Pick n Pay Holdings Limited ("PIKWIK")

Share Code: PKW. BMS code: ZAI000005724

Pick n Pay’s only asset is its 56.43% (2009: 54.43%) effective holding in Pick n Pay Stores Limited (excluding treasury shares). The Pick n Pay Group earnings are directly related to those of this investment.

Headline earnings for the year amounted to R549.9 million (2009: R539.3 million).

Headline earnings per share from continuing operations was 117.93 cents (2009: 116.92 cents).

Diluted headline earnings per share from continuing operations was 114.92 cents (2009: 114.59 cents).

Headline earnings per share was 106.72 cents (2009: 104.78 cents). Diluted headline earnings per share was 103.84 cents (2009: 102.58 cents).

The total number of shares in issue is 527.2 million (2009: 527.2 million) and the weighted average number of shares in issue during the year is 515.3 million (2009: 514.7 million). Pick n Pay’s total dividend for the year is 84.93 cents per share (2009: 82.97 cents per share), an increase of 2.4%.

Dividend declarations

The directors have declared the following cash dividends:

Pick n Pay Stores Ltd (No. 84) 134.75 cents per share
Pick n Pay Holdings Ltd (No. 57) 65.63 cents per share

For both Companies, the last day of trade in order to participate in the dividend (CUM dividend) will be Friday, 4 June 2010. The shares will trade EX dividend from the commencement of business on Monday, 7 June 2010 and the record date will be Friday, 11 June 2010.

The dividends will be paid on Monday, 14 June 2010. Share certificates may not be dematerialised or rematerialised between Monday, 7 June 2010 and Friday, 11 June 2010, both dates inclusive.

On behalf of the boards of directors

GF Lea – Company Secretary
20 April 2010

Directors of Pick n Pay Stores Limited

Executive: NP Badminton (CEO), DG Cope (COO), SD Ackerman-Berman, JG Ackerman
Non-executive: GM Ackerman (Chairman), D Robins (German)
Independent non-executive: HS Herman, C Nkosi, BJ van der Ross, RSJ van Rensburg, J van Rooyen

On 1 March 2010, RD Ackerman and W Ackerman retired as members of the Board and SD Ackerman-Berman and JG Ackerman were appointed as full Board members.

Directors of Pick n Pay Holdings Limited

Non-executive: RD Ackerman (Chairman), GM Ackerman, W Ackerman
Independent non-executive: NK de Wet, HS Herman

Registered office: 101 Roomead Avenue, Kenilworth, Cape Town, 7708
Sponsor: Investec Bank Limited, 100 Grayston Drive, Sandton, 2196
Transfer secretaries: Computershare Investor Services (Pty) Limited, 70 Marshall Street, Johannesburg, 2001

The Competition Commission investigation into food pricing is ongoing and we continue to give the process our full co-operation.

We expect trading for the first six months of the 2011 financial year to remain difficult. However, we are confident that we will start to reap the benefits of our strategic initiatives by improving our store footprint, improving the image of our customers, driving customer engagement through supply chain, SAP and operating cost reductions. All of these initiatives position us well to benefit from the anticipated upturn in the economy.

As announced in October 2009 our Chairman, Raymond Ackerman, and Mrs Wendy Ackerman have now retired as members of the Board. Words alone cannot express the gratitude that all associates, suppliers, management and employees of Pick n Pay feel for their vision and unwavering commitment to grow and build the Pick n Pay business over the past 43 years. We wish Raymond Ackerman all the best in his new ambassadorial role at Pick n Pay.

For and on behalf of the board

Gareth Ackerman
Chairman
Nick Badminton
Chief Executive Officer
20 April 2010

Financial highlights - continuing operations

Headline earnings per share at 236.33 cents is 1.1% above last year.

The total dividend per share for the year of 174.50 cents for Pick n Pay Stores Limited and 84.93 cents for Pick n Pay Holdings Limited is 2.6% and 2.4% above last year, respectively.

Operational highlights

Pick n Pay and Boxer increased turnover by 11.5% for the year. The second half of the year saw growth rates drop substantially as food inflation abated and customers remained cautious. During the year we opened 5 new Pick n Pay corporate supermarkets, 20 new Boxer stores and 38 new Pick n Pay franchise stores (including 5 Express stores and store conversions). In the year ahead we plan to open a further 27 supermarkets under the Pick n Pay and Boxer brands and are working on opening substantially more new stores for the years thereafter.

