



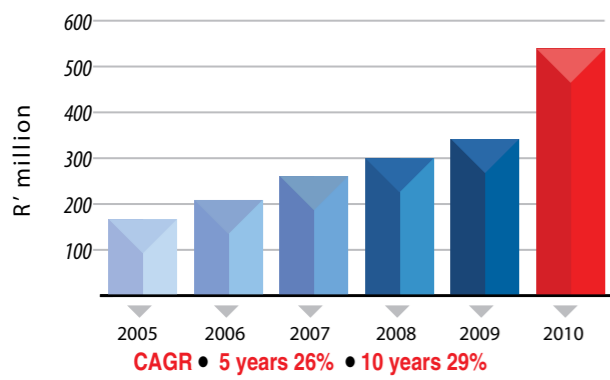
# Mr Price Group Limited

UNAUDITED GROUP RESULTS AND INTERIM CASH DIVIDEND DECLARATION FOR THE SIX MONTHS TO 30 SEPTEMBER 2010

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")

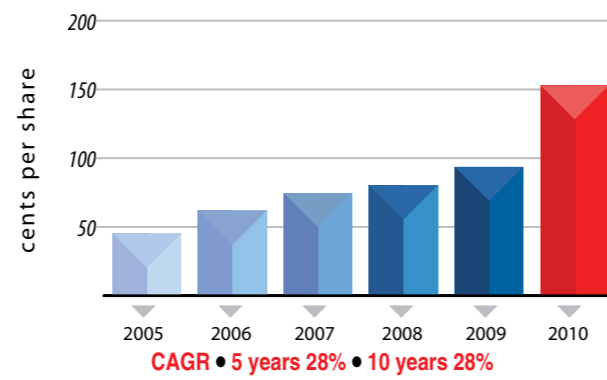
57%

## OPERATING PROFIT



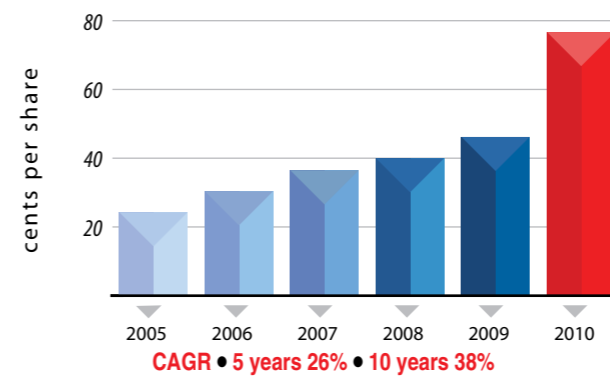
63%

## CORE HEPS

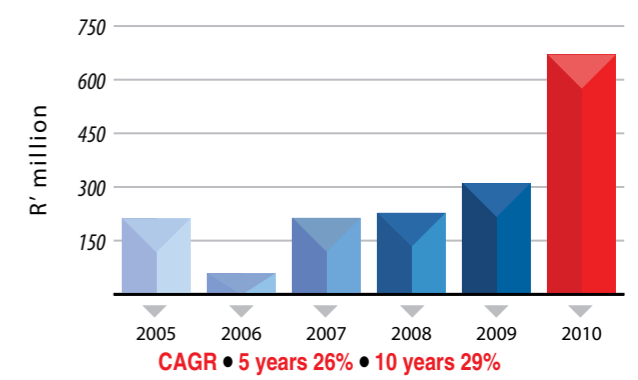


66%

## INTERIM DIVIDEND



## 116% CASH FLOWS FROM OPERATIONS



## RESULTS

The group increased retail sales for the six months ended 30 September 2010 by 11.0% to R4.8 billion, compared to the total retail sector, which grew by 7.0% for the five months ended 31 August 2010, as reported by Statistics South Africa. Sales in like-for-like locations were up by 7.5% and weighted average trading space increased by 2.4%. The group sold more than 80 million units during the period, a growth of 9.7% and merchandise inflation of 1.4% was recorded. At period end, the group employed 17 688 associates.

Other income rose by 12.6% due to interest received on a higher debtors book and an increased take up rate of financial services products.

