Reviewed Results
for the 52 weeks to 26 June 2005

Presentation to Investors, Analysts and Media – August 2005
Agenda

• Financial & Operating Highlights
• Strategy
• Environment
• Operating & Financial Performance
• “Vision for Growth” – 2007 Report Back
• What’s changed?
• “Vision for Growth” – 2008
• Risks & Prospects

ADDENDA – Additional data
Financial & Operating Highlights
Financial highlights

- Sales: R26 561m (12%)
- Real Comparable Sales: 7.5%
- Trading Profit: R1009m (19%)
- Headline Earnings: R679m (16%)
- Headline Earnings Before Acquisitions: R642m (12%)
Financial highlights

318.8 c
16%
Headline EPS

R1151m
13%
Cash flow from Trading

3.9%
12%
Return on Sales

44.6%
4.2%
Return on Equity

183cps
15%
Dividend
Operating Highlights

• Estimated average deflation of 2.2%
• Pre and post interest operating profit margins increased to 3.80% and 3.72% respectively
• Organic growth of 44%, increasing proportion of organic growth since 1988 to 31%
• Foreign operations comprise 5.8% of sales
• Store network increased to 219 (867k sq. m.) with the acquisition and opening of 62 stores
• Federated Timbers, De La Rey and Servistar were acquired with effect from 1st June 2005
• Executive management team strengthened through a number of internal & external appointments
Strategy
Determinants of Massmart’s strategic learning

1. Environment
   Economic Social

2. Environment
   Competitive

3. Market Research

4. Benchmarks

5. Shareholder demands

6. Employee Research

7. Store dev. Vantage

8. Risk

9. Performance

Strategy
Competitive Growth Strategy

• Unchanged
  – Build portfolio through acquisitive & organic growth, based on category expertise
  – Mitigate portfolio costs through internal collaboration & joint initiatives (not centralised)
  – Incentivise for alignment
Competitive Growth Strategy

• Unchanged
  – Build portfolio through acquisitive & organic growth, based on category expertise
  – Mitigate portfolio costs through internal collaboration & joint initiatives (not centralised)
  – Incentivise for alignment

• Continued progress in past year
### Strategic Objectives

<table>
<thead>
<tr>
<th>Strategic Objectives</th>
<th>Progress as at June 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Continued real sales growth from existing outlets</td>
<td>7.5%</td>
</tr>
<tr>
<td>Expansion into new categories &amp; formats</td>
<td>• New &amp; extended categories in home improvement</td>
</tr>
<tr>
<td></td>
<td>• Small Game stores</td>
</tr>
<tr>
<td>New outlets</td>
<td>• 9 new stores</td>
</tr>
<tr>
<td></td>
<td>• Estimated annualised sales R0.7b</td>
</tr>
<tr>
<td>Selected acquisitions that conform to Massmart’s strategic &amp; financial criteria</td>
<td>• Feds, De La Rey, Servistar estimated first year sales R2.0b</td>
</tr>
</tbody>
</table>
Competitive Growth Strategy

• Unchanged
  – Build portfolio through acquisitive & organic growth, based on category expertise
  – Mitigate portfolio costs through internal collaboration & joint initiatives (not centralised)
  – Incentivise for alignment

• Continued progress in past year

• “Vision for Growth – 2008”
  – Investment in organic growth
  – Margin enhancement through productivity & efficiency
  – Substantial value creation
Environment
Environment

- Two markets
- LSM 5 – 10+
  - Affected by inflation, interest & exchange rates
  - Highest confidence in 16 years
  - 59% of Massmart sales (mainly retail) & 76% profits
- LSM 1 – 4
  - Cautious, unemployed
  - Supply chain challenged by low/negative inflation
  - 41% of Massmart sales (wholesale) & 24% profits
- Gradual declining trend in retail sales growth (Stats SA)
Operating & Financial Performance
Reviewed Results to June 2005
Inflation

- Massmart inflation for the year to June 2005:
  - General Merchandise: -4.9%
  - Food & Liquor: +0.2%
  - Total: -2.2%
- Massdiscounters in deflation for entire year (again)
- Deflation in commodities (-10% in 27% of CBW sales)
- Outlook for overall Group inflation remains benign, probably below +3.0% (this view is Rand & oil dependant)
- Calculated on prices of actual purchases in the current year vs. prior year
## Sales

