

MASSMART

Dedicated to Value

Reviewed Interim Results

to

December 2002

Presentation to Investors and Analysts – February 2003

Agenda

- Environment
- Financial & Operating Highlights
- Operating performance
- Financial Performance
- Prospects

ADDENDA – Additional financial data

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Environment

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Environment - Economic

- Volatile Exchange Rate
 - 44.9% decrease and subsequent 28.7% increase over 18 months
 - Impact on purchasing, inventory, margin and pricing decisions
- Interest Rates
 - Cumulative effect of four interest rate increases in 2002 slowing consumer expenditure

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Reported cumulative sales growth trends

% Growth	7 weeks	16 weeks	22 weeks	26 weeks	34 weeks
Comparable		31	30	27	24
Before Acquisitions	30	30	32	28	26
Total	37	36	35	32	29

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Environment - Economic

- Inflation
 - Average retail inflation was 9.77% vs. 4.68% for comparable period in 2001,
 - Imported inflation declined sharply from 15% in November to 10% in December
- Volatility of these factors demanded more accurate measurement, analysis and a rapid response

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Environment – Market & Industry

- Second quarter - Retailer & wholesaler confidence reached 14-year highs & consumer confidence 7-year highs in second quarter 2002
- Declined from the third quarter
- Sharp decline fourth quarter
- Increasing retail convergence

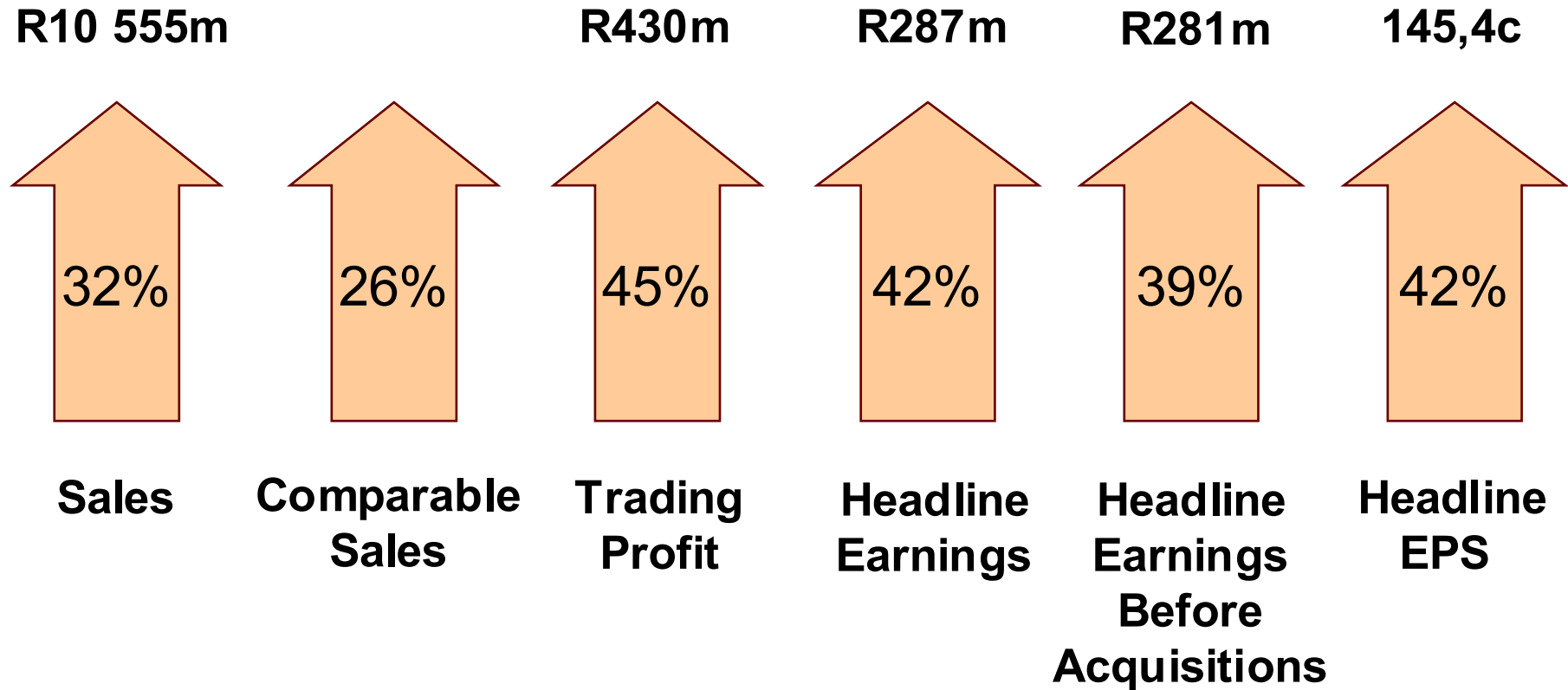
Highly Competitive!

