two largest distribution centres are Longmeadow in Gauteng and Philippi in the Western Cape, both distributing fresh produce, perishables and groceries.

OUR BELIEF THAT DOING GOOD IS GOOD BUSINESS

Customers reward those businesses that they believe are at the heart of society and who give back to the communities they serve. As customers reward us with their loyalty, we are able to grow, serve more customers, generate more jobs, and help more communities – whether by supporting communities or groups during times of crisis, helping to develop local suppliers and small businesses, or tackling societal challenges such as obesity and climate change.

THE VALUE WE CREATE

Our belief that doing good is good business ensures that we are focused not only on creating value for our shareholders, but for all our stakeholders. For over five decades Pick n Pay has played a valuable role in the economic and social development of Southern Africa. We make a positive direct contribution to the communities we serve through the supply of high-quality, affordable food, clothing and merchandise, and provide significant employment and economic opportunity across our value chain. We add to this value through our comprehensive sustainability strategy, which is inextricably linked to our business strategy. The infographic below illustrates how our sustainability strategy is aligned with our stakeholder needs and with the seven United Nations Sustainable Development Goals (SDGs) most relevant to our business.

OUR SUSTAINABLE BUSINESS FOCUS AREAS



THE SEVEN SDGs MOST RELEVANT TO OUR BUSINESS



For more detail on our business model and the value we have created, please refer to pages 20 to 23.

Read more about the seven SDGs and our sustainable business focus areas in our Sustainable Living Report, online.

OUR ENDURING VALUES

Pick n Pay is a much-loved brand, valued within society, built on a genuine desire to make life better for our customers and to make a positive contribution to the communities in which we live and work. Our strong and unique family values have guided the business for more than 50 years, providing a solid foundation for growth, innovation, service excellence and generosity.

We are passionate about our customers and will fight for their rights

We care for and respect each other

We foster personal growth and opportunity

We nurture leadership and vision, and reward innovation

We live by honesty and integrity

We support and participate in our communities

We take individual responsibility

We are all accountable

OUR FOOTPRINT AND FORMATS

Our expansion programme is focused on growing the business by opening stores that reflect the changing habits and needs of our customers and which will bring new customers and communities into the Pick n Pay family.

NUMBER OF STORES

COMPANY OWNED	26 February 2017	Opened	Closed	Converted openings	Converted closures	25 February 2018
Pick n Pay	661	72	(13)	4	(2)	722
Hypermarkets	20	–	–	–	–	20
Supermarkets	237	10	(2)	1	(2)	244
Local	31	9	(3)	1	–	38
Clothing – standalone	156	29	(2)	–	–	183
Liquor	214	24	(5)	2	–	235
Pharmacy – standalone	3	–	(1)	–	–	2

Boxer	229	22	(5)	1	(1)	246
Superstores	144	10	(1)	–	(1)	152
Build	31	3	(3)	–	–	31
Liquor	34	9	–	–	–	43
Punch	20	–	(1)	1	–	20

Total company owned	890	94	(18)	5	(3)	968
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FRANCHISE	26 February 2017	Opened	Closed	Converted openings	Converted closures	25 February 2018
Pick n Pay						
Supermarkets	299	7	(7)	2	(2)	299
Family	279	7	(5)	2	(2)	281
Mini-markets	19	–	(2)	–	–	17
Daily	1	–	–	–	–	1
Spaza	6	8	–	–	–	14
Express	111	9	(1)	–	–	119
Clothing – standalone	17	–	–	–	–	17
Liquor	181	35	(3)	–	(2)	211
Total franchise	614	59	(11)	2	(4)	660

GROUP	26 February 2017	Opened	Closed	Converted openings	Converted closures	25 February 2018
Total Group stores	1 504	153	(29)	7	(7)	1 628
TM Supermarkets – associate	56	1	–	–	–	57
Total with TM Supermarkets	1 560	154	(29)	7	(7)	1 685

REST OF AFRICA FOOTPRINT	26 February 2017	Opened	Closed	25 February 2018
– included in total stores	140	6	(2)	144
Pick n Pay company owned	17	–	–	17
Boxer company owned	5	2	–	7
Pick n Pay franchise	62	3	(2)	63
TM Supermarkets – associate	56	1	–	57
– by country	140	6	(2)	144
Botswana	12	–	–	12
Lesotho	3	–	–	3
Namibia	38	2	(2)	38
Swaziland	14	3	–	17
Zambia	17	–	–	17
Zimbabwe	56	1	–	57

The Group is intent on being the retailer of choice for all the communities it serves.

GEOGRAPHIC FOOTPRINT

SOUTH AFRICA

1 541 stores

ZIMBABWE

57 stores

NAMIBIA

38 stores

ZAMBIA

17 stores

BOTSWANA

12 stores

SWAZILAND

17 stores

LESOTHO

3 stores

NIGERIA

Planned expansion

GHANA

Opportunity for expansion

1 685
STORES

Across all formats
and seven countries,
including our investment
in TM Supermarkets
in Zimbabwe.



OUR STORE FORMATS



Pick n Pay is a multi-format, multi-channel retailer with a strong and diverse portfolio of stores.

Pick n Pay is an inclusive brand, not aimed at serving a single customer demographic, but focused on being the retailer for all – from the most affluent in society to those who are less fortunate and for whom price is of the utmost importance. The middle-income South African consumer, however, makes up the largest portion of our customer base. Pick n Pay operates on both an owned and franchise basis, providing a wide range of products and value-added services, and includes an online offering. Pick n Pay is focused on delivering an exceptional customer offer, including range, quality, price, availability and service. Pick n Pay has a strong growth plan, benefiting from the flexibility of its formats and its leaner operating model, and will focus on bringing its offer to communities where we are not yet well represented, including through small convenience stores.

Seven
countries

Nine
store formats
(including online)

1 382
stores



7
countries

543
stores
(244 owned,
299 franchise)

3 000
average m²

17
new stores

South Africa
country

20
owned stores

15 000
average m²

South Africa
country

38
owned stores

1 000
average m²

9
new stores

South Africa
country

119
franchise stores

300
average m²

9
new stores

PICK N PAY SUPERMARKETS

Pick n Pay supermarkets offer a wide range of groceries, as well as a targeted range of clothing, general merchandise and value-added services. Customers can buy everything they need, from a quick daily top-up to a larger weekly or monthly bulk shop. Fresh produce and butchery offerings are complemented by an in-store bakery, deli and hot food counter. Pick n Pay supermarkets serve a wide range of communities, from lower and middle-income families to the most affluent households. Product ranges are tailored to meet the needs of customers. Some stores focus on basic necessities and local produce while others boast specialty service counters, wine rooms, flower markets and sushi bars. Pick n Pay supermarkets trade under the Pick n Pay, Family, Daily and Mini-market banners.

PICK N PAY HYPERMARKETS

Pick n Pay's largest format store, providing customers with an expanded range of groceries, clothing, liquor and general merchandise. A hypermarket is a "one-stop shop" offering fresh produce, a butchery, deli, bakery and hot food counter, plus specialist categories not always available in a supermarket, such as appliances, kitchenware, home improvement, garden and pool accessories, toys and an expanded health and beauty range. These retail sites are large, catering for destination shoppers, with wide aisles and ample parking. Prices are very competitive, leaning towards multi-pack and bulk-buy items and a wholesale offering.

PICK N PAY LOCAL

Pick n Pay Local stores offer neighbourhood convenience, serving a range of communities, focused on lower and middle-income families. A Local store has a much smaller range than a traditional supermarket, tailored specifically to the community it serves. The range is focused on fresh and convenience, and can include a bakery and butchery. Customers can pop in quickly for a daily top-up, but can still choose from a tailored grocery and general merchandise offer for a larger weekly shop.

PICK N PAY EXPRESS

Pick n Pay'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 on BP service station forecourts in South Africa. Pick n Pay Express offers a targeted convenience range that satisfies an immediate top-up shop or a quick meal solution. The range is limited and is mainly focused on daily needs. These sites are located in high-traffic-flow areas, including high-density residential areas and public transport intersections.



Turn page for more Pick n Pay formats.



4
countries
200
standalone stores
(183 owned, 17 franchise)
450
average m²
29
new stores

South Africa
country
delivery within
24 hours
Pick your
one-hour
delivery slot

6
countries
446
stores
(235 owned, 211 franchise)
200
average m²
59
New stores

South Africa
country
29
in-store pharmacies
(26 owned, 3 franchise)
2
standalone stores

South Africa
country
14
partner stores
70 – 300
average m²
8
new stores

PICK N PAY CLOTHING

Pick n Pay Clothing provides the whole family with quality, fashionable clothing and footwear at exceptional prices. Our clothing offer is broad, from baby and children's wear to men's and ladies' fashion – including casual wear, sleepwear, active wear and more formal attire. Our own brand, Real, is complemented by our exclusive rights to the international brands Cherokee and Maui & Sons. Our standalone clothing stores provide the same quality and value for money clothing merchandise as our hypermarkets and supermarkets, but with an extended range.

PICK N PAY ONLINE

Our online shopping platform at www.pnp.co.za is a small but growing part of the Pick n Pay business. Pick n Pay is the largest online grocery retailer in Africa. The division is winning customers by offering online convenience, good availability and delivery in one-hour time slots. The online offer in the Western Cape and Gauteng has been expanded through the establishment of dedicated online picking warehouses.

PICK N PAY LIQUOR

Our liquor stores are situated close to our supermarkets and hypermarkets but with separate entrances. These stores offer a range of wine, spirits and beer, including trendy and innovative local craft products. These liquor stores provide customers with the added convenience of purchasing liquor at the same time as doing their grocery shopping.

PICK N PAY PHARMACY

We are committed to giving our customers convenient and affordable basic healthcare by providing a wide range of vitamins, supplements, sports nutrition, self-medication, medical services, clinics and dispensaries.

PICK N PAY SPAZA

Our "Spaza-to-Store" partnership with the Gauteng Government's Department of Economic Development provides spaza shop owners with access to Pick n Pay's procurement and distribution channel, business systems and technology and management advice and mentoring. Our partnership with spaza entrepreneurs across Gauteng and the Western Cape has revitalised and modernised their stores and delivered strong growth.



14
PARTNER
STORES

The Pick n Pay franchise model is an effective route for emerging entrepreneurs to create and build their own businesses, leveraging the buying, distribution and system infrastructure of Pick n Pay, as well as benefiting from tailored mentoring and business advice.

CASE STUDY: FROM SPAZA TO STORE

Our Glenridge Spaza store can be found on a busy intersection in Soweto. We have brought shopping into the very heart of the community. By doing so we have cut the cost of travel – allowing community members to spend more on food and necessities.

Since 2016, Pick n Pay has led a collaborative partnership with Government and other strategic partners to help revitalise small, independent township grocers to regenerate their stores and turn them into thriving neighbourhood convenience stores.

The neighbourhood convenience format is one of the fastest-growing grocery retail formats worldwide, and a spaza shop is essentially such a format. By bringing together the benefits of our supply chain, systems capability, value-added services and loyalty programme in partnership with a spaza owner's local knowledge of the needs of customers in the neighbourhood, we are able to bring something special to customers – state-of-the-art grocery retailing in an extremely convenient neighbourhood location. Importantly, we are helping neighbour customers access the goods they need close to home, which reduces the need to travel for their shop.

Our first pilot store opened in February 2016 and we now have 14 Spaza partners across townships in Gauteng and the Western Cape. Each revitalised store has received a great response from its surrounding community, with strong earnings and profit growth. Successful township businesses help the broader community by creating jobs and encouraging the development of a wide range of skills, including technology and customer service, as well as specific retail skills in butchery, bakery and other areas. The project is in its infancy, but it gives small traders the opportunity to become successful and sustainable business owners and provides Pick n Pay an important opportunity to play a positive role in growing the informal retail market in South Africa.



Boxer is fast becoming South Africa's leading limited-range discount supermarket.

Our Boxer stores provide a "one-stop shop" for middle to lower-income shoppers in South Africa and Swaziland.

Boxer offers a tight range of quality products and services at very affordable prices. Stores offer essential daily commodities such as maize meal, rice, samp, sugar, oil and beans, as well as perishables, health and beauty, general merchandise and bulk-buy offers. The stores also offer fruit and vegetables, butcheries, bakeries and deli sections providing a choice of prepared convenience meals.

There are no franchise stores under this brand. While Boxer has reach across all nine provinces in South Africa, its geographical heartland is KwaZulu-Natal and the Eastern Cape. Boxer will continue to grow and expand in areas where the Group knows it can serve the needs of communities through its wide product range, affordable prices and community-rooted staff.

South Africa and Swaziland countries

Four store formats

246 stores



South Africa and Swaziland countries

152 owned stores

1 850 average m²

10 new stores

South Africa country

20 owned stores

400 average m²

South Africa country

31 owned stores

550 average m²

3 new stores

South Africa and Swaziland countries

43 owned stores

185 average m²

9 new stores

BOXER SUPERSTORES

Boxer Superstores are full-service supermarkets offering a focused range of groceries. The fresh produce offering is complemented by an in-store butchery, bakery and hot foods counter. The target markets are middle to lower-income urban, peri-urban and rural communities of South Africa and Swaziland. All stores are located close to public transportation hubs and have a welcoming market-style atmosphere.

BOXER PUNCH

Boxer Punch is a smaller-sized supermarket located in compact sites that have considerable customer foot traffic. The store has a lower-cost operating model, enabling the business to further reduce the selling prices of products. Boxer Punch stores offer a limited but specific range of convenience products, including basic commodities, prepacked frozen and fresh meat, and a limited range of breads and confectionery.

BOXER BUILD

Boxer Build stocks a diversified range of building and hardware supplies, satisfying home owners' and builders' DIY and home improvement needs at the most competitive prices. Boxer Build stores offer savings cards and access to short-term credit facilities. Delivery of purchases can also be arranged at store level.

BOXER LIQUORS

Boxer Liquor stores are situated close to Boxer supermarkets, 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.



The Group has a 49% investment in its associate TM Supermarkets in Zimbabwe.

TM Supermarkets, trading under TM and Pick n Pay, is one of the most trusted retailers in Zimbabwe. With its pay-off line "Real Value Always", customers are offered a wide range of groceries and perishables, with a limited range of general merchandise and a fresh offering that caters specifically for the communities they serve, at competitive prices. TM Supermarkets draws its customers from all communities and income groups across Zimbabwe, while store formats range from convenient small supermarkets to larger supermarkets.

57 supermarkets in Zimbabwe

40 trading as TM



17 trading as Pick n Pay





OUR BUSINESS MODEL

Our business model describes how the Pick n Pay Group creates long-term sustainable value for all its stakeholders – through the effective and balanced use of our capitals, while keeping the customer at the centre of everything we do. Our business model is underpinned by strong corporate and social governance, with our unique values at its core.

OUR CAPITALS

- Financial capital**
The financial resources raised and utilised by the Group, consisting of equity and debt funding, and earnings generated and retained by the Group.
- Manufactured capital**
The physical infrastructure used in the Group's operations, which includes its real estate, distribution channel and the information technology used throughout the Group.
- Intellectual capital**
The knowledge, systems, processes, intellectual property and brands contained within the Group.
- Human capital**
Our valued Pick n Pay and Boxer staff, with their skill, talent, ambition and diversity, that underpin a winning team.
- Social and relationship capital**
The relationships the Group has developed with all its stakeholders, governed by its values and the enduring principle that doing good is good business.
- Natural capital**
The environmental resources utilised throughout the Group's operations, through its production, distribution and retailing of consumer products.

OUR PRIMARY BUSINESS ACTIVITIES AND VALUE DRIVERS

The Group is a food, grocery, clothing and general merchandise retailer, selling a wide range of products at competitive prices under our Pick n Pay and Boxer brands. The Group's operating model utilises its capital inputs in its retail operations in the most effective and efficient manner in order to optimise its capital outputs and outcomes for all.

- Leading product range at competitive prices
- High-quality stores within customer reach
- More convenience, including value-added services

See how our strategy is aimed at supporting our competitive customer offer on page 45.



The Group has created value for our stakeholders for over 50 years. Our business model maintains a virtuous circle which balances the needs of our stakeholders in a fair and effective manner while managing the trade-offs between our capitals.

This virtuous circle enables growing and sustainable returns for shareholders, while supporting ongoing investment in the communities which we serve and meaningful reinvestment into our business and our people.

- Customer focused
- Talented and diverse retail team
- Employment through growth

See how our strategy is aimed at building a winning team on page 48.



- Buying better for our customers
- Ethical sourcing and food safety
- Securing sustainable future supply

See how our strategy is aimed at supporting our effective sourcing and buying of products on page 48.



Competitive customer offer

High-performance team

Source and buy products effectively

Cost-effective and efficient operations

Invest in our communities

Serve customers and drive sales

- An increasingly efficient supply chain
- Lean operating model in stores and support offices
- Most attractive franchise model

See how our strategy is supporting efficient and cost-effective operations on page 47.



The economic and social upliftment of the communities we serve leads to growth for all.

Our successful strategy supports investment in our communities, in line with our ethos of doing good is good business. See pages 44 to 51.



Most inclusive retailer in South Africa, serving customers across the diverse spectrum of African societies.

See how our strategy is aimed at driving sales and serving our customers on pages 45, 46 and 49.



In this way, Pick n Pay meets the changing needs of its customers and other stakeholders and ensures long-term value creation.

Our capital outputs include the wide range of products and services that we sell to our customers under our Pick n Pay and Boxer brands – this includes food, groceries, clothing, general merchandise and other value-added services. As a result of our retail operations, we produce by-products and waste, and we remain committed to reducing our environmental impact.

OUR CAPITAL OUTCOMES

Financial capital

A tough trading year resulted in muted turnover growth of 5.3%



Successful strategic initiatives drove improvements in our customer offer, resulting in strong quarter four turnover growth of 7.3%



Gross profit margin maintained at 18.7%, with operating efficiency supporting price investment



Manufactured capital

Reached new customers and communities by opening 125 net new stores



Improved our customer offering through the refurbishment of 61 company-owned stores and opening of two new distribution centres



Intellectual capital

Modernised our Smart Shopper loyalty programme



Strengthened procurement through buy better programme



Launched Pick n Pay Fast Pay



Partnered with TymeDigital to launch low-cost banking services



Launched our new mobile-enabled online shopping website



Introduced 730 new or refreshed own-brand products in store



Human capital

Pick n Pay implemented a voluntary severance programme (VSP), reducing its workforce by 10%, which has improved the productivity and efficiency of the Pick n Pay team



Delivered 31 595 training interventions, reaching almost 11 000 staff



Social and relationship capital

Partnered with eight new spaza store owners, bringing safe, modern and high-quality grocery offer to previously underserved customers



Supported our communities by assisting learners through Pick n Pay School Clubs and raising funds through Pick n Pay Pink Walks for breast cancer research



Natural capital

Energy use per square metre reduced by 37% compared to our 2008 baseline, a 3% improvement on last year



We diverted 54% of our waste from landfill, a total of just over 18 000 tonnes



Substantive action taken to reduce our water consumption, with a 13% decrease on last year



Strong performance

Satisfactory progress

Read on to find out more about our capital trade-offs and the value we create.

THE VALUE WE CREATE

OUR CAPITAL TRADE-OFFS

Our stakeholders have competing interests and needs. Similarly, there is interdependence between our capitals. Below are a few examples of some of the trade-offs that have been necessary in our business to create greater shared value for all:

Efficient and productive labour force
We are committed to becoming leaner, fitter and better for customers. This requires ongoing streamlining of employee and other operational structures.

↑ ↓

Product availability
We maintained consistent on-shelf availability during 2018 – ensuring customers can always find what they need in our stores. This requires investment in higher levels of inventory, which can lead to wasted produce if customer demand does not meet expectation. Automated forecast and replenishment systems are improving our performance in this area.

↑ ↓

Responsible procurement
We continue to invest in building a diverse and ethical supply base to support sustainable farming. Our investment includes the development of small emerging local businesses, including the growth of our private label range of products.

↑ ↓

Food safety
We are committed to providing customers with safe, high-quality food in a safe and secure shopping environment. This requires ongoing investment in best practice health, safety and security standards.

↑ ↓

Economic upliftment of employees
In 2018, the Group purchased shares to the value of R423.4 million under its employee share incentive schemes, delivering substantial wealth creation for employees at all levels.

↑ ↓

Growing outside South Africa
We believe opportunities outside South Africa will provide us with a second engine for growth. However, expanding our footprint into the rest of Africa does not come without risk, including the operational challenges of trading in a new environment and the risk of foreign currency movements.

↑ ↓

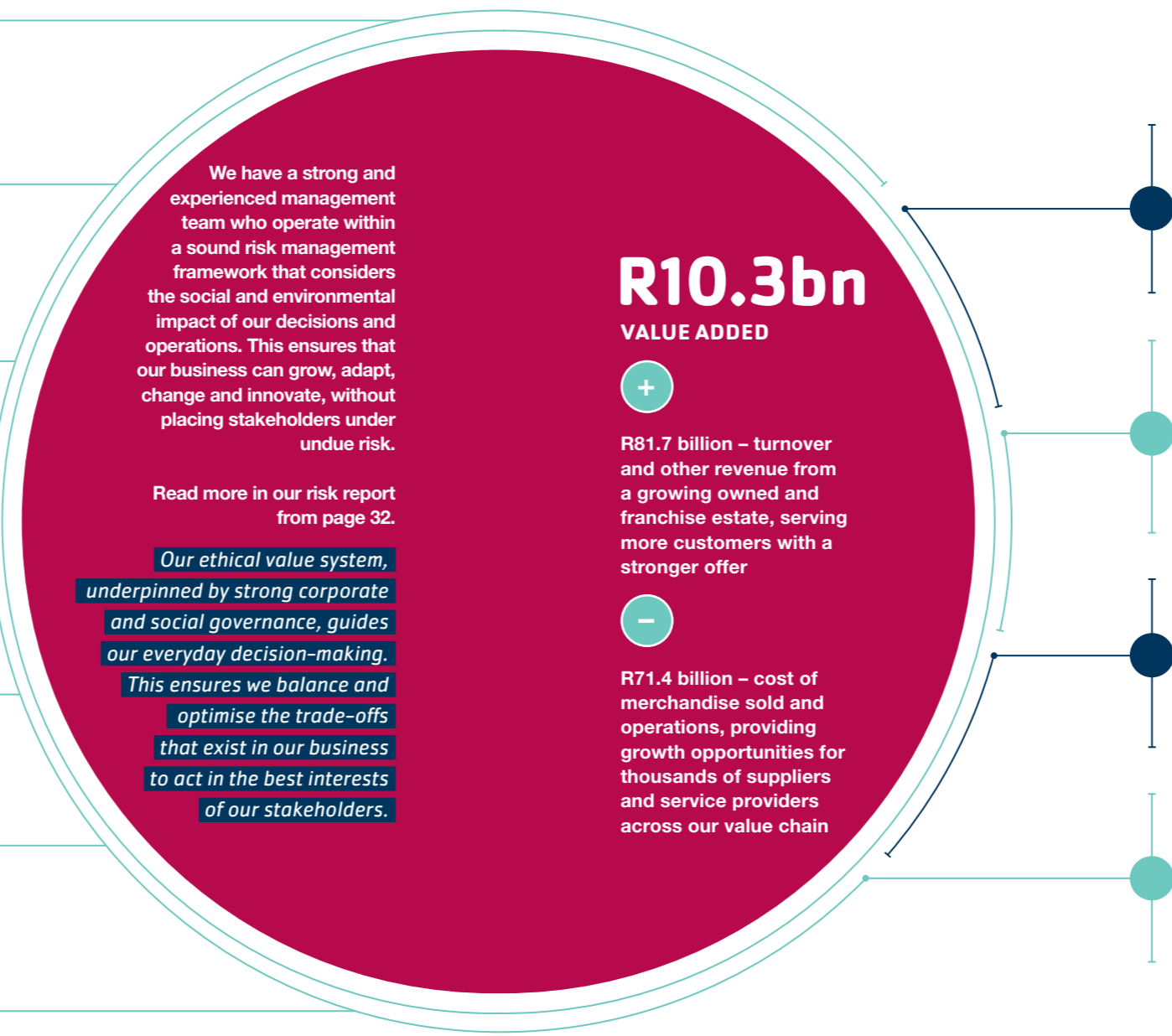
Reducing our impact on the environment
To find more energy-efficient and environmentally friendly ways to do business, we invest in energy-efficient lighting and refrigeration, rain water harvesting and recycling initiatives across our stores and distribution centres.

↑ ↓

THE VALUE CREATED AND DISTRIBUTED AMONG OUR VARIOUS STAKEHOLDERS

We create substantial economic development and employment opportunity across our value chain through the creation and distribution of wealth among our various stakeholders.

We procure goods and services from suppliers and service providers. We provide direct employment to more than 80 000 people across our owned and franchise business. We give back to the communities in which we operate through investment in education and literacy programmes, housing, nutrition and poverty-relief schemes, and through the support of cultural and theatrical projects, sports development and environmental programmes.



- R6.7 billion**
for our employees – providing economic upliftment and job security
- R0.5 billion**
paid in Government taxes and over R30 million invested in CSI initiatives – for the social upliftment of our communities
- R1.6 billion**
to providers of capital – generating long-term sustainable returns
- R1.5 billion**
reinvested for future growth – for the benefit of all stakeholders



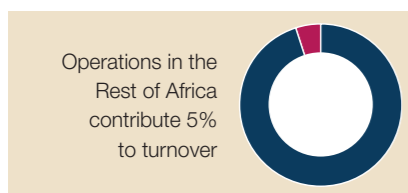
PICK N PAY IN CONTEXT

- 26 Our economic environment
- 29 Case study: Developing and retaining skills
- 30 Key consumer trends and our response
- 32 Material issues, risks and opportunities
- 38 Engaging with our stakeholders

OUR ECONOMIC ENVIRONMENT

The retail market in South Africa is diverse and is marked by wide disparities in income and geography. The Pick n Pay Group, with a celebrated history of more than 50 years in South Africa, benefits from broad-appeal across all socio-economic groups and strong brand loyalty in the grocery retail market.

CORE SOUTH AFRICAN OPERATIONS CONTRIBUTE 95% TO TURNOVER



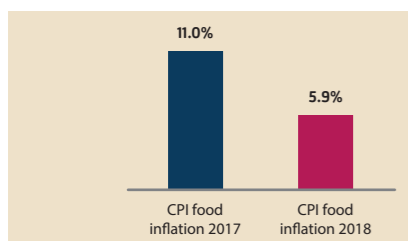
SOUTH AFRICAN RETAIL ENVIRONMENT

Real GDP growth of 0.9% in 2017

Unemployment of 27%

Lower level of inflation in 2018, with CPI food falling from 11.0% in 2017 to 5.9% in 2018

Retail sales growth of 4.8% year on year in the first quarter of 2018



A number of retailers operate across the formal and informal markets of South Africa. The food and grocery market in South Africa is complex and difficult to measure precisely. This partly reflects the fact that the market has a large and enduring informal sector. The total market has an estimated value of R870 billion, with approximately 60% of the market considered formal, and 40% informal. Five large retailers, including the Pick n Pay Group, account for approximately 55% of the formal market in South Africa. With turnover of R77.8 billion from its South African segment, Pick n Pay has a share of approximately 9% of the total market, and 15% of the formal market. The informal market is made up of a broad range of small, independent shops, community buying groups and other outlets.

The 2018 financial year was once again characterised by a tough economic climate and constrained consumer spending, with real gross domestic product (GDP) growth in South Africa of just 0.9% over the 2017 calendar year. Political uncertainty over the first three quarters of the year, together with elevated levels of unemployment and a growing budget deficit led to credit agencies Fitch and Moody's downgrading South Africa to sub-investment grade. Consumers continued to exercise prudence in this environment particularly around discretionary spend, becoming increasingly price conscious and value driven.

