Pick n Pay

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE 26 WEEKS ENDED 25 AUGUST 2024

Contents

Review of operations

Financial Results for the 26 weeks ended 25 August 2024

Key financial indicators	**26 weeks to 25 August 2024 H1 FY25**	26 weeks to 27 August 2023 H1 FY24	% change
Group turnover	**R56.1 billion**	R54.1 billion	3.7
Gross profit margin	**17.9%**	18.5%	
Trading expenses	**(R11.4 billion)**	(R11.2 billion)	(1.8)
Trading profit	**R82.5 million**	R31.8 million	159.4
Loss before tax and capital items	**(R1 052.4 million)**	(R880.2 million)	(19.6)
Comparable loss before tax and capital items#	**(R1 052.4 million)**	(R837.2 million)	(25.7)
Capital items	**(R31.0 million)**	R121.7 million	
Loss for the period (after tax)	**(R827.4 million)**	(R571.3 million)	(44.8)
Basic loss/earnings per share (EPS)	**(140.83 cents)**	(100.86 cents)*	(39.6)
Headline loss/earnings per share (HEPS)	**(136.60 cents)**	(117.48 cents)*	(16.3)
Comparable HEPS#	**(136.60 cents)**	(109.88 cents)*	(24.3)

Comparable HEPS excludes non-cash hyperinflation gains and losses related to the Group's investment in TM Supermarkets in Zimbabwe. The Group's view is that Comparable HEPS provides the clearest view of underlying performance on a year-on-year basis.

* *In accordance with IAS 33 Earnings Per Share, the prior year weighted average number of shares in issue has been adjusted retrospectively to account for the bonus element arising from the Rights Offer. As a result, the prior year EPS, HEPS and Comparable HEPS were adjusted to account for the change in the weighted average number of shares in issue.*

Results summary

The first half of FY25 marked a period of transformation for the Group. Our focus remained on restoring the Group's financial stability, building a sustainable capital structure and unlocking shareholder value through the two-step Recapitalisation Plan, while laying the foundation for the Pick n Pay turnaround. During this time, we engaged closely with our shareholders on the Group's strategic direction and secured their support for our plans. We further committed to strengthening Board independence, while reinforcing our corporate governance framework to rebuild shareholder trust and ensure long-term sustainability.

A key highlight was the successful conclusion of the Pick n Pay Rights Offer, which raised R4.0 billion in new capital. Significantly, the Rights Offer was 106% over-subscribed, reflecting overwhelming shareholder support for the Recapitalisation Plan and a strong vote of confidence in the strategic turnaround strategy of Pick n Pay.

As anticipated, the first six months of FY25 remained challenging, however the Group delivered notable progress in a number of key strategic areas.

The Group's formidable Boxer business grew its trading profit 16.0% to R801.4 million, underpinned by strong sales growth of 12.0% and sustained efficiency in its operating model. Boxer has cemented its position as South Africa's leading soft discounter, consistently growing its sales volumes through a deep understanding of its customers and an unwavering commitment to reinvesting cost savings into lower prices. The Group remains on track with its plans to list Boxer on the Main Board of the Johannesburg Stock Exchange (JSE) and A2X (Boxer IPO) by the end of 2024, a significant milestone that will position Boxer among South Africa's leading retailers.

Trading losses in the Group's Pick n Pay business grew 9.1%, in line with budgets, to R718.9 million, largely due to H1 FY25 gross profit margin contraction. However the business saw solid momentum in its Clothing and Online businesses, with encouraging improvement in the underlying performance of its company-owned supermarkets.

Clothing gained further market share over the period, with sales growth of 9.8%, notwithstanding difficult market conditions. Pick n Pay Online built on its impressive growth of last year, delivering a further 60.6% increase in year-on-year online sales, driven by improvements in its customer offer and operating efficiency.

Company-owned supermarkets saw a meaningful shift in like-for-like sales growth, which increased from -0.5% in H2 FY24, to 3.1% in H1 FY25, marking early signs of turnaround momentum driven by the strengthened Pick n Pay management team. Pick n Pay franchise supermarkets had a more difficult period and restoring sales and profit growth in this division is a critical priority.

The Group's comparable loss before tax and capital items grew 25.7% year-on-year to R1.1 billion, reflecting the trading losses in Pick n Pay alongside higher borrowing costs. Critically however, the Group delivered exactly as planned for the first time in several years, demonstrating greater discipline, commitment and alignment across the business.

The Group remains confident in its ability to show meaningful improvement in the second half of the year. Reduced net funding costs from the Recapitalisation Plan, continued momentum in Boxer, Clothing and Online and further recovery in Pick n Pay supermarkets are all expected to contribute to stronger full year FY25 earnings, with the Boxer IPO on track to further strengthen the Group's balance sheet by the end of the 2024 calendar year.

Highlights from the period include

- Boxer achieved strong sales (12.0%) and trading profit (16.0%) growth, with positive volumes and sustained market share growth in a fiercely competitive market
- Pick n Pay Clothing achieved market share gains, with sales up 9.8%, supported by a strong store opening programme
- Robust growth in Pick n Pay Online sales (60.6%), driven by sustained improvements in the Pick n Pay asap! on-demand retail platform
- Company-owned Pick n Pay supermarkets' encouraging shift in like-for-like sales growth, from -0.5% in the second half of FY24 to 3.1% in H1 FY25
- Greater price competitiveness in Pick n Pay and Boxer with strategic investment in lower prices across essential food and groceries
- Tight control over trading expenses, notwithstanding the expansion of Boxer and Pick n Pay Clothing
- Strong progress in the Group's two-step Recapitalisation Plan, with the conclusion of the Rights Offer, improved gearing and liquidity, and the advancement of the Boxer IPO, which remains on track for completion at the end of 2024

Turnover

Group turnover grew 3.7% to R56.1 billion, with like-for-like sales growth of 2.9%. Group internal selling price inflation slowed to 4.3% from 7.3% in FY24. Divisional trading performances varied across the Group, with robust performances from Boxer, Pick n Pay Clothing and Online, encouraging momentum in Pick n Pay owned supermarkets, alongside challenges in Pick n Pay franchise operations.

26 weeks	H1 FY25 Rbn	H1 FY24 Rbn	Total % change	Like-for-like % change
Boxer	**19.8**	17.7	+12.0	+7.7
Pick n Pay	**36.3**	36.4	-0.3	+0.5
South Africa	**34.7**	34.6	+0.1	+1.1
Rest of Africa	**1.6**	1.8	-8.8	-9.5
Group	**56.1**	54.1	+3.7	+2.9

Boxer - sustained market share growth

Boxer continued to gain market share in a highly contested segment of the market. Turnover grew 12.0% to R19.8 billion, underpinned by solid underlying like-for-like sales growth of 7.7%. Internal selling price inflation, mainly driven by the high participation of basic commodity products, moderated to 5.3%, demonstrating positive real volume growth of 2.4%. Boxer's outstanding performance continues to be underpinned by its great value branded and confined label grocery range, its firm focus on basic commodities, and its quality butchery, bakery and fresh produce offer. Boxer's store opening programme contributed 4.3% to total sales growth, with 12 net new stores, including one Pick n Pay conversion, added over the period. The pace of new stores will accelerate in the second half of the year, with 53 more stores planned across all formats – bringing the total net new stores planned for FY25 to 65 (vs. 49 net new stores in FY24). The store roll-out is expected to support sales momentum in H2 FY25 and into FY26.

Pick Pay - underlying momentum in key areas

Turnover decreased 0.3% over the period to R36.3 billion, with like-for-like sales growth of 0.5%. Sales growth in South Africa was slightly higher at 0.1% for the period and 1.1% on a like-for-like basis, with currency devaluation in Zambia impacting the Rest of Africa operations. Total sales growth lagged like-for-like sales growth due to the advancement of the Group's strategic store reset programme, with the closure of 14 net Pick n Pay supermarkets during the period (10 company-owned and 4 franchise), alongside the termination of 10 franchise agreements.

Company-owned supermarkets[1]

Restoring the performance of Pick n Pay company-owned supermarkets remains one of the key priorities of the Group's turnaround plan. The Group views like-for-like turnover growth as the primary indicator of a change in momentum in these stores. Company-owned supermarkets reported like-for-like sales growth of 3.1% over the period, a marked improvement on the -0.5% like-for-like performance recorded in H2 FY24. This encouraging shift, delivered in a highly competitive trading environment, demonstrates the positive impact of the strengthened leadership team. The team has streamlined reporting and operational structures to reinforce accountability, accelerated decision-making, and enhanced retail disciplines and execution. There remains a great deal of work ahead, however their efforts have renewed focus on the in-store experience, with early improvements across product range, product availability and customer service. Concerted effort on price competitiveness saw Pick n Pay internal selling price inflation ease to 3.4% over the period, well below CPI of 4.7%. Liquor sales grew by 2.3%.

Franchise supermarkets

Wholesale turnover to Pick n Pay franchise supermarkets (franchise issues) decreased -1.4% on a like-for-like basis, down from the -0.3% recorded in H2 FY24. Revitalising the performance of our franchise stores is a current key priority.

Pick n Pay Clothing

Turnover in stand-alone clothing stores grew 9.8%, with like-for-like turnover growth of 0.2%. The clothing division was significantly impacted by the late arrival of winter weather in South Africa, exacerbated by ongoing port delays. Notwithstanding the challenges faced, Pick n Pay Clothing gained market share over the period, supported by the addition of 10 net new stores (with 21 planned for the second half), and continued with its strong inroads into the key growth categories of menswear, kidswear and schoolwear. Pick n Pay Clothing continues to lead in its commitment to sustainability, achieving 4-Star Best Practice Standards in sustainable design and construction across 168 stores, and driving sustainability across 55% of its clothing range through eco-friendly materials and responsible production practices.

Pick n Pay Online

Online retail sales grew +60.6% year-on-year, building on the strong +74.4% growth momentum reported for FY24. The growth was primarily driven by the Group's on-demand services, Pick n Pay asap! and Pick n Pay Groceries on Mr D, now operating out of 550 Pick n Pay stores. The Pick n Pay asap! app was relaunched in October 2023 with significantly enhanced functionality and continues to benefit from advancements in Artificial Intelligence (AI), including AI Search, Alternatives, and Personalisation. These improvements, alongside investments in cloud-based technology and scalable architecture, have made the app faster and more reliable. Substantial resources have also been directed towards store operations, logistics and marketing, improving order fulfilment, picking times, on-time deliveries and boosting overall customer satisfaction by 24%.

[1] *Including hypermarkets and excluding stand-alone Clothing stores.*

Gross profit

Group gross profit remained flat at R10.0 billion, with the gross profit margin declining by 0.6% to 17.9%. Both Pick n Pay and Boxer recorded gross profit margin contraction as the Group made considered price investments in a highly competitive trading environment. The suspension of loadshedding in South Africa resulted in significant savings on diesel and other generator-related costs. These savings of R243.0 million were fully reinvested into lower prices for customers, particularly on essential food and grocery items.

Boxer

Gross profit increased by 9.6% to R4.0 billion, with Boxer's gross profit margin declining by 0.4% to 20.3%. Boxer successfully executed on its strategy of investing cost savings into lower prices, driving positive volume growth.

Pick n Pay

Gross profit decreased -5.6% to R6.0 billion, with Pick n Pay's gross profit margin declining by 1.0% to 16.5%. The underlying margin contraction in Pick n Pay was in line with the second half of FY24, as a consequence of lower supplier incentives received, additional franchise loyalty rebates under the revised franchise agreement (with an equal and opposite impact on other trading income), and a steady increase in promotional participation, mitigated by the non-repeat of duplicated supply chain costs in the prior period.

The Pick n Pay buying team made solid progress in rebuilding the Pick n Pay product range over the period, with over three thousand products reinstated across our supermarket estate, alongside an expanded private and confined label offer. These range optimisation efforts are intended to strengthen our customer offer and restore Pick n Pay's margin mix over time. Stronger operational execution has also delivered meaningful improvement in product shrinkage.

Other income

Reported other income increased 21.9% to R1.4 billion (Pick n Pay 23.1% and Boxer 13.6%). Year-on-year growth was positively impacted by the change to the terms of the Pick n Pay franchise model in FY24, which contributed an additional R234.0 million in the current period (further detail provided below). Excluding this impact, underlying other income grew by 1.9%.

