

## RESULTS

Despite the global recession and the resulting tough trading environment, the group's retail sales for the six months ended 30 September 2009 grew by 10.8% to R4.3 billion. This performance should be evaluated against the sales growth achieved in the retail sector, as reported by Statistics South Africa for the five month period to August, which were as follows:

- total retail sales +4.7%;
- textiles, clothing and footwear +3.2%; and
- household furniture and appliances -5.2%.

Through the fashion value appeal of its merchandise, the group has continued to gain market share, as measured by the Retailers' Liaison Committee (RLC). Comparable sales, which include sales of expanded and relocated stores in like-for-like locations, were up 9.2%. These sales levels were achieved off an increase in gross inventories of only 2.2%.

Other income rose by 12.9% mainly as a result of increased interest received from debtors and premium income relating to the sale of financial service products. Administrative expenses were up 13.3%, affected by a mark-to-market loss on forward exchange contracts as a consequence of the strengthening Rand. Excluding this accounting charge, administrative expenses increased by 9.8%. Profit from operating activities increased by 14.0% and the operating margin increased from 7.7% to 8.0% of retail sales. Net finance income increased by 41.6% due to higher average cash balances than the comparable period. Headline earnings per share increased by 15.1% to 101.5 cents.

The group increased its net weighted average trading space by 6.1% and ended the period with 951 stores. The group now employs almost 19 000 associates and has continued to create employment opportunities during an economic recession.

The interim dividend has been set at 46.2 cents per share which reflects an increase of 14.9% over the comparable period and is based on a maintained interim cover of 2.2 times.

## TRADING

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

The **Apparel** chains (Mr Price, Miladys and Mr Price Sport), which constitute 71.3% of group sales, grew sales by 15.1% to R3.0 billion, with retail selling price inflation of 6.3%. Comparable sales were up 11.7%. Operating profits increased by 19.1% to R385.2 million and the operating margin increased from 12.2% of retail sales in the comparable period to 12.6%.

**Mr Price** grew sales by 20.3% to R2.4 billion on an increase in weighted average trading space of 6.9%, which was an exceptional performance given the trading conditions. Comparable sales were 17.9% higher and the division recorded retail selling price inflation of 8.7%. The division's merchandise strategy, aided by sophisticated IT capabilities, enabled it to continue the trend of achieving growth in market share as measured by the RLC. The number of units sold increased by 10.6% to 44.4 million.

**Miladys** sales decreased by 5.9% to R471.9 million, with a growth in weighted average trading space of 10.5%. The division experienced retail selling price inflation of 3.5%. While the trading environment inhibited sales, the internal factors that led to a drop in units sold of 9.0% have been addressed and an improved operating performance in the second half is expected.

**Mr Price Sport** generated sales of R193.6 million, an increase of 17.1%. Comparable sales were up 10.1% and weighted average trading space grew by 8.3%. The initiatives put in place last year to accelerate performance are proving successful. During the period, the division exceeded its own financial and operational targets through an improved stock turn, lower markdowns and a higher gross profit percentage. Independent market research commissioned in July 2009 highlighted that Mr Price Sport has the highest affinity amongst sport retailers and the division ranked first in top-of-mind awareness, both of which are significant milestones given the relative newness of the brand.

Sales in the **Home** chains (Mr Price Home and Sheet Street) were up 4.4% to R1.2 billion and retail selling price inflation of 10.5% was recorded. Comparable sales were up 3.6%. This segment continues to be the most affected by the reduction in consumer spend on semi-durable products, however both chains maintained market share. Operating profits declined to R4.4 million and the operating margin reduced from 1.9% to 0.4% of retail sales.

**Mr Price Home** generated sales of R834.4 million, an increase of 4.2%. Retail selling price inflation of 11.0% was recorded and comparable sales were up 5.5%. Although the division maintained its gross profit percentage, the performance was negatively affected by the drop in unit sales of 4.0%. Weighted average trading space increased by 2.0%.

**Sheet Street** increased sales by 4.7% to R384.0 million and comparable sales were down 0.5%. Retail selling price inflation of 9.5% was recorded and weighted average trading space increased by 7.0%. Profitability was impacted by increased markdowns and a decrease in unit sales of 4.2%.

**Mr Price International** opened an additional four stores in the Mr Price and Mr Price Home formats, bringing the total to 21. These test stores have to date proved that there is strong demand for the group's merchandise. Extensive research and planning is now underway that will enable entry to selected markets with an appropriate business model and streamlined business and logistics processes.

## FINANCIAL POSITION

The cash-driven business model, whereby 82.6% of sales are for cash, will enable the group to retain a healthy balance sheet. Cash generated from operating activities increased by 36.3% to R310.9 million and cash resources rose to R635.2 million.

Although the debtors book has increased by 21.7% to R741.6 million, the group has continued its cautious credit granting approach. Annualised bad debts net of recoveries increased from 7.1% to 7.4% of debtors and the provision for impairment has been conservatively set at 8.6% of the book. Independent statistics confirm that the ageing profile of the debtors' book continues to be the industry benchmark.

Gross inventories were well managed and the group stock turn improved from 5.4 times to 5.8 times during a challenging trading period, aided by the continued progress being made by Project Redgold.

## PROSPECTS

The reduction in interest rates of 500 basis points since December 2008, as well as a decreasing inflation rate, will continue to ease the plight of the South African consumer. There will be a delayed impact for this to materially increase consumer spending and the tough trading climate is expected to continue well into 2010. However, the group is well positioned to capture further market share with its fashionable products at everyday low prices.

On behalf of the board

SB Cohen - Joint chairman

LJ Chiappini - Joint chairman

AE McArthur - Deputy chairman and chief executive officer

Durban

11 November 2009

## INTERIM CASH DIVIDEND DECLARATION

Notice is hereby given that an interim cash dividend of 46.2 cents per share has been awarded to the holders of ordinary and unlisted B ordinary shares.

The following dates are applicable:

|  |        |                  |
|--|--------|------------------|
| Last date to trade 'cum' the dividend    | Friday | 27 November 2009 |
| Date trading commences 'ex' the dividend | Monday | 30 November 2009 |
| Record date                              | Friday | 4 December 2009  |
| Date of payment                          | Monday | 7 December 2009  |

Shareholders may not dematerialise or rematerialise their share certificates between Monday 30 November 2009 and Friday 4 December 2009, both dates inclusive.

On behalf of the board

CS Yuill - Group secretary

Durban

11 November 2009

## DIRECTORS

LJ Chiappini\* (Joint chairman), SB Cohen\* (Joint chairman), AE McArthur (Deputy chairman and chief executive officer), SI Bird (Deputy chief executive officer), MM Blair, SA Ellis, K Getz\*, MR Johnston\*, RM Motanyane\*, NG Payne\*, Prof. LJ Ring\* (USA), MJD Ruck\*, SEN Sebotsa\*, WJ Swain\*, M Tembe\*, S van Niekerk, CS Yuill

\*Non-executive director

## TRANSFER SECRETARIES

Computershare Investor Services (Pty) Ltd

## SPONSOR

Rand Merchant Bank (a division of FirstRand Bank Limited)