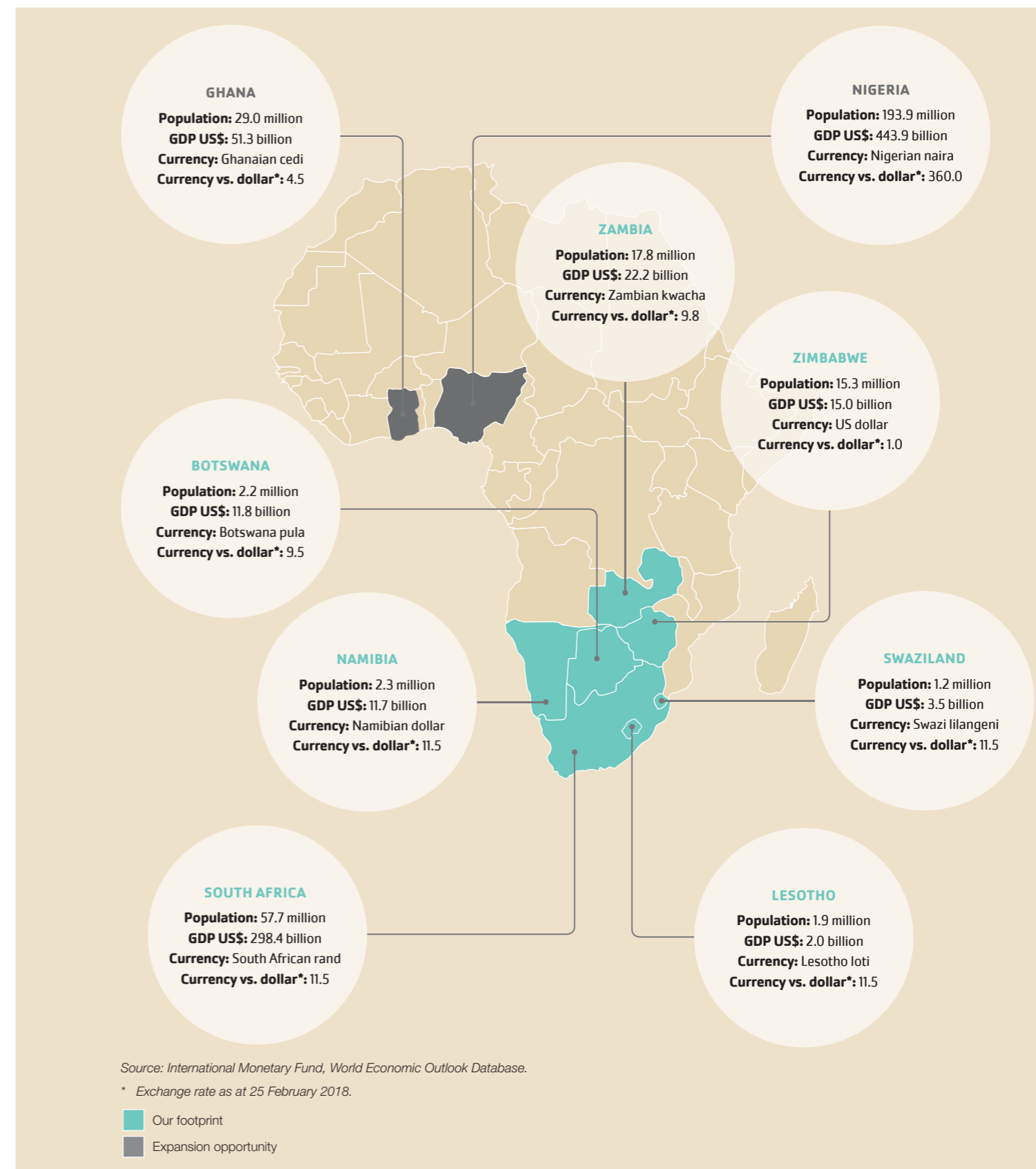
The Group responded to the tough consumer environment through decisive action on cost and efficiency in order to unlock savings that could be invested in delivering greater value to our customers. The Group delivered substantial investment in meaningful price cuts across 2 000 everyday grocery items, and restricted its internal selling price inflation to 2.2% for the year (2017: 6.1%), well below consumer price index (CPI) food inflation of 5.9% (2017: 11.0%).

Our work on pricing could not have come at a more significant time. It is estimated that 84% of South African households subsist on incomes of less than R20 000 (\$1 700) per month. Price is absolutely key for these families, with the vast majority of our customers looking to stretch their grocery budgets by looking for the best deals on staple commodity products and the lowest pricing on fresh produce and butchery items, including through combination deals. Many of our customers rely on public transport, and these associated costs can be prohibitive, with customers needing convenient and accessible shopping locations close to their homes, work or public transport hubs.

In recent years, comparably strong retail growth has been recorded in the lower to middle-income segments of the market, notwithstanding the challenges faced by communities which make up this part of the market. These communities are resilient, dynamic and aspirational, and there has been good growth in retail sales where economic circumstances improve, even marginally (for example, through the availability of social grants). Pick n Pay and Boxer serve customers across all communities and income groups and are well positioned to capture the growth that a fitter and stronger South Africa will deliver.

Traditionally our Pick n Pay brand has been positioned in the more urbanised areas of South Africa, with particularly strong advocacy from South Africa's middle to upper-income consumer. However, there are still many geographic communities across the country, across all demographics, where Pick n Pay is not yet well represented, and we look forward to bringing our offer to these communities, whether they are in urban, peri-urban or more rural areas. The Group will continue to follow a measured approach to space growth, focusing on space that we are confident will drive sustainable financial returns. Our leaner, stronger operating model has significantly improved our ability to deliver sustainable new space, including through smaller, neighbourhood stores, which reflect the growing customer demand for convenience.

Boxer focuses on middle and lower-income customers and has delivered strong sales growth through resolute focus on price and value, a compact range and a high-quality meat and fresh produce offer.



SHORT-TERM CONSUMER OUTLOOK

- Low consumer confidence and restrained spend ←
- High unemployment ←
- Consumers looking for more value ←
- Higher levels of inflation, with inflationary pressure from rising fuel costs, a weaker rand and the recent VAT hike ←
- Real GDP growth forecast for 2018: 1.5% ←

LONG-TERM CONSUMER OUTLOOK MORE POSITIVE, SUPPORTED BY:

- Greater South African political stability under President Ramaphosa ←
- Improved outlook for economic growth and transformation ←
- A young population ←
- A growing consumer base ←
- Good infrastructure ←
- Robust and enduring institutions, with strong corporate governance ←

REST OF AFRICA

The Group has an established presence in Botswana, Lesotho, Namibia, Swaziland, Zambia and Zimbabwe (49% investment in its associate, TM Supermarkets). The Group's foreign operations contributed R4.6 billion of segmental revenue this year, up 7.7% on last year, notwithstanding difficult trading conditions in some of the regions in which we trade. It was another difficult year, specifically for our Zambian operation, with the region still battling the economic impact of a prolonged drought and a depressed copper price. However, stronger operational efficiency and tight cost control helped to temper the impact of this tough trading environment on sales growth. Notwithstanding the challenges in Zambia, the Group remains confident about its long-term prospects and will continue to build scale in the region and drive growth through a competitive customer offer. The Group's franchise operations continued to perform well, particularly in Namibia and Swaziland, while the outstanding performer of the Rest of Africa segment was TM Supermarkets. TM Supermarkets has trading momentum, delivering strong double-digit growth in a tough environment in Zimbabwe, characterised by import restrictions, poor stock availability and political uncertainty. TM Supermarkets is benefiting from a positive contribution from its Pick n Pay branded stores and increasing customer demand for Pick n Pay own-brand products. The Group has plans to expand its operations into Nigeria over the next two years. The ongoing formalisation of food and grocery retail across Africa will provide the Group with a second engine of growth in coming years.

OUTLOOK

The Group remains confident of the opportunity that exists within the business for higher sales through an improved customer offer, alongside improved efficiency and profit growth, regardless of the challenges facing South Africa and beyond. However, there is a great deal more political and economic optimism in South Africa than there was just a year ago. The country has a new leader at the helm, and President Ramaphosa has committed to greater levels of economic transformation and growth, including through improved levels of Government service delivery and the elimination of corruption and mismanagement of public funds. President Ramaphosa has indicated that the South African Government will seek closer collaboration with local and foreign business in order to stimulate local and foreign direct investment and combat unemployment in the country. Real GDP is forecasted to improve to 1.5% in 2018, with the Government's long-term sustainable real GDP growth target at 3.5%.

Local investment and job creation remains a strategic priority for the Group. Over the past three years we have invested R5.3 billion in opening and refurbishing stores and in building our supply chain and, as a result, we have created 13 700 net new jobs. The Group plans to invest a further R1.7 billion in the coming year, and in doing so we will create more sustainable job opportunities. We have, and will play, an important part in alleviating the levels of high unemployment in South Africa and in ensuring that the marginalised in our societies benefit from greater inclusion in the economic prosperity to come.

Ours is a growing business and we are confident of the long-term opportunities in the markets in which we operate, and of the valuable role we will play in uplifting the communities we serve.



330 TRAINING PROGRAMMES

Pick n Pay offers over 330 training programmes to employees, ranging from basic literacy and numeracy through to computer-based training and management and leadership programmes.

CASE STUDY: DEVELOPING AND RETAINING SKILLS

The sustainable success of any business depends on the quality of its people and processes.

A successful retail business is dependent on a skilled workforce. Good skills ensure effective and efficient management and delivery of our products and services, and better customer service. Staff who develop their skills are able to advance more quickly through the organisation and are more likely to stay with the Group. We offer over 330 training programmes to employees, ranging from basic literacy and numeracy through to computer-based training and management and leadership programmes. We operate a robust career development framework to help our employees to meet their career goals.

Our Chartered Accountant (SA) and graduate training programmes are aimed at attracting talented young people into the business and developing them to join our management team. Our corporate academy seeks to fast-track the development of a pool of managers for our stores. The training programmes provide exposure and experience in all areas of the business, including on-the-job training supported by formal training courses. Graduates are assessed throughout the programme for suitability and possible placement in various areas of the business.

To build our talent pipeline, we offer learnership programmes that focus on scarce skills, particularly in the bakery and butchery sectors. Up to 100 learners are taken on each year to complete first-level qualifications. We seek to attract young talent at local Technical Vocational Education and Training (TVET) colleges in order to build a pool of local, skilled workers that can be recruited into their local community stores. Our leadership development programmes, accredited by formal tertiary institutions in South Africa, have been very successful in providing the business with future leaders.



KEY CONSUMER TRENDS AND OUR RESPONSE

The Pick n Pay Group operates in a dynamic retail environment. By keeping our customers at the heart of our strategy, we are able to adapt quickly and respond to their changing needs.

PRICE AND VALUE

- Customers consistently demand lower prices and added value
- Customers are prepared to shop around for the lowest prices
- Customers expect to be rewarded for their loyalty, and seek personalised rewards

Our response: improved efficiency supporting price investment

- Increased operational efficiency is supporting meaningful and ongoing price investment
- Substantial price cuts across 2 000 everyday grocery items over the year
- Pick n Pay modernised Smart Shopper in March 2017, delivering a more cost-effective and relevant loyalty programme, offering greater personal discounts than ever before
- Boxer is securing value leadership in the lower-income communities of South Africa
- Providing greater access to affordable financial services, including money transfer and store accounts, at the lowest cost across the industry

Supported by strategic business acceleration pillars



CONVENIENCE

- Time-pressed customers are seeking out more convenience
- Customers are shopping closer to home, work and transport hubs in smaller convenience supermarkets
- Customers are shopping more regularly for smaller baskets, and are looking for smaller stores that they can move around in quickly
- Customers demand more added-value options, including pre-prepared convenience meals
- In order to save time, customers are seeking out value-added services at till

Our response: meeting the changing needs of our customers

- Our more efficient operating model has enabled the Group to successfully operate a smaller supermarket on a leaner cost base
- Our local and express formats are bringing Pick n Pay closer to customers
- The growth of our Boxer brand and our partnership with spaza shops in Gauteng, have brought a quality offering to some of the more informal communities of South Africa
- Pick n Pay is growing its own-brand offer, which includes a stronger ready-meal range for customers
- A compelling value-added services platform, with strong growth across all categories, including third-party bill payments and money transfers

Supported by strategic business acceleration pillars



ONLINE SHOPPING

- Customers are shopping via online retail platforms and mobile apps
- Customers are able to price check and shop promotions
- Online apps enable customers to maintain and update shopping lists
- Social media provides consumers with a powerful platform to review price, quality and range, and discuss changing trends and needs

Our response: investment in Pick n Pay online

- Ongoing investment in our online platform, with dedicated online warehouses in the Western Cape and Gauteng regions of South Africa, to improve our online offer for customers
- In-house management of the online delivery fleet to provide customers with reliable and on-time delivery service in one-hour time slots
- Extended delivery service hours in high-demand areas
- Launched new mobile-enabled Pick n Pay online website to provide customers with a quick and easy online shopping experience, with a 70% increase in customers accessing our online website from a mobile device

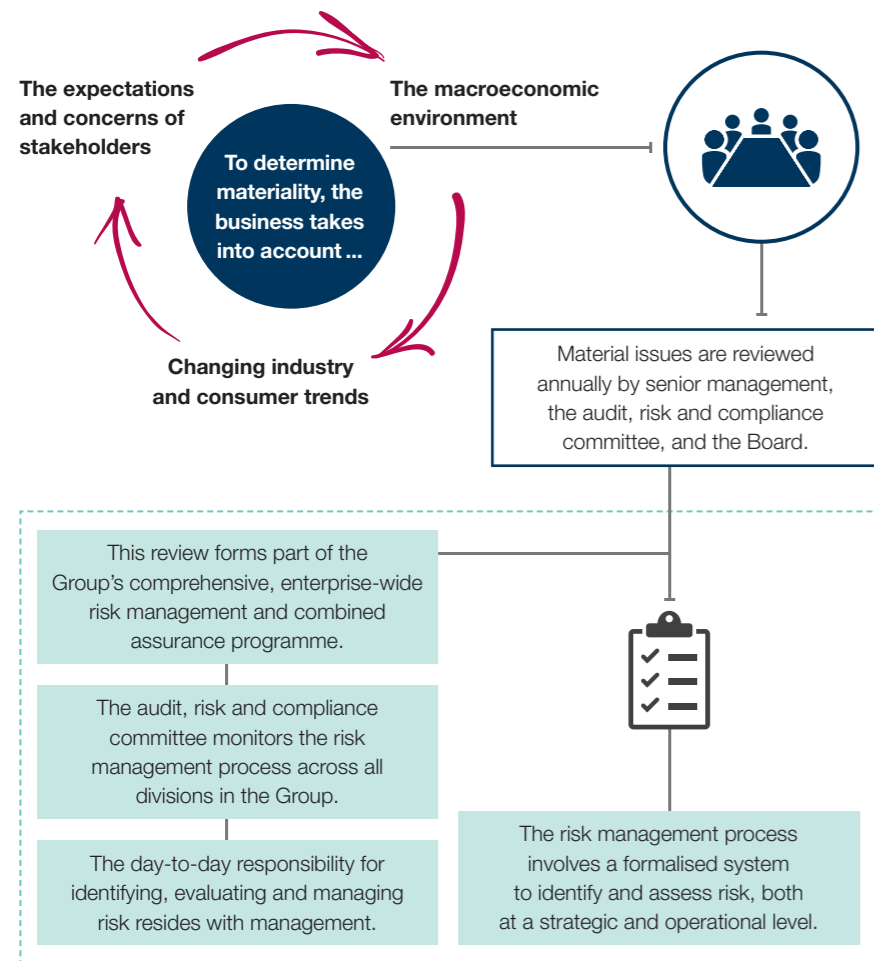
Supported by strategic business acceleration pillars





MATERIAL ISSUES, RISKS AND OPPORTUNITIES

OUR PROCESS FOR DETERMINING MATERIALITY, MATERIAL ISSUES, RISKS AND OPPORTUNITIES



OUR MATERIAL ISSUES

The Group agreed that all material matters identified in 2017 remained relevant for the 2018 financial year. The opportunities identified per material matter demonstrate how the risks are being mitigated, and where possible, are viewed as growth opportunities for the Group through its strategic long-term plan.

In the 2018 financial period, the following matters were considered to be material for the Group:

- Consumer environment
- Competitive environment
- Effectiveness of procurement and distribution channel
- Food and other health and safety standards
- Effective execution of strategy and long-term sustainable value creation
- Effectiveness of our information systems and technology
- Building and retaining a talented and diverse retail team
- Volatility of the Group's Rest of Africa division

These material matters are discussed in more detail on the following pages of this report.



For more information on the capitals, key stakeholders and business acceleration pillars impacted or informed by our material issues, risks and opportunities, please refer to page 5 of this report.

CONSUMER ENVIRONMENT

The South African economic environment has been challenging over recent years, with consumers grappling with debt, escalating household costs and higher levels of unemployment. Consumer confidence remains low, even with the renewed hope of positive economic transformation under President Ramaphosa, and customers continue to spend prudently.

Material risks

- Worsening macro and socio-economic conditions that could further constrain consumer spending
- Persistent drivers of inflation, for example growing transport and utility costs, that could put pressure on sales volumes
- Negative customer perception around price and value

Opportunities and risk management

- Pick n Pay is the most inclusive retailer in South Africa, well positioned to meet the changing needs of all consumers
- Greater operational efficiency is driving meaningful price investment
- Our scale, history and strong supplier relationships enable effective price negotiation on behalf of customers – with further added value from Pick n Pay's buy better programme in 2018
- Smart Shopper is providing more personalised value than ever before
- Our growing own-brand offer is providing more trusted value
- 95% of our offer is local – reducing the impact of a weaker rand on the value chain
- Boxer is providing the most competitive prices on staple commodities to customers who need it the most

Capitals



Stakeholders



Strategic pillars



COMPETITIVE ENVIRONMENT

The South African retail space is strongly contested, with both established and emerging retailers across the formal and informal market.

Material risks

- The impact of a strategic competitive move against a major product category or store format
- Increased price competitiveness and promotional intensity resulting in uncompetitive pricing
- Missing out on the best locations for new stores
- Opening or refurbishing stores that do not deliver sustainable returns
- Not attracting or retaining the best franchisees

Opportunities and risk management

- Brand loyalty – Pick n Pay is one of the most loved and admired brands in South Africa, giving the Group a unique competitive advantage
- Smart Shopper is South Africa's favourite loyalty programme, with over seven million active customers
- Flexible formats and an increasingly lean operating model allow us to respond quickly to changing consumer needs, including through smaller, convenience formats
- Boxer is demonstrating strong growth and increasing customer advocacy in the lower-income and more rural areas of South Africa
- Strong opening and refurbishment programme – focused on investment that will generate sustainable return
- Open and constructive engagement with all developers and landlords
- The most successful and mutually beneficial franchise model in the retail industry – with regular and open engagement with all our franchisees to ensure value creation for all

Capitals



Stakeholders



Strategic pillars



EFFECTIVENESS OF PROCUREMENT AND DISTRIBUTION CHANNEL

The Group is increasingly reliant on the effectiveness of its own supply chain channel, with 68% of Pick n Pay's inventory distributed through its centralised distribution centres.

Material risks	Opportunities and risk management
<ul style="list-style-type: none"> Inefficient stock holdings Poor on-shelf availability Poor quality or shortened shelf life of fresh produce Increased waste Increased cost of distribution The catastrophic loss of a major distribution centre 	<ul style="list-style-type: none"> The Group has built a robust distribution network, which is distributing every product, every day to stores on a short-order lead time Improved efficiencies from: <ul style="list-style-type: none"> a single warehouse management system across all distribution centres an enterprise-wide automatic forecast and replenishment system an online, real-time supplier portal A dedicated team of procurement and distribution experts Strong relationships with suppliers, logistics providers, and warehouse managers Business continuity and disaster recovery plans in place

Capitals

Stakeholders

Strategic pillars

FOOD AND OTHER HEALTH AND SAFETY STANDARDS

Food safety has always been recognised as one of our material risks, and we are committed to providing our customers with safe, high-quality food and a safe and secure shopping experience. This risk became a stark reality in March 2018 with an outbreak of a deadly strain of listeriosis traced to a large food producer in South Africa. The Group reacted quickly and decisively, swiftly removing all potentially affected products from its shelves for destruction in accordance with the Group's formal product recall and disaster management protocol. We also openly engaged with customers and encouraged them to return any products that they were concerned about for a full refund.

Material risks	Opportunities and risk management
<ul style="list-style-type: none"> We inadvertently stock or prepare unsafe food or other grocery products that cause harm to customers Our suppliers or franchisees do not adhere to our overall minimum health and safety standards Safety standards are not followed in store putting our customers or staff at risk of injury or ill health 	<ul style="list-style-type: none"> All suppliers are contractually bound to be compliant with all legislated health and safety requirements, including certain additional minimum standards set out by the Group where relevant All suppliers are subject to regular audits of their food safety standards by independent third-party auditors Non-compliance with food safety standards results in termination of supply agreements until compliance is restored All stores undergo stringent food safety audits on a regular basis Formal product recall standards in place Formal health and safety regulations in place throughout our stores and support offices, with strong awareness and compliance Franchise agreements regulate minimum in-store safety requirements

Capitals

Stakeholders

Strategic pillars

EFFECTIVE EXECUTION OF OUR STRATEGY AND LONG-TERM SUSTAINABLE VALUE CREATION

The Group implemented its strategic long-term recovery plan in 2014, to return the business to long-term value creation, with a stronger and sustainable profit margin.

Material risks	Opportunities and risk management
<ul style="list-style-type: none"> Poor or non-execution of strategy by the leadership team that negatively impacts sales growth, operating margins or long-term sustainable value creation. 	<ul style="list-style-type: none"> The strategy has been in place for over four years, has been clearly communicated and is well understood The strategic business acceleration pillars place executive focus on the Group's material growth opportunities, while considering material risks to its value creation Dedicated teams are accountable for delivering the key elements of each strategic pillar and are measured against key performance indicators linked to each pillar. Read more in our remuneration report on page 80.

Capitals

Stakeholders

Strategic pillars

EFFECTIVENESS OF OUR INFORMATION SYSTEMS AND TECHNOLOGY

The Group is reliant on enterprise-wide information technology that supports and facilitates critical functions across its operations, including point-of-sale transactions, product forecast and replenishment, labour scheduling, Smart Shopper, Brand Match, Pick n Pay Online and real-time financial reporting.

Material risks	Opportunities and risk management
<ul style="list-style-type: none"> Any system disruption which could impact our ability to serve our customers and run our business efficiently and effectively The ability of IT systems to support growth and innovation Cyberattacks and the impact on the security of confidential information of the Group and our customers The accuracy and timeliness of information for decision-making purpose 	<ul style="list-style-type: none"> The Group has a specialist team that is dedicated to building, maintaining and protecting its IT infrastructure, which follows best practice in development, maintenance, cybersecurity and recovery Ongoing innovation has: <ul style="list-style-type: none"> driven growth of value-added services at point of sale facilitated Brand Match price checks created an engaged and personalised Smart Shopper loyalty programme facilitated the Group's online offering The team is focused on customer-centric, forward-thinking mobile technology to drive convenience and customer service

Capitals

Stakeholders

Strategic pillars

BUILDING AND RETAINING A TALENTED AND DIVERSE RETAIL TEAM

One of the key drivers behind the Group's long-term strategic turnaround plan is the ambition, commitment and performance of its team. The success of the Group is also predicated on the growth of South Africa and its ability to provide job creation for all. The Group is determined that its team will reflect the diverse communities that we serve, and we will provide good career opportunities in retail.

Material risks

- Inability to attract or retain talent that can deliver on the Group's strategy and ensure relevant succession
- Lack of skills development and training
- Lack of diversity or opportunity for all
- Increasing cost of labour without a commensurate increase in return
- Labour strikes/stoppages that affect the operation of our business

Opportunities and risk management

- Remuneration policy provides strong commitment to diversity, career advancement, training and incentivisation
- Business-wide performance management system to drive a high-performance culture and to recognise and reward performance
- Remuneration benchmarked across the industry
- Open and constructive relationships with labour unions and formal processes to proactively manage critical issues

Capitals

Stakeholders

Strategic pillars

VOLATILITY OF THE GROUP'S REST OF AFRICA DIVISION

The Group is building its operations outside South Africa and sees this diversification as a second engine of growth. It operates in six countries outside South Africa, has plans to open in Nigeria over the next two years and will continue to explore other opportunities across the continent.

Material risks

- The Group faces different political, economic, social, regulatory and other operational risks in each country in which it operates, which can lead to increased volatility in the result of the Rest of Africa division
- A lack of understanding of local markets can negatively impact on the sustainable returns from these countries

Opportunities and risk management

- Growth outside South Africa is managed in a planned and deliberate manner – without placing the core South African business at any undue risk
- The ownership or investment model is tailored to best suit the operating environment and, wherever possible, includes collaboration with experienced, local partners who share our values and our commitment to strong corporate governance
- We look for growing markets that provide opportunity for real scale in a business environment that is well regulated, without too much complexity, and that is welcoming to foreign investment
- We have a dedicated "Rest of Africa" team

Capitals

Stakeholders

Strategic pillars



Pick n Pay was proud to be recognised by The Institute for Risk Management South Africa (IRMSA) for its outstanding contribution to risk management.

Our group risk and assurance services team – which reports directly to the audit, risk and compliance committee – scooped the award in the wholesale and retail category for its role in developing, implementing and driving an integrated combined assurance programme across the Group. The programme has improved the visibility, transparency and reporting of all material risks, developed appropriate action plans for effective risk mitigation and risk monitoring, and improved operational efficiency through the management of interdependencies and the realignment of resources.



ENGAGING WITH OUR STAKEHOLDERS

The Group's ability to create long-term sustainable value depends on open and constructive engagement with all our stakeholders.

Stakeholders are those parties that can affect, or be affected by, our activities, objectives and policies. The Group identifies its key stakeholders through ongoing engagement with individuals, groups and organisations.

The following infographic outlines our key stakeholder groups, why we engage and the value we derive through proactive, open and constructive engagement with them.

In the rest of this section, we detail our engagement with key stakeholders, focusing on those groups that have either a significant interest in the operations of the Group or have significant influence over the way we do business and create value.



→ ENGAGEMENT ENABLES US TO

- Identify and act on the issues that affect our stakeholders and our business
- Improve our understanding of stakeholders' expectations, aspirations and interests
- Strengthen the transparency and accountability through which we have established valued relationships
- Take into consideration the concerns and interests of stakeholders when determining our material issues and strategic response

Read more about our material issues from pages 32 to 36.

CUSTOMERS

What our customers tell us is most important to them:

- Low prices, good value
- Convenience
- Product quality and food safety
- Good, consistent availability
- Great service
- Rewards for loyalty
- Community involvement

How our strategy responds to customers' needs:

- Great prices and promotions
- Leading product range, including more own-brand products
- Convenient store locations
- Next Generation in-store experience
- South Africa's favourite loyalty programme
- More value-added services, including competitive financial services offer

How we engage:

- Daily engagements in our store
- Dedicated customer director
- Customer care line
- One-on-one meetings
- Regular customer surveys, forums and panel discussions
- Social media platforms

Supported by strategic business acceleration pillars:



Refer to the "Better for customers" business acceleration pillar on page 45.

