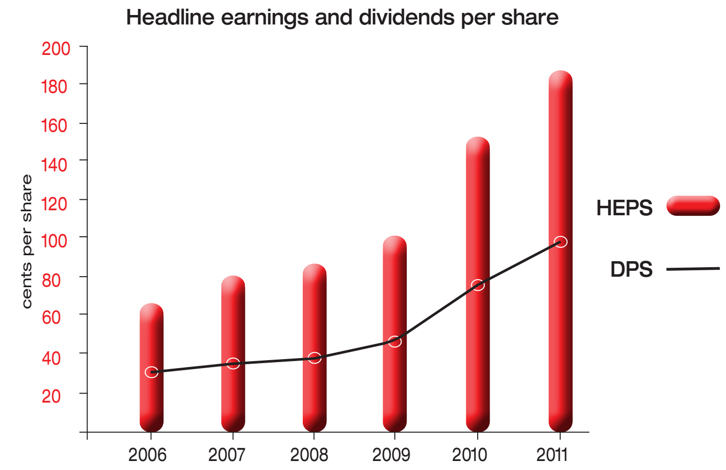
Mr Price Group Limited

Unaudited group results and interim cash dividend declaration for the 26 weeks ended 1 October 2011

Registration number 1933/004418/06 • Incorporated in the Republic of South Africa • ISIN: ZAE 000026951 • JSE share code: MPC ("Mr Price" or "the company" or "the group")



	HEPS	DPS
CAGR (5 years)	23%	25%
CAGR (10 years)	28%	36%

Operating profit up 26%

Headline earnings per share up 22%

Interim dividend per share up 22%

Results

Retail sales for the 26 weeks ended 1 October 2011 increased by 10.7%, while sales in like-for-like locations were up by 9.6%. Trading patterns were affected by the high base set by extended school holidays associated with the FIFA World Cup 2010 which took place in June and July of the comparable period. Sales growth excluding these two months amounted to 14.3%. The overall sales growth compares favourably with the 7.5% growth achieved in the retail sector for the five months to August 2011, as reported by Statistics South Africa.

Retail selling price inflation of 5.5% was recorded and 84.6 million units were sold, an increase of 5.4%. Although 18 stores were opened during the period, weighted average trading space decreased by 1.6% from the comparable period due to planned space reductions and the closure of certain non-performing stores. The group ended the period with 944 stores and employed 18 176 associates.

Other income grew by 14.7% primarily due to a 57.5% increase in premium income relating to the sale of financial services products.

Total costs and expenses increased by 8.9%, a rate lower than sales growth, as a consequence of continued tight cost control. Cost of sales rose by 10.4% resulting in the gross margin increasing from 41.2% to 41.3% of retail sales. Selling expenses increased by 7.5% and administrative expenses increased by 1.8%, primarily as a result of the mark-to-market of forward exchange contracts at period end. Excluding the impact of foreign exchange fluctuations in both periods, administrative expenses increased by 7.6%.

Profit from operating activities grew by 26.1% and the operating margin improved from 11.3% to 12.9% of retail sales. Net finance income was lower than the comparable period as a result of lower average cash balances and lower average interest rates. The increase in the effective taxation rate was largely due to the higher STC charge as a result of the significant growth in earnings and dividends in the prior period. The impact of the lower net finance income and the higher STC charge resulted in earnings per share increasing by 22.2% to 187.3 cents.

Per the Sunday Times Top 100 Companies review, the group was placed seventh on the JSE for share price performance over five years and tenth over ten years, and was the top performing clothing retailer for both periods.

