MR PRICE GROUP LIMITED

Registration number 1933/004418/06 • Incorporated in the Republic of South Africa • ISIN: ZAE 000026951 • JSE share code: MPC

UNAUDITED GROUP RESULTS FOR THE SIX MONTHS TO 30 SEPTEMBER 2007

COMMENTARY

RESULTS

Retail sales for the six months ended September 2007 grew by 22,1% to R3,3 billion. Comparable sales, which include sales of expanded and relocated stores in like-for-like locations, grew by 11,3%.

The buoyant economic environment that has been enjoyed by retailers in recent years has been curtailed by the following factors:

- seven interest rate increases within the last eighteen months, resulting in the prime lending rate increasing by 33,3% from 10,5% to 14,0%;
- the effects of the introduction of the National Credit Act in June 2007 on consumers; and
- the general cost of living increases which are reflected by food inflation in excess of 11,0% and an increasing fuel price.

These factors led to a slowdown in sales growth from June onwards.

Operating profit prior to net finance income and amortised cost adjustments relating to contributions to export partnerships increased by 25,2% to R261,3 million and the operating margin increased from 7,8% to 8,0% of retail sales. Headline earnings per share rose by 20,2% to 81,6 cents per share.

The interim distribution has been set at 36,5 cents per share which reflects an increase of 20,1% over the comparable period. The interim distribution cover has been maintained at 2,2 times.

TRADING

The trading results for the group are reported in two main segments, Apparel and Home.

The Apparel chains (Mr Price, Mr Price Sport and Miladys) grew sales by 23,8% to R2,2 billion, with retail selling price inflation of 10,8% and increased operating profits by 46,9% to R269,3 million. The operating margin increased from 10,4% to 12,3% of sales, driven mainly by the excellent performance across all departments of the Mr Price division.

Sales in the Home chains (Mr Price Home and Sheet Street), which constitute a third of group sales, were 17,1% higher at R1,1 billion with retail selling price inflation of 15,3%. Consumers, especially those with home loans, reduced their spending on home products as their disposable income decreased.

Operating profits of R35,4 million were 42,3% lower and the operating margin decreased from 6,7% to 3,3% of sales. Profit margins were impacted by abnormal charges of R27,4 million relating to start up losses in the recently established furniture operation and a new business concept, a change in the basis of allocating carriage and distribution centre costs to divisions and the duplication of communication charges whilst in a transition phase to VOIP. Had these additional charges not been incurred, the operating margin would have been 6,0%.

The **Mr Price** chain grew sales by 22,7% to R1,7 billion with weighted average trading space growing by 6,8%. Comparable sales were 21,1% higher with retail selling price inflation of 12,4% as a result of the mix of more fashionable goods at higher prices. The division sold 9,4% more units than in the comparable period. Excellent fashion interpretations resulted in a strong trading performance across all departments, resulting in lower markdowns and enhanced profitability.

Mr Price Sport opened a further four stores during the period, bringing the total operated to twelve. Sales of R82,3 million were generated off a weighted average trading space of 14 845 square metres. A further eleven stores are planned to open prior to Christmas and the division is expected to reach critical mass soon, which will enable the costs of the full infrastructure to be recovered.

Miladys sales were 10,0% higher at R446,1 million, with a growth in weighted average trading space of 8,9% and comparable sales growth of 4,8%. The division experienced retail selling price inflation of 3,6% and a 7,2% growth in units sold. The store revamp programme continued in the current year and 60% of stores now sport the new look.

A stand-alone René Taylor test store which caters for the fuller-figured woman has proved very successful and further such stores are planned.

Mr Price Home grew sales by 17,4% to R746,0 million and weighted average trading space increased by 30,4%. Retail selling price inflation was 15,9%, caused by the growing contribution of furniture. Comparable sales were 0,5% lower and were, as expected, affected by the opening of large new generation stores in close proximity to existing smaller stores. Unit sales were 1,9% higher.

Sheet Street increased sales by 16,4% to R324,5 million with weighted average trading space increasing by 26,6%. Comparable sales were 0,2% higher, with retail selling price inflation of 13,9% caused by changes in merchandise mix. The number of units sold increased by 2,1%.

The two Mr Price test stores opened by the **Franchise Division** in Maputo, Mozambique and Lusaka, Zambia have continued to trade ahead of expectation. In addition to opening further Mr Price franchise stores, the group plans to test Mr Price Home and Sheet Street franchise stores in other Southern African countries during this financial year.

FINANCE

The balance sheet remains strong with cash resources of R503,0 million. These resources and future cash flows will allow the group to continue its expansion programme and approximately R1,5 billion is planned to be invested over the next five years in new stores, store expansions and new concepts.

The group opened a net 60 new stores totalling 65 302 square metres over the last 12 months, increasing the weighted average trading space by 19,2%. In addition, a further 1 354 jobs have been created and the group now employs 12 840 permanent and casual employees.

