

MASSMART

Dedicated to Value

Reviewed consolidated results for the
26 weeks ended 27 December 2009



Massmart is a managed portfolio of four divisions, each focused on high-volume, low-margin, low-cost distribution of mainly branded consumer goods for cash, in 14 countries in sub-Saharan Africa comprising 290 stores.

The Group is the third largest distributor of consumer goods in Africa, the leading retailer of general merchandise, liquor and home improvement equipment and supplies, and the leading wholesaler of basic foods.

Overview

National retail sales data confirms that consumers remained under intense pressure throughout the second-half of 2009. However, whilst not spectacular, there was evidence of a slight recovery in consumer spending over the Festive season.

With Group comparable-store sales growth of -0,5%, down in volume terms, management focused on margin, costs and stock control in an effort to protect the income statement as much as possible from the recessionary conditions.

In addition to this operating pressure in South Africa, the economic slow-down in Africa and the relatively stronger Rand resulted in the contribution from our African businesses declining by 26,7% in trading profit terms and by 36,1% including balance sheet translation losses. In local currencies however, the African business performance was acceptable.

Total Group sales increased by 6,1%, operating profit decreased by 15,0%, headline earnings decreased by 19,5% and headline earnings per share decreased by 19,9%.

With the volatility of the Rand across the reporting periods still affecting the interpretation of our performance, management continues to focus on managing operating profit which declined by 5,9% excluding the effects of the foreign exchange balance sheet translation.

It is encouraging that both in our recent monthly comparable-sales trends and in some recent national economic data, it appears that South African consumer spending may be recovering.

Environment

Low internal sales inflation dominated the trading environment.

Food inflation dropped throughout the period, ending close to 1,0% overall and -10,1% in commodities (wheat, maize, sugar, etc). This deflation is a result of lower global commodity prices and the stronger Rand. Food wholesalers were more affected than retailers, as their customers, the independent retailers, delayed their purchases in anticipation of lower prices. Wholesale volumes therefore dropped for a few months, although had recovered by December 2009.

General Merchandise inflation also declined to -0,5% by December 2009 as the stronger Rand brought down the price of imported items. Again we saw deflation in many technology-based categories.

In Home Improvement, inflation dropped not only as a result of the stronger Rand but also as a result of demand weakness as activity in the bonded residential property market slowed dramatically.

With product inflation substantially below Consumer Price Inflation, the market participants had to compensate by gaining market share, resulting in pressure on gross margins. Competitive activity in all categories increased.

Expense growth throughout the industry is under pressure from very high increases in local taxes for basic services, electricity, and union wage demands, resulting in the need to look for further productivity gains. The comparable expense growth for the period was 2,5%.

The Competition Commission's industry-wide investigation into the distribution of food is still at an early stage and we will submit the first round of requested information in March 2010.

Divisional Operational Review

Rm	26 weeks December 2009 (Reviewed) sales	26 weeks December 2008 (Reviewed) sales	% of 2008 sales	Period growth	Comparable % sales growth	Estimated % sales inflation	52 weeks June 2009 (Audited) sales	% of 2008 sales
Sales	24 153,5	22 758,2		6,1	(0,5)	1,6	43 128,7	
Massdiscounters	6 114,4	6 087,7		0,4	(3,8)	0,5	11 206,0	
Masswarehouse	5 955,7	5 868,1		1,5	1,5	5,1	11 102,4	
Massbuild	3 189,9	2 936,2		8,6	(0,4)	2,7	5 604,6	
Masscash	8 893,5	7 866,2		13,1	0,1	(0,4)	15 215,7	
Trading profit before interest and tax	1 216,1	5,0	1 281,1	5,6	(5,1)		2 097,5	4,9
Massdiscounters	417,6	6,8	479,7	7,9	(12,9)		680,0	6,1
Masswarehouse	371,5	6,2	399,6	6,8	(7,0)		713,0	6,4
Massbuild	151,9	4,8	139,3	4,7	9,0		222,6	4,0
Masscash	275,1	3,1	262,5	3,3	4,8		481,9	3,2
Trading profit before tax	1 283,9	5,3	1 392,0	6,1	(7,8)		2 348,9	5,4
Massdiscounters	434,2	7,1	507,9	8,3	(14,5)		746,6	6,7
Masswarehouse	393,1	6,6	439,1	7,5	(10,5)		802,6	7,2
Massbuild	166,1	5,2	161,9	5,5	2,6		270,1	4,8
Masscash	290,5	3,3	283,1	3,6	2,6		529,6	3,5

Trading profit excludes foreign exchange movements. A detailed reconciliation between trading and operating profit can be found below the 'Additional information' table over the page.

