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PICK N PAY STORES LIMITED

(Incorporated on 18 July 1968 in the Republic of South Africa with limited liability under registration number 1968/008034/06)

**Issue of ZAR400,000,000 Senior Unsecured Fixed Rate Notes due 27 June 2014 (PnP17)
Under its ZAR2,000,000,000 Domestic Medium Term Note Programme**

This Applicable Pricing Supplement must be read in conjunction with the Programme Memorandum, dated 10 March 2011, prepared by Pick n Pay Stores Limited in connection with the Pick n Pay Stores Limited ZAR2,000,000,000 Domestic Medium Term Note Programme, as amended and/or supplemented from time to time (the "**Programme Memorandum**").

Any capitalised terms not defined in this Applicable Pricing Supplement shall have the meanings ascribed to them in the section of the Programme Memorandum headed "*Terms and Conditions of the Notes*".

This document constitutes the Applicable Pricing Supplement relating to the issue of Notes described herein. The Notes described herein are issued on and subject to the Terms and Conditions as amended and/or supplemented by the Terms and Conditions contained in this Applicable Pricing Supplement. To the extent that there is any conflict or inconsistency between the contents of this Applicable Pricing Supplement and the Programme Memorandum, the provisions of this Applicable Pricing Supplement shall prevail.

DESCRIPTION OF THE NOTES

1.	Issuer	Pick n Pay Stores Limited
2.	Status of Notes	Senior Unsecured
3.	Form of Notes	Listed Registered Notes
4.	Series Number	17 (PNP17)
5.	Tranche Number	1
6.	Aggregate Nominal Amount:	
	(a) Series	ZAR400,000,000
	(b) Tranche	ZAR400,000,000
7.	Interest	Interest-bearing
8.	Interest Payment Basis	Fixed Rate Notes
9.	Automatic/Optional Conversion from one Interest/Redemption/Payment Basis to another	N/A
10.	Form of Notes	Registered Notes: The Notes in this Tranche are issued in uncertificated form and held by the CSD.
11.	Issue Date	27 May 2014
12.	Nominal Amount per Note	ZAR1,000,000
13.	Specified Denomination	ZAR1,000,000
14.	Issue Price	100%

15.	Interest Commencement Date	27 May 2014
16.	Interest Determination Date	23 May 2014
17.	Maturity Date	27 June 2014
18.	Applicable Business Day Convention	Following Business Day
19.	Final Redemption Amount	100% of the Nominal Amount
20.	Last Day to Register	By 17:00 on 19 June 2014
21.	Books Closed Period	20 June 2014 to Maturity Date (Following Business Day Convention applies)
22.	Default Rate	N/A

FIXED RATE NOTES

23.	(a) Fixed Rate of Interest	5.920% (1m JIBAR of 5.700% at 23 May 2014 plus 22 basis points)
	(b) Fixed Interest Payment Date(s)	27 June 2014
	(c) Fixed Coupon Amount(s)	ZAR2,011,178.08
	(d) Initial Broken Amount	N/A
	(e) Final Broken Amount	N/A
	(f) Determination Date(s)	N/A
	(g) Day Count Fraction	Actual/365
	(h) Any other terms relating to the particular method of calculating interest	N/A

PROVISIONS REGARDING REDEMPTION/MATURITY

24.	Issuer's Optional Redemption:	No
	If yes:	
	(a) Optional Redemption Date(s)	N/A
	(b) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s)	N/A
	(c) Minimum period of notice (if different from Condition 10.3 (<i>Redemption at the Option of the Issuer</i>))	N/A
	(d) If redeemable in part:	N/A
	Minimum Redemption Amount(s)	N/A
	Higher Redemption Amount(s)	N/A
	(e) Other terms applicable on Redemption	N/A
25.	Redemption at the Option of the Senior Noteholders:	No
	if yes:	
	(a) Optional Redemption Date(s)	N/A
	(b) Optional Redemption Amount(s)	N/A
	(c) Minimum period of notice (if	N/A

different from Condition 10.4
(*Redemption at the Option of the Senior Noteholders*))

