RESULTS PRESENTATION

for the 26 weeks ended 27 August 2017




AGENDA

CHAIRMAN'S INTRODUCTION

Gareth Ackerman
Chairman

RESULTS OVERVIEW

Bakar Jakoet
Chief Finance Officer

PROGRESS ON OUR PLAN

Richard Brasher
Chief Executive Officer

CHAIRMAN'S INTRODUCTION

Gareth Ackerman

Chairman

CHAIRMAN’S INTRODUCTION

THANK YOU TO EVERYONE IN PICK N PAY FOR ACHIEVING THIS RESULT

Despite a challenging trading environment, we have much to celebrate:

- ✓ We are growing
- ✓ We are a stronger, fitter business
- ✓ We are serving customers better than ever before

1 Consumer sovereignty 〉 **2** Business efficiency 〉 **3** Doing good is good business

WE ARE RETURNING TO OUR ROOTS AS A CONSUMER CHAMPION

CHAIRMAN’S INTRODUCTION

MOST TRUSTED RETAILER

South Africa National Pulse | 2017 | Reputation House

COOLEST GROCERY STORE

Generation Next Survey | 2017 | Sunday Times

CHAIRMAN'S INTRODUCTION

- **PnP remains one of the largest investors in South Africa**
  - Investing R1.6bn capex this year
  - R7.6bn invested since FY13
- **We continue to create much needed jobs in South Africa**
  - New jobs created through new store openings
  - Over 12 500 net new jobs created since FY13

CHAIRMAN'S INTRODUCTION

Delivering against sustainable development goals

- 2 000 tons of food donated to Food Forward
- Successful Mandela Day Food Drive: 500 000 meals
- Schools Club reaching 5.7 million learners
- Launched food waste composting project
- R15m invested in WWF Sustainable Fisheries Programme
- Reduced salt content in 96 private label products
- Drought in Western Cape - working with all stakeholders to find joint solutions
- Good progress on energy efficiency, having reduced electricity usage by over 36% per square metre since 2008

CHAIRMAN'S INTRODUCTION

- **Avian flu** is having a devastating impact on local producers and we are working closely with suppliers to offer support where we can and maintain consistent supply of eggs and chickens in our stores

- **Innovation in financial services: giving customers cheaper alternatives**
  - Customers granted credit benefit with up to 55 days interest-free credit and no hidden fees
  - Money transfer service operated with TymeDigital

- **Crime within the industry is a major concern**
  - Dramatic increase in armed robberies at night time
  - Increased security costs as retailers step-up measures to ensure the safety of staff and customers

- **Consumer Goods Council of South Africa and Consumer Goods Forum**
  - Good progress made in a number of areas: public health, responsible advertising, crime prevention, reducing waste and improving consumer protection

WE ARE DETERMINED TO PLAY OUR PART IN GROWING THE ECONOMY

RESULTS OVERVIEW

Bakar Jakoet

Chief Finance Officer

KEY INDICATORS - NORMALISED BASIS*

	H1 2018	H1 2017	% change
Turnover	**R39.3bn**	R37.4bn	5.1
Gross profit margin	**17.8%**	17.9%	
Trading expenses	**R7.0bn**	R6.6bn	5.1
Trading profit	**R641.5m**	R554.1m	15.8
Trading profit margin	**1.6%**	1.5%	
PBT before capital items	**R610.9m**	R548.2m	11.4
PBT before capital items margin	**1.6%**	1.5%	
HEPS - cents	**91.99**	82.43	11.6
DHEPS - cents	**90.36**	79.87	13.1

*To ensure year-on-year comparability, this review excludes non-recurring items relating to the voluntary severance programme in H1 2018, and the unbundling of the Pick n Pay Holdings Ltd RF Group in H1 2017

- Strong earnings growth with HEPS up 11.6% and diluted HEPS up 13.1%
- In a challenging trading environment, turnover growth of 5.1% (5.2% in constant currency), with LFL growth of 1.8%
- Trading profit growth of 15.8%; trading expenses up 5.1%, with LFL growth contained at 1.6%
- PBT before capital items up 11.4%
- PBT before capital items margin improvement of 0.1% pt

VOLUNTARY SEVERANCE PROGRAMME (VSP)

	As reported H1 2018 Rm	Non-recurring item (VSP) Rm	Normalised H1 2018 Rm
Trading expenses - employee costs	3 467.5	(200.0)	**3 267.5**
Trading profit	441.5	200.0	**641.5**
PBT before capital items	410.9	200.0	**610.9**
Profit before tax	405.2	200.0	**605.2**
Profit for the period	293.8	145.0	**438.8**
HEPS (cents)	61.88	30.11	**91.99**
Diluted HEPS (cents)	60.78	29.58	**90.36**

- The published result includes the once-off net impact of the VSP
  - Net impact of R200m before tax recognised in H1
  - Cost neutral for the full year
  - Benefits from FY19 onwards
- HEPS of 61.88 cents, down 24.9% year-on-year, including the full impact of the VSP
- Normalised HEPS up 11.6% to 91.99 cents
- The rest of this presentation is presented on a normalised basis

NORMALISED EARNINGS AND DIVIDENDS PER SHARE

	H1 2018 Cents	H1 2017 Cents	% change
Normalised basic EPS	**91.14**	78.69	15.8
Normalised HEPS	**91.99**	82.43	11.6
Normalised diluted HEPS	**90.36**	79.87	13.1
Interim dividend	**33.40**	29.90	11.7