COMMUNITY

What our communities tell us is most important to them:

- Job creation
- Economic development and opportunity
- Access to safe food, at low prices
- Poverty relief and community outreach programmes
- Environmental consciousness

How our strategy responds to our communities' needs:

- Doing good in our communities underpins all our strategic pillars
- Environmental and social responsibility
- Develop and source from diverse and ethical suppliers
- Job creation through long-term sustainable growth
- Promote healthy and sustainable living

How we engage:

- Forums such as township cooperatives, university partnerships and the Pick n Pay School Club
- Individual stores' varied social responsibility programmes
- Small business development initiatives
- Collaboration with the Ackerman Pick n Pay Enterprise Development Fund, including income generation, community enterprise development and food security initiatives

Supported by strategic business acceleration pillars:



Refer to the strategic focus section on pages 45 to 50.

EMPLOYEES



What our employees tell us is most important to them:

- Competitive remuneration and benefits
- Training and career development
- Fair and reasonable working hours, with certainty of hours and shifts
- Sustainable business performance
- Wellness programmes
- Work-life balance
- Working for a responsible and ethical corporate citizen

How our strategy responds to employee needs:

- One of our strategic pillars is focused on building South Africa's most talented retail business
- Our remuneration policy drives fair and competitive remuneration and the recognition and development of talent
- We provide numerous training and development programmes to upskill our staff
- We are building a lean and effective organisational structure for the benefit of all
- We advance employee opportunity and diversity

How we engage:

- Regular management updates
- Employee surveys
- Monthly internal publications
- In-house television, radio communications and employee conferences
- Skills development and training
- Ongoing engagement with labour unions

Supported by strategic business acceleration pillars:



Refer to the "Winning team" business acceleration pillar on page 48.

SUPPLIERS



What our suppliers tell us is most important to them:

- Fair pricing and transparent negotiation
- Effective and efficient administration
- Sustainable business partnerships
- Research and development support, transparent contracts and agreements, infrastructure and logistics support
- Opportunities for cost reduction
- Transformation and enterprise development
- Resource efficiency (energy, water, waste, logistics)

How our strategy responds to supplier needs:

- Building fair, efficient and mutually beneficial business relationships
- Developing a cost-effective and efficient supply chain
- Product innovation to meet evolving customer needs
- Continual development of small businesses and diverse and ethical suppliers
- Implementation of Pick n Pay Fast Pay – key banking partners provide competitive funding to participating suppliers for the early settlement of invoices
- Contribute to job creation

How we engage:

- Fact-based negotiation as part of our buy better programme
- Regular meetings in line with merchandise cycle timelines
- Dedicated supplier portal
- Regular food safety audits at production facilities
- Ongoing store visits with suppliers
- Joint business planning sessions
- Supplier conferences
- Dedicated enterprise development programme

Supported by strategic business acceleration pillars:



Refer to the "Every product, every day" business acceleration pillar on page 48.

FRANCHISEES



What our franchisees tell us is most important to them:

- The opportunity to build a profitable and sustainable business
- Security and sustainability of supply
- Timely delivery of products, competitive pricing, product innovation, marketing support, quality of products and food safety
- Opportunities for cost reduction
- Resource efficiency (energy, water, waste, logistics)
- Transformation and enterprise development

How our strategy responds to franchisees' needs:

- Offer the most successful, mutually beneficial franchise model in the retail industry
- Operate as a sustainable franchisor of choice

How we engage:

- Store visits by franchise management team and service area consultants
- Regular meetings with regional operational teams and national franchise representatives
- CSI programmes in the communities in which our franchisees operate
- Franchise conferences

Supported by strategic business acceleration pillars:



Refer to the "Flexible and winning estate" business acceleration pillar on page 46.

SHAREHOLDERS



What our shareholders tell us is most important to them:

- Improved and sustainable return on investment
- Understanding our business model, strategic direction and profit drivers
- Access to timely, accurate and relevant information
- Sufficient free float of shares for trade
- Good corporate governance
- A socially responsible and ethical corporate citizen

How our strategy responds to shareholders' needs:

- Generate consistent profits in a sustainable manner
- Operate according to the highest corporate governance principles
- Follow innovative business practices at acceptable levels of risk
- Capital efficiency
- Provide attractive returns on investment

How we engage:

- At least four formal engagements a year: two financial results presentations, one AGM and an investor day/strategic update
- Regular engagement with investors, analysts and fund managers
- Direct engagement on proposed resolutions prior to annual and general meetings
- Dedicated investor relations team and investor website at www.picknpayinvestor.co.za

Supported by strategic business acceleration pillars:



Refer to the "Efficient and effective operations" business acceleration pillar on page 47.



OUR STRATEGY

44 Strategic focus

STRATEGIC FOCUS

The Group developed its strategic turnaround plan in 2014. Its objective is to restore the business to a position of long-term sustainable growth. The Group's successful execution of its plan to date is evident in the delivery of consistent earnings growth and value creation over the last four years.

In formulating its plan, the Group acknowledged that a sustainable recovery would need to be achieved in a planned, considered and balanced way over a number of years, avoiding short-term actions that might weaken the business in the longer term.

STAGE 1 Stabilise the business ✓

Stage 1 of the Group's strategic plan focused on stabilising the operations and financial position of the business, while developing a solid foundation for future growth.

Critical building blocks included the acceleration of a centralised supply chain, the development of a more efficient, "Next Generation" supermarket, and the restructure of our Boxer business into South Africa's leading limited-range discounter.

By 2016, the Group was well positioned for the second stage of its plan – changing the growth trajectory of the Pick n Pay Group.

STAGE 2 Change the trajectory

The second stage of its turnaround plan has seen the Group focus on reducing cost and increasing productivity across its operations, enabling it to invest more in its customer offer. The Group is also developing as a multi-channel retailer, with a focus on convenience, including smaller format stores, a strong and innovative online offer and a broad range of value-added services.

Stage 2 is organised around seven business acceleration pillars. These represent the seven material growth opportunities for the Group to create value. The pillars consider the material issues and concerns of our stakeholders, as well as the risks facing the business (refer to pages 32 to 36), and are underpinned by our commitment to always do good in the communities we serve.

The Group accelerated its efficiency efforts in 2018 in response to the increasingly challenging trading environment in South Africa, supporting a more competitive offer for customers through lower prices, better stores and a growing range of own-brand products.

STAGE 3 Sustainable long-term growth

The progress achieved over the past five years has put the Group in a stronger position to reach Stage 3 of its plan, and it is demonstrating a number of the attributes associated with a long-term sustainable retail business. These include a mature and effective supply chain, ongoing improvements in operating efficiency, a clear blueprint for growth, innovation and the agility to respond to changing customer needs.

OUR PERFORMANCE AGAINST OUR BUSINESS ACCELERATION PILLARS

The Group's plan is organised around seven business acceleration pillars. The pillars provide the senior management team with clear priorities, objectives and lines of accountability. The Group has consistently communicated its financial and operational performance against these pillars, providing stakeholders with a consistent and transparent scorecard of year-on-year progress.

Each business pillar presents an opportunity to create value and the value creation is tracked against measurable goals.

The strategic focus of the business is to:

Grow sales in line with, or ahead of the market, by providing great value, service and innovation for customers:

The focus here is on delivering a first-class fresh, convenience and grocery offer, which gives customers unbeatable prices, value and service. The business is also developing a strong multi-platform and multi-channel retail offer, including small convenience formats, standalone clothing and liquor stores, and greater innovation through financial services and a growing online business. In addition, the Group is building its Boxer business into a thriving national limited-range discounter, and is growing its footprint outside South Africa in a planned and prudent way.

Achieve high levels of operating efficiency and lower costs to enable maximum reinvestment in the customer offer:

The focus here is on completing the centralisation of the Group's supply chain, reducing the cost and improving the accuracy and responsiveness of its distribution. The Group also aims to improve the efficiency and cost-effectiveness of its operations, including through the centralisation of administrative services and the optimisation of staff and support office structures, while minimising increases in rentals, rates, electricity, water and other charges.

Restore the underlying profit margin to a historically sustainable level:

The Group regards a sustained improvement in its underlying profit margin as a lead indicator of progress in achieving a balanced turnaround, characterised both by sustained sales growth and greater operating efficiency.

BETTER FOR CUSTOMERS

The Group's long-term success depends on the loyalty and support of its customers. It is committed to delivering a strong and consistent customer offer that earns the lifetime loyalty of customers across the communities it serves. Greater business efficiency and financial discipline have enabled the Group to provide meaningful price support for customers through difficult economic times, while enhancing the quality of its range and its service.

2018 – What we said we would do and what we accomplished

Lower everyday prices

- Lower prices across 2 000 everyday grocery items
- Selling price inflation restricted to 2.2% against CPI food inflation of 5.9%
- Price investment drove market-beating sales growth in quarter four

Expanded own-brand offer

- Launched 730 new or refreshed own-brand products
- Key lines growing twice as fast as branded alternatives
- Pick n Pay convenience range awarded 20 first places in the Sunday Times Food Awards

Refreshed Smart Shopper

- Launched modern, more cost-effective programme in March 2017
- Stronger emphasis on weekly personalised discounts – R3 billion in personal discounts offered to Smart Shoppers
- More instant savings, more partners, greater supplier participation in promotions

Improved fresh produce offer

- Expanded fresh and convenience range
- Great deals on fresh fruit and vegetables combos
- Keen pricing on key butchery lines

Improved customer service

- Launched Pick n Pay Fan Score programme in July 2017 to measure and improve customer service
- Stores now measured monthly against customer feedback received, and ranked in order of their performance
- Incentives are provided to those stores that deliver exceptional service

2019 – Strategic priorities for next year

- More low prices and a strong promotional calendar
- Enhanced fresh offer with a focus on longer-lasting quality and combination deals
- Ongoing innovation in loyalty and value-added services

Performance measures include:

- Turnover growth
- Trading densities
- Price competitiveness and success of promotions
- Category performance
- On-shelf availability
- Customer feedback – "Fan Score"

A FLEXIBLE AND WINNING ESTATE



The Group's growth plan is to open stores in locations that can provide sustainable, long-term returns. Changing customer demographics and dynamics mean that there is good opportunity for the Group to extend its reach and grow its turnover without impacting existing stores, including through smaller stores that focus on the growing customer demand for convenience and a growing online platform. The Group is able to operate successfully in a broader range of locations due to the greater operating flexibility and efficiency delivered as part of its turnaround plan.

2018 – What we said we would do and what we accomplished

Sustainable growth

- 153 new stores contributed 3.1% to turnover growth
- 29 closures improved overall quality of the estate
- Estate reached 1 685 stores across all formats
- Return on capital employed of 32.6% (FY17: 32.3%)

More convenience

- Opened stores in 15 new communities across South Africa
- 8 new market store conversions (Spaza shops) in townships across Gauteng and the Western Cape
- 9 new Pick n Pay Local stores and 9 new Pick n Pay Express stores

More Next Generation stores

- 80 refurbishments – 61 company owned and 19 franchise
- 50% of supermarket estate is new or has been revamped in the past 3 years
- Ongoing development of Next Generation model – with improved store design, more compact range and a strong fresh and convenience offer

Enhanced online offer

- Launched new mobile-enabled website in September 2017
- 150% increase in online shopping registrations and 70% increase in online visits from a mobile device
- Extended delivery service hours in high-demand areas

Investment in our hypermarkets

- Two major refurbishments completed – Durban North and Northgate
- Established a dedicated management team
- Good progress on our journey to invigorate this format; 75% now the right size, 50% modernised and 100% more competitive in 2018

2019 – Strategic priorities for next year

- Sustainable growth in new space
- Targeted refurbishment programme
- Greater convenience

Performance measures include:

- Contribution of new stores to turnover growth
- Return on capital investment
- Cash pay-back periods
- Online turnover growth

EFFICIENT AND EFFECTIVE OPERATIONS



An efficient, well-run and cost-effective store operation is key to delivering an excellent shopping trip for customers. Greater efficiency also unlocks value for further investment in the customer offer. The Group's Next Generation stores, and specifically our smaller convenience formats, have demonstrated an ability to operate a more efficient store on a leaner cost base. The Group is also focused on providing more cost-effective and productive support offices, centralising support services to eliminate any inefficiencies and duplication of effort.

2018 – What we said we would do and what we accomplished

Leaner store operating model

- Improved operating standards rolled out across all store formats
- Like-for-like expense growth contained at 1.6%, below like-for-like turnover growth of 2.2%
- Like-for-like employee costs reduced to 7.9% of turnover (FY17: 8.3%), if the once-off cost of the VSP is excluded

Cost-effective support offices

- Ongoing centralisation of administrative functions continued to improve efficiencies and lower support office cost
- Like-for-like operations costs up just 2.4%
- Like-for-like merchandise and administration costs up just 1.7%, with savings in professional, legal and other support services

More synergies between Pick n Pay and Boxer

- Ongoing alignment with SAP financial reporting systems and administrative functions across the Group, including statutory reporting and compliance

Stronger working capital management

- Reduced stock holding of slow-moving lines
- Inventory up only 4.9% year-on-year, notwithstanding 78 net new company-owned stores. Like-for-like inventory down 5.0% on last year
- Implemented the Pick n Pay Fast Pay supply chain finance programme for the benefit of suppliers

Better front-line service

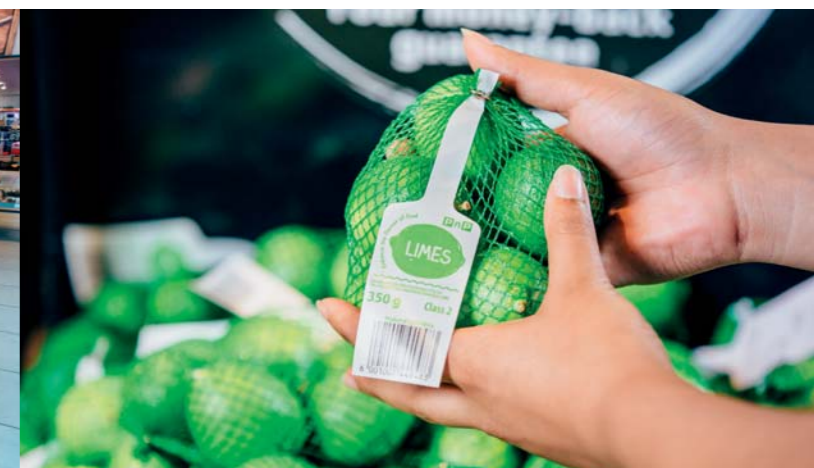
- Ongoing improvement in in-store technology and the roll-out of modern tills
- Customer service and front-line training reached 5 100 staff members

2019 – Strategic priorities for next year

- Sustainable improvement in trading expenses margin
- Stronger working capital management, including range rationalisation
- Lower finance costs

Performance measures include:

- Growth in like-for-like trading expenses
- Expense ratios expressed as a percentage of turnover
- Net interest cost



EVERY PRODUCT, EVERY DAY

The Group continues to deliver substantive progress in developing an efficient and fully centralised procurement and distribution channel. The Group's centralisation strategy has significantly improved on-shelf availability, and is driving cost savings and efficiency across the business. Pick n Pay and Boxer distribution centres deliver every product, every day to stores across the country, on a short order lead time.

2018 – What we said we would do and what we accomplished

More suppliers centralised

- Total volume of centralised supply in Pick n Pay increased to 68% (FY17: 60%)
- 98 new suppliers, including 6 suppliers from our supplier development initiatives
- Centralised grocery volume in Pick n Pay has reached 70% across the country, with fresh and perishable produce at 80% and general merchandise at 40%

Lower cost

- Implementation of buy better programme with suppliers
- Gross profit margin unchanged at 18.7%, notwithstanding substantial price investment
- Stronger management of waste and shrink

Better availability in stores

- Reduction of slow-moving lines
- Improvement in strike rates leading to consistent levels of on-shelf availability

New distribution centre capability

- Boxer opened a new distribution centre in the Eastern Cape
- Pick n Pay opened a new distribution centre in KwaZulu-Natal

2019 – Strategic priorities for next year

- Greater centralisation of supply, with further improvements in strike rates to stores
- Ongoing cost and efficiency savings from our buy better programme
- Additional distribution capacity in Gauteng region of South Africa

Performance measures include:

- Gross profit margin
- Cost per case through distribution channel
- Strike rates of products from distribution centres to stores
- Waste

A WINNING TEAM

The Group has an ambition to build the most skilled and talented retail business in South Africa, and in all the African countries in which it operates. In order to do so, we need to be the employer of choice for anyone looking to build a career in the retail industry. We attract staff by providing competitive pay and benefits, access to skills training and development, career advancement and recognition for a job well done.

2018 – What we said we would do and what we accomplished

Leaner and fitter head office

- Successful conclusion of voluntary severance programme across Pick n Pay
- Removed roles and functions that were no longer required – streamlining the workforce by 10%
- Like-for-like employee costs reduced to 7.9% of turnover (FY17: 8.3%), if the once-off cost of the VSP is excluded

Focus training on customer service

- More than 5000 employees completed customer services training
- Implemented Pick n Pay Fan Score to measure customer service against customer feedback

Drive and reward exceptional performance

- Pick n Pay Fan Score programme provides additional incentives for improved customer service
- Rolled out formal performance management and reward programme across the Group – with long-term and short-term incentives directly linked to the attainment of performance measures as set out in the seven business acceleration pillars
- First successful vesting of forfeitable plan shares, rewarding strong headline earnings per share (HEPS) growth over the vesting period

2019 – Strategic priorities for next year

- More jobs in more stores
- Improved labour costs as a percentage of turnover
- A more cost-effective and efficient human resources (HR) function

Performance measures include:

- Labour costs as a percentage of turnover
- Staff scheduling
- Labour costs per square metre
- Promotions, training interventions and other awards

BOXER – A NATIONAL BRAND

The Group's ambition is to build the Boxer business into the leading limited-range discounter in Southern Africa. Boxer delivered strong growth over the past year, notwithstanding the difficult economic conditions facing the middle and lower-income communities it serves.

2018 – What we said we would do and what we accomplished

Focus on providing best value in the market

- Boxer provided unbeatable value on basic commodities and combination offers
- Price investment drove strong sales volume growth and an increase in market share

More stores serving more communities

- 22 new Boxer stores across all formats, including 10 supermarkets

Continued refurbishment of existing estate

- 37 refurbishments
- Successful Next Generation store model rolled out across new and refurbished stores

More synergies with Pick n Pay

- Unlocked further administrative synergies across Pick n Pay and Boxer, including centralising statutory reporting and compliance

2019 – Strategic priorities for next year

- Increased capital investment across new stores and refurbishments
- Enhanced fresh offer, including great deals on butchery and fresh produce
- Greater levels of centralised supply

Performance measures include:

- Turnover growth
- Earnings growth
- Market share
- Return on investment

REST OF AFRICA – A SECOND ENGINE OF GROWTH

The Group has an established presence in Botswana, Lesotho, Namibia, Swaziland and Zambia and has a 49% investment in our associate, TM Supermarkets, in Zimbabwe. We will continue to look for profitable opportunities to grow our footprint outside South Africa in countries that offer political stability, economic growth, ease of business and the prospect of strategic scale.

2018 – What we said we would do and what we accomplished

Maintain progress in Zimbabwe

- Opened new store in Gweru
- Three refurbishments, including flagship Borrowdale Pick n Pay
- Ongoing collaboration with Pick n Pay management team drives earnings up 45%

Improve in Zambia

- Refurbishment of our Next Generation Woodlands store
- Stronger operational efficiency and cost control tempered the impact of the tough trading environment
- Alignment of system infrastructure with South African operations, with introduction of new point-of-sale system

Develop our business in West Africa

- Working closely with AG Leventis, our partner in Nigeria, to secure suitable trading sites in Lagos
- First store planned to open over next two years

2019 – Strategic priorities for next year

- More capital investment – new stores in Zambia and ongoing refurbishments in Zimbabwe
- Improvement in our operating model – delivering further cost savings in difficult trading environments
- Develop our business in West Africa

Performance measures include:

- Sustainable turnover and earnings growth
- Increase of participation in Group profit

The Group's turnaround plan has essentially been about returning the Group to its roots as a discounter and consumer champion. Over the past five years, the Group has improved its customer offer, modernised its stores, centralised its supply chain, and firmly controlled its costs. The result has been strong profit growth, an improvement in underlying profit margins, and sustainable value creation for all stakeholders.

The Group has, through the ongoing execution of its plans, successfully built five clear engines for long-term growth:

- 1 **Pick n Pay – South Africa's most trusted retailer**
Pick n Pay was recognised as South Africa's most trusted retailer in 2017, as it strengthens its business and customer offer while always remaining true to strong core values of corporate governance and corporate citizenship.
- 2 **Boxer – Africa's favourite discounter**
Boxer is delivering strong market-beating turnover growth as it provides even greater value to customers across South Africa and Swaziland through its tight range, high-quality meat and produce offer, and a modern and convenient store estate.
- 3 **Value-added customer services**
Services are an increasing contributor to growth. The Group is using its substantial store and systems infrastructure to offer its customers innovation in value-added services, including bill payments and money transfers, and we are determined to grow into South Africa's most affordable and inclusive banking partner.
- 4 **Expansion in Africa**
There is great opportunity for the Group to expand its reach outside South Africa, and we have a dedicated Rest of Africa team focused on growing our business in a measured and considered way that delivers sustainable growth in developing markets.
- 5 **Force for good**
We are exceptionally proud of our substantial contribution to the well-being of South African communities over more than 50 years. We are committed to building a better South Africa through a focus on more jobs, more entrepreneurs, and more support for our schools. Our business will grow hand in hand with our contribution to society.

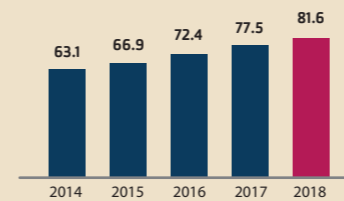
STAGE 3 OF OUR STRATEGY: LOOKING AHEAD

The Group has not communicated a timeline for the completion of Stage 2. We will look for the following indicators as markers for the successful completion of Stage 2, providing a strong foundation for Stage 3 – sustainable long-term growth:

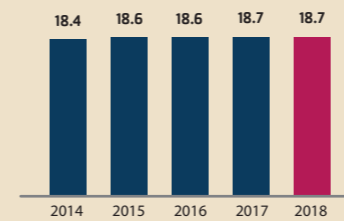
- A track record of consistent sales and profit growth over a number of years
- A resource-efficient business that is a positive force for good in the countries in which it trades
- Strong customer loyalty and advocacy
- Continued innovation in store and in our customer offer
- An operating model that benchmarks internationally
- A continuing growth strategy
- An employer of choice that delivers opportunity for all
- Collaborative and enduring relations with a strong and diverse supplier base

STRATEGIC PERFORMANCE HIGHLIGHTS

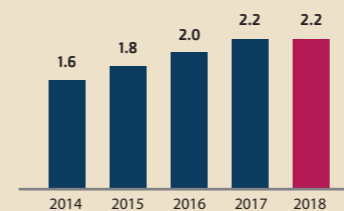
TURNOVER (Rbn)



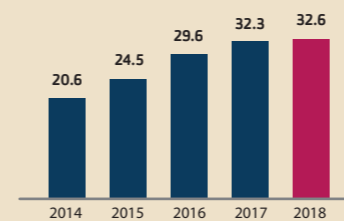
GROSS PROFIT MARGIN (%)



TRADING PROFIT MARGIN (%)



RETURN ON CAPITAL EMPLOYED (%)





OUR PERFORMANCE

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A MESSAGE FROM OUR CEO

This has been the most important year so far in my tenure as CEO of Pick n Pay. Against a very difficult economic background, we took decisive action to reduce our costs, modernise our offer, and improve the value we offer to South African consumers at a critical time. Our accelerated efficiency efforts added cost and disruption in the first part of the year; however, the Pick n Pay Group is a fitter, stronger and more competitive business as a result of this action.

Ongoing capital investment, together with the successful implementation of a number of key strategic initiatives – including the modernisation of Smart Shopper, a streamlined labour force through a voluntary severance programme and our buy better programme – enabled a substantially improved customer proposition through lower prices, better stores and our growing range of own-brand products. This strategy paid off with an exceptional final-quarter trading performance, where we delivered sales growth well ahead of the market, and solid market share growth across a number of our formats.

Pick n Pay was recognised by the Reputation Institute as South Africa's most trusted retailer last year, and as the third most trusted company in the country. I am proud of this accolade, as it is voted on by South African consumers, and it embodies everything we do every day across all our stores and operations to make the lives of our customers easier and better. The Group will always respond to the needs of society in good times and in bad, driven by a genuine purpose to make a meaningful contribution to the communities we serve.

Economic and social challenges persist, but our team is systematically and sustainably changing the performance trajectory of the Group. The greater efficiency and cost-effectiveness of our operating model will have a positive impact on future sales and earnings, and we are confident that the momentum achieved over the past few months will carry through into the 2019 financial year.

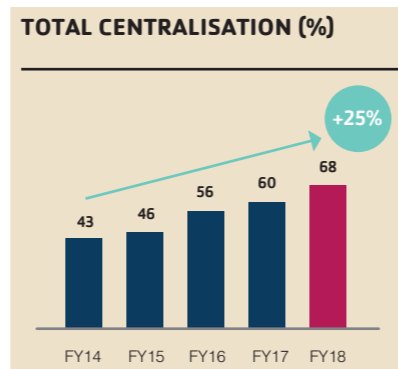
PROGRESS ON OUR PLAN

The difficult decisions taken in 2018 and the hard work and commitment from our teams is evident in the substantial progress delivered against our long-term plan.

Greater centralisation across the supply chain

We took more products through our Pick n Pay distribution centres this year, with the total volume of centralised supply increasing to 68% (FY17: 60%). Centralised grocery volume has reached 70% across the country, with the centralisation of fresh and perishable produce at 80%, and general merchandise at 40%.

Centralisation in the Western Cape region, serviced by the Group's Philippi distribution centre, now stands at 78%, with centralised grocery volume at 90%. The Philippi distribution centre now delivers to all our stores along the Garden Route of South Africa, providing improved availability across the region, and driving further cost savings and efficiencies along the 300 km coastal stretch into the Eastern Cape.



Centralisation in the inland Gauteng region of South Africa, serviced by the Longmeadow distribution centre, has reached just over 70%, with grocery centralisation now at 75%.

Pick n Pay's new grocery distribution centre in KwaZulu-Natal is now fully operational and began delivering to stores in March 2018. Stores across the region will benefit from less trucks at their back door, more frequent deliveries and improved stock availability.

Boxer opened a second distribution centre in East London in the second half of the year, which is delivering groceries to its stores across the Eastern Cape. Boxer has demonstrated the same conviction as Pick n Pay in building a cost-effective, fully centralised supply chain. The benefits of its warehouse management system and improved demand planning and replenishment are evident in its reduced stockholding, improved on-shelf availability and exceptional waste management.

Richard Brasher
Chief Executive Officer



PICK N PAY IS SA'S MOST TRUSTED RETAILER

Pick n Pay was recognised by the Reputation Institute as South Africa's most trusted retailer last year, and as the third most trusted company in the country. I am proud of this accolade, as it is voted on by South African consumers, and it embodies everything we do every day across all our stores and operations to make the lives of our customers easier and better.

We have spent a number of years repositioning Boxer into a lean and agile discount supermarket, and we are particularly gratified with the strong performance from this business. Focusing on middle and lower-income customers, Boxer has accelerated its turnover growth in a highly contested market. It has continued to win customers in tough times through a compact and well-defined range, highly competitive prices and a compelling meat and fresh produce offer. I am confident that Boxer is without doubt South Africa's leading limited-range discount supermarket.

A flexible estate with a wider reach

Our space growth is measured and considered, focused on sites which can deliver sustainable long-term returns. Changing customer demographics and needs provide good opportunities for the Group to grow our sales and extend our reach without impacting on existing stores or trading densities.

The Group, excluding TM Supermarkets, opened 124 net new stores this year (153 additions, 29 closures), adding 3.3% to its total space. This included 72 new Pick n Pay company-owned stores and 22 Boxer stores across all formats.

