RESULTS PRESENTATION
for the 26 weeks ended 27 August 2017
AGENDA

CHAIRMAN’S INTRODUCTION
Gareth Ackerman
Chairman

RESULTS OVERVIEW
Bakar Jakoet
Chief Finance Officer

PROGRESS ON OUR PLAN
Richard Brasher
Chief Executive Officer
CHAIRMAN’S INTRODUCTION

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

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

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

WE ARE RETURNING TO OUR ROOTS AS A CONSUMER CHAMPION
CHAIRMAN’S INTRODUCTION

Pick n Pay

MOST TRUSTED RETAILER

South Africa National Pulse | 2017 | Reputation House

Pick n Pay

COOLEST GROCERY STORE

Generation Next Survey | 2017 | Sunday Times

Reputation House
CHAIRMAN’S INTRODUCTION

- PnP remains one of the largest investors in South Africa
  - Investing R1.6bn capex this year
  - R7.6bn invested since FY13

- We continue to create much needed jobs in South Africa
  - New jobs created through new store openings
  - Over 12,500 net new jobs created since FY13
CHAIRMAN’S INTRODUCTION

Delivering against sustainable development goals

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

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

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

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

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

WE ARE DETERMINED TO PLAY OUR PART IN GROWING THE ECONOMY
RESULTS OVERVIEW

Bakar Jakoet
Chief Finance Officer
# KEY INDICATORS - NORMALISED BASIS*

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

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

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

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

<table>
<thead>
<tr>
<th></th>
<th>As reported H1 2018 Rm</th>
<th>Non-recurring item (VSP) Rm</th>
<th>Normalised H1 2018 Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trading expenses - employee costs</td>
<td>3 467.5</td>
<td>(200.0)</td>
<td>3 267.5</td>
</tr>
<tr>
<td>Trading profit</td>
<td>441.5</td>
<td>200.0</td>
<td>641.5</td>
</tr>
<tr>
<td>PBT before capital items</td>
<td>410.9</td>
<td>200.0</td>
<td>610.9</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>405.2</td>
<td>200.0</td>
<td>605.2</td>
</tr>
<tr>
<td>Profit for the period</td>
<td>293.8</td>
<td>145.0</td>
<td>438.8</td>
</tr>
<tr>
<td>HEPS (cents)</td>
<td>61.88</td>
<td>30.11</td>
<td>91.99</td>
</tr>
<tr>
<td>Diluted HEPS (cents)</td>
<td>60.78</td>
<td>29.58</td>
<td>90.36</td>
</tr>
</tbody>
</table>
### NORMALISED EARNINGS AND DIVIDENDS PER SHARE

<table>
<thead>
<tr>
<th></th>
<th>H1 2018 Cents</th>
<th>H1 2017 Cents</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Normalised basic EPS</td>
<td>91.14</td>
<td>78.69</td>
<td>15.8</td>
</tr>
<tr>
<td>Normalised HEPS</td>
<td>91.99</td>
<td>82.43</td>
<td>11.6</td>
</tr>
<tr>
<td>Normalised diluted HEPS</td>
<td>90.36</td>
<td>79.87</td>
<td>13.1</td>
</tr>
<tr>
<td>Interim dividend</td>
<td>33.40</td>
<td>29.90</td>
<td>11.7</td>
</tr>
</tbody>
</table>

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

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

<table>
<thead>
<tr>
<th></th>
<th>H1 2018</th>
<th>H1 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Like-for-like turnover growth</td>
<td>1.8%</td>
<td>3.5%</td>
</tr>
<tr>
<td>Turnover growth from net new space</td>
<td>3.3%</td>
<td>3.7%</td>
</tr>
<tr>
<td>Growth in net new space (m²)</td>
<td>1.5%</td>
<td>2.1%</td>
</tr>
<tr>
<td>Internal selling price inflation</td>
<td>3.6%</td>
<td>5.5%</td>
</tr>
<tr>
<td>New stores</td>
<td>63</td>
<td>74</td>
</tr>
<tr>
<td>Customer growth (number of transactions)</td>
<td>2.2%</td>
<td>6.0%</td>
</tr>
<tr>
<td>Basket size growth (average transaction value)</td>
<td>3.1%</td>
<td>1.3%</td>
</tr>
</tbody>
</table>
GROSS PROFIT MARGIN