Massdiscounters – comprises the 92-store General Merchandise retail discounter Game, which trades in South Africa, Namibia, Botswana, Zambia, Uganda, Mozambique, Mauritius, Malawi, Tanzania, Nigeria, and Ghana; and the 10-store Hi-tech retailer Dion Wired.

Divisional comparable store sales decreased by 3,8% with estimated inflation of 0,5%. Total sales increased by 0,4% and trading profit before tax decreased by 14,5%. The contribution from our Massdiscounters' African businesses declined by 30,1% in trading profit terms and by 40% including balance sheet translation losses.

It was a very busy period in Massdiscounters, with six Game stores and four Dion Wired stores opening and one Game store closing, increasing space by 5,4%. Construction got underway in earnest on the 70,000m² Regional Distribution Centre in Gauteng and work started on a new store in Malawi.

Game's performance in South Africa continued to improve with total and comparable sales growing at 6,1% and 2,7% respectively. Game SA grew profits in this period. Sales from Africa declined 25,2% in Rand terms and 5,5% in local currency terms, as products became more expensive due to the weakening of the African currencies and their economies.

Masswarehouse – comprises the 13-store Makro warehouse club trading in Food, General Merchandise and Liquor in South Africa (and two Zimbabwean stores, not consolidated in these Group results).

Divisional total and comparable store sales increased by 1,5% with estimated inflation of 5,1% and trading profit before tax decreased by 10,5%.

No new stores were opened, although construction began on a new Makro store in Vanderbijlpark and good progress is being made in securing three other sites.

Massbuild – comprises 88 outlets, trading in DIY, Home Improvement and Builders Hardware, under the Builders Warehouse, Builders Express and Builders Trade Depot brands in South Africa.

Divisional comparable store sales decreased by 0,4% with estimated inflation of 2,7%. Total sales increased by 8,6% and trading profit before tax increased by 2,6%.

Trading at Builders Warehouse and Builders Express improved throughout the period as a result of improved prices and product offering, consumers looking to maintain their properties, an improved focus on the contractor market, and market share gains as the industry consolidates. Builders Trade Depot's sales, fully exposed to the lacklustre bonded residential property market, contracted but outperformed its competitors. A Mozambique-based building materials business, Kangelia, was acquired during the period but had little effect on the results of Builders Trade Depot or the Group.

One Builders Warehouse store, four Builders Express stores and 15 Builders Trade Depot stores were opened or acquired, and three Builders Trade Depot stores were closed. Net trading space increased by 8,2%.

Masscash – comprises 87 Wholesale and Retail Cash & Carry stores trading in South Africa, Lesotho, Namibia, Botswana and Mozambique, and Shield, a voluntary buying association.

Divisional comparable store sales increased by 0,1% with estimated deflation of 0,4%. Total sales increased by 13,1% and trading profit before tax increased by 2,6%.

The Wholesale Cash & Carry business came under pressure as sales inflation in Food declined below expense inflation and volumes shrank temporarily. Margin and costs were however, well controlled. A high level of activity enhancing the Wholesale Cash & Carry business and building the Retail Cash & Carry business continued, through acquisitions

and building a new-store pipeline. We are on track to exceed our R2 billion annualised sales target for this 2010 financial year.

Four new Wholesale Cash & Carry stores and six new Retail Cash & Carry stores were opened or acquired. Net trading space increased by 11,6%.

Financial Review

Statement of comprehensive income

Total sales growth for the six months to December 2009 was 6,1% while comparable sales declined by 0,5%. If one excludes the sales of our African businesses, which have been severely affected by the significant strengthening of the Rand, then total Group sales grew by 7,0% and comparable sales by 1,2%.

