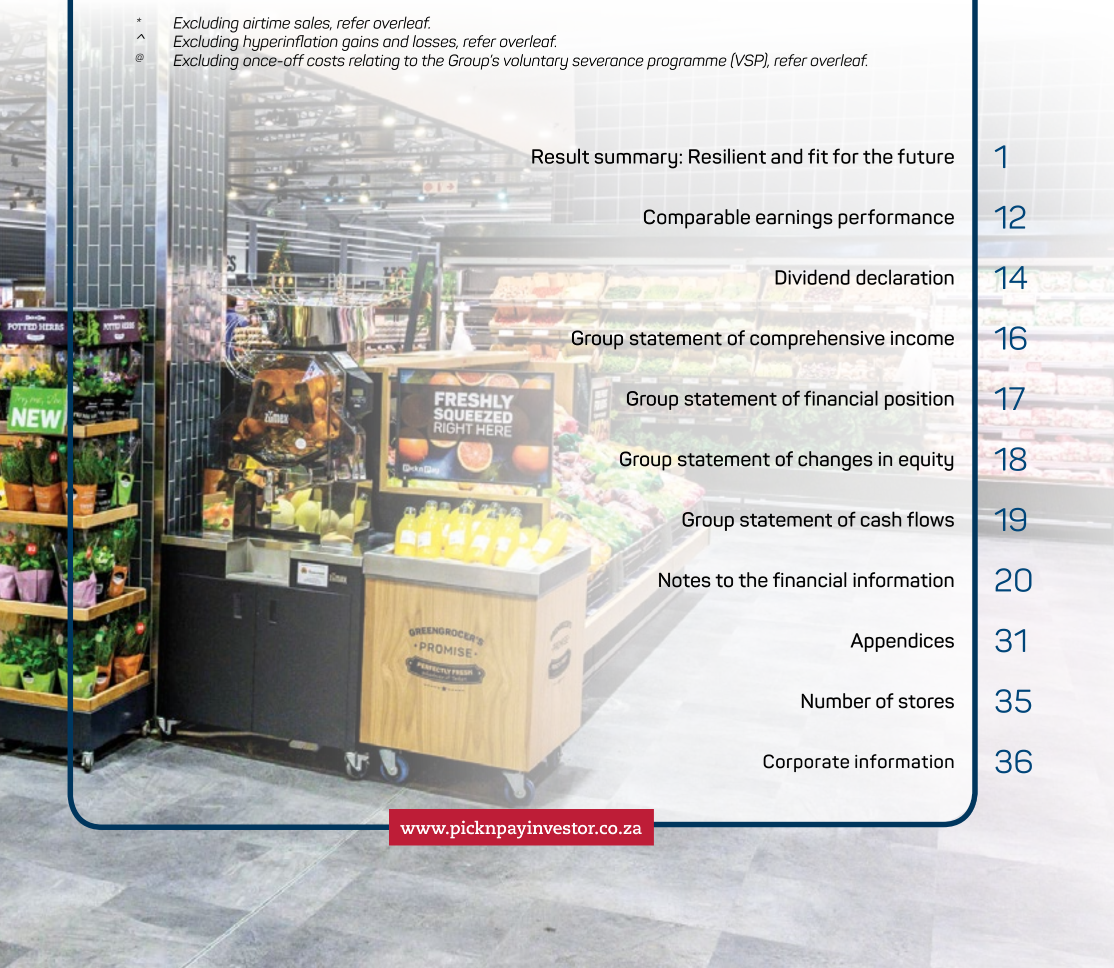
UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE 26 WEEKS ENDED 30 AUGUST 2020

KEY METRICS

Comparable turnover*	Core retail sales in South Africa
+2.6%	**+9.9%**
Comparable HEPS^	**Comparable HEPS, excluding VSP@**
-56.3%	**-38.6%**

* Excluding airtime sales, refer overleaf.
^ Excluding hyperinflation gains and losses, refer overleaf.
@ Excluding once-off costs relating to the Group's voluntary severance programme (VSP), refer overleaf.



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RESILIENT AND FIT FOR THE FUTURE

KEY FINANCIAL INDICATORS	26 weeks to 30 August 2020	26 weeks to 1 September 2019	% change
Comparable turnover*	**R44.2 billion**	R43.1 billion	**2.6**
Comparable turnover – South Africa	**R42.7 billion**	R41.3 billion	**3.4**
Gross profit margin	**19.6%**	19.8%	
Trading profit	**R885.6 million**	R1 187.6 million	**(25.4)**
Trading profit excluding cost of voluntary severance programme (VSP)	**R985.6 million**	R1 187.6 million	**(17.0)**
Comparable profit before tax and capital items (PBT)#	**R258.3 million**	R554.8 million	**(53.4)**
Comparable PBT – excluding VSP cost	**R358.3 million**	R554.8 million	**(35.4)**
Profit for the period, after tax	**R158.7 million**	R386.8 million	**(59.0)**
Headline earnings per share (HEPS)	**43.78 cents**	91.28 cents	**(52.0)**
Comparable HEPS#	**37.12 cents**	85.03 cents	**(56.3)**
Comparable HEPS – excluding VSP cost	**52.20 cents**	85.03 cents	**(38.6)**
FY21 – interim dividend per share	**18.74 cents**	42.80 cents	**(56.2)**
FY20 – final dividend per share	**173.06 cents**		

* *Comparable turnover, 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 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 expanded Click n Collect services to meet significantly increased demand during the lockdown
- effective collaboration with charity partners to raise and distribute over R80 million in hunger relief efforts, providing 20 million meals to vulnerable families
- 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 Group has managed its cash and liquidity in a measured and effective way over the past six months. Confident in the stability of the Group's balance sheet, the Board has declared the FY20 final dividend, which had been deferred in May 2020, and has declared an FY21 interim dividend based on the Group's comparable HEPS performance.

DETAILED REVIEW OF FINANCIAL AND OPERATIONAL PERFORMANCE

TURNOVER

Group turnover increased 2.6% year-on-year, with like-for-like growth of 1.0%. On a constant currency basis, ignoring local currency weakness in Zambia, Group turnover increased 2.8%. Turnover from South African operations increased 3.4%, with like-for-like growth of 1.7%.

Trading conditions were impacted over the six months under review as a result of:

- **Government trading restrictions** – during the more stringent levels of the nationwide lockdown, up to 20% of the Group's revenue was prohibited from sale, with a disproportionate impact on higher-margin categories including liquor, clothing, general merchandise, and hot foods, deli and bakery products. Trading restrictions were partially eased in respect of clothing and general merchandise with the move to Alert Level 4 on 1 May, and were further relaxed with the move to Alert Level 3 from 1 June. The prohibition on the sale of liquor, initially relaxed on 1 June, was reinstated on 12 July. It was relaxed again, along with a lifting of the prohibition on the sale of tobacco products, on 18 August (Alert Level 2). However, at the time of publication of this report, liquor sales in retail stores remain prohibited over weekends.
- **Temporary store closures** – sales were disrupted as a result of temporary store closures following the identification of positive Covid-19 cases among staff. Following strict cleaning and contact tracing protocols, the Group re-opened stores as soon as practicable.
- **Reduced trading hours and other restrictions** – reduced trading hours and limits on the number of customers in stores to uphold physical distancing requirements also restricted trading opportunities.

These factors were additional to the impact of deteriorating economic conditions, with a GDP contraction in South Africa of over 17% year-on-year in the second quarter of the calendar year.

Core food and grocery

The Group delivered a strong performance in its core food and grocery offer relative to the market, including sustained market share gains in Boxer, which delivered exceptional sales growth despite a strong base last year.

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). A 4.2% volume growth in the Group's core food and grocery offer underlines the Group's broad appeal across all socio-economic groups.

Liquor and tobacco

Liquor and tobacco sales decreased 47.5% over the period. This was a direct result of the government restrictions on the sale of liquor and tobacco products through much of the nationwide lockdown. Liquor was subject to complete prohibition for approximately 15 weeks of the reported 26-week trading period, with the remainder subject to reduced trading days and hours. The sale of cigarettes and other tobacco products was prohibited between 27 March and 17 August.

Looking to the longer term, the Group will continue to grow its liquor business through targeted investment in safe and convenient stand-alone stores, with a focus on a broad range of local wines and craft products, including our innovative beer and gin categories.

Clothing

Clothing sales decreased 4.2% in South Africa. This was a direct result of government restrictions in the period 27 March to 1 May, with a full prohibition of clothing sales during the Level 5 lockdown, and some continuing restrictions under Level 4.

Despite these challenges, the Group delivered sustained progress against its plan, with solid market share gains over the period, particularly in womenswear and childrenswear. Pick n Pay Clothing remains focused on high-quality, high-value basic wardrobe items, with limited potential mark-down risk. Greater levels of local procurement (up over 25% year-on-year) and collaboration with innovative local designers has ensured consistent availability, mitigating the impact of foreign currency fluctuations.

Responding to a growing consumer demand for online apparel, Pick n Pay launched an online clothing platform in August, with strong performance to date exceeding our expectations. The Group opened 11 new clothing stores during the period and closed six underperforming stores. The Group is confident of the opportunity to grow its clothing business through targeted investment in stand-alone clothing stores, additional space in hypermarkets and supermarkets and an expanding digital reach.

Leading online offer

Launched in 2001, Pick n Pay Online is South Africa's largest online food and grocery retailer. The Group's investment in its digital platform and mobile technology has delivered double-digit growth in online sales each year for the past five years. This provided the Group with a keen competitive advantage going into the Covid-19 crisis. The Group responded quickly and effectively to the surge in demand for online shopping, including through an expanded Click n Collect service, the repositioning of Pick n Pay's one-hour liquor delivery partnership with Bottles into a same-day essential grocery service, and the introduction of a number of digital services across our franchise network – with customers able to email or WhatsApp their orders directly to stores.

Online sales doubled over the period, with a 200% increase in active online customers. Notwithstanding unprecedented levels of demand, our online platform achieved product availability (order fulfilment rates) of 94% and on-time delivery rates of 98%. Bottles, Pick n Pay's on-demand grocery solution, is the highest-rated mobile app in its category, ahead of any other online grocery delivery service in South Africa.

Pick n Pay Online is now available in all major centres across South Africa, operating out of two dedicated online warehouses and more than 150 supermarkets. The Group will continue to grow its online footprint through a comprehensive suite of delivery options, including a pre-scheduled and standing-order delivery service, an expanded Click n Collect offer, and an on-demand essential grocery and liquor offer.

Lower prices and integrated loyalty

The Group delivered on its value commitment to customers, supported by further cost discipline and efficiency gains across its operations. Internal selling price inflation in South Africa was contained at 3.4% over the period, against CPI Food inflation of 4.3%.

The Group augmented its competitive price position with a programme of simple and effective promotions targeted at high-volume essentials, providing customers with deeper value on the products that matter most. Strategic multi-buy and combination offers drove volume growth in both Pick n Pay and Boxer.

Smart Shopper is a significant value driver for Pick n Pay loyalty customers and, with seven million active customers, is a key strategic advantage for the Group. Targeted Smart Price promotions ensured loyalty customers received our absolute best price, driving loyalty participation up to 70% of sales.