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Financial & Operating Highlights

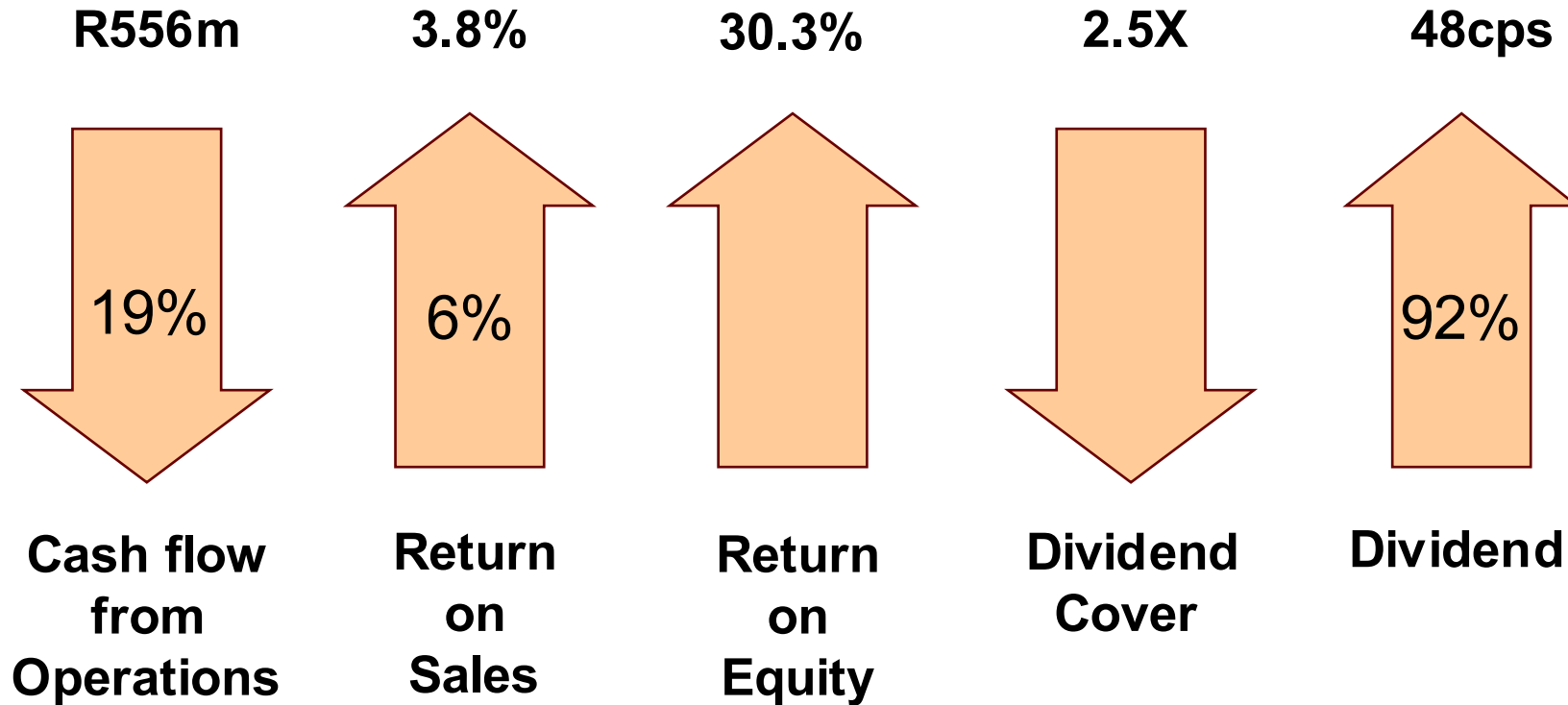
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Financial highlights



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Financial highlights



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Operating Highlights

- Record six months sales & profits
- Improved pre & post interest trading margins other than Makro (new store)
- Half year pre interest return on sales > 4%
- Strong operating leverage in Massdiscounters & Masscash

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Operating Highlights (cont.)