- Ongoing progress against long-term plan delivers solid earnings growth
- The difference in normalised basic EPS growth of 15.8% and normalised HEPS growth of 11.6% is attributable to profits and losses of a capital nature
- Normalised diluted HEPS reflects the dilutive effect of share options held by employees
- Dividend up 11.7% in line with normalised HEPS growth

TURNOVER ANALYSIS

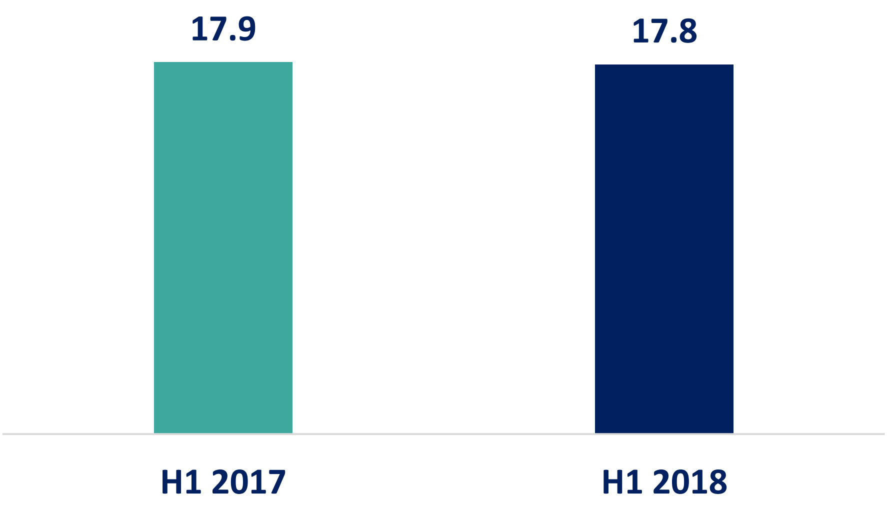
Pick n Pay

	H1 2018	H1 2017
Like-for-like turnover growth	**1.8%**	3.5%
Turnover growth from net new space	**3.3%**	3.7%
Growth in net new space (m^2)	**1.5%**	2.1%
Internal selling price inflation	**3.6%**	5.5%
New stores	**63**	74
Customer growth (number of transactions)	**2.2%**	6.0%
Basket size growth (average transaction value)	**3.1%**	1.3%

- Contained internal food inflation at 3.6% for the period, well below CPI food inflation of 6.9%
- 63 new stores opened during the half, including 14 new supermarkets
- 34 refurbishments (27 complete), including some flagship stores
- 10 store closures to improve the quality of the estate, with a short-term impact on turnover

GROSS PROFIT MARGIN

GROSS PROFIT MARGIN %



- Greater operational efficiencies enabled meaningful price investment across everyday grocery lines
  - More centralised
  - Better buying
  - Disciplined on cost
- Determined to remain competitive in tough consumer environment
- Gross profit margin down 0.1% pt to 17.8%

OTHER TRADING INCOME

	H1 2018 Rm	H1 2017 Rm	% change
Other trading income	**631.3**	508.1	24.2
Franchise fee income	**202.5**	177.2	14.3
Operating lease income	**211.8**	168.8	25.5
Commissions, dividends received and other income (including value added services)	**217.0**	162.1	33.9

- Franchise fee income reflects 46 net new franchise stores and the restructure of legacy franchise agreements (related loyalty fees paid included within gross profit)
- Growth in operating lease income driven by new head leases added over the 12 months to August (related rental expense included within operating costs)
- Strong growth in commissions earned on third-party bill payments and prepaid electricity, including fees earned for the first time on in-house merchandising (related cost in employee costs)
- Other trading income increased by 8.2% on a comparable basis excluding the items mentioned above

TRADING EXPENSES

	H1 2018 Rm	H1 2017 Rm	% change	% LFL change
Trading expenses	**6 960.8**	6 624.8	5.1	1.6
Employee costs	**3 267.5**	3 205.9	1.9	(0.7)
Occupancy	**1 502.1**	1 302.3	15.3	10.2
Operations	**1 578.1**	1 513.8	4.2	(0.2)
Merchandising & administration	**613.1**	602.8	1.7	(0.5)

- Trading expenses up 5.1%, with LFL expense growth contained at 1.6%
- Employee costs improved by 0.3% pts from 8.6% to 8.3% of turnover. LFL costs down 0.7%
- Like-for-like occupancy costs up 10.2% driven by annual rental escalations, additional head leases and increases in security costs
- Well-managed operations costs despite regulatory increases in electricity and utilities

PROFIT ANALYSIS

	% change
EBITDA (excluding capital items)	11.6
EBIT (excluding capital items)	17.0
Profit before tax before capital items	11.4
Profit before tax	14.6
Profit for the period	14.9

- Consistent earnings growth in tougher times
- EBITDA margin excluding capital items up 0.2% pts to 3.1%
- Depreciation and amortisation costs well managed, up 5.5%
- Net interest costs increased to R70.6m, impacted by
  - Investment in capital assets related to new stores, refurbishments and centralisation
  - Shares purchased in respect of employee incentive schemes and the cost of the VSP
- The effective tax rate of 27.5% is in line with that of the 2017 financial year