A modern loyalty programme

We modernised Smart Shopper in March 2017, delivering a more innovative and contemporary loyalty programme, offering greater relevance to customers. The programme is now significantly cheaper for the Group to run, with cost savings reinvested in lower prices for customers. The increase in product-specific discounts has delivered stronger customer advocacy and enabled greater supplier participation and funding. We offered R3 billion in personal discounts to our seven million Smart Shoppers this year, and saw the redemption of personalised vouchers double.

Buying for less

Our buy better programme has focused on closer collaboration with suppliers to improve efficiencies and lower costs across the supply chain. The programme is supported by a dedicated IT platform and supplier portal within Pick n Pay, providing comprehensive real-time product and supplier data to facilitate transparent fact-based engagement and accurate decision-making.

The programme has strengthened relationships with over 3 000 suppliers, improved our inventory management and provided greater value for customers.

Lower prices and stronger promotions

In March 2017 the Group invested R500 million in price cuts across 1 300 everyday groceries items, and extended this investment to 2 000 lines over the year, including unbeatable deals on fresh fruit and vegetable combos, and keen pricing on key butchery lines. Selling price inflation was restricted to 2.2% for the year (FY17: 6.1%), well below CPI food inflation of 5.9%.

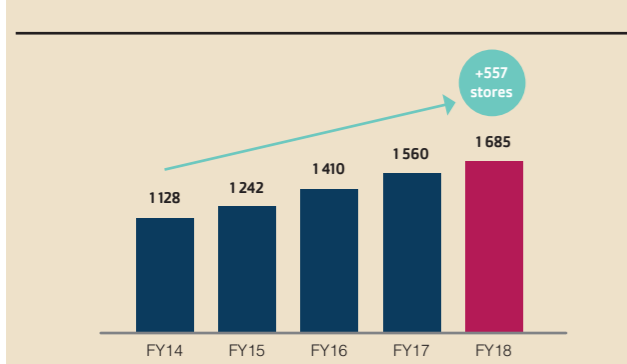
Our work on pricing could not have come at a more important time. 84% of South African families survive on a household income of less than R20 000 per month. Pick n Pay and Boxer serve customers across all communities and income groups, and we are determined to meet the needs of all our customers, including the most vulnerable in our society.

The Group opened 59 franchise stores across all formats during the year. The Pick n Pay franchise model is an effective way for emerging entrepreneurs to build businesses, leveraging the buying, distribution and systems capability of Pick n Pay. We support and mentor 14 convenience spaza shops across townships in Gauteng and the Western Cape. These stores reflect a transformative partnership between Pick n Pay and Government, bringing a broader range of safe and affordable food directly to neighbourhood communities. Pick n Pay will continue to play a positive role in growing the informal retail market in South Africa in order to transfer skills and ownership to economically marginalised entrepreneurs.

Better stores

We continued to invest in the quality of our estate, with 80 refurbishments over the course of the year, across 61 company-owned and 19 franchise stores. Major store refurbishments included Pick n Pay's flagship Constantia supermarket in the Western Cape, its Durban North hypermarket in KwaZulu-Natal and the Northgate Hypermarket in Gauteng. These stores all demonstrate the ongoing development of the Group's Next Generation store format and operating model, with an improved store design, a more compact range and a strong fresh and convenience offer. Our Next Generation stores continue to deliver like-for-like turnover growth ahead of the rest of the estate, giving us ongoing confidence in the merits of our investment.

NUMBER OF STORES



We have delivered solid progress on our journey to invigorate our hypermarket business – 75% are now the right size, 50% have been modernised, and in 2018, 100% were more competitive. We are particularly encouraged by the performance of our two new-look hypermarkets, in Durban North and Northgate, which, after major renovations, have been down-sized and redesigned to offer light, bright and spacious shopping experiences, with greater trading space, a stronger fresh produce range and a differentiated general merchandise offer.

A compelling own-brand and convenience range

Our growing range of own-brand products and convenience meals is an increasingly important part of our differentiated customer offer. Pick n Pay introduced 730 new or refreshed own-brand products over the year, including 25 products from its "Pick Local" supplier development programme. There is growing customer support for our own-brand products, with a number of products growing at more than double the rate of independent, national brands in the same category. Pick n Pay was particularly proud of the recognition received for its range of convenience meals, which earned 20 first places in the Sunday Times Food Awards.

Boxer is also finding success with its own-brand products, with strong growth in own-brand staple commodity products like maize, maas and canned vegetables.

Leading online offer

Pick n Pay is the leading online grocery retailer on the African continent. The Group continues to invest in its digital platform, providing customers with unbeatable convenience and ongoing innovation. Pick n Pay's online offer was boosted this year by a new mobile-enabled website, which makes online shopping easier than ever before. These and other improvements have generated a 150% increase in online customer registrations, with a 70% increase in customers accessing Pick n Pay online from a mobile device. Our dedicated online distribution centres in the Western Cape and Gauteng are giving customers a broader range, better availability and consistently high standards of delivery.

Financial services

Our partnership with TymeDigital (a subsidiary of the Commonwealth Bank of Australia) is providing our customers with greater access to banking services at the lowest cost across the banking industry. The partnership leverages off Pick n Pay's substantial store and IT infrastructure and Commonwealth Bank of Australia's extensive digital banking expertise. During the year, our money transfer service attracted over 300 000 new customer registrations.

Pick n Pay launched its first store account in September 2017, in partnership with RCS, a local subsidiary of BNP Paribas Bank. The Pick n Pay account offers the most affordable form of credit in the market, with a 55 days free credit payment option and no joining fee or hidden administration fees. After careful, individual assessment, store accounts were opened for 56 000 of our more affluent customers over the last six months of the financial year. Credit spend was below R200.0 million, with customers electing to use the Pick n Pay credit facility prudently and as an alternative to other forms of more expensive credit, with the majority of our customers electing to pay off their credit each month thereby incurring no interest charges.

The account is accessed through the customer's Smart Shopper card, with all the related benefits of our loyalty programme, with the credit provider carrying all associated funding costs and credit risk.

We will use the broad reach of our infrastructure and the strength of our IT platforms to innovate with financial services and other value-added services for the benefit of our customers.

LOOKING AHEAD

South Africa is a significantly more positive country than it was a year ago. President Ramaphosa has committed to greater levels of economic transformation and growth, including through closer collaboration with the private sector to stimulate investment, greater employment, the elimination of corruption and improved levels of service delivery.

Optimism does not automatically translate into sustainable growth. Sustainable growth requires a successful plan, and hard work to deliver that plan. Over this past year, the Group has taken the most decisive action in its 50-year history to cut costs, become more resilient and give the savings back to our customers in the form of lower prices and better value. We have made our shops brighter and more vibrant, accelerated our own-brand offer and taken real steps to become a true multi-channel retail business.

We are changing the trajectory of the Pick n Pay Group, and will build on this momentum in 2019. The Group will continue to invest in a strengthened customer offer across Pick n Pay and Boxer, and we are confident that we can win customers across all levels of our economy. The Pick n Pay Group will be South Africa's first genuine multi-channel business, with a substantive convenience and online presence, and recognition as South Africa's most affordable and inclusive banking partner.

I would like to extend my sincere thanks and appreciation to the Pick n Pay and Boxer teams who have worked tirelessly over the past few years to build a stronger and more resilient business.

Richard Brasher

Chief Executive Officer

22 June 2018



OUR CFO'S FINANCIAL REVIEW

HIGHLIGHTS

Decisive steps to improve long-term sustainable earnings



Leaner and fitter operating model created headroom to invest in lower prices for customers



Market-beating sales growth in final quarter



Action taken to improve operating model included the VSP, with a once-off severance cost of R250 million



Sustainable trading profit margin, excluding the cost of the VSP, increased from 2.2% to 2.5%



HEPS up 7.1%; diluted HEPS up 7.7%



	52 weeks to 25 February 2018	52 weeks to 26 February 2017*	% change
Turnover	R81.6bn	R77.5bn	5.3
Gross profit margin	18.7%	18.7%	
Trading profit	R1 819.9m	R1 735.6m	4.9
Trading profit margin	2.2%	2.2%	
Profit before tax, before capital items	R1 789.1m	R1 723.3m	3.8
Profit before tax	R1 768.1m	R1 677.0m	5.4
Headline earnings per share	276.98c	258.65c	7.1
Diluted headline earnings per share	271.61c	252.13c	7.7
Total annual dividend per share	188.80c	176.30c	7.1

* The financial information presented above is on a restated basis. Please refer to note 28 of the Group audited Annual Financial Statements on our website at www.picknpayinvestor.co.za for further information.

OVERVIEW OF OUR FINANCIAL RESULT

The Group initiated a number of substantial programmes in the first half of the year focused on reducing its operating costs and increasing its productivity across its operations. The action taken included the modernisation of its loyalty programme, a buy better initiative in collaboration with suppliers, and a voluntary severance programme (VSP) across Pick n Pay. The successful implementation of these programmes enabled the investment in a more competitive customer offer in the second half of the year, through lower prices and better promotions.

The success of this strategy was evident in the Group's strong fourth-quarter trading performance. The Group delivered sales growth of 7.3% in the final quarter of the year, with like-for-like growth of 4.9%. This performance was underpinned by the South Africa division, which delivered 8.0% sales growth, with like-for-like growth of 5.3%. This was well ahead of the market and was achieved at a time when internal selling price inflation had fallen to just 0.2%.

The action to reduce operating costs had a once-off impact of R250.0 million in the form of payments to employees who left the Group through the VSP. The VSP costs will not recur in FY19.

Including the VSP cost, trading profit was up 4.9% on last year, headline earnings per share (HEPS) up 7.1%, and diluted HEPS up 7.7%. Excluding the VSP cost, trading profit grew 19.3% year-on-year, with the trading margin improving from 2.2% to 2.5% of turnover. This demonstrates the sustainable progress delivered in building a leaner and fitter operating model.

Bakar Jakoet
Chief Finance Officer



20%
HEPS CAGR

The Group has delivered 20% compound annual growth in earnings over the past five years.

REVIEW OF FINANCIAL PERFORMANCE

The review of the Group's financial performance for the 52 weeks ended 25 February 2018 focuses on the key elements of the statement of comprehensive income and the statement of financial position which management considers material to the Group's performance over the year.

The review should be considered together with the Group's audited annual financial statements, as well as the summarised financial result and the five-year analysis of financial performance set out on pages 64 to 69.

COMPARABILITY OF FINANCIAL INFORMATION

Accounting restatements

The Group reclassified certain elements of supplier income received and advertising costs incurred during the year, which impacted its inventory valuation methodology. Advertising costs and related recoveries are now recorded on a gross basis within trading expenses and gross profit respectively. Any supplier income received that is not directly related to the cost of merchandise sold is now recognised within other trading income. The correction has not had a significant impact on either the profitability or the financial position of the Group.

The normalised result is presented on a restated basis. For further information on the restatement of reported gross profit, other trading income, trading expenses and the value of inventory, refer to note 28 of the Group annual financial statements.

The unbundling of Pick n Pay Holdings Limited RF Group

The Group modernised its control structure in the first half of last year, with the unbundling of the Pick n Pay Holdings Limited RF Group (unbundling transaction). Although there were material non-recurring items in certain individual categories of other trading income and trading expenses, the transaction had no impact on trading profit or headline earnings in the prior year.

The result presented overleaf excludes the non-recurring items related to the unbundling transaction. The result commentary is presented on a normalised basis. Please refer to page 66 for the principal differences between the Group's normalised and published results.

→ FTSE4Good



FTSE Russell confirms that Pick n Pay has been independently assessed according to the FTSE4Good criteria, and has satisfied the requirements to become a constituent of the FTSE4Good Index Series. Created by the global index provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. The FTSE4Good indices are used by a wide variety of market participants to assess sustainable investment funds and other products.

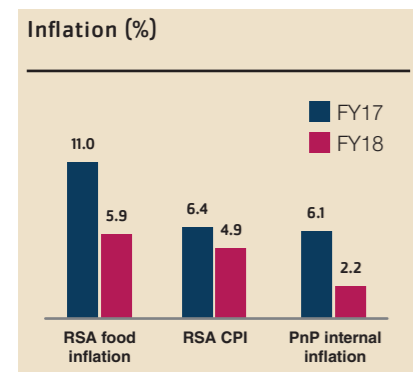


Turnover

Group turnover increased 5.3% to R81.6 billion, with like-for-like turnover growth of 2.2%. Selling-price inflation was kept to 2.2% for the year. The Group's South Africa division delivered turnover growth of 5.1% over the year, with like-for-like growth of 2.3%.

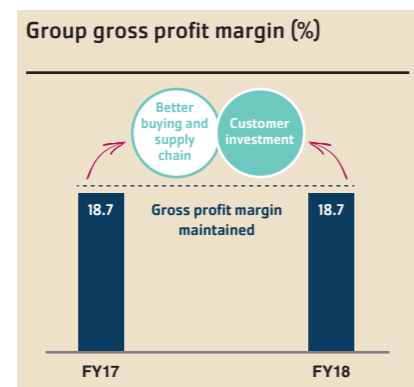
The Group's muted turnover growth reflects the pressure of an exceedingly challenging trading environment, particularly over the first three quarters of the year. However, the positive steps taken by the Group to invest in its customer offer found traction in the final quarter of the year, with a stronger trading performance across all formats.

On a constant currency basis, Group turnover was up 5.3%, with like-for-like turnover growth of 2.2%.



Gross profit

Gross profit increased by 5.5% to R15.3 billion (FY17: R14.5 billion). Gross profit margin remained unchanged at 18.7%. Greater price competitiveness was achieved without sacrificing margin through a combination of better buying, a more cost-effective loyalty programme and strong discipline on costs across the procurement and distribution channel.



Other trading income

Other trading income consists of franchise fee income, operating lease income, commissions, income from value-added services, and other supplier income. Other trading income increased 15.6% over the year to R1.8 billion (FY17: R1.5 billion). On a comparable basis, excluding the impact of the restructure of certain franchise agreements and the impact of new head leases detailed below, other trading income increased by 8.4%.

Franchise fee income was up 14.4% to R400.1 million (FY17: R349.8 million), with 46 net new franchise stores added over the year. A number of legacy franchise agreements have been restructured to bring them in line with the standard terms and conditions of the Group's current franchise arrangements. Any increase in franchise fees received as a result of this alignment has been offset by higher royalty payments to franchisees on products purchased through the Group's supply chain (included within gross profit). On a comparable basis, franchise fee income increased by 4.3%.

Operating lease income increased by 29.2% to R446.1 million (FY17: R345.3 million), driven by new head leases added over the year. Strategic head leases safeguard the long-term tenancy of Pick n Pay franchise stores at key locations. The increase in rental income received is matched with an equal corresponding increase in rent paid (included within occupancy costs).

Commissions, income from value-added services (VAS), and other supplier income grew 10.5% to R914.4 million (FY17: R827.3 million). VAS income grew 30.1% year-on-year, driven by strong growth in income from financial services and commissions received on third-party bill payments and prepaid electricity purchases.

Trading expenses

Trading expenses of R15.2 billion (FY17: R14.2 billion) were up 6.7% on the prior year, with like-for-like expense growth of 1.6%. Excluding the R250.0 million once-off cost of VSP compensation packages paid in the first half of the year, trading expenses were up 4.9%. This demonstrates the Group's ongoing success in improving the management of its operating costs.



Employee costs increased 4.3% to R6.7 billion, with like-for-like growth of -2.3%. Labour costs improved by 0.1 percentage point to 8.2% of turnover. Excluding the impact of VSP costs, employee costs grew just 0.4% year-on-year, falling to 7.9% of turnover.

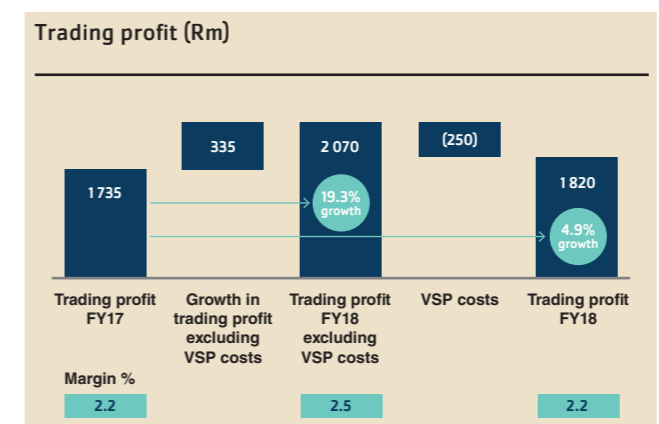
Occupancy costs were up 15.2% to R3.1 billion, with 78 net new company-owned stores added to the estate over the year. Like-for-like occupancy costs increased 7.2%, driven by above-inflation regulatory increases in rates (up 20% year-on-year) and increases in security costs to ensure the safety of our customers and staff. Occupancy costs also reflect the addition of strategic head leases over a number of key franchise stores. The Group will continue to negotiate with landlords in order to secure competitive rentals and fair escalation terms, in order to reduce our occupancy costs as a percentage of turnover over time.

Operations costs increased 7.3% on last year to R3.2 billion, notwithstanding regulatory increases in electricity and utility charges, which were well above inflation. Depreciation and amortisation costs are up 10.8% on last year, reflecting the Group's ongoing investment in the expansion and improvement of its estate. The severe drought in the Western Cape has led to a water crisis in the City of Cape Town, which has necessitated an increase in water tariffs.

Merchandising and administration costs at R2.2 billion increased just 2.2% over the year, with like-for-like growth of 1.7%, demonstrating substantial savings in professional, legal and other support services over the year.

Trading profit

Trading profit increased by 4.9% to R1.8 billion. The trading profit margin remains unchanged at 2.2% of turnover. Excluding the once-off impact of VSP compensation payments, trading profit is up 19.3% year-on-year, to 2.5% of turnover, a good indication of the Group's sustainable profit performance.



Net interest

Net interest paid increased from R92.5 million to R147.1 million. The increased interest bill is as a result of lower net cash balances over the year, which reflect the Group's sustained investment in its store opening, refurbishment and centralisation programme over the last five years.

Losses on capital items

The Group incurred capital losses of R21.0 million this year (FY17: R32.4 million) in respect of the disposal or impairment of assets and goodwill, largely related to its refurbishment programme. A further impairment loss of R13.9 million was incurred in the prior year, arising on the unbundling of the Pick n Pay Holdings Limited RF Group. Capital items are added back in the calculation of headline earnings.

Profit before tax

Profit before tax before capital items is up 3.8% to R1.8 billion, with the underlying margin maintained at 2.2% of turnover. Excluding the impact of the once-off VSP compensation payments profit before tax before capital items is up 18.4%, to 2.5% of turnover, demonstrating a marked improvement in the Group's sustainable profit margin.

Profit before tax is up 5.4%, with the underlying margin maintained at 2.2% of turnover.

Rest of Africa segment

Segmental revenue for the Rest of Africa division increased 7.7% year-on-year to R4.6 billion, with segmental revenue in constant currency up 9.3%, 1.4% on a like-for-like basis. Profit before tax was up 27.7% to R287.9 million, underpinned by a strong performance from the Group's associate in Zimbabwe, TM Supermarkets (TM). TM has continued to deliver a strong trading and profit performance in a difficult and complex operating environment. The Group's share of TM's earnings grew 45% on last year to R116.3 million. The trading environment in Zambia remains challenging and the team has responded with stringent cost control.

	FY18	FY17	% change
Segmental revenue	R4 648.1m	R4 315.7m	7.7
Segmental profit	R287.9m	R225.5m	27.7
Number of stores	144	140	

Tax

The Group's effective tax rate is down from 27.5% in the prior year to 26.7% in 2018. The decrease is largely as a result of the greater contribution of our associate's (TM Supermarkets) after-tax profits to the Group's net profit before tax. The Group is confident that its tax rate is sustainable at current levels over the foreseeable future.

Earnings per share

Basic earnings per share (EPS) – increased 9.0% from 250.98 to 273.64 cents per share.

Headline earnings per share (HEPS) – increased 7.1% from 258.65 to 276.98 cents per share.

The difference between the growth in headline earnings of 5.2% and the growth in HEPS of 7.1% is due to the increase in the weighted average number of treasury shares held by the Group, with shares received under the unbundling transaction last year now fully weighted.

The difference between the growth in basic earnings per share and headline earnings per share relates to the effect of losses of a capital nature in the calculation of headline earnings. Capital losses of R15.8 million, net of tax, were taken into account in the calculation of headline earnings in the current period against R37.2 million in the prior period.

Diluted headline earnings per share (DHEPS) – increased 7.7% from 252.13 to 271.61 cents per share. DHEPS reflects the dilution effect of share options held by participants in the Group's employee share schemes. The dilution decreased marginally year-on-year due to the delivery of shares to share scheme participants during the year, including the vesting of the first allocation of forfeitable plan shares.

REVIEW OF FINANCIAL POSITION

The increase in the Group's assets reflects its capital investment programme, in particular its ongoing investment in new and refurbished stores, as well as additional capacity across its central supply chain. The net asset value per share increased 4.8% on last year to 966.2 cents per share. The Group delivered return on capital employed of 32.6% (FY17: 32.3%), against a weighted average cost of capital of 12.0%.

Working capital

The timing of the Group's financial calendar has a substantial impact on reported working capital and cash balances, depending on the timing of creditor payments over financial year-end. The Group's working capital reduced by R119.4 million over the year, against a R948.1 million reduction in the prior year, largely as a result of the timing of the Group's financial calendar cut-off.

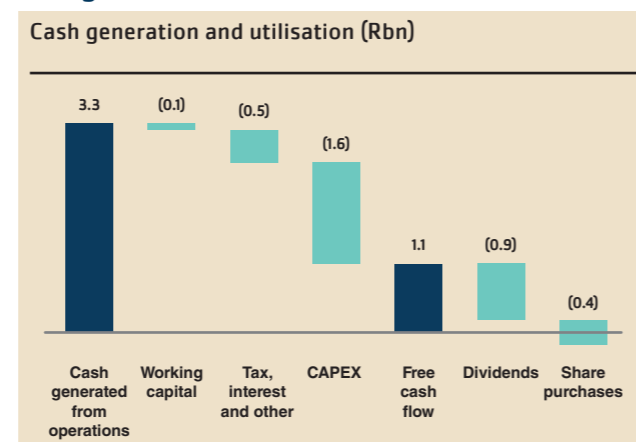
Inventory – increased 4.9% on last year to R6.0 billion, including the impact of 78 net new company-owned stores over the year and the short-term impact of greater levels of centralisation across the Group. Removing the impact of new stores and inflation, like-for-like inventory is down 5.0% on last year. This reflects consistent improvement in the Group's forecast and replenishment processes, and solid progress on its plan to reduce its stockholding of slow-moving products through its range rationalisation programme.

Trade and other payables – of R10.8 billion is up 3.1% on last year, with the positive impact of the Group's buy better programme reflected in lower supplier balances at year-end. The Group implemented its fully integrated 'Pick n Pay Fast Pay' platform this year, a supply chain finance programme that provides suppliers with the opportunity of immediate or early settlement of invoices.

Key banking partners on this platform provide competitive funding for participating suppliers off the strength of the Group's balance sheet.

Trade and other receivables – increased 5.5% on last year to R3.6 billion, with 46 net new franchise stores added over the year, and an increase in the sales to franchisees through the Group's supply chain. The quality of the debtors' book improved on last year, with the impairment allowance reducing to 2.5% of the value of the debtors' book, from 3.5% last year.

Cash generation and utilisation



The Group is cash generative, with cash generated before movements in working capital up 5.5% on last year. Cash invested in working capital reflects the impact of new stores and distribution centres and strategic investment buys ahead of year-end.

The Group paid R866.5 million in dividends to shareholders, up 15% on last year, added a further R1.6 billion to its capital investment programme, and invested R423.4 million in its employee share incentive schemes. These important outlays resulted in increased gearing over the 2018 financial year, and an increased interest bill.

Cash outflows were largely funded from internal cash generation, with R1.1 billion of free cash flow generated over the year.

Cash and cash equivalents

	25 February 2018 Rm	26 February 2017 Rm
Cash balances	1 129.1	961.9
Cost-effective overnight borrowings	(1 800)	(1 800.0)
Cash and cash equivalents	(670.9)	(838.1)
Total borrowings	(528.8)	(133.2)
Net funding positions	(1 199.7)	(971.3)

The Group's net funding position increased by R228.4 million over the year, driven by a strong store opening and refurbishment programme. The Group raised R400.0 million of three-month debt to take advantage of competitive interest rates. The Group's liquidity position remains strong, with R5.5 billion unutilised borrowing facilities at year-end.

Capital investment

Capital expenditure related to the Group's capital investment programme of R1.6 billion was in line with target. The Group opened 94 new company-owned stores during the year (72 Pick n Pay and 22 Boxer), opened its new Pick n Pay distribution centre in KwaZulu-Natal and the new Boxer distribution centre in the Eastern Cape, and refurbished 61 stores across the estate. The Group committed the majority of its capital investment on expansion and refurbishment in order to improve the customers' shopping experience.

SHAREHOLDER DISTRIBUTION

The Board declared a final dividend of 155.40 cents per share. This brings the total annual dividend for the year to 188.80 cents per share, 7.1% up on last year, in line with HEPS growth and maintaining a dividend cover of 1.5 times headline earnings per share.

LOOKING AHEAD TO 2019

The Group has set a new trajectory for long-term sustainable earnings growth. We are confident that the benefits of the structural changes undertaken this year and the increased momentum achieved will be carried into the 2019 financial year and beyond. We will continue to focus on improving our broader customer offer, including through lower prices, in order to drive turnover growth in what remains a tough economic environment. Cost control and operating efficiency are key to gross profit margin stability and continued sustainable improvement in our profit before tax margin. We are confident in our ability to become even more cost-effective over the coming year.

The Group plans to invest a further R1.7 billion next year in new stores, refurbishments and in building our supply chain capacity. Total retail trading space will increase by an estimated 3% in 2019, in line with this year. The Group is confident of its ability to meet its investment requirements through internal cash generation and that it will reduce its reliance on cost-effective, short-term borrowings over the medium term, with a reduction in its interest bill.



APPRECIATION

Thank you to our shareholders and funders for their support and for the broader investment community, both locally and internationally, for their ongoing interest and constructive engagement with the Group. I extend my sincere appreciation to our finance and reporting teams across the Group for their professionalism, integrity and commitment to high standards of financial reporting and corporate governance. They continue to drive improvement in reporting, making our processes quicker, simpler and more transparent. I am grateful for your support.

Bakar Jakoet
Chief finance officer

22 June 2018

ANNUAL FINANCIAL RESULT

The summarised financial result is presented on a restated and normalised basis.

SUMMARY OF FINANCIAL PERFORMANCE

	As per annual financial statements		Normalised	
	25 February 2018	% of turnover	26 February 2017	% of turnover
	Rm		Rm	
Revenue	83 504.8	5.5	79 134.6	
Turnover	81 560.1	5.3	77 486.1	
Cost of merchandise sold	(66 309.8)	5.2	(63 029.5)	
Gross profit	15 250.3	18.7	14 456.6	18.7
Other trading income	1 760.6	2.2	1 522.4	2.0
Franchise fee income	400.1	0.5	349.8	0.5
Operating lease income	446.1	0.6	345.3	0.4
Commissions, dividends received and other income	914.4	1.1	827.3	1.1
Trading expenses	(15 191.0)	18.6	(14 243.4)	18.4
Employee costs	(6 688.7)	8.2	(6 414.0)	8.3
Occupancy	(3 086.6)	3.8	(2 678.9)	3.5
Operations	(3 178.8)	3.9	(2 961.7)	3.8
Merchandising and administration	(2 236.9)	2.7	(2 188.8)	2.8
Trading profit	1 819.9	2.2	1 735.6	2.2
Finance income	184.1	0.2	126.1	0.2
Finance costs	(331.2)	0.4	(218.6)	0.3
Share of associate's income	116.3	0.1	80.2	0.1
Profit before tax before capital items	1 789.1	2.2	1 723.3	2.2
Losses on capital items	(21.0)		(46.3)	
Profit before tax	1 768.1	2.2	1 677.0	2.2
Tax	(471.8)	0.6	(461.0)	0.6
Profit for the period	1 296.3	1.6	1 216.0	1.6
	Cents	% change	Cents	
Earnings per share				
Basic	273.64	9.0	250.98	
Diluted	268.33	9.7	244.65	
Headline	276.98	7.1	258.65	
Diluted headline	271.61	7.7	252.13	

Turnover

Turnover growth of 5.3%, with like-for-like growth of 2.2%, reflects the tough trading environment over the year and substantially lower levels of inflation.