- Working capital management sub optimal
- Non South African sales of R735m
- R140m Builders Warehouse acquisition recommended by Competitions Commission to Tribunal
- Board & management strengthened
- 7th in “Best Company to Work For”

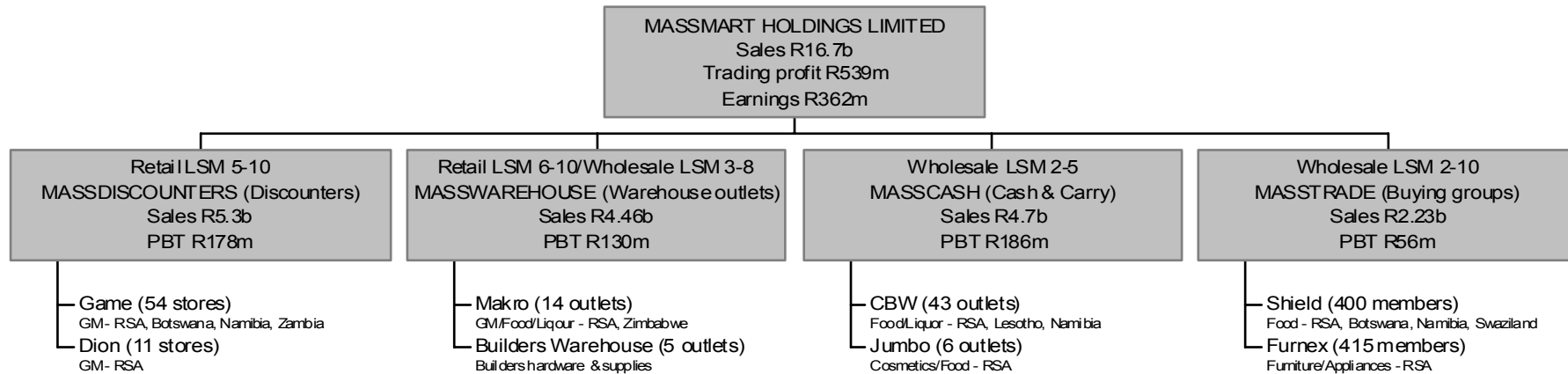
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Operating Performance

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Massmart Divisional Structure

(At end June 2002)



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Massdiscounters



- G. M. discounter - 55 Game & 11 Dion stores
- Traded aggressively - sales 27.9% up
 - Comparable store growth 27.1%
 - Strong trading until mid December
 - Inventory above budget – softer than planned December, increased import programme & stock budgets exceeded in two product categories
 - Foreign exchange loss of R16m (LY +R10.6m)
 - All product categories ahead of RLC
- Record new store opening in Mauritius
- New stores '03/'04 – Kampala, Nairobi, Maputo
- '04/05 – Dar es Salam, Lagos

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Masswarehouse



- Warehouse Club - 13 stores RSA, 2 Zimbabwe
- Solid trading – sales 33.2% up
 - Comparable store growth 20.3%
 - Good growth in food & liquor
 - Underperformance in general merchandise depressed returns
- Strubens Valley opened October 2002 (first new Makro in 6 years)

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Masscash



- Cash & Carry wholesaler – 45 CBW & 6 Jumbo stores
- Traded aggressively - sales 30.9% up
 - Comparable store growth 29.8%
 - Browns & Weirs fully integrated
 - 2 new liquor licenses
 - Nelspruit, Vereeniging
- Assets & costs well controlled
- Executive management strengthened

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Masstrade



- Voluntary buying associations – 411 independent Shield food retailers & wholesalers, 392 independent Furnex furniture & appliance retailers
- Shield sales growth subdued – 8.5% (loss of fraudulent member) Comp. member growth 27.4%
- Furnex – Sales R310m. PBIT & PBT R8.5m.
- Integration proceeding well
 - New Board formed, executive strengthened
 - Great Plains implemented
 - Finance, creditors, debtors, HR integrated
 - IT/Systems/Processes integrated by June 2003

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Builders Warehouse

- New segment for Massmart (Masswarehouse)
- Due diligence completed
- Transaction recommended without conditions by the Competitions Commission
- Tribunal hearing 4th March 2003
- Effective date directly thereafter
- Glynn Wright (ex Massdiscounters FD) appointed MD
- Business traded well in six months

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Channel initiatives

- Shared services
 - Internal audit / Store development / Rebate administration / Employee benefits
- Merchandise procurement
 - Great progress in food
 - Growing success in liquor & general merchandise
- Non-merchandise procurement
- Information technology (TIP)
- Human resources
 - Executive succession / generational transition
 - Employment equity
 - AIDS measurement