GROSS PROFIT MARGIN %

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

<table>
<thead>
<tr>
<th></th>
<th>H1 2018 Rm</th>
<th>H1 2017 Rm</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other trading income</td>
<td>631.3</td>
<td>508.1</td>
<td>24.2</td>
</tr>
<tr>
<td>Franchise fee income</td>
<td>202.5</td>
<td>177.2</td>
<td>14.3</td>
</tr>
<tr>
<td>Operating lease income</td>
<td>211.8</td>
<td>168.8</td>
<td>25.5</td>
</tr>
<tr>
<td>Commissions, dividends received and other income (including value added services)</td>
<td>217.0</td>
<td>162.1</td>
<td>33.9</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>H1 2018 Rm</th>
<th>H1 2017 Rm</th>
<th>% change</th>
<th>% LFL change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trading expenses</td>
<td>6 960.8</td>
<td>6 624.8</td>
<td>5.1</td>
<td>1.6</td>
</tr>
<tr>
<td>Employee costs</td>
<td>3 267.5</td>
<td>3 205.9</td>
<td>1.9</td>
<td>(0.7)</td>
</tr>
<tr>
<td>Occupancy</td>
<td>1 502.1</td>
<td>1 302.3</td>
<td>15.3</td>
<td>10.2</td>
</tr>
<tr>
<td>Operations</td>
<td>1 578.1</td>
<td>1 513.8</td>
<td>4.2</td>
<td>(0.2)</td>
</tr>
<tr>
<td>Merchandising &amp;</td>
<td>613.1</td>
<td>602.8</td>
<td>1.7</td>
<td>(0.5)</td>
</tr>
<tr>
<td>administration</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

• Trading expenses up 5.1%, with LFL expense growth contained at 1.6%

• Employee costs improved by 0.3% pts from 8.6% to 8.3% of turnover. LFL costs down 0.7%

• Like-for-like occupancy costs up 10.2% driven by annual rental escalations, additional head leases and increases in security costs

• Well-managed operations costs despite regulatory increases in electricity and utilities
PROFIT ANALYSIS

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

<table>
<thead>
<tr>
<th></th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA (excluding capital items)</td>
<td>11.6</td>
</tr>
<tr>
<td>EBIT (excluding capital items)</td>
<td>17.0</td>
</tr>
<tr>
<td>Profit before tax before capital items</td>
<td>11.4</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>14.6</td>
</tr>
<tr>
<td>Profit for the period</td>
<td>14.9</td>
</tr>
</tbody>
</table>
In constant currency terms, segmental revenue increased 14.3% with LFL revenue up 2.0%. Segmental profit margin up 0.4% pts. Earnings growth supported by improved franchise performance and a strong performance from TM Supermarkets. Continued challenging trading environment in Zambia. Opened 4 new stores; 1 in Namibia and 3 in Swaziland.

<table>
<thead>
<tr>
<th></th>
<th>H1 2018</th>
<th>H1 2017</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Segmental revenue</td>
<td>R2.3bn</td>
<td>R2.0bn</td>
<td>12.6</td>
</tr>
<tr>
<td>Segmental profit*</td>
<td>R126.8m</td>
<td>R103.7m</td>
<td>22.3</td>
</tr>
<tr>
<td>Segmental profit margin</td>
<td>5.5%</td>
<td>5.1%</td>
<td></td>
</tr>
<tr>
<td>Number of stores</td>
<td>142</td>
<td>137</td>
<td></td>
</tr>
</tbody>
</table>

* Segmental profit comprises the segment’s trading results and directly attributable costs only. No allocations are made for indirect or incremental cost incurred by the South Africa segment relating to this division.
• Cash generated (before VSP) of R1.3bn, up 9.4% year-on-year

• Strong working capital management, particularly inventory, generated R790m in cash

• The Group invested a further R778m in CAPEX

• The Group paid dividends of R706m to shareholders in the first half, an increase of 15.7% on the prior year
### NET FUNDING