The debtors book has grown from R450,2 million at the previous year end to R518,9 million, an increase of 15,3%. The ratio of cash sales has been maintained at 86%. With the introduction of credit into the former cash chains, net bad debt, which includes the costs of recovery, increased from 2,3% of credit sales at the previous year end to 5,1%. The debtors book is adequately provided for at period end.

PROSPECTS

It is anticipated that the effects of the economic factors referred to above have not yet fully impacted consumers. This, coupled with the high base set by the excellent 2006 December trading, will result in a challenging retail environment, especially in the home stores, which at this stage have been more affected.

Our primarily cash value retailing model and limited exposure to retail credit should result in the group being able to weather the slower growth in consumer spending better than most and we continue to expect a real growth in earnings for the year.

Notwithstanding the change in market trading conditions, the group remains committed to its growth strategies of increasing space and developing new concepts.

For and on behalf of the board

S B Cohen – Joint non-executive chairman
L J Chiappini – Joint non-executive chairman
A E McArthur – Chief executive officer

Durban 14 November 2007

DIVIDEND DECLARATION AND CASH DISTRIBUTION OUT OF SHARE PREMIUM

Notice is hereby given that an interim cash dividend of 23,0 cents per share and a cash distribution out of share premium of 13,5 cents per share, in lieu of a dividend, (collectively 'the distribution'), has been awarded to the holders of ordinary and unlisted B ordinary shares. The total value to be distributed to shareholders amounts to 36,5 cents per share. The cash distribution out of share premium is in terms of the general authority granted to directors at the annual general meeting held on 31 August 2007.

The following dates are applicable:

Last date to trade 'cum' the distribution	Friday	30 November 2007
Date trading commences 'ex' the distribution	Monday	3 December 2007
Record date	Friday	7 December 2007
Date of payment	Monday	10 December 2007

Shareholders may not dematerialise or rematerialise their share certificates between Monday 3 December 2007 and Friday 7 December 2007, both dates inclusive.

On behalf of the board Durban
C S Yuill – Group secretary 14 November 2007

DIRECTORS

L J Chiappini* (Joint chairman), S B Cohen* (Joint chairman), A E McArthur (Chief executive officer), S A Ellis (Joint managing director), S van Niekerk (Joint managing director), M M Blair, K Getz*, W R Jardine*, M R Johnston*, N G Payne*, Prof. L J Ring* (USA), M J D Ruck*, W J Swain*, C S Yuill.

*Non-executive director

TRANSFER SECRETARIES
Computershare Investor Services 2004 (Pty) Ltd

SPONSOR
Rand Merchant Bank (a division of FirstRand Bank Limited)

HIGHLIGHTS

- **RETAIL SALES UP 22% TO R3,3 BILLION**
- **OPERATING PROFIT UP 25% TO R261 MILLION**

- **HEADLINE EARNINGS PER SHARE UP 20%**
- **DISTRIBUTION PER SHARE INCREASED BY 20%**

Consolidated Income Statement

R'000	2007 September 26 weeks	2006 September 26 weeks	% change	2007 March 52 weeks
Revenue and finance income	3 372 849	2 755 819	22	6 225 595
Retail sales and other income	3 338 782	2 720 043	23	6 154 963
Finance income	34 067	35 776	(5)	70 632
Retail sales	3 271 293	2 679 021	22	6 056 757
Other income	67 489	41 022	65	98 206
Total revenue	3 338 782	2 720 043	23	6 154 963
Costs and expenses	3 077 451	2 511 346	23	5 542 278
Cost of sales	1 968 373	1 610 828	22	3 632 203
Selling expenses	844 116	664 854	27	1 472 949
Administrative and other operating expenses	264 962	235 664	12	437 126
Profit from operating activities	261 331	208 697	25	612 685
Net finance income	12 649	16 879	(25)	32 843
Profit after net finance income	273 980	225 576	21	645 528
Net amortised cost adjustment of contributions to export partnerships	17 594	14 877	18	26 706
Profit before taxation	291 574	240 453	21	672 234
Taxation	86 097	71 541	20	193 070
Profit attributable to shareholders	205 477	168 912	22	479 164
Weighted average number of shares in issue (net of shares held by staff share trusts) (000)	253 336	249 860	1	250 553
Earnings per share (cents)				
- basic	81,1	67,6	20	191,2
- headline	81,6	67,9	20	191,8
- diluted basic	77,1	65,2	18	183,0
- diluted headline	77,5	65,4	19	183,6
Distributions per share (cents)	36,5	30,4	20	101,0
Distribution cover (times)	2,2	2,2	-	1,9

