Agenda

• Financial & Operating Highlights
• Strategy
• Environment
• Operating performance
• Financial Performance
• Prospects

ADDENDA – Additional financial data
Financial & Operating Highlights
Financial highlights

- **Sales**: R20370m, 22%
- **Comparable Sales (adjusted for 53rd week)**: R748m, 20%
- **Trading Profit**: R480m, 39%
- **Headline Earnings**: R464m, 33%
- **Headline Earnings Before Acquisitions**: 30%
- **Headline EPS**: 242,4c, 32%
Financial highlights

- Cash flow from Operations: R775m
- Return on Sales: 3.67%
- Return on Equity: 31.2%
- Dividend Cover: 2.5X
- Dividend: 97cps

- Growth: 15%
- Growth: 14%
- Growth: 59%
Operating Highlights

• Sixth consecutive year of sales & profit growth
• Sales exceeded R20b for the first time, almost doubling since listing 3 years ago
• Comparable store and member sales up 17.6% (19.5% adjusted for the 53rd week)
• Record sales and trading profits from all divisions
• Expense control: Record group pre-interest operating profit: 3.67% of sales
• A substantial improvement in working capital management in the second half
Operating Highlights (cont.)

• Robust second half margins despite:
  – aggressive promotion
  – markdowns
  – stock clearance activity

• A 13% improvement in ROE to 31.2%

• The integration of Furnex, Builders Warehouse and Tile Warehouse

• Strengthening of the Board: appointment of non-executive chairman & 3 non-executive directors

• 7th in Deloitte & Touche Survey “Best Company to Work For”
Strategy
Strategic progress

• Drive growth, productivity and cash profitability from existing business
  – Strong organic growth
  – > 44 stores by 2007 (2003 average store sales R125m)

• Acquire within strategic criteria to enhance market position in Africa
  – Constantly evaluating

• Investigate expansion beyond Africa
  – Investigation concluded
  – Decision not to actively pursue
  – Methodology developed for evaluation of opportunities
Environment
Environment 3rd Quarter 2002

- High imported & local inflation
- High unit growth with high consumer confidence
- Direct and indirect exports strong
- Stock shortages
- Gross margins high
- High foreign stores sales growths (Volume & R’s)

<table>
<thead>
<tr>
<th></th>
<th>July</th>
<th>October</th>
<th>January</th>
<th>April</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>36%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PPI</td>
<td>15.3%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Currency</td>
<td>R10.44/$</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2002

2003

MASSMART
## Environment 4th Quarter 2002

- High inflation
- Lower unit growth with declining consumer confidence
- Gross margins high
- Stock level rising
- Direct and indirect exports strong
- Slowing foreign store volumes, lower sales growths in R’s

<table>
<thead>
<tr>
<th>Month</th>
<th>Sales (%)</th>
<th>PPI (%)</th>
<th>Currency</th>
</tr>
</thead>
<tbody>
<tr>
<td>July</td>
<td>36%</td>
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<td>R10.44/$</td>
</tr>
<tr>
<td>October</td>
<td>28%</td>
<td>13.6%</td>
<td>R9.30/$</td>
</tr>
<tr>
<td>January</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>April</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Environment 1st Quarter 2003

- Inflation declining
- Unit growth slowing - consumers exploit promotional/clearance activity
- Gross margins declining
- High stock levels
- Exports falling
- Low foreign store sales growths (Volume & R’s)

<table>
<thead>
<tr>
<th></th>
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</tr>
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<td>6.4%</td>
<td></td>
</tr>
<tr>
<td>Currency</td>
<td>R10.44/$</td>
<td>R9.30/$</td>
<td>R8.16/$</td>
<td></td>
</tr>
</tbody>
</table>

2002 2003
Environment 2\textsuperscript{nd} Quarter 2003

- Very low inflation (Deflation in some categories)
- Low stabilising unit growth
- Prices stabilising although margin low through stock clearances
- Stock levels declining
- Sourcing of substitution imports
- Currency stabilising although foreign Rands sales growth still negative

<table>
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</tr>
<tr>
<td>Currency</td>
<td>R10.44/$</td>
<td>R9.30/$</td>
<td>R8.16/$</td>
<td>R7.59/$</td>
</tr>
</tbody>
</table>
Environment