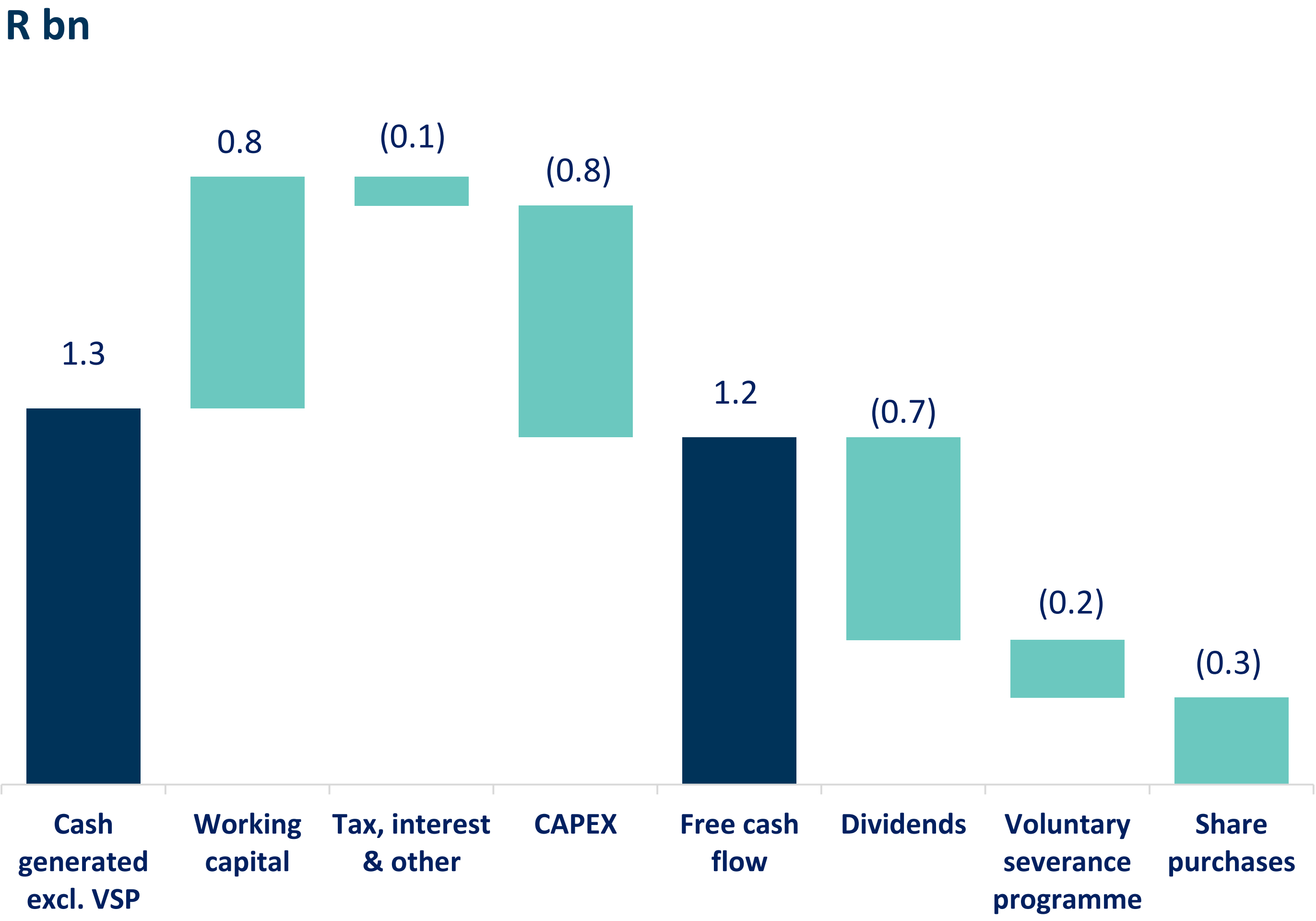
REST OF AFRICA

	H1 2018	H1 2017	% change
Segmental revenue	**R2.3bn**	R2.0bn	12.6
Segmental profit*	**R126.8m**	R103.7m	22.3
Segmental profit margin	**5.5%**	5.1%	
Number of stores	**142**	137	

- In constant currency terms, segmental revenue increased 14.3% with LFL revenue up 2.0%
- Segmental profit margin up 0.4% pts
- Earnings growth supported by improved franchise performance and a strong performance from TM Supermarkets
- Continued challenging trading environment in Zambia
- Opened 4 new stores; 1 in Namibia and 3 in Swaziland

** Segmental profit comprises the segment's trading results and directly attributable costs only. No allocations are made for indirect or incremental cost incurred by the South Africa segment relating to this division.*

CASH GENERATION AND UTILISATION



- Cash generated (before VSP) of R1.3bn, up 9.4% year-on-year
- Strong working capital management, particularly inventory, generated R790m in cash
- The Group invested a further R778m in CAPEX
- The Group paid dividends of R706m to shareholders in the first half, an increase of 15.7% on the prior year

NET FUNDING

	H1 2018 Rm	FY 2017 Rm	H1 2017 Rm
Cash	**966.3**	961.9	1 080.9
Cost-effective short-term borrowings	**(1 800.0)**	(1 800.0)	(750.0)
Cash and cash equivalents	**(833.7)**	(838.1)	330.9
Total borrowings	**(128.6)**	(133.2)	(135.3)
Net funding	**(962.3)**	(971.3)	195.6

- The Group's net funding position has improved since February 2017
- Strong working capital management mitigated the impact of the VSP and shares purchased for employee incentive schemes
- The Group's liquidity position remains strong, with 25% of available borrowing facilities utilised at period end