<table>
<thead>
<tr>
<th>(Rm’s)</th>
<th>2005</th>
<th>2004</th>
<th>% Chg</th>
<th>Comp. % Chg</th>
</tr>
</thead>
<tbody>
<tr>
<td>Massdiscounters</td>
<td>7 396</td>
<td>6 783</td>
<td>9.0</td>
<td>3.6</td>
</tr>
<tr>
<td>Masswarehouse</td>
<td>8 576</td>
<td>7 067</td>
<td>21.4</td>
<td>14.6</td>
</tr>
<tr>
<td>Masscash</td>
<td>10 589</td>
<td>9 938</td>
<td>6.6</td>
<td>-0.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>25 561</td>
<td>23 788</td>
<td>11.7</td>
<td>5.3</td>
</tr>
</tbody>
</table>

Non-SA Sales 6%

SA Sales 94%
## Store Portfolio

<table>
<thead>
<tr>
<th></th>
<th>MDD</th>
<th>Makro</th>
<th>Builders</th>
<th>Bldg. Acqns</th>
<th>CBW</th>
<th>Jumbo</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>July '04</td>
<td>67</td>
<td>*12</td>
<td>15</td>
<td>-</td>
<td>57</td>
<td>6</td>
<td>157</td>
</tr>
<tr>
<td>Acquired</td>
<td>-</td>
<td>-</td>
<td>2</td>
<td>50</td>
<td>-</td>
<td>1</td>
<td>53</td>
</tr>
<tr>
<td>Openings</td>
<td>5</td>
<td>-</td>
<td>3</td>
<td>-</td>
<td>1</td>
<td>-</td>
<td>9</td>
</tr>
<tr>
<td>June '05</td>
<td>72</td>
<td>12</td>
<td>20</td>
<td>50</td>
<td>58</td>
<td>7</td>
<td>219</td>
</tr>
</tbody>
</table>

* Excludes two Makro Zimbabwe stores
## Sales Growth Analysis

<table>
<thead>
<tr>
<th>Component</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Existing stores (comparable growth)</td>
<td>5.3</td>
</tr>
<tr>
<td>New stores</td>
<td>2.2</td>
</tr>
<tr>
<td>Acquisitions</td>
<td>4.2</td>
</tr>
<tr>
<td><strong>Total sales growth</strong></td>
<td><strong>11.7</strong></td>
</tr>
</tbody>
</table>

Acquisitions: Trident, Feds, De La Reys, Servistar, CellShack
Gross Profit

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>R3 649m</td>
<td>R3 140m</td>
</tr>
<tr>
<td>% of Sales</td>
<td>13.7%</td>
<td>13.2%</td>
</tr>
</tbody>
</table>

- Higher proportion of GM sales 47.4% (2004: 45.0%)
- Higher GPs in Massdiscounters & Masswarehouse
- Lower GP in Masscash
Operating Costs

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>R2 639m</td>
<td>R2 289m</td>
</tr>
<tr>
<td>% of Sales</td>
<td>9.9%</td>
<td>9.6%</td>
</tr>
</tbody>
</table>

- Total increase 15.3%
- Higher depreciation, people & property costs
- Makro pre-opening, insurance & restraint costs R27m
- New stores: full costs before optimal sales levels
- Acquisitions 1.4%
Costs

Excluding goodwill amortisation. Only 2004 & 2005 include the lease-smoothing adjustment.
### Employment Costs

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Costs</th>
<th>% of Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>R1 649m</td>
<td>6.2%</td>
</tr>
<tr>
<td>2004</td>
<td>R1 417m</td>
<td>6.0%</td>
</tr>
</tbody>
</table>

- Total increase 16.4%
- Average annual salaries & wages increase 7%-8%
- Additional resources in Builders Warehouse
- 10% more employees (excl. acquisitions)
- Acquisitions add 1%
Occupancy Costs

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of Sales</td>
<td>2.4%</td>
<td>2.4%</td>
</tr>
<tr>
<td>R644m</td>
<td>R564m</td>
<td></td>
</tr>
</tbody>
</table>

- Total increase 14.3%
- Average annual escalation 8%
- Acquisitions add 1%
- New stores in 2004 & 2005 4%
Operating Leases

• Re-interpretation of AC 105: “Lease payments under an operating lease shall be recognised as an expense on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern of the users’ benefit.”