Franchise fee income – royalty fee income earned in Pick n Pay on franchise point of sale turnover, increased 55.3% to R590.2 million. This growth was primarily driven by the changes to the terms of the franchise model last year, which increased franchise royalties earned, in exchange for higher franchise loyalty rebates (recorded in gross profit). Excluding the effect of this change and other franchise fee relief in the base, franchise fee income decreased -6.3% impacted by franchise terminations.

Operating lease income – decreased 12.1% to R53.0 million reflecting the sale of non-core Pick n Pay owned properties to strengthen the Group's liquidity.

Commissions and other income – this category includes income from value-added services and other commission-based and incentive earnings not directly related to the sale of inventory. Commissions and other income grew 7.3% year-on-year to R781.6 million, with value added services recording a year-on-year increase of 7.4%, driven by solid growth across the Group's broad platform of financial, digital and cellular services.

Trading expenses

Group trading expenses increased 1.8% (2.6% like-for-like) year-on-year to R11.4 billion, benefiting from the non-repeat of diesel and other loadshedding related costs of R243.0 million incurred in the prior period (reinvested into gross profit margin in the current period), a depreciation reduction of R213.4 million relating to prior year store impairments, and employee restructuring costs of R259 million incurred during H1 of FY24.

Boxer

Boxer's segmental trading expenses grew 8.4% to R3.4 billion, driven by Boxer's store roll-out, partially offset by diesel savings from the suspension of loadshedding during the period. Trading expenses were tightly controlled, with the trading expenses margin improving to 17.0% of Boxer turnover, from 17.6% in the prior year.

Pick n Pay

Trading expenses in the Pick n Pay segment declined 0.7% year-on-year to R8.0 billion. The decline reflects the benefit of the non-recurrence of FY24 Pick n Pay staff restructuring costs and a reduction in Pick n Pay depreciation charges following the impairment of loss-making stores in the prior year. Excluding these benefits, trading expenses in Pick n Pay increased by 5.0%, driven by inflationary increases across all categories, specifically utility cost inflation, alongside targeted spend on critical store maintenance and initiatives targeting improved customer service in Pick n Pay. Reducing costs in Pick n Pay as a percentage of turnover and improving its operational leverage is a critical element of the turnaround plan to drive sustainable improvement in profitability.

Group

Group employee costs – increased 0.1% (4.3% like-for-like) to R4.7 billion. Excluding once-off staff restructuring costs from the H1 FY24 base of R259 million, underlying employee cost growth was 6.0% (4.3% like-for-like), with 3.2% in Pick n Pay and 12.3% in Boxer. Overall growth was driven by new store openings in Boxer and Pick n Pay Clothing, and annual inflationary increases, all while maintaining strong control over employee costs. Pick n Pay and Boxer successfully concluded three-year wage agreements during the period in respect of their non-management bargaining unit employees. The agreements provide critical stability as we navigate the demands of the turnaround strategy.

Group occupancy costs – increased 3.1% (-0.2% like-for-like) to R1.7 billion, benefiting from depreciation savings over the period. Occupancy cost increases, excluding these savings, were driven by new stores, above-inflation municipal rates increases and additional security measures across Pick n Pay and Boxer.

Group operations costs – decreased 0.9% (-2.9% like-for-like) to R3.0 billion, aided by the suspension of loadshedding. Excluding the loadshedding savings, operations costs increased by 7.1%. This increase reflects a significant rise in the underlying cost of electricity and the repairs and maintenance undertaken in Pick n Pay to improve the quality of the store estate.

Group merchandising and administration costs – increased 9.5% (10.4% like-for-like) to R1.8 billion. The increase reflects investment in Pick n Pay asap!, which was key to driving growth in the Group's primary on-demand retail platform. Overall the Group maintained stringent control over marketing spend, while ensuring a stronger market presence for Pick n Pay and Boxer.

Trading profit

Group trading profit increased from R31.8 million last year to R82.5 million.

	H1 FY25			H1 FY24		
Rm	Pick n Pay	Boxer	Group	Pick n Pay	Boxer	Group
Turnover	36 277.8	19 774.0	56 051.8	36 399.8	17 661.7	54 061.5
Trading (loss)/profit	(718.9)	801.4	82.5	(658.9)	690.7	31.8
Trading margin	(2.0%)	4.1%	0.1%	(1.8%)	3.9%	0.1%
Depreciation and amortisation#	1 273.7	604.0	1 877.7	1 402.0	560.9	1 962.9
Net lease finance expenses*	554.5	188.4	742.9	512.3	157.5	669.8

Includes depreciation on Right-of-Use assets.

* *As per the Statement of Comprehensive Income. Lease finance expense less lease finance income, which is income received from sub-leases where the Group holds head leases.*

Note: Appendix 3 provides a reconciliation between the Boxer segment's trading profit as consolidated within the Group result (+16.0%) and Boxer's trading profit as per its consolidated legal entity financial statements (+11.9%) as included in the Intention to Float announcement relating to the Boxer IPO released on SENS on 28 October 2024.

Boxer – an impressive result from the Boxer business, with trading profit up 16.0% year-on-year to R801.4 million. The Boxer segment trading margin for the period grew to 4.1% of turnover, up from 3.9% in the prior period. The segment trading profit growth was the result of the gross profit margin contraction being more than offset by the diesel costs savings. Boxer's strong profitability is driven by its lean operating model which fuels sales growth by passing cost savings from operating efficiency to customers through lower prices and exceptional value, achieving a strong performance in a competitive market.

Appendix 3 provides a reconciliation between the Boxer segment's trading profit as consolidated within the Group result (+16.0%) and Boxer's trading profit as per its consolidated legal entity financial statements (+11.9%) as included in the Intention to Float announcement relating to the Boxer IPO released on SENS on 28 October 2024.

Pick n Pay – the trading loss increased 9.1% year-on-year to R718.9 million, notwithstanding the encouraging improvements evident in the Pick n Pay company-owned supermarkets. The increased loss is primarily due to gross profit margin contraction and targeted spend into key areas of the turnaround plan. These investments were critical to enhance in-store execution and customer service. Significantly, the trading loss was in line with the plan, demonstrating greater stability and discipline across the business and a commitment to strategic execution.

Net finance costs

Net finance costs, including implied interest charges under IFRS 16, increased 24.3% year-on-year to R1.1 billion.

Net funding interest – the Group's net funding cost (net of trade receivables interest received) increased 61.1% year-on-year to R392.0 million, reflecting higher borrowings and debt service costs compared with the prior period. A material decrease in net funding costs is expected in the second half of the year, following the successful R4.0 billion Rights Offer in August 2024 (R3.9 billion net of fees), which has significantly reduced Group debt levels. The Group is well progressed on the Boxer IPO, which is expected to be concluded by the end of the 2024 calendar year, subject to favourable market conditions. The IPO is expected to eliminate all Pick n Pay long-term debt, aside from ongoing working capital facilities, alleviating the Group's current interest cost.

Lease interest – implied net interest charges under IFRS 16 increased 10.9% to R742.9 million. The increase reflects the strong store opening programme in Boxer and the opening of the new Pick n Pay Eastport DC in the prior year.

Rest of Africa segment

The Group's Rest of Africa segment contributed R1.9 billion of segmental sales, down 6.9% year-on-year. The Group's operations in Zambia delivered another strong trade performance, notwithstanding severe operational disruption from power outages in the region and the impact of local currency devaluation. As a consequence of the deteriorating economic conditions in Zimbabwe, the Group impaired its investment in its associate TM Supermarkets to a book value of zero in February 2024 and no further losses have been recognised. The Group is actively working to optimise its footprint outside of South Africa, including exiting Nigeria, restructuring the Botswana franchise into a company-owned model, and pursuing new growth opportunities in Namibia, following the termination of the existing master franchise agreement in that country.

Comparable loss before tax – before capital items and hyperinflation

	H1 FY25 Rm	H1 FY24 Rm	% change
Comparable loss before capital items	**(1 052.4)**	(837.2)	25.7%
Non-cash hyperinflation net monetary adjustment	**–**	(43.0)	
Loss before capital items	**(1 052.4)**	(880.2)	19.6%
Capital items	**(31.0)**	121.7	
Loss before tax	**(1 083.4)**	(758.5)	42.8%
Tax	**256.0**	187.2	
Loss for the period	**(827.4)**	(571.3)	44.8%

The Group's loss before capital items increased by R172.2 million to R1.1 billion. On a comparable basis, removing the R43.0 million non-cash hyperinflation loss recorded in H1 FY24, the comparable loss before capital items declined 25.7%. The Group anticipated lower earnings in this reporting period despite the material benefits from the suspension of loadshedding and the non-repeat of the once-off costs incurred in the prior year, including staff restructuring costs and duplicated supply chain costs related to the move to the Eastport distribution centre. The earnings decline was driven by gross profit margin contraction in Pick n Pay, alongside higher borrowing costs.

Capital items

The Group incurred net capital losses in the current period of R31.0 million on the sale and impairment of assets, compared with capital profits in the prior period of R121.7 million, driven primarily by the sale of the Longmeadow distribution centre and other properties in the prior year.

Earnings per share

In accordance with IAS 33 *Earnings Per Share*, the prior year weighted average number of shares in issue has been adjusted retrospectively to account for the bonus element arising from the Rights Offer. As a result, the prior year basic, headline and comparable headline earnings per share metrics were adjusted to account for the change in the weighted average number of shares in issue.

Comparable headline loss/earnings per share (comparable HEPS) – excludes the Group's share of non-cash hyperinflation accounting remeasurements in TM Supermarkets. All impairment losses and other capital items are excluded from the calculation of comparable HEPS. Comparable HEPS declined 24.3% year-on-year to a loss of 136.60 cents per share.

Headline loss/earnings per share (HEPS) – declined 16.3% to a loss of 136.60 cents per share and includes the Group's share of non-cash hyperinflation accounting remeasurements in TM Supermarkets. All related impairment losses and other capital items are excluded from the calculation of HEPS.

Loss/earnings per share – declined by 39.6% to a loss of 140.83 cents per share and includes the Group's share of non-cash hyperinflation remeasurements in TM Supermarkets, and all items of a capital nature including impairments.

Shareholder distribution

Owing to the comparable loss declared for the period, the Board has not declared a H1 FY25 dividend. The Group does not expect to declare any dividends until the two-step Recapitalisation Plan has delivered a sustainable capital structure and the Group has returned to sustainable profitability.

Detailed review of financial position

Balance sheet gearing

The Group has been resolute in its efforts to stabilise its balance sheet and strengthen its financial liquidity through the execution of its two-step Recapitalisation Plan. The Pick n Pay Rights offer was concluded in August 2024 and raised R3.9 billion of additional capital, net of fees. Of this, R3.0 billion was allocated to debt repayment under the terms of the restructured lender agreement, with R0.9 billion earmarked for capital investment and operational needs.

Rm	H1 FY25 25 August 2024	FY24 25 February 2024	H1 FY24 27 August 2023
Gross debt	**7 245.7**	11 444.8	8 466.3
Cash and cash equivalents	**(4 951.4)**	(5 383.2)	(4 627.9)
Net gearing	**2 294.3**	6 061.6	3 838.4
Net debt to EBITDA[2]	**2.7**	6.3	1.6

The Group balance sheet has been significantly bolstered by the proceeds of the Rights Offer, reducing gearing to R2.3 billion from the R6.1 billion reported at the close of FY24. At 2.7 times EBITDA, gearing is well within lender covenants of 5.5 times earnings.

The Group's careful and deliberate approach to resolving the liquidity pressure has been highly effective, significantly de-risking the business. As a result, the Group has secured new committed and unsecured working capital facilities (Pick n Pay and Boxer) and term-debt facilities (Boxer), which will extend post the IPO and the full settlement of the restructured lender agreement.

The Boxer IPO is well advanced and will further strengthen the balance sheet, with net proceeds intended for targeted investment in the successful turnaround of the Group's Pick n Pay supermarkets business and debt repayment. The Group will retain a controlling interest in Boxer. Pick n Pay previously guided the intention to raise between R6.0 billion and R8.0 billion through the IPO and now expects the base size of the IPO to be towards the upper end of the guidance provided. Additionally, the IPO is expected to include an overallotment option, which is customary for transactions of this nature, to facilitate stabilisation activities. The overallotment option is not expected to exceed R0.5 billion and will be settled, if required, through the issuance of additional newly issued shares.

