Shoprite Holdings Limited

Interim results for the 27 weeks ended December 2004

Focused on growth

Registration No 1936/007721/06
ISIN: ZAE000012084
JSE share code: SHP
NSX share code: SRH
LuSE share code: SHOPRITE
“Shoprite” or “the Group”

This interim report covers 27 weeks compared to the 26 weeks of the corresponding period in 2003, a factor that should be taken into consideration when evaluating these results. To make the comparison with the corresponding six months in 2003 meaningful, percentages provided in the section “Key information” below are given for both a 27-week and a 26-week reporting period.

Key information

- **Total turnover increased 14,2% (26 weeks: 10,4%) from R13,360 billion to R15,254 billion.**
- **Non-RSA operations achieved 26,4% (26 weeks: 22,1%) sales growth in stable currency terms.**
- **Operating profit before exchange differences was up 47,7% (26 weeks: 25,2%) to R466,2 million.**
- **Headline earnings per share grew 55,4% to 60,6 cents (26 weeks: up 30,8% to 51,0 cents).**
- **Headline earnings per share, adjusted for exchange differences, rose 39,3% to 61,7 cents (26 weeks: up 17,8% to 52,2 cents).**
- **Dividend per share envisaged increased 33,3% to 22,0 cents.**
- **Net asset value per share increased 22,8% to 464 cents.**

Whitey Basson, chief executive, commented:
"Although experiencing internal food deflation in all our operating chains the Group nevertheless managed turnover growth of 14,1% for the 27 weeks under review compared to the 26 weeks of the corresponding period a year ago. This was achieved by growing the number of customer store visits combined with an increase in basket size. Most pleasing was the strong spurt of 47,7% in operating profit before exchange differences which generated a net profit margin of 3,06%, the highest ever achieved by the Group. Our ambitious new-store programme announced last year is on track and we will continue to grow strongly in all our markets."

21 February 2005

Enquiries:
Shoprite Holdings Limited
Tel 021 980 4000
Whitey Basson, Chief executive
Carel Goosen, Deputy managing director

De Kock Communications
Tel 021 422 2690
Ben de Kock
082 905 6274

Operating environment

In the year since the previous interim report the already very low food inflation dropped even lower – from 2,6% in December 2003 to 1,5% in December 2004 - and there are no market indicators suggesting that this is going to change in the short term. However, consumer confidence continued unabated stimulating sales of particularly durable goods. The Group's furniture division benefited substantially from this trend. The continued strength of the rand perpetuated the benefits and disadvantages associated with it – cheaper imports but also more expensive exports of South African products to our stores in Africa, forcing the Group to increasingly source merchandise from elsewhere.

Comments on the results

Income statement

Total revenue
Total revenue increased by 13,9% from R13,635 billion to R15,529 billion. If the additional week of the current reporting period is disregarded, revenue growth was 10,2%.

Gross profit
Gross profit was 15,9% higher at R2,178 billion. This is ascribed to greater efficiency in sourcing and replenishment, augmented product ranges and improved sales of higher-margin non-food items.

Operating margin
The operating margin before exchange differences has shown consistent growth over the past few years. In the year since the end of 2003 it has accelerated from 2,36% to 3,06%, due to the same factors as set under "Gross profit" above, combined with relentless shrinkage control.

Exchange losses
During the review period the rand strengthened 10,5% against the US dollar compared to 9% in the corresponding period. Exchange losses nevertheless reduced from R31,5 million to R6,9 million due to the Group's exposure to other currencies.

Exceptional items
Exceptional items reduced from R80,7 million in 2003 to R18,7 million, mainly due to an end to the amortisation of negative goodwill during the 2004 financial year when the remaining balance of the negative goodwill arising from the OK Bazaars takeover had been fully utilised. The R18,7 million in exceptional items resulted for the most part from the realisation of the Group's investment in Canal Walk Ltd.

Earnings per share
Earnings per share increased 17,5% to 63,9 cents and headline earnings per share 55,4% to 60,6 cents. Once adjusted for exchange differences, headline earnings per share were 39,3% higher at 61,7 cents.

Balance sheet

Stock levels
Stock levels rose marginally to R3,198 billion (2003: R3,174 billion) mainly due to the need to provision new outlets and buying for the Christmas season which, for the food industry as a whole, did not meet expectations.