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Financial Performance

Reviewed results to December 2002

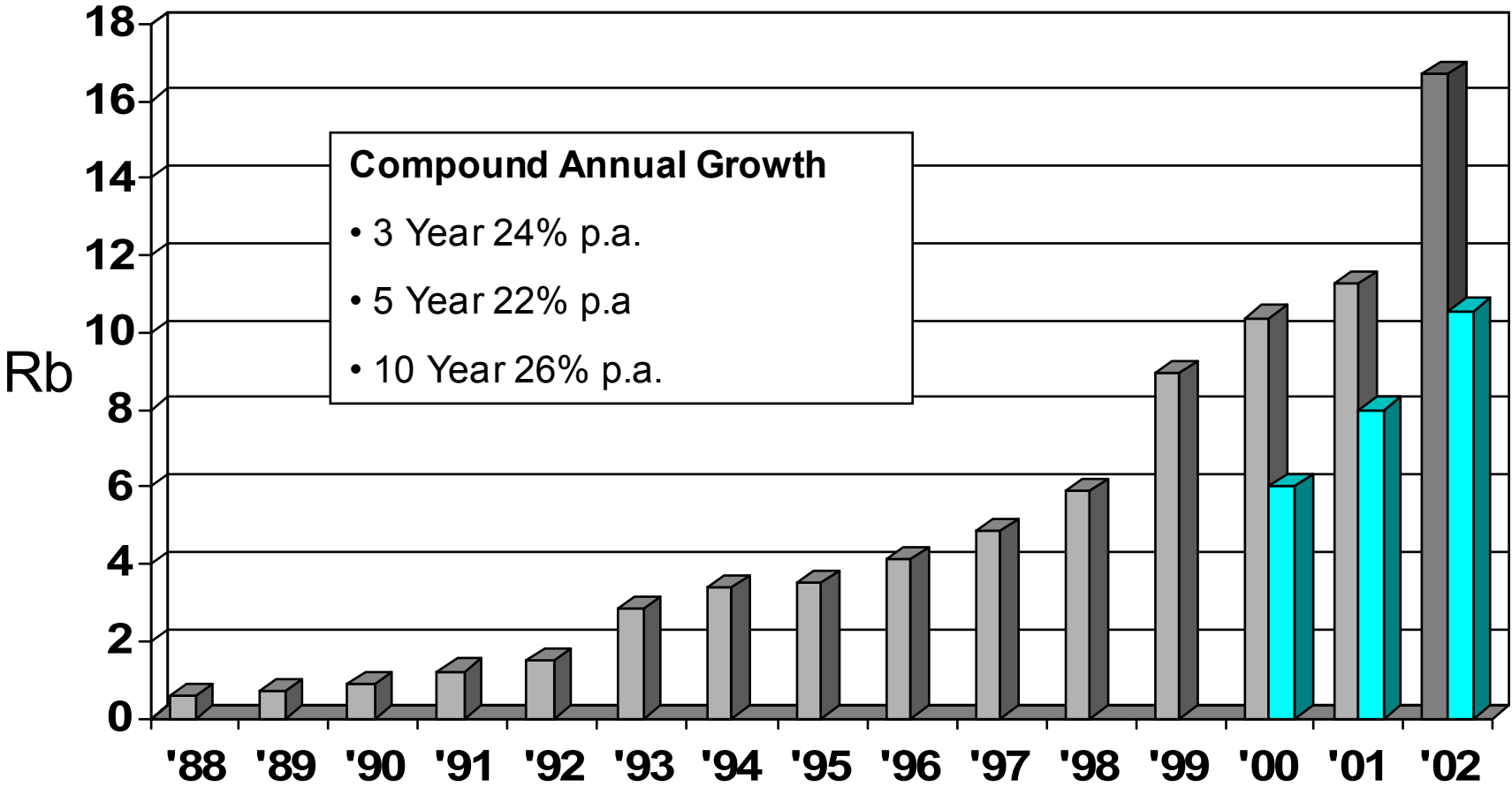
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Overview

- Strong underlying trading performance
- Heightened environmental volatility
- Stronger Rand
- Investing for growth – new stores
- Improved ROE

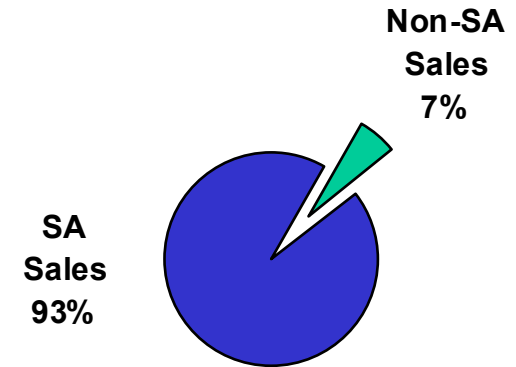
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Long term sales growth