Greater relevance and improved store operations

Pick n Pay re-organised its store operations last year into three broad customer segments – Value, Core and Select – enabling improved, customer-focused product ranges, targeted promotions and streamlined operations. These initiatives enabled effective collaboration with suppliers to keep our shelves stocked throughout the lockdown period. Pick n Pay maintained its overall on-shelf availability at 90% over the period, with promotional availability now at over 95%.

Pick n Pay made particular progress on repositioning the range in its Value and Core customer segments over the period, focusing on optimising its fresh produce, butchery and dairy offer. As a result, our Value stores delivered double-digit growth across these categories.

Boxer once again delivered industry-leading sales growth with a product range curated to meet the value needs of the lower-to-middle income communities of southern Africa. Boxer increased its retail market share across a number of basic commodity lines, including maize, oil, chicken and sugar. The Group converted seven under-performing Pick n Pay franchise stores to Boxer supermarkets during the period (12 including the related stand-alone liquor stores), with all now delivering stronger sales growth and improved profitability.

Greater convenience, wider reach

The Group pursued a targeted capital investment programme over the period, focused on critical capital spend in order to preserve cash and optimise returns in an exceedingly challenging environment.

The Group opened 42 new stores, notwithstanding stringent restrictions in the construction industry during lockdown. This included 26 Pick n Pay and Boxer company-owned stores across all formats. In line with its objective to improve the overall quality of its store estate, the Group closed 22 underperforming stores. Net new stores added 1.6% points to sales growth over the period, with notable growth in new Boxer supermarkets over the past 12 months.

The Group's expansion and refurbishment programme reflects a consumer demand for greater convenience through smaller, neighbourhood-located stores. New supermarkets are now 30% smaller than equivalent stores five years ago. An increased proportion of our capital investment is targeted at Pick n Pay Value and Boxer supermarkets serving the lower-to-middle income communities of southern Africa, which the Group believes provides the greatest opportunity for sustainable long-term growth.

RESULT SUMMARY (continued)

Our hypermarket format provides customers with exceptional choice and value. As Covid-19 trading restrictions have eased, our hypermarkets have provided customers with a safe one-stop-shop to meet all household needs, including the increased demand for homeware, electrical and technology products to support remote online working and schooling. The Group continues to improve the trading densities and profitability of the hypermarket division through targeted promotions, a stronger fresh offer, and a curated general merchandise range, augmented by an expanding wholesale offer serving independent traders.

The Group's estate numbers 1 945 stores across all formats, including 749 franchise stores. Our franchise partners have shown resilience in the face of the Covid-19 lockdown, with customers demonstrating tremendous loyalty for our community-based franchise stores. Franchisees are tenacious, decisive and quick to action, driven always by serving the best interests of the communities they serve. We are grateful for the valuable role our franchisees have played in the Group's collaborative crisis-response efforts.

GROSS PROFIT

Gross profit increased 1.0% to R8.6 billion, with a 0.2% point reduction in the gross profit margin to 19.6% of turnover. The gross profit margin contraction reflects the impact of trading restrictions over the period in a number of higher-margin product categories, including clothing, liquor, general merchandise, and our value-added hot foods, deli and bakery offer.

The Group's centralised procurement and distribution channel responded quickly to the crisis, supported by effective partnerships with suppliers and service providers. The Group implemented stringent health and safety measures across the supply chain, including rigorous cleaning protocols, employee health screening and shift management tailored to meet physical distancing objectives. As a result, the Group's distribution centres remained open and fully operational throughout the crisis, maintaining high levels of service delivery to stores.

The Group mitigated the substantive Covid-19 gross profit margin impact of 0.8% points with sustained cost and efficiency savings, delivering a 0.6% point underlying margin improvement.

Improved supply chain efficiency and cost control

With centralised supply at over 80%, Pick n Pay continued to optimise its supply chain infrastructure, delivering meaningful cost savings across both fresh produce and grocery distribution, and improving productivity across all distribution centres. Close collaboration between our supply chain, procurement and store operations teams delivered further progress in Pick n Pay's store segmentation and range optimisation initiatives, with a 10% year-on-year reduction in fresh waste, reduced to clear and shrink.

Greater levels of centralised supply in Boxer

The Group's gross profit margin benefited from Boxer's increasingly efficient supply chain, with its level of centralised supply increasing from 45% to 50% over the period. As a result, Boxer delivered an increase in distribution allowances from suppliers, alongside higher levels of incentive income as a result of its solid volume growth.

Own brand value and innovation

Pick n Pay introduced 550 new and redesigned own brand products over the period, across a range of edible and non-edible groceries, and fresh and frozen convenience meals. Own brand sales grew 11% year-on-year, with own brand sales participation in Pick n Pay reaching 24% of participating categories, and now over 30% in edible and non-edible groceries.

Boxer's own brand participation increased 3% year-on-year to 22%, driven by strong growth in its high-quality commodity brands, including Shibobo, Golden Ray and Best Cook – with a number of these key own brand products reaching category participation of over 50%.

Own brand provides meaningful opportunity for small business development, product innovation, and cost and value savings across the supply chain. Accelerating the growth of our own brand offer to provide our customers with more choice and greater value remains a strategic priority for the Group.

OTHER INCOME

Other income increased 0.6% to R760.1 million, directly impacted by the Covid-19 trading restrictions.

Franchise fee income – the Group's royalty fee income, earned on franchise point of sale turnover, decreased 0.7% to R203.0 million, reflecting the impact of Covid-19 trading restrictions on our franchise partners, and the additional fee support provided by the Group under these difficult circumstances.

Commissions and other income – this broad category of income includes income from value-added services and all other commission and incentive income not directly related to the sale of inventory. Commissions and other income increased 3.3% year-on-year to R499.6 million.

Income from value-added services – decreased 10.9% year-on-year. Third-party bill payments and pre-paid electricity grew 4.5% year-on-year, however commissions earned on travel and event ticketing and financial services were all down year-on-year as a result of trading restrictions in respect of non-essential goods and services, and customers switching from in-store financial and cellular services to online alternatives.

TRADING EXPENSES

Trading expenses grew 4.8% year-on-year to R8.5 billion, with like-for-like expense growth of 3.2%. Trading expenses include R150 million of costs directly related to the Group's Covid-19 operational response. These costs include a R50 million appreciation bonus paid to 50 000 front-line staff in recognition of their essential service under difficult circumstances, additional safety and hygiene costs of R80 million, and security and administrative costs of R20 million.

The Group has not removed these costs when assessing its underlying performance over the period, as Covid-19 regulations also resulted in some cost savings, including in labour scheduling, staff training, transport, security and electricity costs, principally as a result of reduced trading hours.

Trading expenses include R100 million of once-off compensation costs in respect of the Group's voluntary severance programme (included within employee costs). Excluding the cost of the VSP, trading expenses are up just 3.6% year-on-year (1.9% like-for-like).

Employee costs – increased 2.0% to R3.9 billion (0.7% like-for-like). Over 1 400 staff left the Group as a result of the VSP. Participation in the programme was entirely voluntary for staff, who were offered 1.5 weeks of pay per completed year of service, plus four weeks of notice pay. Excluding the once-off VSP cost, employee costs were down 0.6% year-on-year, at 8.7% of turnover, notwithstanding the R50 million Covid-19 appreciation bonus. The reduction in employee numbers will have a positive impact on Group operating costs in future years.

Occupancy costs – grew 7.2% year-on-year to R1.2 billion (6.1% like-for-like) reflecting increases in rates, security and insurance costs.

Operations costs – grew 8.5% year-on-year to R2.0 billion (6.0% like-for-like) driven by increases in electricity and Covid-19 related hygiene and safety costs. Greater operating efficiency and lower levels of energy consumption continue to mitigate the impact of double-digit increases in regulated electricity tariffs.

Merchandising and administration costs – grew 6.2% year-on-year to R1.3 billion (4.2% like-for-like), driven by increases in bank charges and credit card commissions, with customers preferring contactless card payments over cash during the lockdown period.

TRADING PROFIT

Group trading profit decreased 25.4% year-on-year to R885.6 million. Group trading profit excluding the once-off VSP cost of R100 million was down 17.0% year-on-year.

NET INTEREST

Net interest, including implied interest charges under IFRS 16, increased 1.2% year-on-year to R656.9 million.

The Group's average net funding position was elevated over the period as a result of the trade and earnings impact of Covid-19. Careful management of cash resources alongside the benefit of lower interest rates over the period, saw the cost of net funding decrease by 16.6% year-on-year from R53.1 million to R44.3 million. The Group's implied IFRS 16 net interest charge increased 2.7% year-on-year, reflecting stability in our broad lease portfolio.

REST OF AFRICA SEGMENT

The Group's Rest of Africa segment contributed R2.0 billion of segmental revenue, down 10.3% on last year. Removing the impact of currency weakness, segmental revenue was down 7.3% in constant currency terms.

The performance of the Rest of Africa division reflects increasingly difficult trading conditions in southern Africa, combined with the impact of Covid-19 and differing government responses across the six countries outside South Africa in which we trade. Customer trends mirrored those seen in South Africa, with a substantial decline in customer transactions and an increase in basket sizes, as customers limited their shopping trips in the pandemic. Most territories experienced stock shortages due to their reliance on imported stock, and the impact of trade and border restrictions.

Group operations outside South Africa mitigated the impact of Covid-19 and deteriorating economic conditions on revenue growth, with exceptional cost discipline. The Rest of Africa division remained profitable with profit before tax of R29.4 million, up 6.9% on last year.

Zambia

The difficult economic and trading conditions in Zambia persisted over the period under review. The local kwacha currency weakened by close to 30% to the US dollar over six months, driving up the cost of imports and dollar-based operating costs, and fuelling cost inflation. Spiralling fuel and energy costs and extended periods of power outages (load shedding) continued to suppress economic growth and consumer confidence in the region.

Notwithstanding the challenging operating environment, the retail sector in Zambia remains highly competitive. Pick n Pay Zambia continues to strengthen its underlying operating model, anchored by stronger range management and improved operating efficiencies, to deliver lower prices and an improved customer offer.

Zimbabwe

TM Supermarkets, the Group's 49%-owned associate in Zimbabwe, delivered a solid trading and earnings performance under extremely challenging economic conditions. The region continues to grapple with severe currency weakness and illiquidity, escalating levels of hyperinflation and a resultant shortage in fuel and other staple goods. In addition, persistent drought across the southern African region has led to ongoing water shortages and power outages. In a very difficult environment, TM continued to grow its market share, underpinned by an outstanding shopping experience and consistent on-shelf availability, subject to the reliability of local supply.

Investment in TM Supermarkets	30 August 2020 Rm	1 September 2019 Rm
Opening balance	50.4	184.4
Earnings before impairment	61.4	46.3
Trading result	38.7	74.6
Foreign exchange loss on translation of foreign debt	(9.1)	(58.0)
Hyperinflation accounting – net monetary gain	31.8	29.7
Foreign translation recorded in equity	(2.0)	(132.3)
Impairment	(47.4)	(48.0)
Closing balance	62.4	50.4

TM Supermarkets is self-funding, and does not require capital investment from Pick n Pay to operate and grow the business in Zimbabwe. TM Supermarkets was able to remit funds to South Africa as liquidity became available in the region, and settled its outstanding trade debt with Pick n Pay in full over the period. The Group has reassessed the fair value of its investment in TM Supermarkets at R62.4 million, from R50.4 million last year, recognising its strong underlying operating performance over the period, and the significant reduction in its foreign-currency denominated debt.