- (d) If redeemable in part:
- | | |
|------------------------------|-----|
| Minimum Redemption Amount(s) | N/A |
| Higher Redemption Amount(s) | N/A |
- (e) Other terms applicable on Redemption N/A
- (f) Attach *pro forma* put notice(s)
26. Early Redemption Amount(s) payable on redemption for taxation reasons or on Event of Default (if required). Aggregate Nominal Amount
- If no:
- | | |
|---|-----|
| (a) Amount payable; or | N/A |
| (b) Method of calculation of amount payable | N/A |

GENERAL

- | | |
|---|--|
| 27. Financial Exchange | JSE (Interest Rate Market) |
| 28. Calculation Agent | Investec Bank Limited |
| 29. Paying Agent | Investec Bank Limited |
| 30. Specified office of the Paying Agent | 100 Grayston Drive
Sandown
Sandton
2196 |
| 31. Transfer Agent | Investec Bank Limited |
| 32. Settlement Agent | Standard Chartered Bank |
| 33. Additional selling restrictions | N/A |
| 34. ISIN | ZAG000116195 |
| 35. Stock Code | PnP17 |
| 36. Method of distribution | Dutch auction – no feedback |
| 37. If syndicated, names of Managers | N/A |
| 38. If non-syndicated, name of Dealer(s) | Investec Bank Limited |
| 39. Governing law (if the laws of South Africa are not applicable) | N/A |
| 40. Surrendering of Notes in the case of Notes represented by a Certificate | N/A |

- | | |
|-----------------------------------|---|
| 41. Use of Proceeds | See item 53 below. |
| 42. Pricing Methodology | Standard JSE pricing methodology |
| 43. Other provisions | N/A |
| 44. Rating and Issue date thereof | F1(zaf) national short term rating (affirmed 15 November 2013)/ A(zaf) national long term rating (revised 15 November 2013) by Fitch Ratings. |
| 45. Date of next rating review | Expected to be at the end of Q3 2014 |

DISCLOSURE REQUIREMENTS IN TERMS OF PARAGRAPH 3(5) OF THE COMMERCIAL PAPER REGULATIONS

46. Paragraph 3(5)(a)
The ultimate borrower is the Issuer.
47. Paragraph 3(5)(b)
The Issuer is a going concern and can in all circumstances be reasonably expected to meet its commitments under the Notes.
48. Paragraph 3(5)(c)
The auditor of the Issuer is KPMG Inc.
49. Paragraph 3(5)(d)
As at the date of this issue (that includes the PnP17 issue):
- (i) the Issuer has issued ZAR400,000,000 of commercial paper; and
 - (ii) the Issuer estimates that it may issue ZAR700,000,000 of commercial paper during the current financial year, ending 28 February 2015.
50. Paragraph 3(5)(e)
All information that may reasonably be necessary to enable the investor to ascertain the nature of the financial and commercial risk of its investment in the Notes is contained in the Programme Memorandum and the Applicable Pricing Supplement.
51. Paragraph 3(5)(f)
There has been no material adverse change in the Issuer's financial position since the date of its last audited financial statements.
52. Paragraph 3(5)(g)
The Notes issued will be listed.
53. Paragraph 3(5)(h)
The funds to be raised through the issue of the Notes are to be used by the Issuer for its general corporate purposes including, *inter alia*, but not necessarily limited to, the construction and development of new distribution centres and for working capital, as more fully set out in the paragraph headed "*Use of Proceeds of DMTN Programme*" in the section headed "*Description of Pick n Pay Stores Limited*" of the Programme Memorandum.
54. Paragraph 3(5)(i)
The obligations of the Issuer in respect of the Notes are unsecured.
55. Paragraph 3(5)(j)
KPMG Inc., the statutory auditors of the Issuer, have confirmed that their review did not reveal anything which indicates that this issue of Notes issued under the Programme will not comply in all respects with the relevant provisions of the Commercial Paper Regulations.