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Sales



(Rm's)	<u>2002</u>	<u>2001</u>	<u>% Chg</u>	<u>Comparable % Chg</u>
MDD	3 346	2 616	27.9	27.1
Makro	2 855	2 143	33.2	20.3
Masscash	2 951	2 255	30.9	29.8
Masstrade	1 402	1 006	39.3	27.4
Total	<u>10 555</u>	<u>8 020</u>	31.6	26.2

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Sales Growth Analysis

	<u>%</u>
Existing stores (<i>comparable</i> growth)	26.2
New stores	1.5
Acquisitions	3.9
Total sales growth	<u>31.6</u>

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Inflation

- Massmart annual inflation for the six months to December '02:
 - General Merchandise: 13,0%
 - Food: 16,1%
 - Liquor: 12,6%
- Inflation in all three categories trending lower
- *Estimated* annual inflation for year to June '03:
 - General Merchandise: 8-10%
 - Food: 8-10%
 - Liquor: 6-8%

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Store Portfolio

	<u>Makro</u>	<u>Massdis counters</u>	<u>Jumbo</u>	<u>CBW</u>	<u>Total</u>
July '02	12*	65	6	43	126
Openings	1	1	-	2	4
December '02	13	66	6	45	130

*Excludes two Makro Zimbabwe stores

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Divisional PBIT

(Rm's)	<u>6 months to December</u>		
	<u>2002</u>	<u>2001</u>	<u>%</u>
MDD	213.4	135.0	58.1
Masswarehouse	87.3	75.6	15.5
Masscash	91.2	62.2	46.6
Masstrade	38.0	24.5	55.1
Total	<u>429.9</u>	<u>297.3</u>	44.6

PBIT = Profit before Interest & Tax

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PBIT reconciliation

Store pre-opening & opening costs:

Makro (one store) R7,9m

Massdiscounters (two stores) R6,0m

Impact on Makro:

Proforma PBIT of R95,2m

Growth on prior period +25,9%

Impact on Massdiscounters:

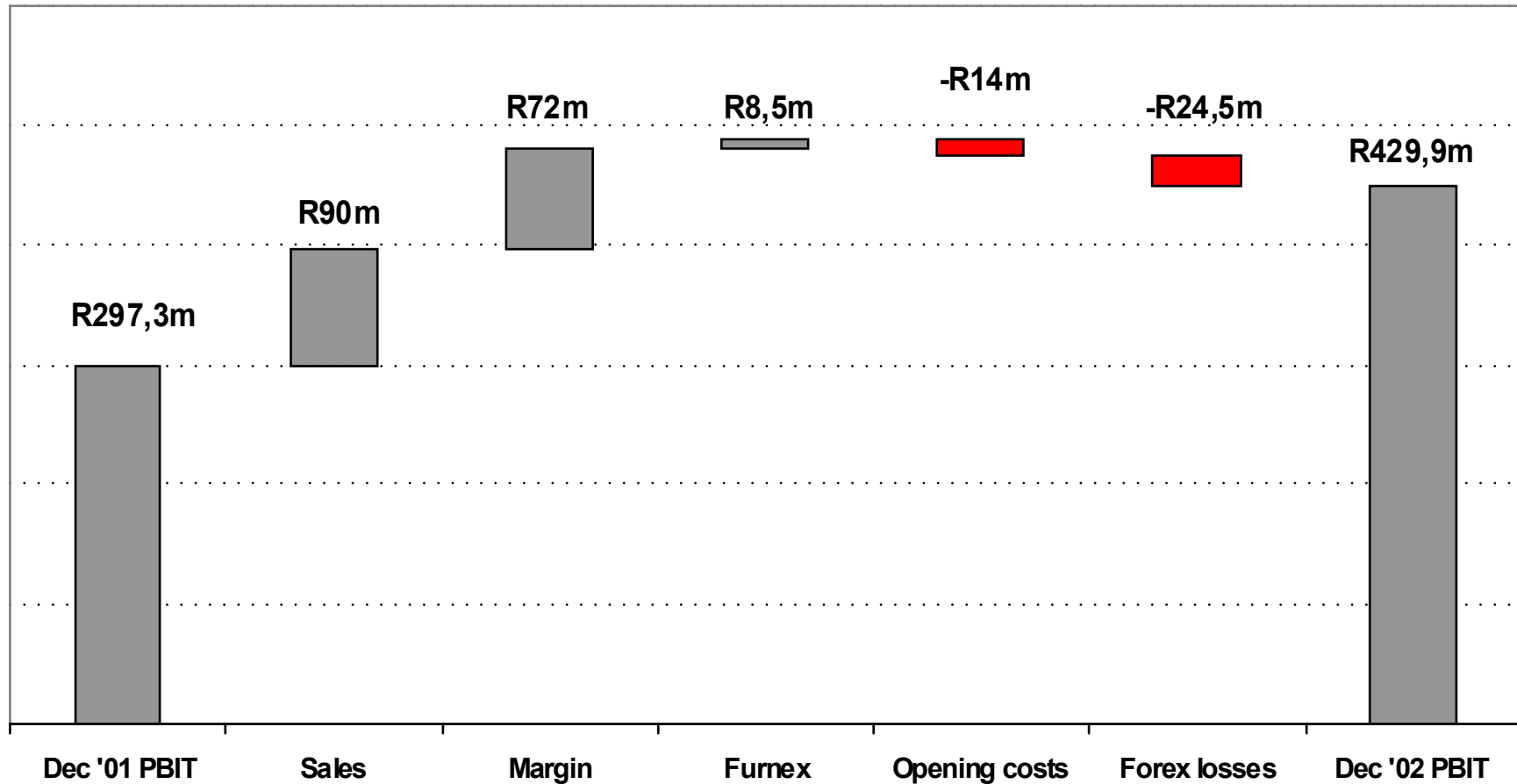
Proforma PBIT of R219,4m

Growth on prior period +62,5%

Massmart *proforma* PBIT +49,3%

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PBIT Analysis



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Impact of Exchange Rates

- In the short-term, the stronger Rand generally:
 - Reduces the *relative* Rand contribution of foreign stores
 - Causes losses on translation of balance sheets
 - Makes “older” FECs for imports appear expensive
- Financial impact to December ‘02:
 - Losses on translation -R19,1m
 - *Prior year gain* +R10,7m
- Introduction of VAT in Botswana has reduced margins from those stores

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Exchange Rates

- Massmart is primarily exposed to these currencies:
 - US Dollar (imports)
 - Botswana Pula (2 Game stores)
 - Zambian Kwacha (1 Game store)
 - Mauritian Rupee (1 Game store)
- Six-month average Rand / US\$ rates:
 - To December '01 R9-57
 - To June '02 R10-82
 - To December '02 R9-86

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Impact of AC 133

Accounting for Financial Instruments

- Restated opening retained income -R5,2m
- Open FECs marked-to-market:
 - Net impact -R5,4m
 - *This is a timing difference*
- FEC premium included in Cost of Sales
now reclassified to FEC charge (net) R12,1m
This has no earnings impact
- FECs no longer reported as contingent liabilities, now
accounted & reported as normal liabilities

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Divisional PBT

(Rm's)	<u>6 months to December</u>		
	<u>2002</u>	<u>2001</u>	<u>%</u>
MDD	180.8	117.4	54.0
Masswarehouse	94.0	84.5	11.2
Masscash	102.1	69.1	47.8
Masstrade	38.4	26.5	44.9
Total	<u>415.3</u>	<u>297.5</u>	39.6

PBT = Profit before Tax

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Targeted PBT ROS

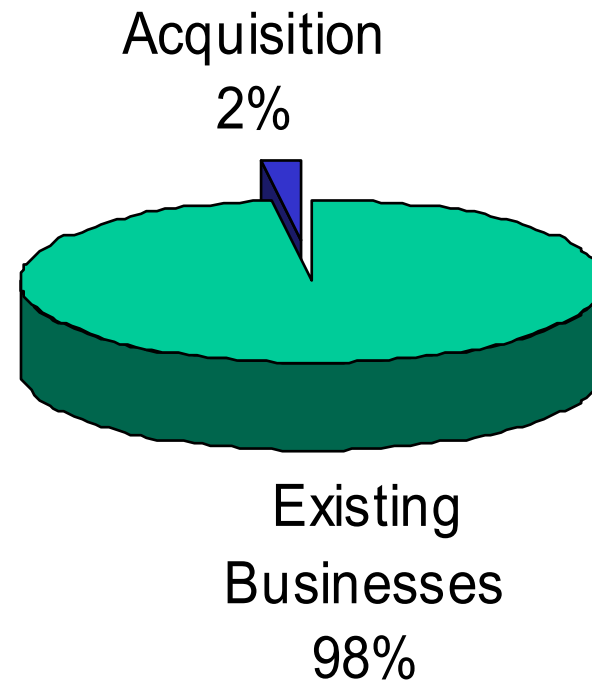
	Tar get	Dec 2002	June 2002	Dec 2001	June 2001	Dec 2000	June 2000
Mass discounters	5.0	5.40	3.36	4.5	2.02	3.2	2.52
Makro	4.0	3.28 3.75*	2.91	3.9	2.52	3.3	2.26
Masscash	3.5	3.47	3.92	3.1	3.00	3.0	3.10
Masstrade	3.0	2.74	2.51	2.6	2.73	2.7	2.78
Group (on Dec. 02 sales mix)	4.04	3.80	3.30				