PROFIT BEFORE TAX, BEFORE HYPERINFLATION AND CAPITAL ITEMS (COMPARABLE PBT)

The Group's PBT was down 53.4% year-on-year to R258.3 million. Ignoring the once-off costs of the voluntary severance programme, Group PBT was down 35.4% year-on-year. This was a resilient performance under difficult economic and operating conditions.

CAPITAL LOSSES

The Group incurred capital losses of R47.5 million year-to-date, against a R47.2 million charge in the prior year. The capital losses are driven by the Group's impairment of its investment in associate in Zimbabwe, due to the application of hyperinflation accounting in the region. The capital losses were added back in the calculation of headline earnings.

TAX

The Group's effective tax rate, excluding the impact of hyperinflation in Zimbabwe and the related impairment of TM supermarkets, was up 5.4% points year-on-year to 32.5%. In line with FY20, the increase was largely driven by the reversal of deferred tax assets related to a reduction in the Group's employee share incentive scheme obligations, as a result of the lower share price over the period. Hyperinflation accounting in Zimbabwe, and all related impairments, further increased the tax rate to 34.6%.

EARNINGS PER SHARE

Comparable headline earnings per share (comparable HEPS) – excluding the full impact of hyperinflation (and all related capital gains and losses) related to TM Supermarkets in Zimbabwe, decreased by 56.3% to 37.12 cents per share. Comparable HEPS excluding the once-off cost of the voluntary severance programme is down 38.6% year-on-year, to 52.20 cents per share.

Headline earnings per share (HEPS) – decreased by 52.0% to 43.78 cents per share, and includes the Group's share of non-cash hyperinflation net monetary gain in TM Supermarkets. All related impairment losses and other capital items are added back in the calculation of headline earnings per share.

Earnings per share (EPS) – decreased by 59.1% to 33.23 cents per share, and includes the impact of hyperinflation and all items of a capital nature.

DETAILED REVIEW OF FINANCIAL POSITION

Balance sheet strength and stability is testament to the Group's execution of an effective long-term strategy over a number of years, which has delivered sustainable returns from a measured and targeted capital investment programme. The Group maintains a low-level of gearing, largely financing its growth and refurbishment initiatives through internally generated cash flow.

LIQUIDITY

The Group has no long-term structured debt, and actively manages its working capital and operational needs through short-term and cost-effective, ZAR-denominated funding facilities. The Group's strong and stable liquidity position, alongside strategic partnerships with local and international funders, served it well into the Covid-19 crisis. The Group has taken advantage of the low interest rate environment to term out some shorter-dated debt into six-month and 12-month funding.

Net funding position	30 August 2020 Rm	1 September 2019 Rm
Cash balances	6 288.7	2 063.3
Cost-effective overnight borrowings	(2 050.0)	(1 000.0)
Cash and cash equivalents	4 238.7	1 063.3
1 to 3-month borrowings	(1 400.0)	(1 700.3)
6-month borrowings	(800.0)	–
12-month borrowings	(650.0)	–
Net funding position	1 388.7	(637.0)

The Group's positive net funding position reflects prudent cash and liquidity preservation over the course of the lockdown period. The pandemic and all related costs and trading restrictions had a substantive impact on earnings and inventory levels over the period. However, the Group managed its overall debt position through cost and working capital discipline, and the delay of all non-critical capital spend. The Group's like-for-like net funding position, excluding the benefit of the FY20 dividend deferral of approximately R0.9 billion and the financial calendar cut-off benefit on trade payables, is now back in line with the FY20 year-end position.

WORKING CAPITAL

The Group generated cash from working capital of R1.8 billion over the first half of the year, compared to R1.5 billion last year. While the working capital performance reflects benefits from the timing of the financial calendar cut-off on supplier payments, it demonstrates the extraordinary effort of the team to actively limit the impact of trading restrictions and Covid-19 supplier strike rate challenges on inventory balances over the period.

Inventory

Inventory at R7.1 billion was up 18.7% on last year. The addition of 79 net new company-owned stores over the past 12 months added 5.0% to inventory balances with the ongoing supply chain centralisation in our Boxer business adding a further 5.0%. Over the period, Group inventory days were on average three days higher than the prior year, driven by higher levels of inventory in our liquor business as a result of trading restrictions, and strategic investment in essential food and grocery stocks to maintain on-shelf availability of necessities during the lockdown period, particularly ahead of SASSA grant payment dates. Notwithstanding the challenges of the past six months, the Group has delivered good progress on its range optimisation initiatives, working closely with suppliers to remove up to 70% of old and slow moving product lines from the business.

Debtors

Trade and other receivables (current and non-current) decreased by 5.6% on last year to R3.9 billion. The decrease reflects decisive and strategic action by the Group to improve the quality of its debtors book, including through the closure of 13 underperforming franchise stores over the period, and the conversion of a further 26 franchise stores to company-owned stores – including seven conversions to Boxer supermarkets. The Group's impairment allowance is at 3.6% of the value of the debtors' book, in line with last year.

CAPITAL INVESTMENT

The Group invested just over R590 million in its capital improvement programme over the period. Capital spend was R170 million below last year, with the delay of all non-critical capital spend over the period in order to safeguard Group liquidity.

The Group commits the majority of its capital spend to customer facing initiatives in order to generate long-term sustainable returns. Over the period, R335 million was spent on new stores, R150 million on refurbishments and R105 million on maintaining the Group's supply chain capability and systems infrastructure.

SHAREHOLDER DISTRIBUTION

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.

FY20 FINAL DIVIDEND

The Board declared a final FY20 dividend of 173.06 cents per share, maintaining the Group's dividend cover of 1.3 times comparable headline earnings per share, on a 52-week basis.

FY21 INTERIM DIVIDEND

The Board declared an interim FY21 dividend of 18.74 cents per share, down 56.2% on last year, in line with the decrease in comparable headline earnings per share for the 26-week period.

The FY20 final dividend (dividend number 104) and the FY21 interim dividend (dividend number 105) will be consolidated and paid on 7 December 2020. Please refer to the formal dividend declaration included with this announcement for detailed 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.

Gareth Ackerman
Chairman

Richard Brasher
Chief Executive Officer

19 October 2020

COMPARABLE EARNINGS PERFORMANCE

The table below presents the Group's earnings performance for the current and previous interim periods on a comparable basis. Comparable earnings metrics exclude the hyperinflation net monetary gain in respect of the Group's investment in associate attributable to IAS 29 *Financial Reporting in Hyperinflationary Economies* (IAS 29). Comparable earnings metrics excluding once-off costs further removes the impact of once-off employee compensation costs relating to the Group's voluntary severance programme (VSP).

	26 weeks to 30 August 2020 Rm	Once-off costs 26 weeks to 30 August 2020 Rm	Earnings excluding once-off costs 26 weeks to 30 August 2020 Rm	% of turnover	% change	26 weeks to 1 September 2019 Rm	% of turnover
Turnover	44 227.4	–	44 227.4			43 208.6	
Comparable turnover*	44 227.4	–	44 227.4		2.6	43 113.6	
Turnover from airtime sales recognised on a principal basis	–	–	–			95.0	
Cost of merchandise sold	(35 580.3)	–	(35 580.3)			(34 648.3)	
Gross profit	8 647.1	–	8 647.1	19.6	1.0	8 560.3	19.8
Other income	760.1	–	760.1	1.7	0.6	755.5	1.7
Franchise fee income	203.0	–	203.0	0.5	(0.7)	204.5	0.5
Operating lease income	57.5	–	57.5	0.1	(14.4)	67.2	0.2
Commissions and other income	499.6	–	499.6	1.1	3.3	483.8	1.1
Trading expenses	(8 521.6)	100.0	(8 421.6)	19.0	3.6	(8 128.2)	18.8
Employee costs**	(3 952.8)	100.0	(3 852.8)	8.7	(0.6)	(3 876.4)	9.0
Occupancy	(1 200.1)	–	(1 200.1)	2.7	7.2	(1 119.7)	2.6
Operations	(2 038.8)	–	(2 038.8)	4.6	8.5	(1 879.7)	4.4
Merchandising and administration	(1 329.9)	–	(1 329.9)	3.0	6.2	(1 252.4)	2.9
Trading profit	885.6	100.0	985.6	2.3	(17.0)	1 187.6	2.7
Net finance costs	(656.9)	–	(656.9)	1.5	1.2	(649.4)	1.5
Net finance costs incurred on net funding	(44.3)	–	(44.3)	0.1	(16.6)	(53.1)	0.1
Net finance costs on leases	(612.6)	–	(612.6)	1.4	2.7	(596.3)	1.4
Share of associate's earnings excluding net monetary gain***	29.6	–	29.6			16.6	
Comparable profit before tax before capital items***	258.3	100.0	358.3	0.8	(35.4)	554.8	1.3
Share of associate's hyperinflation net monetary gain***	31.8	–	31.8	0.1	7.1	29.7	0.1
Profit before tax before capital items	290.1	100.0	390.1	0.9	(33.3)	584.5	1.4
Loss on capital items	(47.5)	–	(47.5)			(47.2)	
Profit on sale of assets	0.5	–	0.5			0.8	
Impairment loss on assets	(0.6)	–	(0.6)			–	
Share of associate's impairment loss as a result of hyperinflation***	–	–	–			(48.0)	
Impairment loss on investment in associate	(47.4)	–	(47.4)			–	
Profit before tax	242.6	100.0	342.6	0.8	(36.2)	537.3	1.2
Tax	(83.9)	(28.0)	(111.9)	0.3	(25.6)	(150.5)	0.3
Profit for the period	158.7	72.0	230.7	0.5	(40.4)	386.8	0.9
Comparable headline earnings***	177.3	72.0	249.3		(38.4)	404.5	

* *Comparable turnover in the prior year excludes the turnover earned from the sale of airtime and data recognised on a principal basis. Refer to Appendix 2.*

** *The Group incurred R100 million of once-off employee compensation costs (R72 million net of tax) relating to its VSP.*

*** *Profit before tax before capital items, headline earnings, headline earnings per share (HEPS) and diluted headline earnings per share (DHEPS) include a hyperinflation net monetary gain in respect of the Group's investment in associate under the requirements of IAS 29. In order to present the underlying operating performance of the Group on a comparable basis, the share of associate's earnings has been separately disclosed between components including and excluding the hyperinflation net monetary gain. The Group has therefore presented comparable profit before tax before capital items, comparable headline earnings, comparable HEPS and comparable DHEPS excluding the hyperinflation net monetary gain.*

	26 weeks to 30 August 2020 Rm	Once-off costs 26 weeks to 30 August 2020 Rm	Earnings excluding once-off costs 26 weeks to 30 August 2020 Rm	% change	26 weeks to 1 September 2019 Rm
South Africa operating segment					
Comparable turnover*	42 720.3		42 720.3	3.4	41 335.5
Profit before tax before capital items	211.4	100.0	311.4	(38.8)	509.0
Rest of Africa operating segment					
Total segmental revenue	2 034.0		2 034.0	(10.3)	2 267.0
Comparable profit before tax before capital items***	46.9		46.9	2.4	45.8
Comparable headline earnings per share***	Cents		Cents		Cents
Headline earnings per share	37.12		37.12	(56.3)	85.03
Diluted headline earnings per share	37.05		37.05	(56.1)	84.41
Comparable headline earnings per share excluding once-off VSP costs**	Cents	Cents	Cents		Cents
Headline earnings per share	37.12	15.08	52.20	(38.6)	85.03
Diluted headline earnings per share	37.05	15.04	52.09	(38.3)	84.41
Earnings per share	Cents		Cents		Cents
Basic earnings per share	33.23		33.23	(59.1)	81.31
Diluted earnings per share	33.16		33.16	(58.9)	80.71
Headline earnings per share	43.78		43.78	(52.0)	91.28
Diluted headline earnings per share	43.69		43.69	(51.8)	90.61

Refer to Appendix 3 for the reconciliation of headline earnings and comparable headline earnings.