• Non-cash adjustment
• Newer average lease profile means a net negative adjustment, and vice versa
• Total Massmart pre-tax lease adjustment R67.8m (2004: R72.7m)
• Prior year adjustment R369m
Operating leases

- 10% Escalation
- Straight-line

Lease Cost vs Years

Positive adjustment
Negative adjustment
Operating Leases - Impact

• Will reduce earnings of businesses investing in long-term leases, particularly Makro & Builders Warehouse
• Masswarehouse actual ROS 4.0% (2004 was: 4.3%, now 3.5%)
• Massmart will not change long-term ROS targets
• Prior year adjustment will increase gearing calculation, but not actual gearing
• It will also increase return on shareholders’ equity
• If not adjusted, will affect DCF valuation
• Affected basis of Massmart’s 2005 final dividend, no adjustment thereafter
### Forex Gains & Losses

<table>
<thead>
<tr>
<th>Rm’s</th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Massdiscounters</td>
<td>4</td>
<td>(24)</td>
</tr>
<tr>
<td>CBW / Trident</td>
<td>(1)</td>
<td>(7)</td>
</tr>
<tr>
<td>Other</td>
<td>22</td>
<td>(1)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>25</strong></td>
<td><strong>(32)</strong></td>
</tr>
</tbody>
</table>

**MASSMART**
## Divisional PBIT

<table>
<thead>
<tr>
<th>(Rm’s)</th>
<th>Year to June</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2005</td>
<td>2004</td>
<td>%</td>
<td></td>
</tr>
<tr>
<td>MDD</td>
<td>488.2</td>
<td>344.1</td>
<td>41.9</td>
<td></td>
</tr>
<tr>
<td>Masswarehouse</td>
<td>321.3</td>
<td>223.3</td>
<td>43.9</td>
<td></td>
</tr>
<tr>
<td>Masscash</td>
<td>199.9</td>
<td>283.4</td>
<td>(29.5)</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1009.4</strong></td>
<td><strong>850.8</strong></td>
<td><strong>18.6</strong></td>
<td></td>
</tr>
</tbody>
</table>

PBIT = Profit before Interest & Tax
## Interest Paid

<table>
<thead>
<tr>
<th>(Rm’s)</th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Massdiscounters</td>
<td>(1.0)</td>
<td>(16.4)</td>
</tr>
<tr>
<td>Masswarehouse</td>
<td>24.4</td>
<td>26.0</td>
</tr>
<tr>
<td>Masscash</td>
<td>(2.6)</td>
<td>11.2</td>
</tr>
<tr>
<td>Corporate</td>
<td>(41.8)</td>
<td>(28.0)</td>
</tr>
<tr>
<td><strong>Total interest</strong></td>
<td>(21.0)</td>
<td>(7.2)</td>
</tr>
</tbody>
</table>
## Divisional PBT

(Rm’s)

<table>
<thead>
<tr>
<th>Division</th>
<th>2005</th>
<th>2004</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>MDD</td>
<td>487.2</td>
<td>327.7</td>
<td>48.7</td>
</tr>
<tr>
<td>Masswarehouse</td>
<td>345.7</td>
<td>249.3</td>
<td>38.7</td>
</tr>
<tr>
<td>Masscash</td>
<td>197.3</td>
<td>294.6</td>
<td>(33.0)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1 030.2</strong></td>
<td><strong>871.6</strong></td>
<td><strong>18.2</strong></td>
</tr>
</tbody>
</table>

PBT = Profit before Tax
### Progress towards targeted PBT ROS

<table>
<thead>
<tr>
<th></th>
<th>Target</th>
<th>June 2005</th>
<th>June 2004</th>
<th>Int. benchmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>Massdiscounters</td>
<td>6.0</td>
<td>6.6</td>
<td>4.9</td>
<td>7.4</td>
</tr>
<tr>
<td>Masswarehouse</td>
<td>5.0</td>
<td>4.0</td>
<td>3.6</td>
<td>5.0</td>
</tr>
<tr>
<td>Masscash</td>
<td>3.0</td>
<td>1.9</td>
<td>3.0</td>
<td>3.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4.5</strong>*</td>
<td><strong>3.9</strong></td>
<td><strong>3.7</strong></td>
<td><strong>4.9</strong>*</td>
</tr>
</tbody>
</table>