Gross profit

Greater price competitiveness was achieved without any sacrifice in margin through a combination of better buying and strong cost discipline.

Other trading income

Other trading income includes income from value-added services, which grew 30.1% year on year.

Employee costs

Excluding the cost of the VSP of R250.0 million, employee costs grew just 0.4% year-on-year, falling to 7.9% of turnover (FY17: 8.3%).

Occupancy costs

Occupancy costs up 7.2% on a like-for-like basis, driven by above-inflation increases in rates and security costs, and the ongoing addition of strategic head leases to protect the tenancy of key franchise sites.

Net finance costs

The Group's investment in capital programmes has resulted in increased gearing over the year and an increased interest bill.

Trading profit

Trading profit margin unchanged at 2.2%. Excluding the once-off cost of the VSP, trading profit margin improved to 2.5%, an indication of the Group's sustainable profit performance.

SUMMARY OF FINANCIAL POSITION

As per annual financial statements	As at 25 February 2018 Rm	Restated As at 26 February 2017 Rm
ASSETS		
Non-current assets		
Property, plant and equipment	6 054.4	5 583.6
Intangible assets	991.3	984.3
Operating lease assets	227.3	198.3
Financial instruments at fair value through profit or loss	25.7	13.7
Investment in associate	365.6	309.7
Loans	79.3	85.1
Retirement scheme assets	97.6	95.3
Deferred tax assets	194.8	218.0
Trade and other receivables	105.4	145.2
	8 141.4	7 633.2
Current assets		
Inventory	5 963.7	5 684.0
Trade and other receivables	3 529.1	3 299.9
Cash and cash equivalents	1 129.1	961.9
	10 621.9	9 945.8
Non-current asset held for sale	217.2	212.8
Total assets	18 980.5	17 791.8
EQUITY AND LIABILITIES		
Equity		
Share capital	6.0	6.0
Treasury shares	(863.4)	(554.3)
Retained earnings	4 951.7	4 428.5
Foreign currency translation reserve	(70.7)	(24.5)
Total equity	4 023.6	3 855.7
Non-current liabilities		
Borrowings	79.5	84.0
Operating lease liabilities	1 571.6	1 398.6
Deferred tax liabilities	13.7	14.6
	1 664.8	1 497.2
Current liabilities		
Trade and other payables	10 820.6	10 490.2
Bank overnight borrowings	1 800.0	1 800.0
Current borrowings	449.3	49.2
Current tax liabilities	213.7	87.8
Derivative financial instruments	8.5	11.7
	13 292.1	12 438.9
Total equity and liabilities	18 980.5	17 791.8
Number of ordinary shares in issue – thousands	488 450.3	488 450.3
Weighted average number of ordinary shares in issue – thousands	473 717.3	482 237.5
Diluted weighted average number of ordinary shares in issue – thousands	483 091.1	494 709.6
Net asset value – cents per share (property value based on directors' valuation)	966.2	922.0

Property, plant and equipment

The increase in the Group's assets reflects its capital investment programme, in particular its ongoing investment in new and refurbished stores and its growing centralised supply chain capacity.

Inventory

Removing the impact of new stores and inflation, the like-for-like inventory value is down 5.0% year on year.

Non-current asset held for sale

Land sold after year-end during March 2018.

Total equity

The Group delivered return on capital employed of 32.6% (FY17: 32.3%) against a weighted average cost of capital of 12.0%.

Current borrowings

The Group raised R400.0 million of three-month debt to take advantage of competitive interest rates, which has eased overnight liquidity.

MODERNISATION OF PICK N PAY'S CONTROL STRUCTURE

The Group eliminated its pyramid control structure in the prior year through the unbundling of the Pick n Pay Holdings Limited RF Group. The simplified Group structure is more cost-effective in administration and improves the Group's appeal to investors.

The unbundling transaction had no impact on trading profit or headline earnings last year; however, it resulted in a number of material non-recurring movements on certain individual categories of other trading income and trading expenses, as detailed below:

Summary of non-recurring items included in trading profit in 2017:

	Normalised 26 February 2017 Rm	% of turnover	Non-recurring items 26 February 2017 Rm	As per annual financial statements 26 February 2017 Rm
Revenue	79 134.6		(412.3)	79 546.9
Turnover	77 486.1		–	77 486.1
Cost of merchandise sold	(63 029.5)		–	(63 029.5)
Gross profit	14 456.6	18.7		14 456.6
Other trading income	1 522.4	2.0	(412.3)	1 934.7
Dividend <i>in specie</i>	–		(412.3)	412.3
Franchise fee income	349.8	0.5	–	349.8
Operating lease income	345.3	0.4	–	345.3
Commissions, dividends received and other income	827.3	1.1	–	827.3
Trading expenses	(14 243.4)	18.4	412.3	(14 655.7)
Employee costs	(6 414.0)	8.3	205.8	(6 619.8)
Occupancy	(2 678.9)	3.5	–	(2 678.9)
Operations	(2 961.7)	3.8	–	(2 961.7)
Merchandising and administration	(2 188.8)	2.8	206.5	(2 395.3)
Trading profit	1 735.6	2.2	–	1 735.6

Other trading income – included a dividend *in specie* of R412.3 million, representing the value of the Pick n Pay Stores Limited shares (now held as treasury shares) received by the Group on the unbundling of Pick n Pay Holdings Limited RF (PWK).

Employee costs – the Group operates an employee share incentive scheme where eligible employees were granted share options in PWK. These share options were cancelled and replaced with Pick n Pay Stores Limited share options, in terms of the shareholder approval received at the general meeting held on 25 July 2016.

Employee costs included R205.8 million of share-based payment expenses related to the increase in the market value of PWK share options prior to the unbundling, as well as the cancellation and replacement cost of these options.

Merchandising and administration costs – included a net fair value loss of R206.5 million in respect of the Group's investment in PWK. This fair value movement was as a result of the increased market value of PWK shares prior to the unbundling, and the subsequent write-off of the investment on the receipt of the dividend *in specie* distribution.



CASE STUDY: REDUCING OUR PLASTIC FOOTPRINT

Pick n Pay has announced a set of focused initiatives to reduce plastic waste. This follows a commitment made by Chairman, Gareth Ackerman, in April this year to put programmes in place to reduce the use of plastic in our business that is not recycled or recyclable.

Everyone has an important part to play in reducing plastic waste. Pick n Pay wants to make it possible for our customers to help in this effort, and we are giving them more choices in our stores to do just that.

Pick n Pay will initially target five areas in the short term, with an even wider set of targets and commitments that will follow.

- **100% recyclable plastic bags introduced**
Pick n Pay will start introducing 100% recyclable plastic bags, manufactured from recycled plastic and with no added calcium, in their stores from August 2018.
- **Plastic straws to be phased out**
Plastic straws will no longer be provided at checkouts in any of its stores. These will be replaced with paper straws which will only be available at the cold drink kiosks.
- **Alternatives to everyday plastic disposable items**
Pick n Pay own-brand cotton buds will be introduced where the plastic inners will be replaced with paper. A bamboo toothbrush will be included in the toiletries range to provide customers with wider choice.
- **Reduced plastic packaging impacts**
Pick n Pay has introduced recycled material in a range of its own-brand products. Containers of dishwashing liquids and all purpose cleaners now include a minimum of 25% recycled material, while carbonated soft drink bottles include a minimum of 20% recycled material. The plastic punnets used in the packaging of our fresh fruit and vegetables contain a minimum of 25% recycled material and the use thereof will be rolled out to more categories.
- **Free plastic collection from our stores and our online customer homes**
Pick n Pay has had in-store recycling bins for plastic waste available at all our stores for several years. The online team will now increase customers' ability to recycle by offering free plastic collection from online customers' homes.

FIVE-YEAR REVIEW

		2018	2017	2016	2015	2014
PERFORMANCE MEASURES						
Turnover growth	%	5.3	7.0	8.2	6.1	6.5
Gross profit margin	%	18.7	18.7	18.6	18.6	18.4
Other trading income margin	%	2.2	2.0	1.9	1.7	1.5
Trading expenses margin	%	18.6	18.4	18.5	18.5	18.3
Trading profit growth	%	4.9	19.1	20.1	18.1	20.6
Trading profit margin	%	2.2	2.2	2.0	1.8	1.6
Profit before tax growth	%	5.4	18.5	20.0	38.6	5.2
PBTAE growth	%	3.8	19.1	23.8	21.7	22.0
PBTAE margin	%	2.2	2.2	2.0	1.7	1.5
EBIT growth	%	8.2	(7.6)	54.6	30.3	5.9
EBITDA (before capital items) growth	%	8.1	14.4	16.5	4.5	13.4
Profit for the period margin	%	1.6	1.6	1.4	1.3	0.9
HEPS	cents	277.0	258.7	215.2	173.3	141.2
HEPS growth	%	7.1	20.2	24.2	22.8	26.8
ROCE	%	32.6	32.3	29.6	24.5	20.6
Net asset value per share	cents	966.2	922.0	869.4	741.8	651.7
WACC	%	12.0	13.1	12.2	10.6	10.7
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME						
Turnover	Rm	81 560.1	77 486.1	72 445.1	66 940.8	63 117.0
Other trading income	Rm	1 760.6	1 522.4	1 379.5	1 159.9	965.5
Trading expenses	Rm	15 191.0	14 243.4	13 376.6	12 396.6	11 550.5
Trading profit	Rm	1 819.9	1 735.6	1 457.7	1 214.1	1 028.1
PBTAE	Rm	1 789.1	1 723.3	1 447.5	1 168.8	960.5
Profit before tax	Rm	1 768.1	1 677.0	1 414.9	1 179.2	850.9
Profit for the period	Rm	1 296.3	1 216.0	1 023.2	843.0	596.5
EBIT	Rm	1 915.2	1 769.5	1 915.2	1 238.8	950.5
EBITDA (before capital items)	Rm	3 023.8	2 797.3	2 444.5	2 097.9	2 008.5
Headline earnings	Rm	1 312.1	1 247.3	1 030.7	829.1	675.4
CONSOLIDATED STATEMENT OF FINANCIAL POSITION						
Assets	Rm	18 980.5	17 791.8	16 312.5	14 610.3	13 941.7
Ordinary shareholders' equity	Rm	4 023.6	3 855.7	3 701.7	3 107.9	2 688.4
Liabilities	Rm	14 956.9	13 936.1	12 610.8	11 502.4	11 253.3
STOCK EXCHANGE (JSE LIMITED) PERFORMANCE						
Number of shares in issue	millions	488.5	488.5	488.5	487.3	480.4
Weighted average number of shares in issue	millions	473.7	482.2	478.9	478.3	478.4
Market capitalisation	Rbn	36.3	34.0	27.4	25.7	21.7
Market capitalisation net of treasury shares	Rbn	35.3	32.9	26.9	25.3	21.6
Price earnings ratio	times	26.8	26.9	26.1	30.5	32.0
Annual dividend per share	cents	188.8	176.3	149.4	118.1	92.3
Dividend cover	times	1.5	1.5	1.5	1.5	1.5
Dividend yield	%	2.5	2.5	2.7	2.2	2.0
Volume of shares traded	millions	360.1	345.7	281.6	213.3	165.2
Percentage of shares traded	%	73.7	70.8	57.6	43.8	34.4
Market price per share (PIK)						
– close at period-end	cents	7 428	6 969	5 614	5 282	4 514
– high for the period	cents	7 606	8 424	7 000	6 082	5 440
– low for the period	cents	5 460	5 525	4 850	4 401	3 519

Prior period amounts normalised for non-recurring items and/or restated to ensure comparability.

→ DEFINITIONS

Profit before tax and exceptional items (PBTAE)

Profit for the period, before tax and exceptional items. Exceptional items are determined by the remuneration committee. These are non-recurring items of an exceptional size and nature.

EBIT

Profit for the period, before net interest, tax and capital items.

EBITDA

Profit for the period, before net interest, tax, depreciation, amortisation and capital items.

Headline earnings

Net profit for the period adjusted for the after-tax effect of capital items.

Headline earnings per share (HEPS)

Headline earnings divided by the weighted average number of shares in issue for the period.

Return on capital employed (ROCE)

Headline earnings divided by average shareholders' equity plus non-current borrowings.

Net asset value per share

Total value of net assets at period-end, adjusted for directors' valuations of property, divided by the number of shares in issue at period-end, held outside the Group.

Weighted average cost of capital (WACC)

WACC is the calculation of our after-tax cost of capital in which each category of capital is proportionally weighted. All sources of capital, including non-current borrowings, bank overdraft and short-term borrowings, are included in the calculation.

Market capitalisation

The price per share at period-end multiplied by the number of shares in issue at period-end.

Price earnings ratio

The price per share at period-end divided by headline earnings per share.

Annual dividend per share

The interim dividend declared during the current financial period and the final dividend declared after period-end, in respect of the current financial year.

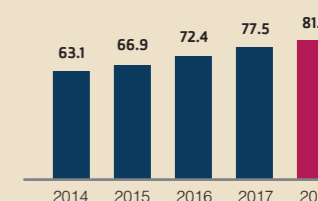
Dividend cover

Headline earnings per share divided by the dividends per share that relate to those earnings.

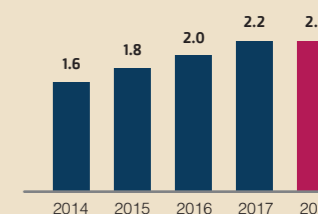
Dividend yield

Annual dividend per share expressed as a percentage of closing share price.

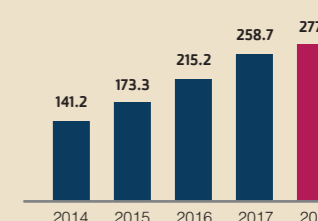
TURNOVER (Rbn)



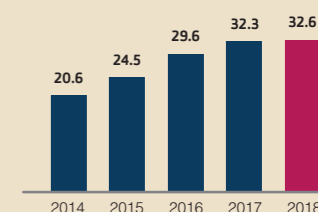
TRADING PROFIT MARGIN (%)



HEPS (cents)



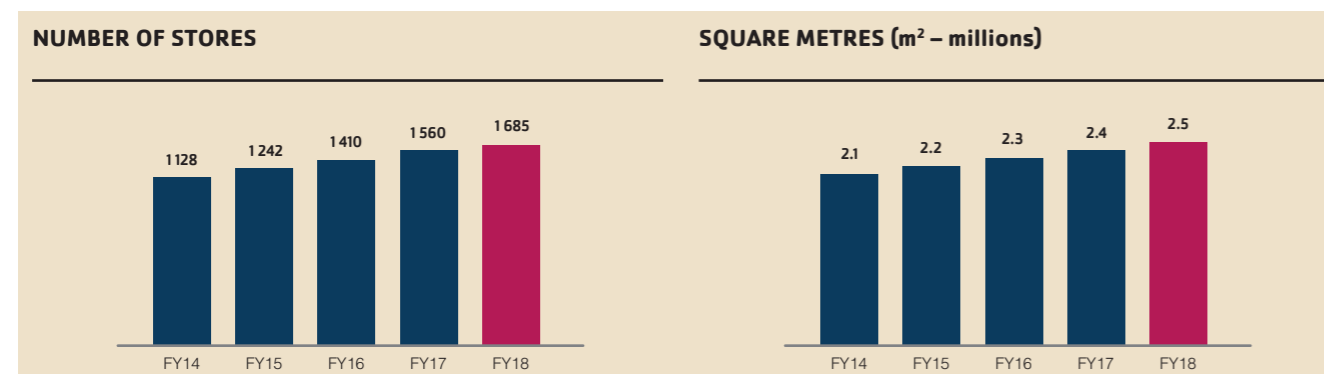
ROCE (%)



		2018	2017	2016	2015	2014
HUMAN MEASURES*						
Developed a skilled workforce						
Number of employees	000	51.9	54.4	52.9	48.7	49.3
Permanent employee turnover	%	24.9	19.9	16.1	19.3	15.0
Employment equity**						
Top management	%	40.9	35.0	36.0	35.7	39.0
Senior management	%	71.3	63.0	66.0	64.4	61.0
Professionally qualified middle management	%	92.8	87.0	88.0	87.1	85.0
Skilled technical and junior management	%	97.8	97.0	96.0	95.2	95.0
Semi-skilled and discretionary decision-making	%	99.8	99.8	99.7	99.7	99.8
Unskilled and defined decision-making	%	99.7	99.6	99.5	99.4	99.6
SOCIAL AND ENVIRONMENTAL MEASURES*						
Carbon footprint	CO ₂ e tonnes	657 387.2	671 052.6	656 765.1	613 934.7	588 509.2
Energy usage per square metre reduction (2008 baseline)	GWh	37.0	34.1	31.4	32.0	30.0
CO ₂ e emissions per square metre reduction (2013 baseline)	%	2.5	3.5	0.6	2.4	4.0
Waste diverted from landfill	%	54.3	48.4	46.0	45.0	43.0
Water consumed	megalitres	1 161	1 332	1 249	1 316	1 133
Total CSI spend	Rm	30.5	38.7	41.5	44.6	36.0
Schools in Pick n Pay School Club		3 300	3 025	3 025	3 025	2 750
BBBEE level		Level 8	Level 8	Level 4	Level 4	Level 6
OPERATIONAL STATISTICS						
Number of stores						
Group		1 628	1 504	1 353	1 189	1 076
Pick n Pay – company owned		722	661	596	510	464
Pick n Pay – franchise		660	614	549	490	433
Boxer – company owned		246	229	208	189	179
Associate						
TM Supermarkets		57	56	57	53	52
Total with associate		1 685	1 560	1 410	1 242	1 128
Total square metres						
Company owned	m ² – millions	2.5	2.4	2.3	2.2	2.1
Franchise	m ² – millions	0.7	0.7	0.7	0.7	0.6

* Information relates to Pick n Pay-owned stores only.

** These measures represent the participation of employment equity candidates, as governed by the Employment Equity Act, No 55 of 1998, in the presented categories.



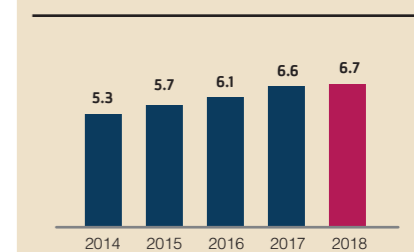
VALUE-ADDED STATEMENT

	52 weeks 25 February 2018		52 weeks 26 February 2017	
	Rm	%	Rm	%
Turnover	81 560.1		77 486.1	
Amounts paid for merchandise and expenses	(71 445.2)		(67 769.9)	
Finance income	184.1		126.1	
Total value created	10 299.0	100.0	9 842.3	100.0
Distributed as follows:				
Employees				
Salaries, wages and other benefits	6 688.7	64.9	6 619.8	67.3
To providers of capital				
Distributions to shareholders	866.5	8.4	753.5	7.7
Share purchases	423.4	4.1	345.4	3.4
Finance costs	331.2	3.2	218.6	2.2
Government				
Taxation expense	471.8	4.6	461.0	4.7
Retained for growth				
Depreciation and amortisation	1 087.6	10.6	981.5	10.0
Profit for the period after distributions to shareholders	429.8	4.2	462.5	4.7
Total value distributed	10 299.0	100.0	9 842.3	100.0

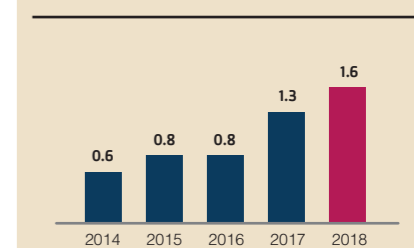
Prior period amounts normalised for non-recurring items and/or restated to ensure comparability.

We have created financial value of R10.3 billion (2017: R9.8 billion) during the financial period. The value-added statement illustrates how we have distributed this value to our stakeholders.

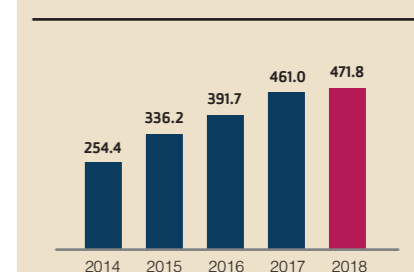
EMPLOYEE COSTS (Rbn)



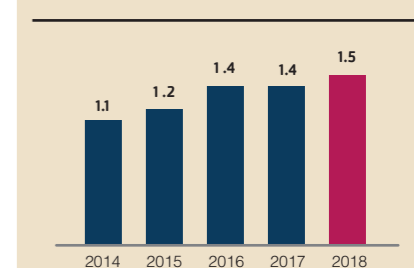
PROVIDERS OF CAPITAL (Rbn)



GOVERNMENT (Rm)



RETAINED FOR GROWTH (Rbn)





OUR GOVERNANCE

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OUR APPROACH TO CORPORATE GOVERNANCE

The Board is confident that the Group's governance framework, including all its related Board structures and administrative and compliance processes, contributes to ongoing value creation by driving:

- Accountability to stakeholders
- Sound leadership and effective decision-making
- Strong risk management and risk mitigation
- Comprehensive and transparent integrated reporting
- A remuneration policy that builds a winning team through the development and retention of top talent and incentivises in line with the Group's strategic objectives

The Board supports the materiality approach, which emphasises integrated reporting based on issues, risks and opportunities that can have a material impact on the sustainable performance of the business over the short, medium and long term. Details of the material issues and related risks identified and managed by the Group are set out on pages 32 to 37.

BOARD FUNCTION

The Board of directors, as elected by shareholders, take overall responsibility for the performance and sustainable value creation of the Group. Sustainable value creation is measured across the triple context of the Group's economic, social and environmental performance, with reference to the effective management of its capitals. The directors ensure that the Group is managed in a transparent, equitable and responsible manner for the benefit of all its stakeholders. The Board appreciates that strategy, risk, performance and sustainability are inseparable elements of value creation. It thereby ensures that the reports issued by the Group enable stakeholders to make informed assessments of its performance, and its short, medium and long-term prospects.

The Board is committed to strong and ethical leadership, and to consistent action within a governance framework that is built on the principles of honesty, integrity and accountability. The corporate governance structure of the Group is regularly reviewed to ensure that the Board exercises effective and ethical leadership, conducts its affairs as a good corporate citizen and takes appropriate decisions to ensure the long-term sustainability and value creation of the business.

The Board retains overall responsibility for the concept of integrated thinking as encapsulated in the King Report on Corporate Governance™ for South Africa 2016 (King IV™), which underpins corporate citizenship, stakeholder inclusivity, sustainable development and integrated reporting.

The Group's commitment to the highest standards of corporate governance has contributed to its sustainable value creation over more than 50 years. Our ethical value system has built strong relationships with stakeholders who recognise and support the Group as a responsible corporate citizen, with the confidence that we will always do what is right.

Directors are encouraged to engage in rigorous debate with the aim of promoting direction, governance and effective leadership of the Group. All Board members are conscious of their obligation to act with integrity as representatives of all stakeholders of the Group.

The 2018 corporate governance report is available on our website at www.picknpayinvestor.co.za.

EVALUATION OF BOARD PERFORMANCE

The Board performs a formal annual evaluation of its performance and its overall contribution to the Group. The review includes an evaluation of the performance and contribution of each individual director. Completed questionnaires are submitted to the Chairman, who conducts interviews with each member of the Board. The effectiveness of the Chairman is assessed by the lead independent director. Discussions centre on how the performance and effectiveness of the Board can be improved. Individual feedback is given to each director, and the Chairman gives general feedback to the Board.

The Board is satisfied that it has fulfilled its responsibilities in accordance with its Corporate Governance Charter, King IV™, the JSE Listings Requirements, the Companies Act, and applicable statutory and regulatory requirements for the financial period ended February 2018.

CONTROLLING SHAREHOLDER AND ITS BOARD REPRESENTATION

The Group has a controlling shareholder, Ackerman Investment Holdings Proprietary Limited. The Chairman (Gareth Ackerman), one non-executive director (David Robins) and two executive directors (Suzanne Ackerman-Berman and Jonathan Ackerman), all members of the Ackerman family, are not independent by virtue of their indirect shareholdings in the Company. To guard against a perception that a conflict of interest could arise between the controlling shareholder and other shareholders, the Board annually elects an independent non-executive director to act as lead independent director (LID). The role of the LID is to provide leadership and advice to the Board when the Chairman has a conflict of interest, without detracting from the authority of the Chairman. The position also provides an important point of contact for the broader investment and stakeholder community should they have concerns with the management of the Group or potential conflicts of interest.

BOARD COMPOSITION

The Board consists of 13 directors, with eight non-executive directors and five executive directors. Six of the eight non-executive directors are independent. Refer to pages 78 and 79 for more detail.

The non-executive directors are diverse in their academic qualifications, business experience, gender and race, resulting in a balanced Board. Directors exercise leadership, enterprise, integrity and judgment in directing the Group's value-creation processes to ensure that they are sustainable for all stakeholders. All directors receive regular briefings on changes in risks, laws and the business environment.

DIRECTOR APPOINTMENT AND ROTATION

The Board's rotation policy ensures that one-third of non-executive directors come up for re-election at each annual general meeting. Shareholders are enabled to hold directors to account and to appoint directors to the Board whom they believe will add value to the business.

The Board proactively seeks and appoints qualified individuals who reflect a diverse range of skills, professions and backgrounds that represent the gender, race and ethnic diversity of the communities we serve.

The Board is satisfied that its composition reflects an appropriate mix of knowledge, skills, experience, diversity and independence. The Group's gender and racial diversity targets for its Board have been met.

OPERATIONAL GOVERNANCE

The Board appoints the Chief Executive Officer (CEO) to run the Group on its behalf. The CEO is responsible for leading the implementation and execution of approved strategy, policy and operational planning, and serves as the principal link between management and the Board.

The CEO is mandated to ensure that the day-to-day business affairs of the Group are appropriately managed by executive management and that the necessary systems and controls are in place for effective risk management.

The Board recognises that risk management is an integral part of Group strategy, and delegates to management the responsibility of designing, implementing and monitoring the risk management plan.

EXECUTIVE REPRESENTATION ON THE BOARD

The executive function of the Group is performed by Richard Brasher (CEO), Bakar Jakoet (Chief Finance Officer or CFO) and Richard van Rensburg (Chief Information Officer or CIO), who are all executive directors of the Company.

ANNUAL ASSESSMENT OF INDEPENDENCE

King IV™ does not consider the length of a non-executive director's term in office as a determinant of independence. However, the Group's policy requires all independent non-executive directors who have served on the Board for more than nine years to retire by rotation at the end of every year, instead of the standard three-year term of office.

At the end of each term, whether one year or three years, the director and the Chairman jointly evaluate each director's independence. By mutual consent the director may be considered for re-election. Consideration is given to factors such as:

- The director's involvement with other companies
- External directorships held
- Relationships with material suppliers and competitor companies
- Material contracts with the Group, if any
- Whether the director had been employed by the Group in an executive capacity during the preceding three years
- Whether the director's fees represented a material part (10% or more) of their wealth or income

All directors regularly declare their directorships and commercial interests to the Board. Transparency of commercial interests ensures that directors can be seen to be free from any business or other relationship that may interfere materially with any director's capacity to act in an independent manner.

