FEEDING THE NATION IN CHALLENGING TIMES: COVID-19 UPDATE AND FY20 FINANCIAL RESULTS

The Pick n Pay Group is publishing its FY20 financial results in the unprecedented circumstances of the COVID-19 pandemic, with the country operating under a State of Disaster and subject to an extended nationwide lockdown. We embrace our responsibility to help feed the nation as an essential service provider. Our Pick n Pay and Boxer teams are working tirelessly with our suppliers and partners to maintain an effective supply chain and to ensure our stores are well-stocked with food and groceries.

In fulfilling this role, the safety and well-being of our colleagues and customers is our top priority. True to our values, we have also provided over 5 million meals to the most vulnerable in our communities across the country, through our Feed the Nation campaign.

Please refer to our full FY20 result announcement for:
A. A review of our performance over the FY20 financial year - which ended on 1 March 2020. This was four days before the first confirmed COVID-19 case in South Africa, and the result was not impacted by the pandemic
B. A summary of our actions in response to the COVID-19 outbreak, up to the time of publication of this report
C. A comment on current trading conditions and the uncertain outlook for the remainder of our FY21 financial year
D. An update on progress in delivering our long-term plan, which has strengthened our ability to play a crucial role in the current crisis, and in the years to follow

FY20 FINANCIAL RESULT: SOUTH AFRICAN OPERATIONS DELIVER IN A CHALLENGING ECONOMY

<table>
<thead>
<tr>
<th>Pro-forma</th>
<th>52 weeks to 1 March 2020</th>
<th>53 weeks to 3 March 2019*</th>
<th>52 weeks to 24 February 2019*</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Key financial indicators</strong></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Turnover - comparable #</td>
<td>R89.2 billion</td>
<td>R87.2 billion</td>
<td>R85.2 billion</td>
<td>4.7</td>
</tr>
<tr>
<td>Turnover - reported #</td>
<td>R89.3 billion</td>
<td>R88.3 billion</td>
<td>R86.3 billion</td>
<td>3.5</td>
</tr>
<tr>
<td>Gross profit margin</td>
<td>19.7%</td>
<td>19.1%</td>
<td>19.1%</td>
<td></td>
</tr>
<tr>
<td>Trading profit</td>
<td>R3 148.0 million</td>
<td>R3 054.9 million</td>
<td>R2 915.9 million</td>
<td>8.0</td>
</tr>
<tr>
<td>Trading profit margin</td>
<td>3.5%</td>
<td>3.5%</td>
<td>3.4%</td>
<td></td>
</tr>
<tr>
<td>Comparable profit before tax and capital items (Comparable PBT) **</td>
<td>R1 870.7 million</td>
<td>R1 883.0 million</td>
<td>R1 756.4 million</td>
<td>6.5</td>
</tr>
<tr>
<td>Comparable PBT margin</td>
<td>2.1%</td>
<td>2.1%</td>
<td>2.0%</td>
<td></td>
</tr>
<tr>
<td>Comparable PBT - South Africa</td>
<td>R1 780.6 million</td>
<td>R1 658.8 million</td>
<td>R1 545.2 million</td>
<td>15.2</td>
</tr>
<tr>
<td>Comparable PBT margin - South Africa</td>
<td>2.1%</td>
<td>2.0%</td>
<td>1.9%</td>
<td></td>
</tr>
<tr>
<td>Profit for the period, after tax</td>
<td>R1 194.7 million</td>
<td>R1 444.6 million</td>
<td>R1 349.7 million</td>
<td>(11.5)</td>
</tr>
<tr>
<td>Reported HEPS ^</td>
<td>287.89 cents</td>
<td>300.58 cents</td>
<td>280.60 cents</td>
<td>2.6</td>
</tr>
<tr>
<td>Reported diluted HEPS (DHEPS) ^</td>
<td>286.39 cents</td>
<td>296.83 cents</td>
<td>277.11 cents</td>
<td>3.3</td>
</tr>
<tr>
<td>Comparable HEPS ^</td>
<td>278.81 cents</td>
<td>300.58 cents</td>
<td>280.60 cents</td>
<td>(0.6)</td>
</tr>
</tbody>
</table>
* IFRS 16 Restatement - the financial information presented for the prior period is on a restated basis, with the full retrospective adoption of IFRS 16 Leases (IFRS 16). Refer to note 15 of the reviewed preliminary condensed consolidated annual financial statements for further information.

# Comparable Turnover - following a strategic change in arrangements with cellular airtime and data providers this year, the Group now only transacts airtime and data on an agency basis. Relevant sales and related purchases previously recognised on a gross basis within turnover and cost of sales are now recognised on a net basis within other income. Comparable Turnover information is provided, with relevant airtime and data sales excluded, to allow for an accurate assessment of year-on-year performance. Refer to Appendix 2 of the reviewed preliminary condensed consolidated annual financial statements for further information.

** Comparable Profit before Tax and Capital Items (Comparable PBT) - excludes a net monetary hyperinflation gain recognised in the current year in respect of the Group's investment in its associate, TM Supermarkets in Zimbabwe, under the requirements of IAS 29 Financial Reporting in Hyperinflationary Economies (IAS 29). Comparable PBT therefore excludes the impact of hyperinflation accounting.

^ Reported Headline Earnings (HEPS) and Reported Diluted Headline Earnings per share (DHEPS) include a net monetary hyperinflation gain recognised in the current year in respect of the Group's investment in its associate, TM Supermarkets in Zimbabwe, under the requirements of IAS 29 Financial Reporting in Hyperinflationary Economies (IAS 29). Comparable Headline Earnings and Comparable Diluted Headline Earnings per share exclude the impact of hyperinflation accounting. Refer to our "Review of Financial Performance" and the appendices provided of the reviewed preliminary condensed consolidated annual financial statements for further information.

