

MR PRICE GROUP LIMITED

Registration number 1933/004418/06

Incorporated in the Republic of South Africa

ISIN: ZAE 000200457

JSE share code: MRP

("Mr Price" or "the Company" or "the Group")

UNAUDITED INTERIM GROUP RESULTS FOR THE 26 WEEKS ENDED 29 SEPTEMBER 2018, CASH DIVIDEND DECLARATION

PRESS RELEASE

MR PRICE GROUP LIMITED REPORTS SOLID RESULTS IN A TOUGH RETAIL ENVIRONMENT

[Durban, 22 November 2018] Mr Price today released its interim results for the 26 weeks ended 29 September 2018. Headline earnings per share (HEPS) and dividends per share (DPS) increased by 11.6% to 494.3 cents and 311.4 cents respectively. Diluted headline earnings per share increased by 11.1% to 482.4 cents.

"Sales growth in our apparel and homeware segments were ahead of the market for the period, a positive indication of market share gains. To deliver double digit earnings and dividend growths in a tough economic and retail environment is a pleasing result." said CFO Mark Blair.

Total revenue grew 7.8% to R10.5bn supported by retail sales growth of 6.6% (comparable stores 3.9%) to R9.7bn. Other income, mainly from financial services and cellular, grew 24.7% to R801m. Cash sales which constitute 83.4% of total sales grew 7.5% while credit sales increased 2.2%. Local retail sales increased 6.2% while non-South African sales grew 11.4%, aided by the acquisition of the Kenyan franchise stores in May 2018. Retail selling price inflation was 4.5% and 100m units were sold, an increase of 2.9%. By opening 34 new stores and expanding 2, weighted average space grew by 3.7%. After closing 6 and reducing the size of 13 stores, net weighted average space growth was 1.4%, taking the total number of corporate owned stores to 1 286. Group retail sales densities increased 6.2% as space optimisation initiatives continue to deliver the desired results.

Merchandise and cellular gross margin gains contributed to the group, improving its gross profit margin by 60bps to 42.6%. Merchandise margins improved 80bps to 43.3% as continued product execution resulted in more full priced items sold and lower markdowns. Cellular margins increased 30bps to 19.1%. Selling and administration expenses increased 7.7% (excluding Kenya 6.6%), positively impacting operating profit growth, which was up 10.9% to R1.7bn. The operating margin improved from 15.7% to 16.2% of retail sales and other income (RSOI).

The Apparel segment grew RSOI by 6.2% to R7.3bn. Operating profit increased 11.2% off a strong base, particularly in MRP Apparel and Miladys. The operating margin increased from 16.1% to 16.9%. Sales in MRP Apparel increased 5.9% (comparable 3.0%) to R5.9bn. Online sales grew at 31.6%, supporting the omni channel strategy. Miladys grew sales 8.3% (comparable 8.2%). MRP Sport reported improved performance with sales growth of 7.3% (comparable 2.3%), with online sales growing at 40.4%.

The Home segment increased RSOI by 7.2% to R2.4bn. Operating profit increased 13.8% and the operating margin increased from 13.4% to 14.3%. Sales in MRP Home were up 9.2% (comparable 6.6%) with improved sales in bedroom and furniture departments and growth in the online channel of 29.0%. Sheet Street grew sales by 4.5% (comparable 2.5%).

The Financial Services & cellular segment reported growth of 23.5% lifting revenue to R673m. Interest and fees increased 7.5% to R246m, Insurance revenue grew 7.6% to R131m, while revenue in the Cellular division accelerated to R296m, an increase of 52.3%. Cellular products are now sold through 249 locations across the group and its centralised call centre.

The group's financial position remains healthy. Net asset value per share increased by 15.6% to 2 967 cents. Cash and cash equivalents increased 63.8% to R2.6bn. Capital expenditure of R173m was incurred primarily relating to store development activities. Inventory levels were 7.3% higher in order to better manage the transition of seasons and peak season supply chain risks. The debtors book remains well managed, with a retail net bad debt to book ratio of 6.2% (8.4% including collections) and an IFRS 9 impairment provision of 8.3%.