Costs and expenses were tightly controlled, increasing by 7.1%, well below the increase in sales. The gross profit percentage increased from 39.1% to 41.2%, primarily as a result of reduced markdowns. Administrative and other operating expenses, which were impacted by certain once-off costs and higher performance based incentive provisions, increased by 12.2%. Excluding these costs, the increase would have been 2.0%. Profit from operating activities increased by 57.4% to R538.8 million and the operating margin increased from 8.0% to 11.3% of retail sales. Despite lower interest rates, net finance income rose by 62.9% due to higher average cash balances.

In the current period, the net adjustment to contributions to export partnerships was nil due to the unbundling reported in the prior financial year. Core headline earnings per share, which excludes this impact, and which is indicative of true trading performance, increased by 63.4% as against 16.9% at the interim stage last year.

These results have been generated by the continued profit growth of the Mr Price Apparel chain, which constitutes 56.3% of group sales, as well as improved operating performances by all other divisions.

In line with the reduction in dividend cover in the prior financial year, the interim cover has been lowered from 2.2 times to 2.0 times. This has resulted in an increase in the interim dividend of 66.0% to 76.7 cents per share. Year end dividend cover is not expected to exceed 1.6 times.

## TRADING

The Apparel chains increased sales and other income by 11.5% to R3.5 billion. Operating profit of R517.5 million was up by 34.4%, resulting in the operating margin increasing from 12.6% to 15.2% of retail sales. Weighted average trading space increased by 4.6% and trading density was up by 6.3%. Mr Price Apparel recorded sales growth of 12.0% and once again exceeded budgeted profitability levels. Mr Price Sport increased sales by 25.9% and a 38.7% increase in gross profit contributed to a significant improvement in financial performance. Miladys sales increased by 2.5%, however an improved gross margin and limitation of expense growth to 4.3%, enabled the division to record a substantial increase in operating profit.

The Home chains achieved a 10.0% increase in sales and other income to R1.4 billion and the operating margin increased to 6.1%. Trading density improved by 9.6% as a result of an improved sales performance and a reduction in weighted average trading space of 1.0%. Mr Price Home increased sales by 11.5% and Sheet Street by 6.7%. Steps taken last year to enhance the performance of these chains, improved gross margin percentages and cost curtailment all impacted favourably on the financial results.

## FINANCIAL POSITION

The group's financial position has remained strong. A high cash sales component (82.3%), stringent expense control, sound inventory management and restrained capital expenditure have resulted in cash flows generated by operations increasing by 115.7% to R670.4 million. During the period, certain share trusts utilised grants to acquire shares in the market to partially satisfy options granted. In total 3.8 million shares were acquired at an average price of R47.55. Cash balances of R1.2 billion and the company's high cash generating ability are available to fund future operational requirements and growth.

Gross inventories decreased by 14.5% and stock turn improved from 5.8 times to 6.5 times. This was achieved through correct merchandise calls and the continued positive impact of Project Redgold.

Gross trade receivables increased by 15.9% to R874.2 million and the group is reaping the benefits of having implemented a cautious credit granting philosophy over an extended period. In line with the positive collections being experienced in the retail industry, net bad debts decreased to 4.7% of book from 7.4% in the prior period.

Trade and other payables increased by 19.9% mainly due to the timing of payments to trade creditors.

## PROSPECTS

Consumers will benefit from interest rates which are at a 30 year low, a strong Rand, low inflation rate and in certain sectors, salary and wage increases in excess of CPI. These benefits will be partly offset by increases in the price of electricity and the increasing level of unemployment.

Initiatives undertaken last year to enhance the profitability of the chains which were underperforming impacted favourably on the second half of the year ended 31 March 2010. As a result of the higher base, the group does not expect the same level of earnings growth in the second half of the current financial year. It is anticipated that the trading climate will remain challenging in the short term. The group's focus will be to continue to diligently execute its strategy of offering customers fashionable merchandise at everyday low prices.

## INTERIM CASH DIVIDEND DECLARATION

Notice is hereby given that an interim cash dividend of 76.7 cents per share has been awarded to the holders of ordinary and unlisted B ordinary shares.