CAPITAL EXPENDITURE

	Actual H1 2018 Rm	Planned FY 2018 Rm	Actual FY 2017 Rm
Expansion into new stores	**352**	670	634
Improving existing stores	**263**	670	900
Improving the customer experience	**615**	1 340	1 534
Investing in future infrastructure	**42**	60	154
Maintaining current infrastructure	**121**	200	198
Total capital investment	**778**	1 600	1 886

- Ongoing capital investment in line with growth and refurbishment strategy
- 40 new company-owned stores opened in H1, with 27 new Pick n Pay stores and 13 new Boxer stores
- 34 refurbishments including flagship supermarket in Constantia and Durban North Hypermarket
- Improving the customer experience represents 80% of capital investment in H1
- Strong discipline on capital budgets while delivering against plan

PROGRESS ON OUR PLAN

Richard Brasher

Chief Executive Officer

PERFORMANCE HIGHLIGHTS

↑ 11.6%	↑ 0.1%	↑ 5.1%	↑ 11.7%
HEPS* growth	PBT* margin	Turnover growth	Dividend growth

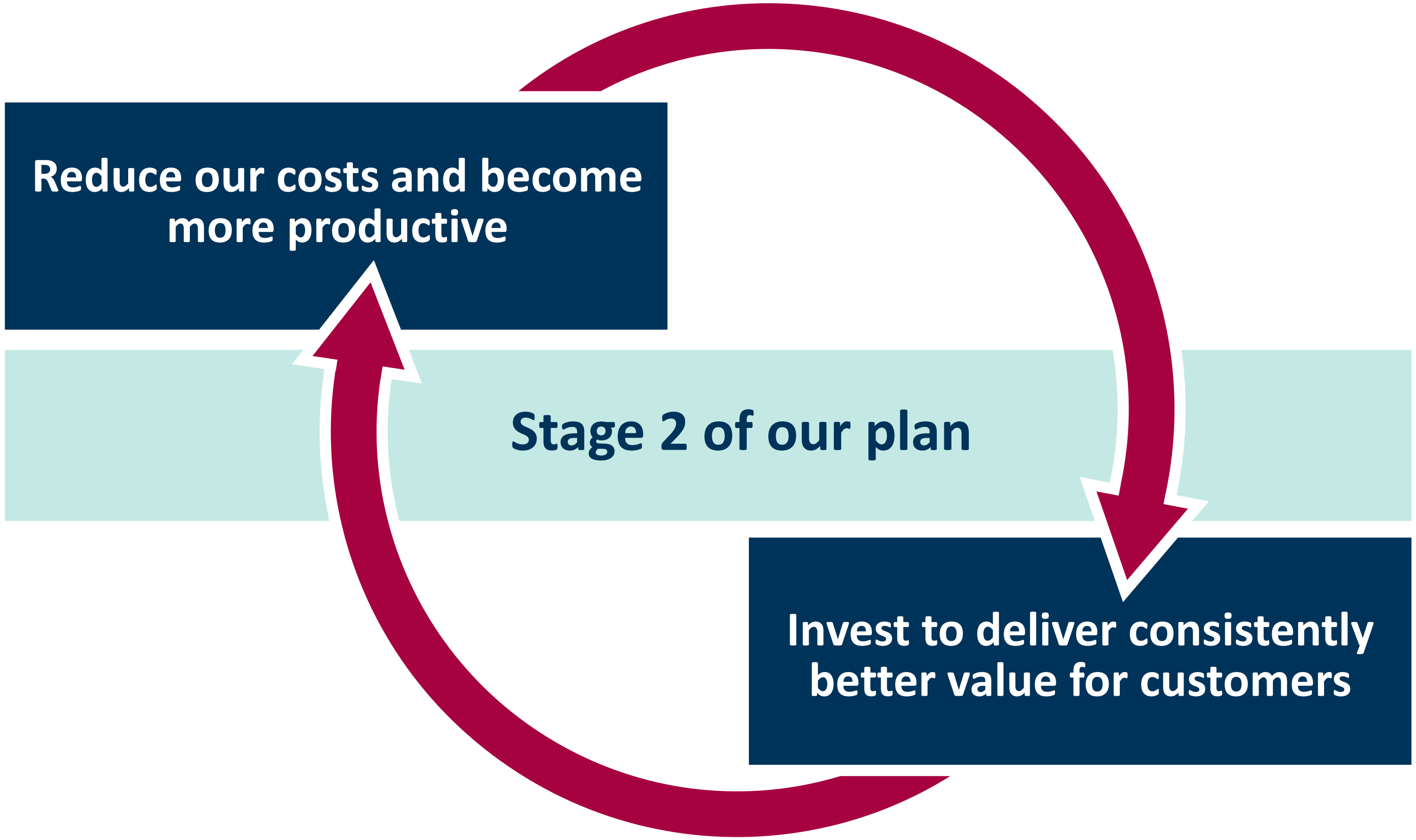
- Nine consecutive reporting periods of profit and turnover growth
- A more centralised and efficient business with good cost control
- Lower costs creating headroom to deliver lower prices and better value
- Innovation in the customer offer and better stores
- A strong platform and plan for growth

*Normalised HEPS and Normalised PBT before capital items

OUR TURNAROUND PLAN

Stage 1	Stage 2	Stage 3
Stabilise the business	**Change the trajectory**	**Sustainable long-term growth**
✓ Strong financial control ✓ Effective business management systems	▪ Greater operating efficiency ▪ Better value offer to generate sales growth ▪ Sustainable trading margin improvement	▪ Operating model which benchmarks internationally ▪ Continuous innovation

