UNAUDITED INTERIM RESULTS FOR THE 26 WEEKS ENDED 30 AUGUST 2020 AND DIVIDEND DECLARATION

This short-form announcement is the responsibility of the directors and is only an abridged summary of the information contained in the Group’s full FY21 interim result announcement.


Copies of the full announcement are available for inspection at, or may also be requested from, the Group’s registered office or the office of our sponsor, at no charge, during office hours. To request a copy of the full announcement, contact our Company Secretary, Debra Muller at demuller@pnp.co.za.

The information contained in this announcement has neither been audited nor reviewed by the Group’s external auditors.

### RESILIENT AND FIT FOR THE FUTURE

#### KEY FINANCIAL INDICATORS

<table>
<thead>
<tr>
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<th>26 weeks to</th>
<th>26 weeks to</th>
<th>%</th>
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<tbody>
<tr>
<td></td>
<td>30 August</td>
<td>1 September</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2020</td>
<td>2019</td>
<td>change</td>
</tr>
<tr>
<td>Comparable turnover*</td>
<td>R44.2 billion</td>
<td>R43.1 billion</td>
<td>2.6</td>
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<tr>
<td>Comparable turnover - South Africa</td>
<td>R42.7 billion</td>
<td>R41.3 billion</td>
<td>3.4</td>
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<tr>
<td>Gross profit margin</td>
<td>19.6%</td>
<td>19.8%</td>
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<tr>
<td>Trading profit</td>
<td>R885.6 million</td>
<td>R1 187.6 million</td>
<td>(25.4)</td>
</tr>
<tr>
<td>Trading profit excluding cost of voluntary severance programme (VSP)</td>
<td>R985.6 million</td>
<td>R1 187.6 million</td>
<td>(17.0)</td>
</tr>
<tr>
<td>Comparable profit before tax and capital items (PBT)#</td>
<td>R258.3 million</td>
<td>R554.8 million</td>
<td>(53.4)</td>
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<tr>
<td>Comparable PBT - excluding VSP cost</td>
<td>R358.3 million</td>
<td>R554.8 million</td>
<td>(35.4)</td>
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<tr>
<td>Profit for the period, after tax</td>
<td>R158.7 million</td>
<td>R386.8 million</td>
<td>(59.0)</td>
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<tr>
<td>Headline earnings per share (HEPS)</td>
<td>43.78 cents</td>
<td>91.28 cents</td>
<td>(52.0)</td>
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<tr>
<td>Comparable HEPS#</td>
<td>37.12 cents</td>
<td>85.03 cents</td>
<td>(56.3)</td>
</tr>
<tr>
<td>Comparable HEPS - excluding VSP cost</td>
<td>52.20 cents</td>
<td>85.03 cents</td>
<td>(38.6)</td>
</tr>
<tr>
<td>FY21 - interim dividend per share</td>
<td>18.74 cents</td>
<td>42.80 cents</td>
<td>(56.2)</td>
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<tr>
<td>FY20 - final dividend per share</td>
<td>173.06 cents</td>
<td>56.2</td>
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* Comparable turnover information, removing the impact of a strategic change in the Group’s contractual arrangements with airtime and data providers during the prior year, is provided for an accurate assessment of year-on-year performance. Refer to Appendix 2 of the unaudited condensed consolidated interim financial statements for further information.
# Profit before tax and capital items, and headline earnings per share (HEPS), include a non-cash hyperinflation net monetary gain recognised 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 profit before tax and capital items, and comparable HEPS, exclude the non-cash hyperinflation net monetary gain.

RESULT SUMMARY

The Group’s first half performance commenced on 2 March 2020, and was delivered almost entirely in the unprecedented conditions of Covid-19. A National State of Disaster was declared on 15 March 2020 in South Africa, with a nationwide lockdown imposed from 27 March. Similar measures followed across the other southern African countries in which the Group operates.

The Group successfully pursued two primary goals over the period: feeding the nation in a safe and reliable way as an essential provider of food and groceries, and delivering on our long-term plan to build a leaner, more agile and more modern business, attuned to the needs of our customers.

Group sales and earnings in the first half of the financial year were negatively impacted by Covid-19 and the measures taken by governments to contain it. Trading restrictions affected up to 20% of the Group’s revenue at different stages of the lockdown, and sales were further impacted by reduced trading hours, limits on the number of customers in stores, and temporary store closures. This had a significant impact on Group revenue, with an estimated R2.8 billion in lost sales over the period. Against this background, Group turnover increased 2.6% year-on-year, with like-for-like growth of 1.0%. Turnover from South African operations increased 3.4%, with like-for-like growth of 1.7%.

Core retail sales - including food, groceries and general merchandise, but excluding liquor, clothing and tobacco - grew 8.7% year-on-year (6.4% like-for-like), with 9.9% growth in South Africa (7.6% like-for-like). This represents a 4.2% volume growth in the Group’s core food and grocery offer in South Africa.

Group earnings over the period reflected the impact of R150 million of additional operating costs directly related to the Covid-19 pandemic, and R100 million of once-off costs of a voluntary severance programme (VSP) launched in Pick n Pay at the beginning of the financial year. These costs were mitigated in part by progress on productivity and operating efficiency across the Group.

As a result, comparable headline earnings per share, excluding hyperinflation in Zimbabwe, were down 56.3% year-on-year, and down 38.6% excluding the once-off costs of the VSP. This resilient first-half performance, achieved against unprecedented economic and operational disruption, is testament to the skill and tenacity of our front-line staff, franchise partners and management teams.