* Exc. Strubens

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Headline Earnings Growth

*Showing the contribution
to 42% growth in
headline earnings to
R287m*



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Working Capital

	Dec 2002		Dec 2001	
	<u>Rms</u>	<u>Days</u>	<u>Rms</u>	<u>Days</u>
Stock ⁽¹⁾	2 910	67	2 151	65
Trade Creditors ⁽¹⁾	3 880	80	3 187	85
HP Debtors ^{(1) & (2)}	224	189	221	186

1. Days calculated using historic sales and cost of sales.

2. Massdiscounters' HP and Revolving Credit debtors book.

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Cash Flow (slide 1 of 2)

(Rm's)	<u>Dec '02</u>	<u>Dec '01</u>	<u>%</u>
From Operations	466	357	31
Working Capital	90	330	(73)
	<hr/>	<hr/>	
	556	687	(19)
Interest + Taxation	(54)	(53)	(2)
Fixed Asset Replacement	(56)	(55)	(2)
	<hr/>	<hr/>	
Free Cash Flow	446	579	(23)
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Cash Flow (slide 2 of 2)

(Rm's)	<u>Dec '02</u>	<u>Dec '01</u>	<u>%</u>
Free Cash Flow	446	579	(23)
Fixed Asset Investment	(147)	(8)	
Dividend	(71)	(41)	(73)
Jumbo Consideration	-	(502)	
Share buy-back	(17)	-	
Net Loan Funding	17	234	
Net Cash Flow	<u>228</u>	<u>262</u>	

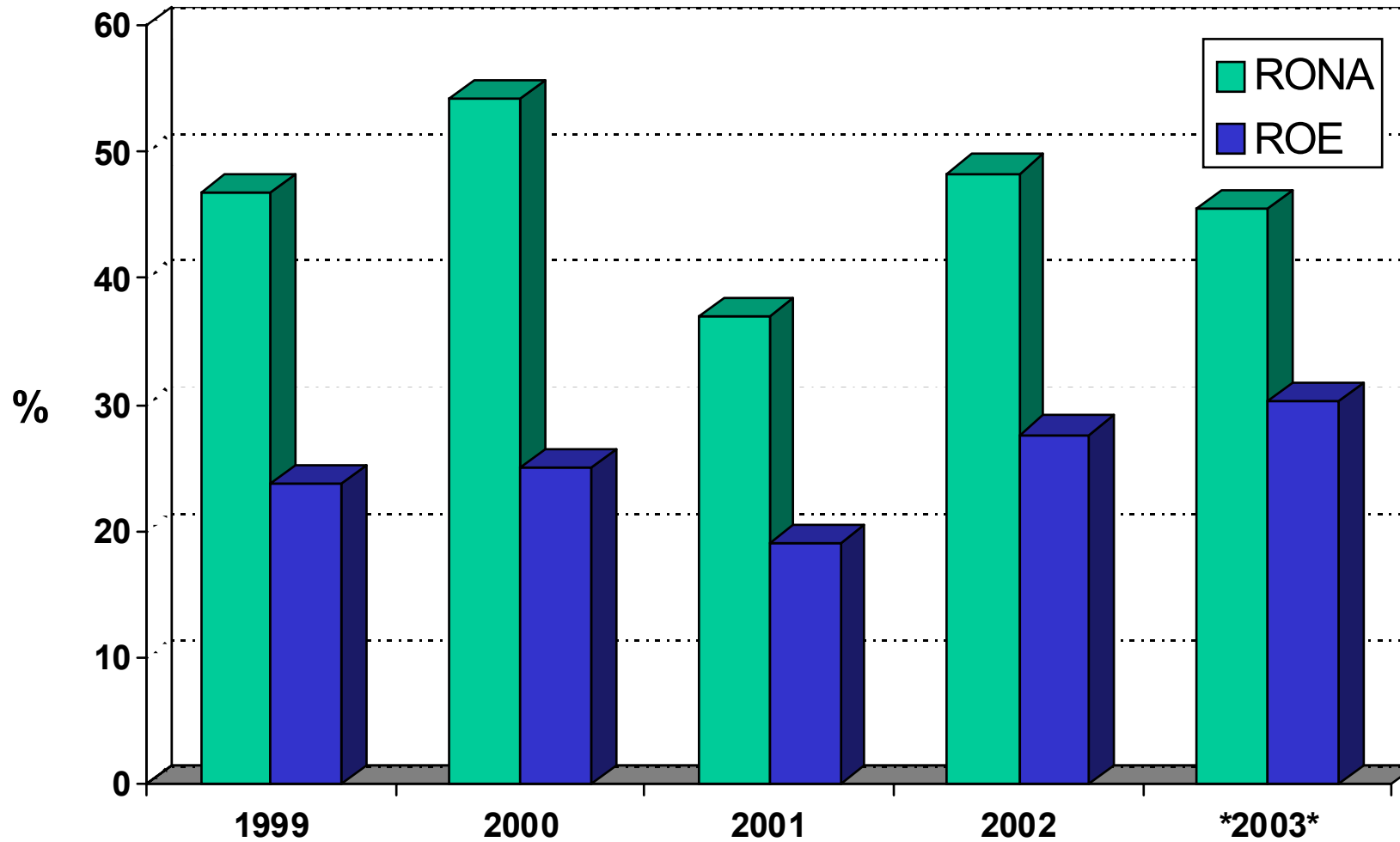
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Capital Expenditure