AT THE HEART OF STAGE TWO IS DELIVERING BETTER VALUE FOR CUSTOMERS BY REDUCING OUR COSTS



THE ECONOMY HAS TIGHTENED. CONSUMERS ARE SEEKING OUT LOWER PRICES MORE THAN EVER BEFORE

Shoppers are adopting coping mechanisms to manage their squeezed budgets:

- Less meat consumption
- Waiting for specials on non-essential items
- Buying specials in bulk
- Buying cheaper variants
- Minimising waste
- Using less where possible

			
LOW INCOME	**BUDGET**	**CORE**	**CORE UPPER**
Just surviving	Focused on essentials	Making more trade offs	Becoming more astute

Living Standards Measure (LSM)

1 - 4	5 - 6	7 - 9	10 +

Monthly household income estimate

< R5k	R5k – R10k	R10k – R25k	> R25k

70% of the population live in households earning between R5 000 and R25 000 p/m

6% of households earn more than R25 000 p/m

Source: South Africa Audience Research Association, All Media and Products Survey (SAARF AMPS) 2015

AS A RESULT, WE HAVE ACCELERATED OUR PLAN

Stage 2 of our plan

Reduce our costs and become more productive

1. Operating costs
2. VSP
3. Better buying
4. Loyalty programme
5. Centralisation

Invest to deliver consistently better value for customers

1. Prices
2. Promotions
3. Personal discounts
4. Private label
5. More stores, better stores

ACCELERATING OUR TURNAROUND PLAN HAS IMPACTED SALES IN H1

↑ **5.1%**

Turnover growth

↑ **1.8%**

LFL turnover growth

- Investment in lower prices & promotions
- Temporary disruption from the VSP and refurbishments
- Prudent approach to new space growth

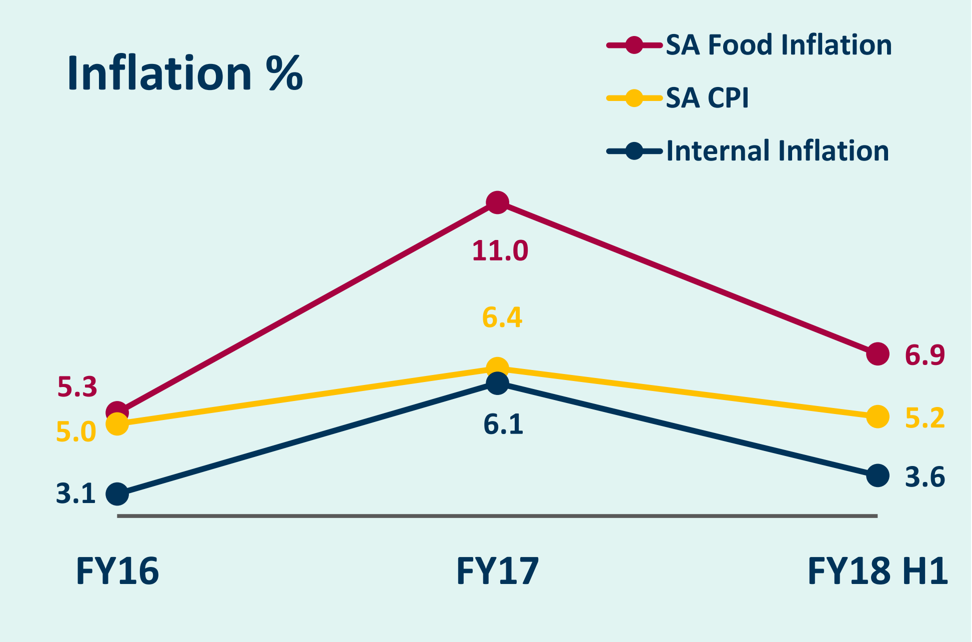
We are a stronger business for taking action

3.6%

Internal inflation

↓ **2.5% pts**

Lower internal inflation than FY17



REDUCING OUR COSTS TO INVEST MORE IN CUSTOMERS

Pick n Pay

1. Strong **operating cost control**
2. First company-wide **voluntary severance programme**
3. Strategy to **buy better** from suppliers
4. Modernised Smart Shopper, **reducing loyalty programme costs**
5. Accelerated **supply chain centralisation** in the first half

R1bn
full year savings

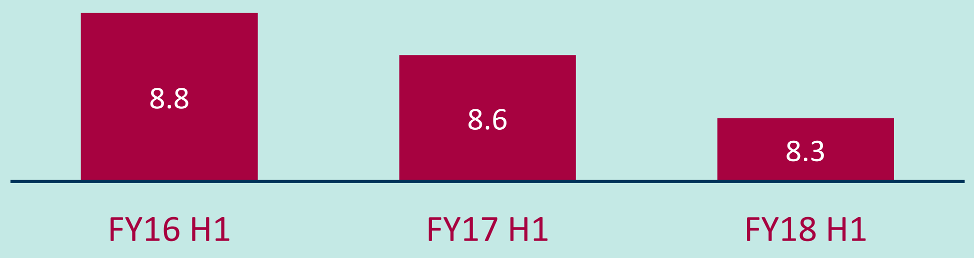
Delivered to invest in customers, accelerate sales growth and deliver greater profitability

STRONG EXPENSE CONTROL, PARTICULARLY EMPLOYEE COSTS

1 Operating costs

- Operating costs held flat at 17.7% of turnover
- LFL operating costs grew at 1.6%, well below inflation
- Employee costs improved; 0.3% down as a percentage of turnover to 8.3%

