



Interim results for the 6 months ended December 2009

SHOPRITE

(Reg. No. 1936/007721/06) | (ISIN: ZAE 000012084) | (JSE Share code: SHP) | (NSX Share code: SRH) | (LuSE Share code: SHOPRITE) | ("the Group")

Highlights

Trading profit was up 17,5% to R1,656 billion. Turnover increased 11,9% from R29,604 billion to R33,139 billion. Diluted headline earnings per share rose 13,3% to 208,5 cents. Dividend per share declared: 80,0 cents (2009: 70,0 cents) an increase of 14,3%.

Condensed group statement of comprehensive income

	0/	Unaudited 6 months	Unaudited 6 months	Audited for the year
R'000	% change	ended Dec 09	ended Dec 08	ended Jun 09
Sale of merchandise	11.9	33 138 535	29 603 953	59 318 559
Cost of sales	12.2	(26 757 553)	(23 847 251)	(47 878 232)
Gross profit	10.8	6 380 982	5 756 702	11 440 327
Other operating income	11.4	549 334	493 045	1 244 363
Depreciation and amortisation	3.5	(389 771)	(376 733)	(753 921)
Operating leases	21.8	(743 893)	(610 747)	(1 310 522)
Employee benefits	12.6	(2 507 779)	(2 227 095)	(4 453 771)
Other expenses	0.4	(1 632 481)	(1 625 780)	(3 225 562)
Trading profit	17.5	1 656 392	1 409 392	2 940 914
Exchange rate (losses)/gains	(227.6)	(33 596)	26 319	3 005
Items of a capital nature	(76.4)	(2 340)	(9 917)	(31 227)
Operating profit	13.7	1 620 456	1 425 794	2 912 692
Interest received	(48.1)	53 858	103 844	191 566
Finance costs	40.1	(35 564)	(25 380)	(86 142)
Profit before income tax	8.9	1 638 750	1 504 258	3 018 116
Income tax expense	5.2	(570 643)	(542 235)	(999 478)
Profit for the period	11.0	1 068 107	962 023	2 018 638
Other comprehensive income, net of t	ax	(157 887)	183 541	(185 037)
Fair value movements on				
available-for-sale investments		2 305	12 254	8 819
Foreign currency translation difference		(160 192)	171 287	(193 856)
Total comprehensive income for the p	eriod	910 220	1 145 564	1 833 601
Profit attributable to:				
Owners of the parent	11.0	1 059 790	955 185	1 998 246
Non-controlling interest	21.6	8 317	6 838	20 392
		1 068 107	962 023	2 018 638
Comprehensive income attributable to	D:			
Owners of the parent	(20.8)	901 903	1 138 726	1 813 209
Non-controlling interest	21.6	8 317	6 838	20 392
		910 220	1 145 564	1 833 601
Earnings per share (cents)	12.4	211.6	188.3	396.5
Diluted earnings per share (cents)	14.5	208.2	181.9	386.3
Ordinary dividend per share (cents)				
Final/interim dividend paid		130.0	106.0	70.0
Interim/final dividend declared		80.0	70.0	130.0
Number of weighted average ordinary	1			
shares ('000) used for calculation				
earnings per share		500 955	507 320	504 030
diluted earnings per share		509 091	525 106	517 250