Trading

The Apparel chains increased sales and other income by 11.2% to R3.9 billion, with comparable sales up by 8.8% and retail selling price inflation of 5.1%. Operating profit grew by 19.0% to R626.6 million and the operating margin increased from 15.4% to 16.5% of retail sales. Mr Price Apparel recorded sales growth of 11.2% (comparable 8.8%) to R2.9 billion (55.7% of group sales) and operating profit was well ahead of the prior period. Mr Price Sport opened four new stores which contributed to sales increasing by 20.5% (comparable 7.6%) to R293.6 million and exceeded budgeted profitability levels. Miladys increased sales by 6.4% to R514.7 million despite closing a net six stores. Comparable sales growth was 9.4% which, together with excellent cost control, resulted in a significant increase in operating profit.

The Home chains increased sales and other income by 9.7% to R1.5 billion, with comparable sales up by 11.5% and retail selling price inflation of 6.6%. Operating profit rose by 57.3% to R130.5 million and the operating margin increased from 6.1% to 8.8% of retail sales. Mr Price Home increased sales by 7.8% (comparable 9.8%) to R1.0 billion. Operating results benefitted from a slightly improved gross margin percentage and cost curtailment. Sheet Street increased sales by 14.0% (comparable 14.9%) and operating profit significantly exceeded both the prior year and budgeted levels.

Financial position

The cash-generative business model (81.2% of sales for the period were for cash) has enabled the group to maintain its strong balance sheet. Despite increased dividends, capital expenditure more than doubling and purchasing treasury shares to the value of R211.1 million (at an average price of R64.89 per share), the group ended the period with cash resources of R900.0 million.

A strategy of increasing inventory levels in previously understocked trading periods will position the group to take advantage of sales opportunities in the second half of the year. Despite higher inventory levels, stock turn increased from 6.5 times to 6.9 times.

The group has historically applied very stringent credit granting criteria and the decision taken to extend more credit to high performing account holders has resulted in gross trade receivables increasing by 11.6% from R854.7 million to R954.0 million. The book has continued to be well managed, with a net bad debt to book ratio of 4.1% and is adequately provided against at period end.

Trade and other payables were 18.0% lower than the comparable period primarily as a consequence of the timing of period end impacting on creditor payments.

Prospects

Although volatile currency exchange rates and international stock markets have resulted in local consumers being concerned about the future performance of the economy, many expect that their own finances will be shielded from these developments. Their sentiment has been positively influenced by views that interest rates are unlikely to increase in the short term. The group expects retail trading conditions to remain tough, but is encouraged by positive October sales growth, which augurs well for the festive season.

Sales growth will be supported by the group actively pursuing space expansion opportunities, the introduction of new generation stores in November in the three Mr Price chains which are designed to further improve customers' shopping experiences, and by opening a first test store in Nigeria in March 2012.

Shareholders and investors are reminded of the high base set in the second half last year, which included 27 trading weeks and a strong recovery of previously underperforming chains.

Interim cash dividend declaration

Notice is hereby given that an interim cash dividend of 93.6 cents per share, which reflects an increase of 22.0% over the comparable period and is based on a maintained dividend cover of 2.0 times, 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	Thursday	8 December 2011
Date trading commences 'ex' the dividend	Friday	9 December 2011
Record date	Thursday	15 December 2011
Date of payment	Monday	19 December 2011

Shareholders may not dematerialise or rematerialise their share certificates between Friday 9 December 2011 and Thursday 15 December 2011, both dates inclusive.

On behalf of the board

SI Bird – Chief executive officer — Durban

MM Blair – Chief financial officer — 15 November 2011

Directors

LJ Chiappini* (Honorary chairman), SB Cohen* (Honorary chairman), AE McArthur (Chairman), SI Bird, MM Blair, N Abrams*^, TA Chiappini-Young*^, SA Ellis^, K Getz*, MR Johnston*, RM Motanyane*, NG Payne*, Prof. LJ Ring*^ (USA), MJD Ruck*, SEN Sebotsa*, WJ Swain*, M Tembe*