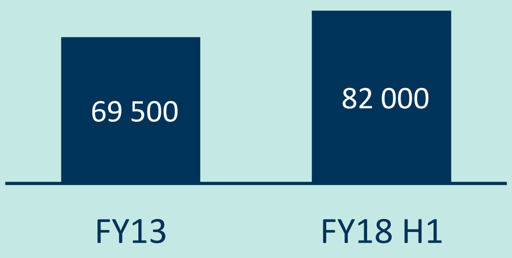
Employee costs as a % of turnover



2 Voluntary severance programme

- VSP was an important step in accelerating our turnaround plan
- Reduced PnP workforce by 10%, removing roles and functions no longer required owing to improved efficiencies
- Cost of the VSP will be fully recovered by the end of FY18. Substantial savings will be delivered in future years

Total Group - number of employees



12 500

Jobs created

Since FY13

MORE EFFECTIVE PARTNERSHIPS WITH SUPPLIERS TO DRIVE MUTUAL GROWTH

3 Buy for less programme

- Buy for less programme initiated with suppliers in June. Emphasis is on driving mutual growth with suppliers who support Pick n Pay on our low price journey
- Comprehensive review of categories, brand participation and space allocation will result in more relevant ranges for customers

4 Reduced Smart Shopper costs

- Modernised Smart Shopper programme with a greater emphasis on personalised discounts
- Product specific discounts enable greater supplier participation and funding
- Suppliers have realised 10x return on investment when backing personalised discounts

ACCELERATED SUPPLY CHAIN CENTRALISATION IN THE FIRST HALF

Pick n Pay

5 **Accelerated centralisation**

65%

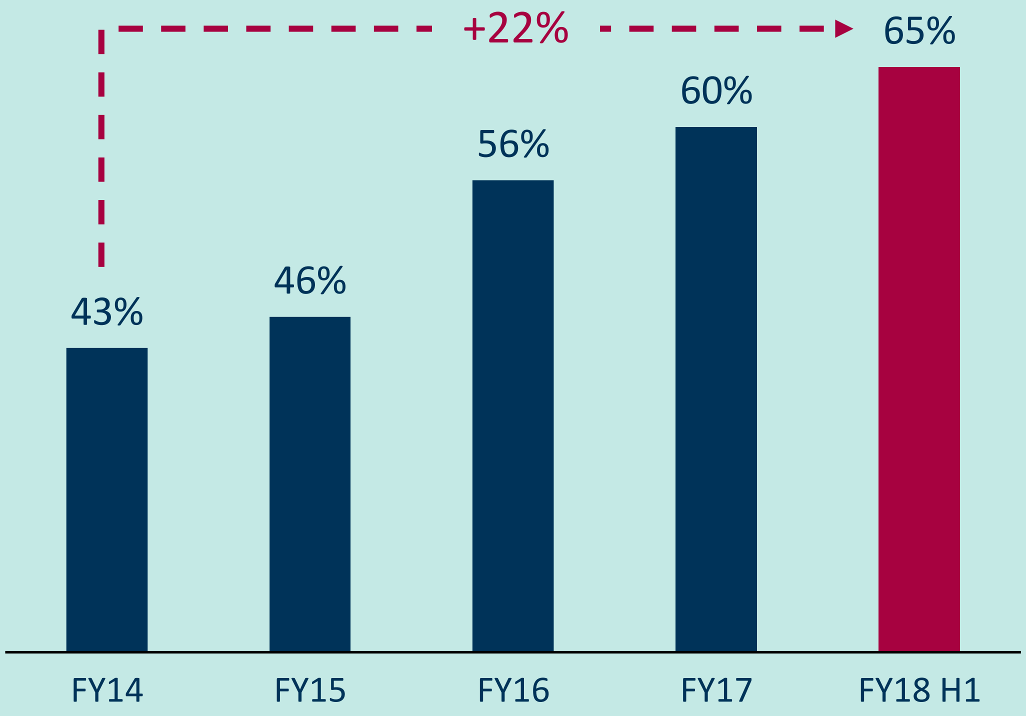
Total volumes centralised

↑ 5% pts

Increase in centralisation in H1 FY18

- Inland DC centralisation improved by 7% pts to 69%, with groceries centralisation at 73%
- Western Cape DC centralisation has reached 76%, with groceries 89% centralised
- Stock cover well controlled, with stock value 5.1% down on a LFL basis
- Garden Route stores now served from Philippi DC, resulting in improved availability

TOTAL CENTRALISATION



INVESTING TO DELIVER CONSISTENTLY BETTER VALUE FOR CUSTOMERS

R1bn
full year savings

Delivered to create investment fund for customers

1. Lower prices
2. Better promotions
3. Personalised discounts
4. More private label
5. More stores, better stores

LOWER PRICES AND BETTER PROMOTIONS

Pick n Pay

March 2017

1 300

Price drops

✓ On the everyday grocery items you buy most often

October 2017

500

Additional price drops

✓ Fresh focus

1 800 PRICE DROPS

- Price is our number one customer priority
- In March we announced a R500m price investment, which started with dropping the prices on 1 300 grocery items
- This month we will be dropping a further 500 prices and making fresh products cheaper
  - ✓ Produce
  - ✓ Meat
  - ✓ Bakery
- Offering better and deeper promotions
- Produce combo deals offer great value
- Brand Match continues to provide customers with a price match guarantee