Blair commented: "Independent research has confirmed that consumers' perception of MRP's quality and fashion has improved relative to our competitors, and that our price positioning has been further entrenched. Declining GDP growth in South Africa and rising fiscal challenges, as noted in the most recent medium term budget speech, points to further challenging trading conditions ahead for South African retailers. Despite this, we remain confident that our fashion value business model is well positioned to capture further market share."

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Contact
Investor Relations
Matt Warriner
Mr Price Group Ltd
MWarriner@mrpg.com
+27 31 334 1652

UNAUDITED INTERIM GROUP RESULTS FOR THE 26 WEEKS ENDED 29
SEPTEMBER 2018 AND CASH DIVIDEND DECLARATION

INTERIM CASH DIVIDEND DECLARATION

Notice is hereby given that an interim gross cash dividend of 311.40 cents per share has been declared for the 26 weeks ended 29 September 2018, an increase of 11.6%. As the dividend has been declared from income reserves, shareholders, unless exempt or who qualify for a reduced withholding tax rate, will receive a net dividend of 249.12 cents per share. The dividend withholding tax rate is 20%.

The issued share capital at the declaration date is 256 795 727 listed ordinary and 8 145 234 unlisted B ordinary shares. The tax reference number is 9285/130/20/0.

The salient dates for the dividend will be as follows:

Last date to trade 'cum' the dividend	Tuesday	11 Dec 2018
Date trading commences 'ex' the dividend	Wednesday	12 Dec 2018
Record date	Friday	14 Dec 2018
Payment date	Tuesday	18 Dec 2018

Shareholders may not dematerialise or rematerialise their share certificates between Wednesday, 12 December 2018 and Friday, 14 December 2018, both dates inclusive.

The dividend was approved on behalf of the Board on 20 November 2018 in Durban by:

NG Payne - Chairman

SI Bird - Chief Executive Officer

DIRECTORS

SB Cohen* (Honorary Chairman), NG Payne* (Chairman), SI Bird (CEO), MM Blair (CFO), N Abrams[^], MJ Bowman*, M Chauke*, SA Ellis[^], K Getz*, MR Johnston*, RM Motanyane-Welch*, D Naidoo*, BJ Niehaus*
* Non-executive director [^] Alternate director

SPONSOR

Rand Merchant Bank (a division of FirstRand Bank Limited)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2018 29 Sep	2017 30 Sep	2018 31 Mar
R'm			
Assets			
Non-current assets	2 657	2 600	2 628
Property, plant and equipment	2 088	2 076	2 092
Intangible assets	457	448	433

Long-term receivables and other assets	26	18	18
Defined benefit fund asset	63	48	63
Deferred taxation assets	23	10	22
Current assets	7 360	6 249	7 491
Inventories	2 322	2 159	2 215
Trade and other receivables	2 192	2 275	2 369
Derivative financial instruments	33	22	1
Reinsurance assets	246	212	146
Taxation	5	21	4
Cash and cash equivalents	2 562	1 560	2 756
Total assets	10 017	8 849	10 119

Equity and liabilities

Equity attributable to shareholders	7 666	6 616	7 455
Non-current liabilities	262	301	257
Lease obligations	220	171	214
Deferred taxation liabilities	-	52	1
Long-term liabilities	12	51	13
Post retirement medical benefits	30	27	29
Current liabilities	2 089	1 932	2 407
Trade and other payables	1 895	1 852	1 982
Derivative financial instruments	15	-	133
Reinsurance liabilities	46	33	38
Current portion of lease obligations	35	46	36
Taxation	92	1	182
Bank overdrafts	6	-	36
Total equity and liabilities	10 017	8 849	10 119

CONDENSED CONSOLIDATED INCOME STATEMENT

R'm	2018		%	2018
	29 Sep 26 weeks	30 Sep 26 weeks		31 Mar 52 weeks
Revenue	10 539	9 778	7.8	21 347
Retail sales	9 738	9 135	6.6	19 994
Other income	698	576	21.2	1 191
Retail sales and other income	10 436	9 711	7.5	21 185
Costs and expenses	8 743	8 185	6.8	17 453
Cost of sales	5 756	5 411	6.4	11 582
Selling expenses	2 271	2 104	7.9	4 492
Administrative and other operating expenses	716	670	6.9	1 379
Profit from operating activities	1 693	1 526	10.9	3 732
Finance income	103	67	54.8	162
Finance costs	2	-	-	2