The Board has established a balance between the experience of long-serving directors and the fresh insights from new directors. All our directors, whatever their length of service, are strong-minded individuals of integrity, who are successful and experienced professionals in their respective fields. They strive to act with independence of mind in the best interests of the Group. They have no interest, position, association or relationship that is likely to unduly influence or cause bias in decision-making in relation to the Group.

The Board is satisfied that the independent non-executive directors met the criteria for independence as established by King IV™, the Companies Act and the JSE Listings Requirements.

BOARD COMMITTEES

The Board is supported by six committees, namely the audit, risk and compliance, social and ethics, corporate finance, corporate governance, nominations and remuneration committees. The Board's delegation of authority to committees contributes to role clarity and the effective exercise of authority and responsibilities within the broader Group.

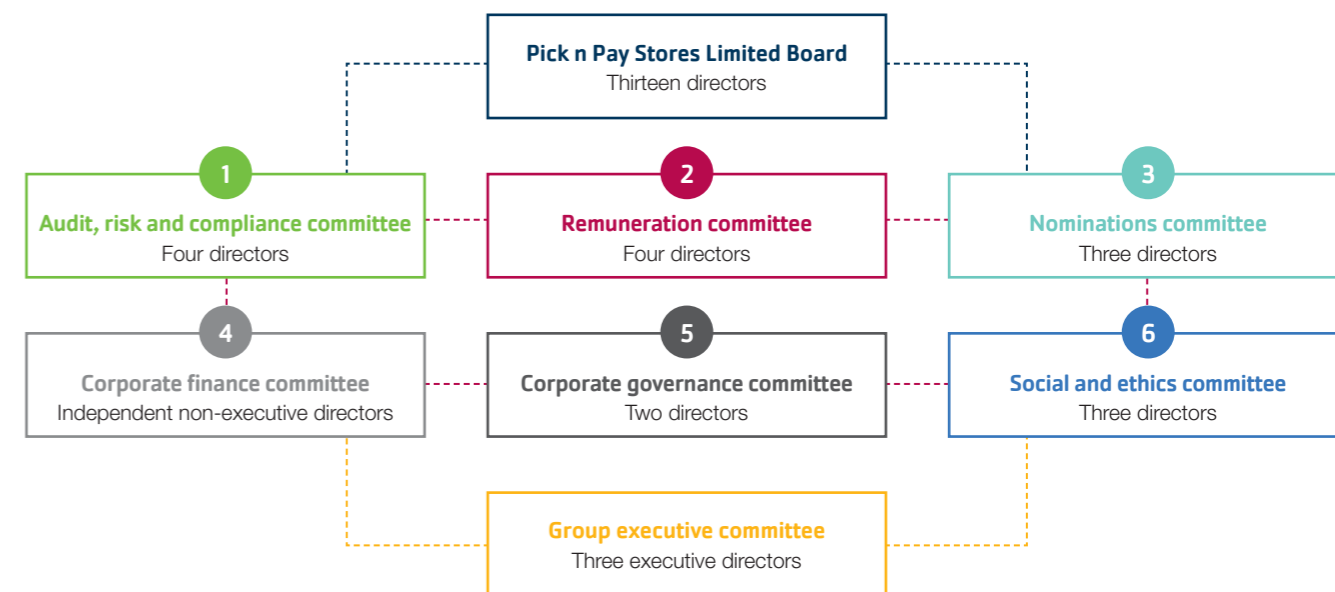
The role and responsibilities of each Board committee are set out in the corporate governance charter, which is reviewed annually to ensure that the committee mandates remain current and effective. The charter, which was reviewed to ensure that the requirements of King IV™ were met, is available on our website at www.picknpayinvestor.co.za.

Each committee considers its effectiveness by way of a review of its activities against the approved terms of reference in line with their delegated powers and authority. Together with the Board, all committees were satisfied that they carried out their responsibilities during the period.



GOVERNANCE STRUCTURE

The diagram below is a summary of the governance structure of the Group. For more information, refer to the 2018 corporate governance report on our website at www.picknpayinvestor.co.za.



The table reflects the Board and committee attendance at the meetings for the 2018 financial period:

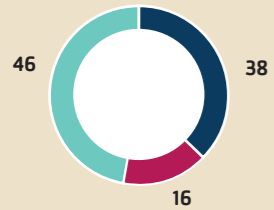
NAME	Position	Board	AGM	1	2	3	4	5	6
G Ackerman	Chairman	5/5	1/1	-	3/3	✓	-	✓	-
J Ackerman	Executive	5/5	1/1	-	-	-	-	-	-
S Ackerman-Berman	Executive	5/5	1/1	-	-	-	-	-	3/3
R Brasher	CEO	5/5	1/1	-	-	-	-	-	-
D Friedland	Independent non-executive	5/5	1/1	2/2	-	✓	*	-	-
H Herman	Lead Independent non-executive	5/5	1/1	2/2	3/3	-	*	-	-
A Jakoet	CFO	5/5	1/1	-	-	-	-	-	-
A Mathole	Independent non-executive	5/5	1/1	-	-	-	*	-	2/3
A Mothupi	Independent non-executive	5/5	1/1	2/2	3/3	-	*	-	-
L Phalatse	Independent non-executive	5/5	1/1	-	-	✓	*	-	3/3
D Robins	Non-executive	5/5	1/1	-	-	-	-	-	-
R van Rensburg	CIO	5/5	1/1	-	-	-	-	-	-
J van Rooyen	Independent non-executive	5/5	1/1	2/2	2/3	-	*	✓	-

The nominations committee, corporate finance committee and corporate governance committee meet as and when required throughout the financial year.

- Not a member of the committee
- ✓ Present at ad hoc meetings
- * The corporate finance committee was not convened during the financial period.

For more detail on the objectives and activities of the Board and its committees, please refer to the corporate governance report on our website at www.picknpayinvestor.co.za.

DIRECTOR CLASSIFICATION



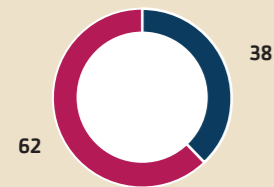
Executive Non-executive
Independent non-executive

GENDER DIVERSITY



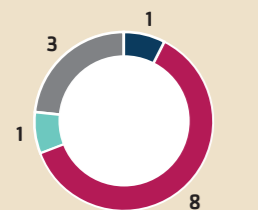
Male Female

RACIAL DIVERSITY



Black White

DIRECTOR TENURE



< 5 years 5 – 10 years
10 – 15 years > 15 years

OUR BOARD OF DIRECTORS

Pick n Pay Stores Limited has a strong, experienced and diverse Board with a good balance of skills. Each director makes a valuable contribution relevant to their individual field of expertise, whether retail, finance, law, strategy or information technology.

CHAIRMAN



GARETH ACKERMAN (60)
BSocSci, CMS and AMP (Oxon)
Chairman

- Appointed 1990
- Years of service: 34
- Chairman of the corporate governance committee and the nominations committee

EXECUTIVE DIRECTORS



RICHARD BRASHER (56)
BSc (Hons)
Chief Executive Officer

- Appointed 2013
- Years of service: 5



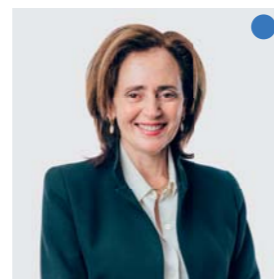
BAKAR JAKOET (62)
CA(SA)
Chief Finance Officer

- Appointed 2011
- Years of service: 32



RICHARD VAN RENSBURG (57)
CA(SA)
Chief Information Officer

- Appointed 2009
- Years of service: 9



SUZANNE ACKERMAN-BERMAN (55)
BA, Fellow: Aspen Business Institute; First Movers
Executive director

- Appointed 2010
- Years of service: 23
- Chairman of the social and ethics committee



JONATHAN ACKERMAN (51)
BA Marketing

- Appointed 2010
- Years of service: 25

NON-EXECUTIVE DIRECTOR



DAVID ROBINS (64)
BBusSci

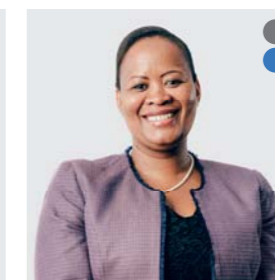
- Appointed 2002

INDEPENDENT NON-EXECUTIVE DIRECTORS



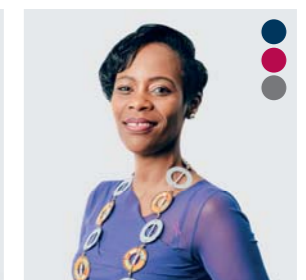
HUGH HERMAN (77)
BA LLB, LLD (HC)

- Appointed 1976
- Lead independent director (LID)
- Chairman of the remuneration committee



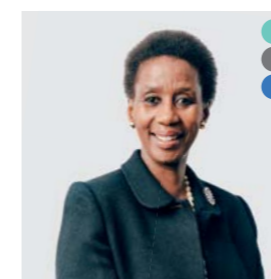
ALEX MATHOLE (45)
BJuris LLB

- Appointed 2016



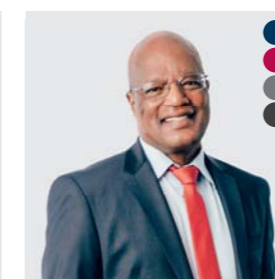
AUDREY MOTHUPI (47)
BA (Hons)

- Appointed 2013
- Other listed company directorship: Life Healthcare Group



LORATO PHALATSE (56)
BA (Hons), MA

- Appointed 2010
- Other listed company directorship: Bidvest Group



JEFF VAN ROOYEN (68)
CA(SA)

- Appointed 2007
- Chairman of the audit, risk and compliance committee
- Other listed company directorships: MTN Group Limited, Exxaro Resources Limited



DAVID FRIEDLAND (64)
CA(SA)

- Appointed 2013
- Other listed company directorships: Investec Limited, Investec plc, The Foschini Group Limited



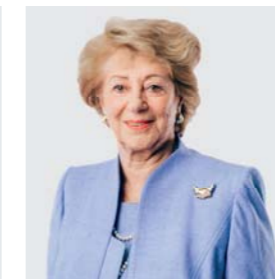
DEBRA MULLER (56)
BA LLB
Company Secretary

- Appointed 2010
- Years of service: 12

HONORARY LIFE PRESIDENTS



RAYMOND ACKERMAN
Years of service: 51

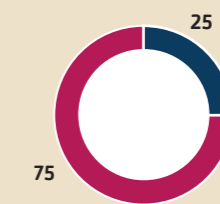


WENDY ACKERMAN
Years of service: 51

MEMBER OF THE:

- Audit, risk and compliance committee
- Remuneration committee
- Nominations committee
- Corporate finance committee
- Corporate governance committee
- Social and ethics committee

NON-EXECUTIVE DIRECTOR INDEPENDENCE CLASSIFICATION



Non-independent Independent

REMUNERATION REPORT

SECTION 1: CHAIRMAN'S REPORT

The Group's remuneration committee is mandated by the Board to ensure that the Group's remuneration policy fairly and responsibly promotes the achievement of the Group's strategic objectives, including positive value outcomes over the short, medium and long term. The Group's remuneration policy balances the needs of its employees with those of its shareholders and supports the Group's strategy by incentivising the behaviour that will deliver on its strategic plan, against clear and measurable performance targets across its seven business acceleration pillars. Decisions on pay and reward for the Board and senior management must be appropriate in attracting, motivating and retaining the Group's winning team.

THE YEAR IN REVIEW

The 2018 financial year was once again characterised by a tough economic climate and constrained consumer spending, with real GDP growth in South Africa of just 0.9% over the 2017 calendar year. The Group responded to the tough consumer environment through decisive action. Over the past year, the Group took a number of strategic steps, as set out in the CEO's review on page 54, to reduce its operating costs and improve its underlying efficiency in ways which have generated additional headroom to invest in its customer offer at a critical time for the South African consumer. These steps, which included a voluntary severance programme (VSP), have accelerated the delivery of the Group's strategic long-term plan. However, they inevitably resulted in some disruption, which had a short-term adverse impact on the performance of the Group. The VSP in particular also resulted in once-off costs which impacted on this year's profitability and on the ability of the Board and senior executives to deliver against their strategic objectives and related targets.

Against this background, the remuneration committee has had to exercise careful judgment over the past year to ensure that the application of the Group's remuneration policy reflects the progress on its strategic long-term objectives, while noting the short-term targets that were not met.



Hugh Herman
Chairman: Remuneration committee

It has recognised that incentives tied to specific targets cannot be paid where these targets have not been met. But the committee has also, where appropriate, exercised some discretion and limited flexibility where the non-achievement of short-term targets resulted from decisions that have significantly strengthened the business to deliver on its longer-term strategy.

2018 FINANCIAL RESULT AND ANNUAL BONUS

The VSP added compensation cost and disruption in the short term; however, together with the modernisation of the Group's loyalty programme and a collaborative buy better programme with suppliers, the team was able to invest substantively in price and promotion in the final quarter of the year in order to drive sales growth. Strong momentum was achieved in the last three months of the year, but it was not enough to meet the key financial performance targets set by the remuneration committee.

The Group delivered growth in profit before tax and exceptional items (PBTAE), the Group's primary short-term performance target, of 3.8% in 2018, short of the committee's threshold target of 10%. In addition, certain other key performance indicators also fell short of expectation, including annual turnover growth, inventory holdings and net interest paid. Accordingly, the Group did not meet the required performance measures set by the remuneration committee for the payment of a short-term annual bonus and the remuneration committee has not awarded a short-term bonus to its senior executive team this year.

However, the remuneration committee acknowledged the important strategic steps taken over the year to drive sustainable performance. In recognition of the solid progress delivered against the long-term plan and the substantively improved customer offer, the remuneration committee agreed to the payment of an ex gratia appreciation award to executive directors and key members of senior management that have delivered this progress.

REVIEW OF CEO'S LONG-TERM BINARY SCHEME

The committee decided, at a special meeting convened in September 2017, to extend the terms of Richard Brasher's binary share award. The share award was due to vest in November 2017, subject to the attainment of a share price eligibility hurdle of R68.03. Richard Brasher had, with the support of the Board, successfully implemented the strategic action detailed above in order to reset the long-term earnings trajectory of the Group. The prevailing political and economic climate had resulted in negative sentiment in the local equities market, and the committee acknowledged that the substantial once-off costs related to the VSP could negatively impact the share price in the short term. The committee agreed that Richard should not be disadvantaged for strategic action taken for the long-term benefit of the Group.

The remuneration committee remains committed to equitable remuneration of its executive directors, which adequately reflects performance delivered. As such it was agreed to extend the term of his binary scheme by a further 12 months, to November 2018.

AMENDMENTS TO THE GROUP'S FORFEITABLE SHARE PLAN

The Group has delivered consistent progress against its primary long-term performance target of sustainable growth in headline earnings per share (HEPS), with compound annual growth in HEPS over the last five years of 20%. The Group's debut issue of forfeitable shares vested successfully in August 2017. It is right that the team share in the value that they have helped to create for shareholders, and we were gratified to deliver 6.3 million shares to 130 participants.

The vesting of FSP 1 highlighted the difficulty of issuing shares to executives on the eve of a statutory closed period. To allay any governance concerns, our executive directors and Company Secretary were precluded from taking up their FSP 1 shares on vesting, and were required to wait until after the publication of the Group's interim results in October 2017. The remuneration committee subsequently decided to bring forward the vesting dates of all previous FSP awards, from August of the vesting year to June of that same year, to strengthen governance during future vesting periods. The attainment of performance conditions will always be known at the time of the publication of the financial result in April, and it is only the discretionary service condition that has been reduced by less than two months. This amendment ensures that any future delivery and take-up of forfeitable shares will not take place in the days before the Group enters a closed period, facilitating a more streamlined and effective administration of the vesting process.

In line with normal governance principles, if any of our executives are in a voluntary closed period at the time of vesting, they will not be able to take up their shares until such time as any trade embargo has been lifted.

STRONGER TEAM

In January 2018 the Group strengthened its executive team through the appointment of Pedro da Silva to manage its Pick n Pay division. Pedro is a seasoned retailer with an exceptional track record in emerging market retail across the globe. This includes turning around the Biedronka business in Poland to become the national market leader, and guiding the Jerónimo Martins Group as Chief Operations Officer, responsible for the group's operations in Portugal, Poland and Columbia. Pedro will ably support Richard Brasher in growing our Pick n Pay South African retail business, while enabling Richard to focus more fully on overall Group strategy. The remuneration committee formulated a competitive remuneration package that recognises Pedro's skill and experience, and his participation in the Group's long-term share incentive schemes ensures that he will be rewarded for a tenure that delivers on Group strategy, with sustainable earnings growth and share price appreciation over the longer term.

OTHER KEY CONSIDERATIONS

In addition to the key decisions detailed above, further key considerations for the remuneration committee during the year included:

- setting the remuneration packages of key senior executives in line with market-related benefits
- the fourth allocation of shares under the Group's forfeitable share plan
- agreeing the overall salary increase for all salaried staff
- ongoing talent management and succession planning

SHAREHOLDER ENGAGEMENT

Our remuneration policy seeks to build the most skilled and talented retail business in South Africa, to drive sustainable value creation for all stakeholders. Our remuneration policy, including all reward principles, is consistent with last year and is outlined in section 2 of this report. The application of our remuneration policy in 2018 is detailed in section 3 of this report.

The remuneration committee is confident that the Group's remuneration policy achieved its stated objectives in support of the Group's long-term strategy during the year. Senior management and staff have been remunerated fairly, commensurate with market best-practice, current achievements have been recognised and future performance incentivised in line with the objectives of the Group's long-term strategy and the interests of shareholders.

In line with the requirements of King IV™, the Group will present section 2 and section 3 of this report separately to its shareholders for non-binding votes at its AGM on 30 July 2018. The proposed directors' fees for the 2019 and 2020 financial period will also be submitted to shareholders for approval at the AGM. Please refer to page 93 for further information.

The Group values open and constructive engagement with its shareholders, and encourages its shareholders to engage with management on material remuneration issues in order to enable informed decisions when voting on the Group's remuneration policy and the application thereof.

In addition to this commitment, and in accordance with King IV™, in the event that either the remuneration policy or implementation report receives 25% or more dissenting votes, management will engage directly with shareholders to:

- determine the reasons for the dissenting votes; and
- address all legitimate objections and take any reasonable steps to resolve shareholder concerns.

The remuneration policy and directors' fees for the 2018 financial period were approved by shareholders at the AGM held on 31 July 2017 as follows:

	For	Against	Abstain
Advisory vote			
Remuneration report for the 2017 annual financial period	91.32%	8.68%	0.04%
Special resolution number 1			
Directors' fees for the 2018 and 2019 annual financial periods	86.58%	13.42%	0.39%

The Pick n Pay human resources division (HR) was recognised as the Best HR team of the Year at the 2017 national Future of HR awards. We congratulate the team on this prestigious award, which recognise the transformation of the HR function in business in South Africa. Our HR team is working tirelessly to become a stronger and more effective support structure for all divisions across the Group, and we give them our unwavering support on this journey, as we all become better and simpler for customers and staff.

LOOKING AHEAD

The Group is determined to become the employer of choice within the retail industry, creating more opportunity for competitive benefits, skills training and development, recognition and career advancement. The Group has created over 13 700 net new and sustainable jobs over the past three years, notwithstanding the impact of the VSP, through its store opening programme and the ongoing development of its centralised supply chain. We aim to create another 15 000 new jobs over the next three years.

We have much more hope for a prosperous South Africa than we had a year ago, and with renewed energy and momentum in our own business, we look forward to 2019 with confidence of a stronger performance from a lean and more effective team. The remuneration committee will continue to focus on talent management, retention and succession planning. It will formulate appropriate and effective long-term incentives linked to the key performance indicators that will ensure delivery of the Group's strategic objectives, while balancing the needs of shareholders with those of employees.

Hugh Herman
Chairman: Remuneration committee
22 June 2018

SECTION 2: OVERVIEW OF REMUNERATION POLICY

ALIGNMENT WITH STRATEGIC OBJECTIVES

The Group's remuneration philosophy is to build and reward a high-performance team that successfully delivers the Group's strategic objectives in order to create sustainable value for all stakeholders over the short, medium and long term.

The Group's remuneration policy supports this philosophy through balanced reward, which recognises both the delivery of short-term performance goals, while incentivising sustainable earnings growth over the long term, aligning the interests of our team with those of our shareholders.

- **Performance-driven reward**
Staff are rewarded for the delivery of value creation in line with the objectives of the Group's strategy
- **Meritocracy**
Staff are recognised and advanced based on merit
- **Most talented South African retail business**
We attract, retain and develop the most talented staff in the retail industry
- **Effective and lean organisation**
We build a high-performance culture that rewards productivity and value creation
- **Diversity**
We offer equal opportunities to people from all walks of life and our team reflects the communities we serve



The Group's remuneration policy reflects the following principles:

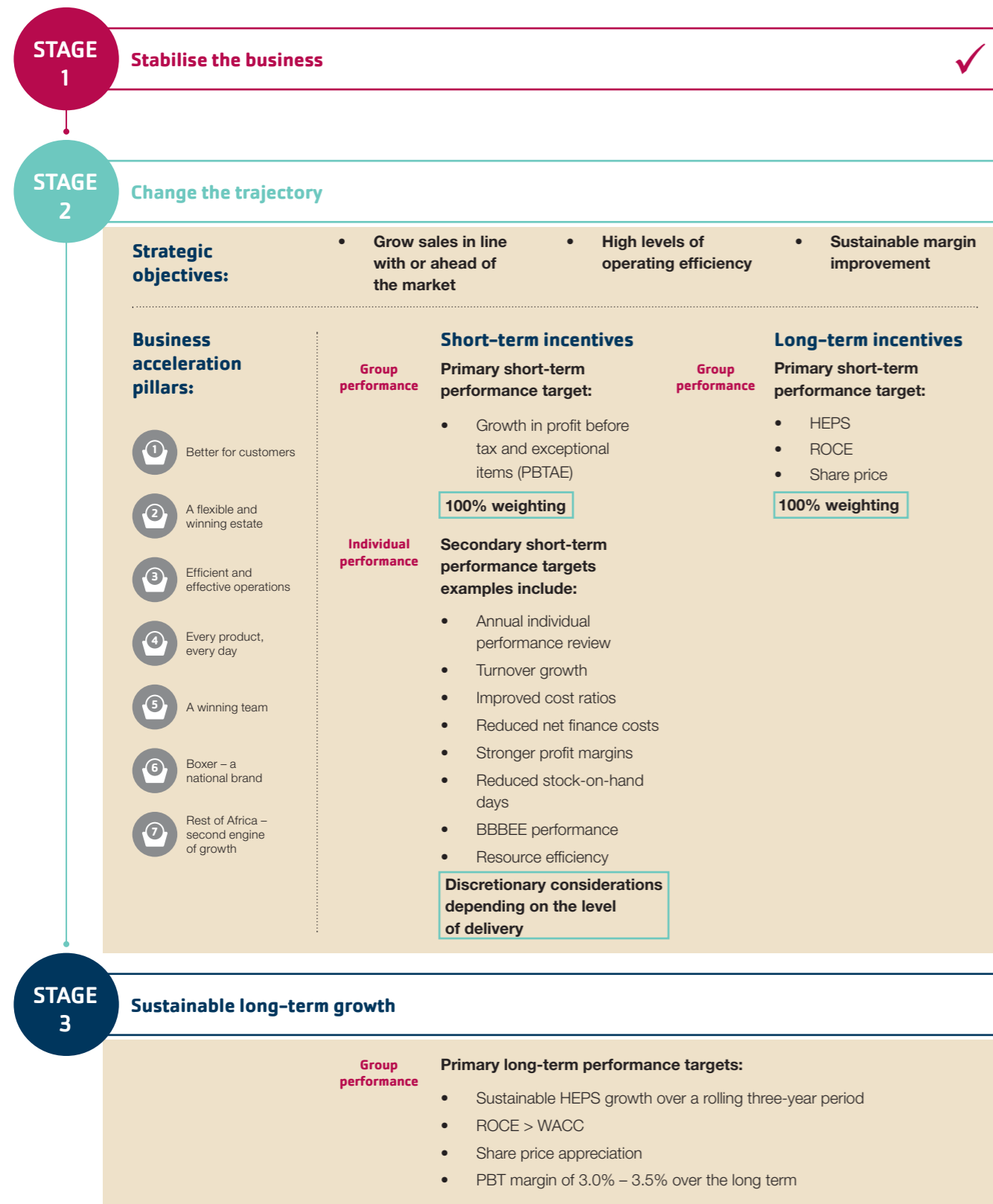
- Remuneration at all levels is benchmarked against the remuneration policies and practices of comparable companies (both locally and internationally) to ensure that it is fair and reasonable, and key or scarce skills are remunerated in the upper quartile.
- An independent expert assists with remuneration benchmarking to ensure that remuneration decisions made are objective and fair.
- Remuneration is balanced between fixed remuneration and variable short-term and long-term incentives, applying a higher proportion of variable remuneration to senior management to drive performance, and placing a greater emphasis on fixed pay for middle and junior management.
- Non-executive directors do not receive remuneration or incentive awards related to share price or corporate performance.

FRAMEWORK AND PERFORMANCE MEASURES

The Group rewards employees for their individual contribution to the Group's strategic, operating and financial performance.

The Group's remuneration policy is aligned with the strategic objectives of the Group, as set out in Stage 2 of its strategy. Short-term and long-term incentives are linked to the achievement of key performance targets, and will contribute to building a winning team and long-term, sustainable value creation in the business for all stakeholders. The Group's primary performance target for the achievement of short-term incentives by its management teams is growth in profit before tax and exceptional items (PBTAE). The primary target has a 100% weighting in annual bonus determinations. No short-term incentives are paid if the Group's primary PBTAE threshold target is not met. If the primary target is met, a bonus is payable at the discretion of the remuneration committee, subject to a review of the level of delivery of certain secondary performance targets, as detailed on the following page.

ALIGNING REMUNERATION WITH STRATEGY



The remuneration committee assists the Board in meeting its responsibility for determining and administering an appropriate and effective remuneration policy, which is balanced in the best short-term and long-term interests of the Group, its shareholders and its employees, and is aligned to the Group's strategic objectives. The committee considers and recommends the remuneration policy for all levels of staff in the Group, with a particular focus on executive directors, senior management and non-executive directors. The remuneration committee meets at least twice a year, is chaired by an independent non-executive director and comprises only non-executive directors. The committee operates in terms of a Board-approved charter, which is reviewed annually by the Board.

The remuneration committee is satisfied that it has fulfilled its responsibilities in terms of the Board charter and its objectives for the 2018 financial period.

REMUNERATION STRUCTURE: EXECUTIVE DIRECTORS AND EMPLOYEES

The remuneration committee has reviewed the Group's remuneration policy to ensure that executive director remuneration is fair and responsible in the context of overall employee remuneration, particularly given the socio-economic climate of South Africa and the South African retail industry. The committee is satisfied that the Group's remuneration policy, supported by strong underlying governance principles, ensures that levels of pay awarded to executive directors are set objectively and reasonably, and are free from discrimination, prejudice or favouritism. Executive pay is directly linked to the achievement of strategic objectives set out in the Group's long-term plan, which are reflected in the performance targets set by the remuneration committee.