<table>
<thead>
<tr>
<th></th>
<th>H1 2018 Rm</th>
<th>FY 2017 Rm</th>
<th>H1 2017 Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>966.3</td>
<td>961.9</td>
<td>1 080.9</td>
</tr>
<tr>
<td>Cost-effective short-term borrowings</td>
<td>(1 800.0)</td>
<td>(1 800.0)</td>
<td>(750.0)</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>(833.7)</td>
<td>(838.1)</td>
<td>330.9</td>
</tr>
<tr>
<td>Total borrowings</td>
<td>(128.6)</td>
<td>(133.2)</td>
<td>(135.3)</td>
</tr>
<tr>
<td>Net funding</td>
<td>(962.3)</td>
<td>(971.3)</td>
<td>195.6</td>
</tr>
</tbody>
</table>

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

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

<table>
<thead>
<tr>
<th>Expansion into new stores</th>
<th>Actual H1 2018 Rm</th>
<th>Planned FY 2018 Rm</th>
<th>Actual FY 2017 Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improving existing stores</td>
<td>263</td>
<td>670</td>
<td>900</td>
</tr>
<tr>
<td>Improving the customer experience</td>
<td>615</td>
<td>1 340</td>
<td>1 534</td>
</tr>
<tr>
<td>Investing in future infrastructure</td>
<td>42</td>
<td>60</td>
<td>154</td>
</tr>
<tr>
<td>Maintaining current infrastructure</td>
<td>121</td>
<td>200</td>
<td>198</td>
</tr>
<tr>
<td>Total capital investment</td>
<td>778</td>
<td>1 600</td>
<td>1 886</td>
</tr>
</tbody>
</table>
PROGRESS ON OUR PLAN

Richard Brasher
Chief Executive Officer
PERFORMANCE HIGHLIGHTS

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

*Normalised HEPS and Normalised PBT before capital items
OUR TURNAROUND PLAN

Stage 1
Stabilise the business
- Strong financial control
- Effective business management systems

Stage 2
Change the trajectory
- Greater operating efficiency
- Better value offer to generate sales growth
- Sustainable trading margin improvement

Stage 3
Sustainable long-term growth
- Operating model which benchmarks internationally
- Continuous innovation
AT THE HEART OF STAGE TWO IS DELIVERING BETTER VALUE FOR CUSTOMERS BY REDUCING OUR COSTS

Stage 2 of our plan

- Reduce our costs and become more productive
- Invest to deliver consistently better value for customers
Shoppers are adopting coping mechanisms to manage their squeezed budgets:

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

The source of this information is from the South Africa Audience Research Association, All Media and Products Survey (SAARF AMPS) 2015.
AS A RESULT, WE HAVE ACCELERATED OUR PLAN

Stage 2 of our plan

- Reduce our costs and become more productive
- Invest to deliver consistently better value for customers

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

1. Prices
2. Promotions
3. Personal discounts
4. Private label
5. More stores, better stores
**ACCELERATING OUR TURNAROUND PLAN HAS IMPACTED SALES IN H1**

<table>
<thead>
<tr>
<th>Turnover growth</th>
<th>LFL turnover growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>↑ 5.1%</td>
<td>↑ 1.8%</td>
</tr>
</tbody>
</table>

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

We are a stronger business for taking action

<table>
<thead>
<tr>
<th>Internal inflation</th>
<th>Lower internal inflation than FY17</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.6%</td>
<td>↓ 2.5% pts</td>
</tr>
</tbody>
</table>

**Inflation %**

- SA Food Inflation
- SA CPI
- Internal Inflation

<table>
<thead>
<tr>
<th>Year</th>
<th>SA Food Inflation</th>
<th>SA CPI</th>
<th>Internal Inflation</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY16</td>
<td>5.3</td>
<td>3.1</td>
<td>6.1</td>
</tr>
<tr>
<td>FY17</td>
<td>6.4</td>
<td>6.1</td>
<td>3.6</td>
</tr>
<tr>
<td>FY18 H1</td>
<td>6.9</td>
<td>5.2</td>
<td>3.6</td>
</tr>
</tbody>
</table>
REDUCING OUR COSTS TO INVEST MORE IN CUSTOMERS