ndonced average statement of financial position

Condensed group statement of financial position				
R'000	Unaudited Dec 09	Unaudited Dec 08	Audited Jun 09	
ASSETS Non-current assets	6 889 877	5 905 919	6 048 645	
Property, plant and equipment Available-for-sale investments Loans and receivables Deferred tax assets Intangible assets Fixed escalation operating lease accrual	6 038 485 50 483 5 315 260 845 528 516 6 233	5 199 474 51 798 7 325 317 142 320 080 10 100	5 359 587 47 804 2 636 277 951 354 434 6 233	
Current assets	12 607 292	12 764 762	10 685 675	
Inventories Other current assets Loans and receivables Cash and cash equivalents	6 974 489 2 339 518 69 243 3 224 042	6 489 063 2 115 686 67 146 4 092 867	6 041 906 1 780 972 37 409 2 825 388	
Assets held for sale	12 329	109 548	5 168	
Total assets	19 509 498	18 780 229	16 739 488	
EQUITY AND LIABILITIES Total equity	5 166 372	5 036 537	5 029 295	
Capital and reserves attributable to equity holders Non-controlling interest	5 106 904 59 468	4 976 780 59 757	4 960 000 69 295	
Non-current liabilities	925 944	989 391	766 217	
Borrowings Deferred tax liabilities Provisions Fixed escalation operating lease accrual Trade and other payables	19 409 50 174 272 294 416 256 167 811	23 898 13 193 425 718 418 479 108 103	16 677 26 992 170 231 414 164 138 153	
Current liabilities	13 417 182	12 754 301	10 943 976	
Other current liabilities Provisions Bank overdraft	13 282 027 53 004 82 151	12 680 741 46 851 26 709	10 567 076 362 977 13 923	
Total liabilities	14 343 126	13 743 692	11 710 193	
Total equity and liabilities	19 509 498	18 780 229	16 739 488	

Condensed operating segment information

R'000	% change	Unaudited 6 months ended Dec 09	Unaudited 6 months ended Dec 08	Audited for the year ended Jun 09
Sale of merchandise				
Supermarkets RSA	14.5	26 303 456	22 963 178	46 550 895
Supermarkets Non-RSA	(4.3)	3 604 702	3 767 842	7 315 148
Furniture	11.5	1 538 376	1 380 036	2 572 840
Other operating segments	13.3	1 692 001	1 492 897	2 879 676
	11.9	33 138 535	29 603 953	59 318 559
Trading profit				
Supermarkets RSA	27.5	1 321 617	1 036 883	2 303 097
Supermarkets Non-RSA	(22.2)	193 172	248 193	414 642
Furniture	2.9	104 347	101 454	176 785
Other operating segments	63.0	37 256	22 862	46 390
	17.5	1 656 392	1 409 392	2 940 914

The basis for reporting segmental financial information has been changed in accordance with the requirements of IFRS 8, Operating Segments. Operating segments were identified based on financial information regularly reviewed by the Shoprite Holdings Ltd board of directors (identified as the chief operating decision maker of the Group in terms of the IFRS 8 requirements) for performance assessments and resource allocations.

Supplementary information

R'000	Unaudited Dec 09	Unaudited Dec 08	Audited Jun 09
Capital commitments	1 062 881	261 063	337 276
2. Contingent liabilities	64 204	34 792	138 316
3. Net asset value per share (cents)	1 009	981	990
4. Total number of shares in issue			
(adjusted for treasury shares)	506 133	507 345	500 898

Reconciliation of headline earnings

R'000	% change	Unaudited 6 months ended Dec 09	Unaudited 6 months ended Dec 08	Audited for the year ended Jun 09
Profit attributable to owners				
of the parent		1 059 790	955 185	1 998 246
Re-measurements		2 340	9 917	31 227
Loss/(profit) on disposals of assets held for sale Loss on disposals and scrappings	of plant	_	9 607	(3 425)
equipment and intangible assets Impairment of property, plant		7 941	647	23 915
and equipment and assets held	for sale	_	_	7 106
Impairment of goodwill		_	_	3 608
Insurance claims received		(5 627)	_	-
Loss/(profit) on other investing ac	ctivities	26	(337)	23
Tax effect of re-measurements		(699)	962	(7 913)
Headline earnings		1 061 431	966 064	2 021 560
Earnings per share (cents)	12.4	211.6	188.3	396.5
Diluted earnings per share (cents)	14.5	208.2	181.9	386.3
Headline earnings per share (cents)	11.3	211.9	190.4	401.1
Diluted headline earnings				
per share (cents)	13.3	208.5	184.0	390.8
Ordinary dividend per share (cents)				200.0
Final/interim dividend paid		130.0	106.0	70.0
Interim/final dividend declared		80.0	70.0	130.0