MORE PERSONAL DISCOUNTS

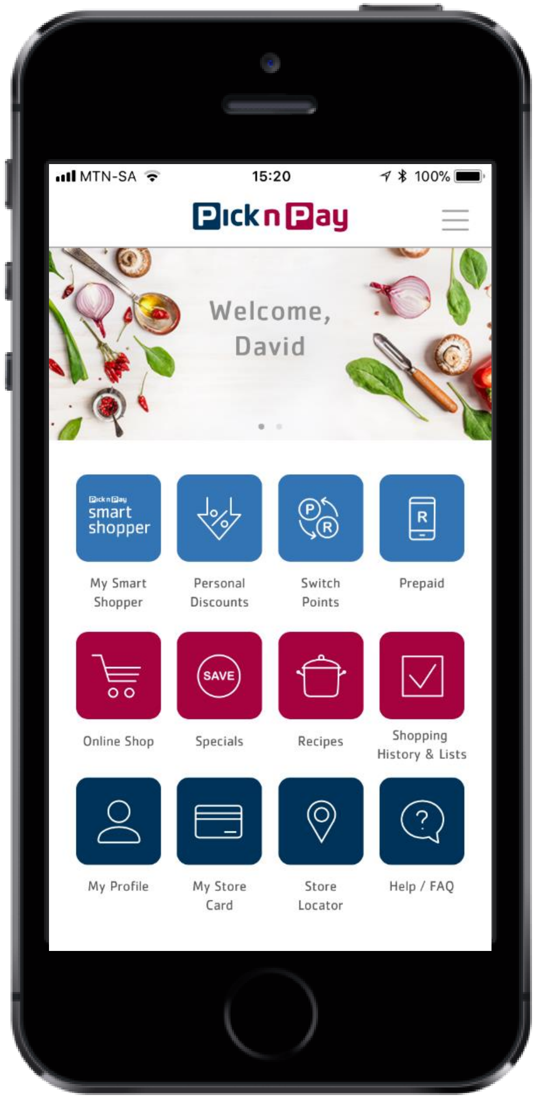
R1.6bn
Personal discounts offered in H1 FY18

45m
Vouchers issued each week

100%
Increase in voucher usage

New app
For easy voucher redemption

#1
SA's favourite loyalty programme



MORE PRIVATE LABEL

Pick n Pay

- 400 additional private label products launched in H1
- 2 100 private label products in total, accounting for 19% participation
- Strong growth in convenience range; received 12 first place food awards*
- Share above 45% across a number of products including sugar, cooking oil, UHT milk, frozen poultry and eggs
- Growing share in key categories e.g. bottled water, coffee, soft drinks
- Step-change in other categories through new range launches e.g. baking, household

no name

- No Name launched in 1976
- One of the most iconic brands in South Africa
- Cheapest on shelf
- Great value for money for customers

*Twelve 1st place Sunday Times Food Awards

MORE STORES, BETTER STORES

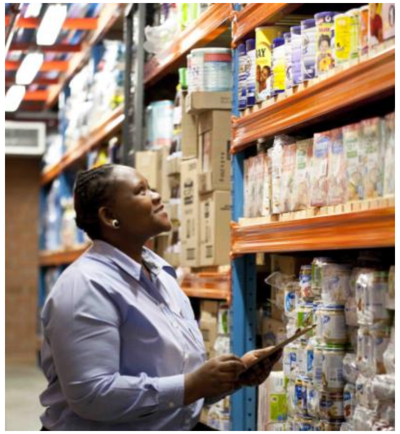
63	27	90
New stores	Refurbs completed	Additional Next Gen stores

- 183 **Next Generation** stores
  - Ongoing improvements to the operating model
  - Improved return on capital
- Two **new PnP Next Generation formats** to be launched in the second half:
  - Next Generation premium supermarket (Constantia)
  - Next Generation hypermarket (Durban North)
- We continue to strengthen our partnership with franchisees, with 23 new stores opened in the half
- Launched Fan Score competition, an internal programme focused on improving customer service in stores, including league tables and prizes for staff

CONTINUED INVESTMENT IN ONLINE

Dedicated warehouses

- Warehouse in the Western Cape has entered it’s second year of operation:
  - Stronger range, better availability, improved efficiency
  - 25% increase in sales
- Second warehouse opened in Gauteng earlier this year

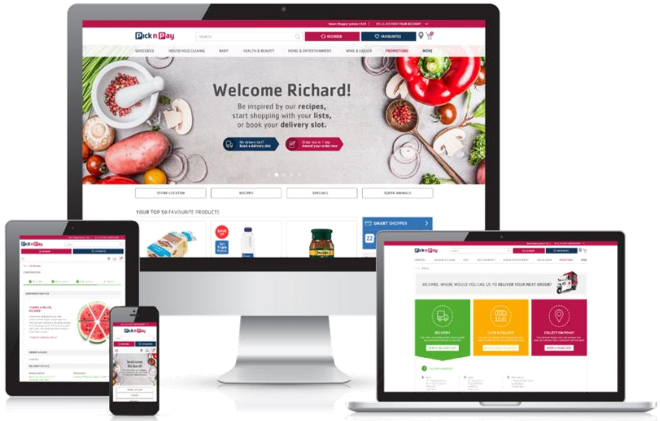


Logistics

- Brought delivery service in-house in FY17
- Improved service levels:
  - One hour slots and more capacity to deliver
  - Expanded geographical reach

Website

- New online shopping website launched in September
  - Designed for mobile
  - Improved search and navigation
- Visitors to the website increased by 32% during the half year