* *Comparable turnover in the prior year excludes the turnover earned from the sale of airtime and data recognised on a principal basis. Refer to Appendix 2.*

** *The Group incurred R100 million of once-off employee compensation costs (R72 million net of tax) relating to its VSP.*

*** *Profit before tax before capital items, headline earnings, headline earnings per share (HEPS) and diluted headline earnings per share (DHEPS) include a hyperinflation net monetary gain in respect of the Group's investment in associate under the requirements of IAS 29. In order to present the underlying operating performance of the Group on a comparable basis, the share of associate's earnings has been separately disclosed between components including and excluding the hyperinflation net monetary gain. The Group has therefore presented comparable profit before tax before capital items, comparable headline earnings, comparable HEPS and comparable DHEPS excluding the hyperinflation net monetary gain.*

Pick n Pay Stores Limited
Incorporated in the Republic of South Africa
Registration number: 1968/008034/06
ISIN: ZAE000005443
JSE share code: PIK

DIVIDEND DECLARATION

Tax reference number: 9275/141/71/2
Number of ordinary shares in issue: 493 450 321

FY20 FINAL DIVIDEND – NUMBER 104

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.

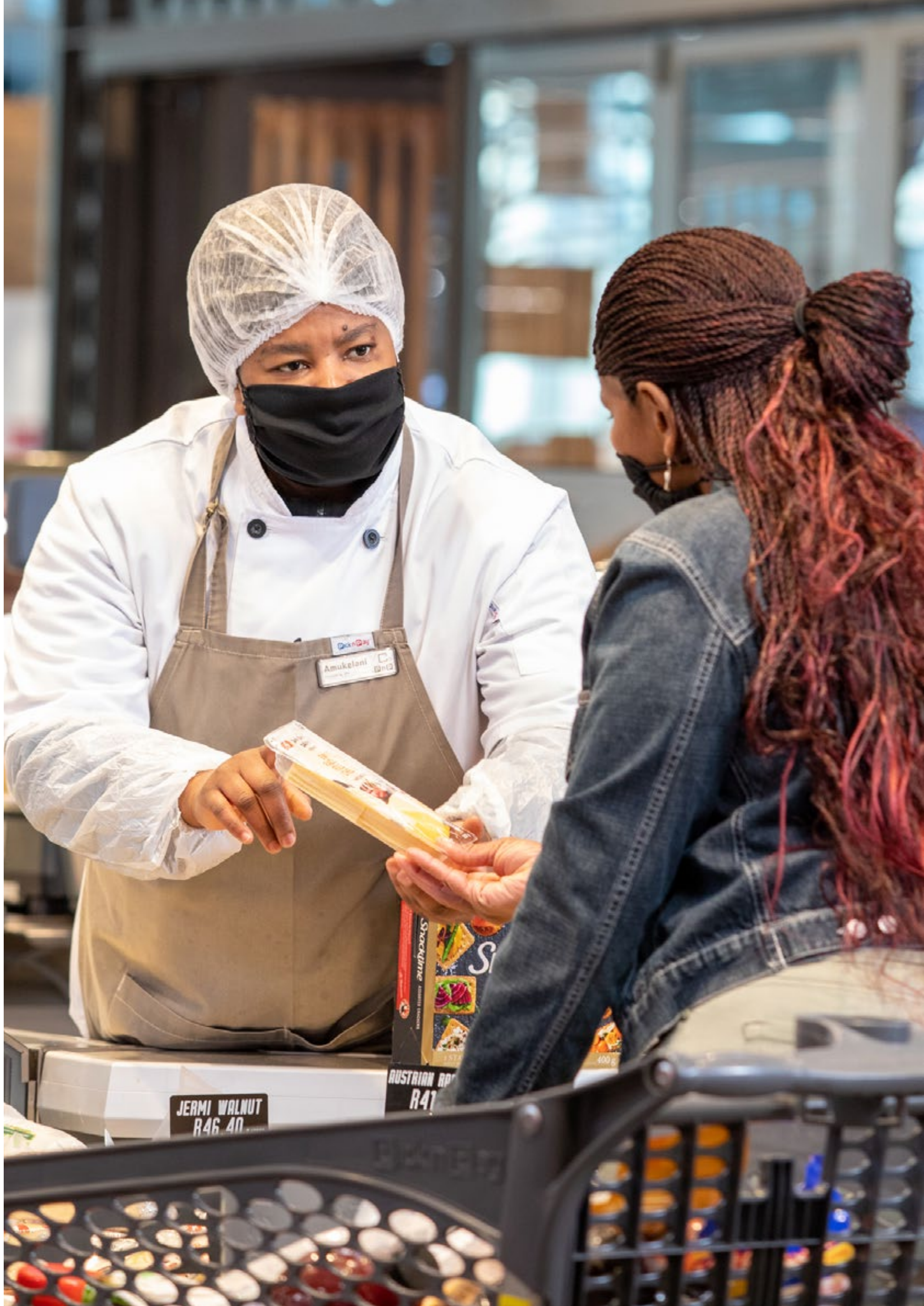
Share certificates may not be dematerialised or rematerialised between Wednesday, 2 December 2020 and Friday, 4 December 2020, both dates inclusive.

On behalf of the Board of directors

Debra Muller
Company Secretary

19 October 2020
Cape Town

Sponsor: Investec Bank Limited



GROUP STATEMENT OF COMPREHENSIVE INCOME

for the period ended

	Note	Unaudited 26 weeks to 30 August 2020 Rm	Unaudited 26 weeks to 1 September 2019 Rm	Audited 52 weeks to 1 March 2020 Rm
Revenue	2	**45 206.1**	44 200.9	91 323.4
Turnover	2	**44 227.4**	43 208.6	89 281.5
Cost of merchandise sold		**(35 580.3)**	(34 648.3)	(71 679.8)
Gross profit		**8 647.1**	8 560.3	17 601.7
Other income		**760.1**	755.5	1 570.2
Franchise fee income	2	**203.0**	204.5	398.3
Operating lease income	2	**57.5**	67.2	140.7
Commissions and other income	2	**499.6**	483.8	1 031.2
Trading expenses		**(8 521.6)**	(8 128.2)	(16 023.9)
Employee costs		**(3 952.8)**	(3 876.4)	(7 368.2)
Occupancy		**(1 200.1)**	(1 119.7)	(2 271.5)
Operations		**(2 038.8)**	(1 879.7)	(3 836.0)
Merchandising and administration		**(1 329.9)**	(1 252.4)	(2 548.2)
Trading profit		**885.6**	1 187.6	3 148.0
Finance income	2	**218.6**	236.8	471.7
Finance costs	3	**(875.5)**	(886.2)	(1 772.1)
Share of associate's earnings	7	**61.4**	(1.7)	66.3
Profit before tax before capital items		**290.1**	536.5	1 913.9
(Loss)/profit on capital items		**(47.5)**	0.8	(177.9)
Profit on sale of assets		**0.5**	0.8	7.7
Impairment loss on assets		**(0.6)**	–	(12.0)
Impairment loss on investment in associate	7	**(47.4)**	–	(173.6)
Profit before tax		**242.6**	537.3	1 736.0
Tax		**(83.9)**	(150.5)	(541.3)
Profit for the period		**158.7**	386.8	1 194.7
Other comprehensive income, net of tax				
Items that will not be reclassified to profit or loss		**2.2**	1.4	(4.5)
Remeasurement in retirement scheme assets		**3.1**	1.9	(6.2)
Tax on items that will not be reclassified to profit or loss		**(0.9)**	(0.5)	1.7
Items that may be reclassified to profit or loss		**(7.0)**	(140.6)	(33.2)
Foreign currency translations		**3.9**	(149.1)	(42.0)
Movement in cash flow hedge		**(10.3)**	1.0	6.3
Tax on items that may be reclassified to profit or loss		**(0.6)**	7.5	2.5
Total comprehensive income for the period		**153.9**	247.6	1 157.0
Earnings per share		**Cents**	Cents	Cents
Basic earnings per share	4	**33.23**	81.31	250.90
Diluted earnings per share	4	**33.16**	80.71	249.60

GROUP STATEMENT OF FINANCIAL POSITION

	Note	Unaudited As at 30 August 2020 Rm	Unaudited* As at 1 September 2019 Rm	Audited As at 1 March 2020 Rm
ASSETS				
Non-current assets				
Intangible assets		**934.0**	883.2	865.4
Property, plant and equipment		**6 456.8**	6 299.0	6 622.4
Right-of-use assets		**9 650.1**	10 081.6	9 880.6
Net investment in lease receivables		**1 882.3**	1 944.3	2 129.9
Deferred tax assets		**811.7**	806.7	753.1
Investment in associate	7	**62.4**	50.4	50.4
Loans		**74.1**	98.5	86.6
Retirement scheme assets		**72.9**	75.3	68.7
Investment in insurance cell captive	11	**65.5**	44.9	54.9
Operating lease assets		**12.7**	13.2	13.0
Trade and other receivables	8	**186.0**	109.7	93.6
		20 208.5	20 406.8	20 618.6
Current assets				
Inventory		**7 052.4**	5 942.2	6 519.8
Trade and other receivables	8	**3 756.9**	4 066.2	4 168.5
Cash and cash equivalents		**6 288.7**	2 063.3	1 947.3
Net investment in lease receivables		**447.3**	231.7	221.0
Right-of-return assets		**21.0**	20.2	20.7
Current tax assets		**–**	117.0	–
Derivative financial instruments	11	**–**	4.1	9.4
		17 566.3	12 444.7	12 886.7
Total assets		**37 774.8**	32 851.5	33 505.3
EQUITY AND LIABILITIES				
Equity				
Share capital	5	**6.0**	6.0	6.0
Treasury shares	6	**(879.6)**	(1 016.8)	(961.7)
Retained earnings		**4 521.1**	3 853.7	4 303.2
Other reserves		**(10.3)**	1.0	5.3
Foreign currency translation reserve		**(339.4)**	(444.8)	(342.7)
Total equity		**3 297.8**	2 399.1	3 010.1
Non-current liabilities				
Lease liabilities		**13 914.3**	14 125.8	14 188.5
Deferred tax liabilities		**2.6**	14.2	3.1
		13 916.9	14 140.0	14 191.6
Current liabilities				
Trade and other payables		**13 099.6**	11 764.4	11 255.2
Lease liabilities		**1 875.1**	1 501.0	1 716.7
Deferred revenue		**426.5**	346.7	298.8
Overnight borrowings		**2 050.0**	1 000.0	2 050.0
Borrowings		**2 850.0**	1 700.3	935.0
Current tax liabilities		**258.0**	–	47.9
Derivative financial instruments	11	**0.9**	–	–
		20 560.1	16 312.4	16 303.6
Total equity and liabilities		**37 774.8**	32 851.5	33 505.3
Number of ordinary shares in issue – thousands	5.1	**493 450.3**	493 450.3	493 450.3
Weighted average number of ordinary shares in issue – thousands	4.2	**477 591.0**	475 723.8	476 161.6
Diluted weighted average number of ordinary shares in issue – thousands	4.2	**478 639.8**	479 235.8	478 647.8
Net asset value (property value based on directors' valuation) – cents per share		**786.1**	653.0	776.2