Cash and cash equivalents
Cash and cash equivalents reduced from R1,650 billion in 2003 to R779,4 million. This was mainly due to the fact that the corresponding reporting period ended on 28 December before the usual major month-end creditor payments were made. The Group was also for the first time since the acquisition in 1997 of OK Bazaars and its assessed tax losses, required to pay provisional tax. Total tax paid during the review period came to R326,2 million compared to R9,3 million in 2003.

Borrowings
The Group decided to take advantage of the current low interest rate environment to restructure its balance sheet by obtaining longer-term finance to fund future capital commitments.

Operational review

The reporting period to December 2004 was a successful trading one for the Group, with all the retail divisions reporting good growth in turnover, despite internal food deflation of between 0,3% and 1,3% across the different brands. Turnover growth was helped along by a strong emphasis on higher-margin non-food sales without in the process diluting the Group's primary focus on food. The Group marginally increased market share despite opening fewer top-end stores within South Africa than its main competitors.

Store	June 2004	Opened	Closed	Dec. 2004
Supermarkets	**486**	**29**	**-5**	**510**
Shoprite	316	9	-3	322
Checkers	88	3	0	91
Checkers Hyper	23	0	0	23
U-Save	59	17	-2	74
Hungry Lion (joint venture)	**52**	**5**	**-1**	**56**
Furniture Group	**167**	**6**	**0**	**173**
OK Furniture	145	6	0	151
House & Home	22	0	0	22
Total own stores	**705**	**40**	**-6**	**739**
OK Franchise	297	14	-38	273
Hungry Lion franchise	3	1	0	4
Total franchise	**300**	**15**	**-38**	**277**
Total stores	**1005**	**55**	**-44**	**1016**
Countries outside South Africa	15	1	0	16

Supermarkets
The Supermarket Division produced satisfactory revenue growth and a strong increase in profitability by good management of the cost and the distribution chain. The combined revenue of the three supermarket brands – Shoprite, Checkers and Usave – increased by 13,5% to R14,418 billion (26 weeks: 9,7% to R13,940 billion). Customer visits to its 510 stores increased 7,2% while basket size across the brands was 3,6% higher. The lower growth in basket size should be seen against the fact that all three chains experienced negative food inflation.

Shoprite
Shoprite, harder hit than Checkers by internal food deflation, given its mass-market customer profile and product mix, grew turnover on a like-for-like basis by 8,6% and overall by 11,7% on a 26-week comparative basis. The growth of 6,2% in customer visits and 5,2% in basket size also reflected increasing support from South Africa's emerging middle class.

Checkers
The Checkers brand continued to reflect the value of its new positioning in its customer support, with turnover growth of 7,3% on a like-for-like basis and 7,2% overall on a 26-week comparative basis. It grew basket size 4,9% compared to a year ago.

Usave
The roll-out of Usave outlets continued apace to keep up with support for the brand, and a further 15 stores were opened during the review period to bring the total in South Africa to 57 – 30 more than a year ago. Due to its market positioning and all-out focus on price, Usave experienced the highest deflation of the chains, a fact reflected in basket growth of 2,8%. The tempo of new-store openings resulted in the number of customer visits increasing by 144%.

Operations outside South Africa
The Group's operations in 16 countries outside South Africa performed to expectations, achieving 23,7% sales growth in stable currency terms on a 26-week comparative basis. If currency fluctuations are taken into account,

this turnover growth translates into 10,3% in rand terms. During the period under review the Group started trading as a wholesale operation in India and in its first franchised Hyper in a modern shopping centre in Mumbai. Management is excited about the enormous potential for growth in the subcontinent.

OK Franchise
After substantial write-offs in the previous financial year this division is back on an even keel and performing satisfactorily. During the review period 38 memberships and franchises were terminated and 14 new stores opened. All these businesses are being well managed and operating results are expected to improve in the next six months.

Furniture
Good growth was again experienced in the Furniture Division. Revenue increased 19,7% for the 27 weeks and 16,3% on a 26-week comparative basis. Operating profit grew strongly by 34,0% to R98,6 million for the 27 weeks and by 24,4% for the 26-week comparative period. These results were achieved in a highly competitive market, characterised by strong consumer demand and lower prices for imported goods given the strength of the rand.