* Proforma using actual sales mix and target margins
Tax Charge

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>R307m</td>
<td>R254m</td>
</tr>
<tr>
<td>Total tax rate</td>
<td>33.5%</td>
<td>32.8%</td>
</tr>
<tr>
<td>Headline tax rate</td>
<td>30.7%</td>
<td>30.6%</td>
</tr>
</tbody>
</table>

- SA Corporate rate 29% (2004: 30%)
- The rate reduction added 0.7% due to the opening balance adjustment from net deferred tax asset
- STC 2.0% (2004: 1.0%) due to higher dividend
- Most of the tax charge is now cash, not deferred
## Stock & Creditors

<table>
<thead>
<tr>
<th></th>
<th>June 2005</th>
<th></th>
<th></th>
<th>June 2004</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rms</td>
<td>Days</td>
<td></td>
<td>Rms</td>
<td>Days</td>
<td></td>
</tr>
<tr>
<td>Net Stock (1)</td>
<td>2 658</td>
<td>49</td>
<td></td>
<td>2 357</td>
<td>49</td>
<td></td>
</tr>
<tr>
<td>Trade Creditors (1)</td>
<td>3 996</td>
<td>56</td>
<td></td>
<td>3 776</td>
<td>59</td>
<td></td>
</tr>
<tr>
<td>Provisions &amp; Accruals</td>
<td>1 170</td>
<td>-</td>
<td></td>
<td>938</td>
<td>-</td>
<td></td>
</tr>
</tbody>
</table>

1. Days calculated using historic cost of sales.
<table>
<thead>
<tr>
<th></th>
<th>June 2005</th>
<th></th>
<th></th>
<th>June 2004</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rms</td>
<td>Days</td>
<td></td>
<td>Rms</td>
<td>Days</td>
<td></td>
</tr>
<tr>
<td>Trade Debtors (1)</td>
<td>1 049</td>
<td>13</td>
<td></td>
<td>991</td>
<td>13</td>
<td></td>
</tr>
<tr>
<td>Consumer Debtors (2)</td>
<td>256</td>
<td>228</td>
<td></td>
<td>264</td>
<td>225</td>
<td></td>
</tr>
</tbody>
</table>

1. Includes Furnex, Shield, Makro, Jumbo, Builders Warehouse, Cellshack, Feds, De la Rey, Servistar & CBW. Days calculated using historic sales.
2. Massdiscounters HP & Revolving Credit.
## Depreciation

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation</td>
<td>157</td>
<td>134</td>
</tr>
<tr>
<td>Replacement Capex</td>
<td>253</td>
<td>137</td>
</tr>
<tr>
<td>Investment Capex</td>
<td>156</td>
<td>263</td>
</tr>
</tbody>
</table>
Capital Expenditure

Capex excludes goodwill on CBW minorities' buyouts
Gearing

• Average long-term gearing of 18%
• Two R250m five-year loans signed after June 2005
• Depending upon Competition Commission approval of Moresport acquisition, will shortly be raising permanent preference share capital:
  – R500m
  – Floating, linked to prime interest rate
  – Roadshow likely in mid-September
  – Pricing & cashflow at end September 2005
• After loans & prefs, long-term gearing 30%
Acquisitions

• Acquired Feds, De La Reys (51%) & Servistar w.e.f. 1 June 2005
• Also acquired two ex-Mica stores during the year
• Moresport acquisition (84% for R403m) pending
• Total expenditure R684m (excluding Moresport)
• Total goodwill arising R531m
• Net HEPS impact +18.6 cents
Cash Earnings

HEPS – Headline Earnings per Share (cents)
Cash EPS – Cash from Operating Activities, before dividends paid
Returns Lease-smoothing in 2004 & 2005 only

ROCE - EBITA / Average Capital Employed
ROE - Headline Earnings / Average Shareholders Equity

Ignoring previous goodwill & trademark write-offs
IFRS

• Will report w.e.f. 1 July 2005 (first time will be December 2005)