Profit before taxation	1 794	1 593	12.6	3 892
Taxation	515	454	13.5	1 111
Profit after taxation	1 279	1 139	12.3	2 781
Profit attributable to non-controlling interests	-	(1)		-
Profit attributable to equity holders of parent	1 279	1 138	12.4	2 781
Weighted average number of shares in issue	258 630	258 196	0.2	258 375
Earnings per share (cents)				
- basic	494.4	440.9	12.1	1 076.4
- headline	494.3	442.9	11.6	1 100.1
- diluted basic	482.4	432.1	11.7	1 052.2
- diluted headline	482.4	434.1	11.1	1 075.4
Dividends per share (cents)	311.4	279.0	11.6	693.1
Dividend payout ratio	63.0	63.0		63.0

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2018 29 Sep 26 weeks	2017 30 Sep 26 weeks	2018 31 Mar 52 weeks
R'm			
Profit attributable to equity holders of parent	1 279	1 138	2 781
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Currency translation adjustments	23	(4)	(58)
Net gain/(loss) on hedge accounting	108	32	(78)
Items that will not be reclassified subsequently to profit or loss:			
Defined benefit fund net actuarial (loss)/gain	(1)	(1)	5
Total comprehensive income	1 409	1 165	2 650

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	2018 29 Sep	2017 30 Sep	2018 31 Mar
R'm			
Total equity attributable to shareholders at beginning of the period	7 455	6 729	6 729
IFRS 9 opening retained earnings adjustment, net of tax	(8)	-	-
IFRS 15 opening retained earnings			

adjustment, net of tax	3	-	-
Adjusted total equity attributable to shareholders at beginning of the period (refer note 9)	7 450	6 729	6 729
Total comprehensive income for the year	1 409	1 165	2 650
Treasury share transactions	(170)	(187)	(98)
Recognition of share-based payments	71	65	87
Dividends to shareholders	(1 094)	(1 157)	(1 893)
Acquisition of non-controlling interest	-	-	(20)
Non-controlling interest	-	1	-
Total equity attributable to shareholders at end of the period	7 666	6 616	7 455

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

R'm	2018 29 Sep 26 weeks	2017 30 Sep 26 weeks	2018 31 Mar 52 weeks
Cash flows from operating activities			
Operating profit before working capital changes	1 595	1 492	3 861
Working capital changes	(10)	(1)	7
Net interest received	288	251	525
Taxation paid	(600)	(421)	(891)
Net cash inflows from operating activities	1 273	1 321	3 502
Cash flows from investing activities			
Net(advances)/receipts in respect of long-term receivables	(4)	6	5
Purchase of Kenyan franchise stores	(19)	-	-
Additions to and replacement of intangible assets	(59)	(63)	(129)
Property, plant and equipment			
- replacement	(42)	(61)	(111)
- additions	(72)	(79)	(221)
- proceeds on disposal	-	-	1
Net cash outflows from investing activities	(196)	(197)	(455)
Cash flows from financing activities			
Net outflow in respect of in long-term liabilities	(2)	-	(51)
Acquisition of non-controlling interest	-	-	(1)
Net (purchase)/sale of shares by staff share trusts	(133)	(130)	31
Net deficit on treasury share transactions	(43)	(61)	(139)
Dividends to shareholders	(1 094)	(1 157)	(1 893)

Net cash outflows from financing activities	(1 272)	(1 348)	(2 053)
Change in cash and cash equivalents	(195)	(224)	994
Cash and cash equivalents at beginning of the period	2 720	1 784	1 784
Exchange gains/(losses)	31	-	(58)
Cash and cash equivalents at end of the period	2 556	1 560	2 720

SEGMENTAL REPORTING

For management purposes, the Group is organised into business units based on their products and services, and has four reportable segments, as follows:

- The Apparel segment retails clothing, sportswear, footwear, sporting equipment and accessories;
- The Home segment retails homewares;
- The Financial Services and Cellular segment manages the Group's trade receivables and sells financial services and cellular products; and
- The Central Services segment provides services to the trading segments, including information technology, internal audit, human resources, group real estate and finance.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss. Net finance income and income taxes are managed on a group basis and are not allocated to operating segments.