The composition of the remuneration committee and meeting attendance is as follows:

DIRECTOR	Attendance
Hugh Herman (Chairman)	3/3
Gareth Ackerman	3/3
Audrey Mothupi	3/3
Jeff van Rooyen	2/3

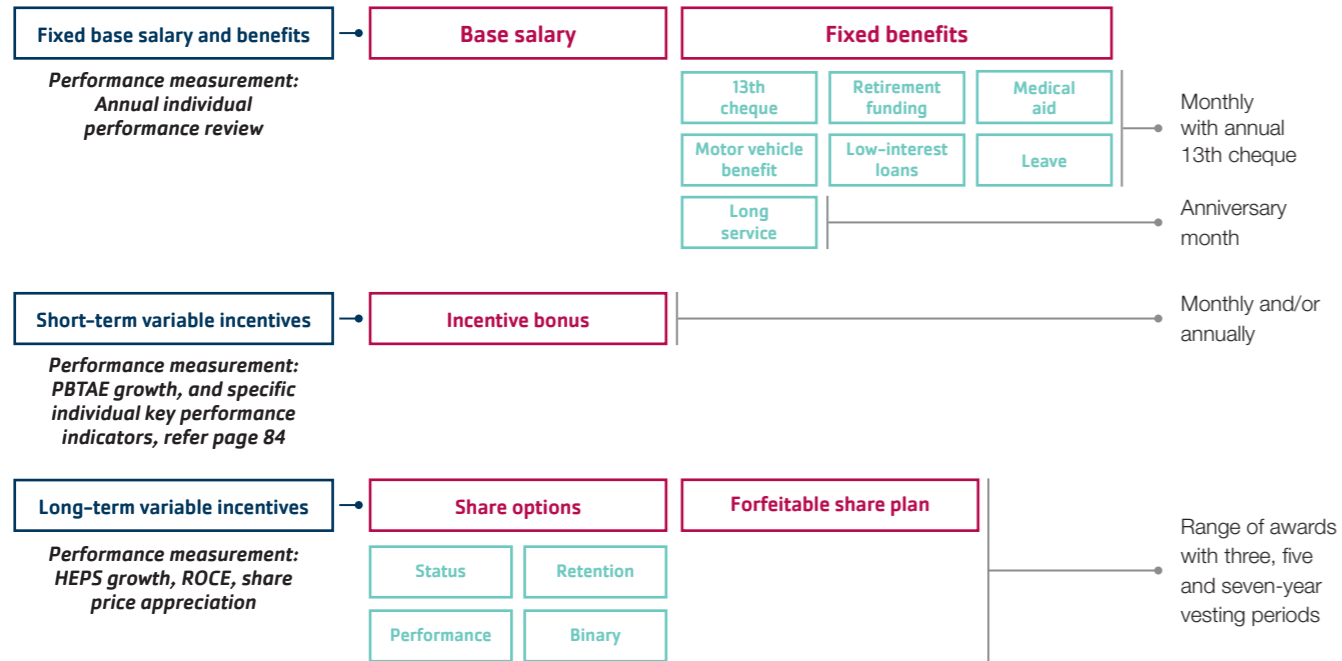
Although external advice is obtained from time to time as required, no external advisors attended the remuneration committee meetings during the period under review.

2018 OBJECTIVES AND ACTIVITIES

- Reviewed the Group's remuneration policy to ensure alignment with the strategic objectives of value creation over the short and longer term, and in line with best practice in the market
- Reviewed and approved performance-related short-term incentives as well as long-term share-based incentives
- Agreed the remuneration packages of executive directors and reviewed the remuneration packages of senior management and key employees
- Proposed fees for non-executive directors, for shareholder approval
- Reviewed and approved the service conditions and related vesting dates for forfeitable share plan awards
- Determined the overall salary increase for salaried staff across the Group
- Reviewed the principle and manner in which staff are rewarded for long service, with a view to modernising the benefits in a meaningful and relevant manner
- Considered talent management and succession planning

The remuneration committee recognises its important role in ensuring that the Group's remuneration policy supports the Group's strategic goals, and also ensures that executive directors are remunerated fairly and for reasonable performance in line with industry benchmarks and shareholder expectations. The executive team will not be unduly rewarded where performance does not meet expectations; however, the committee will strive to find a fair and reasonable balance in order to retain key executives and attract quality executives from outside the business to ensure the Group delivers on its strategic objectives.

REMUNERATION STRUCTURE



BASE SALARY

Annual base salaries, across all levels of the Group, are set at levels that are competitive with the rest of the market so that the Group can attract, motivate and retain the right calibre of people to achieve the Group's strategic business objectives.

The fixed base salary reflects the relative skill, experience, contribution and performance of the individual. Remuneration is directly linked to formal annual performance assessments.

Annual increases in base salary are determined with reference to the scope of the employee's role, the competence and performance of the employee, the projected consumer price index and comparable increases in the general and retail market.

FIXED BENEFITS

13th cheque

A 13th cheque is paid to qualifying employees in November each year. Variable-time employees³ participate based on the average number of hours worked in a month. Employees must have been in the employ of the Group for at least three months to be eligible to receive this benefit.

Retirement funding

It is a condition of employment that all employees, including variable-time employees³, are required to join one of the retirement funds provided by the Group. The Group contributes up to 8.7% of the individual employee's salary towards retirement funding, depending on the fund and the terms and conditions of employment.

Medical aid

Medical aid provisions are in place for all full-time¹, part-time² and variable-time employees³. The Group provides a number of medical aid schemes and membership is compulsory for all Pick n Pay employees on G-grade and above, unless they are covered by a third-party medical aid. Membership of the medical aids provided is optional for NMBU⁴ employees. The Group contributes 50% of the medical aid contributions on behalf of employees.

The Group is committed to furthering the economic empowerment and well-being of its employees and, as such, the provision of retirement and medical benefits to staff is a key part of the remuneration policy.

Motor vehicle benefit

Certain employees in middle management and above are entitled to a motor vehicle benefit. Depending on the requirements of their role, it may be in the form of a travel allowance or provision of a company car. This benefit may include payment of maintenance, fuel and insurance.

Low-interest loans

All employees have access to low-interest loans from the Group. The primary objective of this benefit is to assist employees with the acquisition of residential property. Loan values are capped at varying amounts, depending on the employee's position in the Group. Affordability tests are performed before any loan is granted to ensure the employee does not experience financial strain.

All housing loans are secured by the employee's retirement funding. No financial assistance is provided to assist employees to buy shares in the Group. For further details, please refer to note 14 of the 2018 audited Group annual financial statements where employee loans are disclosed.

Leave

Annual leave accumulates from the date of starting employment and varies between three and five weeks per annum depending on the terms, conditions and length of employment. Variable time employees³ accumulate leave based on ordinary hours worked. Long service is recognised with an additional allocation of leave, depending on the terms and conditions of employment, at five-year intervals. The Group also provides family responsibility and religious leave, where applicable.

Long service

The Group values loyalty and experience and rewards long service with a cash award in the month an employee attains a five-year service anniversary, and again for every five-year anniversary thereafter.

SHORT-TERM VARIABLE INCENTIVES

The short-term incentive bonus is discretionary and is linked to the achievement of targets led by the primary short-term performance target of profit before tax and exceptional items (PBTAE), as set by the remuneration committee. Please refer to the five-year review on page 68 for further detail on the calculation of PBTAE.

The primary short-term performance target is supported by secondary short-term targets aligned to the Group's strategic plan, as set out on page 84.

The bonus pool is self-funding and is created after the achievement of predefined targets, inclusive of the value of the incentive. The bonus pool increases in value as threshold, target or stretch targets are attained. Bonuses are paid as a multiple of basic monthly salary. Each individual's share of the bonus pool is dependent on the overall Group target being reached and on their own individual performance, as measured through the Group's annual performance appraisal process.

Bonuses are capped at the following multiples:

GRADES	Category	Bonus cap
A	CEO	24 x basic monthly salary
A	Group executive	12 x basic monthly salary
B	Senior management	6 x basic monthly salary
C & D	Middle management	4 x basic monthly salary
E & F	Junior management	13th cheque

All bonuses paid are subject to approval by the remuneration committee, and no bonuses are paid if the Group's primary PBTAE threshold target is not met. If the primary target is met, a bonus is payable, subject to a review by the remuneration committee of the level of delivery of secondary performance targets. The bonus paid to middle management is reduced by the value of the fixed 13th cheque. Other, more frequent incentive bonuses are paid to qualifying staff at store level. These incentives are linked directly to short-term store performance targets, including turnover, stockholdings, shortages and waste.

LONG-TERM VARIABLE INCENTIVES

It is Group policy to maintain a broad-based share option scheme for employees. This is an integral part of our remuneration philosophy and ensures that the long-term interests of staff are aligned with those of shareholders, with primary performance targets of long-term sustainable HEPS growth and share price appreciation. It gives all levels of management the opportunity to acquire shares in the Group, affording them the opportunity for economic upliftment, and it encourages employee retention. It is a key differentiator between the Group and other retail employers in South Africa.

¹ Full-time employees have a fixed contract with the Group and work either 40 or 45 hours per week.

² Part-time employees have a fixed contract with the Group and work a maximum of 25 hours per week.

³ Variable-time employees have a variable contract with the Group, which guarantees either 85 hours per month, or a maximum of 40 hours per week.

⁴ NMBU refers to our non-management bargaining unit.

The Group operates two share incentive schemes for the benefit of its employees:

1. Share option scheme
2. Forfeitable share plan (FSP)

Funding of share plans and dilutions

Shareholders have authorised the Board to utilise up to 63 892 444 shares of Pick n Pay Stores Limited, representing 13% of issued share capital, for the purpose of managing the Group's share schemes. Both the Group's share schemes fall within this limit, which means the aggregate number of shares that can be awarded under both schemes cannot exceed the authorised limits.

The two share schemes are further constrained by an aggregate limit of 5% of the issued share capital of Pick n Pay Stores Limited, in respect of the amount of new shares that can be issued to cover obligations under the employee share schemes.

The Group has cumulatively issued 10.7 million shares in the past and is therefore able to issue a further 13.7 million shares or 2.8% of its issued share capital to fund future obligations under the share schemes. Please refer to note 5 of the 2018 audited Group annual financial statements for further details of the outstanding options and limits available under the schemes.

Share option scheme

The Group operates an employee share option scheme (the scheme) to facilitate broad employee share ownership, foster trust and loyalty among employees and reward performance. The scheme incentivises management and employees by providing them with an opportunity to acquire shares in the Group, thereby aligning interests with shareholders and encouraging employee retention. Furthermore, binary share options incentivise senior management to achieve specified market-related performance targets.

Binary share options – service and performance conditions attached

Binary share options are granted to employees in senior management positions. These three to six-year options may only be taken up when prescribed performance conditions linked to the growth of the PIK share price are met. Should further performance hurdles be achieved, discounted grant prices may apply. If the initial eligibility hurdle is not met, the options are forfeited.

Binary share options issued to executive director

In November 2012, 1 000 000 binary share options were issued to Richard Brasher on his appointment as CEO. The binary share options were issued at a grant price of R42.24 and were due to vest in November 2017, subject to the attainment of prescribed share price conditions.

In September 2017 the remuneration committee reviewed the original terms and conditions of these binary options. The committee was concerned that the cost and disruption of the voluntary severance programme (VSP) may have had a negative short-term impact on the share price in an increasingly volatile local equities market. As the action taken had been supported by the Board and was deemed essential in repositioning the Group for long-term sustainable growth, the remuneration committee decided to extend the vesting period of the binary shares for an additional year.

If the 20-day VWAP up to 14 November 2018 is R68.03 or greater, the options can be exercised at the full grant price of R42.24. Should the 20-day VWAP be less than R68.03, then the options will lapse. Thereafter, if performance hurdles are met, discounted grant prices will apply on exercise.

The salient features are summarised below:

HURDLES	Share price November 2018	Annual compound growth rate	Exercise price May 2018
Eligibility hurdle	R68.03	10%	R42.24
Performance hurdle 1	R84.96	15%	R21.12
Performance hurdle 2	R128.91	25%	R1.00

In addition to the terms above, if the 20-day VWAP up to 14 November 2018 is between R105.11 and R128.90 (representing an annual compound growth rate of 20% in the 20-day VWAP share price from grant date), a cash bonus of R10.6 million will be paid.

The forfeitable share plan (FSP)

The FSP recognises those key employees who have a significant role to play in delivering Group strategy and ensuring the growth and sustainability of the business in the future. The award of shares under the FSP recognises the valuable contribution of qualifying employees, and, through the attachment of performance conditions, incentivises these employees to deliver earnings growth in the future. An award of shares may also be used to attract talented prospective employees.

The participant becomes the beneficial owner of the forfeitable shares on the date of the award. Beneficial ownership affords the employee full shareholder voting rights and full rights to any dividends declared.

The shares are held by a Central Securities Depository Participant (CSDP) on behalf of the employee during the time of the vesting period and the employee will not be able to dispose of the shares before the vesting date. If the employee leaves the employ of the Group before the completion of the vesting period (other than on normal retirement, disability or death), all shares will be forfeited.

The remuneration committee awards shares to participants. The actual number of shares awarded takes into account recognised market benchmarks, as well as each participant's individual contribution to value creation, annual salary, employment grade and other relevant retention and attraction requirements.

The performance conditions are linked to the financial performance of the Group, with headline earnings per share (HEPS) as the primary performance measure. Performance conditions are applied on a linear, rising scale, allowing for the vesting of an increasing number of shares, as earnings thresholds are met and exceeded. It is important to note that all the growth thresholds detailed above are after recognising the applicable IFRS 2 expense, which is charged to the income statement over the vesting term of the forfeitable shares. The scheme is therefore self-funding.

To ensure the FSP is aligned with the best interests of the Group and its shareholders, the performance conditions are subject to an overriding condition that the Group's return on capital employed (ROCE) must be greater than its weighted average cost of capital (WACC) over the vesting period, before any FSP shares are allowed to vest. This is to ensure that the Group has generated a real return for shareholders before rewarding its management team.

The future net realisable value of all outstanding share options for all participating Group employees:

YEAR	Average grant price 2018 R	26 February 2018	
		Number of options 000's	Net realisable value* Rm
2019	35.41	14 334.5	557.2
2020	41.94	4 138.7	133.9
2021	56.38	2 334.8	41.8
2022	57.96	2 326.4	38.0
2023 and after	64.70	6 463.3	61.9
		29 597.7	832.8

Outstanding share options may be taken up during this following financial periods:

* The net realisable value of outstanding share options was calculated using the prevailing market share price at year-end of R74.28 less the average grant price. Binary share options include performance hurdles that, if met, trigger discounted grant prices.

During the 2018 financial year, 6.2 million Pick n Pay Stores Limited (PIK) options were issued to employees in respect of their progress and performance. A total of 29.6 million PIK share options were held by employees at year-end, amounting to 6.1% of shares in issue. Please refer to note 5 of the 2018 audited Group annual financial statements for further information.

This is a broad-based scheme, rewarding and empowering employees at all levels of management and, as such, no further performance conditions are attached. Vesting is only dependent on the employee remaining in the employ of the Group over the specified vesting period. If the employee leaves the employ of the Group before the end of a vesting period, unvested share options lapse.

Status share options – service conditions attached

Status share options are granted to employees who attain grade F, and further options are granted at each promotion to higher levels of management. In order to encourage employee retention, status shares vest in three tranches (vesting periods) as follows:

- 40% after three years of service
- 30% after five years of service
- 30% after seven years of service

Performance share options – service conditions attached

Middle-management employees may be eligible for performance "top-up" share options in recognition of their individual performance and contribution to the Group. These options vest in the same manner as status share options.

FSP awards

The Group reclassified certain elements of supplier income received and advertising costs incurred during the year, which impacted its inventory valuation and necessitated an immaterial adjustment to prior year earnings. The HEPS performance conditions attached to all previous FSP awards, and presented below, have been adjusted accordingly.

FSP 1

The debut FSP share issue took place in August 2014 and was funded through a fresh issue of 6.9 million PIK shares. There were forfeitures in terms of the rules of the scheme and, at the time of vesting, 6.4 million shares were held on behalf of 131 participants.

FSP 1 performance conditions:

2014 baseline HEPS Cents	Three-year CAGR %	2017 HEPS Cents	Portion of shares which vest %	Number of shares which vest 000's
141.18	< 10	< 187.91	All forfeited	–
141.18	10	187.91	30	1 909.5
141.18	12	198.35	65	4 137.2
141.18	15	214.72	100	6 365.0

The Group delivered HEPS of 258.65 cents per share in 2017. The stretch HEPS growth target was therefore met.

FSP 1 vested in August 2017 after the completion of the three-year service requirement, with the delivery of 6.4 million shares to 131 participants.

FSP 2

The second FSP share issue took place in August 2015 and was funded through a fresh issue of 1.1 million PIK shares and available treasury shares. A total of 1.1 million shares are currently held by a CSDP on behalf of 98 participants.

FSP 2 performance conditions:

2015 baseline HEPS Cents	Three-year CAGR %	2018 HEPS Cents	Portion of shares which vest %	Number of shares which vest 000's	Net realisable value* Rm
173.34	< 10	< 230.72	All forfeited	–	–
173.34	10	230.72	30	324.3	24.1
173.34	11	237.07	65	702.6	52.2
173.34	12	243.53	100	1 081.0	80.3

* The net realisable value of outstanding FSP shares was calculated using the prevailing market share price at year-end of R74.28.

The Group delivered HEPS of 276.98 cents in 2018, exceeding the stretch HEPS target of 243.53 cents per share. FSP 2 will fully vest on 25 June 2018.

FSP 3

The third FSP share issue took place in August 2016 and was funded partly through treasury shares held by the Group and partly through open-market purchases. A total of 1.7 million shares are held by a CSDP on behalf of 107 participants.

FSP 3 performance conditions:

2016 baseline HEPS Cents	Three-year CAGR %	2019 HEPS Cents	Portion of shares which vest %	Number of shares which vest 000's	Net realisable value* Rm
215.22	< 10	< 286.46	All forfeited	–	–
215.22	10	286.46	30	499.5	37.1
215.22	12	302.37	65	1 082.3	80.4
215.22	14	318.86	100	1 665.0	123.7

* The net realisable value of outstanding FSP shares was calculated using the prevailing market share price at year-end of R74.28.

FSP 4

The fourth FSP share issue took place in June 2017 and was funded partly through open-market purchases. A total of 4.1 million shares are held by a CSDP on behalf of 127 participants.

FSP 4 performance conditions:

2017 baseline HEPS Cents	Three-year CAGR %	2020 HEPS Cents	Portion of shares which vest %	Number of shares which vest 000's	Net realisable value* Rm
258.65	< 10	< 344.29	All forfeited	–	–
258.65	10	344.29	30	1 232.3	91.5
258.65	11	353.76	65	2 669.9	198.3
258.65	12	363.41	100	4 107.5	305.1

* The net realisable value of outstanding FSP shares was calculated using the prevailing market share price at year-end of R74.28.

SERVICE CONTRACTS

Executive directors and senior management are employed in terms of the Group's standard contract of employment and are only employed under fixed-term contracts under specific circumstances. Senior management personnel is required to give a reasonable notice period of their intention to terminate their services, which varies from one to 12 calendar months.

Employment contracts do not provide for any exceptional benefits or compensation on the termination of employment. Certain managers who are considered key in carrying out the Group's strategy are subject to contractual restraint of trade provisions and discretionary termination or restraint of trade payments may be made in this regard.

The retirement age of the Group is 60 years, which applies to all employees. The Group's Chief finance officer, Bakar Jakoet, has reached retirement age and is now employed by the Group under a fixed-term contract. The terms of the contract dictate a notice period of at least 12 months.

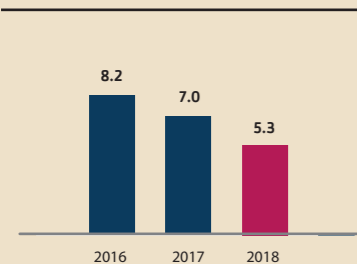
REMUNERATION STRUCTURE: NON-EXECUTIVE DIRECTORS

In respect of non-executive directors, the remuneration committee proposes fees to be paid for the membership of the Board and Board committees. Such fees are market-related, commensurate with the time required for directors to undertake their duties, and must be approved by the Board and shareholders. Approved fees are set for the annual financial period. Please refer to page 93 for more detail on the proposed fees for 2019. Fees are not subject to attendance at meetings as attendance at Board meetings is generally good.

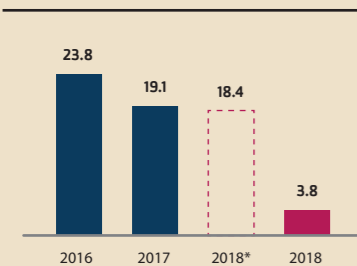
Non-executive director remuneration is not linked to the performance of the Group or the Group's share performance. Non-executive directors do not receive performance-related bonuses and are not granted any share awards. When non-executive directors provide additional consultancy services to the Board and its committees the related fees are determined and approved by the remuneration committee on an ad hoc basis, taking into account the nature and scope of the services rendered.

SECTION 3: IMPLEMENTATION OF REMUNERATION POLICY

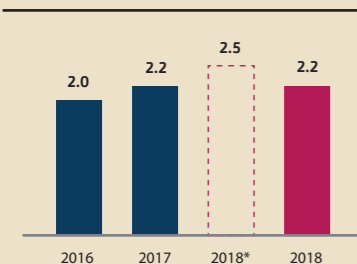
TURNOVER GROWTH (%)



PBTAE GROWTH (%)



PBTAE MARGIN (%)



* Excluding the cost of the VSP.

WORK PERFORMED AND DECISIONS TAKEN BY REMUNERATION COMMITTEE

The main items considered and approved by the remuneration committee during the 2018 financial period were as follows:

Executive director remuneration benchmarking, including a review of all benefits provided

The remuneration committee reviewed the total remuneration of executive directors, including all benefits, to ensure alignment with the Group's strategic objectives and best practice in the market. The balance between guaranteed remuneration and short and long-term incentives was considered to ensure its appropriateness to drive the delivery of both short and long-term strategic objectives. The remuneration is considered fair and competitive against market benchmarks and the role and performance of each individual executive director.

Reviewing and setting the annual compensation for the CEO

In setting Richard Brasher's annual base salary at R9.5 million, the remuneration committee considered his extensive experience in the retail industry and the Group's strong and consistent profit growth delivered under Richard's stewardship. The remuneration committee is satisfied that Richard's benchmarked base salary is fair in relation to the market, his expertise and his contribution to date.

Determining annual increases in fixed remuneration for executive directors, and an overall salary increase for salaried staff across the Group

The increase in total normalised fixed base salary and benefits paid to executive directors is 5.0%, excluding once-off variations in the base, against an average for the Group of 5.0%, excluding employees governed by a labour union agreement (NMBU). The average annual increase for NMBU employees was between 7% and 10%. Annual increases were determined in April 2017 after formal performance reviews, and reflect individual performance against key performance indicators, the scope of each role, as well as comparable increases in the general and retail market, and a projected consumer price index of 5.0%.

Determining an appropriate short-term incentive bonus, and the reasonable allocation thereof to executive directors and qualifying employees

The remuneration committee sets annual performance targets (threshold, target and stretch) in line with the Group's strategic objectives that must be achieved before a short-term incentive bonus will be payable. The targets are based on profit before tax and exceptional items (PBTAE), which is inclusive of the cost of the short-term incentive.

Secondary performance targets are set, which include turnover growth, improved operating cost and other efficiency ratios and key working capital metrics. However, the overarching PBTAE threshold target must first be met, before a short-term bonus is considered. Thereafter, the bonus is allocated based on the level of delivery against the secondary performance targets and individual performance, as evaluated through a formal performance appraisal process.

The Group delivered PBTAE of R1 789.1 million, a 3.8% increase on the prior period. This fell below the remuneration committee's threshold target of 10.0%, and, as a result, no short-term bonus was awarded to its senior management team. However, discretionary awards were made to executive directors and certain members of senior management in recognition of their execution of the difficult decisions taken during the year to drive sustainable performance. Bonuses have been awarded to key members of staff at lower levels of management in recognition of progress delivered during a more challenging year.

The remuneration committee has set new and appropriate targets for the 2019 financial period, including overarching primary short-term PBTAE growth targets of:

15% Threshold 20% Target 25% Stretch

Reviewing the Group's long-term share option incentive scheme, its alignment to long-term strategy and allocations to executive directors

The remuneration committee undertook a detailed review of all the share options held by the executive directors, including all the service and performance conditions attached. No new share options were granted to executive directors during the year.

As detailed in the remuneration committee Chairman's review, the term of the binary share option awarded to CEO, Richard Brasher, was extended by a further 12 months to ensure that Richard was not unfairly disadvantaged by the potential short-term impact on the share price of strategic action taken in service of the long-term plan during the year. Please refer to page 81 for further information.

Reviewing the Group's forfeitable share plan (FSP) – setting appropriate performance conditions and allocating forfeitable shares to executive directors and qualifying senior management

Following the successful vesting of FSP 1, the remuneration committee agreed on a replacement award to ensure that all senior management personnel have competitive and market-related long-term incentives in the business to drive delivery of the long-term strategy and value creation. It provides the Group with added security over the retention and tenure of key executives. The remuneration committee set the financial performance conditions to be attached to FSP 4 and agreed on the 127 participants and the level at which each would participate, with particular focus on allocations to executive directors. For further information, refer to page 81 and 91 of this report.

Reviewing and recommending non-executive directors' fees for the 2019 financial period, for final approval by shareholders at the AGM

Fees (excluding value-added tax) for the current and proposed periods are as follows:

	Proposed 2019 R	Actual 2018 R	% change
Chairman of the Board	4 438 000	4 187 000	6.0
Lead independent non-executive director of the Board	138 000	130 000	6.2
Non-executive director of the Board	413 000	390 000	5.9
Chairman of the audit, risk and compliance committee	340 000	321 000	5.9
Member of the audit, risk and compliance committee	138 000	130 000	6.2
Chairman of the remuneration committee	181 000	171 000	5.8
Member of the remuneration committee	90 000	85 000	5.9
Member of the nominations committee ¹	85 000	80 000	6.3
Member of the social and ethics committee ²	90 000	85 000	5.9
Chairman of the corporate finance committee ³	193 000	182 000	6.0
Member of the corporate finance committee ³	130 000	123 000	5.7
Trustee of the employee share purchase trust	40 000	38 000	5.3

¹ The Chairman of the nominations committee is the Chairman of the Board and does not receive an additional fee for chairing this committee.

² The Chairman of the social and ethics committee is an executive director and does not receive an additional fee for chairing this committee.

³ The corporate finance committee is an ad hoc committee. The fees payable are determined in relation to the number of meetings held during the financial period, but will not be more than the annual proposed fee. No formal meetings were held during the 2018 financial period, and therefore no fees were paid.

Reviewing and recommending to the Board the overall compensation for the Chairman, for final approval by shareholders at the AGM

In setting the Chairman's proposed annual fee of R4.4 million, the remuneration committee (Gareth Ackerman recused himself from the discussion) considered the active role he plays in the corporate governance of the Group and in formulating overarching strategy for the individual companies within the Group. Gareth does not play a day-to-day role in the executive management and administration of the business, but does make himself available to the executive team in an advisory capacity.

Reviewing and approving of the Group's remuneration policy and report

This report and the recommendations of the remuneration committee have been approved by the Board and will be submitted to shareholders for consideration at the annual general meeting to be held on 30 July 2018.