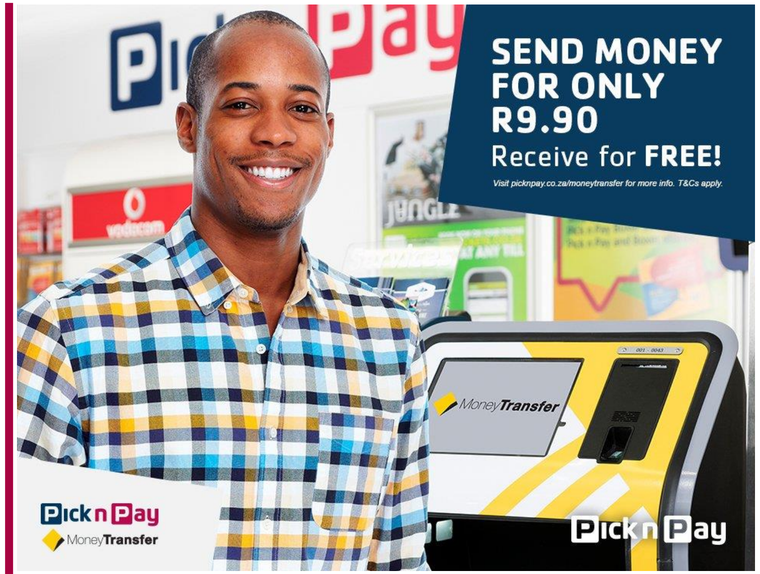
PROVIDING CUSTOMERS WITH ACCESS TO BETTER VALUE FINANCIAL SERVICES

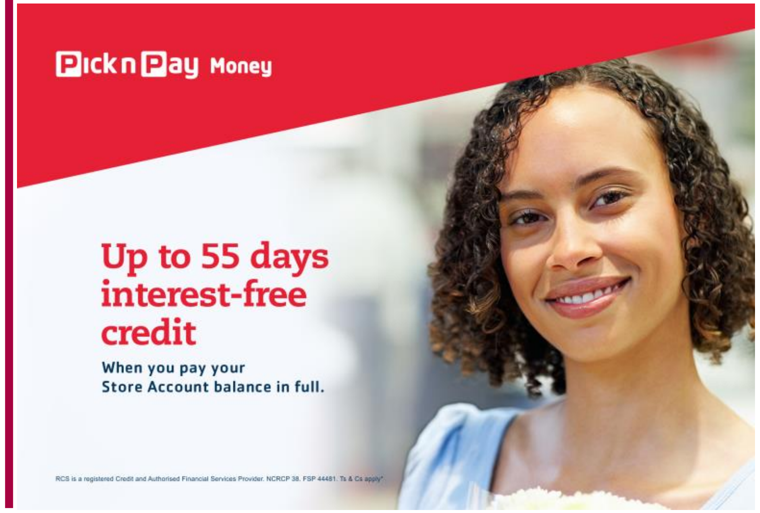
Banking services

- Partnership with TymeDigital by Commonwealth Bank SA, a subsidiary of the Commonwealth Bank of Australia
- TymeDigital awarded the first banking license in South Africa in 18 years
- Money transfer service now has 200 000 customers
- Working closely with TymeDigital to develop further opportunities to give customers access to affordable financial services

Store Account

- Pick n Pay Store Account launched in September, giving qualifying customers access to a responsible credit facility
- Designed to offer the most affordable form of credit in the market; no joining, transaction or hidden fees. Provides up to 55 days interest-free if the balance is fully paid off monthly
- Accessed through customer’s existing Smart Shopper card





BOXER CONTINUES TO OFFER GREAT VALUE

- Continued growth driven by providing cash-strapped consumers with exceptional value
- Celebrating 40th year of trading by giving customers even lower prices
- 13 new stores opened, 2 of which were in the Western Cape
- 21 Next Generation refurbishments in the half
- 70% of all Boxer stores converted to Next Generation
- New DC in East London to service Eastern Cape stores

STRENGTHENING REST OF AFRICA

- Segmental revenue growth of 12.6% (14.3% in constant currency terms) was driven by new space
- PBT growth of 22.3%, with PBT margin up 0.4% pts to 5.5%
- Opened 4 new stores; 3 in Swaziland and 1 in Namibia
- Strong performance in Zimbabwe despite difficult conditions
- Trade in Zambia remains challenging
- We're positive about our long-term prospects in Rest of Africa and we remain committed to extending our offer on a planned and measured basis

12.6%	22.3%	4
Segmental revenue growth	PBT growth	New stores

SUPPORTING COMMUNITIES

Pick n Pay

- Disaster relief
- Mandela Day food drive
- Waste to Food project
- Small supplier development
- Sunflower Day

THE RIGHT PLAN FOR TOUGHER TIMES

Pick n Pay

In H2 we will:

1. Invest our operational savings in our customers
2. Lower prices further and improve our promotions
3. Open 50 new stores, including 10 PnP Supers and 7 Boxer stores
4. Complete 25 refits, including Constantia supermarket and Durban hypermarket
5. Continue cooperation with our suppliers to deliver better ranges, lower prices and more innovation for customers
6. Expand our financial services offer, supporting improved financial inclusion and offering better value to customers
7. Innovate and deliver more Pick n Pay and Boxer private label brands in the build up to Christmas
8. Open our distribution centre in KwaZulu-Natal and confirm a second site in Gauteng
9. Create new jobs and develop more talent
10. Continue to support the communities we serve

ONE OF THE MOST SIGNIFICANT YEARS IN PICK N PAY'S HISTORY