• Standards affecting Massmart:
  – Share-based payments
  – Business combinations (intangibles & impairment)
  – Effects of changes in exchange rates
Share-based Payments

• Calculated in terms of AC 139 & IFRS 2
• Binomial model using: risk-free rate, volatility, dividend yield, employee turnover, exercise behaviour
• On all options issued after November 2002
• Estimated income statement charge:
  – 2004: R7.8m
  – 2005: R16.4m
  – 2006: R18.8m (estimate)
• No tax relief
• Highly sensitive to assumptions
“Vision for Growth”
2007 - Report Back

• Africa
  – 2007 target – 7 Game & 4 CBW stores (R1.1b)
  – 2005 progress – 1 Game & 0 CBW (R0.15b by ‘07)

• FMCG wholesaling
  – 2007 target 15 CBW & 3 Jumbo stores (R1.8b)
  – 2005 progress – 1 CBW & 1 Jumbo (R0.20b by ‘07)

• Home improvement
  – 2007 target – 21 Builders & Tile Warehouse (R2.1b)
  – 2005 progress – 4 B & 1TWs & acquisitions (R3.0b by ‘07)

• Opportunities under research – Game RSA, smaller format Game, reposition Dion
  – 2005 progress - 4 large Games (R0.45)
“What’s Changed?”
What’s Changed?

“Organisations fail because their theory of business is outdated. The assumptions on which the organisation has been run no longer fit reality. Among the key assumptions are those on markets, customers, mission, competitors, core competencies, and technology”

- Peter Drucker
What’s changed? (Holding Company)

• Environment, size & growth imposing greater demands on Holdings to devote more time to:
  – Strategic, operating & day to day direction
  – Accounting, control & governance
  – Regulatory compliance
  – Corporate activity
  – Corporate affairs
  – Human capital management
  – Investor relations
  – Other stakeholder relations

• Development & succession demands require appropriate executive structures
What’s changed? (General merchandise)

• Expanding consumer market (structural)
  – education & employability
  – employment equity & BEE

• High consumer confidence (cyclical)
  – interest, exchange & inflation rates
  – national psyche / international benchmarks

• R/$ driven lower cost price inflation/deflation

• Shifting shopping nodes

• Product innovation & exceptional product value

• Consolidation & convergence

• Changed view of working capital management
What’s changed? (Home Improvement)

- High consumer confidence (cyclical)
- Expanding consumer market (structural)
- Housing shortage (structural)
- Re-rating of domestic property prices (structural)
- Start of consolidation of very fragmented industry
- Strong comparable store growth & profitability from BW & TW
- Acquisition of Federated Timbers, Servistar & De La Rey
What’s changed? (Wholesale Food)

• Inflation
  – low single digit cost price inflation & significant deflation in some categories (i.e. maize) for first time in 25 years
  – likely to remain low but not negative in medium term

• Consequences
  – sales & R’s gross margins decline
  – market responds by lowering prices to maintain sales
  – little volume sensitivity to promotions as the potential of lower prices forces traders to hold low inventories
  – with gross margins < 10% any volume increases fail to compensate for gross margin sacrificed
  – expense growth > cost price inflation creates net margin squeeze
What’s changed? (Wholesale Food)

• Expected sequential industry response
  – attempt to increase volumes (at greater risk!)
  – reduce expenses
  – increase gross profit margins
  – align cost price inflation & expense growth over time

• Sustained low inflation will
  – accelerate industry trends away from marginal business
  – accelerate rationalisation & consolidation

• In low or negative inflation environment wholesale food is no longer as defensive as it once was

• Massmart is now the only listed wholesaler of basic foods
“Vision for Growth”
2008
“Vision for Growth 2008” is about…..

• Refined organisation & management structure (focused leadership & reporting)
  – Divisional structure enhanced to comprise four divisions each containing those chains with similar target markets & business models
  – Greater visibility & insight for shareholders
“Vision for Growth 2008” is about…..