Working capital

The Group released R822.5 million of liquidity from working capital during H1 FY25, assisted by stronger inventory management in Pick n Pay and seasonality between the two halves of the financial year. Inventory balances increased R363.6 million on FY24, reflecting the new Boxer and Clothing stores opened over the period and the reinstatement of three thousand product lines across Pick n Pay, mitigated by excellent progress in removing old and slow-moving stock from the business. Franchise debt remained carefully controlled over the period in light of the more difficult trading conditions, with credit loss allowances at 1.8% of gross debt, compared to the 13.9% at the end of FY24.

Capital investment

The Group invested R0.6 billion in capital projects in H1 FY5, or R0.5 billion net of property sales proceeds. This is less than half of the H1 FY24 net capital investment of R1.4 billion, reflecting the Group's commitment to preserving financial liquidity (including through the sale of non-core assets) without curtailing investment in Boxer and Clothing. Capital expenditure targeted growth in Boxer (R0.3 billion) and Pick n Pay Clothing (R0.1 billion), prioritising investments with strong rates of return on invested capital. Capital spend in Boxer will increase as the store opening programme accelerates in the second half of the year. Pick n Pay spend (R0.2 billion) was limited to critical areas, including essential store refurbishments, online retail platforms and IT infrastructure. Investment in the Pick n Pay turnaround strategy will accelerate following the conclusion of the Group's two-step Recapitalisation Plan. The Group expects to invest a net R1.2 billion in capital projects during the second half of the year, R0.4 billion in Pick n Pay, R0.1 billion in Pick n Pay Clothing and R0.7 billion in Boxer.

Strategic direction

In May 2024, the Group set out a new and dynamic strategic plan, focused on restoring Group financial stability, driving growth in Boxer and Clothing and reigniting momentum in its core Pick n Pay business. Over the past six months, we have taken determined action to execute against this plan, delivering on key milestones across the business. A refreshed and strengthened management team is driving the change, supported by progress in our succession plans, improved operational structures, clearer lines of accountability, and quicker decision-making.

[2] *Earnings before interest, tax and depreciation. Net debt to EBITDA excludes the impact of IFRS 16.*

Our strategy is multi-faceted, with initiatives tailored to each division. Our core objectives are to restore the Pick n Pay supermarket business to profitability and to maximise the growth potential of Boxer and Pick n Pay Clothing. Each division is at a different stage of its strategy, facing unique challenges and requiring specific resources to succeed. Our approach is adaptable, designed to respond to market conditions and operational demands.

At the heart of our plan – and each divisional strategy – are our Pick n Pay and Boxer customers. The revitalised Pick n Pay leadership team has already launched key initiatives to enhance the customer experience, improving its product range, on-shelf availability, operational execution and is prioritising the refurbishment of critical infrastructure. Alongside these steps, an internal Pick n Pay "Hearts & Minds" campaign has been launched, aimed at building staff morale, fostering a sense of purpose, and delivering excellent customer service.

The Boxer IPO remains a pivotal element of our strategy and we are well advanced to deliver the IPO by the end of 2024. It will elevate Boxer to its rightful place on the JSE alongside South Africa's major retailers and elevate its market position with suppliers and other key partners. Boxer's remarkable performance continues to prove it is an exceptional business and we are excited to see it thrive as a listed entity.

Sean Summers, Group CEO, said: "On my return a year ago, I forecast that our financial performance and results would continue to get worse before they got better, and these results reflect that.

Notwithstanding this, the results are in line with our business plan and encouragingly Q2 showed a consistent by-period improvement over Q1, a trend that continues.

With a reconfigured and strong balance sheet post the completed Rights Offer and upcoming Boxer IPO we can face the future with renewed confidence and give substance to our future planning.

I would specifically like to acknowledge the extraordinary efforts of our executive team in what has been one of the most challenging twelve months in corporate history in South Africa. Their unflinching fortitude and support in the face of all odds has built a team of people, along with all our colleagues in the Pick n Pay Group, that face the road ahead with confidence and vigour.

Unlike 12 months ago I can confidently say that the worst is behind us, notwithstanding the many obstacles that still lie ahead, as we restore Pick n Pay to its rightful place."

Looking forward

Sales growth across both the Pick n Pay and Boxer segments slowed in the last few weeks of H1 FY25. However, the sales growth trajectory for the first two periods of H2 FY25 has recovered, with sales growth for the first 8 weeks of H2 for Pick n Pay South Africa of -1.0% (+1.3% like-for like) and +9.6% (+5.2% like-for-like) for Boxer. Boxer's growth in the second half should be judged against its exceptionally strong H2 FY24 base which it is currently cycling (+18.6% sales and +11.6% like-for-like).

Looking ahead, the Group expects full year FY25 earnings to show a meaningful improvement on FY24, supported by sustained earnings growth in Boxer, a reduced trading loss in Pick n Pay, and a reduction in H2 FY25 interest charges as a result of the advancement of the two-step Recapitalisation Plan. Group FY25 H2 earnings will be largely driven by Black Friday and Festive Season trading, meaning there remains much to play for. Specifically with reference to the Pick n Pay segment, for FY25 the Group is targeting approximately halving the R1.5 billion trading loss recorded in FY24.

The Group manages its retail operations on a 52-week trading calendar basis where the financial reporting period always ends on a Sunday. To ensure calendar realignment, the inclusion of a 53rd week of trading is required approximately every six years. Shareholders are advised that the Group will report on a 53-week basis in FY25, with minimal impact expected on the Group's full year earnings.

Gareth Ackerman
Chairman

Sean Summers
Chief Executive Officer

Lerena Olivier
Chief Finance Officer

28 October 2024

Forward-looking information contained in this announcement

This announcement contains certain forward-looking statements which relate to the Group's possible future actions, long-term strategy, performance, liquidity position and financial position. All forward-looking statements are solely based on the views and considerations of the Board, and in particular, as at the date hereof. These statements involve risk and uncertainty as they relate to events and depend on circumstance 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.

Comparable earnings performance

The table below presents the Group's earnings performance for the current and previous period on a comparable basis. Comparable earnings excludes non-cash hyperinflation net monetary adjustments in respect of the Group's investment in associate attributable to IAS 29 *Financial Reporting in Hyperinflationary Economies* (IAS 29).

Refer to Appendix 1 for further information.

Unaudited	26 weeks to 25 August 2024 Rm	% of turnover	% change	26 weeks to 27 August 2023 Rm	% of turnover
Turnover	56 051.8		3.7	54 061.5	
Cost of merchandise sold	(46 043.4)			(44 048.7)	
Gross profit	10 008.4	17.9	–	10 012.8	18.5
Other income	1 424.8	2.5	21.9	1 168.5	2.2
Franchise fee income	590.2	1.1	55.3	380.0	0.7
Operating lease income	53.0	0.1	(12.1)	60.3	0.1
Commissions, dividend and other income	781.6	1.3	7.3	728.2	1.4
Trading expenses	(11 350.7)	(20.3)	1.8	(11 149.5)	(20.6)
Employee costs	(4 714.0)	(8.4)	0.1	(4 708.0)	(8.7)
Occupancy	(1 740.3)	(3.1)	3.1	(1 688.4)	(3.1)
Operations	(3 025.8)	(5.4)	(0.9)	(3 052.1)	(5.6)
Merchandising and administration	(1 784.3)	(3.2)	9.5	(1 630.1)	(3.1)
Expected credit loss allowance^	(86.3)	(0.2)	21.7	(70.9)	(0.1)
Trading profit	82.5	0.1	159.4	31.8	0.1
Net finance costs	(1 134.9)	(2.0)	24.3	(913.1)	(1.7)
Net funding	(392.0)	(0.7)	61.1	(243.3)	(0.5)
Net leases	(742.9)	(1.3)	10.9	(669.8)	(1.2)
Share of associate's earnings excluding net monetary adjustments*	–			44.1	
Comparable loss before tax, before capital items and before net monetary adjustments*	(1 052.4)	(1.9)	25.7	(837.2)	(1.5)
Share of associate's hyperinflation net monetary adjustments*	–			(43.0)	
Loss before tax before capital items*	(1 052.4)	(1.9)	19.6	(880.2)	(1.6)
(Loss)/profit on capital items	(31.0)			121.7	
Net (loss)/profit on disposal of assets	(9.4)			191.6	
Loss from impairments of assets	(21.6)			(69.9)	
Loss before tax	(1 083.4)	(1.9)	42.8	(758.5)	(1.4)
Tax	256.0	0.4	36.8	187.2	0.3
Loss for the period	(827.4)	(1.5)	44.8	(571.3)	(1.1)
Pick n Pay segment**					
Turnover	36 277.8		(0.3)	36 399.8	
Trading loss	(718.9)		9.1	(658.9)	
Boxer segment**					
Turnover	19 774.0		12.0	17 661.7	
Trading profit	801.4		16.0	690.7	
Earnings per share#	**Cents**			**Cents**	
Basic loss per share	(140.83)		39.6	(100.86)	
Diluted loss per share	(140.67)		39.8	(100.59)	
Headline loss per share	(136.60)		16.3	(117.48)	
Diluted headline loss per share	(136.44)		16.5	(117.16)	
Comparable headline earnings per share#	**Cents**			**Cents**	
Comparable headline loss per share	(136.60)		24.3	(109.88)	
Comparable diluted headline loss per share	(136.44)		24.5	(109.59)	

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

* *Loss before tax before capital items include non-cash hyperinflationary net monetary adjustments in respect of the Group's investment in associate attributable to the requirements of IAS 29. In order to present the underlying performance of the Group on a comparable basis, the share of associate's earnings has been separately disclosed between components including and excluding these non-cash hyperinflation net monetary adjustments. In addition, the Group has presented comparable loss metrics for the current and prior period. Refer to Appendix 1 for further information.*

** *Refer to note 8 for further information on the Group's operating segment performance.*

In accordance with IAS 33 Earnings Per Share, the prior year weighted and diluted weighted average number of shares in issue have been adjusted retrospectively to account for the bonus element arising from the rights offer share issue. As a result, the prior year basic, headline and comparable headline earnings per share metrics were adjusted to account for the change in the weighted and diluted weighted average number of shares in issue. Refer to note 14.

Group statement of comprehensive income

for the period ended

	Note	**Unaudited 26 weeks to 25 August 2024 Rm**	Unaudited 26 weeks to 27 August 2023 Rm	Audited 52 weeks to 25 February 2024 Rm
Revenue	2	**57 762.0**	55 422.5	115 370.8
Turnover	2	**56 051.8**	54 061.5	112 294.8
Cost of merchandise sold		**(46 043.4)**	(44 048.7)	(92 014.9)
Gross profit		**10 008.4**	10 012.8	20 279.9
Other income		**1 424.8**	1 168.5	2 653.5
Franchise fee income	2	**590.2**	380.0	1 021.8
Operating lease income	2	**53.0**	60.3	112.5
Commissions, dividend and other income	2	**781.6**	728.2	1 519.2
Trading expenses		**(11 350.7)**	(11 149.5)	(22 548.4)
Employee costs		**(4 714.0)**	(4 708.0)	(9 000.0)
Occupancy		**(1 740.3)**	(1 688.4)	(3 439.1)
Operations		**(3 025.8)**	(3 052.1)	(6 117.5)
Merchandising and administration		**(1 784.3)**	(1 630.1)	(3 358.1)
Expected credit loss allowance*		**(86.3)**	(70.9)	(633.7)
Trading profit		**82.5**	31.8	385.0
Finance income**	2	**285.4**	192.5	422.5
Funding finance income		**182.5**	97.4	227.4
Leases finance income		**102.9**	95.1	195.1
Finance costs**	3	**(1 420.3)**	(1 105.6)	(2 442.6)
Funding finance expense		**(574.5)**	(340.7)	(836.2)
Leases finance expense		**(845.8)**	(764.9)	(1 606.4)
Share of associate's earnings		**–**	1.1	211.5
Loss before tax before capital items		**(1 052.4)**	(880.2)	(1 423.6)
(Loss)/profit on capital items		**(31.0)**	121.7	(2 723.1)
Net (loss)/profit on disposal of assets		**(9.4)**	191.6	368.7
Loss from impairments of assets		**(21.6)**	(69.9)	(2 838.2)
Impairment loss on investment in associate		**–**	–	(253.6)
Loss before tax		**(1 083.4)**	(758.5)	(4 146.7)
Tax		**256.0**	187.2	956.6
Loss for the period		**(827.4)**	(571.3)	(3 190.1)
Other comprehensive income, net of tax				
Items that will not be reclassified to profit or loss		**1.5**	17.4	37.0
Remeasurement in retirement scheme assets		**2.0**	23.8	50.7
Tax on items that will not be reclassified to profit or loss		**(0.5)**	(6.4)	(13.7)
Items that may be reclassified to profit or loss		**(20.8)**	(47.1)	(43.9)
Foreign currency translations		**(13.1)**	(26.3)	(23.5)
Movement in cash flow hedge		**(7.7)**	(20.8)	(20.3)
Tax on items that may be reclassified to profit or loss		**–**	–	(0.1)
Total comprehensive loss for the period		**(846.7)**	(601.0)	(3 197.0)
Earnings per share^		**Cents**	Cents	Cents
Basic loss per share	4	**(140.83)**	(100.86)	(562.30)
Diluted loss per share	4	**(140.67)**	(100.59)	(560.87)