Condensed group statement of cash flows

	Unaudited	Unaudited	Audited
	6 months	6 months	for the year
DIOCO N	ended	ended	ended
R'000 Notes	Dec 09	Dec 08	Jun 09
Cash generated by operations	3 348 282	2 763 057	3 435 736
Operating profit	1 620 456	1 425 794	2 912 692
Less: investment income	(12 462)	(4 199)	(29 279)
Non-cash items 1	590 684	482 825	1 065 296
Payments for cash settlement of	000 00 1	102 020	1 000 200
share options	_	(97 460)	(484 896)
Payment for post-retirement medical benefits	(200 631)	_	_
Changes in working capital 2	1 350 235	956 097	(28 077)
Net interest received	30 728	82 434	127 129
Dividends received	28	229	7 574
Dividends paid	(672 102)	(544 187)	(902 576)
Tax paid	(515 578)	(406 642)	(842 045)
Cash flows from operating activities	2 191 358	1 894 891	1 825 818
Cash flows utilised by investing activities	(1 472 951)	(1 019 288)	(1 737 303)
Durchase of property plant and			
Purchase of property, plant and equipment and intangible assets	(1 269 398)	(1 039 336)	(1 820 256)
Proceeds on disposal of assets held for	(1 200 000)	(1 000 000)	(1 020 230)
sale, property, plant and equipment			
and intangible assets	24 139	45 386	81 141
Acquisition of operations	(190 000)	_	_
Other investment activities	(37 692)	(25 338)	1 812
	, ,	,	
Cash flows (utilised by)/from financing activities	(238 965)	999	(333 108)
A annialting of two accounts about	(2///20)		(202 / / [])
Acquisition of treasury shares Proceeds on disposal of treasury shares	(244 439)	_	(383 445) 42 510
Other financing activities	5 474	999	7 827
Other Illiancing activities	5 474		1 021
Net movement in cash and cash equivalents	479 442	876 602	(244 593)
Cash and cash equivalents at the			,
beginning of the year	2 811 465	3 135 850	3 135 850
Cash and cash equivalents with			
acquisition of operations	(66 204)	_	_
Effect of exchange rate movements	(00.010)	50.700	(70.700)
on cash and cash equivalents	(82 812)	53 706	(79 792)
Cash and cash equivalents at the	0.1/1.001	/ 000 150	0.011 /05
end of the year	3 141 891	4 066 158	2 811 465
CASH FLOW INFORMATION			
Non-cash items			
Depreciation of property, plant			
and equipment	396 086	356 684	741 710
Amortisation of intangible assets	21 212	35 334	54 743
Net fair value losses on financial instruments	58 017	7 500	7 919
Exchange rate losses/(gains)	33 596	(26 319)	(3 005)
Profit on disposals of assets held for sale	_	(3 744)	(3 425)
Loss on disposals and scrappings of plant,		,	` ,
equipment and intangible assets	7 766	647	23 915
Impairment of property, plant and			
equipment and assets held for sale	_	_	7 106
Profit on other investing activities	_	(337)	_
Impairment of goodwill	(=)	_	3 608
Movement in provisions	(7 950)	49 687	117 591
Movement in cash-settled share-based	00.001	00.750	100.005
payment accrual	82 331	88 758	139 965
Insurance claims received Movement in fixed escalation operating	(5 627)	_	_
lease accrual	5 253	(25 385)	(24 831)
- Case addituat	590 684	482 825	1 065 296
Changes in working capital	330 004	-tUZ UZJ	1 000 200
Inventories	(865 109)	(1 736 324)	(1 464 435)
Trade and other receivables	(415 528)	(401 561)	(89 157)
Trade and other payables	2 630 872	3 093 982	1 525 515
payabab	1 050 005	050 002	(00 077)

1 350 235

956 097

 $(28\ 077)$

Condensed statement of changes in equity

	Unaudited	Unaudited	Audited
	6 months	6 months	for the year
	ended	ended	ended
R'000	Dec 09	Dec 08	Jun 09
Balance at beginning of July	5 029 295	4 818 838	4 818 838
Net movement in treasury shares	(244 439)	_	(340 935)
Net fair value movements on			
available-for-sale investments,			
net of tax	2 305	12 254	8 819
Profit for the period	1 068 107	962 023	2 018 638
Loss on treasury shares utilised for			
share option take-up, net of tax	147 412	_	_
Non-controlling interest purchased	(3 215)	_	757
Cash settlement of share options	_	(382 843)	(379 349)
Foreign currency translation differences	(160 192)	171 287	(193856)
Dividends distributed to owners	(672 901)	(545 022)	(903 617)
Balance at end of December/June	5 166 372	5 036 537	5 029 295