R'm	2018 29 Sep	2017 30 Sep	% change	2018 31 Mar
Retail sales and other income				
- Apparel	7 319	6 891	6.2	15 027
- Home	2 431	2 267	7.2	5 002
- Financial Services and Cellular	673	545	23.5	1 141
- Central Services	13	8	53.6	15
Total	10 436	9 711	7.5	21 185
Profit from operating activities				
- Apparel	1 236	1 111	11.2	2 713
- Home	347	305	13.8	785
- Financial Services and Cellular	209	202	3.8	425
- Central Services	(99)	(92)	7.6	(191)
Total	1 693	1 526	10.9	3 732
Segment assets				
- Apparel	2 415	2 371	1.8	2 465

- Home	789	821	(3.9)	787
- Financial Services and Cellular	2 417	2 217	9.0	2 281
- Central Services	4 396	3 440	27.8	4 586
Total	10 017	8 849	13.2	10 119

SUPPLEMENTARY INFORMATION

	2018 29 Sep	2017 30 Sep	2018 31 Mar
Total number of shares issued (000)	264 941	264 941	264 941
Number of Ordinary shares (000)	256 796	255 796	256 796
Number of B Ordinary shares (000)	8 145	9 145	8 145
Less: shares held by share trusts (000)	6 576	7 137	5 959
Net number of shares in issue (000)	258 365	257 804	258 982
Weighted average number of shares in issue (000)	258 630	258 196	258 375
Net asset value per share (cents)	2 967	2 566	2 879

Reconciliation of headline earnings (R'm)

Attributable profit	1 279	1 138	2 781
Loss on disposal and impairment of property, plant and equipment and intangible assets	-	7	85
Taxation adjustment	-	(2)	(24)
Headline earnings	1 279	1 143	2 842

Notes:

1. The interim results at September 2018 and 2017, for which the directors take full responsibility, have not been audited. The condensed consolidated results at 31 March 2018, which are not itself audited, have been correctly extracted from the audited annual financial statements upon which Ernst & Young Inc. issued an unqualified opinion. The interim results were prepared under the supervision of Mr MM Blair, CA(SA), Chief Financial Officer (CFO).

2. The financial statements have been prepared in accordance with the Companies Act of South Africa.

3. The disaggregated revenue is as follows:

R'm	2018 29 Sep	2017 30 Sep^	2018 31 Mar^
Revenue from contracts with customers	10 165	9 451	20 669
Retail sales	9 738	9 135	19 994
Insurance premium	131	121	257
Cellular and mobile income	296	195	418

Interest and charges on debtors	246	229	467
Other sundry income	25	31	49
Finance income	103	67	162
Revenue	10 539	9 778	21 347

^Comparatives are based on IAS 18 'Revenue'.

Revenue from contracts with customers is recognised at a point in time, except where revenue has been earned through mobile contracts where services are transferred over time.

4. In May 2017 litigation was instituted by the National Credit Regulator (NCR) in the National Credit Tribunal (NCT) to declare the group to have acted in contravention of the National Credit Act in relation to Miladys Club fee charges. The NCR requested that the NCT order the group to refund all club fees to customers from 2007 to date and pay a fine of 10% of the group's annual turnover. The group opposed the referral and following due process, is awaiting a hearing date before the NCT. Notwithstanding that the NCT is appealing the high court's ruling of a similar matter in favour of Edcon, the group is optimistic that the Miladys matter will ultimately have a positive outcome. The directors are of the opinion that the likelihood of the liability is remote.