As economic conditions continued to tighten during the second half of the financial year, earnings growth was affected by the rapid decline in food inflation (off the previous year’s high base), continued investment in lower selling prices, escalating electricity costs, and further conservative provisions against debt. Notwithstanding the above, we did see a significant increase in the number of customer transactions during the year, demonstrating the resilience of the Pick n Pay brand.

Franklin’s Australia turnover at AUD611.1 million increased by 1.4% and before capital items produced a profit of R21.9 million which is 1.1% above last year. The impact of the 3 year, AUD50 million store refurbishment program continues to be positive with completed stores achieving double-digit growth and improved profitability. The program saw 18 refurbishments this year and a further 8 are planned for the next financial year. Franklin’s Loyalty Club achieved substantial membership growth with cardholders now exceeding 780 000.

Our expansion further into Africa is progressing well. We are due to open our first corporate store in Zambia this year, we have signed up franchise partners in Mozambique, and we have identified sites for expansion into Mauritius.

General comments

Reviewed condensed consolidated results for the year ended 28 February 2010

Result overview - Continuing operations

As reported in October 2009, this financial year has been an exceptionally tough trading period with the recessionary climate being especially hard during the second six months. We expect the 5.5% reduction in interest rates over the last 15 months and reduced food inflation to ease the strain on consumers’ disposable income. However, the beginning of the 2011 financial year will continue to present a tough trading environment.

Despite these challenges, we continue to make significant strides in transforming Pick n Pay with the following positive results during the year:

- A slight increase in market share for the year (from continuing operations);
- The completion of the closure of the Store retail trading operation with a total of 70 stores now converted to Pick n Pay and Boxer. After accounting for the closure costs and for the provision of doubtful debts, we have made a material improvement to the profits from the old Store business;
- The consolidation of our 3 northern regions into one team will be completed by August 2010;
- Strong double-digit growth in fresh and private label sales, both being primary areas of focus;
- We added a further 5 stores to our Express network in conjunction with BP. These continue to exceed expectations. We are planning an accelerated rollout of this format;
- The implementation of our supply chain strategy continues apace with the expansion of the Longmeadow distribution facility nearly complete and significantly improved operating efficiencies with cost per case down by 15%;
- Completion of our SAP implementation in all corporate stores with only franchise stores in the Northern part of the country to be converted to August 2010; and
- Continued commitment to sustainable practices within the business. Our focus is on energy savings, recycling and enterprise development.

This is only the start of our transformation as we embed all of our strategic initiatives.

Group turnover at R547.4 million was 9.8% above last year; Pick n Pay and Boxer growing by 11.5% and Franklins Australia by 1.4%, in Australian Dollars.

Trading profit for the year decreased by 2.5% as a direct result of the reduction in gross profit margin from 19.0% last year to 18.6% this year. This reduction in margin is due to our continued investment in prices on basic foods. However, the overall decrease was counteracted by enhanced operating efficiencies, especially in our supply chain.
Pick n Pay Stores Limited - Share Code: PIK  ISIN Code: ZAE000005443

Statement of comprehensive income

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- Continuing operations
  - Revenue (note 5) 56 995.6
  - Turnover 56 734.3
  - Cost of merchandise sold (46 570.4)
  - Gross profit 10 158.1
  - Other trading income 947.5
  - Trading expenses (8 685.9)
  - Loss on sale of equipment and vehicles (5 486.6)
- Profit or loss before tax 1 053.1
  - Interest received 153.4
  - Interest paid (127.5)
- Profit or loss on property, plant and equipment 192.3
- Profit before tax before impairment of stores 1 246.8
- Profit for the period from continuing operations 1 296.4

- Other comprehensive income
  - Exchange rate differences on translating foreign operations 73.6
  - Actuarial gains and losses (34.3)