Other highlights over the period included:

- the rapid adoption and maintenance of stringent hygiene and safety requirements, protecting colleagues and customers and ensuring continuous business operations throughout the period
- consistently high levels of on-shelf availability despite Covid-19 disruptions
- exceptional value for customers, with internal selling price inflation in South Africa contained at 3.4% over the period, against CPI Food inflation of 4.3%
- a gross profit margin of 19.6% of turnover, down only 0.2 percentage points on last year, despite the negative impact of
trading restrictions on higher-margin product categories
- sustained cost and efficiency savings, with trading expenses increasing only 4.8% year-on-year (3.6% excluding VSP costs), with like-for-like expense growth of 3.2%
- the expansion of South Africa's leading online grocery channel by introducing on-demand and Click n Collect services to meet significantly increased demand during the lockdown
- significant operational cost savings through Project Future, against a R1.0 billion target over two years
- the completion of a voluntary severance programme (VSP), an important step forward in making the Group more competitive. The VSP will be cost neutral for the full FY21 financial year, with compensation costs fully recouped through cost savings in the second half of the year

STRONG LIQUIDITY ANCHORS FINAL FY20 AND INTERIM FY21 DIVIDEND DECLARATION

The Board deferred its FY20 final dividend decision in May 2020, until the full impact of the Covid-19 pandemic on Group operations, earnings and net funding position could reasonably be known. The Group has effectively navigated the challenges of the past six months with exceptional operational discipline and careful control over cash resources. The Board is confident with the stability of the Group's balance sheet, and with the Group's like-for-like net funding position now restored to pre-Covid-19 levels, it has formally declared the FY20 dividend, alongside an FY21 interim dividend based on the Group's comparable HEPS performance over the period. Please refer to the formal dividend declaration included with this announcement for further information.

AN EFFECTIVE STRATEGY FOR FUTURE GROWTH

The Group has delivered a resilient performance over a trading period dominated by Covid-19 and its associated challenges. We extend our sincere thanks to our Pick n Pay and Boxer teams, particularly those on the front line, who have responded to the crisis with such skill and determination. As well as keeping our stores open, safe and full, our teams have also worked alongside customers and charity partners to raise over R80 million in hunger relief efforts, providing 20 million meals to impoverished families across South Africa.

The Covid-19 pandemic will have a long-lasting impact on economic growth, unemployment and social welfare across southern Africa. Our customers will require even lower prices and greater value. We remain resolute on our objective to build a simple and more effective business, with sustained cost savings invested back into our customer offer across all the demographics we serve. Our efforts have accelerated through Project Future and the Group has made tangible further progress against its plan. The Group delivered cost savings across its supply chain, stores and support offices over the past six months, accelerated its own brand penetration, improved the clarity and relevance of its customer offer, and expanded the reach of its low-cost Boxer format. Our team can be proud of their efforts.

The past few weeks have delivered a welcome reduction in the severity of the pandemic in South Africa and some neighbouring countries. This has in turn enabled the South African government to ease most trading restrictions. However, the need for vigilance remains, alongside the Group’s focus on maintaining necessary hygiene and safety disciplines.

The Group hopes that the easing of Covid-19 conditions will be sustained and will translate into some recovery in economic performance and consumer confidence. However, through its long-term plan and other measures, the Group is well-positioned for the future, whatever the economic circumstances, and looks forward with confidence.
Notice is hereby given that the directors have declared a final gross dividend (number 104) relating to its 2020 annual financial period (ended 1 March 2020) of 173.06 cents per share out of income reserves.

The dividend declared is subject to dividend withholding tax at 20%.

The tax payable is 34.612 cents per share, resulting in shareholders who are not exempt from dividends tax with a net dividend of 138.448 cents per share.

FY21 interim dividend - number 105

Notice is hereby given that the directors have declared an interim gross dividend (number 105) relating to its 2021 interim financial period (ended 30 August 2020) of 18.74 cents per share out of income reserves.

The dividend declared is subject to dividend withholding tax at 20%.

The tax payable is 3.748 cents per share, resulting in shareholders who are not exempt from dividends tax with a net dividend of 14.992 cents per share.

Dividend dates - number 104 and number 105

The last day of trade in order to participate in both dividend number 104 and dividend number 105 (CUM dividend) will be Tuesday, 1 December 2020.

The shares will trade EX dividend from the commencement of business on Wednesday, 2 December 2020 and the record date will be Friday, 4 December 2020.

Dividend number 104 and dividend number 105 will be consolidated as a single amount of 191.80 cents per share (153.440 cents per share, net of tax) and will be paid on Monday, 7 December 2020.
Share certificates may not be dematerialised or rematerialised between Wednesday, 2 December 2020 and Friday, 4 December 2020, both dates inclusive.

On behalf of the Board of directors

Debra Muller  
Company Secretary  
19 October 2020  
Cape Town  
Sponsor: Investec Bank Limited

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 90 000 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 (CISO), Suzanne Ackerman-Berman, Jonathan Ackerman

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

Independent non-executive  
Haroon Bhorat, Mariam Cassim, David Friedland, Hugh Herman, Audrey Mothupi, Annamarie van der Merwe, Jeff van Rooyen

CORPORATE INFORMATION

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Sponsor  
Investec Bank Limited

Transfer secretaries