Group prospects and outlook
We do not foresee any material changes occurring in the next six months in the retail environment in which the Group operates. Food inflation will remain low so we will continue our strategy of increasing and further upgrading our non-food product offering. We are looking forward to continued turnover growth from our major supermarket brands and we are confident that the Group will be able at least to maintain its present level of profitability.

Corporate governance
Shoprite acts in accordance with 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 the JSE Securities Exchange SA listing requirements.

Accountability
These condensed consolidated interim results have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice (“GAAP”) 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 2004 with the following exception:

• With the introduction of new accounting statements IFRS 3, Business Combinations; IAS 36, Impairment of Assets and IAS 38, Intangible Assets, all relevant transactions, assets and liabilities are now accounted for in terms of these statements. These statements require prospective application and had no material effect on the Group’s results.

Where necessary, comparative figures have been adjusted to conform to changes in presentation made in the current period. In particular, the cash flow statement and related disclosure for the period ending December 2003 have been adjusted with the elimination of all exchange differences.

In accordance with the recommendations of the JSE Securities Exchange South Africa, the Group now consolidates its share incentive scheme to ensure compliance with AC 132: Consolidated financial statements and accounting for investments in subsidiaries. The restatement had no significant effect on earnings or headline earnings per share.

Adjusted headline earnings are calculated by excluding the after-tax effect of exchange gains and losses from headline earnings.

Dividend
It is envisaged that an interim dividend of 22,0 cents per share will be declared towards the end of March 2005.

CH Wiese
Chairman

JW Basson
Chief executive

21 February 2005

Condensed group income statement

R'000	Unaudited 27 weeks ended Dec 04	% change	Unaudited 26 weeks ended Dec 03	Audited 52 weeks ended Jun 04
Revenue	15 529 378	13,9	13 635 118	27 171 644
Sale of merchandise	15 254 123	14,2	13 359 516	26 641 233
Finance income earned	81 701	7,1	76 318	171 322
Franchise fees received	10 131	(2,9)	10 431	19 779
Operating lease income	97 742	(9,7)	108 260	221 187
Net premiums earned	85 681	6,3	80 593	118 123
Gross profit	2 178 038	15,9	1 879 465	4 063 879
Other operating income	1 217 445	12,1	1 085 955	2 263 846
Depreciation	(214 290)	15,6	(185 426)	(407 382)
Operating leases	(365 488)	4,8	(348 695)	(857 341)
Staff costs	(1 243 169)	11,9	(1 110 682)	(2 273 837)
Other operating costs	(1 106 295)	10,1	(1 004 941)	(2 086 996)
Operating profit before exchange losses	466 241	47,7	315 676	702 169
Exchange losses	(6 894)	(78,1)	(31 470)	(78 848)
Operating profit before exceptional items	459 347	61,6	284 206	623 321
Exceptional items	18 669	(76,9)	80 688	161 594
Operating profit after exceptional items	478 016	31,0	364 894	784 915
Investment income	27 579	25,9	21 910	57 739
Finance costs	(6 311)	(32,8)	(9 385)	(30 062)
Profit before tax	499 284	32,3	377 419	812 592
Tax	(167 491)	73,5	(96 518)	(244 107)
Profit after tax	331 793	18,1	280 901	568 485
Minority interest	(7 765)	54,2	(5 037)	(11 674)
Net profit	324 028	17,5	275 864	556 811
Earnings per share (cents)	63,9	17,5	54,4	109,8
Diluted earnings per share (cents)	62,2	16,7	53,3	107,7
Headline earnings per share (cents)	60,6	55,4	39,0	79,9
Diluted headline earnings per share (cents)	59,0	54,0	38,3	78,3
Adjusted headline earnings per share (cents)	61,7	39,3	44,3	93,5
Adjusted diluted headline earnings per share (cents)	60,1	38,5	43,4	91,7
Ordinary dividend per share paid (cents)	19,5	18,2	16,5	33,0
Ordinary dividend per share envisaged (cents)	22,0	33,3	16,5	36,0
Number of ordinary shares ('000) used for calculation of				
: earnings per share	507 387*		507 466*	506 979*
: diluted earnings per share	520 914*		517 727*	517 007*
(* weighted average)				