Commentary

THE GROUP

In a market in which trading conditions remained difficult, the Group performed satisfactorily, maintaining its position as the country's leading value provider, which resulted in a core market share increase of 1,2% to 29,8%. Despite the recession it did not scale down expansion plans but gained a net 58 new stores during the six months under review. Through the efficient management of its cost base the Group managed to grow trading profit by 17,5% – well ahead of the 11,9%increase in turnover. This resulted in a trading margin of 5,0%, against the 4,8% of a year ago.

Supermarkets RSA

Supermarkets RSA was the Group's best performing division. Its three chains - Shoprite, Checkers and Usave – continued to enjoy increased support from cash-strapped consumers. Turnover grew by 14,6% compared to the rest of the retail market's 9% and ahead of internal food inflation, which during the reporting period averaged 4,2% as against 16,9% a year ago. The combined customer growth was 6,5% with the value per transaction growing 7,3%.

Both the Shoprite and Checkers chains increased the value of and the number of customer transactions and the small-format Usave chain, with its strong focus on growth, continued its roll-out in South Africa adding a net 27 new stores for a total of 157.

The net result of the above was a turnover growth of R26,303 billion from R22,963 billion in the corresponding six months and a trading profit that was 27,5% higher at R1,322 billion.

Supermarkets Non-RSA

Due to the appreciation of the rand against most other currencies in Africa, food imports from South Africa became more expensive and nullified the benefits of lower food inflation. In addition, Africa has been as hard hit by the global recession due to its dependence on commodity exports. In rand terms sales declined by 4,3% to R3,605 billion, but in constant currency terms, it increased by 16,3%. Gross margin came under pressure due to the increased cost of goods which, in most cases, could not be passed on to consumers, leading to a 22,2% drop in trading profit to R193,2 million.

Furniture

Given consumers' reduced levels of spending on durables and semi-durables, the division's sales increase of 11,5%, in an environment of virtually no inflation, is satisfactory. Gross margin remained intact, but an escalation in service and other charges put net margin under pressure so that trading profit for the period increased by 2,9% to R104,3 million.

Other operating segments

Other operating segments comprising the OK Franchise Division, Computicket and MediRite, showed a 13,3% increase in turnover to R1,692 billion while trading profit grew 63,0% from R22.9 million to R37.3 million.

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 122

The board has declared an interim dividend of 80,0 cents (2009: 70,0 cents) per ordinary share, payable to shareholders on Tuesday, 23 March 2010. The last day to trade cum dividend will be Friday, 12 March 2010. As from Monday, 15 March 2010, all trading of Shoprite Holdings Ltd shares will take place ex dividend. The record date is Friday, 19 March 2010. Share certificates may not be dematerialised or rematerialised between Monday, 15 March 2010, and Friday, 19 March 2010, 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 2009 with the following exceptions.

The Group adopted the revised IAS 1, Presentation of Financial Statements, IFRS 8, Operating Segments and Circular 3/2009 on Headline Earnings during the period under review. The presentation of the financial statements and operating segment disclosures have been changed according to the changes in IAS 1 and IFRS 8 respectively, with no adjustment necessary on the adoption of Circular 3/2009.

PROSPECTS

Management accepts that due to the depth of the recession, the recovery of the economy will be a slow process. Although there are early signs of recovery in certain sectors, past experience has shown that food retailing is frequently the last to benefit from any recovery. Although little change in market conditions is therefore expected, management is confident that the Group will be able to maintain its position as market leader.

By order of the board

CH Wiese JW Basson Chairman Chief executive Cape Town

Directorate and Administration

22 February 2010

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), JA Louw, JF Malherbe,

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