



Interim results for the 6 months ended 31 December 2008

HIGHLIGHTS

Trading profit was up 38,2% to R1,409 billion.

Turnover increased 27,3% from R23,260 billion to R29,604 billion.

Non-RSA supermarkets achieved 54,3% sales growth.

Diluted headline earnings per share rose 43,3% to 184,0 cents.

Dividend per share declared increase by 42,9% to 70,0 cents (2008: 49,0 cent).

CONDENSED GROUP INCOME STATEMENT

R'000	% change	Unaudited 6 months ended Dec 08	Unaudited 6 months ended Dec 07	Audited year ended June 08
Sale of merchandise	27.3%	29 603 953	23 259 616	47 651 548
Cost of sales	28.2%	(23 847 251)	(18 602 366)	(38 161 987)
Gross profit	23.6%	5 756 702	4 657 250	9 489 561
Other operating income	17.1%	493 045	421 019	982 770
Depreciation and amortisation	34.7%	(376 733)	(279 661)	(596 841)
Operating leases	15.9%	(610 747)	(526 798)	(1 122 522)
Employee benefits	21.0%	(2 227 095)	(1 839 937)	(3 655 978)
Other expenses	15.1%	(1 625 780)	(1 412 238)	(2 800 440)
Trading profit	38.2%	1 409 392	1 019 635	2 296 550
Exchange rate gains	272.5%	26 319	7 065	33 187
(Expenditure)/income of a capital nature	116.9%	(9 917)	(4 573)	6 756
Operating profit	39.5%	1 425 794	1 022 127	2 336 493
Interest received	17.1%	103 844	88 694	183 915
Finance costs	(1.2%)	(25 380)	(25 679)	(59 149)
Profit before tax	38.6%	1 504 258	1 085 142	2 461 259
Tax	34.9%	(542 235)	(401 852)	(875 570)
Profit for the period	40.8%	962 023	683 290	1 585 689
ATTRIBUTABLE TO:				
Equity holders of the Company	41.6%	955 185	674 653	1 570 252
Minority interest	(20.8%)	6 838	8 637	15 437
		962 023	683 290	1 585 689
Earnings per share (cents)	41.6%	188.3	133.0	309.5
Diluted earnings per share (cents)	42.3%	181.9	127.8	298.3
Ordinary dividend per share (cents)				155.0
Final/interim dividend paid		106.0	66.0	49.0
Interim/final dividend declared		70.0	49.0	106.0
Number of weighted average ordinary shares ('000) used for calculation of: earnings per share		507 320	507 320	507 320
: diluted earnings per share		525 106	527 804	526 455

CONDENSED GROUP BALANCE SHEET

R'000	Unaudited Dec 08	Unaudited Dec 07	Audited June 08
ASSETS			
Non-current assets	5 905 919	4 724 238	5 120 964
Property, plant and equipment	5 199 474	4 115 159	4 502 928
Available-for-sale investments	51 798	27 894	37 548
Loans and receivables	7 325	47 402	4 056
Deferred tax assets	317 142	232 510	248 614
Intangible assets	320 080	297 024	319 825
Fixed escalation operating lease accrual	10 100	4 249	7 993
Current assets	12 874 310	9 299 360	9 733 319
Inventories	6 489 063	4 650 266	4 707 394
Other current assets	2 115 686	1 898 381	1 718 427
Assets classified as held for sale	109 548	24 981	107 389
Loans and receivables	67 146	3 898	43 468
Cash and cash equivalents	4 092 867	2 721 834	3 156 641
Total assets	18 780 229	14 023 598	14 854 283
EQUITY AND LIABILITIES			
Total equity	5 036 537	3 982 153	4 818 838
Capital and reserves attributable to equity holders	4 976 780	3 926 022	4 758 656
Minority interest	59 757	56 131	60 182
Non-current liabilities	989 391	753 145	841 031
Borrowings	23 898	2 498	12 762
Deferred tax liabilities	13 193	12 642	16 241
Provisions	425 718	292 414	316 600
Fixed escalation operating lease accrual	418 479	445 591	439 762
Other non-current liabilities	108 103	—	55 666
Current liabilities	12 754 301	9 288 300	9 194 414
Other current liabilities	12 680 741	9 137 637	9 060 941
Provisions	46 851	47 394	112 682
Bank overdraft	26 709	103 269	20 791
Total liabilities	13 743 692	10 041 445	10 035 445
Total equity and liabilities	18 780 229	14 023 598	14 854 283