The following dates are applicable:

Date	Day	2010
Last date to trade 'cum' the dividend	Thursday	9 December 2010
Date trading commences 'ex' the dividend	Friday	10 December 2010
Record date	Friday	17 December 2010
Date of payment	Monday	20 December 2010

Shareholders may not dematerialise or re-materialise their share certificates between Friday 10 December 2010 and Friday 17 December 2010, both dates inclusive.

On behalf of the board

AE McArthur (chairman)  
SI Bird (chief executive officer)

Durban  
18 November 2010

## DIRECTORS

LJ Chiappini\* (honorary chairman), SB Cohen\* (honorary chairman), AE McArthur (chairman), SI Bird (chief executive officer), MM Blair (chief financial officer), 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

The following changes to the Board of Directors took place on 26 August 2010:

- LJ Chiappini and SB Cohen were appointed honorary chairmen;
- AE McArthur was appointed chairman;
- SI Bird was appointed chief executive officer;
- N Abrams, TA Chiappini-Young, SA Ellis and Prof. LJ Ring were appointed alternate directors; and
- S van Niekerk retired from the company and CS Yuill retired from the board.

## TRANSFER SECRETARIES

Computershare Investor Services (Pty) Ltd

## SPONSOR

Rand Merchant Bank (a division of FirstRand Bank Limited)

## consolidated statement of comprehensive income

R'000	2010 September 26 weeks	2009 September 26 weeks	% change	2010 March 52 weeks
Revenue	4 914 821	4 439 216	11	9 747 910
Retail sales	4 771 973	4 299 954	11	9 454 130
Other income	115 298	102 380	13	214 149
Retail sales and other income	4 887 271	4 402 334	11	9 668 279
Costs and expenses	4 348 488	4 060 037	7	8 676 761
Cost of sales	2 806 416	2 618 698	7	5 685 157
Selling expenses	1 164 486	1 104 842	5	2 313 226
Administrative and other operating expenses	377 586	336 497	12	678 378
Profit from operating activities	538 783	342 297	57	991 518
Net finance income	23 302	14 305	63	36 761
Profit after net finance income	562 085	356 602	58	1 028 279
Net adjustment to contributions to export partnerships	-	18 734	-	(164 688)
Profit before taxation	562 085	375 336	50	863 591
Taxation	192 060	128 209	50	190 023
Profit attributable to shareholders	370 025	247 127	50	673 568
Other comprehensive income:				
Currency translation adjustments	(2 158)	(6 251)	-	(8 979)
Defined benefit fund net actuarial loss	-	-	-	(2 976)
Total comprehensive income	367 867	240 876	53	661 613
Earnings per share (cents)				
- basic	150.8	100.5	50	273.5
- headline	153.3	101.5	51	276.9
- core headline	153.3	93.8	63	285.7
- diluted basic	140.8	96.3	46	259.7
- diluted headline	143.1	97.3	47	263.0
- diluted core headline	143.1	90.0	59	271.3
Dividend cover (times)	2.0	2.2	-	1.6
Dividends per share (cents)	76.7	46.2	66	173.0

## segmental reporting

For management purposes, the group is organised into business units based on 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	2010 September	2009 September	% change	2010 March
<b>Retail sales and other income</b>				
Apparel	3 504 488	3 144 075	11	6 878 458
Home	1 378 308	1 252 511	10	2 778 311
Central Services	30 106	25 496	17	75 716
Eliminations	(25 631)	(19 748)	23	(64 206)
Total	4 887 271	4 402 334	11	9 668 279
<b>Profit from operating activities</b>				
Apparel	517 487	385 154	34	980 308
Home	82 973	4 400	1 786	101 147
Central Services	(61 677)	(47 257)	23	(89 937)
Total	538 783	342 297	57	991 518
<b>Segment assets</b>				
Apparel	1 500 770	1 476 651	2	1 509 056
Home	589 664	699 326	(16)	626 977
Central Services	1 526 439	1 075 583	41	1 474 211
Total	3 616 873	3 251 560	11	3 610 244