During the period inflation declined in all categories and Group sales inflation for the financial year-to-date was 1,6%.

During the six-month period four stores were closed or sold, 15 opened, and 25 stores acquired, resulting in a total of 290 stores at the end of December 2009. Net trading space increased by 7,3% to a total of 1 164 201m².

Gross profit of 17,8% was lower than the prior period's 18,1%. In Masscash gross margins were lower due mainly to deflation in 21% of this division's sales categories by value. Deflation in Food also adversely affected Makro. In addition, gross margins were lower in Massdiscounters and Makro due to the increased competitive intensity in General Merchandise categories.

Due to acquisitions, total expenses increased by 8,9%. Comparable expenses increased by only 2,5%.

Included in operating profit are net realised and unrealised foreign exchange losses of R68,7 million (2008: R52,7 million gain). The translation of Massdiscounters' African balance sheets accounted for R7,0 million of this amount (2008: R21,4 million gain), there was a net loss from other foreign monetary balances of R24,4 million (2008: R45,0 million gain) and the balance came from mostly realised losses on landed forward foreign exchange contracts of R37,3 million (2008: R13,7 million loss). These current period translation losses arose as a result of the strengthening of the Rand from June 2009.

Net interest paid decreased as commercial interest rates softened, although the Group's average net borrowings were approximately R81,0 million higher than the comparable period.

The non-cash IFRS 2 *Share-based Payments* charge associated with the Group's Staff Empowerment scheme and the Black Scarce Skills Trust was R39,1 million (2008: R30,6 million). Including the preference dividend paid to participants however, the total cost of the scheme was R52,6 million (2008: R42,4 million) and has increased because of the greater proportion of the ordinary dividend now accruing to scheme participants (see Note 6).

The Group's effective tax rate is 31,9% (2008: 29,7%). This is higher because of the effect of STC of 2,8% (2008: 2,1%). The non-deductible IFRS 2 charges increase the Group effective tax rate by 2,2% (2008: 1,5%).

The minority interests comprise CBW store managers' holdings in certain Masscash stores and certain acquisitions, including Cambridge Food acquired with effect from December 2008.

Headline earnings declined by 19,5% while headline EPS declined by 19,9%. Excluding the net realised and unrealised foreign exchange movements from both years however, headline earnings declined by 9,8% while headline EPS declined by 10,3%.

Statement of financial position

In response to the trading environment, Group inventory levels were well controlled and, despite acquisitions and new stores, at December 2009 are only 8,4% higher than December 2008. Historical days in stock at December 2009 are 55,2 (2008: 54,2 days).

Acquisitions continue to increase the amount of goodwill. During the period seven businesses with 25 stores were acquired for a total cash consideration of R155,4 million. The net cash impact after accounting for take-on bank balances was R146,0 million.

Average interest-bearing debt for the period was R294,4 million (2008: R213,4 million), representing gearing of 8,3%.

Due to the decline in Group profitability and the recent capital investment in acquisitions, the annual rolling return on equity of 30,6% at December 2009 is lower than the equivalent 2008 figure of 49,1%.

Statement of cash flows

Cash flow from operations grew 2,2% due to an improvement of net working capital levels. Total capital expenditure of R291,1 million (2008: R338,8 million) comprises R137,6 million on replacement and R153,5 million on expansionary expenditure.

Progress with Vision 2012

Good progress is being made on all elements of our 2012 strategic action plan under the headings: Leadership and Transformation, Growth of the Core Business through investment in Supply Chain, Private Label and Financial Services, Organic Growth, Acquisitions, New Formats and Categories, and Sustainability.

We are particularly proud that we have now progressed over 100 previously disadvantaged graduates through our Graduate Development programme with 70% of the graduates completing the programme and securing jobs in the Group. We are also very proud of increasing our BBBEE rating from 56% to 66% in the past year. The supply chain progress is now internally measurable in the business and is gaining implementation momentum. The re-branded Game store credit card, outsourced to RCS, has performed ahead of expectation, a sign that there may still be healthy demand for store credit.

Prospects

For the 34 weeks to 21 February 2010, total sales increased by 6,7% and comparable sales increased by 0,4%, showing an encouraging turnaround that seems to have commenced in mid-December 2009.