Consolidated Balance Sheet

R'000	2007 September	2006 September	2007 March
Assets			
Non-current assets	771 077	657 282	712 485
Property, plant and equipment	503 515	398 812	464 082
Intangible assets	12 898	6 721	5 335
Long-term receivables and prepayments	228 162	228 757	216 161
Defined benefit fund asset	24 045	19 698	24 045
Deferred taxation assets	2 457	3 294	2 862
Current assets	1 865 312	1 534 030	1 781 177
Inventories	832 417	695 388	741 229
Trade and other receivables	517 995	396 594	469 003
Taxation	11 875	-	-
Cash and cash equivalents	503 025	442 048	570 945
Total assets	2 636 389	2 191 312	2 493 662
Equity and liabilities			
Equity attributable to shareholders	1 379 574	1 086 279	1 316 808
Non-current liabilities	235 948	257 870	231 263
Lease obligations	115 827	106 610	112 663
Deferred taxation liabilities	111 893	143 797	110 784
Post retirement medical benefits	8 228	7 463	7 816
Current liabilities	1 020 867	847 163	945 591
Trade and other payables	1 001 081	737 099	821 139
Current portion of lease obligations	19 786	19 751	20 215
Taxation	-	90 313	104 237
Total equity and liabilities	2 636 389	2 191 312	2 493 662

Consolidated Cash Flow Statement

R'000	2007 September 26 weeks	2006 September 26 weeks	2007 March 52 weeks
Cash flows from operating activities			
Operating profit before working capital changes	301 695	256 543	697 853
Working capital changes	38 247	(77 609)	(98 551)
Net interest received	60 989	41 833	92 168
Taxation paid	(187 413)	(161 310)	(303 525)
Net cash inflows from operating activities	213 518	59 457	387 945
Cash flows from investing activities			
Net receipts/(advances) in respect of long-term receivables	1 691	(2 347)	(8 044)
Additions to and replacement of intangible assets	(9 894)	(2 963)	(3 824)
Property, plant and equipment			
- replacement	(32 559)	(38 899)	(48 812)
- additions	(72 361)	(65 059)	(177 166)
- proceeds on disposal	1 138	20	465
Net cash outflows from investing activities	(111 985)	(109 248)	(237 381)
Cash flows from financing activities			
Proceeds from issue of share capital	13 911	8 372	14 279
Proceeds from disposal of investments by staff share trust	58	93	303
Decrease in lease obligations	(1 506)	(901)	(1 958)
Distributions to shareholders	(181 062)	(140 515)	(216 315)
Net cash outflows from financing activities	(168 599)	(132 951)	(203 691)
Change in cash and cash equivalents	(67 066)	(182 742)	(53 127)
Cash and cash equivalents at beginning of the period	570 945	624 523	624 523
Exchange (losses)/gains	(854)	267	(451)
Cash and cash equivalents at end of the period	503 025	442 048	570 945

Segmental reporting

Business segments
The group's retail activities are organised into two divisions for operational and management purposes.

R'000	2007 September 26 weeks	2006 September 26 weeks	% change	2007 March 52 weeks
Revenue				
Apparel	2 244 866	1 791 207	25	4 039 248
Home	1 084 385	918 670	18	2 098 975
Central services	19 059	17 367		58 618
Eliminations	(9 528)	(7 201)		(41 878)
Total	3 338 782	2 720 043	23	6 154 963
Profit from operating activities				
Apparel	269 280	183 341	47	505 551
Home	35 419	61 333	(42)	171 998
Central services	(44 408)	(37 201)		(65 310)
Other	-	(9)		(1 891)
Eliminations	1 040	1 233		2 337
Total	261 331	208 697	25	612 685

Statement of changes in equity

R'000	2007 September	2006 September	2007 March
Total equity attributable to shareholders at 1 April	1 316 808	1 025 647	1 025 647
Shares issued	214 060	8 372	14 279
Treasury shares	(200 149)		
Taxation relating to grants to share trusts	13 284		
Recognition of share-based payments	12 047	3 542	9 432
Currency translation adjustments	(891)	405	(368)
Profit for the period	205 477	168 912	479 164
Transfer to insurance reserve	(148)	-	(2 142)
Increase in insurance reserve	148	218	2 142
Defined benefit fund net actuarial gain	-	19 698	4 969
Distributions to shareholders	(181 062)	(140 515)	(216 315)
Total equity attributable to shareholders	1 379 574	1 086 279	1 316 808

Supplementary information

	2007 September	2006 September	2007 March
Number of shares in issue (net of shares held by staff share trusts) (000)	254 850	250 720	251 882
Net asset value per share (cents)	541	433	523
Reconciliation of headline earnings (R'000)			
Attributable profit	205 477	168 912	479 164
Loss/(profit) from discontinuance	3	10	(33)
Loss on disposal of property, plant and equipment	1 632	884	2 102
Taxation adjustment	(473)	(256)	(589)
Headline earnings	206 639	169 550	480 644
Capital expenditure (R'000)			
- expended during the period	114 814	106 921	229 802
- authorised or committed at period end	263 813	140 879	297 292
Number of stores	859	799	829
Number of employees	12 840	11 486	12 624

Notes:

1. The September results are unaudited. The results at March 2007 were audited by Ernst & Young.
2. The accounting policies applied are in compliance with International Financial Reporting Standards and IAS 34 Interim Financial Reporting and are consistent with those applied in the 2007 annual financial statements.
3. There has been no material change to the guarantees provided by the company as disclosed in the 2007 annual financial statements.

This report and supporting presentation are available on our website: **www.mrpricegroup.com**