• Refined organisation & management structure (focussed leadership & reporting)
  – Divisional structure enhanced to comprise four divisions each containing those chains with similar target markets & business models
  – Greater visibility & comparability for shareholders
  – Executive Committee strengthened with appointment of Deputy CEO, COO, Deputy CFO & two new Divisional CEO’s
Leadership structure
(July 2005)

**CEOs & Dep. Chair.**

**Directors**
- **CEO**
  - Massbuild
  - CBW
  - Makro
  - SW
  - BW
  - DLR
  - FT
  - TW
  - Furnex
  - Jumbo

**COO**
- Massdisc

**Dep. CEO**
- CEO Des. Masscash
- Shield
- MD

**Group HC Exec**
- Group HC
- Mgmt - Policy, Top 200

**Group**
- Research, Mrkt/Comp Analysis, Strategy, MSDP, Strat. Sup, Logistics, Int. Comm, Rebates, BEE
- Group Fin, IR
- Group Acc, Govern.

**CFO**
- Group Fin, IR
- Group Acc, Govern.

**Services Manage**
- Treasury, Audit, Forex, Salaries
- Value creation through lower cost shared services

**Channel Manage**
- Forums: GM, Food, TIP, Masscell, FD’s, HR, Cost
- Value creation through interdivisional collaboration

**Divisions Manage**
- Focused Retail/Wholesale Business Units
- Day to day operating performance

**Responsibility**
- Delivering strategic value to shareholders
“Vision for Growth 2008” is about…..

- Refined organisation & management structure (focussed leadership & reporting)
- Refining market focus (profitable sales)
  - Customers (Value & service conscious) / Geography (mainly South Africa) / Market (Mass) / Distribution type (More retail than wholesale) / Distribution model (High volume, low expense, low price) / Merchandise (Broad range, blatant value) / Payment (Mainly cash, no reliance on finance charges)
Portfolio – Growth/Share imperatives

- Market Growth
- Market Share

- Home Improvement
- Warehouse Club
- GM Discounting
- Food Wholesaling

- Home Improvement (2008)
- GM Discounting (2008)
- Warehouse Club (2008)
- Food Wholesaling (2008)
Portfolio – Growth/Margin imperatives
“Vision for Growth 2008” is about…..

- Refined organisation & management structure (focussed leadership & reporting)
- Refining market focus (profitable sales)
- Merchandise & marketing innovation (pricing power & real comparable store growth)
Merchandise innovation

“In retail, you are either operations driven - where your main thrust is towards reducing expenses and improving efficiency - or you are merchandise driven. If you are going to show the kind of double-digit comparable store sales increases that we show every year, and grow a company the way we’ve grown ours, you have to be merchandise driven. Retailers that are operations driven tend to level off and deteriorate.”

David Glass – Chairman Executive Committee Walmart
“Vision for Growth 2008” is about…..

• Refined organisation & management structure (focussed leadership & reporting)
• Refined market focus (profitable sales)
• Merchandise & marketing innovation (real comparable growth & pricing power)
• Store portfolio optimisation (penetrating markets & sweating assets)
  – Store development decision support system implemented (Vantage)
  – All “old group” store development opportunities identified
  – Home improvement opportunities clarified by March ‘06
“Vision for Growth 2008” is about…..

- Refined organisation & management structure (focussed leadership & reporting)
- Refined market focus (profitable sales)
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- Store portfolio optimisation (penetrating markets & sweating assets)
- 3 year Growth Vectors (expanding footprint)
Vision 2008 – Growth Vectors

• Africa (cautious progress)
  – 2008 target – 5 Game (R0.5b)
  – Present commitment – 2 Game (R0.15b by 2007)

• FMCG wholesaling (slow growth for cash & returns)
  – 2008 target 5 CBW & 1 Jumbo stores (R0.75b)
  – Present commitment – 3 CBW and 1 Jumbo (R.5b by 2007)

• Home improvement (aggressive growth for market leadership)
  – 2008 target – 7 BW, 2 De La Rey, 9 Servistar (R1.5b)
  – Present commitment – 3 BW, 2 De La Rey (R0.5b by 2007)
Vision 2008 – Growth Vectors

- Opportunities under research – Game RSA, smaller format Game, reposition Dion (exploit when proven)
  - 2008 target 4 L Games, 22 S Games (R1.35b)
  - Present commitment – 2 L Games, 5 S Games (R0.5b by 2007)
“Vision for Growth 2008” is about…..