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

** *In order to support expanded segmental disclosure, the Group has now presented finance income and finance costs split between funding and leasing. Refer to note 8 for further information.*

^ *In accordance with IAS 33 Earnings Per Share, the prior year weighted and diluted weighted average number of shares in issue have been adjusted retrospectively to account for the bonus element arising from the rights offer share issue. As a result, the prior year basic and headline earnings per share metrics were adjusted to account for the change in the weighted and diluted weighted average number of shares in issue. Refer to note 14.*

Group statement of financial position

	Note	**Unaudited As at 25 August 2024 Rm**	Unaudited As at 27 August 2023 Rm	Audited As at 25 February 2024 Rm
ASSETS				
Non-current assets				
Intangible assets		**1 065.1**	1 439.9	1 076.0
Property, plant and equipment		**8 951.9**	9 614.3	9 190.6
Right-of-use assets		**11 049.0**	12 399.0	11 596.1
Net investment in lease receivables		**1 889.2**	1 931.4	1 901.9
Deferred tax assets		**2 653.9**	1 087.0	2 133.5
Investment in associate		**–**	33.1	–
Loans		**146.8**	175.8	170.4
Retirement scheme assets		**55.0**	73.7	50.8
Investment in insurance cell captive	10	**73.5**	76.3	61.1
Operating lease assets		**6.2**	9.7	6.2
Trade and other receivables		**1.1**	68.0	1.7
		25 891.7	26 908.2	26 188.3
Current assets				
Inventory		**10 550.2**	10 006.3	10 186.6
Trade and other receivables		**4 224.4**	4 627.4	4 255.3
Cash and cash equivalents		**4 951.4**	4 627.9	5 383.2
Net investment in lease receivables		**345.4**	336.8	417.8
Right-of-return assets		**22.6**	23.6	24.0
Derivative financial instruments	10	**–**	1.2	1.7
		20 094.0	19 623.2	20 268.6
Non-current asset held for sale	13	**24.8**	255.1	56.0
Total assets		**46 010.5**	46 786.5	46 512.9
EQUITY AND LIABILITIES				
Equity				
Share capital	5	**3 866.0**	6.0	6.0
Treasury shares	6	**(495.5)**	(556.9)	(556.8)
Retained earnings		**(81.3)**	3 422.9	756.0
Other reserves		**(7.7)**	(20.8)	0.5
Foreign currency translation reserve		**(401.4)**	(391.0)	(388.3)
Total equity		**2 880.1**	2 460.2	(182.6)
Non-current liabilities				
Lease liabilities		**16 148.4**	16 354.3	16 464.8
Borrowings		**4 500.0**	4 500.0	4 500.0
		20 648.4	20 854.3	20 964.8
Current liabilities				
Trade and other payables		**16 170.5**	16 194.3	15 184.1
Lease liabilities		**2 611.7**	2 499.4	2 904.3
Deferred revenue		**477.2**	497.6	323.7
Bank overdraft and overnight borrowings		**1 252.9**	2 250.0	5 178.7
Borrowings		**1 492.8**	1 716.3	1 766.1
Current tax liabilities		**353.7**	237.0	272.9
Provisions		**117.1**	77.4	100.9
Derivative financial instruments	10	**6.1**	–	–
		22 482.0	23 472.0	25 730.7
Total equity and liabilities		**46 010.5**	46 786.5	46 512.9
Number of ordinary shares in issue – thousands	5.1	**745 657.1**	493 450.3	493 450.3
Weighted average number of ordinary shares in issue – thousands*	4.2	**587 534.8**	566 411.6	567 331.0
Diluted weighted average number of ordinary shares in issue – thousands*	4.2	**588 188.5**	567 944.5	568 778.2
Net asset value (property value based on directors' valuation) – cents per share		**420.1**	554.3	11.0

* *In accordance with IAS 33 Earnings Per Share, the prior year weighted and diluted weighted average number of shares in issue have been adjusted retrospectively to account for the bonus element arising from the rights offer share issue. As a result, the prior year basic and headline earnings per share metrics were adjusted to account for the change in the weighted and diluted weighted average number of shares in issue. Refer to note 14.*

Group statement of changes in equity

for the period ended

Unaudited	Share capital Rm	Treasury shares Rm	Retained earnings Rm	Other reserves Rm	Foreign currency translation reserve Rm	Total equity Rm
At 26 February 2023	6.0	(643.8)	4 685.2	20.1	(364.7)	3 702.8
Total comprehensive income for the period	–	–	(553.9)	(20.8)	(26.3)	(601.0)
Loss for the period	–	–	(571.3)	–	–	(571.3)
Foreign currency translations	–	–	–	–	(26.3)	(26.3)
Movement in cash flow hedge	–	–	–	(20.8)	–	(20.8)
Remeasurement in retirement scheme assets	–	–	17.4	–	–	17.4
Other reserve movements	–	–	–	(20.1)	–	(20.1)
Transactions with owners	–	86.9	(708.4)	–	–	(621.5)
Dividends paid	–	–	(686.9)	–	–	(686.9)
Net effect of settlement of employee share awards	–	86.9	(86.9)	–	–	–
Share-based payments expense	–	–	65.4	–	–	65.4
At 27 August 2023	6.0	(556.9)	3 422.9	(20.8)	(391.0)	2 460.2
Total comprehensive income for the period	–	–	(2 599.2)	0.5	2.7	(2 596.0)
Loss for the period	–	–	(2 618.8)	–	–	(2 618.8)
Foreign currency translations	–	–	–	–	2.7	2.7
Movement in cash flow hedge	–	–	–	0.5	–	0.5
Remeasurement in retirement scheme assets	–	–	19.6	–	–	19.6
Other reserve movements	–	–	–	20.8	–	20.8
Transactions with owners	–	0.1	(67.7)	–	–	(67.6)
Net effect of settlement of employee share awards	–	0.1	(0.1)	–	–	–
Share-based payments reversal	–	–	(67.6)	–	–	(67.6)
At 25 February 2024	**6.0**	**(556.8)**	**756.0**	**0.5**	**(388.3)**	**(182.6)**
Total comprehensive loss for the period	**–**	**–**	**(825.9)**	**(7.7)**	**(13.1)**	**(846.7)**
Loss for the period	**–**	**–**	**(827.4)**	**–**	**–**	**(827.4)**
Foreign currency translations	**–**	**–**	**–**	**–**	**(13.1)**	**(13.1)**
Movement in cash flow hedge	**–**	**–**	**–**	**(7.7)**	**–**	**(7.7)**
Remeasurement in retirement scheme assets	**–**	**–**	**1.5**	**–**	**–**	**1.5**
Other reserve movements	**–**	**–**	**–**	**(0.5)**	**–**	**(0.5)**
Transactions with owners	**3 860.0**	**61.3**	**(11.4)**	**–**	**–**	**3 909.9**
Net effect of settlement of employee share awards	**–**	**43.8**	**(43.8)**	**–**	**–**	**–**
Share-based payments expense	**–**	**–**	**32.4**	**–**	**–**	**32.4**
Net proceeds on rights offer (note 5)	**3 860.0**	**–**	**–**	**–**	**–**	**3 860.0**
Proceeds on sale of rights attached to treasury shares, pursuant to rights offer (note 6)	**–**	**17.5**	**–**	**–**	**–**	**17.5**
At 25 August 2024	**3 866.0**	**(495.5)**	**(81.3)**	**(7.7)**	**(401.4)**	**2 880.1**

Group statement of cash flows

for the period ended

	Note	**Unaudited 26 weeks to 25 August 2024 Rm**	Unaudited 26 weeks to 27 August 2023 Rm	Audited 52 weeks to 25 February 2024 Rm
Cash flows from operating activities				
Trading profit		**82.5**	31.8	385.0
Adjusted for dividend income	2	**–**	–	(25.0)
Adjusted for non-cash items		**1 888.0**	1 996.6	4 073.2
Depreciation of property, plant and equipment		**719.1**	736.5	1 521.9
Depreciation of right-of-use assets		**1 102.0**	1 173.0	2 395.2
Amortisation of intangible assets		**56.6**	53.4	111.5
Share-based payments		**32.4**	65.4	(2.2)
Lease adjustments		**(34.0)**	(44.9)	(39.2)
Movement in operating lease assets		**–**	(0.8)	2.7
Movement in retirement scheme assets		**(2.2)**	18.7	68.5
Fair value and foreign exchange adjustments		**14.1**	(4.7)	14.8
Cash generated before movements in working capital		**1 970.5**	2 028.4	4 433.2
Movements in working capital		**822.5**	2 129.0	1 087.4
Movements in inventory and right-of-return assets		**(362.7)**	623.4	494.8
Movements in trade and other receivables		**30.8**	(138.6)	302.8
Movements in trade and other payables, provisions and deferred revenue		**1 154.4**	1 644.2	289.8
Cash generated from trading activities		**2 793.0**	4 157.4	5 520.6
Other interest received		**177.2**	85.7	225.3
Other interest paid		**(574.5)**	(340.7)	(728.7)
Interest received on net investment in lease receivables		**96.8**	94.0	195.0
Interest paid on lease liabilities		**(843.0)**	(778.9)	(1 625.1)
Cash generated from operations		**1 649.5**	3 217.5	3 587.1
Dividends received		**–**	6.6	31.6
Dividends paid		**–**	(686.9)	(686.9)
Tax paid		**(184.1)**	(204.9)	(453.5)
Cash generated from operating activities		**1 465.4**	2 332.3	2 478.3
Cash flows from investing activities				
Investment in intangible assets		**(46.4)**	(130.8)	(269.5)
Investment in property, plant and equipment		**(570.8)**	(1 782.0)	(3 174.3)
Purchase of operations		**(7.8)**	–	(307.5)
Proceeds on disposal of intangible assets		**–**	–	23.6
Proceeds on disposal of property, plant and equipment		**101.4**	517.9	1 030.4
Principal net investment in lease receipts		**197.9**	171.5	350.0
Lease incentives received		**46.7**	20.9	49.5
Loans repaid		**31.3**	53.4	101.8
Loans advanced		**(1.7)**	(106.9)	(154.4)
Cash utilised in investing activities		**(249.4)**	(1 256.0)	(2 350.4)
Cash flows from financing activities				
Principal lease liability payments		**(1 316.2)**	(1 246.8)	(2 515.6)
Borrowings raised		**1 937.2**	12 560.2	15 606.5
Repayment of borrowings		**(2 210.5)**	(9 213.2)	(12 209.8)
Net proceeds on rights offer	5	**3 860.0**	–	–
Proceeds on sale of rights attached to treasury shares, pursuant to rights offer	6	**17.5**	–	–
Cash generated from financing activities		**2 288.0**	2 100.2	881.1
Net increase in cash and cash equivalents		**3 504.0**	3 176.5	1 009.0
Net cash and cash equivalents at beginning of period		**204.5**	(802.2)	(802.2)
Foreign currency translations		**(10.0)**	3.6	(2.3)
Net cash and cash equivalents at end of period		**3 698.5**	2 377.9	204.5
Consisting of:				
Cash and cash equivalents		**4 951.4**	4 627.9	5 383.2
Bank overdraft and overnight borrowings		**(1 252.9)**	(2 250.0)	(5 178.7)

Notes to the financial information

for the period ended 25 August 2024

1 Basis of preparation and accounting policies

The condensed consolidated interim financial statements for the period ended 25 August 2024 are prepared in accordance with the requirements of the JSE Listings Requirements for condensed reports, and the requirements of the Companies Act, as applicable to summarised financial statements. The Listings Requirements require condensed reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board, and the financial pronouncements, as issued by the Financial Reporting Standards Council and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, and to also, as a minimum, contain the information required by IAS 34 *Interim Financial Reporting*.