The Result

The management of prices, promotions, margins, inventories and expenses assumed unprecedented levels of complexity

Our Response

Exceptional management information, thorough analysis and rapid action
Operating Performance
Massdiscounters

- GM discounter: 55 Game & 11 Dion stores
  - Sales 17.9% (comp. 17.3%) up to R6.2b
  - PBT ROS of 3.6% (LY 3.3 / target 5%)
- Game: Mixed Bag
  - Very strong performance from Game RSA
  - Translation losses undermined volume growth in foreign stores
  - Foreign exchange loss of R31m vs. R3m profit in 2002.
  - Overstocking of late 2002 largely rectified
- Dion: Steady Progress
- Divisional growth
  - 2004 FY: Game Pietermaritzburg (Relocation), Kampala
  - 2005 FY: Maputo
Masswarehouse

- Warehouse outlets: 12 Makro, 6 Builders & 5 Tile Warehouse
  - Sales 27.9% (comp. 14%) up to R5.7b
  - PBT ROS of 3.0% (LY 2.9% / target 4%)
- Makro: Superb Second Half
  - Solid performance Strubens (first new store in 6 yrs)
  - Closure of only freestanding Makroffice
  - Record PBIT %
- Builders & Tile Warehouse: Growing Category
  - Acquired 1 March for R174m
  - Contributed R191m sales & R17.1m PBT
- Divisional growth
  - 2004 2 BW & 2 TW
Masscash

• C & C wholesaler – 46 CBW & 6 Jumbo outlets
  – Sales 21.4% (comp. 19%) up to R5.7b
  – PBT ROS of 4.1% (LY 3.9% / new target 4%)

• CBW: Excellent Year
  – Profit growth > double sales growth
  – Browns & Weirs fully integrated
  – 2 New stores

• Jumbo: Challenging Trading
  – Profits declined as gross margins sacrificed to retain market share in flagship store

• Divisional growth
  – 2004 8 CBW’s & 1 Jumbo. Jumbo Isipingo closed, Durban relocated
Masstrade

  - Sales 20.7% (comp. 24.4%) up to R2.7b
  - PBT ROS of 2.9% (LY 2.5% / target 3%)
- Shield: Transformed
  - Decision to cease trading with major customer
  - Systems, process and organisation changes
  - Widening of member base reducing dependence on few large customers
- Furnex: Integrated & Growing
- Growth
  - New members, new products
## Sales

<table>
<thead>
<tr>
<th>(Rm’s)</th>
<th>2003</th>
<th>2002</th>
<th>% Chg</th>
<th>Comp. % Chg</th>
</tr>
</thead>
<tbody>
<tr>
<td>Massdiscounters</td>
<td>6 229</td>
<td>5 285</td>
<td>17.9</td>
<td>17.3</td>
</tr>
<tr>
<td>Masswarehouse</td>
<td>5 704</td>
<td>4 460</td>
<td>27.9</td>
<td>13.9</td>
</tr>
<tr>
<td>Masscash</td>
<td>5 740</td>
<td>4 730</td>
<td>21.4</td>
<td>19.0</td>
</tr>
<tr>
<td>Masstrade</td>
<td>2 696</td>
<td>2 234</td>
<td>20.7</td>
<td>24.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>20 369</td>
<td>16 709</td>
<td>21.9</td>
<td>17.6</td>
</tr>
</tbody>
</table>

SA Sales 93%
Non-SA Sales 7%
Sales Growth Analysis

<table>
<thead>
<tr>
<th>Component</th>
<th>Growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Existing stores (comparable growth)</td>
<td>17.6</td>
</tr>
<tr>
<td>New stores</td>
<td>1.1</td>
</tr>
<tr>
<td>Acquisitions (Builders &amp; Furnex)</td>
<td>3.2</td>
</tr>
<tr>
<td>Total sales growth</td>
<td>21.9</td>
</tr>
</tbody>
</table>

Adjusting for the 53rd week in prior year, total sales growth this year is 23.8%
## Store Portfolio