56. Trade Type

Price

**ADDITIONAL / AMENDED TERMS AND CONDITIONS RELATING TO THE NOTES – SEE
APPENDIX A**

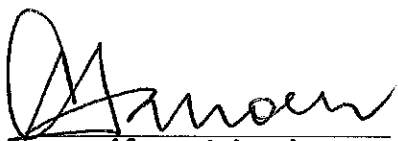
Responsibility:

The Issuer certifies that to the best of the knowledge and belief of the Issuer (who has taken all reasonable care to ensure that such is the case) the information contained in this Applicable Pricing Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information. The Issuer accepts full responsibility for the accuracy of the information contained in this Applicable Pricing Supplement.

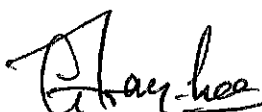
Application is hereby made to list this issue of Notes on 27 May 2014.

SIGNED at KENILWORTH on this 26th day of MAY 2014

For and on behalf of
PICK N PAY STORES LIMITED



Name: ABOUBAKAR JAKDET
Capacity: Director
Who warrants his/her authority hereto



Name: GF LEA
Capacity: ~~Director~~ GM GROUP FINANCE
Who warrants his/her authority hereto

**ADDITIONAL/AMENDED TERMS AND CONDITIONS RELATING TO THIS TRANCHE OF
NOTES OF THE SERIES**

TAXATION

1. The Terms and Conditions set out in the Programme Memorandum are amended in relation to the Notes of this Tranche of the Notes by:

- 1.1. the deletion of Condition 11 (*Taxation*) in its entirety and the replacement thereof with a new Condition 11 (*Taxation*) which reads as follows:

11. TAXATION

All payments of principal and interest in respect of the Notes by the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of South Africa or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law (for a summary of the current law in relation to the withholding or deduction of taxes levied in South Africa, see "*South African Taxation*" below).

In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, as the case may be, in the absence of such withholding or deduction, except that no such additional amounts shall be payable with respect to any Note:

- 11.1. held by or on behalf of a Noteholder who is liable for such taxes or duties in respect of such Note by reason of his having some connection with South Africa other than the mere holding of such Note or the receipt of principal or interest in respect thereof; or
- 11.2. presented for payment by or on behalf of, or held by, a Noteholder who could lawfully avoid (but has not so avoided) such withholding or deduction by complying with any statutory requirements in force at the present time or in the future by making a declaration of non-residence or other similar claim or filing for exemption to which it is entitled to the relevant tax authority or the Paying Agent (the effect of which is not to require the disclosure of the identity of the relevant Noteholder); or

- 11.3. where such withholding or deduction is in respect of taxes levied or imposed on interest or principal payments only by virtue of the inclusion of such payments in the taxable income (as defined in section 1 of the Income Tax Act) or taxable capital gain (as defined in paragraph 1 of Schedule 8 to the Income Tax Act) of any Noteholder; or
- 11.4. where (in the case of payment of principal and/or interest which is conditional on surrender and/or presentation of the relevant Individual Certificate in accordance with the Terms and Conditions) the relevant Individual Certificate is surrendered and/or presented more than 30 (thirty) days after the Relevant Date, except to the extent that the Noteholder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day; or
- 11.5. if such withholding or deduction arises through the exercise by revenue authorities of special powers in respect of tax defaulters; or
- 11.6. if such withholding or deduction arises in terms of the US Foreign Account Tax Compliance Act ("FATCA"), any regulations or agreements thereunder, official interpretations thereof, any intergovernmental approach thereto, or implementing legislation adopted by another jurisdiction in connection with FATCA;
- 11.7. where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive.

Any reference in these Terms and Conditions to any amounts in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under these Terms and Conditions or under any undertakings given in addition to, or in substitution for, these Terms and Conditions.