* *In line with the restatements made in the 2020 audited Group annual financial statements, the Group aligned its comparative unaudited balances as at 1 September 2019 with amendments to deferred tax assets (R37.9 million), retained earnings (R77.6 million), lease liabilities (R115.5 million) and net asset value (16.3 cents per share). These amendments related to the Group's adoption of IFRS 16 Leases. Refer to note 32 of the 2020 audited Group annual financial statements.*

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 3 March 2019	6.0	(993.7)	4 331.9	(6.0)	(303.2)	3 035.0
Total comprehensive income for the period	–	–	388.2	1.0	(141.6)	247.6
Profit for the period	–	–	386.8	–	–	386.8
Foreign currency translations	–	–	–	–	(141.6)	(141.6)
Movement in cash flow hedge	–	–	–	1.0	–	1.0
Remeasurement in retirement scheme assets	–	–	1.4	–	–	1.4
Other reserve movements	–	–	–	6.0	–	6.0
Transactions with owners	–	(23.1)	(866.4)	–	–	(889.5)
Dividends paid	–	–	(929.7)	–	–	(929.7)
Share purchases	–	(87.6)	–	–	–	(87.6)
Net effect of settlement of employee share awards	–	64.5	(64.2)	–	–	0.3
Share-based payments expense	–	–	127.5	–	–	127.5
At 1 September 2019*	6.0	(1 016.8)	3 853.7	1.0	(444.8)	2 399.1
Total comprehensive income for the period	–	–	802.0	5.3	102.1	909.4
Profit for the period	–	–	807.9	–	–	807.9
Foreign currency translations	–	–	–	–	102.1	102.1
Movement in cash flow hedge	–	–	–	5.3	–	5.3
Remeasurement in retirement scheme assets	–	–	(5.9)	–	–	(5.9)
Other reserve movements	–	–	–	(1.0)	–	(1.0)
Transactions with owners	–	55.1	(352.5)	–	–	(297.4)
Dividends paid	–	–	(196.0)	–	–	(196.0)
Net effect of settlement of employee share awards	–	55.1	(54.7)	–	–	0.4
Share-based payments expense	–	–	(101.8)	–	–	(101.8)
At 1 March 2020	**6.0**	**(961.7)**	**4 303.2**	**5.3**	**(342.7)**	**3 010.1**
Total comprehensive income for the period	**–**	**–**	**160.9**	**(10.3)**	**3.3**	**153.9**
Profit for the period	**–**	**–**	**158.7**	**–**	**–**	**158.7**
Foreign currency translations	**–**	**–**	**–**	**–**	**3.3**	**3.3**
Movement in cash flow hedge	**–**	**–**	**–**	**(10.3)**	**–**	**(10.3)**
Remeasurement in retirement scheme assets	**–**	**–**	**2.2**	**–**	**–**	**2.2**
Other reserve movements	**–**	**–**	**–**	**(5.3)**	**–**	**(5.3)**
Transactions with owners	**–**	**82.1**	**57.0**	**–**	**–**	**139.1**
Net effect of settlement of employee share awards	**–**	**82.1**	**(82.1)**	**–**	**–**	**–**
Share-based payments expense	**–**	**–**	**139.1**	**–**	**–**	**139.1**
At 30 August 2020	**6.0**	**(879.6)**	**4 521.1**	**(10.3)**	**(339.4)**	**3 297.8**

* *In line with the restatements made in the 2020 audited Group annual financial statements, the Group aligned its comparative unaudited balances as at 1 September 2019 with amendments to deferred tax assets (R37.9 million), retained earnings (R77.6 million), lease liabilities (R115.5 million) and net asset value (16.3 cents per share). These amendments related to the Group's adoption of IFRS 16 Leases. Refer to note 32 of the 2020 audited Group annual financial statements.*

GROUP STATEMENT OF CASH FLOWS

for the period ended

	Note	Unaudited 26 weeks to 30 August 2020 Rm	Unaudited* 26 weeks to 1 September 2019 Rm	Audited 52 weeks to 1 March 2020 Rm
Cash flows from operating activities				
Trading profit		**885.6**	1 187.6	3 148.0
Adjusted for non-cash items		**1 730.1**	1 583.4	2 967.5
Depreciation on property, plant and equipment		**592.9**	551.3	1 132.9
Depreciation on right-of-use assets		**897.2**	820.6	1 646.9
Amortisation on intangible assets		**67.8**	82.1	151.0
Share-based payment expense		**139.1**	127.5	25.7
Movement in operating lease assets		**0.3**	(0.4)	(0.2)
Rent concessions		**36.4**	–	–
Movement in retirement scheme assets		**(1.1)**	(1.2)	(2.7)
Fair value and foreign exchange adjustments		**(2.5)**	3.5	13.9
Cash generated before movements in working capital		**2 615.7**	2 771.0	6 115.5
Movements in working capital		**1 769.6**	1 474.0	249.9
Movements in trade and other payables and deferred revenue		**1 972.1**	1 508.6	951.5
Movements in inventory and right-of-return assets		**(522.2)**	(242.4)	(821.2)
Movements in trade and other receivables		**319.7**	207.8	119.6
Cash generated from trading activities		**4 385.3**	4 245.0	6 365.4
Other interest received		**115.1**	143.9	275.6
Other interest paid		**(159.4)**	(197.0)	(389.6)
Interest received on net investment in lease receivables		**86.7**	77.0	183.3
Interest paid on lease liabilities		**(628.5)**	(583.7)	(1 312.1)
Cash generated from operations		**3 799.2**	3 685.2	5 122.6
Dividends paid		**–**	(929.7)	(1 125.7)
Tax received/(paid)		**66.7**	(300.9)	(487.1)
Cash generated from operating activities		**3 865.9**	2 454.6	3 509.8
Cash flows from investing activities				
Investment in intangible assets		**(36.5)**	(52.1)	(91.5)
Investment in property, plant and equipment		**(405.0)**	(702.4)	(1 653.7)
Purchase of operations	12	**(156.6)**	(3.5)	(22.8)
Proceeds on disposal of intangible assets		**–**	–	0.3
Proceeds on disposal of property, plant and equipment		**6.1**	40.5	61.2
Principal net investment in lease receipts		**147.2**	102.8	220.0
Lease incentives received		**3.3**	–	121.0
Loans repaid		**12.5**	3.5	15.4
Cash utilised in investing activities		**(429.0)**	(611.2)	(1 350.1)
Cash flows from financing activities				
Principal lease liability payments		**(1 013.2)**	(769.2)	(1 487.4)
Borrowings raised		**4 900.0**	7 025.0	12 760.0
Repayment of borrowings		**(2 985.0)**	(6 649.7)	(13 150.0)
Share purchases		**–**	(87.6)	(87.6)
Proceeds from employees on settlement of share awards		**–**	0.3	0.7
Cash generated from/(utilised in) financing activities		**901.8**	(481.2)	(1 964.3)
Net increase in cash and cash equivalents		**4 338.7**	1 362.2	195.4
Net cash and cash equivalents at beginning of period		**(102.7)**	(296.8)	(296.8)
Foreign currency translations		**2.7**	(2.1)	(1.3)
Net cash and cash equivalents at end of period		**4 238.7**	1 063.3	(102.7)
Consisting of:				
Cash and cash equivalents		**6 288.7**	2 063.3	1 947.3
Overnight borrowings		**(2 050.0)**	(1 000.0)	(2 050.0)

* *The classification of principal net investment in lease receipts for the 26 weeks ended 1 September 2019 was amended to align with changes in classification made in the 2020 audited Group annual financial statements.*

NOTES TO THE FINANCIAL INFORMATION

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), IAS 34 *Interim Financial Reporting*, the SAICA *Financial Reporting Guides* as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and the requirements of the Companies Act of South Africa. The accounting policies applied in the preparation of these condensed consolidated interim financial statements are in terms of IFRS and are consistent with those applied in the audited Group annual financial statements for the 52 weeks ended 1 March 2020, except for SAICA Circular 1/2019 on headline earnings and the IFRS 16 *Leases* practical expedient on rent concessions. The IFRS 16 *Leases* practical expedient applied to all rent concessions received during the period, all of which were recorded in the statement of comprehensive income. The Group has not early adopted any other 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.

Considerations in respect of Covid-19 pandemic and the current economic environment

The impact of Covid-19 and the current economic environment on the basis of preparation of the unaudited condensed consolidated interim financial statements has been considered. The directors continue to consider it appropriate to adopt the going concern basis of accounting in preparing the interim financial information. Forecast liquidity has been assessed under various scenarios to support this assertion.

The Group's significant accounting judgements and estimates were disclosed in note 1 of the audited Group annual financial statements for the 52 weeks ended 1 March 2020, and the potential impact of Covid-19 on the valuation of significant assets and liabilities was disclosed in note 31 of the audited Group annual financial statements for the 52 weeks ended 1 March 2020. These areas were reviewed at 30 August 2020 and where necessary, changes to reflect current market conditions and current market forecasts have been accounted for during the period under review.

Refer to the results summary section for further information on the impact of Covid-19 on the results of the Group.

2 REVENUE

	Unaudited 26 weeks to 30 August 2020 Rm	Unaudited 26 weeks to 1 September 2019 Rm	Audited 52 weeks to 1 March 2020 Rm
Revenue from contracts with customers	**44 930.0**	43 896.9	90 711.0
Turnover	**44 227.4**	43 208.6	89 281.5
Franchise fee income	**203.0**	204.5	398.3
Commissions and other income	**499.6**	483.8	1 031.2
Operating lease income	**57.5**	67.2	140.7
Finance income	**218.6**	236.8	471.7
Bank balances and investments	**92.7**	106.0	205.1
Net investment in lease receivables	**103.5**	92.9	196.1
Trade receivables and other	**22.4**	37.9	70.5
	45 206.1	44 200.9	91 323.4

3 FINANCE COSTS

	Unaudited 26 weeks to 30 August 2020 Rm	Unaudited 26 weeks to 1 September 2019 Rm	Audited 52 weeks to 1 March 2020 Rm
Lease liabilities	**716.1**	689.2	1 382.5
Borrowings and other	**159.4**	197.0	389.6
	875.5	886.2	1 772.1

	Unaudited 26 weeks to 30 August 2020 Cents per share	Unaudited 26 weeks to 1 September 2019 Cents per share	Restated* 52 weeks to 1 March 2020 Cents per share
4 BASIC, HEADLINE AND DILUTED EARNINGS PER SHARE			
Basic earnings per share	**33.23**	81.31	250.90
Diluted earnings per share	**33.16**	80.71	249.60
Headline earnings per share	**43.78**	91.28	291.90
Diluted headline earnings per share	**43.69**	90.61	290.38

For comparable headline earnings per share and comparable diluted headline earnings per share, refer to Appendix 3.