The accounting policies applied in the preparation of these condensed consolidated interim financial statements are in terms of IFRS Accounting Standards and are consistent with those applied in the financial statements for the 52 weeks ended 25 February 2024, with the exception of the adoption of new, revised and amended accounting pronouncements as issued by the International Accounting Standards Board (IASB) which were effective for the Group from 26 February 2024. The new, revised and amended standards had no material impact on the condensed consolidated interim financial statements. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

These condensed consolidated interim financial statements have been prepared by the Finance Division under the supervision of the Chief Finance Officer, Lerena Olivier CA(SA), and have not been audited or reviewed by the Group's external auditors, Ernst & Young Inc.

	Unaudited 26 weeks to 25 August 2024 Rm	Unaudited 26 weeks to 27 August 2023 Rm	Audited 52 weeks to 25 February 2024 Rm
2 Revenue			
Revenue from contracts with customers	**57 423.6**	55 169.7	114 810.8
Turnover	**56 051.8**	54 061.5	112 294.8
Franchise fee income	**590.2**	380.0	1 021.8
Commissions and other income	**781.6**	728.2	1 494.2
Operating lease income	**53.0**	60.3	112.5
Dividend income from investment in insurance cell captive	**–**	–	25.0
Finance income	**285.4**	192.5	422.5
Bank balances and investments	**137.2**	50.4	134.4
Trade receivables and other	**45.3**	47.0	93.0
Net investment in lease receivables	**102.9**	95.1	195.1
	57 762.0	55 422.5	115 370.8
3 Finance costs			
Borrowings	**574.5**	340.7	836.2
Lease liabilities	**845.8**	764.9	1 606.4
	1 420.3	1 105.6	2 442.6

	Unaudited 26 weeks to 25 August 2024 Cents per share	Restated* Unaudited 26 weeks to 27 August 2023 Cents per share	Restated* Unaudited 52 weeks to 25 February 2024 Cents per share
4 Basic, headline and diluted earnings per share			
Basic loss per share	**(140.83)**	(100.86)	(562.30)
Diluted loss per share	**(140.67)**	(100.59)	(560.87)
Headline loss per share	**(136.60)**	(117.48)	(172.56)
Diluted headline loss per share	**(136.44)**	(117.16)	(172.12)
	Rm	Rm	Rm
4.1 Reconciliation between basic and headline earnings			
Loss for the period – basic loss for the period	**(827.4)**	(571.3)	(3 190.1)
Adjustments:	**24.8**	(94.1)	2 211.1
Loss/(profit) on disposal of assets	**9.4**	(191.6)	(368.7)
Tax effect of (loss)/profit on sale of assets	**(1.4)**	29.9	53.3
Loss from impairments of assets	**21.6**	69.9	2 838.2
Tax effect of loss from impairments of assets	**(4.8)**	(2.3)	(565.3)
Impairment loss on investment in associate	**–**	–	253.6
Headline loss for the period	**(802.6)**	(665.4)	(979.0)

For comparable headline earnings per share and comparable diluted headline earnings per share, refer to Appendix 1.

	Unaudited 26 weeks to 25 August 2024 000's	Restated* Unaudited 26 weeks to 27 August 2023 000's	Restated* Unaudited 52 weeks to 25 February 2024 000's
4.2 Number of ordinary shares			
Number of ordinary shares in issue	**745 657.1**	493 450.3	493 450.3
Weighted average number of ordinary shares in issue (excluding treasury shares)	**587 534.8**	566 411.6	567 331.0
Diluted weighted average number of ordinary shares in issue	**588 188.5**	567 944.5	568 778.2
Reconciliation of weighted average number of ordinary shares to diluted weighted average number of ordinary shares:			
Weighted average number of ordinary shares in issue (excluding treasury shares)	**587 534.8**	566 411.6	567 331.0
Dilutive effect of share awards	**653.7**	1 532.9	1 447.2
Diluted weighted average number of ordinary shares in issue	**588 188.5**	567 944.5	568 778.2

Any outstanding restricted shares granted in terms of the Group's executive restricted share plan, that have not yet met required performance hurdles, have no dilutive impact on the weighted average number of shares in issue.

* *In accordance with IAS 33 Earnings Per Share, the prior year weighted and diluted weighted average number of shares in issue have been adjusted retrospectively to account for the bonus element arising from the rights offer share issue. As a result, the prior year basic and headline earnings per share metrics were adjusted to account for the change in the weighted and diluted weighted average number of shares in issue. Refer to note 5 and note 14.*

	Unaudited 26 weeks to 25 August 2024 Rm	Unaudited 26 weeks to 27 August 2023 Rm	Audited 52 weeks to 25 February 2024 Rm

5 Share capital

5.1 Ordinary share capital

	Unaudited 26 weeks to 25 August 2024 Rm	Unaudited 26 weeks to 27 August 2023 Rm	Audited 52 weeks to 25 February 2024 Rm
Authorised			
10 000 000 000 (2023: 800 000 000) ordinary shares of no par value (2023: 1.25 cents each)	**10.0**	10.0	10.0
Issued			
745 657 130 (2023: 493 450 321) ordinary shares of no par value (2023: 1.25 cents each) (note 14)	**3 866.0**	6.0	6.0
	000's	000's	000's
The number of shares in issue is made up as follows:			
Treasury shares (note 6)	**9 945.3**	10 796.6	10 796.0
Shares held outside the Group	**735 711.8**	482 653.7	482 654.3
Total shares in issue at end of period	**745 657.1**	493 450.3	493 450.3

The holders of ordinary shares are entitled to receive dividends as declared, and are entitled to one vote per share at meetings of the Company.

Certain ordinary shares are stapled to B shares and are subject to restrictions upon disposal. Refer to note 5.2.

The Company can issue new shares to settle the Group's obligations under its employee share schemes, but issues in this regard are limited to 24 672 516 (2023: 24 672 516) shares. To date 15 743 000 (2023: 15 743 000) shares have been issued, resulting in 8 929 516 (2023: 8 929 516) shares remaining for this purpose.

During the period under review, the Company undertook the following:

- As resolved by shareholders at the general meeting held on 26 June 2024, the Company amended its Memorandum of Incorporation to increase its authorised ordinary share capital to 10 billion shares and converted all ordinary shares to no par value.
- The Company concluded a fully underwritten, renounceable rights offer share issue ("rights offer") during August 2024, which raised gross proceeds of R4.0 billion. The rights offer consisted of an offer of 252 206 809 new ordinary shares at a subscription price of R15.86 per share. The rights offer raised R3.9 billion of new equity capital, net of transaction costs of R0.1 billion. All necessary resolutions to effect the rights offer were passed by the requisite majority of shareholders at the Company's general meeting held on 26 June 2024.

Subsequent to the period under review, as resolved at the general meeting held on 1 October 2024, the Company reduced its authorised ordinary share capital to 828 500 000 shares, ensuring that the number of unissued ordinary shares constituted no more than 10% of the total number of authorised ordinary shares post the rights offer.

5 Share capital continued

5.2 B Share capital

	Unaudited 26 weeks to 25 August 2024 Rm	Unaudited 26 weeks to 27 August 2023 Rm	Audited 52 weeks to 25 February 2024 Rm
Authorised			
5 300 000 000 (2023: 1 000 000 000) unlisted, non-convertible, non-participating, no par value B shares	**–**	–	–
Issued			
325 426 164 (2023: 259 682 869) unlisted, non-convertible, non-participating, no par value B shares (note 14)	**–**	–	–

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. Refer to note 5.1.

B shares are stapled to certain ordinary shares, constituting a B-share ratio for every one stapled ordinary share. B shares cannot be traded separately from stapled ordinary shares, and together are subject to restrictions upon disposal.

During the period under review, the Company undertook the following:

- As resolved by shareholders at the general meeting held on 26 June 2024, the Company amended its Memorandum of Incorporation to increase its authorised B share capital to 5.3 billion shares.
- The Company concluded a rights offer during August 2024 (refer to note 5.1 for further information). According to the terms of the B shares, an "Adjustment Event" such as a rights offer, triggers the issuance of additional B shares to B shareholders, maintaining the B Share Issue Ratio. However, following a resolution passed at the general meeting on 26 June 2024, and in line with the controlling shareholder's commitment to ordinary shareholders, B shareholders agreed to reduce the B Share Issue Ratio from 1.98061 to 1.64254 B shares for every one stapled ordinary share. This adjustment lowered the controlling shareholder's aggregate voting rights from 52% to 49%. As a result, 65 743 295 new B Shares were issued to stapled ordinary shareholders.

Subsequent to period-end, at the general meeting held on 1 October 2024, the Company reduced its authorised B share capital to 361 500 000 shares, ensuring that the number of unissued B shares constituted no more than 10% of the total number of authorised B shares post the rights offer.

6 Treasury shares

	Unaudited 26 weeks to 25 August 2024 Rm	Unaudited 26 weeks to 27 August 2023 Rm	Audited 52 weeks to 25 February 2024 Rm
At beginning of period	**556.8**	643.8	643.8
Proceeds on sale of rights attached to treasury shares, pursuant to rights offer	**(17.5)**	–	–
Settlement of employee share awards	**(43.8)**	(86.9)	(87.0)
At end of period	**495.5**	556.9	556.8
	000's	000's	000's
The movement in the number of treasury shares held is as follows:			
At beginning of period	**10 796.0**	12 380.1	12 380.1
Shares sold during the period pursuant to the take-up of share options by employees	**(0.3)**	(1.1)	(1.7)
Shares delivered to participants of restricted share plan	**(850.4)**	(1 582.4)	(1 582.4)
At end of period	**9 945.3**	10 796.6	10 796.0

Entities within the Group with a holding of Pick n Pay Stores Limited shares sold their rights under the terms of the rights offer (refer to note 5). Proceeds raised on the sale of these rights amounted to R17.5 million and were recorded in treasury shares within equity.

7 Investment in associate

The Group has a 49% investment in TM Supermarkets (Pvt) Limited (TM Supermarkets), a private company incorporated in Zimbabwe, which operates supermarkets throughout Zimbabwe. The Group accounts for its investment in associate under the equity method of accounting in accordance with IAS 28 *Investment in Associates and Joint Ventures* (IAS 28).

TM Supermarkets reported a net loss for the 26 week period ended 25 August 2024. In accordance with IAS 28, the Group has not recorded its share of this reported loss directly because the Group's investment in associate is carried at a nil carrying value.

The Group has considered the performance of the Zimbabwe currency (ZiG) and its recent devaluation against the US Dollar, Zimbabwe food and other inflation and the impact it has on consumer spend, and the performance of TM Supermarkets over the period and have assessed that the recoverable amount of its investment in associate remains at nil. The Group expects that returns on this investment, in the form of dividends, remains highly unlikely due to the loss-making nature of the entity. Any profits forecasted to be generated in future, is expected to be minimal.

8 Operating segments

Operating segments are identified based on financial information regularly reviewed by the Chief Operating Decision Maker (CODM) of the Group, for performance assessments and resource allocations. The Group annually performs a detailed review of the executive, or group of executives, that could be considered the appropriate and relevant CODM of the Group. During the current and prior periods under review, the CODM of the Group consisted of the Group executive directors, which comprised of the Chief Executive Officer and Chief Finance Officer.

During the 52 weeks ended 25 February 2024, the CODM amended its measure of profit or loss for its operating segments, from profit before tax to trading profit. Trading profit is the key driver of earnings before interest, tax, depreciation and amortisation (EBITDA), with EBITDA being the key driver of the Group's liquidity and cash generation. The Group's liquidity and cash generation is a key focus area of the CODM.

During October 2023, the board appointed a new CEO to address the underperformance of the Group's Pick n Pay supermarkets business, and to assess ways in which the Group can unlock value for shareholders from the Group's broader business. The new CEO and his management team developed a strategic plan to return the Group back to profitability. The key pillars of this plan is the Pick n Pay turnaround plan and a recapitalisation plan, consisting of a rights offer and the listing of the Group's Boxer business on the Main Board of the Johannesburg Stock Exchange (JSE). As a result, the CODM has concluded that the Pick n Pay and Boxer businesses are now defined as separate reportable segments and will be disclosed as such going forward. Accordingly, the Group has restated its prior period information to reflect the above decision.