These recent sales trends suggest that the worst is behind us, and should the current trends and currency values continue, Massmart could comfortably grow operating profits, before foreign exchange, in the second half and perhaps even for the 2010 financial year.

The financial information on which this outlook statement is based has not been reviewed or reported on by the Company's external auditors.

Conclusion

The past 12 months have been the most difficult since listing in 2000, and there is no question that Massmart's earnings were affected by Rand volatility over the past 18 months. Given the Group's cyclical product mix however, the business has performed reasonably through the recession and is now positioned to perform well in the economic upturn ahead.

Given the robustness and agility of the Group's human performance and operational performance over this period, we are confident that financial performance will follow.

Distribution and Dividend Policy

Massmart's dividend policy is to declare and pay an interim and final cash dividend representing a 1,7 times dividend cover unless circumstances dictate otherwise. Despite the slightly lower headline earnings and this policy, the Board has decided to maintain this year's dividend at the same level as last year.

Notice is hereby given that an interim cash dividend of 252 cents per share in respect of the period ended 27 December 2009 has been declared payable to the holders of ordinary shares recorded in the books of the company on Friday, 19 March 2010. The last day to trade cum-dividend will therefore be Friday, 12 March 2010 and Massmart shares will trade ex-dividend from Monday, 15 March 2010. Payment of the dividend will be made on Tuesday, 23 March 2010. Share certificates may not be dematerialised or rematerialised between Monday, 15 March 2010 and Friday, 19 March 2010, both days inclusive.

A Thuthukani dividend equivalent to 100% of the Massmart ordinary dividend per share of 252 cents will be paid to the Thuthukani participants on Tuesday, 23 March 2010.

On behalf of the Board

Grant Pattison
Chief Executive Officer

Guy Hayward
Chief Financial Officer

24 February 2010

Directorate

MJ Lamberti (Chairman),
CS Seabrooke (Deputy Chairman),
GM Pattison* (Chief Executive Officer),
MD Brand, ZL Combi, KD Dlamini,
NN Gwagwa, GRC Hayward* (Chief Financial Officer),
JC Hodgkinson**, P Langeni,
IN Matthews, P Maw, DNM Mokhobo,
MJ Rubin

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Massmart Holdings Limited

("the Company" or "the Group")

JSE code

MSM

ISIN

ZAE00029534

Company registration number

1940/014066/06

Registered office

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Company secretary

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Sponsor

Deutsche Securities (SA) (Proprietary) Limited

Transfer secretaries

Computershare Investor Services (Proprietary) Limited

Registered auditors

Deloitte & Touche

For more information
www.massmart.co.za

Sales	Operating profit before foreign exchange movements	Cash generated from operations	Headline EPS	Dividend per share
+6,1%	-5,9%	+2,2%	-19,9%	252 cents
to R24 154 million	to R1 177 million	to R2 585 million	to 347 cents	unchanged

Income statement

Rm	26 weeks December 2009 (Reviewed)	26 weeks December 2008 (Reviewed)	% change	52 weeks June 2009 (Audited)
Revenue	24 214,2	22 812,7	6,1	43 231,8
Sales	24 153,5	22 758,2	6,1	43 128,7
Cost of sales	(19 843,6)	(18 630,4)	(6,5)	(35 351,0)
Gross profit	4 309,9	4 127,8	4,4	7 777,7
Other income	60,7	54,5	11,4	103,1
Depreciation and amortisation	(187,0)	(171,2)	(9,2)	(343,1)
Impairment of assets (note 3)	—	—	—	(1,6)
Employment costs	(1 621,0)	(1 492,6)	(8,6)	(2 965,8)
Occupancy costs (note 4)	(646,3)	(553,9)	(16,7)	(1 170,4)
Foreign exchange (loss)/gain	(68,7)	52,7	(78,4)	—
Other operating costs (note 4)	(739,3)	(714,1)	(3,5)	(1 370,9)
Operating profit	1 108,3	1 303,2	(15,0)	1 950,6
Finance costs	(48,6)	(60,9)	20,2	(112,8)
Finance income	22,1	31,8	(30,5)	64,2
Net finance costs	(26,5)	(29,1)	8,9	(48,6)
Profit before taxation	1 081,8	1 274,1	(15,1)	1 902,0
Taxation	(345,0)	(378,2)	8,8	(620,4)
Profit for the period	736,8	895,9	(17,8)	1 281,6
Profit attributable to:				
Owners of the parent	693,7	868,3		1 210,9
Preference shareholders (note 6)	13,5	11,8		38,0
Non-controlling interests	29,6	15,8		32,7
Profit for the period	736,8	895,9	(17,8)	1 281,6
Basic EPS (cents)	346,2	435,5	(20,5)	606,9
Diluted basic EPS (cents)	335,9	422,8	(20,6)	593,4
Dividend (cents):				
– Interim	252,0	252,0	—	252,0
– Final	—	—	—	134,0
– Total	252,0	252,0	—	386,0