	Rm	Rm	Rm
4.1 Reconciliation between basic and headline earnings:			
Profit for the period – basic earnings for the period	**158.7**	386.8	1 194.7
Adjustments:	**50.4**	47.4	195.2
Loss/(profit) on sale of assets	**3.6**	(0.8)	18.8
Tax effect of (loss)/profit on sale of assets	**(1.0)**	0.2	(5.3)
Impairment loss on assets	**0.6**	–	12.0
Tax effect of impairment loss on assets	**(0.2)**	–	(3.4)
Impairment loss on investment in associate	**47.4**	–	173.6
Impairment loss as a result of hyperinflation accounting in associate	**–**	48.0	–
Profit on sale of assets of associate	**–**	–	(0.5)
Headline earnings for the period	**209.1**	434.2	1 389.9

	000's	000's	000's
4.2 Number of ordinary shares			
Number of ordinary shares in issue	**493 450.3**	493 450.3	493 450.3
Weighted average number of ordinary shares in issue (excluding treasury shares)	**477 591.0**	475 723.8	476 161.6
Diluted weighted average number of ordinary shares in issue	**478 639.8**	479 235.8	478 647.8
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)	**477 591.0**	475 723.8	476 161.6
Dilutive effect of share awards	**1 048.8**	3 512.0	2 486.2
Diluted weighted average number of ordinary shares in issue	**478 639.8**	479 235.8	478 647.8

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

* *Headline earnings, headline earnings per share (HEPS) and diluted headline earnings per share (DHEPS) has been restated to reflect the adoption of SAICA Circular 1/2019. Gains or losses on the partial or full termination of leases are no longer classified as a remeasurement, as defined by the circular. Accordingly, for the period ended 1 March 2020, headline earnings have been restated by R19.1 million to R1 389.9 million, HEPS has been restated by 4.01 cents to 291.90 cents and DHEPS has been restated by 3.99 cents to 290.38 cents. SAICA Circular 1/2019 had an immaterial impact for the Group for the 26-week period ended 1 September 2019.*

	Unaudited 26 weeks to 30 August 2020 Rm	Unaudited 26 weeks to 1 September 2019 Rm	Audited 52 weeks to 1 March 2020 Rm
5 SHARE CAPITAL			
5.1 Ordinary share capital			
Authorised			
800 000 000 (2019: 800 000 000) ordinary shares of 1.25 cents each	**10.0**	10.0	10.0
Issued			
493 450 321 (2019: 493 450 321) ordinary shares of 1.25 cents each	**6.0**	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)	**14 786.4**	17 274.6	16 115.2
Shares held outside the Group	**478 663.9**	476 175.7	477 335.1
Total shares in issue at end of period	**493 450.3**	493 450.3	493 450.3

The Company can issue new shares to settle the Group's obligations under its employee share schemes, but issues in this regard are limited, in aggregate, to 5% of total issued share capital or 24 672 516 (2019: 24 672 516) shares. To date 15 743 000 (2019: 15 743 000) shares have been issued, resulting in 8 929 516 (2019: 8 929 516) shares remaining for this purpose.

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.

	Unaudited 26 weeks to 30 August 2020 Rm	Unaudited 26 weeks to 1 September 2019 Rm	Audited 52 weeks to 1 March 2020 Rm
5.2 B share capital			
Authorised			
1 000 000 000 (2019: 1 000 000 000) unlisted, non-convertible, non-participating, no par value B shares	**–**	–	–
Issued			
259 682 869 (2019: 259 682 869) unlisted non-convertible, non-participating, no par value B shares	**–**	–	–

B shares are stapled to certain ordinary shares and cannot be traded separately from each other. Stapled ordinary shares, together with B shares, are subject to restrictions upon disposal.

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.

	Unaudited 26 weeks to 30 August 2020 Rm	Unaudited 26 weeks to 1 September 2019 Rm	Audited 52 weeks to 1 March 2020 Rm
6 TREASURY SHARES			
At beginning of period	**961.7**	993.7	993.7
Shares purchased during the period	**–**	87.6	87.6
Settlement of employee share awards	**(82.1)**	(64.5)	(119.6)
At end of period	**879.6**	1 016.8	961.7
	000's	000's	000's
The movement in the number of treasury shares held is as follows:			
At beginning of period	**16 115.2**	18 070.5	18 070.5
Shares purchased during the period	**–**	1 306.5	1 306.5
Shares sold during the period pursuant to the take-up of share options by employees	**(48.4)**	(579.9)	(1 599.3)
Shares delivered to participants of forfeitable share plan	**(1 280.4)**	(1 522.5)	(1 662.5)
At end of period	**14 786.4**	17 274.6	16 115.2

7 INVESTMENT IN ASSOCIATE

7.1 Accounting for investment in associate

The Group has a 49% investment in TM Supermarkets (Pvt) Limited (TM Supermarkets), a private company incorporated in, and 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*.

In accordance with the provisions of IAS 29 *Financial Reporting in Hyperinflationary Economies* (IAS 29), entities operating in Zimbabwe are assessed to be operating in a hyperinflationary economy. The equity accounted results of TM Supermarkets included in this Group result have therefore been prepared in accordance with IAS 29, with the following key accounting principles applied within the results of TM Supermarkets:

- all previously published financial information was restated to reflect the current buying power of the Zimbabwe dollar; and
- all assets and liabilities were revalued to reflect current values, which resulted in a hyperinflation net monetary gain recognised in the statement of comprehensive income of TM Supermarkets, driven by the upwards revaluation of property, right-of-use assets and other store assets.

As the Group's presentation currency is not that of a hyperinflationary economy, the comparative information of the Group's financial results related to TM Supermarkets is not restated. Any difference between the Group's share of the TM Supermarkets adjusted equity balance after applying IAS 29 and the balance previously recorded by the Group as at 1 March 2020 is recognised in other comprehensive income in the current period, as part of foreign currency translations.

7 INVESTMENT IN ASSOCIATE (continued)

7.2 Exchange rates applied in translating the results of investment in associate

The share of associate's income and net asset value of TM Supermarkets have been translated into the Group's presentation currency at the closing rate in accordance with the hyperinflationary provisions of IAS 21 *The Effects of Changes in Foreign Exchange Rates*.

In line with management's assessment at 1 March 2020, it was determined that the official interbank closing exchange rate of 0.20 ZWL$ (2019: 1.48 ZWL$) to the South African rand is not available for immediate settlement, as shortages of foreign currency results in the official exchange rate not being liquid. An estimated exchange rate of 0.15 ZWL$ (2019: 1.24 ZWL$) to the South African rand was therefore used when translating the result of TM Supermarkets as at 30 August 2020. Inputs considered in this estimate include the official inflation rate and the in-country fuel price. In the prior periods under review, the premium at which Old Mutual and PPC Ltd. shares traded on the Zimbabwe Stock Exchange compared to trades on the Johannesburg Stock Exchange were also considered. Refer to note 14 of the 2020 audited Group annual financial statements for further information.

The table below summarises the exchange rates at which the results of TM Supermarkets have been translated into South African rand, for the relevant periods under review. The closing ZWL$ to ZAR exchange rate was calculated using the official USD to ZAR exchange rate divided by the management estimated USD to ZWL$ exchange rate. For comparative informational purposes, exchange rates have also been presented based on the USD to ZWL$ official interbank exchange rates.

	1.0 ZWL$: 1.0 ZAR	1.0 USD : 1.0 ZAR	1.0 USD : 1.0 ZWL$
Closing rates at 30 August 2020			
Exchange rates used by management	0.15	16.61	110.00
Official interbank exchange rate	0.20	16.61	83.40
Closing rates at 1 March 2020			
Exchange rates used by management	0.51	15.61	30.80
Official interbank exchange rate	0.87	15.61	17.95
Closing rates at 1 September 2019			
Exchange rates used by management	1.24	15.37	12.40
Official interbank exchange rate	1.48	15.37	10.39

	Unaudited 26 weeks to 30 August 2020 Rm	Unaudited 26 weeks to 1 September 2019 Rm	Audited 52 weeks to 1 March 2020 Rm
7.3 Reconciliation of investment in associate			
At beginning of period	**50.4**	184.4	184.4
Share of associate's earnings	**61.4**	(1.7)	66.3
Share of associate's earnings before net monetary gain	**29.6**	16.6	23.1
Share of associate's hyperinflation net monetary gain	**31.8**	29.7	43.2
Share of associate's impairment loss as a result of hyperinflation accounting	**–**	(48.0)	–
Foreign currency translations	**(2.0)**	(132.3)	(26.7)
Impairment loss on investment in associate	**(47.4)**	–	(173.6)
At end of period	**62.4**	50.4	50.4

7 INVESTMENT IN ASSOCIATE (continued)

7.4 Impairment of investment in associate

During the period under review, significant judgement was applied by management in determining the following impairment indicators of the Group's investment in associate:

- The devaluation and illiquidity of currency in Zimbabwe and the resultant impact on the Zimbabwean economy – the jurisdiction in which TM Supermarkets trades in;
- Currency shortages and currency devaluation which led to high levels of food and other inflation, and shortages of fuel and other staple goods in the country;
- The rapid increase in year-on-year Zimbabwe inflation rates, from 289% in August 2019 to 761% in August 2020, as published by the Reserve Bank of Zimbabwe (RBZ); and
- The upward valuation of the assets of TM Supermarkets as a result of the application of IAS 29.

Impairment reviews were performed and the Group concluded that the carrying value of its investment in associate exceeded its recoverable amount, resulting in an impairment loss of R47.4 million recognised by the Group.

The recoverable amount of TM Supermarkets was determined based on value-in-use calculations. The calculation discounts future cash flow forecasts at an appropriate pre-tax rate that reflects the specific risks and challenges relating to TM Supermarkets. Management-approved future cash flow forecasts over a period of five years were based on past experience and the expected performance of the retail market in Zimbabwe. Cash flows beyond this period were extrapolated by applying a nil growth rate. The pre-tax discount rate applied to cash flow projections was 49.8%.

Management believes that the carrying value of the Group's investment in associate of R62.4 million is reflective of the value of its investment in TM Supermarkets and that any reasonable possible change in key assumptions on which the recoverable amounts are based would not result in any additional significant impairment losses. Refer to note 7.5.

7.5 Sensitivity analysis

The following tables represent the sensitivity analysis performed by management on the significant judgements applied in the accounting of the Group's investment in associate for the 26 weeks ended 30 August 2020.