- Total comprehensive income for the year 1 228.4

EBITDA, excluding capital profit on sale of properties and stores 2 384.4

Stationary operating expenses 1 844.3

Trading profit margin 3.0%

Statement of financial position

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- Non-current assets
  - Intangible assets 1 120.7
  - Property, equipment and vehicles 3 415.3
  - Operating lease assets 35.5
  - Participation in joint ventures 50.6
  - Deferred tax 98.1
  - Loans 147.0
  - Investments 0.2
  - Total assets before sale – discontinued operation 4 840.9
- Current assets
  - Assets held for sale – discontinued operation 4 840.9
- Total assets 11 108.6

Balance sheet

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Cash flow statement

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- Trading profit
  - Loss on sale of equipment and vehicles 4.8
  - Turnover 106.7
  - Operating lease income 34.9
  - Share options expense 65.2
  - Interest paid 107.5

Cash generated by operating activities

- Increase in trade and other payables 375.4
- Increase in other receivables 507.5
- Net cash from operating activities – continuing operations 2 617.1
- Net cash used in operating activities – discontinued operation (512.7)
- Net total cash from operating activities 2 104.3

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Headline earnings reconciliation

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- Non-current liabilities
  - Long-term debt 670.7
  - Sub-segment scheme obligations 24.7
  - Operating lease liability 605.5
  - Total liabilities 1 503.3
- Current liabilities
  - Short-term debt 34.8
  - Trade and other payables 291.8
  - Total liabilities 326.6
  - Total liabilities 1 829.6

Notes to the financial information

1. KPMG Inc, the Group’s independent auditor, has reviewed the consolidated consolidated results contained in this preliminary report, and has expressed an unqualified conclusion on the preliminary financial statements. The report is available for inspection at the Company’s registered office. These preliminary financial statements are prepared in accordance with the requirements and measurement standards of IFRS and the disclosure requirements of IAS 34. As presented below in note 1.3, they are classified as unaudited.

2. The Group adopted the revised IAS 1, IFRS 8 and IFRS 3 and IFRS 10 in the current year. The revised treatment reduces profit before tax attributable to the Group by R9.0 million (R6.5 million after tax). If the revised treatment had been applied in the previous year, profit before tax attributable to the Group would have been R144.6 million (R107.5 million after tax).

3. The Group has revised its treatment of actuarial gains and losses in terms of IAS 19. Previously, all actuarial gains and losses were recognized in other comprehensive income. Comparative figures have been restated increasing profit before tax by R9.0 million (R6.5 million after tax), with no effect on total equity or revaluation scheme obligations.

4. During the year, certain companies within the Group entered into transactions with each other. These intra-group transactions are eliminated in consolidation. Related party transactions are excluded from that reported at 28 February 2009. For further information, please refer to note 28 of the 2009 annual report.

5. Revenue comprises turnover, other trading income and interest income.

6. The weighted average number of shares is less than that in issue due to the treasury shares held by the Group being treated as cancelled for this calculation.

7. Profit before tax in Australia includes a net R5.6 million loss on sale of assets (2009: R1.4 million profit).

8. On 25 February 2010, the Company re-purchased and cancelled 25 736 561 ordinary shares, which were held as treasury shares. The Company has not recognised any consideration received for these shares as cancelled for this calculation.

9. The Group has now completed the closure of the store operations of its subsidiary, Score Supermarkets Operating Limited, which results are disclosed as a discontinued operation. Detailed below is relevant information on the operation.

The format for reporting segmental financial information has been changed to accord with IFRS 8 Operating Segments. Previously, segmental information was provided on a geographic basis, reflecting only the Southern African operations and the Australian operations. With the implementation of IFRS 8, operating segments were identified on financial information regularly reviewed by the Chief Operating Decision Maker of the Group for IFRS 8 reporting purposes for performance assessments and resource allocation. As the Pick n Pay is an indirect operating segment its demonstrable similar economic characteristics they have been aggregated in terms of IFRS 8.

The Cash flows from financing activities statement has been reclassified to exclude the effect of the disposal of the store operations of the Group's subsidiary, Score Supermarkets Operating Limited, which results are disclosed as a discontinued operation. Detailed below is relevant information on the operation.

The Statement of cash flows is presented in accordance with IAS 7. The group has now completed the closure of the store operations of its subsidiary, Score Supermarkets Operating Limited, which results are disclosed as a discontinued operation. Detailed below is relevant information on the operation.