RECONCILIATION OF HEADLINE EARNINGS

R'000	% change	Unaudited 6 months ended Dec 08	Unaudited 6 months ended Dec 07	Audited year ended June 08
Net profit attributable to shareholders		955 185	674 653	1 570 252
Expenditure/(income) of a capital nature		9 917	4 573	(6 756)
Loss/(profit) on disposal of property		9 607	711	(2 234)
Loss on disposal and scrapping of plant, equipment and intangible assets		647	3 600	9 250
Insurance claims received for buildings		—	—	(21 689)
Impairment of property, plant and equipment and assets held for sale		—	—	6 091
Impairment of goodwill		—	—	2 336
(Profit)/loss on other investing activities		(337)	262	(510)
Tax effect on items of a capital nature		962	(1 335)	8 735
Headline earnings		966 064	677 891	1 572 231
Earnings per share (cents)	41.6%	188.3	133.0	309.5
Diluted earnings per share (cents)	42.3%	181.9	127.8	298.3
Headline earnings per share (cents)	42.5%	190.4	133.6	309.9
Diluted headline earnings per share (cents)	43.3%	184.0	128.4	298.6
Ordinary dividend per share (cents)				155.0
Final/interim dividend paid		106.0	66.0	49.0
Interim/final dividend declared		70.0	49.0	106.0

CONDENSED GROUP CASH FLOW STATEMENT

R'000	Notes	Unaudited 6 months ended Dec 08	Unaudited 6 months ended Dec 07	Audited year ended June 08
Cash generated by operations		2 763 057	1 756 497	3 286 747
Operating profit		1 425 794	1 022 127	2 336 493
Less: investment income		(4 199)	(5 594)	(27 760)
Non-cash items	1	482 825	335 813	709 744
Cash settled share options		(97 460)	(93 138)	(128 615)
Changes in working capital	2	956 097	497 289	396 885
Net interest received		82 434	67 658	146 182
Dividends received		229	951	6 344
Dividends paid		(544 187)	(335 742)	(587 789)
Tax paid		(406 642)	(412 051)	(616 141)
Cash flows from operating activities		1 894 891	1 077 313	2 235 343
Cash flows utilised by investing activities		(1 019 288)	(443 100)	(1 167 589)
Purchase of property, plant and equipment and intangible assets		(1 039 336)	(644 383)	(1 436 195)
Proceeds on disposal of assets held for sale, property, plant and equipment and intangible assets		45 386	204 921	262 565
Acquisition of operations		—	(5 909)	(5 909)
Other investment activities		(25 338)	2 271	11 950
Cash flows from financing activities		999	—	20 497
Other financing activities		999	—	20 497
Movement in cash and cash equivalents		876 602	634 213	1 088 251
Effect of exchange rate movements on cash and cash equivalents		53 706	(3 350)	59 897
Net movement in cash and cash equivalents		930 308	630 863	1 148 148

CASH FLOW INFORMATION

R'000	% change	Unaudited 6 months ended Dec 08	Unaudited 6 months ended Dec 07	Audited year ended June 08
1. Non-cash items				
Depreciation on property, plant and equipment		356 684	282 092	597 786
Amortisation of intangible assets		35 334	11 258	29 002
Net fair value losses/(gains) on financial instruments		7 500	(1 967)	(5 612)
Exchange rate gains		(26 319)	(7 065)	(33 187)
(Profit)/loss on disposal of property and assets held for sale		(3 744)	711	(2 234)
Loss on disposal and scrapping of plant, equipment and intangible assets		647	3 600	9 250
Impairment of property, plant and equipment		—	—	6 091
(Profit)/loss on other investing activities		(337)	262	—
Impairment of goodwill		—	—	2 336
Movement in provisions		49 687	5 933	86 030
Movement in cash-settled share-based payment accrual		88 758	45 724	59 835
Insurance claims received for buildings		—	—	(21 689)
Movement in fixed escalation operating lease accrual		(25 385)	(4 735)	(17 864)
		482 825	335 813	709 744
2. Changes in working capital				
Inventories		(1 736 324)	(956 631)	(913 824)
Trade and other receivables		(401 561)	(346 299)	(133 276)
Trade and other payables		3 093 982	1 800 219	1 443 985
		956 097	497 289	396 885

CONDENSED SEGMENT INFORMATION

R'000	% change	Unaudited 6 months ended Dec 08	Unaudited 6 months ended Dec 07	Audited year ended June 08
SEGMENT REVENUE – by business segment				
– Supermarkets	28.0%	28 223 917	22 041 909	45 393 380
– Furniture	13.3%	1 380 036	1 217 707	2 258 168
Total segment revenue	27.3%	29 603 953	23 259 616	47 651 548
SEGMENT RESULT* – by business segment				
– Supermarkets (including unallocated)	43.9%	1 324 962	920 498	2 150 178
– Furniture	5.9%	106 550	100 608	151 799
Total segment result	40.2%	1 431 512	1 021 106	2 301 977

*Segment result comprises trading profit plus exchange rate gains less investment income.