7.5.1 Exchange rates applied in the translation of the results of the Group's investment in associate

If the exchange rate applied by management had been 10% higher or 10% lower, or if the official interbank exchange rate was applied, with all other variables held constant, the impact on the statement of comprehensive income and statement of financial position would have been as follows:

	+10% 1.0 ZWL$: 0.14 ZAR	**Exchange rate applied by management** **1.0 ZWL$: 0.15 ZAR**	-10% 1.0 ZWL$: 0.17 ZAR	Official interbank exchange rate* 1.0 ZWL$: 0.20 ZAR
Impact on statement of comprehensive income				
Share of associate's earnings (Rm)	55.7	**61.4**	68.1	80.9
Impairment on investment in associate (Rm)	43.1	**47.4**	52.7	62.5
Impact on statement of financial position				
Investment in associate (Rm)	56.7	**62.4**	69.3	82.3

* *Calculated by applying the official interbank exchange rate of 1 USD to 83.40 ZWL$.*

7 INVESTMENT IN ASSOCIATE (continued)

7.5 Sensitivity analysis (continued)

7.5.2 Discount rate applied in the assessment of the recoverable amount of the Group's investment in associate

If the discount rate had been 10% higher or 10% lower, with all other variables held constant, the impact on the statement of comprehensive income and statement of financial position would have been as follows:

	+10%	**As reported**	-10%
Impact on statement of comprehensive income			
Impairment on investment in associate (Rm)	56.0	**47.4**	30.0
Impact on statement of financial position			
Investment in associate (Rm)	53.8	**62.4**	79.8

	Unaudited 26 weeks to 30 August 2020 Rm	Unaudited 26 weeks to 1 September 2019 Rm	Audited 52 weeks to 1 March 2020 Rm
8 TRADE AND OTHER RECEIVABLES			
Gross trade and other receivables	**4 089.8**	4 287.8	4 396.4
Allowance for impairment losses	**(146.9)**	(111.9)	(134.3)
Net trade and other receivables	**3 942.9**	4 175.9	4 262.1
Disclosed as:			
Non-current	**186.0**	109.7	93.6
Current	**3 756.9**	4 066.2	4 168.5
8.1 Allowance for impairment losses			
Balance at the beginning of the period	**134.3**	115.6	115.6
Irrecoverable debts written off	**(114.2)**	(37.8)	(88.0)
Additional impairment losses recognised	**129.4**	37.4	128.0
Prior allowances for impairment reversed	**(2.6)**	(3.3)	(21.3)
At end of period	**146.9**	111.9	134.3

9 OPERATING SEGMENTS

Unaudited	South Africa Rm	Rest of Africa Rm	Total operations Rm
26 weeks to 30 August 2020			
Total segment revenue	**43 682.6**	**2 034.0**	**45 716.6**
Revenue from contracts with customers (note 2)	43 416.4	1 513.6	44 930.0
Operating lease income (note 2)	57.0	0.5	57.5
Finance income (note 2)	209.2	9.4	218.6
Direct deliveries*	–	510.5	510.5
Segment external turnover	**42 720.3**	**1 507.1**	**44 227.4**
Comparable profit before tax before capital items**^	**211.4**	**46.9**	**258.3**
Profit before tax**	**213.2**	**29.4**	**242.6**
Other information			
Statement of comprehensive income			
Finance costs (note 3)	861.5	14.0	875.5
Depreciation and amortisation on property, plant and equipment and intangible assets	640.5	20.2	660.7
Depreciation on right-of-use assets	872.2	25.0	897.2
Profit/(loss) on sale of assets	1.8	(1.3)	0.5
Impairment loss on assets	–	0.6	0.6
Impairment loss on investment in associate (note 7)	–	47.4	47.4
Share of associate's earnings (note 7)	–	61.4	61.4
Statement of financial position			
Total assets	36 137.0	1 637.8	37 774.8
Total liabilities	33 473.4	1 003.6	34 477.0
Investment in associate (note 7)	–	62.4	62.4
26 weeks to 1 September 2019			
Total segment revenue	42 410.7	2 267.0	44 677.7
Revenue from contracts with customers (note 2)	42 112.8	1 784.1	43 896.9
Operating lease income (note 2)	67.2	–	67.2
Finance income (note 2)	230.7	6.1	236.8
Direct deliveries*	–	476.8	476.8
Segment external turnover	41 430.5	1 778.1	43 208.6
Comparable profit before tax before capital items**^	509.0	45.8	554.8
Profit before tax**	509.8	27.5	537.3
Other information			
Statement of comprehensive income			
Finance costs (note 3)	879.5	6.7	886.2
Depreciation and amortisation on property, plant and equipment and intangible assets	614.8	18.6	633.4
Depreciation on right-of-use assets	795.9	24.7	820.6
Profit on sale of assets	0.8	–	0.8
Share of associate's earnings (note 7)	–	1.7	1.7
Statement of financial position			
Total assets@	31 353.7	1 497.8	32 851.5
Total liabilities@	29 584.5	867.9	30 452.4
Investment in associate (note 7)	–	50.4	50.4

* *Included in segmental revenue, as reviewed by the Chief Operating Decision Maker of the Group, are direct deliveries by in-country suppliers to foreign franchisees, in countries where the Group does not have a statutory presence. These deliveries do not qualify as revenue in terms of IFRS but are included in segmental revenue for the purposes of the Group's review of operating segments. In countries where the Group has a statutory presence, including South Africa, direct deliveries are included in the Group's reported revenue.*

** *"Segmental profit before tax" and "segmental comparable profit before tax before capital items" are reported measures used for evaluating the performance of the Group's operating segments. On an overall basis, these metrics equal the Group's reported "profit before tax", and "comparable profit before tax before capital items", respectively. These metrics for the Rest of Africa segment comprise the segment's trading result and directly attributable costs only. No allocations are made for indirect or incremental costs incurred by the South Africa segment relating to the Rest of Africa segment.*

^ *Calculated as profit before tax before capital items, excluding the Group's share of the hyperinflation net monetary gain recognised by the Group's associate as a result of IAS 29. This is not a defined term under IFRS; however, it is a key measure of the comparable performance of the Group's operations in Rest of Africa. Refer to note 7 and the Appendices for more information.*

@ *In line with the restatements made in the 2020 audited Group annual financial statements, the Group aligned its comparative unaudited balances as at 1 September 2019 with amendments to deferred tax assets (R37.9 million), retained earnings (R77.6 million), lease liabilities (R115.5 million) and net asset value (16.3 cents per share). These amendments related to the Group's adoption of IFRS 16 Leases. Refer to note 32 of the 2020 audited Group annual financial statements.*

10 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 intergroup transactions and related balances are eliminated on consolidation. Intergroup transactions are similar to those in the prior period and related parties remain unchanged from those reported at 1 March 2020.

For further information, refer to note 28 of the 2020 audited Group annual financial statements and note 8 of the 2020 audited Company annual financial statements. For disclosures relating to the investment in associate, refer to note 7.

11 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 derivative financial instruments designated as hedging instruments, as set out below:

	Unaudited 26 weeks to 30 August 2020 Rm	Unaudited 26 weeks to 1 September 2019 Rm	Audited 52 weeks to 1 March 2020 Rm
Financial instruments at fair value through profit or loss			
Investment in insurance cell captive – Level 2	**65.5**	44.9	54.9
Derivative financial instruments (designated as hedging instruments)			
Forward exchange contract (liabilities)/assets – Level 2	**(0.9)**	4.1	9.4

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 2020 audited Group annual financial statements. 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 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.

12 PURCHASE OF OPERATIONS

During the period under review, the Group purchased a number of franchise stores and converted them to company-owned Pick n Pay and Boxer stores, none of which is individually material to the Group.

These acquisitions had no significant impact on the Group's results, but are now delivering stronger sales growth and improved profitability. The goodwill arising from these acquisitions represents this value creation that the Group expects to realise.

	Unaudited 26 weeks to 30 August 2020 Rm	Unaudited 26 weeks to 1 September 2019 Rm	Audited 52 weeks to 1 March 2020 Rm
The net assets arising from these acquisitions were as follows:			
Identifiable net assets			
Property, plant and equipment	40.4	0.6	3.1
Inventory	16.0	–	0.3
Total identifiable net assets at fair value	56.4	0.6	3.4
Goodwill			
Cash paid in respect of acquisitions	156.6	3.5	22.8
Less: total identifiable net assets at fair value	(56.4)	(0.6)	(3.4)
Goodwill acquired	100.2	2.9	19.4

13 COMMITMENTS

	Unaudited 26 weeks to 30 August 2020 Rm	Unaudited 26 weeks to 1 September 2019 Rm	Audited 52 weeks to 1 March 2020 Rm
Authorised capital expenditure			
Contracted for	81.1	755.3	181.8
Property	–	14.3	–
Furniture, fittings, equipment and vehicles	75.9	648.4	181.0
Intangible assets	5.2	92.6	0.8
Not contracted for	818.9	194.7	1 818.2
Property	–	–	46.0
Furniture, fittings, equipment and vehicles	646.6	153.5	1 680.6
Intangible assets	172.3	41.2	91.6
Total commitments	900.0	950.0	2 000.0

14 SUBSEQUENT EVENTS

The Group continued its efforts to improve labour productivity and operational efficiency with a formal s189 restructuring programme in the Group's support offices during September 2020. The programme, and financial consequences thereof, are expected to be finalised towards the latter part of the financial year.

APPENDIX 1

PRO FORMA INFORMATION

Certain financial information presented in these unaudited condensed consolidated interim financial statements constitutes pro forma financial information. The pro forma financial information is the responsibility of the Board of directors of the Group and is presented for illustrative purposes only. Because of its nature, the pro forma financial information may not fairly present the Group's financial position, changes in equity, results of operations or cash flows. This information has not been reviewed nor reported on by the Group's auditors.

Constant currency disclosures

Constant currency information constitutes pro forma information. The Group discloses constant currency information in order to report on the Group's comparable turnover and the Group's Rest of Africa segmental revenue results, excluding the impact of foreign currency fluctuations (collectively the "constant currency pro forma information").

The constant currency pro forma information has been presented to illustrate the impact of changes in the Group's major foreign currencies, namely the Zambia kwacha and the Botswana pula.

The Group's comparable turnover growth in constant currency is calculated by translating the prior period local currency comparable turnover at the current period average exchange rates on a country-by-country basis and then comparing that against the current period comparable turnover translated at current period average exchange rates. Refer to Appendix 2 for information on comparable turnover.

The segmental revenue growth in constant currency is calculated by translating the prior period local currency segmental revenue at the current period average exchange rates on a country-by-country basis and then comparing that against the current period segmental revenue translated at the current period average exchange rates.

The average Zambia kwacha exchange rate to the South African rand for the 26 weeks ended 30 August 2020 is 1.03 (26 weeks ended 1 September 2019: 0.88) and the average Botswana pula exchange rate to the South African rand for the 26 weeks ended 30 August 2020 is 0.67 (26 weeks ended 1 September 2019: 0.74).

The constant currency pro forma information is presented in accordance with JSE Listings Requirements, is presented for illustrative purposes only and is the responsibility of the Board of directors of the Group.

26 weeks ended 30 August 2020	Increase/ (decrease) reported currency	Increase/ (decrease) constant currency
Group comparable turnover (%)	2.6	2.8
Rest of Africa segmental revenue (%)	(10.3)	(7.3)

APPENDIX 2

ADDITIONAL INFORMATION

Additional information may not represent a defined term under IFRS and, as a result, it 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.