<table>
<thead>
<tr>
<th></th>
<th>Makro</th>
<th>MDD</th>
<th>Jumbo</th>
<th>CBW</th>
<th>Builders</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>July ‘02</strong></td>
<td>*12</td>
<td>65</td>
<td>6</td>
<td>44</td>
<td>-</td>
<td>127</td>
</tr>
<tr>
<td><strong>Acquisition</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>+11</td>
<td>+11</td>
</tr>
<tr>
<td><strong>Openings</strong></td>
<td>+1</td>
<td>+1</td>
<td>-</td>
<td>+2</td>
<td>-</td>
<td>+4</td>
</tr>
<tr>
<td><strong>Closures</strong></td>
<td>-1</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-1</td>
</tr>
<tr>
<td><strong>June ‘03</strong></td>
<td>*12</td>
<td>66</td>
<td>6</td>
<td>46</td>
<td>11</td>
<td>141</td>
</tr>
<tr>
<td><strong>Next Year</strong></td>
<td>-</td>
<td>+1</td>
<td>+1/ -1</td>
<td>+8</td>
<td>+4</td>
<td>+12</td>
</tr>
</tbody>
</table>

*Excludes two Makro Zimbabwe stores*
Inflation

- *Inflation calculated on prices of actual purchases in the current period vs. prior period*
- Massmart inflation for the year to June ‘03:
  - General Merchandise: 8.7%
  - Food: 9.2% - 14.3%
  - Liquor: 7.7%
- Inflation in all three categories rapidly trending lower
- Deflation in Massdiscounters in the quarter to June ‘03
1st vs. 2nd Half Sales

- Sales growth 6 months to December ’02:
  - Total 32%
  - Comparable 26%

- Sales growth 6 months to June ’03:
  - Total 17%
  - Comparable 12%

- Have adjusted for 27th week in 6 month period to June ‘02
Impact of AC 133
Accounting for Financial Instruments

• Restated opening retained income-R 6.1m
• Open FECs marked-to-market:
  – Net impact -R 0.7m
  – *This is a timing difference*
• FECs previously reported as contingent liabilities, now accounted & reported as normal liabilities
Massdiscounters Stock

- December ’02 overstocking R300m
- June ’03 income statement impact:
  - Additional interest paid -R20m
  - Lower gross margins
  - Mark-downs -R10m
- Most of the overstock has been sold
- At June ’03 remaining stock fully provided i.t.o. policy
Currency impact on Game Africa

- Six Stores: Namibia (2), Botswana (2), Zambia & Mauritius
- Rand total sales growth 7%
- Rand strengthened against all three currencies
- Total Massdiscounters forex losses R31m (prior year R3m gain)
Impact of Builders Warehouse

- Effective date: 1 March ‘03
- Sales for 4 months to June ’03 R191m
- PBT for same period R17m
- Associated interest charge -R6m
- Net PBT contribution R11m
- HEPS impact +3.9 cents
- Total purchase price R174m
  Includes goodwill R148m
# Divisional PBIT

<table>
<thead>
<tr>
<th>(Rm’s)</th>
<th>Year to June</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2003</td>
<td>2002</td>
<td>%</td>
</tr>
<tr>
<td>Massdiscounters</td>
<td>297.4</td>
<td>209.4</td>
<td>42.0</td>
</tr>
<tr>
<td>Masswarehouse</td>
<td>160.1</td>
<td>109.8</td>
<td>45.8</td>
</tr>
<tr>
<td>Masscash</td>
<td>208.8</td>
<td>167.2</td>
<td>24.9</td>
</tr>
<tr>
<td>Masstrade</td>
<td>81.4</td>
<td>52.4</td>
<td>55.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>747.7</strong></td>
<td><strong>538.8</strong></td>
<td><strong>38.8</strong></td>
</tr>
</tbody>
</table>

PBIT = Profit before Interest & Tax
PBIT analysis

2002 PBIT: R539m

Sales: +R448m
Margin: -R109m
Expenses: -R106m

Builders Warehouse: -R106m
Opening costs: +R18m
Net forex losses: -R14m

2003 PBIT: +R748m

Net: -R106m +R448m -R109m -R106m +R18m -R14m -R28m +R748m
## Interest Paid

<table>
<thead>
<tr>
<th>(Rm’s)</th>
<th>Year to June</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2003</td>
</tr>
<tr>
<td>Massdiscounters</td>
<td>(70.4)</td>
</tr>
<tr>
<td>Other Chains</td>
<td>34.6</td>
</tr>
<tr>
<td>Corporate</td>
<td>(14.6)</td>
</tr>
<tr>
<td>Total interest</td>
<td>(50.4)</td>
</tr>
</tbody>
</table>
### Divisional PBT