Reportable segments	Pick n Pay Rm	Boxer Rm	Group Rm
Unaudited			
26 weeks to 25 August 2024			
Financial performance			
Revenue (note 2)	**37 760.4**	**20 001.6**	**57 762.0**
Turnover	**36 277.8**	**19 774.0**	**56 051.8**
Franchise fee income	**590.2**	**–**	**590.2**
Commissions and other income	**624.1**	**157.5**	**781.6**
Operating lease income	**47.7**	**5.3**	**53.0**
Finance income	**220.6**	**64.8**	**285.4**
Turnover split between geographical area	**36 277.8**	**19 774.0**	**56 051.8**
South Africa	**34 664.7**	**19 478.8**	**54 143.5**
Rest of Africa	**1 613.1**	**295.2**	**1 908.3**
Trading (loss)/profit*	**(718.9)**	**801.4**	**82.5**
Depreciation and amortisation	**(1 273.7)**	**(604.0)**	**(1 877.7)**
Net leases interest costs	**(554.5)**	**(188.4)**	**(742.9)**
Lease finance income	**102.9**	**–**	**102.9**
Lease finance costs	**(657.4)**	**(188.4)**	**(845.8)**
Loss from impairments of assets	**(21.6)**	**–**	**(21.6)**
Financial position			
Total assets	**34 501.6**	**11 508.9**	**46 010.5**
Total liabilities	**33 349.7**	**9 780.7**	**43 130.4**

* *"Segmental trading loss/profit" is the reported measure used for evaluating the performance of the Group's operating segments. This metric is equal to the Group's reported "loss/profit before tax", before net finance costs, share of associate's earnings and capital items.*

8 Operating segments continued

Reportable segments	Pick n Pay Rm	Boxer Rm	Group Rm
Unaudited			
26 weeks to 27 August 2023^			
Financial performance			
Revenue (note 2)	37 574.2	17 848.3	55 422.5
Turnover	36 399.8	17 661.7	54 061.5
Franchise fee income	380.0	–	380.0
Commissions and other income	590.4	137.8	728.2
Operating lease income	54.8	5.5	60.3
Finance income	149.2	43.3	192.5
Turnover split between geographical area	36 399.8	17 661.7	54 061.5
South Africa	34 630.7	17 380.5	52 011.2
Rest of Africa	1 769.1	281.2	2 050.3
Trading (loss)/profit*	(658.9)	690.7	31.8
Depreciation and amortisation	(1 402.0)	(560.9)	(1 962.9)
Net leases interest costs	(512.3)	(157.5)	(669.8)
Lease finance income	95.1	–	95.1
Lease finance costs	(607.4)	(157.5)	(764.9)
Loss from impairments of assets	(69.9)	–	(69.9)
Financial position			
Total assets	36 270.3	10 516.2	46 786.5
Total liabilities	34 895.1	9 467.2	44 326.3
Investment in associate	33.1	–	33.1

Geographical information	South Africa Rm	Rest of Africa Rm	Group Rm
26 weeks to 25 August 2024			
Revenue (note 2)	**55 829.7**	**1 932.3**	**57 762.0**
Turnover	**54 143.5**	**1 908.3**	**56 051.8**
Franchise fee income	**582.3**	**7.9**	**590.2**
Commissions and other income	**781.3**	**0.3**	**781.6**
Operating lease income	**52.0**	**1.0**	**53.0**
Finance income	**270.6**	**14.8**	**285.4**
Total non-current assets	**25 683.9**	**232.6**	**25 916.5**
26 weeks to 27 August 2023			
Revenue (note 2)	53 348.1	2 074.4	55 422.5
Turnover	52 011.2	2 050.3	54 061.5
Franchise fee income	372.1	7.9	380.0
Commissions and other income	728.0	0.2	728.2
Operating lease income	59.7	0.6	60.3
Finance income	177.1	15.4	192.5
Total non-current assets	26 478.1	685.2	27 163.3

* *"Segmental trading loss/profit" is the reported measure used for evaluating the performance of the Group's operating segments. This metric is equal to the Group's reported "loss/profit before tax", before net finance costs, share of associate's earnings and capital items.*

^ *Comparative information has been restated to align with the change in operating segments.*

9 Related party transactions

During the period under review, in the ordinary course of business, certain companies within the Group entered into transactions with each other. These intragroup transactions and related balances are eliminated on consolidation. Related party transactions are similar to those in the prior year and related parties remain unchanged from those reported at 25 February 2024.

For further information, refer to note 30 of the 2024 audited Group annual financial statements and note 8 of the 2024 audited Company annual financial statements. For disclosures relating to the Group's investment in associate, refer to note 7 of this publication.

10 Financial instruments

All financial instruments held by the Group are measured at amortised cost, with the exception of financial instruments at fair value through profit or loss and derivatives designated as hedging instruments, as set out below:

	Unaudited 26 weeks to 25 August 2024 Rm	Unaudited 26 weeks to 27 August 2023 Rm	Audited 52 weeks to 25 February 2024 Rm
Financial instruments at fair value through profit or loss			
Investment in insurance cell captive – Level 2	**73.5**	76.3	61.1
Derivative financial instruments (designated as hedging instruments)			
Forward exchange contract (liabilities)/assets – Level 2	**(6.1)**	1.2	1.7

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques, consistent with those disclosed in the 2024 audited Group annual financial statements. These valuation techniques maximise the use of observable market data, where it is available, and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

The carrying value of all other financial instruments held at amortised cost approximate their fair value.

There have been no transfers between Level 1, Level 2 and Level 3 of the fair value hierarchy during the period.

11 Purchase of operations

Acquisition and conversion of stores

The Group acquired 1 store (2023: 3 stores) during the period under review. This acquisition had no significant impact on the Group's results. Any goodwill arising from acquisitions or conversions of stores represents the value creation that the Group expects to realise in the future.

	Unaudited 26 weeks to 25 August 2024 Rm	Unaudited 26 weeks to 27 August 2023 Rm	Audited 52 weeks to 25 February 2024 Rm
The net assets arising from acquisitions were as follows:			
Identifiable net assets			
Property, plant and equipment	**6.7**	4.1	7.8
Inventory	**–**	3.0	13.2
Total identifiable net assets at fair value	**6.7**	7.1	21.0
Goodwill			
Purchase price of acquisitions at fair value	**7.8**	7.1	50.9
Less: total identifiable net assets at fair value	**(6.7)**	(7.1)	(21.0)
Goodwill acquired	**1.1**	–	29.9
Net cash paid in respect of acquisitions			
Purchase price of acquisitions at fair value	**7.8**	7.1	50.9
Less: amounts net settled against trade and other receivables	**–**	(7.1)	(31.6)
Net cash paid	**7.8**	–	19.3

12 Commitments

	Unaudited 26 weeks to 25 August 2024 Rm	Unaudited 26 weeks to 27 August 2023 Rm	Audited 52 weeks to 25 February 2024 Rm
Authorised capital expenditure			
Contracted for	**700.0**	1 883.0	1 064.0
Not contracted for	**600.0**	17.0	1 136.0
Total commitments	**1 300.0**	1 900.0	2 200.0

13 Non-current assets held for sale

As at 25 August 2024, the Group is in the early stages of its turnaround plan and as part of the Group's store reset plan, four of its loss-making Pick n Pay stores were in process of being converted to franchise stores. As a result, the Group has reclassified these store assets from property, plant and equipment to non-current assets held for sale. Due to the dynamic nature of the turnaround plan, the expected number of loss-making stores to be converted or closed will be evaluated regularly.

At period end, these assets were recognised at a carrying value of R24.8 million within the Pick n Pay operating segment, which is the lower of carrying value and fair value less costs to sell. The reclassification had no impact on the statement of comprehensive income for the period.

In addition, the Group sold its property, which was classified as a non-current asset held for sale at a carrying value of R56 million as at 25 February 2024, during the current period under review. A profit on disposal of R4 million was recorded in the capital items section of the statement of comprehensive income.

Subsequent to period end, the Group entered into negotiations to convert a further three loss-making Pick n Pay stores to franchise stores. The carrying value of the non-current assets held for sale relating to these loss-making Pick n Pay stores amounts to R28.4 million as at 25 August 2024, which is the lower of carrying value and fair value less costs to sell. These assets form part of the Pick n Pay operating segment.

14 Significant items

14.1 Rights offer share issue

As part of the Group's turnaround plan, the Group successfully concluded the first part of its two-step recapitalisation plan by implementing a rights offer share issue to existing shareholders which had the following key impacts for the Group:

- The Company increased its share capital through the rights offer share issue and raised R3.9 billion, net of R0.1 billion transaction costs. Ordinary shares in issue increased by 252 206 809 shares, while B shares in issue increased by 65 743 295 shares.
- Entities within the Group holding Pick n Pay Stores Limited shares, sold their rights under the terms of the rights offer. Proceeds raised on the sale of the rights of R17.5 million were recorded in treasury shares within equity (refer to note 6).
- Shares under the terms of the rights offer were issued at a discount to the prevailing share price, resulting in a theoretical bonus element incorporated into the number of shares in issue prior to the implementation of the rights offer share issue. In accordance with IAS 33 *Earnings Per Share*, the prior year weighted and diluted weighted average number of shares in issue has been adjusted retrospectively to account for the bonus element arising from the rights offer share issue. As a result, the prior year basic and headline earnings per share metrics were adjusted to account for the change in the weighted and diluted weighted average number of shares in issue. The impact has been presented below:

Impact on weighted average number of shares in issue	**Reported 000's**	**Impact 000's**	**Restated 000's**
26 weeks to 27 August 2023			
Weighted average number of ordinary shares in issue (excluding treasury shares)	481 350.5	85 061.1	566 411.6
Diluted weighted average number of ordinary shares in issue	482 653.1	85 291.4	567 944.5
52 weeks to 25 February 2024			
Weighted average number of ordinary shares in issue (excluding treasury shares)	482 131.8	85 199.2	567 331.0
Diluted weighted average number of ordinary shares in issue	483 361.6	85 416.6	568 778.2

Impact on earnings per share	**Reported Cents per share**	**Impact Cents per share**	**Restated Cents per share**
26 weeks to 27 August 2023			
Basic loss per share (note 4)	(118.69)	17.83	(100.86)
Diluted loss per share (note 4)	(118.37)	17.78	(100.59)
Headline loss per share (note 4)	(138.24)	20.76	(117.48)
Diluted headline loss per share (note 4)	(137.86)	20.70	(117.16)
Comparable headline loss per share (Appendix 1)	(129.30)	19.42	(109.88)
Comparable diluted headline loss per share (Appendix 1)	(128.95)	19.36	(109.59)
52 weeks to 25 February 2024			
Basic loss per share (note 4)	(661.67)	99.37	(562.30)
Diluted loss per share (note 4)	(659.98)	99.11	(560.87)
Headline loss per share (note 4)	(203.06)	30.50	(172.56)
Diluted headline loss per share (note 4)	(202.54)	30.42	(172.12)
Comparable headline loss per share (Appendix 1)	(254.72)	38.25	(216.47)
Comparable diluted headline loss per share (Appendix 1)	(254.07)	38.15	(215.92)

14 Significant items continued

14.2 Going concern, liquidity and capital management

In the preparation of these condensed consolidated interim financial statements, the Board has performed a formal review of the Company and its subsidiaries ("the Group") to confirm that it will continue trading as a going concern for the foreseeable future.

The Board's assessment of going concern has focused on three principal areas, namely:

- The liquidity of the Group for the next 12 months and beyond, considering the extent to which the Group has sufficient liquidity, including unutilised available facilities, to discharge its obligations in the ordinary course of business;
- The solvency of the Group, namely whether the fair value of assets exceeds the fair value of liabilities, and the ability to settle all debts as they fall due; and
- The sustainability of the Group, or its ability to continue trading as a going concern in the foreseeable future. This assessment has included the impact of the Group's turnaround plan, current trading trends, key assumptions underpinning forecasts and the impact of stress testing these forecasts.