1 Comparable turnover growth

Revenue earned on the sale of airtime and data in the prior period include both those earned on a principal basis and those earned on an agency basis. Revenue earned on a principal basis is recognised as turnover, with related purchases recognised as cost of sales. Revenue earned on an agency basis is recognised, net of related purchase costs, within other income. Historically, the Group transacted as both a principal and an agent when selling airtime and data.

After a strategic change in arrangements with airtime and data providers in the prior period, the Group now only transacts on an agency basis in accordance with IFRS 15 *Revenue from Contracts with Customers* (IFRS 15). Airtime and data sales and related purchases previously recognised on a principal or gross basis within turnover and cost of sales are now recognised on an agency or net basis within other income.

In order to provide stakeholders with a comparable assessment of year-on-year turnover performance, the Group has eliminated the impact of the change over from principal to agent in the prior period and has presented a comparable turnover number, with the impact presented below.

	26 weeks to 30 August 2020 Rm	26 weeks to 1 September 2019 Rm
Comparable turnover	**44 227.4**	43 113.6
Turnover from airtime sales recognised on a principal basis	**–**	95.0
Reported turnover	**44 227.4**	43 208.6

2 Comparable year-on-year earnings performance

Zimbabwe is classified as a hyperinflationary economy. The equity accounted earnings of the Group's investment in associate operating in Zimbabwe is therefore accounted for under IAS 29 *Financial Reporting in Hyperinflationary Economies* (IAS 29), with the impact presented below.

	26 weeks to 30 August 2020 Rm	26 weeks to 1 September 2019 Rm
Share of associate's earnings excluding net monetary gain	**29.6**	16.6
Share of associate's hyperinflation net monetary gain	**31.8**	29.7
Share of associate's impairment loss as a result of hyperinflation accounting	**–**	(48.0)
Reported share of associate's earnings	**61.4**	(1.7)
Impairment loss on investment in associate as a result of hyperinflation accounting	**(47.4)**	–
	14.0	(1.7)

2 Comparable year-on-year earnings performance (continued)

Reported profit before tax and reported headline earnings includes the impact of hyperinflation accounting attributable to the Group's investment in associate. In management's view, this impact of hyperinflation accounting 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 hyperinflation net monetary gain of R31.8 million (2019: R29.7 million) and the Group's share of associate's capital impairment loss of R48.0 million in the prior period, with no impact on tax. The table below presents the key changes to items presented.

26 weeks to 30 August 2020	**As reported Rm**	**Remove impact of IAS 29 Rm**	**Comparable Rm**
Rest of Africa profit before tax before capital items	**78.7**	**(31.8)**	**46.9**
Group profit before tax before capital items	**290.1**	**(31.8)**	**258.3**
Group headline earnings	**209.1**	**(31.8)**	**177.3**
	Cents	**Cents**	**Cents**
Headline earnings per share	**43.78**	**(6.66)**	**37.12**
Diluted headline earnings per share	**43.69**	**(6.64)**	**37.05**

26 weeks to 1 September 2019	Rm	Rm	Rm
Rest of Africa profit before tax before capital items	27.5	18.3	45.8
Group profit before tax before capital items	536.5	18.3	554.8
Group headline earnings	434.2	(29.7)	404.5
	Cents	Cents	Cents
Headline earnings per share	91.28	(6.25)	85.03
Diluted headline earnings per share	90.61	(6.20)	84.41

Refer to note 7 of the unaudited condensed consolidated interim financial statements for more information.

3 Comparable year-on-year earnings performance, excluding once-off costs relating to the Group's voluntary severance programme (VSP)

During the period under review, the Group incurred R100 million once-off compensation costs (R72 million net of tax) relating to the VSP. As tabled below, comparable earnings performance excluding these once-off costs has been provided.

26 weeks to 30 August 2020	**Comparable Rm**	**Remove once-off VSP costs Rm**	**Comparable excluding once-off VSP costs Rm**
Group headline earnings	**177.3**	**72.0**	**249.3**
	Cents	**Cents**	**Cents**
Headline earnings per share	**37.12**	**15.08**	**52.20**
Diluted headline earnings per share	**37.05**	**15.04**	**52.09**

4 Like-for-like turnover and expense growth comparisons

Like-for-like turnover and expense growth comparisons remove the impact of store openings and closures in the current and previous reporting periods.

APPENDIX 3

The table below presents the Group's basic, diluted and headline earnings performance for the current and previous interim periods on a comparable basis.

	% change	Unaudited 26 weeks to 30 August 2020 Cents per share	Unaudited 26 weeks to 1 September 2019 Cents per share	Restated* 52 weeks to 1 March 2020 Cents per share
Earnings per share				
Basic earnings per share	(59.1)	**33.23**	81.31	250.90
Diluted earnings per share	(58.9)	**33.16**	80.71	249.60
Headline earnings per share	(52.0)	**43.78**	91.28	291.90
Diluted headline earnings per share	(51.8)	**43.69**	90.61	290.38
Comparable headline earnings per share				
Headline earnings per share	(56.3)	**37.12**	85.03	282.82
Diluted headline earnings per share	(56.1)	**37.05**	84.41	281.35
Comparable headline earnings per share excluding once-off VSP costs				
Headline earnings per share	(38.6)	**52.20**	85.03	282.82
Diluted headline earnings per share	(38.3)	**52.09**	84.41	281.35
		Rm	Rm	Rm
Reconciliation between basic and headline earnings:				
Profit for the period – basic earnings for the period		**158.7**	386.8	1 194.7
Adjustments:		**50.4**	47.4	195.2
Loss/(profit) on sale of assets		**3.6**	(0.8)	18.8
Tax effect of (loss)/profit on sale of assets		**(1.0)**	0.2	(5.3)
Impairment loss on assets		**0.6**	–	12.0
Tax effect of impairment loss on assets		**(0.2)**	–	(3.4)
Impairment loss on investment in associate		**47.4**	–	173.6
Impairment loss as a result of hyperinflation accounting in associate		**–**	48.0	–
Profit on sale of assets of associate		**–**	–	(0.5)
Headline earnings for the period (note 4)		**209.1**	434.2	1 389.9
Adjusted for hyperinflation net monetary gain (note 7)		**(31.8)**	(29.7)	(43.2)
Comparable headline earnings		**177.3**	404.5	1 346.7
Adjusted for once-off VSP costs		**100.0**	–	–
Adjusted for the tax effect of once-off VSP costs		**(28.0)**	–	–
Comparable headline earnings excluding once-off VSP costs		**249.3**	404.5	1 346.7
		000's	000's	000's
The table below presents the Group's share information.				
Number of ordinary shares in issue		**493 450.3**	493 450.3	493 450.3
Weighted average number of ordinary shares in issue (excluding treasury shares)		**477 591.0**	475 723.8	476 161.6
Diluted weighted average number of ordinary shares in issue		**478 639.8**	479 235.8	478 647.8

* *Headline earnings, headline earnings per share (HEPS) and diluted headline earnings per share (DHEPS) has been restated to reflect the adoption of SAICA Circular 1/2019. Gains or losses on the partial or full termination of leases are no longer classified as a remeasurement, as defined by the circular. Accordingly, for the period ended 1 March 2020, headline earnings have been restated by R19.1 million to R1 389.9 million, HEPS has been restated by 4.01 cents to 291.90 cents and DHEPS has been restated by 3.99 cents to 290.38 cents. SAICA Circular 1/2019 had an immaterial impact for the Group for the 26-week period ended 1 September 2019.*

NUMBER OF STORES

COMPANY-OWNED	1 March 2020	Opened	Closed	Converted openings	Converted closures	30 August 2020
Pick n Pay	**794**	**21**	**(9)**	**14**	**–**	**820**
Hypermarkets	21	–	–	–	–	**21**
Supermarkets	295	9	(2)	7	–	**309**
Clothing	225	11	(6)	–	–	**230**
Liquor	252	1	(1)	7	–	**259**
Pharmacy	1	–	–	–	–	**1**
Boxer	**298**	**5**	**–**	**12**	**–**	**315**
Supermarkets	181	1	–	7	–	**189**
Build	30	–	–	–	–	**30**
Liquor	70	4	–	5	–	**79**
Punch	17	–	–	–	–	**17**
Total company-owned	**1 092**	**26**	**(9)**	**26**	**–**	**1 135**
FRANCHISE						
Pick n Pay						
Supermarkets	308	4	(6)	–	(14)	**292**
Market	29	5	–	–	–	**34**
Express	170	–	(3)	–	–	**167**
Clothing	16	–	–	–	–	**16**
Liquor	249	4	(4)	–	(12)	**237**
Pharmacy	2	1	–	–	–	**3**
Total franchise	**774**	**14**	**(13)**	**–**	**(26)**	**749**
Total Group stores	**1 866**	**40**	**(22)**	**26**	**(26)**	**1 884**
TM Supermarkets – associate	**59**	**2**	**–**	**–**	**–**	**61**
Total with TM Supermarkets	**1 925**	**42**	**(22)**	**26**	**(26)**	**1 945**
AFRICAN FOOTPRINT						
– included in total stores above	**154**	**8**	**(3)**	**–**	**–**	**159**
Pick n Pay company-owned	20	3	(1)	–	–	**22**
Boxer company-owned	9	–	–	–	–	**9**
Pick n Pay franchise	66	3	(2)	–	–	**67**
TM Supermarkets – associate	59	2	–	–	–	**61**
AFRICAN FOOTPRINT						
– by country	**154**	**8**	**(3)**	**–**	**–**	**159**
Botswana	12	–	–	–	–	**12**
Lesotho	2	1	–	–	–	**3**
Namibia	38	–	(2)	–	–	**36**
Eswatini	23	2	–	–	–	**25**
Zambia	20	3	(1)	–	–	**22**
Zimbabwe	59	2	–	–	–	**61**

CORPORATE INFORMATION

PICK N PAY STORES LIMITED
Registration number: 1968/008034/06
JSE share code: PIK
ISIN: ZAE000005443

BOARD OF DIRECTORS

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

REGISTERED OFFICE
Pick n Pay Office Park
101 Rosmead Avenue
Kenilworth
Cape Town 7708
Tel: +27 21 658 1000
Fax: +27 21 797 0314

Postal address
PO Box 23087
Claremont
Cape Town 7735

REGISTRAR
Computershare Investor Services Proprietary Limited
Rosebank Towers
15 Biermann Avenue
Rosebank 2196
Tel: +27 11 370 5000
Fax: +27 11 688 5248

Postal address
PO Box 61051
Marshalltown 2107

JSE LIMITED SPONSOR
Investec Bank Limited
100 Grayston Drive
Sandton 2196

AUDITORS
Ernst & Young Inc.

ATTORNEYS
Edward Nathan Sonnenbergs

PRINCIPAL TRANSACTIONAL BANKERS
Absa Limited
First National Bank

COMPANY SECRETARY
Debra Muller
Email address: demuller@pnp.co.za

PROMOTION OF ACCESS TO INFORMATION ACT
informationofficer@pnp.co.za

INVESTOR RELATIONS
Penny Gerber
Email address: pennygerber@pnp.co.za

WEBSITE
Pick n Pay: www.pnp.co.za
Investor relations: www.picknpayinvestor.co.za

CUSTOMER CARELINE
Tel: +27 800 11 22 88
Email address: customercare@pnp.co.za

ONLINE SHOPPING
Tel: +27 860 30 30 30
www.pnp.co.za

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