PAYMENTS, ACCRUALS AND AWARDS TO DIRECTORS

Total remuneration of executive directors

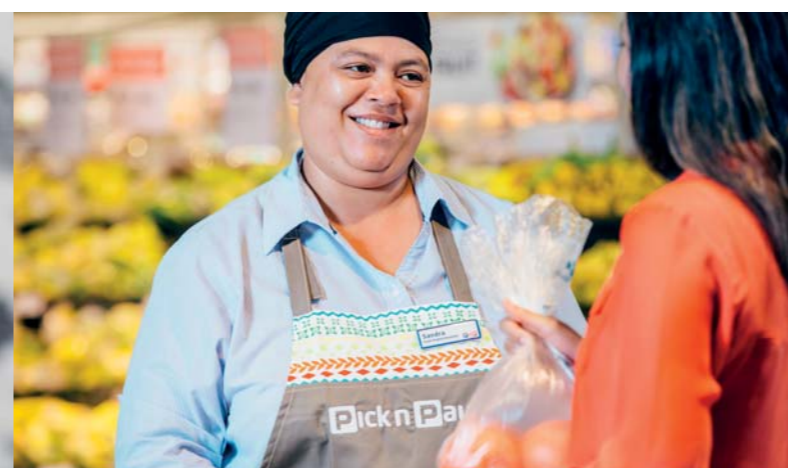
	Fees for Board meetings R'000	Base salary R'000	Retirement and medical contributions R'000	Fringe and other benefits R'000	Total fixed remuneration R'000	Discretionary award* R'000	Total remuneration R'000	Long-term share awards expense** R'000
2018								
Richard Brasher	1.5	9 474.0	857.1	288.5	10 621.1	800.0	11 421.1	23 618.5
Richard van Rensburg	1.5	4 423.5	383.1	547.6	5 355.7	375.5	5 731.2	5 882.4
Bakar Jakoet	1.5	4 605.0	34.6	389.0	5 030.1	400.0	5 430.1	5 882.4
Suzanne Ackerman-Berman	1.5	2 586.1	245.9	278.8	3 112.3	224.0	3 336.3	3 446.6
Jonathan Ackerman	1.5	1 844.8	320.2	282.1	2 448.6	112.0	2 560.6	2 940.6
Total remuneration	7.5	22 933.4	1 840.9	1 786.0	26 567.8	1 911.5	28 479.3	41 770.5
2017								
Richard Brasher	1.5	8 945.9	781.7	302.7	10 031.8	-	10 031.8	23 754.3
Richard van Rensburg	1.5	4 027.2	350.1	328.2	4 707.0	-	4 707.0	6 794.1
Bakar Jakoet	1.5	3 892.7	587.1	324.2	4 805.5	-	4 805.5	6 001.0
Suzanne Ackerman-Berman	1.5	2 508.0	224.9	276.6	3 011.0	-	3 011.0	3 569.4
Jonathan Ackerman	1.5	2 282.7	401.7	282.7	2 968.6	-	2 968.6	3 560.8
Total remuneration	7.5	21 656.5	2 345.5	1 514.4	25 523.9	-	25 523.9	43 679.6

* The Group did not meet the required performance measures set by the remuneration committee for the payment of a short-term annual bonus. However, the remuneration committee acknowledged that certain important strategic steps were taken during the period to drive sustainable performance, but which had a negative impact on short-term profitability. The remuneration committee recognised the strategic action taken and progress delivered through the payment of an ex gratia award to executive directors and senior management.

** The expense of the long-term share awards is determined in accordance with IFRS 2 Share-based Payments. The fair value is measured at grant date and the cost of the awards granted is spread over the period during which the employees become unconditionally entitled to the options (the vesting period). The amounts in the column represent the current year's charge, as recorded in the statement of comprehensive income and statement of changes in equity. The long-term share awards will vest in the future only if all the criteria set out in the rules of the 1997 employee share option scheme and forfeitable share plan are met.

Total remuneration of non-executive directors

	Directors' fees R'000	Lead director R'000	Audit committee R'000	Remuneration committee R'000	Nominations committee R'000	Corporate finance committee R'000	Social and ethics committee R'000	Employee share trust R'000	Total R'000
2018									
Gareth Ackerman	4 187.0	-	-	-	-	-	-	-	4 187.0
David Friedland	390.0	-	130.0	-	80.0	-	-	-	600.0
Hugh Herman	390.0	130.0	130.0	171.0	-	-	-	38.0	859.0
Alex Mathole	390.0	-	-	-	-	-	42.5	-	432.5
Audrey Mothupi	390.0	-	130.0	85.0	-	-	-	38.0	643.0
Lorato Phalatse	390.0	-	-	-	80.0	-	85.0	-	555.0
David Robins	390.0	-	-	-	-	-	-	-	390.0
Jeff van Rooyen	390.0	-	321.0	85.0	-	-	-	38.0	834.0
Total remuneration	6 917.0	130.0	711.0	341.0	160.0	-	127.5	114.0	8 500.5
2017									
Gareth Ackerman	3 913.0	-	-	-	-	-	-	-	3 913.0
David Friedland	364.0	-	122.0	-	75.0	115.0	-	-	676.0
Hugh Herman	364.0	122.0	122.0	160.0	-	115.0	-	35.5	918.5
Alex Mathole	125.0	-	-	-	-	-	-	-	125.0
Audrey Mothupi	364.0	-	122.0	80.0	-	115.0	-	35.5	716.5
Lorato Phalatse	364.0	-	-	-	75.0	115.0	80.0	-	634.0
David Robins	364.0	-	-	-	-	-	-	-	364.0
Jeff van Rooyen	364.0	-	300.0	80.0	-	170.0	-	35.5	949.5
Total remuneration	6 222.0	122.0	666.0	320.0	150.0	630.0	80.0	106.5	8 296.5



SHARE AWARDS GRANTED TO EXECUTIVE DIRECTORS

	Calendar year granted	Award grant price R	Balance held at 26 February 2017	Granted/ (exercised)	Exercise price R	Balance held at 25 February 2018	Available for take-up
2018							
Richard Brasher							
Share options	2012	42.24	1 000 000	–	–	1 000 000	Now
	2012	42.24	1 000 000*	–	–	1 000 000*	Now
Forfeitable shares	2014	Nil	800 000	(800 000)	60.30	–	n/a
	2015	Nil	220 000	–	–	220 000	Aug 2018
	2016	Nil	230 000	–	–	230 000	Aug 2019
	2017	Nil	–	400 000	–	400 000	Aug 2020
			3 250 000	(400 000)		2 850 000	
Richard van Rensburg							
Share options	2016	31.14	487 464	–	–	487 464	Now
Forfeitable shares	2014	Nil	250 000	(250 000)	60.30	–	n/a
	2015	Nil	35 000	–	–	35 000	Aug 2018
	2016	Nil	45 000	–	–	45 000	Aug 2019
	2017	Nil	–	140 000	–	140 000	Aug 2020
			817 464	(110 000)		707 464	
Bakar Jakoet							
Share options	2003	12.00	250 000	–	–	250 000	Now
	2005	23.59	195	–	–	195	Now
	2007	31.15	5 779	–	–	5 779	Now
	2008	23.24	293	–	–	293	Now
	2008	26.55	7 907	–	–	7 907	Now
	2008	26.14	150 000	–	–	150 000	Now
	2009	28.20	12 413	–	–	12 413	Now
	2010	32.82	195	–	–	195	Now
	2010	42.28	1 799	–	–	1 799	Now
	2011	41.70	500 000	–	–	500 000	Now
	2014	46.44	195	–	–	195	Now
Forfeitable shares	2014	Nil	250 000	(250 000)	60.30	–	n/a
	2015	Nil	35 000	–	–	35 000	Aug 2018
	2016	Nil	45 000	–	–	45 000	Aug 2019
	2017	Nil	–	140 000	–	140 000	Aug 2020
			1 258 776	(110 000)		1 148 776	
Suzanne Ackerman-Berman							
Share options	2008	26.14	75 000	–	–	75 000	Now
	2008	26.14	25 000	–	–	25 000	Aug 2018
	2016	58.10	196	–	–	196	Now
Forfeitable shares	2014	Nil	150 000	(150 000)	60.30	–	n/a
	2015	Nil	20 000	–	–	20 000	Aug 2018
	2016	Nil	25 000	–	–	25 000	Aug 2019
	2017	Nil	–	80 000	–	80 000	Aug 2020
			295 196	(70 000)		225 196	
Jonathan Ackerman							
Share options	2008	26.14	75 000	–	–	75 000	Now
	2008	26.14	25 000	–	–	25 000	Aug 2018
Forfeitable shares	2014	Nil	150 000	(150 000)	60.30	–	n/a
	2015	Nil	20 000	–	–	20 000	Aug 2018
	2016	Nil	25 000	–	–	25 000	Aug 2019
	2017	Nil	–	40 000	–	40 000	Aug 2020
			295 000	(110 000)		185 000	

* The exercising of these binary options is subject to specific performance criteria relating to the growth of the Company's share price over the term of the option. If the share price performance criteria are not met, the options are forfeited.

DIRECTORS' INTEREST IN PICK N PAY STORES LIMITED ORDINARY SHARES

	How held*	Balance held at 26 February 2017	Additions/ grants	Disposals	Balance held at 25 February 2018 [®]	Beneficial/ non-beneficial interest
2018						
Gareth Ackerman	direct	309	–	–	309	Beneficial
	indirect	1 653 200	–	–	1 653 200	Beneficial
	indirect	19 762	–	–	19 762	Non-beneficial
Ackerman Pick n Pay Foundation**	indirect	101 900	–	–	101 900	Non-beneficial
Ackerman Investment Holdings Proprietary Limited***	indirect	124 677 238	–	–	124 677 238	Non-beneficial
Mistral Trust****	indirect	2 700 967	19 041	–	2 720 008	Non-beneficial
Richard Brasher	direct	–	800 000	(195 230)	604 770	Beneficial
	direct – FSP	1 250 000	400 000	(800 000)	850 000	Beneficial
Richard van Rensburg	direct	41 439	250 000	–	291 439	Beneficial
	direct – FSP	330 000	140 000	(250 000)	220 000	Beneficial
Bakar Jakoet	direct	621 880	250 000	(113 116)	758 764	Beneficial
	direct – FSP	330 000	140 000	(250 000)	220 000	Beneficial
	indirect	13 059	–	–	13 059	Non-beneficial
Suzanne Ackerman-Berman	direct	120 528	150 000	(150 000)	120 528	Beneficial
	direct – FSP	195 000	80 000	(150 000)	125 000	Beneficial
	indirect	472 227	82 129	–	554 356	Beneficial
Jonathan Ackerman	direct	122 888	150 000	(150 000)	122 888	Beneficial
	direct – FSP	195 000	40 000	(150 000)	85 000	Beneficial
	indirect	573 061	82 129	–	655 190	Beneficial
	indirect	11 039	–	–	11 039	Non-beneficial
David Friedland	direct	31 688	–	–	31 688	Beneficial
David Robins	direct	975	–	–	975	Beneficial
	indirect	93 276	–	(2 840) [#]	90 436	Non-beneficial
Hugh Herman	direct	30 000	–	–	30 000	Beneficial
	indirect	256	–	–	256	Beneficial
Alex Mathole	direct	86	–	–	86	Beneficial

* Direct interests represent a holding in the director's personal capacity and indirect interests represent a holding by a trust, of which the director is a trustee, or a spouse and minor children of directors.

** The indirect non-beneficial interest in the Ackerman Pick n Pay Foundation represents the holdings of Gareth Ackerman and Suzanne Ackerman-Berman in their capacities as trustees.

*** The indirect non-beneficial interest in the Ackerman Investment Holdings Proprietary Limited represents a portion of the holdings of Gareth Ackerman, Suzanne Ackerman-Berman and Jonathan Ackerman.

**** The indirect non-beneficial interest in Mistral Trust represents a portion of the holdings of Gareth Ackerman, Suzanne Ackerman-Berman and Jonathan Ackerman in their capacity as trustees and/or potential beneficiaries.

This disposal of shares relates to a minor child of the director becoming a major, and, consequently, these shares are no longer indirectly held by the director.

® There have been no changes in the directors' interest in shares since 25 February 2018 up to the date of approval of the 2018 audited Group annual financial statements.

DIRECTORS' INTEREST IN PICK N PAY STORES LIMITED B SHARES

	How held*	Balance held at 26 February 2017	Additions/ (disposals)	Balance held at 25 February 2018	Beneficial/ non-beneficial interest
2018					
Gareth Ackerman	direct	522	–	522	Beneficial
	indirect	3 227 861	–	3 227 861	Beneficial
	indirect	39 140	–	39 140	Non-beneficial
Ackerman Investment Holdings Proprietary Limited**	indirect	246 936 847	–	246 936 847	Non-beneficial
Mistral Trust***	indirect	5 349 559	–	5 349 559	Non-beneficial
Suzanne Ackerman-Berman	direct	233 767	–	233 767	Beneficial
	indirect	926 084	–	926 084	Beneficial
Jonathan Ackerman	direct	243 307	–	243 307	Beneficial
	indirect	1 135 009	–	1 135 009	Beneficial
	indirect	21 862	–	21 862	Non-beneficial
David Robins	direct	1 931	–	1 931	Beneficial
	indirect	184 742	(5 624)#	179 118	Non-beneficial

* Direct interests represent a holding in the director's personal capacity and indirect interests represent a holding by a trust of which the director is a trustee, or a spouse and minor children of directors.

** The indirect non-beneficial interest in Ackerman Investment Holdings Proprietary Limited represents a portion of the holdings of Gareth Ackerman, Suzanne Ackerman-Berman and Jonathan Ackerman.

*** The indirect non-beneficial interest in Mistral Trust represents a portion of the holdings of Gareth Ackerman, Suzanne Ackerman-Berman and Jonathan Ackerman in their capacity as trustees and/or potential beneficiaries.

This disposal of shares relates to a minor child of the director becoming a major, and, consequently, these shares are no longer indirectly held by the director.

There have been no changes in the director's interest in ordinary shares and B shares since 25 February 2018 up to the date of approval of the 2018 audited Group annual financial statements.



3 300
SCHOOLS

The Pick n Pay School Club has been operating for 15 years and is one of the most influential and dynamic public-private educational initiatives in South Africa.

Growing tomorrow's leaders – the Pick n Pay School Club makes much-needed educational resources available through private sector funding.

CASE STUDY: PICK N PAY SCHOOL CLUB

It reaches 3 335 schools (635 high schools and 2 700 primary schools), comprising more than 5 million educators, learners, parents and guardians. The free educational material supplied by the School Club – workbooks for the teachers and educational posters for their classrooms – is specific to learners' grades, aligned to the curriculum, and written by experts. This material supports learners in mathematics, science, literacy, health and wellness and sustainability.

The Pick n Pay School Club also encourages future leaders in primary schools through the Pick n Pay Heroes Awards, which recognises young learners for Academic Excellence, Sporting Achievement, Community Upliftment, Leadership and Overcoming Hardship.





SHAREHOLDERS' INFORMATION

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- 105 Analysis of B shareholders
- 106 Shareholders' information
- IBC Corporate information



MORE DETAIL ON THIS REPORT

We trust that the 2018 integrated annual report has achieved our objective of providing you with a deeper understanding of Pick n Pay – of who we are, how we do business and where we hope to be in the future. We are committed to building on and improving this report next year and would value your feedback.

SCOPE AND BOUNDARY OF THE REPORT

We have adopted the International Integrated Reporting <IR> Framework (the framework) of the International Integrated Reporting Council (IIRC) which provides an international standard for integrated reporting that enables companies globally to demonstrate, in a comparable manner, how they create value. We have also applied the principles outlined in the King IV Code™ on Corporate Governance (King IV Code™). The Group is in full support of the voluntary principles and leading practices of King IV™, which become effective for the Group during the 2019 financial period.

This report covers the integrated financial and non-financial performance of Pick n Pay Stores Limited and its subsidiaries and associate (the Group) for the 52 weeks ended 25 February 2018, with relevant comparisons to previous periods, and is consistent with information and performance indicators included in internal management reporting. The report has been compiled and presented in line with the requirements and principles of all the applicable reporting frameworks. Refer to page 5 for further information.

Presented in this report is a range of financial and non-financial disclosures and performance measures to assist our stakeholders in making an informed and objective assessment of the Group's overall performance in 2018. Non-financial disclosures provided in this report are specific to our Pick n Pay-branded, company-owned business in South Africa. It is our intention to expand these disclosures in future in order to provide a comprehensive view of the social, human and environmental impacts of the Group as a whole.

FORWARD-LOOKING INFORMATION

The report contains certain forward-looking statements which relate to the possible future performance and financial position of the Group. All forward-looking statements are solely based on the views and considerations of the directors. These statements involve risk and uncertainty as they relate to events and depend on circumstances that may or may not occur in the future. The Group does not undertake to update or revise any of these forward-looking statements publicly, whether to reflect new information, future events or otherwise. These forward-looking statements have not been reviewed or reported on by the Group's external auditors.

ASSURANCE

The Board, assisted by the audit, risk and compliance committee, is ultimately responsible for overseeing the integrity of the integrated annual report. This has been achieved by establishing skilled and experienced teams and accountability structures to undertake the reporting process and by performing a thorough review of the report.

The content of the integrated annual report has been reviewed by the directors and management, but has not been externally assured. The annual financial statements have been audited by Ernst & Young Inc. (EY) who expressed an unmodified audit opinion thereon. Accredited service providers and agencies have verified selected non-financial performance metrics contained in the report, including our carbon footprint and the BBBEE rating, while management has verified the processes for measuring all other non-financial information.

REPORT STRUCTURE AND FEEDBACK

We are committed to achieving the highest standards of global best practice in reporting, and continue on our journey to implement these standards within the Group. In our ongoing effort to improve our reporting, we have made some changes to the structure and presentation of information, particularly in respect of the presentation of our business model and the additional insight provided into how we create value and our remuneration reporting. We will continue to engage with all stakeholders to ensure that we improve year on year.

It has become best reporting practice for an integrated annual report to include summarised financial information, with a complete set of audited financial statements, prepared in terms of IFRS, published separately. This report therefore does not contain the full audited Group annual financial statements, which have been made available on our website at www.picknpayinvestor.co.za.

Any comments or requests for additional information can be emailed to our Company Secretary at demuller@pnp.co.za.

ONLINE REPORTING

To align with the increasing trend towards online reporting and electronic access to information, we do not distribute printed copies of our integrated annual report, but rather make it available online on the Group's website at www.picknpayinvestor.co.za.

Printed copies of the integrated annual report are available on request from our Company Secretary, Debra Muller, at demuller@pnp.co.za or by fax at +27 21 797 0314.

The audit, risk and compliance committee has reviewed the 2018 integrated annual report and recommended it for approval to the Board of directors. The directors confirm they have collectively reviewed this report and approved it for release to stakeholders on 22 June 2018. They further agree that this report provides a fair representation of the financial position of the Group as at 26 February 2018 and its performance for the related 52-week period. The directors consider the report to be presented in accordance with the <IR> Framework.

Gareth Ackerman
Chairman

Richard Brasher
Chief Executive Officer

Bakar Jakoet
Chief Financial Officer

Richard van Rensburg
Chief Information Officer

Suzanne Ackerman-Berman
Executive director

Jonathan Ackerman
Executive director

David Robins
Non-executive director

David Friedland
Independent non-executive director

Hugh Herman
Independent non-executive director

Alex Mathole
Independent non-executive director

Audrey Mothupi
Independent non-executive director

Lorato Phalatse
Independent non-executive director

Jeff van Rooyen
Independent non-executive director

ANALYSIS OF ORDINARY SHAREHOLDERS

SHAREHOLDER SPREAD	Number of shareholders	%	Number of shares	%
1 – 1 000 shares	7 508	61.5	2 132 421	0.4
1 001 – 10 000 shares	3 398	27.8	11 003 485	2.3
10 001 – 100 000 shares	942	7.7	29 847 816	6.1
100 001 – 1 000 000 shares	299	2.5	87 028 808	17.8
1 000 001 shares and over	59	0.5	358 437 791	73.4
Total	12 206	100.0	488 450 321	100.0

PUBLIC/NON-PUBLIC SHAREHOLDERS	Number of shareholders	%	Number of shares	%
Non-public shareholders	16	0.1	145 966 336	29.9
Ackerman Investment Holdings Proprietary Limited	1	–	124 677 238	25.5
Mistral Trust	1	–	2 720 008	0.6
Ackerman Pick n Pay Foundation	1	–	101 900	–
Directors	10	0.1	4 958 745	1.0
Shares held on behalf of FSP participants	1	–	6 853 500	1.4
Pick n Pay Retailers Proprietary Limited	1	–	516 769	0.1
The Pick n Pay Employee Share Purchase Trust	1	–	6 138 176	1.3
Public shareholders	12 190	99.9	342 483 985	70.1
Total	12 206	100.0	488 450 321	100.0

BENEFICIAL SHAREHOLDERS HOLDING 1% OR MORE	Number of shares	%
Ackerman Investment Holdings Proprietary Limited	124 677 238	25.5
Public Investment Corporation Limited	51 277 595	10.5
Coronation Balanced Plus Fund	16 161 912	3.3
Alexander Forbes Investments	10 882 955	2.2
Genesis Emerging Markets Investment Company	8 955 662	1.8
Allan Gray Balanced Fund	7 046 264	1.4
Vanguard Emerging Markets Stock Index Fund	6 984 197	1.4
Shares held on behalf of FSP participants	6 853 500	1.4
The Pick n Pay Employee Share Purchase Trust	6 138 176	1.3
Prudential Core Value Fund	5 737 158	1.2
Old Mutual Symmetry Satellite Equity Fund No 3	5 600 026	1.2

ANALYSIS OF B SHAREHOLDERS

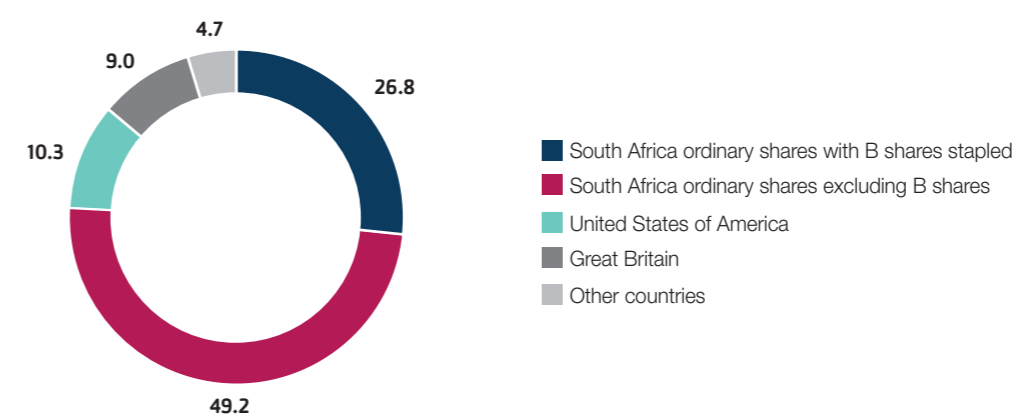
SHAREHOLDER SPREAD	Number of shareholders	%	Number of shares	%
1 – 1 000 shares	1	3.9	1 100	0.0
1 001 – 10 000 shares	7	26.9	52 868	0.0
10 001 – 100 000 shares	8	30.8	223 670	0.1
100 001 – 1 000 000 shares	5	19.2	1 582 276	0.6
1 000 001 shares and over	5	19.2	257 822 955	99.3
Total	26	100.0	259 682 869	100.0

PUBLIC/NON-PUBLIC SHAREHOLDERS	Number of shareholders	%	Number of shares	%
Non-public shareholders	6	23.1	258 295 007	99.5
Ackerman Investment Holdings Proprietary Limited	1	3.9	246 936 847	95.1
Directors	4	15.3	6 008 601	2.3
Mistral Trust	1	3.9	5 349 559	2.1
Public shareholders	20	76.9	1 387 862	0.5
Total	26	100.0	259 682 869	100.0

BENEFICIAL SHAREHOLDERS HOLDING 1% OR MORE	Number of shares	%
Ackerman Investment Holdings Proprietary Limited	246 936 847	95.1
Mistral Trust	5 349 559	2.1
Gareth Ackerman	3 228 383	1.2

The holders of B shares are entitled to the same voting rights as holders of ordinary shares, but are not entitled to any rights to distributions by the Company or any other economic benefits. All B shares are stapled to certain ordinary shares and are held within South Africa.

GEOGRAPHIC SPREAD OF SHAREHOLDERS (%)



SHAREHOLDERS' INFORMATION

ANNUAL GENERAL MEETING – 30 JULY 2018

The 50th annual general meeting of shareholders of Pick n Pay Stores Limited (AGM) will be held at the Pick n Pay Office Park, 101 Rosmead Avenue, Kenilworth, Cape Town, 7708 on Monday, 30 July 2018.

Registration for the AGM will commence at 08:00.

The minutes of the previous year's AGM held on 31 July 2017 are available on our investor relations website at www.picknpayinvestor.co.za.

DIVIDENDS

	Number	Amount (cents)	Last day of trade	Date of payment
Interim	95	24.20	4 December 2015	14 December 2015
Final	96	125.20	3 June 2016	13 June 2016
Interim	97	29.90	6 December 2016	12 December 2016
Final	98	146.40	6 June 2017	12 June 2017
Interim	99	33.40	5 December 2017	11 December 2017
Final	100	155.40	5 June 2018	11 June 2018
Interim	101		4 December 2018*	10 December 2018*
Final	102		4 June 2019*	10 June 2019*

* Estimated

2019 RESULTS ANNOUNCEMENTS

Interim	October 2018
Final	April 2019

PUBLICATION OF ANNUAL FINANCIAL STATEMENTS

2018	May 2018
2019	May 2019

PUBLICATION OF INTEGRATED ANNUAL REPORT AND CORPORATE GOVERNANCE REPORT

2018	June 2018
2019	June 2019

PUBLICATION OF SUSTAINABILITY REPORT (EVERY TWO YEARS)

2019	June 2019
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CORPORATE INFORMATION

PICK N PAY STORES LIMITED

Registration number: 1968/008034/06
JSE share code: PIK
ISIN: ZAE000005443

JSE LIMITED SPONSOR

Investec Bank Limited
100 Grayston Drive
Sandton, 2196

BOARD OF DIRECTORS

Executive

Richard Brasher (CEO)
Aboubakar (Bakar) Jakoet (CFO)
Richard van Rensburg (CIO)
Suzanne Ackerman-Berman
Jonathan Ackerman

Non-executive

Gareth Ackerman (Chairman)
David Robins

Independent non-executive

David Friedland
Hugh Herman
Alex Mathole
Audrey Mothupi
Lorato Phalatse
Jeff van Rooyen

REGISTERED OFFICE

Pick n Pay Office Park
101 Rosmead Avenue
Kenilworth
Cape Town, 7708
Tel +27 21 658 1000
Fax +27 21 797 0314

Postal address

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Cape Town, 7735

REGISTRAR

Computershare Investor Services
Proprietary Limited
Rosebank Towers
15 Biermann Avenue
Rosebank, 2196
Tel +27 11 370 5000
Fax +27 11 688 5248

Postal address

PO Box 61051
Marshalltown, 2107

AUDITORS

Ernst & Young Inc.

ATTORNEYS

Edward Nathan Sonnenbergs

PRINCIPAL TRANSACTIONAL BANKERS

Absa Limited
First National Bank

COMPANY SECRETARY

Debra Muller
Email: demuller@pnp.co.za

PROMOTION OF ACCESS TO INFORMATION ACT

Information Officer – Penny Gerber
Email: pennygerber@pnp.co.za

INVESTOR RELATIONS

David North
Email: dnorth@pnp.co.za
Penny Gerber
Email: pennygerber@pnp.co.za

WEBSITE

Pick n Pay:
www.pnp.co.za
Investor relations:
www.picknpayinvestor.co.za

CUSTOMER CARE LINE

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Email: customercare@pnp.co.za

ONLINE SHOPPING

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www.pnp.co.za

ENGAGE WITH US ON





www.pnp.co.za