Headline earnings

Rm	26 weeks December 2009 (Reviewed)	26 weeks December 2008 (Reviewed)	% change	52 weeks June 2009 (Audited)
Reconciliation of net profit for the period to headline earnings				
Net profit attributable to equity holders of the parent	693,7	868,3		1 210,9
Impairment of assets (note 3)	—	—		1,6
Loss on disposal of fixed assets	0,9	0,6		1,7
Profit on sale of assets classified as held for sale (note 7)	—	(7,0)		(7,0)
Total tax effects of adjustments	(0,3)	0,7		(0,1)
Headline earnings	694,3	862,6	(19,5)	1 207,1
Headline earnings before foreign exchange	743,8	824,7	(9,8)	1 263,5
Headline EPS (cents)	346,5	432,6	(19,9)	605,0
Headline EPS before foreign exchange (cents)	371,2	413,6	(10,3)	633,3
Diluted headline EPS (cents)	336,1	420,1	(20,0)	591,6

Statement of comprehensive income

Rm	26 weeks December 2009 (Reviewed)	26 weeks December 2008 (Reviewed)	% change	52 weeks June 2009 (Audited)
Profit for the period	736,8	895,9		1 281,6
Other comprehensive income:				
Foreign currency translation reserve	(31,9)	30,2		(27,3)
Cash flow hedges	7,8	8,5		(11,7)
Income tax relating to components of other comprehensive income	—	—		—
Other comprehensive income for the period, net of tax	(24,1)	38,7		(39,0)
Total comprehensive income for the period	712,7	934,6	(23,7)	1 242,6
Total comprehensive income attributable to:				
Owners of the parent	669,6	907,0		1 171,9
Preference shareholders (note 6)	13,5	11,8		38,0
Non-controlling interests	29,6	15,8		32,7
Total comprehensive income for the period	712,7	934,6	(23,7)	1 242,6

Statement of financial position

Rm	December 2009 (Reviewed)	December 2008 (Reviewed)	% change	June 2009 (Audited)
ASSETS				
Non-current assets	4 739,3	4 221,7		4 397,5
Property, plant and equipment	1 794,4	1 571,6	14,2	1 696,6
Goodwill and other intangible assets	1 973,5	1 699,1		1 747,4
Investments and loans	559,6	538,8		534,3
Deferred taxation	411,8	412,2		419,2
Current assets	11 192,5	10 524,3		8 129,4
Inventories	5 997,3	5 533,5	8,4	4 893,2
Trade, other receivables and prepayments	2 585,3	2 309,0	12,0	1 851,1
Taxation	31,3	62,0		329,3
Cash and bank balances	2 578,6	2 619,8		1 055,8
Total	15 931,8	14 746,0		12 526,9
EQUITY AND LIABILITIES				
Total equity	3 677,7	3 259,7		3 096,7
Equity attributable to equity holders of the parent	3 547,9	3 232,7	9,8	3 054,7
Minority interest	129,8	27,0		42,0
Non-current liabilities	821,2	937,6		858,3
Non-current liabilities – interest-bearing	78,8	213,4		149,7
Other non-current liabilities and provisions	567,9	568,3		560,1
Deferred taxation	174,5	155,9		148,5
Current liabilities	11 432,9	10 548,7		8 571,9
Trade, other payables and provisions	10 779,6	9 750,4	10,6	7 692,5
Taxation	228,3	395,0		490,4
Bank overdrafts and short-term borrowings	425,0	403,3		389,0
Total	15 931,8	14 746,0		12 526,9