The Group traded in difficult economic conditions throughout the year, with low growth, high unemployment, rising household costs and constrained consumer spending in all regions.
Group Comparable Turnover growth of 4.7% (South Africa: 5.1%) was delivered against a strong base in the previous year, and reflects deteriorating economic conditions throughout the year, and a final quarter disrupted by lengthy power outages (load shedding) in South Africa, alongside some supply chain labour disruption. Viewed over a two-year period, the Group has delivered comparable compound annual sales growth of 6%, ahead of the South African retail market.

The Group restricted its selling price inflation to 2.6% year-on-year, below general food inflation of 3.6%. Net new stores added 3.2% to sales growth, with notable growth in new Boxer supermarkets and Pick n Pay clothing stores. We are particularly pleased with the progress and performance of our Boxer business, together with our Pick n Pay stores serving lower- and middle-income customers. Exceptional quality and value are driving positive volume growth for the Group in this important section of the market.

The Group again demonstrated tight gross profit margin management, unlocking further value across its supply chain, and lifting its gross profit margin by 0.6% to 19.7%, notwithstanding sustained price investment, and the margin impact of supply chain labour disruption in the last quarter of the year.

Trading expenses grew 6.3% year-on-year with like-for-like expense growth contained at 4.0%. The trading expense margin grew from 17.5% to 17.9% of turnover, as operating costs continue to grow ahead of turnover. However, the Group responded effectively to an escalating trend in costs in the second half of the year by restricting the growth in trading expenses in these six months to just 2.9%.

Operations in Zambia and Zimbabwe impacted the result, reducing Group earnings by 8.7% pts year-on-year. However, the Group's result was protected by a resilient performance from the core South African business, which lifted its Comparable Profit before Tax by 15.2% this year, enabling the Group to deliver headline earnings in line with last year.

The Group's Comparable PBT was up 6.5% year-on-year to R1.9 billion, with Comparable PBT margin improving from 2.0% last year to 2.1% of turnover. Comparable PBT from our South African segment increased 15.2% year-on-year, with an improvement in its Comparable PBT margin from 1.9% to 2.1% of segmental turnover.
Group earnings have been impacted by the increase in the tax rate from 24.3% last year to 31.2% this year, driven by losses in certain jurisdictions outside South Africa, hyperinflation in Zimbabwe and the reversal of related deferred tax assets.

Comparable Headline Earnings per Share, which excludes the impact of hyperinflation accounting in Zimbabwe, at 278.81 cents per share is in line with last year on a comparable 52-week basis.

The stability of the Group's balance sheet reflects the effective execution of long-term strategy, with seven consecutive years of sales and profit growth, alongside sustainable returns from a measured and targeted capital investment programme. The Group has followed a prudent gearing strategy, financing its growth and refurbishment initiatives through internally generated cash flow, and focusing its capital investment on lower-risk domestic opportunities, with potential for long-term sustainable returns. The Group has maintained its position of low debt over the past 12 months. It has no long-term structured debt, and has actively managed its working capital needs through short-term cost effective facilities.

FY20 DIVIDEND

In light of the current economic upheaval from the COVID-19 pandemic, the Board has decided that it would be prudent not to declare a dividend at this time but rather to preserve cash. It is anticipated that a formal dividend declaration will be considered and communicated once the full impact of the COVID-19 pandemic on the Group's operations can reasonably be known and assessed. But for the pandemic, the Board would have declared a final dividend of 173.06 cents per share, maintaining the Group’s dividend cover of 1.3 times Comparable Headline Earning per Share on a 52-week basis. Further communication in this regard will follow at the time of the Group’s FY21 interim result publication.

CONCLUSION

We are proud of our role as an essential service in the COVID-19 crisis. We are determined to fulfil with distinction our responsibility to help feed the nation. We extend our thanks to our Pick n Pay and Boxer teams, particularly those on the front line, who have worked with urgency and determination to put rigorous health and hygiene measures in place to protect staff and customers, and to keep our shelves stocked at a time when our customers need us the most.
We are a much stronger, more flexible and more effective business than we were seven years ago, and are confident that we will be able to respond and adapt to whatever is required of us in the coming months. Our greater strength and dexterity reflects the progress we have made through our long-term plan. We know there is more to do on this journey, and will ensure that we make further progress to deliver on the expectations of customers, colleagues, shareholders and other stakeholders - not just in the current crisis but in the better years that will follow it.

Gareth Ackerman
Chairman
11 May 2020

Richard Brasher
Chief Executive Officer

ABOUT PICK N PAY STORES LIMITED

The Pick n Pay Stores Limited Group is a leading South African grocery, clothing, pharmaceuticals, liquor and general merchandise retailer, employing over 80 000 people through its owned and franchise operations, across its Pick n Pay and Boxer brands. The Group is managed through its South Africa and Rest of Africa divisions and owns a 49% share of a Zimbabwean supermarket business, TM Supermarkets. For further information on Pick n Pay and its underlying businesses, please visit www.picknpayinvestor.co.za.

DIRECTORS OF PICK N PAY STORES LIMITED

Executive
Richard Brasher (CEO), Lerena Olivier (CFO), Richard van Rensburg (CIO), Suzanne Ackerman-Berman, Jonathan Ackerman

Non-executive
Gareth Ackerman (Chairman), Aboubakar Jakoet, David Robins

Independent non-executive
David Friedland, Hugh Herman, Alex Mathole, Audrey Mothupi, Jeff van Rooyen

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