5. During the 2018 financial year, the company received an assessment from SARS relating to the disallowance of certain deductions claimed in the 2014 year of assessment. The assessment amounted to additional income tax of R65.1m, as well as interest and penalties charged to 30 September 2018 amounting to R36.8m. The assessed tax may result in of a reallocation of deferred tax to current tax of R59.5m and additional current tax of R5.6m. The overall potential impact on the income statement (including interest and penalties) therefore amounts to R42.4m. The company, supported by senior counsel's opinion, appealed the decision of the Commissioner to disallow the company's objection to the assessment. No adjustments have been made to the financial statements as the directors are of the opinion that the likelihood of the liability is remote.

6. The fair value of FECs as calculated by the banks is measured using a forward pricing model. The significant inputs into the Level 2 fair value of FECs are yield curves, market interest rates and market foreign exchange rates. The estimated fair values of recognised financial instruments approximate their carrying amounts.

7. The acquisition of 12 Kenyan franchise stores from Deacons East Africa Plc was completed on 18 May 2018 for a consideration of R19 million. The stores were rebranded and merchandised and re-opened for trade as corporate owned stores. This is accounted for as a business combination. The amounts for assets and liabilities assumed at the date of acquisition, measured on a provisional basis are as follows:

R'm	Fair value
Plant and equipment	19
Inventory	-*
Net identifiable assets acquired	19
*less than R1 million	

From the date of acquisition, revenue contributed was R57m and net loss contributed was R12.6m, affected by once off startup costs.

8. The accounting policies and estimates applied are in compliance with IFRS including IAS 34 Interim Financial Reporting, as well as the SAICA Financial Reporting Guides and Financial Pronouncements as issued by the Financial Reporting Standards Council and are consistent with those applied in the 2018 annual financial statements. All new and revised Standards and Interpretations that became effective during the period were adopted and did not lead to any material changes in accounting policies, except for those referred in note 9.

9. The group applied both IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' using the modified retrospective approach, by recognising the cumulative effect of initially applying IFRS 9 and IFRS 15 as an adjustment to the opening balance of equity at 1 April 2018. Therefore the comparative information has not been restated and continues to be reported under IAS 18 'Revenue' and IAS 39 'Financial Instruments'.

The key impact of IFRS 9 is the new impairment model for financial assets, impacting MRP Money division. The new impairment model reflects expected credit losses based on forward-looking information as opposed to incurred credit losses under IAS 39. The group has adopted the general impairment approach for retail debtors (R7m increase on opening balance of provision) and the simplified approach for mobile debtors (R4m increase on opening balance of provision). The combined deferred tax impact is an increase in deferred tax (R3m increase in deferred tax asset). Refer to the statement of changes in equity for the impact on opening retained income. IFRS 9 has been applied prospectively for hedge accounting and has no impact on the comparative figures.

IFRS 15 key areas of impact are changes in timing and amount of recognition of MRP Mobile contract revenue (R5m increase in opening balance of contract asset) and the recognition of the right of return liability (R12m increase in opening balance) and related right of return asset (R7m increase in opening balance) now recognised on a gross basis. The credit note provision of R4m was derecognised. The combined deferred tax impact is a decrease in deferred tax (R1m

decrease in deferred tax asset). Refer to the statement of changes in equity for the impact on opening retained income.

10. Myles Ruck retired as an independent non-executive director, chairman of the Remuneration and Nominations committee and as a member of the Audit and Compliance committee on 30 August 2018.

11. Stuart Bird, who has been chief executive officer (CEO) of the group since August 2010 and an executive director since September 2006, will be retiring as CEO on 31 December 2018 and as an executive director at the end of March 2019. The board has appointed Mark Blair, currently group chief financial officer, as the incoming CEO effective 1 January 2019. Mark joined the group as an executive director in 2006 and has held the office of CFO since 2007.

12. Mmaboshadi Chauke (Shadi) was appointed as independent non-executive director of the group and member of the Audit and Compliance Committee effective 21 November 2018.

13. Mark Stirton has been appointed as group CFO effective 1 January 2019 to coincide with Mark Blair's appointment as CEO.

This report and the supporting presentation are available on our website: www.mrpricegroup.com

Durban

22 November 2018

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