As part of this assessment, the Board has considered the following:

1. The Pick n Pay turnaround plan, and
2. The Group's recapitalisation plan

1. The Pick n Pay turnaround plan

Pick n Pay is on track with its turnaround plan, which aims to return the core Pick n Pay business back to profitability. This plan is operationally focused on the turnaround of the Pick n Pay supermarkets business, with particular focus on eliminating losses incurred by specific loss-making company-owned stores and improving the performance of the remainder of the estate. Where appropriate, loss-making supermarkets are either closed or converted to Pick n Pay franchise or Boxer stores. Where stores are in the final stages of converting to franchisees, the relevant items of non-current assets have been appropriately classified as non-current assets held for sale. Refer to note 13 for further information. Improving the performance of the remainder of the estate will be achieved through initiatives such as driving like-for-like sales and optimising the operating model. The plan is underpinned by renewed customer focus, re-energised employees and improved execution at store level.

The Pick n Pay turnaround plan is of a dynamic nature with each business division focusing on their critical priorities in an evolving environment. The core Pick n Pay business is embracing its renewed strategic plan with determination and optimism. The resulting impairment losses for the current period under review is R21.6 million, arising in 6 stores. Management is confident that these impairment losses do not detract Pick n Pay from achieving its turnaround plan.

Refer to the Review of Operations section for further information on the Pick n Pay performance over the 26 week period ended 25 August 2024.

2. The Group's recapitalisation plan

The Group has made significant progress in its two-step recapitalisation plan, which is aimed at strengthening the balance sheet by reducing risk and establishing a long-term, sustainable capital structure.

A. Completion of the rights offer

The first step was successfully concluded in August 2024, with the implementation of the rights offer share issue (refer to notes 5 and 14.1). Cash proceeds of R3.9 billion (net of transaction fees) were raised, restoring the Group's solvency position to positive equity as at 25 August 2024 and strengthening its liquidity position. Of this, R3.0 billion was allocated to debt repayment under the terms of the Restructuring Support Agreement, with the remainder earmarked for capital investment and operational needs. Refer to the 2024 Group annual financial statements for further information pertaining to the terms of the Restructuring Support Agreement.

B. Completion of the Boxer IPO

The Group is in the advanced stages of the second step of its two-step recapitalisation plan, namely the initial public offering and listing of its Boxer business on the Main Board of JSE (Boxer IPO). Proceeds of the Boxer IPO will be utilised to settle outstanding borrowings, allow progress on the turnaround plan of the Pick n Pay supermarket business, facilitate incremental operational funding needed and ultimately unlock shareholder value inherent in the Group.

- The final quantum, terms and timing of the Boxer IPO are in the process of being finalised and will be formally communicated in due course. The key risk relating to the Boxer IPO is that unexpected and unfavourable macroeconomic conditions may prevail at the desired time of the Boxer IPO, thereby potentially delaying the process. A delay in the Boxer IPO does not trigger a default in the Restructuring Support Agreement entered into with the Group's lenders. The Group and lenders recognise that, depending on the extent of the delay, covenants for February 2025 may need to be revised and the process of doing so is provided for in the Restructuring Support Agreement. A Boxer valuation covenant may come into effect, however the Board and management are confident that there is adequate headroom, and management's forecasts do not suggest that this headroom would reduce in the period to October 2025 and beyond. The Board and management are confident that this risk relating to the Boxer IPO has been appropriately managed.
- The Restructuring Support Agreement is underpinned by certain security, being (i) a guarantee provided by Boxer for the Group's obligations, (ii) a pledge over the shares in Boxer Superstores Proprietary Limited, and (iii) a pledge over the Group's shares in the holding company of Boxer Superstores Proprietary Limited. In terms of the Restructuring Support Agreement and related documents, both the Boxer guarantee and the pledge over the shares in Boxer Superstores Proprietary Limited will be released prior to the Boxer IPO being implemented, whereas the pledge over the Group's shares in the new Boxer listed entity will be released upon repayment of existing borrowings by the Group.

14 Significant items continued

14.2 Going concern, liquidity and capital management continued

2. The Group's recapitalisation plan continued

B. Completion of the Boxer IPO continued

Subsequent to period end, on 1 October 2024, the Group announced that all the ordinary and special resolutions necessary to approve and implement the proposed offering and listing of the Group's Boxer business on the Main Board of the JSE were passed by the requisite majority of votes at the general meeting held on 1 October 2024. In terms of the shareholders resolutions passed, subsequent to the offering and listing, a minimum of 50% plus one share of the Boxer business will continue to be held by the Group. The listing is expected to be concluded towards the end of 2024.

Net funding position

As at 25 August 2024, the Group reduced its gearing following the successful conclusion of the rights offer and met its leverage ratio covenant for August 2024.

	Unaudited 25 August 2024 Rm
The Group's facilities as at 25 August 2024 were as follows:	
Available facilities	11 082.8
Committed	8 029.9
Uncommitted	3 052.9
Utilised facilities	(7 245.7)
Committed	(5 075.9)
Uncommitted	(2 169.8)
Total unutilised facilities	3 837.1
The Group's net funding position as at 25 August 2024, may be reconciled as follows:	
Total utilised facilities	(7 245.7)
Cash and cash equivalents	4 951.4
Net funding position	(2 294.3)

Liquidity

Management's cash flow forecasts demonstrate adequate cash headroom in the period to October 2025 (and beyond). This headroom has been stress tested to model the impact of delays in the recapitalisation plan and the impact of potential worsening economic conditions. Adequate headroom remains in these scenarios.

Solvency

The Group has reported a positive equity position as at 25 August 2024 and is therefore satisfied of its solvency position.

Conclusion

The events, conditions, judgements and assumptions described above inherently include certain uncertainty on the timing and success of the recapitalisation plan and the turnaround plan.

The Board has considered various scenarios, including the impact of a potential delay in the Boxer IPO, and has concluded that these would unlikely result in an adverse event due to mitigations available to the Group in the Restructuring Support Agreement.

Based on these factors and assessments, whilst there are inherent uncertainties, the Board has assessed the Group's liquidity and solvency and is of the opinion there is no material uncertainty and that the going concern assumption is appropriate in the preparation of these condensed consolidated interim financial statements.

15. Subsequent events

Term loans

During October 2024, Boxer Superstores Proprietary Limited was granted term loans of R660 million and R440 million from Absa Bank Limited (acting through its Corporate and Investment Banking division) ("Absa") and FirstRand Bank Limited (acting through its Rand Merchant Bank division) ("RMB") respectively. Both loans are interest-bearing, unsecured and repayable after 5 years. These loans become utilisable upon successful completion of the Boxer IPO and upon the repayment of outstanding borrowings by Pick n Pay Retailers Proprietary Limited in terms of the Restructuring Support Agreement.

Working capital facility

During October 2024, Boxer Superstores Proprietary Limited was granted revolving working capital funding facilities of R1.2 billion and R0.8 billion from Absa and RMB respectively. Both facilities are interest-bearing and unsecured, and become utilisable upon successful completion of the Boxer IPO and upon the repayment of outstanding borrowings by Pick n Pay Retailers Proprietary Limited in terms of the Restructuring Support Agreement.

Appendix 1

Comparable year-on-year earnings performance

The Group's earnings performance for the current and previous period has been presented on a comparable basis. Comparable earnings excludes non-cash hyperinflation net monetary adjustments in respect of the Group's investment in associate attributable to IAS 29 *Financial Reporting in Hyperinflationary Economies* (IAS 29).

The comparable earnings is the responsibility of the Board of directors of the Group, is presented for illustrative purposes only, and has not been reviewed nor reported on by the Group's auditors.

The equity accounted earnings of the Group's investment in associate operating in Zimbabwe is presented below.

Hyperinflation net monetary adjustments impact:

	Unaudited 26 weeks to 25 August 2024 Rm	Unaudited 26 weeks to 27 August 2023 Rm
Share of associate's earnings excluding hyperinflation net monetary adjustments	**–**	44.1
Share of associate's hyperinflation net monetary adjustments	**–**	(43.0)
Reported share of associate's earnings	**–**	1.1

Reported profit/loss before tax and reported headline earnings includes the Group's share of its associate's non-cash hyperinflation net monetary adjustments, in the Rest of Africa geographical region of the Pick n Pay reportable segment. In management's view, including the impact of non-cash hyperinflation net monetary adjustments does not provide stakeholders with an accurate assessment of the Group's comparable year-on-year earnings performance. As a result, the Group has presented its earnings for the current and prior period on a comparable basis, by excluding the Group's share of associate's non-cash hyperinflation net monetary adjustment.

TM Supermarkets reported a net loss for the 26 week period ended 25 August 2024. The Group has not recorded its share of this reported loss directly because the investment in associate is carried at a nil carrying value.

The table below presents the key changes to the Group's earnings in the prior period:

26 weeks to 27 August 2023	As reported Rm	Remove Impact of IAS 29 Rm	Comparable Rm
Group			
Loss before tax before capital items	(880.2)	43.0	(837.2)
Loss before tax	(758.5)	–	(758.5)
Headline loss	(665.4)	43.0	(622.4)

	Restated Cents	Cents	Cents
Headline loss per share*	(117.48)	7.60	(109.88)
Diluted headline loss per share*	(117.16)	7.57	(109.59)

* *In accordance with IAS 33 Earnings Per Share, the prior year weighted and diluted weighted average number of shares in issue have been adjusted retrospectively to account for the bonus element arising from the rights offer share issue. As a result, the prior year basic, headline and comparable headline earnings per share metrics were adjusted to account for the change in the weighted and diluted weighted average number of shares in issue. Refer to note 5 and 14.*

Comparable year-on-year earnings performance continued

Reconciliation of the Group's loss per share on a comparable basis:

	% change	**26 weeks to 25 August 2024 Cents per share**	Restated 26 weeks to 27 August 2023 Cents per share	Restated 52 weeks to 25 February 2024 Cents per share
Loss per share*				
Basic loss per share	39.6%	**(140.83)**	(100.86)	(562.30)
Diluted loss per share	39.8%	**(140.67)**	(100.59)	(560.87)
Headline loss per share	16.3%	**(136.60)**	(117.48)	(172.56)
Diluted headline loss per share	16.5%	**(136.44)**	(117.16)	(172.12)
Comparable headline loss per share*				
Headline loss per share	24.3%	**(136.60)**	(109.88)	(216.47)
Diluted headline loss per share	24.5%	**(136.44)**	(109.59)	(215.92)

Reconciliation between basic and headline earnings

	Rm	Rm	Rm
Loss for the period – basic loss for the period	**(827.4)**	(571.3)	(3 190.1)
Adjustments:	**24.8**	(94.1)	2 211.1
Loss/(profit) on disposal of assets	**9.4**	(191.6)	(368.7)
Tax effect of (loss)/profit on sale of assets	**(1.4)**	29.9	53.3
Loss from impairments of assets	**21.6**	69.9	2 838.2
Tax effect of loss from impairments of assets	**(4.8)**	(2.3)	(565.3)
Impairment loss on investment in associate	**–**	–	253.6
Headline loss for the period (note 4)	**(802.6)**	(665.4)	(979.0)
Adjusted for hyperinflation net monetary adjustment	**–**	43.0	(249.1)
Comparable headline loss	**(802.6)**	(622.4)	(1 228.1)

The table below presents the Group's share information

	000's	000's	000's
Number of ordinary shares in issue	**745 657.1**	493 450.3	493 450.3
Weighted average number of ordinary shares in issue (excluding treasury shares)*	**587 534.8**	566 411.6	567 331.0
Diluted weighted average number of ordinary shares in issue*	**588 188.5**	567 944.5	568 778.2

* *In accordance with IAS 33 Earnings Per Share, the prior year weighted and diluted weighted average number of shares in issue have been adjusted retrospectively to account for the bonus element arising from the rights offer share issue. As a result, the prior year basic, headline and comparable headline earnings per share metrics were adjusted to account for the change in the weighted and diluted weighted average number of shares in issue. Refer to note 5 and 14.*

Appendix 2

Additional information

Additional information may not represent a defined term under IFRS and, as a result, this information may not be comparable with similarly titled measures reported by other companies. Additional information is the responsibility of the Board of directors of the Group, is presented for illustrative purposes only, and has not been reviewed nor reported on by the Group's auditors.

Like-for-like turnover and expense growth comparisons

Like-for-like ("LfL") turnover growth comparisons relate to stores that have been open for at least 12 months, removing the impact of store openings, closures and conversions during the current and previous reporting period. LfL turnover on new or closed adjacent liquor stores inherits the LfL indicator of the store that it is attached to, as this is the manner in which the Group manages its store base. This is not the case for new or closed stand-alone liquor and clothing stores.