Condensed statement of changes in equity

R'000	Unaudited 27 weeks ended Dec 04	Unaudited 26 weeks ended Dec 03	Audited 52 weeks ended Jun 04
Balance at beginning of July	2 128 215	1 732 939	1 732 939
Net movement in treasury shares	(164)	(3 469)	(3 080)
Net fair value profits on available-for-sale investments, net of tax	2 769	1 958	8 969
Net profit for the period	324 028	275 864	556 811
Dividends distributed to shareholders	(98 942)	(83 782)	(167 424)
Balance at end of December/June	2 355 906	1 923 510	2 128 215

Condensed segment information

R'000	Unaudited 27 weeks ended Dec 04	% change	Unaudited 26 weeks ended Dec 03	Audited 52 weeks ended Jun 04
Revenue - by business segment				
- Supermarkets	14 418 020	13,5	12 706 720	25 455 828
- Furniture	1 111 358	19,7	928 398	1 715 816
Total revenue	15 529 378	13,9	13 635 118	27 171 644
Operating profit - by business segment				
- Supermarkets	360 784	71,3	210 655	469 288
- Furniture	98 563	34,0	73 551	154 033
Total operating profit	459 347	61,6	284 206	623 321

Condensed group balance sheet

R'000	Unaudited Dec 04	Unaudited Dec 03	Audited Jun 04
Assets			
Non-current assets	2 663 667	2 194 186	2 452 285
Property, plant and equipment	2 339 398	1 972 825	2 178 809
Available-for-sale investments	32 675	57 519	6 980
Loans originated by the enterprise	79 445	72 474	66 537
Deferred tax assets	169 394	133 479	169 620
Intangible assets	42 755	(42 111)	30 339
Current assets	5 941 566	6 709 287	5 479 081
Inventories	3 197 962	3 173 583	2 620 150
Other current receivables	1 952 938	1 823 264	1 651 701
Available-for-sale investments	-	-	53 624
Loans originated by the enterprise	11 229	62 856	19 538
Cash and cash equivalents	779 437	1 649 584	1 134 068
Total assets	8 605 233	8 903 473	7 931 366
Equity and liabilities			
Capital and reserves	2 355 906	1 923 510	2 128 215
Minority interest	45 772	36 242	38 007
Non-current liabilities	217 887	222 144	218 325
Borrowings	2 450	2 450	2 450
Deferred tax liabilities	1 998	3 986	1 939
Provisions	213 439	215 708	213 936
Current liabilities	5 985 668	6 721 577	5 546 819
Borrowings	600 000	-	-
Other current liabilities	5 336 760	6 670 752	5 492 419
Provisions	48 908	50 825	48 567
Bank overdraft	-	-	5 833
Total equity and liabilities	8 605 233	8 903 473	7 931 366

Reconciliation of headline earnings

R'000	Unaudited 27 weeks ended Dec 04	Unaudited 26 weeks ended Dec 03	Audited 52 weeks ended Jun 04
Net profit attributable to shareholders	324 028	275 864	556 811
Exceptional items after tax	(18 647)	(80 688)	(160 140)
Profit on sale of unlisted investment	(17 978)	–	–
Profit on sale of listed investment	(669)	–	–
Profit on sale of operation	–	–	(68)
Reversal of impairment of buildings	–	–	(3 067)
Impairment of unlisted investment	–	–	5 119
Amortisation of negative goodwill	–	(72 288)	(150 036)
Reversal of impairment of amounts owing by share incentive trust participants	–	–	(7 946)
Payment for lease cancellation	–	–	3 000
Receipt for lease cancellation	–	(8 400)	(6 975)
Prescription of amounts owing	–	–	(167)
Other items after tax			
Loss on disposal and scrapping of plant and equipment	1 868	1 028	3 194
Amortisation of goodwill	–	1 959	5 087
Headline earnings	307 249	198 163	404 952
Exchange losses after tax	5 791	26 426	68 988
Adjusted headline earnings	313 040	224 589	473 940

Supplementary information

R'000	Unaudited Dec 04	Unaudited Dec 03	Audited Jun 04
1.Capital commitments	344 008	108 873	174 053
2.Contingent liabilities	47 227	46 834	14 707
3.Net asset value per share (cents)	464	378	419
4.Total number of shares in issue (adjusted for treasury shares)	507 387	507 310	507 387