- 1.2. the deletion of the section titled "South African Taxation" in its entirety and the replacement thereof with a new section titled "South African Taxation" which reads as follows:

SOUTH AFRICAN TAXATION

This section should be read in conjunction with, and is qualified in its entirety by, the

detailed information contained elsewhere in this Programme Memorandum and/or any Applicable Pricing Supplement. Capitalised terms used in this section headed "South African Taxation" shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or clearly inappropriate from the context.

The comments below are intended as a general guide to the relevant tax laws of South Africa as at the date of the Programme Memorandum. The contents of this section headed "South African Taxation" do not constitute tax advice and do not purport to describe all of the considerations that may be relevant to a prospective subscriber for or purchaser of any Notes. Prospective subscribers for or purchasers of any Notes should consult their professional advisers in this regard.

Income Tax

Under current taxation law effective in South Africa, a "resident" (as defined in section 1 of the South African Income Tax Act, 1962 (the "Income Tax Act")) is subject to income tax on his/her world-wide income. Accordingly, all holders of Notes who are residents of South Africa will generally be liable to pay income tax, subject to available deductions, allowances and exemptions, on any income (including income in the form of interest) earned in respect of the Notes.

Non-residents of South Africa are subject to income tax on all income derived from a South African source (subject to applicable double taxation treaties). Interest income is from a South African source if it attributable to an amount incurred by a person that is a resident, unless the interest is attributable to a permanent establishment which is situated outside the Republic, or is derived from the utilisation or application in South Africa by any person of funds or credit obtained in terms of any form of "interest-bearing arrangement". Accordingly, if the interest payments in respect of the Notes are not attributable to a permanent establishment of the Issuer outside South Africa, or if the funds raised from the issuance of any Tranche of Notes are applied by the Issuer in South Africa, the interest earned by a Noteholder will be from a South African source and subject to South African income tax unless such interest income is exempt from South African income tax under section 10(1)(h) of the Income Tax Act (*see below*).

Under section 24J of the Income Tax Act, any discount or premium to the Nominal Amount of a Tranche of Notes is treated as part of the interest income on the Notes. Interest income which accrues (or is deemed to accrue) to the Noteholder is deemed, in accordance with section 24J of the Income Tax Act, to accrue on a day to-day basis

until that Noteholder disposes of the Notes or until maturity, unless an election has been made by the holder (if the holder is entitled under section 24J of the Income Tax Act to make such election) to treat its Notes as trading stock on a mark to market basis. This day-to-day basis accrual is determined by calculating the yield to maturity and applying it to the capital involved for the relevant tax period. The interest may qualify for the exemption under section 10(1)(h) of the Income Tax Act.

Under section 10(1)(h) of the Income Tax Act, interest received by or accruing to a Noteholder who, or which is not a resident of South Africa during any year of assessment, is exempt from income tax unless that person:

- (a) is a natural person who was physically present in South Africa for a period exceeding 183 (one hundred and eighty-three) days in aggregate during that year of assessment; or
- (b) at any time during that year of assessment carried on business through a permanent establishment in South Africa.

We note the existence of legislation which proposes to change the exemption contained in section 10(1)(h) of the Income Tax Act.

If a holder does not qualify for the exemption under section 10(1)(h) of the Income Tax Act, exemption from or reduction of any income tax liability may be available under an applicable double taxation treaty.

Certain entities may be exempt from income tax. Prospective subscribers for or purchasers of Notes are advised to consult their own professional advisors as to whether the interest income earned on the Notes will be exempt from South African income tax under section 10(1)(h) of the Income Tax Act or under an applicable double taxation treaty.

Capital Gains Tax

The disposal of Notes by residents of South Africa is subject to the capital gains tax provisions contained in the Eighth Schedule to the Income Tax Act. Any discount or premium on acquisition which has already been treated as interest for income tax purposes, under section 24J of the Income Tax Act will not be taken into account when determining any capital gain or loss. Under section 24J(4A) of the Income Tax Act a loss on disposal will, to the extent that it has previously been included in taxable income (as interest), be allowed as a deduction from the taxable income of the holder when it is incurred and accordingly will not give rise to a capital loss.