* Non-executive director ^ Alternate director

Transfer secretaries

Computershare Investor Services (Pty) Ltd

Sponsor

Rand Merchant Bank (a division of FirstRand Bank Limited)

consolidated statement of comprehensive income

R'000	2011 1 October 26 weeks	2010 25 September 26 weeks	% change	2011 2 April 53 weeks
Revenue	5 443 808	4 914 821	11	10 973 327
Retail sales	5 282 490	4 771 973	11	10 673 364
Other income	132 208	115 298	15	239 730
Retail sales and other income	5 414 698	4 887 271	11	10 913 094
Costs and expenses	4 735 221	4 348 488	9	9 479 326
Cost of sales	3 099 043	2 806 416	10	6 201 640
Selling expenses	1 251 683	1 164 486	7	2 505 393
Administrative and other operating expenses	384 495	377 586	2	772 293
Profit from operating activities	679 477	538 783	26	1 433 768
Net finance income	16 305	23 302	(30)	54 662
Profit after net finance income	695 782	562 085	24	1 488 430
Export partnerships	-	-		(4 226)
Profit before taxation	695 782	562 085	24	1 484 204
Taxation	242 723	192 060	26	473 950
Profit attributable to shareholders	453 059	370 025	22	1 010 254
Other comprehensive income:				
Currency translation adjustments	1 206	(2 158)		(3 941)
Defined benefit fund net actuarial gain	-	-		625
Total comprehensive income	454 265	367 867		1 006 938
Earnings per share (cents)				
- basic	186.6	150.8	24	412.3
- headline	187.3	153.3	22	418.9
- core headline	187.3	153.3	22	420.6
- diluted basic	172.5	140.8	23	382.7
- diluted headline	173.2	143.1	21	388.8
- diluted core headline	173.2	143.1	21	390.4
Dividend cover (times)	2.0	2.0	-	1.6
Dividends per share (cents)	93.6	76.7	22	252.0

consolidated statement of financial position

R'000	2011 1 October	2010 25 September	2011 2 April
Assets			
Non-current assets	645 625	646 554	607 681
Property, plant and equipment	485 981	492 158	459 634
Intangible assets	92 381	71 295	79 164
Long-term receivables and prepayments	-	338	338
Defined benefit fund asset	20 241	16 795	20 241
Deferred taxation assets	47 022	65 968	48 304
Current assets	3 010 698	2 970 319	3 253 456
Inventories	1 054 502	826 807	953 666
Trade and other receivables	1 056 249	897 824	931 278
Taxation	-	4 378	-
Cash and cash equivalents	899 947	1 241 310	1 368 512
Total assets	3 656 323	3 616 873	3 861 137
Equity and liabilities			
Equity attributable to shareholders	2 221 701	1 937 244	2 394 184
Non-current liabilities	185 071	175 891	179 010
Lease obligations	170 897	163 336	165 329
Deferred taxation liabilities	676	640	744
Post retirement medical benefits	13 498	11 915	12 937
Current liabilities	1 249 551	1 503 738	1 287 943
Trade and other payables	1 203 744	1 468 635	1 241 624
Current portion of lease obligations	39 668	35 103	40 969
Taxation	6 139	-	5 350
Total equity and liabilities	3 656 323	3 616 873	3 861 137

consolidated statement of cash flows

R'000	2011 1 October 26 weeks	2010 25 September 26 weeks	2011 2 April 53 weeks
Cash flows from operating activities			
Operating profit before working capital changes	723 194	580 773	1 535 455
Working capital changes	(264 243)	177 253	(210 002)
Net interest received	102 426	106 773	223 486
Taxation paid	(223 170)	(194 355)	(444 241)
Net cash inflows from operating activities	338 207	670 444	1 104 698
Cash flows from investing activities			
Receipts in respect of long-term receivables	332	-	-
Additions to and replacement of intangible assets	(25 572)	(12 600)	(33 838)
Proceeds on disposal of intangible assets	-	-	406
Property, plant and equipment			
- replacement	(27 746)	(33 223)	(71 921)
- additions	(84 654)	(20 080)	(49 815)
- proceeds on disposal	847	4	125
Net cash outflows from investing activities	(136 793)	(65 899)	(155 043)
Cash flows from financing activities			
Decrease in lease obligations	(5 730)	(4 713)	(9 966)
Net purchase of shares by staff share trusts	(211 102)	(183 609)	(161 214)
Deficit on treasury share transactions	(17 921)	(23 780)	(64 538)
Dividends to shareholders	(436 347)	(319 762)	(512 308)
Net cash outflows from financing activities	(671 100)	(531 864)	(748 026)
Change in cash and cash equivalents	(469 686)	72 681	201 629
Cash and cash equivalents at beginning of the period	1 368 512	1 170 743	1 170 743
Exchange gains/(losses)	1 121	(2 114)	(3 860)
Cash and cash equivalents at end of the period	899 947	1 241 310	1 368 512