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• Acquisitions (enhancing portfolio)
• PBT margin improvement (enhancing productivity)
# Targeted PBT ROS

<table>
<thead>
<tr>
<th>(%)</th>
<th>Target</th>
<th>International benchmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>M’discounters</td>
<td>7.0%</td>
<td>Walmart ex food 7.4%</td>
</tr>
<tr>
<td>M’warehouse</td>
<td>4.0%</td>
<td>Metro AG C&amp;C 5.0%</td>
</tr>
<tr>
<td>M’build</td>
<td>8.0%</td>
<td>Home Depot/B&amp;Q 10.0%</td>
</tr>
<tr>
<td>M’cash</td>
<td>3.0%</td>
<td>N/A 3.0%</td>
</tr>
<tr>
<td>Group</td>
<td>*4.6%</td>
<td>*5.12</td>
</tr>
</tbody>
</table>

* Proforma using 2005 sales + acquisitions mix and target margins
“Vision for Growth 2008” is about…..

- Refined organisation & management structure (focussed leadership & reporting)
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- Merchandise & marketing innovation (real comparable growth & pricing power)
- Store portfolio optimisation (penetrating markets & sweating assets)
- 3 year Growth Vectors (expanding footprint)
- Acquisitions (enhancing portfolio)
- Margin improvement (enhancing productivity)
- Collaboration (whole > sum of parts)
Business Model

**Holdings**
- Strategy
- Portfolio
- Capital allocation
- Performance
- Exec. Dev

**Channel collaboration**
- Procurement (Forums)
- Coordinated retailing (Positioning, Pricing & Promotion)

**Shared services**
- Non differentiating services rendered at lower cost to Divisions
- Human Capital management

**Divisional growth**
- Differentiated competitive offerings
- Dominant in complementary product categories
- Multiple target markets & regional reach
- Favorable cash characteristics
- Sound organic growth
- Strict acquisition criteria
“Vision for Growth 2008” is about…..

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- Collaboration (whole > sum of parts)
- BEE (alignment with national imperative)
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- Governance (stakeholder protection)
• Refined organisation & management structure (focussed leadership & reporting)
• Refined market focus (profitable sales)
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• Governance (stakeholder protection)

A Vision of sustained growth !!!
Summary

• Our strategy remains valid
• We have shaped our portfolio & strategies to adapt to market developments
• We have strengthened & structured leadership for implementation, control, growth & succession
• A high rate of earnings growth will be sustained to 2008
Risks & Prospects
Risks

- **External**
  - Economic growth / Consumer confidence
  - Lower or falling inflation
  - R/$ volatility
  - Labour costs

- **Internal**
  - Strategic & operating integration of acquisitions
  - Maintaining control of a large, complex, trading business
  - Weaker Rand impact on direct or indirect imports (30% purchases)
  - Attracting, developing & retaining leadership/management competence & experience
Massmart’s 2006 Prospects

We are confident of:

• The sustained health of South African consumer economy
• Massmart’s leadership, portfolio, unique approach to high volume low cost distribution
• The growth prospects of the new home improvement division
• A record R495m capex programme
• Budgeted sales growth >R30b
• Improved margins
• Full year EPS growth higher than 2005
Dedicated to Value

www.massmart.co.za
Additional Data
# Headline Tax Rate Reconciliation

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard rate</td>
<td>29.0</td>
</tr>
<tr>
<td>Exempt income</td>
<td>-3.5</td>
</tr>
<tr>
<td>Disallowables</td>
<td>1.6</td>
</tr>
<tr>
<td>Adjustments to prior year</td>
<td>0.6</td>
</tr>
<tr>
<td>STC</td>
<td>2.0</td>
</tr>
<tr>
<td>Foreign tax</td>
<td>0.3</td>
</tr>
<tr>
<td>Tax rate charge (30% to 29%)</td>
<td>0.7</td>
</tr>
<tr>
<td><strong>Effective headline tax rate</strong></td>
<td><strong>30.7</strong></td>
</tr>
</tbody>
</table>

*Note: The effective headline tax rate is calculated by adjusting the standard rate by various factors such as exempt income, disallowables, adjustments to prior year, STC, foreign tax, and tax rate charge.*
Analysis of Tax Charge