Capital gains tax under the Eighth Schedule to the Income Tax Act will not be levied in relation to Notes disposed of by a person who is not a resident of South Africa unless the Notes disposed of are attributable to a permanent establishment of that person in South Africa.

Purchasers are advised to consult their own professional advisors as to whether a disposal of Notes will result in a liability to capital gains tax.

Securities Transfer Tax ("STT")

The issue, transfer and redemption of the Notes will not attract securities transfer tax under the Securities Transfer Tax Act, 2007 (the "STT Act") because the Notes do not constitute "securities" as defined in the STT Act. Any future transfer duties and/or taxes that may be introduced in respect of (or applicable to) the transfer of Notes will be for the account of holders of the Notes.

Value-Added Tax

No value-added tax ("VAT") is payable on the issue or transfer of the Notes. The issue, sale or transfer of the Notes constitutes "financial services" as defined in section 2 of the Value-Added Tax Act, 1991 (the "VAT Act"). In terms of section 2 of the VAT Act, the issue, allotment, drawing, acceptance, endorsement or transfer of ownership of a debt security as well as the buying and selling of derivatives constitutes a financial service, which is exempt from VAT in terms of section 12(a) of the VAT Act.

However, commissions, fees or similar charges raised for the facilitation of the issue, allotment, drawing, acceptance, endorsement or transfer of ownership of Notes that constitutes "debt securities" as defined in section 2(1)(iii) of the VAT Act will be subject to VAT at the standard rate (currently 14% (fourteen per cent)), except where the recipient is a non-resident as contemplated below.

Services (including exempt financial services) rendered to non-residents who are not in South Africa when the services are rendered, are subject to VAT at the zero rate in terms of section 11(2)(l) of the VAT Act.

Withholding tax

Under current taxation law in South Africa, all payments made under the Notes to resident and non-resident Noteholders will generally be made free of withholding or deduction for or on account of any taxes, duties, assessments or governmental charges in South Africa.

The withholding tax on interest was introduced into the Income Tax Act by the Taxation Laws Amendment Act, 2010. These provisions were due to enter into force on 1 January 2013. However, the Taxation Laws Amendment Act, 22 of 2012 (the "**Amendment Act**") substituted the provisions introducing the withholding tax on interest. In terms of the Amendment Act the withholding tax on interest will be introduced with effect from 1 July 2013 and will be applicable in respect of interest that accrues, or interest that is paid or that becomes due and payable on or after 1 July 2013. It was announced in the 2013 Budget speech that the implementation of the interest withholding tax provisions will be deferred to 1 March 2014.

It is proposed that the withholding tax will be imposed at the rate of 15% (fifteen per cent) of the amount of any interest that is paid by any person to or for the benefit of any foreign person to the extent that such amount of interest is from a South African source in terms of the Income Tax Act. For the purposes of the withholding tax, a "foreign person" is defined as any person that is not a resident. Accordingly, to the extent that any interest is paid to Noteholders who are South African tax residents, the withholding tax will not apply.

In terms of the proposed legislation, South African sourced interest that is paid to a foreign person in respect of any listed debt will be exempt from the withholding tax on interest. In terms of the legislation, a "listed debt" is a debt that is listed on a recognised exchange as defined in the Income Tax Act. Also exempt from the withholding tax on interest is any amount of interest from a South African source paid to a foreign person if such foreign person is a natural person who was physically present in South Africa for a period exceeding 183 (one hundred and eighty three) days in aggregate during the 12 (twelve) month period preceding the date on which the interest is paid or to a foreign person who at any time during the 12 (twelve) month period preceding the date on which the interest is paid carried on business in South Africa through a permanent establishment. Documentary requirements exist in order to rely on the latter exemption.

Definition of Interest

The references to "interest" above mean "interest" as understood in South African tax law. The statements above do not take any account of any different definitions of "interest" or "principal" which may prevail under any other law or which may be created by the Terms and Conditions of the Notes or any related documentation.