## consolidated statement of financial position

R'000	2010 September	2009 September	2010 March
<b>Assets</b>			
Non-current assets	646 554	877 706	686 475
Property, plant and equipment	492 158	558 714	530 407
Intangible assets	71 295	56 153	69 970
Long-term receivables and prepayments	338	239 658	338
Defined benefit fund asset	16 795	19 009	16 795
Deferred taxation assets	65 968	4 172	68 965
Current assets	2 970 319	2 373 854	2 923 769
Inventories	826 807	967 550	934 671
Trade and other receivables	897 824	771 090	818 355
Taxation	4 378	-	-
Cash and cash equivalents	1 241 310	635 214	1 170 743
<b>Total assets</b>	<b>3 616 873</b>	<b>3 251 560</b>	<b>3 610 244</b>
<b>Equity and liabilities</b>			
Equity attributable to shareholders	1 937 244	1 756 256	2 070 823
Non-current liabilities	175 891	228 122	200 966
Lease obligations	157 427	152 522	180 329
Deferred taxation liabilities	640	65 155	782
Long-term provisions	5 909	-	8 462
Post retirement medical benefits	11 915	10 445	11 393
Current liabilities	1 503 738	1 267 182	1 338 455
Trade and other payables	1 468 635	1 225 051	1 310 170
Current provisions	-	-	4 388
Current portion of lease obligations	35 103	35 760	14 133
Taxation	-	6 371	9 764
<b>Total equity and liabilities</b>	<b>3 616 873</b>	<b>3 251 560</b>	<b>3 610 244</b>

## statement of changes in equity

R'000	2010 September	2009 September	2010 March
Total equity attributable to shareholders at 1 April	2 070 823	1 764 187	1 764 187
Total comprehensive income for the period	367 867	240 876	661 613
Treasury share transactions	(198 394)	(30 908)	(35 772)
Recognition of share-based payments	16 710	15 125	29 526
Dividends to shareholders	(319 762)	(233 024)	(348 731)
Total equity attributable to shareholders at period end	1 937 244	1 756 256	2 070 823



This report and the supporting presentation are available on our website: [www.mrpricegroup.com](http://www.mrpricegroup.com)

## consolidated statement of cash flows

R'000	2010 September 26 weeks	2009 September 26 weeks	2010 March 52 weeks
<b>Cash flows from operating activities</b>			
Operating profit before working capital changes	580 773	394 904	1 100 117
Working capital changes	177 253	(3 351)	89 444
Net interest received	106 773	83 169	178 350
Taxation paid	(194 355)	(163 831)	(346 467)
Net cash inflows from operating activities	670 444	310 891	1 021 444
<b>Cash flows from investing activities</b>			
Net receipts in respect of long-term receivables	-	2 426	42 361
Proceeds on disposal of investment in subsidiary	-	18 452	18 452
Additions to and replacement of intangible assets	(12 600)	(19 383)	(44 816)
Property, plant and equipment			
- replacement	(33 223)	(11 629)	(26 430)
- additions	(20 080)	(47 736)	(91 722)
- proceeds on disposal	4	1 136	1 231
Net cash outflows from investing activities	(65 899)	(56 734)	(100 924)
<b>Cash flows from financing activities</b>			
Proceeds from disposal of investments by staff share trust	-	16	26
Decrease in lease obligations	(4 713)	(3 412)	(7 236)
(Purchase)/sale of shares by staff share trusts	(183 609)	-	25 426
Deficit on treasury share transactions	(23 780)	(37 199)	(71 284)
Dividends to shareholders	(319 762)	(233 024)	(348 731)
Net cash outflows from financing activities	(531 864)	(273 619)	(401 799)
Change in cash and cash equivalents	72 681	(19 462)	518 721
Cash and cash equivalents at beginning of the period	1 170 743	660 787	660 787
Exchange losses	(2 114)	(6 111)	(8 765)
Cash and cash equivalents at end of the period	1 241 310	635 214	1 170 743

## supplementary information

	2010 September	2009 September	2010 March
Number of shares in issue (000)	243 465	245 990	247 298
Weighted average number of shares in issue (000)	245 399	245 964	246 320
Net asset value per share (cents)	796	714	837
<b>Reconciliation of headline earnings (R'000)</b>			
Attributable profit	370 025	247 127	673 568
Loss on disposal and impairment of property, plant and equipment	8 475	3 379	10 897
Taxation adjustment	(2 373)	(946)	(2 330)
Headline earnings	376 127	249 560	682 135
Impact of export partnerships	-	(18 734)	21 569