(Rm’s) | Year to June | 2003 | 2002 | %  
---|---|---|---|---
Massdiscounters | | 227.0 | 178.0 | 27.5  
Masswarehouse | | 173.1 | 130.0 | 33.2  
Masscash | | 234.0 | 185.6 | 26.1  
Masstrade | | 77.8 | 56.2 | 38.4  
Total | | 711.9 | 549.8 | 29.5  

PBT = Profit before Tax
## Targeted PBT ROS

<table>
<thead>
<tr>
<th>Years to June (%)</th>
<th>Target</th>
<th>2003</th>
<th>2002</th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Massdiscounters</td>
<td>5.0</td>
<td>3.64</td>
<td>3.36</td>
<td>2.02</td>
<td>1.99</td>
</tr>
<tr>
<td>Masswarehouse</td>
<td>4.0</td>
<td>3.03</td>
<td>2.91</td>
<td>2.52</td>
<td>2.13</td>
</tr>
<tr>
<td>Masscash</td>
<td>4.0</td>
<td>4.08</td>
<td>3.92</td>
<td>3.52</td>
<td>2.89</td>
</tr>
<tr>
<td>Masstrade</td>
<td>3.0</td>
<td>2.89</td>
<td>2.51</td>
<td>2.73</td>
<td>2.46</td>
</tr>
<tr>
<td>Group</td>
<td>*4.17</td>
<td>3.49</td>
<td>3.29</td>
<td>2.48</td>
<td>1.36</td>
</tr>
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</table>

* Proforma using actual sales mix and target margins
## Stock & Creditors

<table>
<thead>
<tr>
<th></th>
<th>June 2003</th>
<th></th>
<th></th>
<th></th>
<th>June 2002</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rms</td>
<td>Days</td>
<td></td>
<td></td>
<td>Rms</td>
<td>Days</td>
<td></td>
</tr>
<tr>
<td>Net Stock (1)</td>
<td>2,237</td>
<td>53</td>
<td></td>
<td></td>
<td>1,982</td>
<td>60</td>
<td></td>
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<tr>
<td>Trade Creditors (1)</td>
<td>3,049</td>
<td>54</td>
<td></td>
<td></td>
<td>2,671</td>
<td>59</td>
<td></td>
</tr>
<tr>
<td>Provisions &amp; Accruals</td>
<td>686</td>
<td>-</td>
<td></td>
<td></td>
<td>441</td>
<td>-</td>
<td></td>
</tr>
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</table>

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

<table>
<thead>
<tr>
<th></th>
<th>June 2003</th>
<th></th>
<th>June 2002</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rms</td>
<td>Days</td>
<td>Rms</td>
<td>Days</td>
</tr>
<tr>
<td><strong>Trade Debtors</strong></td>
<td>706</td>
<td>16</td>
<td>551</td>
<td>15</td>
</tr>
<tr>
<td>(1)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Retail Debtors</strong></td>
<td>200</td>
<td>206</td>
<td>181</td>
<td>185</td>
</tr>
<tr>
<td>(2)</td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

1. Includes Furnex, Shield, Makro, Jumbo, Builders Warehouse & CBW. Days calculated using historic sales and cost of sales.

2. Massdiscounters HP & Revolving Credit.
Cash flow Analysis

From Trading: R838m
- Working Capital: R64m
- Net Interest Paid: R40m
- Tax Paid: R77m
- Maintenance Capex: R84m
- Free Cash Flow: R573m
- Dividends: R167m
- Expansion Capex: R217m
- Other: R35m
- Acquisition: R174m
- Net Funding: R33m
- Net Cash Movement: R13m
Capital Expenditure

<table>
<thead>
<tr>
<th>(Rm’s)</th>
<th>June ‘03</th>
<th>June ‘02</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land &amp; buildings</td>
<td>105</td>
<td>12</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>19</td>
<td>7</td>
</tr>
<tr>
<td>PPE</td>
<td>107</td>
<td>61</td>
</tr>
<tr>
<td>Computers</td>
<td>42</td>
<td>33</td>
</tr>
<tr>
<td>Motor vehicles</td>
<td>10</td>
<td>9</td>
</tr>
<tr>
<td>Goodwill</td>
<td>23</td>
<td>24</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>306</strong></td>
<td><strong>146</strong></td>
</tr>
</tbody>
</table>