Statement of cash flows

Rm	26 weeks December 2009 (Reviewed)	26 weeks December 2008 (Reviewed)	52 weeks June 2009 (Audited)
Operating cash before working capital movements	1 331,8	1 503,9	2 398,2
Working capital movements	1 253,2	1 024,6	63,8
Cash generated from operations	2 585,0	2 528,5	2 462,0
Taxation paid	(267,4)	(279,5)	(700,3)
Net interest paid	(26,5)	(29,1)	(48,6)
Investment income	20,4	18,1	29,5
Dividends received	6,3	2,5	13,4
Dividends paid	(281,9)	(335,9)	(867,4)
Cash inflow from operating activities	2 035,9	1 904,6	888,6
Investment to maintain operations	(137,6)	(123,7)	(345,5)
Investment to expand operations	(153,5)	(215,1)	(340,1)
Disposal of assets classified as held for sale	—	174,3	174,3
Disposal of subsidiary	—	—	4,3
Businesses acquired	(146,0)	(147,2)	(198,5)
Other investing activities	14,5	4,8	8,1
Cash outflow from investing activities	(422,6)	(306,9)	(697,4)
Cash outflow from financing activities	(89,6)	(104,9)	(160,7)
Net increase in cash and cash equivalents	1 523,7	1 492,8	30,5
Foreign exchange (loss)/gain taken to other comprehensive income	(31,9)	30,2	(27,3)
Opening cash and cash equivalents	1 025,1	1 021,9	1 021,9
Closing cash and cash equivalents	2 516,9	2 544,9	1 025,1

Statement of changes in equity

6 months ended December 2009 (Reviewed)	Ordinary share capital	Share premium	General reserves	Retained profit	Equity attributable to equity holders of the parent	Minority interest	Total
Opening balance	2,0	149,4	298,7	2 604,6	3 054,7	42,0	3 096,7
Dividends declared	—	—	—	(281,8)	(281,8)	—	(281,8)
Total comprehensive income	—	—	(24,1)	707,2	683,1	29,6	712,7
Changes in minority interests and distribution to minorities	—	—	—	—	—	(20,3)	(20,3)
Cost of acquiring minority interests	—	—	(30,8)	—	(30,8)	—	(30,8)
Minorities relating to acquisitions: Share trust transactions and IFRS 2 charge	—	—	78,7	(21,2)	57,5	—	57,5
Treasury shares (acquired)/realised;	—	(50,7)	115,9	—	65,2	—	65,2
Total	2,0	98,7	438,4	3 008,8	3 547,9	129,8	3 677,7
6 months ended December 2008 (Reviewed)							
Opening balance	2,0	151,7	269,0	2 313,1	2 735,8	30,7	2 766,5
Dividends declared	—	—	—	(336,8)	(336,8)	—	(336,8)
Total comprehensive income	—	—	38,7	880,1	918,8	15,8	934,6
Changes in minority interests and distribution to minorities	—	—	—	—	—	(19,5)	(19,5)
Financial liability raised on a business acquisition	—	—	(120,0)	—	(120,0)	—	(120,0)
Share trust transactions and IFRS 2 charge	—	—	68,0	(46,6)	21,4	—	21,4
Treasury shares (acquired)/realised;	—	(20,2)	33,7	—	13,5	—	13,5
Total	2,0	131,5	289,4	2 809,8	3 232,7	27,0	3 259,7
Year ended June 2009 (Audited)							
Opening balance	2,0	151,7	269,0	2 313,1	2 735,8	30,7	2 766,5
Dividends declared	—	—	—	(867,4)	(867,4)	—	(867,4)
Total comprehensive income	—	—	(39,6)	1 249,5	1 209,9	32,7	1 242,6
Changes in minority interests and distribution to minorities	—	—	—	—	—	(21,4)	(21,4)
Financial liability raised on a business acquisition	—	—	(120,0)	—	(120,0)	—	(120,0)
Share trust transactions and IFRS 2 charge	—	—					