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

Delivered to invest in customers, accelerate sales growth and deliver greater profitability.
STRONG EXPENSE CONTROL, PARTICULARLY EMPLOYEE COSTS

1. Operating costs

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

2. Voluntary severance programme

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

Employee costs as a % of turnover

<table>
<thead>
<tr>
<th></th>
<th>FY16 H1</th>
<th>FY17 H1</th>
<th>FY18 H1</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>8.8</td>
<td>8.6</td>
<td>8.3</td>
</tr>
</tbody>
</table>

Total Group - number of employees

<table>
<thead>
<tr>
<th></th>
<th>FY13</th>
<th>FY18 H1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number</td>
<td>69500</td>
<td>82000</td>
</tr>
</tbody>
</table>

12 500

Jobs created
Since FY13
MORE EFFECTIVE PARTNERSHIPS WITH SUPPLIERS TO DRIVE MUTUAL GROWTH

3 Buy for less programme

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

4 Reduced Smart Shopper costs

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

4 PERSONALISED DISCOUNTS JUST FOR YOU

- R1.90 OFF
- R3.10 OFF
- R3.20 OFF
- R1.60 OFF
ACCELERATED SUPPLY CHAIN CENTRALISATION IN THE FIRST HALF

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

<table>
<thead>
<tr>
<th>yr</th>
<th>FY14</th>
<th>FY15</th>
<th>FY16</th>
<th>FY17</th>
<th>FY18 H1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Centralisation (%)</td>
<td>43%</td>
<td>46%</td>
<td>56%</td>
<td>60%</td>
<td>65%</td>
</tr>
</tbody>
</table>

TOTAL CENTRALISATION

- Increase in centralisation in H1 FY18 +22%

65% 

↑ 5% pts

Total volumes centralised
Increase in centralisation in H1 FY18
INVESTING TO DELIVER CONSISTENTLY BETTER VALUE FOR CUSTOMERS

Delivered to create investment fund for customers

R1bn full year savings

1. Lower prices
2. Better promotions
3. Personalised discounts
4. More private label
5. More stores, better stores
Price is our number one customer priority

In March we announced a R500m price investment, which started with dropping the prices on 1 300 grocery items

This month we will be dropping a further 500 prices and making fresh products cheaper

- Produce
- Meat
- Bakery

Offering better and deeper promotions

Produce combo deals offer great value

Brand Match continues to provide customers with a price match guarantee
MORE PERSONAL DISCOUNTS

R1.6bn
Personal discounts offered in H1 FY18

45m
Vouchers issued each week

100%
Increase in voucher usage

New app
For easy voucher redemption

#1
SA’s favourite loyalty programme
MORE PRIVATE LABEL

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

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

*Twelve 1st place Sunday Times Food Awards
MORE STORES, BETTER STORES

- 183 Next Generation stores
  - Ongoing improvements to the operating model
  - Improved return on capital

- Two new PnP Next Generation formats to be launched in the second half:
  - Next Generation premium supermarket (Constantia)
  - Next Generation hypermarket (Durban North)

- We continue to strengthen our partnership with franchisees, with 23 new stores opened in the half

- Launched Fan Score competition, an internal programme focused on improving customer service in stores, including league tables and prizes for staff
CONTINUED INVESTMENT IN ONLINE

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

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

Website
- New online shopping website launched in September
  - Designed for mobile
  - Improved search and navigation
- Visitors to the website increased by 32% during the half year
PROVIDING CUSTOMERS WITH ACCESS TO BETTER VALUE FINANCIAL SERVICES

Banking services

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

Store Account

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

Celebrating 40th year of trading by giving customers even lower prices

13 new stores opened, 2 of which were in the Western Cape

21 Next Generation refurbishments in the half

70% of all Boxer stores converted to Next Generation

New DC in East London to service Eastern Cape stores
STRENGTHENING REST OF AFRICA

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

- Disaster relief
- Mandela Day food drive
- Waste to Food project
- Small supplier development
- Sunflower Day
### THE RIGHT PLAN FOR TOUGHER TIMES

**In H2 we will:**

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