Condensed group cash flow statement

R'000	Notes	Unaudited 27 weeks ended Dec 04	Unaudited 26 weeks ended Dec 03	Audited 52 weeks ended Jun 04
Cash generated by operations		(202 009)	1 337 925	1 341 611
Operating profit before exceptional items		459 347	284 206	623 321
Non-cash items	1	220 016	215 420	499 276
Changes in working capital	2	(881 372)	829 899	213 447
Exceptional items	3	–	8 400	5 567
Net finance costs		21 268	11 283	22 971
Dividends received		–	1 242	4 706
Dividends paid		(97 370)	(83 657)	(171 105)
Tax paid		(326 173)	(9 341)	(75 012)
Cash flows from operating activities		(604 284)	1 257 452	1 123 171
Cash flows from investing activities		(348 154)	(361 213)	(736 243)
Purchase of property, plant and equipment		(387 965)	(336 363)	(765 960)
Proceeds on disposal of investments		50 000	–	–
Acquisition of subsidiaries/operations		(2 329)	(13 178)	(14 147)
Disposal of interest in operation		–	–	5 200
Other investment activities		(7 860)	(11 672)	38 664
Net cash flow		(952 438)	896 239	386 928
Cash flows from financing activities		599 836	(3 469)	(3 080)
Acquisition of treasury shares		(164)	(3 469)	(3 703)
Proceeds on sale of treasury shares		–	–	623
Borrowings raised		600 000	–	–
Movement in cash and cash equivalents		(352 602)	892 770	383 848
Effect of exchange rate movements on cash and cash equivalents		3 804	(14 892)	(27 319)
Net movement in cash and cash equivalents		(348 798)	877 878	356 529

Cash flow information

1	Non-cash items			
	Depreciation on property, plant and equipment	214 290	185 426	407 382
	Amortisation of goodwill	-	1 959	5 087
	Loss on disposal and scrapping of plant and equipment	2 670	1 481	4 117
	Net fair value losses/(gains) on financial instruments	(3 838)	(4 916)	3 842
	Exchange losses	6 894	31 470	78 848
		220 016	215 420	499 276
2	Changes in working capital			
	Inventories	(611 412)	(631 191)	(98 169)
	Trade and other receivables	(333 955)	(419 219)	(227 341)
	Trade and other payables	64 151	1 889 724	552 402
	Movement in provisions	(156)	(9 415)	(13 445)
		(881 372)	829 899	213 447
3	Exceptional items			
	Exceptional items per income statement	18 669	80 688	161 594
	Profit on sale of unlisted investment	(18 000)	-	-
	Profit on sale of listed investment	(669)	-	-
	Profit on disposal of operation	-	-	(97)
	Reversal of impairment of buildings	-	-	(3 067)
	Impairment of unlisted investment	-	-	5 119
	Reversal of impairment of amounts owing by share incentive trust participants	-	-	(7 946)
	Amortisation of negative goodwill	-	(72 288)	(150 036)
		-	8 400	5 567

Directorate and administration
Executive directors:
JW Basson (chief executive), CG Goosen (deputy managing director), B Harisunker, BR Weyers, AN Van Zyl

Non-executive directors:
CH Wiese (chairman), JJ Fouché, TRP Hlongwane, JA Louw, JF Malherbe, JG Rademeyer

Company secretary:
AN van Zyl

Registered office:
Cnr William Dabs and Old Paarl Roads, Brackenfell, 7560, South Africa
PO Box 215, Brackenfell, 7561, South Africa
Telephone: +27 (0)21 980 4000
Facsimile: +27 (0)21 980 4050

Auditors:
PricewaterhouseCoopers Inc
PO Box 2799, Cape Town, 8000, South Africa

Transfer secretaries:
Computershare Investor Services 2004 (Pty) Ltd
PO Box 61051, Marshalltown, 2107, South Africa
Telephone +27 (0)11 370 5000
Facsimile +27 (0)11 688 5520
Website: www.computershare.com

Sponsor:
Nedbank Capital
PO Box 1144, Johannesburg, 2000, South Africa
Telephone +27 (0)11 295 8602
Facsimile +27 (0)11 294 8602

Website: www.nedbank.com

website: www.shoprite.co.za