*Excluding Builders Warehouse acquisition*
Cash Earnings

HEPS – Headline Earnings per Share (cents)
Cash EPS – Cash from Operating Activities, before dividends paid
Returns

RONA - EBITA / Average Net Assets

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

• Massmart Board
  – Independent non-executive chairman
  – 14 directors. 3 executive, 3 non-executive & 8 independent non-executive

• Sub-Committees:
  – Audit (non-executive chairman)
  – Remuneration (non-executive chairman)
  – King (non-executive chairman)
  – Risk (non-executive chairman)

• Massmart Executive Committee
• Chain Boards
Prospects
Environmental outlook

- Reduction in economic volatility
- Steady & sustained improvement in consumer confidence and spending
- More stable Rand, lower inflation and falling interest rates
- Platform for more confident planning
Massmart’s Prospects

• First Half
  – Very high sales and profit base, therefore…
  – Budgetted very low sales & earnings growth for the 1st quarter rising in second quarter on lower interest rates
  – Divisions will trade aggressively within tight expense and working capital budgets
  – Benefits from new stores and acquisition of Builders & Tile Warehouse

• Second Half
  – Stronger real growth as confidence improves & inflation levels stabilise

• Strategies, structures and people of Massmart will perpetuate performance at the forefront of the sector
“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
Headline Earnings Reconciliation

<table>
<thead>
<tr>
<th>Component</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attributable earnings</td>
<td>429.3</td>
</tr>
<tr>
<td>Goodwill</td>
<td>48.9</td>
</tr>
<tr>
<td>Profit on fixed asset disposals</td>
<td>(0.5)</td>
</tr>
<tr>
<td>Exceptional items</td>
<td>2.3</td>
</tr>
<tr>
<td>Headline earnings</td>
<td>480.0</td>
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</tbody>
</table>
## Headline Tax Rate Reconciliation

<table>
<thead>
<tr>
<th>Description</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard rate</td>
<td>30.0</td>
</tr>
<tr>
<td>Exempt income</td>
<td>(2.7)</td>
</tr>
<tr>
<td>Disallowables</td>
<td>1.1</td>
</tr>
<tr>
<td>Adjustments to prior year</td>
<td>(0.9)</td>
</tr>
<tr>
<td>STC</td>
<td>2.5</td>
</tr>
<tr>
<td>Foreign tax</td>
<td>(0.5)</td>
</tr>
<tr>
<td>Other allowances</td>
<td>1.1</td>
</tr>
<tr>
<td><strong>Effective headline tax rate</strong></td>
<td><strong>30.6</strong></td>
</tr>
</tbody>
</table>
## Analysis of Tax Charge

<table>
<thead>
<tr>
<th>Description</th>
<th>R’m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current tax</td>
<td>120.0</td>
</tr>
<tr>
<td>Deferred tax</td>
<td>74.4</td>
</tr>
<tr>
<td>Foreign tax</td>
<td>20.8</td>
</tr>
<tr>
<td><strong>Income Statement Charge</strong></td>
<td><strong>215.2</strong></td>
</tr>
</tbody>
</table>

**MASSMART**
## Number of Shares

<table>
<thead>
<tr>
<th>Date</th>
<th>Amount (000's)</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 July 2002</td>
<td>197 824</td>
</tr>
<tr>
<td>Shares issued</td>
<td>763</td>
</tr>
<tr>
<td>At 29 June 2003</td>
<td>198 587</td>
</tr>
<tr>
<td>Weighted-average for period</td>
<td>198 050</td>
</tr>
<tr>
<td>Fully-diluted weighted average</td>
<td>203 763</td>
</tr>
</tbody>
</table>
Dividend Policy

Changed during the year:

• Total annual dividend of x2,5 cover
• Interim dividend of x3,0 cover
• Final dividend to bring total annual dividend to x2,5 cover
• Unless circumstances dictate otherwise
Targets

Group Annual ROS > 4.0%

Int-bearing Debt : Equity < 30%

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)