R’m

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current tax</td>
<td>313.9</td>
</tr>
<tr>
<td>Deferred tax</td>
<td>(15.4)</td>
</tr>
<tr>
<td>Foreign tax</td>
<td>19.1</td>
</tr>
<tr>
<td>Foreign deferred tax</td>
<td>(10.6)</td>
</tr>
<tr>
<td><strong>Income Statement Charge</strong></td>
<td>307.0</td>
</tr>
</tbody>
</table>
## Capital Expenditure

(Rm’s) | June 05 | June 04 |
--- | --- | --- |
Land & buildings | 60 | 12 |
Leasehold improvements | 80 | 33 |
PPE | 145 | 106 |
Computers | 108 | 85 |
Motor vehicles | 13 | 12 |

| Sub-total | 406 | 248 |
| Goodwill | 9 | 152 |
| **Total** | **415** | **400** |
Headline Earnings Reconciliation

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attributable earnings</td>
<td>606.8</td>
</tr>
<tr>
<td>Goodwill</td>
<td>72.4</td>
</tr>
<tr>
<td>Profit on fixed asset disposals</td>
<td>(0.6)</td>
</tr>
<tr>
<td>Headline earnings</td>
<td>678.6</td>
</tr>
</tbody>
</table>
## Number of Shares

<table>
<thead>
<tr>
<th>Description</th>
<th>(000’s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 July 2004</td>
<td>199,191</td>
</tr>
<tr>
<td>Shares issued</td>
<td>450</td>
</tr>
<tr>
<td>At 26 June 2005</td>
<td>199,641</td>
</tr>
<tr>
<td>Weighted-average for period</td>
<td>199,010</td>
</tr>
<tr>
<td>Fully-diluted weighted average</td>
<td>205,944</td>
</tr>
</tbody>
</table>
Targets

Group Annual ROS > 4.5%

Int-bearing Debt : Equity < 30%

Return on Capital Employed > 45%

Return on Equity > 30%

(ROCE = EBITA / Average capital employed, excluding goodwill and deferred tax assets)
(ROE = Headline Earnings / Average shareholders equity, excluding goodwill and deferred tax assets)
Massdiscounters

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>7397</td>
<td>6784</td>
<td>9.0</td>
</tr>
<tr>
<td>PBIT</td>
<td>488</td>
<td>344</td>
<td>41.9</td>
</tr>
<tr>
<td>Interest</td>
<td>-1</td>
<td>-16</td>
<td>93.8</td>
</tr>
<tr>
<td>PBT</td>
<td>487</td>
<td>328</td>
<td>48.5</td>
</tr>
</tbody>
</table>

![Graph of Sales (Rbn's) from 2001 to 2005](image1)

![Graph of PBT (Rm's) from 2001 to 2005](image2)
Masswarehouse

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>8 576</td>
<td>7 067</td>
<td>21.4</td>
</tr>
<tr>
<td>PBIT</td>
<td>321</td>
<td>223</td>
<td>44.0</td>
</tr>
<tr>
<td>Interest</td>
<td>25</td>
<td>26</td>
<td>(3.8)</td>
</tr>
<tr>
<td>PBT</td>
<td>346</td>
<td>249</td>
<td>39.0</td>
</tr>
</tbody>
</table>

![Sales Chart]

![PBT Chart]
### Masscash

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>10 589</td>
<td>9 938</td>
<td>6.6</td>
</tr>
<tr>
<td>PBIT</td>
<td>200</td>
<td>284</td>
<td>(29.6)</td>
</tr>
<tr>
<td>Interest</td>
<td>(3)</td>
<td>11</td>
<td>-</td>
</tr>
<tr>
<td>PBT</td>
<td>197</td>
<td>295</td>
<td>(33.2)</td>
</tr>
</tbody>
</table>

**Graphs:**
- **Sales (Rbn's):**
  - 2002: 6.0
  - 2003: 9.0
  - 2004: 11.0
  - 2005: 11.0

- **PBT (Rm's):**
  - 2002: 300
  - 2003: 350
  - 2004: 250
  - 2005: 200

- **% of Sales:**
  - 2002: 29.6
  - 2003: 29.5
  - 2004: 33.2
  - 2005: 33.1