segmental reporting

For management purposes, the group is organised into business units based on their products and services, and has three reportable segments as follows:

- The Apparel segment retails clothing, sportswear, footwear, sporting equipment and accessories;
- The Home segment retails homewares; and
- The Central Services segment provides services to the trading segments including information technology, internal audit, human resources, group real estate and finance.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss. Net finance income and income taxes are managed on a group basis and are not allocated to operating segments.

R'000	2011 1 October	2010 25 September	% change	2011 2 April
Retail sales and other income				
Apparel	3 896 840	3 504 488	11	7 782 964
Home	1 512 520	1 378 308	10	3 119 944
Central Services	5 338	4 475		10 186
Total	5 414 698	4 887 271	11	10 913 094
Profit from operating activities				
Apparel	626 567	526 374	19	1 302 340
Home	130 496	82 973	57	271 218
Central Services	(77 586)	(70 564)		(139 790)
Total	679 477	538 783	26	1 433 768
Segment assets				
Apparel	1 821 341	1 500 770	21	1 607 267
Home	644 429	589 664	9	612 817
Central Services	1 190 553	1 526 439		1 641 053
Total	3 656 323	3 616 873	1	3 861 137

consolidated statement of changes in equity

R'000	2011 1 October	2010 25 September	2011 2 April
Total equity attributable to shareholders at beginning of the period	2 394 184	2 070 823	2 070 823
Total comprehensive income for the period	454 265	367 867	1 006 938
Treasury share transactions	(211 472)	(198 394)	(209 796)
Recognition of share-based payments	21 071	16 710	38 527
Dividends to shareholders	(436 347)	(319 762)	(512 308)
Total equity attributable to shareholders at end of the period	2 221 701	1 937 244	2 394 184

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This report and the supporting presentation are available on our website:

www.mrpricegroup.com

supplementary information

	2011 1 October	2010 25 September	2011 2 April
Weighted average number of shares in issue (000)	242 839	245 399	245 024
Number of shares in issue (000)	241 603	243 465	244 845
Net asset value per share (cents)	920	796	978
Reconciliation of core headline earnings (R'000)			
Attributable profit	453 059	370 025	1 010 254
Loss on disposal of and impairment of property, plant, equipment and intangible assets	2 394	8 475	21 540
Taxation adjustment	(670)	(2 373)	(5 395)
Headline earnings	454 783	376 127	1 026 399
Impact of export partnerships	-	-	4 226
Core headline earnings	454 783	376 127	1 030 625
Capital expenditure (R'000)			
- expended during the period	137 972	65 903	155 574
- authorised or committed at period end	215 862	138 037	304 683
Number of stores	944	943	937

Notes:

1. The results to 1 October 2011 are unaudited. The results to 2 April 2011 were audited by Ernst & Young Inc.
2. The accounting policies and estimates applied are in compliance with IFRS including IAS 34 Interim Financial Reporting and are consistent with those applied in the 2011 annual financial statements. All new and revised Standards and Interpretations that became effective during the period were adopted and did not lead to any significant changes in accounting policies.
3. There have been no adverse changes to the contingent liabilities and guarantees provided by the company as disclosed in the 2011 annual financial statements.