SUPPLEMENTARY INFORMATION

R'000	Unaudited Dec 08	Unaudited Dec 07	Audited June 08
1. Capital commitments	261 063	254 181	327 424
2. Contingent liabilities	34 792	34 093	34 406
3. Net asset value per share (cents)	981	774	938
4. Total number of shares in issue (adjusted for treasury shares)	507 345	507 345	507 345

CONDENSED STATEMENT OF CHANGES IN EQUITY

R'000	Unaudited 6 months ended Dec 08	Unaudited 6 months ended Dec 07	Audited year ended June 08
Balance at beginning of July	4 818 838	3 688 771	3 688 771
Net fair value profits on available-for-sale investments, net of tax	12 254	3 535	11 995
Net profit for the period	962 023	683 290	1 585 689
Cash settlement of share options	(382 843)	(38 645)	(62 341)
Foreign currency translation differences	171 287	(17 871)	182 987
Dividends distributed to shareholders	(545 022)	(336 927)	(588 263)
Balance at end of December/June	5 036 537	3 982 153	4 818 838

COMMENTARY

THE GROUP

The 27,3% increase in turnover was achieved against a background of tougher trading conditions, lower consumer confidence and declining disposable income as the Group continued to benefit from its positioning as South Africa's leading value-provider in food retailing. Support within the country from an ever-increasing consumer base continued to grow while beyond its borders the strong spurt in sales was boosted by lower export prices from South Africa due to a weaker rand. The trading margin of 4,8% was the highest yet.

RSA SUPERMARKETS

Increasing sales by 24,5% to R22,963 billion, the Group's supermarket operation in South Africa grew ahead of the market, gaining 1,6% in market share to 29,8% – the highest growth achieved by any South African food retailer. Internal food inflation during this time escalated to 16,9% from 9,2% in 2007. To strengthen its positioning as the food retailer consistently offering the best value, the Group continued its policy of reducing gross margin to bring down prices.

Shoprite, accounting for 59,2% of sales by the Group's supermarket operations in South Africa, increased turnover by 23,3% to R13,600 billion. Its low-price positioning continued to appeal to shoppers in ever-increasing numbers enabling it to increase its share of the local food market by 0,7% to 16,5%.

The more up-market repositioning of Checkers paid handsomely and the chain increased turnover by 23,6%, for the first time matching the growth rate of the flag ship brand Shoprite. According to independent market surveys, Checkers was the country's fastest-growing chain during the review period.

The Usave chain continued to grow apace both in its footprint and in turnover. Assisted by a net gain of 24 new stores, Usave raised turnover by 63,5% and by 32,1% on a like-for-like basis.

SUPERMARKETS OUTSIDE SOUTH AFRICA

This division again performed satisfactorily and continued to grow despite intense difficulties and long lead times. Supported by a weaker rand, it increased total turnover by 54,3% in rand terms and by 50,3% on a like-for-like basis and contributed 14,1% to the Group's total supermarket sales. The commodity-rich countries on the west coast of Africa again delivered the best performance.

OK FRANCHISE

The franchise division grew turnover by 28,7% as members increased the volume of business placed through it. Trading profit climbed steeply as the gap widened between turnover growth and overhead costs. With 33 new members joining the division it now has 281 franchisees.

FURNITURE

Trading conditions became increasingly difficult as competitors vied to build turnover through increased unit sales. Both House & Home and OK Furniture fared well under the circumstances and the division ended the period with 13,3% higher sales and increased turnover. There was a steady increase in credit sales while the level of bad debts remained well within acceptable limits.

CORPORATE GOVERNANCE

The Group is committed to the principles embodied in the Code of Corporate Practice and Conduct in the King Report 2002 ("the Code"). The Group complies with the significant requirements incorporated in the Code and in the Listings Requirements of the JSE Ltd.

DIVIDEND NO 120

The board has declared an interim dividend of 70,0 cents (2008: 49,0 cents) per ordinary share, payable to shareholders on Monday, 16 March 2009. The last day to trade cum dividend will be Friday, 6 March 2009. As from Monday, 9 March 2009, all trading of Shoprite Holdings Ltd shares will take place ex dividend. The record date is Friday, 13 March 2009. Share certificates may not be dematerialised or rematerialised between Monday, 9 March 2009 and Friday, 13 March 2009, both days inclusive.

ACCOUNTABILITY

These condensed consolidated interim results have been prepared in accordance with International Financial Reporting Standards ("IFRS"), IAS 34: Interim Reporting, and Schedule 4 of the South African Companies Act (Act no 61 of 1973), as amended. The accounting policies are consistent with those used in the annual financial statements for the financial period ended June 2008.

PROSPECTS

Despite sales continuing to grow in January at the same rate as in the reporting period, the board does not believe the present growth rate is sustainable. However, it does believe that because of its value positioning the Group is better placed than most to weather the storm and to achieve satisfactory results for the remainder of the year.

By order of the Board

CH Wiese
Chairman

JW Basson
Chief Executive

Cape Town
17 February 2009

DIRECTORATE AND ADMINISTRATION

Executive directors: JW Basson (chief executive), CG Goosen (deputy managing director), B Harisunker, AE Karp, EL Nel, BR Weyers
Non-executive directors: CH Wiese (chairman), TRP Hlongwane, JA Louw, JF Malherbe, JG Rademeyer
Alternate directors: JAL Basson, M Bosman, PC Engelbrecht, JD Wiese
Company secretary: PG du Preez
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TRANSFER SECRETARIES