(Rm's)	<u>Dec '02</u>	<u>Dec '01</u>
Land & buildings	56	-
Leasehold improvements	24	2
PPE	82	32
Computer	30	18
Motor vehicles	3	4
Goodwill	8	7
Total	<u>203</u>	<u>63</u>

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Returns



RONA - EBITA / Average Net Assets

ROE - Headline Earnings / Average Shareholders Equity (ignoring previous goodwill & trademark write-offs)

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Prospects

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Outlook

- Confidence & spending depressed by inflation, interest rates, continued high unemployment & geopolitical uncertainties
- Strong Rand may force retailers to clear overpriced imported merchandise bought in 2002
- Declining inflation will result in lower R's sales and GP per unit
- Strong Rand will erode foreign earnings
- Very strong competitive activity

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Massmart's response

- Maintain aggressive trading stance
- Contain costs & improve working capital management
- Closely monitor R/\$, interest rates, inflation
- Respond to a consumer friendly budget
- Focus on core low price, innovative value propositions in each division

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Prospects

- Current six months
 - Very high 2002 base
 - Sales & earnings growth lower than first half
 - Strong performance relative to competitors
- 2003/4
 - Steady & sustained improvement in consumer confidence & spending from mid year when interest rates start to decline
 - Benefits from new stores and Builders Warehouse in 2003/2004

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“Constantly making things better for the customers who shop in our stores is not something we can simply do in some general way. It isn’t something we can command from the executive offices because we want it to happen. We have to do it store by store, department by department, customer by customer, associate by associate”

Sam Walton – Founder Wal-Mart

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Additional Financial Data

Headline Earnings Reconciliation

	<u>Rm's</u>
Attributable earnings	264.5
Goodwill	22.2
Loss on fixed asset disposals	0.5
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Headline earnings	<u>287.2</u>

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Tax Rate Reconciliation

	<u>%</u>
<i>Standard rate</i>	<u>30.0</u>
Exempt income	- 3.6
Disallowables	1.4
Assessed losses	- 1.7
Adjustments to prior year	- 0.8
STC	1.7
Foreign tax rates	<u>1.5</u>
<i>Effective Massmart rate</i>	<u><u>31.9</u></u>

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Number of Shares

	(000's)
At 1 July 2002	197 824
Net share buy-back	(1 002)
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At 29 December 2002	196 822
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Weighted-average for period	197 547
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Fully-diluted weighted average	202 556
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Targets

Group Annual ROS > 4,0%

Int-bearing Debt : Equity < 25%

Return on Capital Employed > 35%

Return on Equity > 25%

(ROCE = EBITA / Average capital employed, excluding goodwill and deferred tax assets)

(ROE = Headline Earnings / Average shareholders equity)

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