Like-for-like expense growth comparisons remove the impact of store openings, closures and conversions in the current and previous reporting periods, and removes the impact of once-off employee restructuring programmes of R259 million in the prior reporting period. Once-off employee restructuring programmes occurred within the Pick n Pay segment.

Appendix 3

Additional Boxer segmental information

The Boxer segmental information is the responsibility of the Board of directors of the Group, is presented for illustrative purposes only, and has not been reviewed nor reported on by the Group's auditors.

On 28 October 2024, Pick n Pay Stores Limited announced its intention to float and list its Boxer business on the Main Board of the JSE. This announcement contained extracts from the Boxer Superstores Group interim financial statements for the 26 weeks ended 25 August 2024.

In accordance with the consolidation requirements of IFRS accounting standards, accounting adjustments are made to the Boxer Superstores Group financial information when consolidating into the Pick n Pay Stores Limited Group financial information, thereby ensuring that consistent accounting policies are applied within the PIck n Pay Stores Limited Group. These adjustments largely include the conversion of cash-settled to equity-settled share based payment employee costs and the elimination of financial entries related to the Boxer financial guarantee provided to lenders of the Group. As a result, financial information in the Boxer Superstores Group published financial statements will not be the same as that which is reported within the Boxer segment of the Pick n Pay Stores Limited Group financial statements.

The table below presents the reconciliation of financial information reported in the Boxer segment of the Pick n Pay Stores Limited Group interim financial statements to the financial information in the Boxer Superstores Group interim financial statements for the current and prior periods under review.

26 weeks to 25 August 2024	As reported in the Boxer Superstores Group interim financial statements* Rm	% of turnover	% change	Consolidation adjustments Rm	As reported in the Boxer segment of the Pick n Pay Stores Limited Group interim financial statements Rm	% of turnover	% change
Turnover	**19 774.0**		**12.0**		**19 774.0**		**12.0**
Cost of sales	**(15 766.0)**		**12.6**		**(15 766.0)**		**12.6**
Gross profit	**4 008.0**	**20.3**	**9.6**		**4 008.0**	**20.3**	**9.6**
Other income	**162.8**	**0.8**	**13.6**		**162.8**	**0.8**	**13.6**
Trading expenses	**(3 362.1)**	**(17.0)**	**9.3**	**(7.3)**	**(3 369.4)**	**(17.0)**	**8.4**
Employee costs	**(1 495.4)**	**(7.6)**	**14.5**	**(4.4)**	**(1 499.8)**	**(7.6)**	**12.3**
Occupancy	**(562.9)**	**(2.8)**	**8.3**		**(562.9)**	**(2.8)**	**8.3**
Operations	**(988.0)**	**(5.0)**	**1.3**		**(988.0)**	**(5.0)**	**1.3**
Merchandise and administration	**(315.8)**	**(1.6)**	**14.5**	**(2.9)**	**(318.7)**	**(1.6)**	**14.3**
Trading profit	**808.7**	**4.1**	**11.9**	**(7.3)**	**801.4**	**4.1**	**16.0**
26 weeks to 27 August 2023							
Turnover	17 661.7				17 661.7		
Cost of sales	(14 004.7)				(14 004.7)		
Gross profit	3 657.0	20.7			3 657.0	20.7	
Other income	143.3	0.8			143.3	0.8	
Trading expenses	(3 077.3)	(17.4)		(32.3)	(3 109.6)	(17.6)	
Employee costs	(1 306.4)	(7.4)		(29.3)	(1 335.7)	(7.6)	
Occupancy	(520.0)	(2.9)			(520.0)	(2.9)	
Operations	(975.0)	(5.5)			(975.0)	(5.5)	
Merchandise and administration	(275.9)	(1.6)		(3.0)	(278.9)	(1.6)	
Trading profit	723.0	4.1		(32.3)	690.7	3.9	

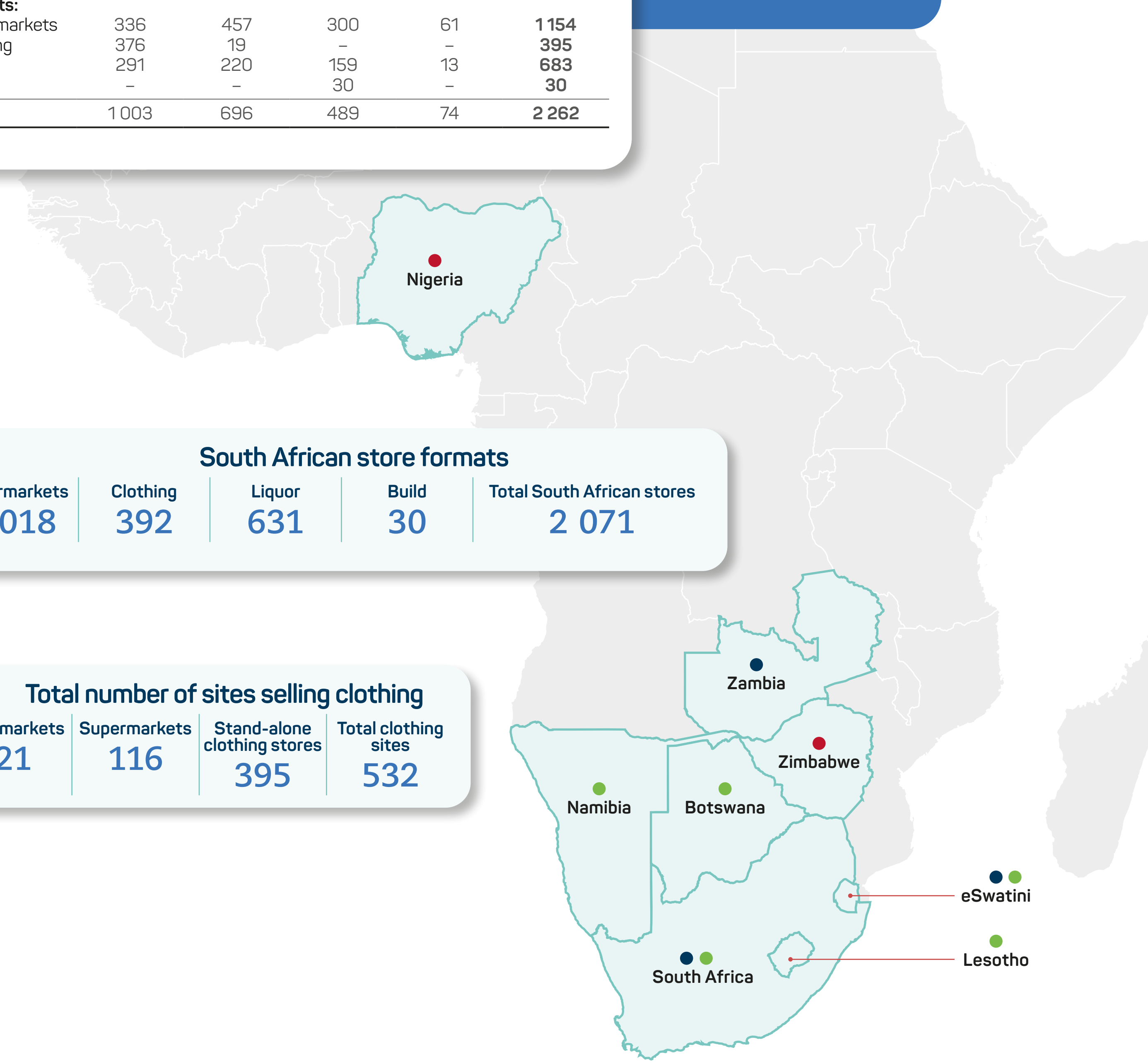
* *Financial information presented in the Boxer Superstores Group interim financial statements has been rounded and, as a result, the numerical figures shown may vary slightly from the financial information presented in the table above.*

Overview of store estate

	Pick n Pay		Boxer	TM	
	Owned	Franchise	Owned	Associate	Total
Country:					
South Africa	977	614	480	–	**2 071**
Namibia	–	36	–	–	**36**
eSwatini	–	23	9		**32**
Zambia	24	–	–	–	**24**
Botswana	–	19	–	–	**19**
Lesotho	–	4	–	–	**4**
Zimbabwe	–	–	–	74	**74**
Nigeria	2	–	–	–	**2**
	1 003	696	489	74	**2 262**
Formats:					
Supermarkets	336	457	300	61	**1 154**
Clothing	376	19	–	–	**395**
Liquor	291	220	159	13	**683**
Build	–	–	30	–	**30**
	1 003	696	489	74	**2 262**

Geographic footprint

- Company-owned stores
- Franchise stores
- Business investment



South African store formats

Supermarkets	Clothing	Liquor	Build	Total South African stores
1 018	392	631	30	2 071

Total number of sites selling clothing

Hypermarkets	Supermarkets	Stand-alone clothing stores	Total clothing sites
21	116	395	532

Number of stores

	25 February 2024	Opened	Closed	Converted openings	Converted closures	**25 August 2024**
Company-owned						
Pick n Pay	**1 007**	**17**	**(20)**	**–**	**(1)**	**1 003**
Hypermarkets	21	–	–	–	–	**21**
Supermarkets	325	1	(10)		(1)	**315**
Clothing	366	14	(4)	–	–	**376**
Liquor	295	2	(6)	–	–	**291**
Boxer	**477**	**12**	**(1)**	**1**	**–**	**489**
Supermarkets	296	3	–	1	–	**300**
Build	31	–	(1)	–	–	**30**
Liquor	150	9	–	–	–	**159**
Total company-owned	**1 484**	**29**	**(21)**	**1**	**(1)**	**1 492**
Franchise						
Pick n Pay						
Supermarkets	269	2	(16)	–	–	**255**
Market	9	–	–	–	–	**9**
Express	195	2	(4)	–	–	**193**
Clothing	19	–	–	–	–	**19**
Liquor	230	3	(13)	–	–	**220**
Total franchise	**722**	**7**	**(33)**	**–**	**–**	**696**
Associate						
TM Supermarkets	**73**	**3**	**(2)**	**–**	**–**	**74**
Total Group stores	**2 279**	**39**	**(56)**	**1**	**(1)**	**2 262**
African footprint						
– included in total stores above	**189**	**4**	**(2)**	**–**	**–**	**191**
Pick n Pay company-owned	25	1	–	–	–	**26**
Boxer company-owned	9	–	–	–	–	**9**
Pick n Pay franchise	82	–	–	–	–	**82**
TM Supermarkets – associate	73	3	(2)	–	–	**74**
African footprint						
– by country	**189**	**4**	**(2)**	**–**	**–**	**191**
Botswana	19	–	–	–	–	**19**
Lesotho	4	–	–	–	–	**4**
Namibia	36	–	–	–	–	**36**
eSwatini	32	–	–	–	–	**32**
Zambia	23	1	–	–	–	**24**
Nigeria	2	–	–	–	–	**2**
Zimbabwe	73	3	(2)	–	–	**74**

Corporate information

Pick n Pay Stores Limited
Registration number: 1968/008034/06
JSE and A2X share code: PIK
ISIN: ZAE000005443

Board of directors
Executive
Sean Summers (CEO)
Lerena Olivier (CFO)

Non-executive
Gareth Ackerman (Chair)
Suzanne Ackerman
Jonathan Ackerman
David Robins[2]

Independent non-executive
Haroon Bhorat
Mariam Cassim[1]
James Formby
David Friedland
Aboubakar Jakoet
Audrey Mothupi
Annamarie van der Merwe

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Sandton 2196

Auditors
Ernst & Young Inc.

Principal transactional bankers
Absa Limited
Nedbank Limited

Corporate advisors
Rand Merchant Bank
(a division of FirstRand Bank Limited)
ABSA Bank Limited
(acting through its Corporate and Investment Banking division)
The Standard Bank of South Africa Limited
(acting through its Corporate and Investment Banking division)
Morgan Stanley & Co. International plc

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Pick n Pay Clothing: www.picknpayclothing.co.za
Pick n Pay Investor relations: www.picknpayinvestor.co.za

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Pick n Pay Online

Pick n Pay Online | Pick n Pay asap! | Pick n Pay HOME | Pick n Pay Clothing

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[1] *Mariam Cassim resigned as an independent non-executive director on 5 July 2024.*
[2] *David Robins retired as a non-executive director on 27 August 2024.*

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