Agenda

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

ADDENDA – Additional financial data
Environment
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
Reported cumulative sales growth trends

<table>
<thead>
<tr>
<th>% Growth</th>
<th>7 weeks</th>
<th>16 weeks</th>
<th>22 weeks</th>
<th>26 weeks</th>
<th>34 weeks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comparable</td>
<td>31</td>
<td>30</td>
<td>27</td>
<td>24</td>
<td></td>
</tr>
<tr>
<td>Before Acquisitions</td>
<td>30</td>
<td>30</td>
<td>32</td>
<td>28</td>
<td>26</td>
</tr>
<tr>
<td>Total</td>
<td>37</td>
<td>36</td>
<td>35</td>
<td>32</td>
<td>29</td>
</tr>
</tbody>
</table>
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
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
Financial & Operating Highlights
Financial highlights

- Sales: R10 555m (32%)
- Comparable Sales: R430m (26%)
- Trading Profit: R287m (45%)
- Headline Earnings: R281m (42%)
- Headline Earnings Before Acquisitions: 145,4c (39%)
- Headline EPS: 42%
Financial highlights

- Cash flow from Operations: R556m
- Return on Sales: 3.8%
- Return on Equity: 30.3%
- Dividend Cover: 2.5X
- Dividend: 48cps
- 19%
- 6%
- 92%
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
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”
Operating Performance
Massmart Divisional Structure
(At end June 2002)

MASSMART HOLDINGS LIMITED
Sales R16.7b
Trading profit R539m
Earnings R362m

MASSDISCOUNTERS (Discounters)
Sales R5.3b
PBT R178m

- Game (54 stores)
  GM - RSA, Botswana, Namibia, Zambia
- Dion (11 stores)
  GM - RSA

MASSWAREHOUSE (Warehouse outlets)
Sales R4.46b
PBT R130m

- Makro (14 outlets)
  GM - Food/Liquor - RSA, Zimbabwe
- Builders Warehouse (5 outlets)
  GM - Hardware & supplies
- Builders Hardware & supplies

MASSCASH (Cash & Carry)
Sales R4.7b
PBT R186m

- CBW (43 outlets)
  GM - Food/Liquor - RSA, Lesotho, Namibia
- Jumbo (6 outlets)
  GM - Cosmetics/Food - RSA

MARTTRADE (Buying groups)
Sales R2.23b
PBT R56m

- Shield (400 members)
  GM - Food - RSA, Botswana, Namibia, Swaziland
- Furnex (415 members)
  GM - Furniture/Appliances - RSA

Sales R16.7b
Trading profit R539m
Earnings R362m

MASSMART HOLDINGS LIMITED
Sales R16.7b
Trading profit R539m
Earnings R362m
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
• 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)
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
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
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
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
Financial Performance
Reviewed results to December 2002
Overview

• Strong underlying trading performance
• Heightened environmental volatility
• Stronger Rand
• Investing for growth – new stores
• Improved ROE
Long term sales growth

- Compound Annual Growth
  - 3 Year 24% p.a.
  - 5 Year 22% p.a.
  - 10 Year 26% p.a.
## Sales

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

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

<table>
<thead>
<tr>
<th>Component</th>
<th>Growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Existing stores (comparable growth)</td>
<td>26.2</td>
</tr>
<tr>
<td>New stores</td>
<td>1.5</td>
</tr>
<tr>
<td>Acquisitions</td>
<td>3.9</td>
</tr>
<tr>
<td><strong>Total sales growth</strong></td>
<td><strong>31.6</strong></td>
</tr>
</tbody>
</table>
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%
# Store Portfolio

<table>
<thead>
<tr>
<th></th>
<th>Makro</th>
<th>Massdis counters</th>
<th>Jumbo</th>
<th>CBW</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>July ‘02</strong></td>
<td>12*</td>
<td>65</td>
<td>6</td>
<td>43</td>
<td>126</td>
</tr>
<tr>
<td><strong>Openings</strong></td>
<td>1</td>
<td>1</td>
<td>-</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td><strong>December ‘02</strong></td>
<td>13</td>
<td>66</td>
<td>6</td>
<td>45</td>
<td>130</td>
</tr>
</tbody>
</table>

*Excludes two Makro Zimbabwe stores*
## Divisional PBIT

(Rm’s) | 6 months to December |  | %
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2002</td>
<td>2001</td>
</tr>
<tr>
<td>MDD</td>
<td>213.4</td>
<td>135.0</td>
</tr>
<tr>
<td>Masswarehouse</td>
<td>87.3</td>
<td>75.6</td>
</tr>
<tr>
<td>Masscash</td>
<td>91.2</td>
<td>62.2</td>
</tr>
<tr>
<td>Masstrade</td>
<td>38.0</td>
<td>24.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>429.9</strong></td>
<td><strong>297.3</strong></td>
</tr>
</tbody>
</table>

PBIT = Profit before Interest & Tax
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%
PBIT Analysis

Dec '01 PBIT: R297.3m
Sales: R90m
Margin: R72m
Furnex: R8.5m
Opening costs: -R14m
Forex losses: -R24.5m
Dec '02 PBIT: R429.9m
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
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
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
## Divisional PBT

<table>
<thead>
<tr>
<th>Division</th>
<th>6 months to December</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2002</td>
</tr>
<tr>
<td>MDD</td>
<td>180.8</td>
</tr>
<tr>
<td>Masswarehouse</td>
<td>94.0</td>
</tr>
<tr>
<td>Masscash</td>
<td>102.1</td>
</tr>
<tr>
<td>Masstrade</td>
<td>38.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>415.3</td>
</tr>
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</table>

PBT = Profit before Tax
# Targeted PBT ROS

<table>
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<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Mass discounters</td>
<td>5.0</td>
<td>5.40</td>
<td>3.36</td>
<td>4.5</td>
<td>2.02</td>
<td>3.2</td>
<td>2.52</td>
</tr>
<tr>
<td>Makro</td>
<td>4.0</td>
<td>3.28</td>
<td>2.91</td>
<td>3.9</td>
<td>2.52</td>
<td>3.3</td>
<td>2.26</td>
</tr>
<tr>
<td>Masscash</td>
<td>3.5</td>
<td>3.47</td>
<td>3.92</td>
<td>3.1</td>
<td>3.00</td>
<td>3.0</td>
<td>3.10</td>
</tr>
<tr>
<td>Masstrade</td>
<td>3.0</td>
<td>2.74</td>
<td>2.51</td>
<td>2.6</td>
<td>2.73</td>
<td>2.7</td>
<td>2.78</td>
</tr>
<tr>
<td><strong>Group (on Dec. 02 sales mix)</strong></td>
<td><strong>4.04</strong></td>
<td><strong>3.80</strong></td>
<td><strong>3.30</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Exc. Strubens
Headline Earnings Growth

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

Existing Businesses 98%

Acquisition 2%
## Working Capital

<table>
<thead>
<tr>
<th></th>
<th>Dec 2002</th>
<th></th>
<th>Dec 2001</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rms</td>
<td>Days</td>
<td>Rms</td>
<td>Days</td>
</tr>
<tr>
<td>Stock (1)</td>
<td>2 910</td>
<td>67</td>
<td>2 151</td>
<td>65</td>
</tr>
<tr>
<td>Trade Creditors (1)</td>
<td>3 880</td>
<td>80</td>
<td>3 187</td>
<td>85</td>
</tr>
<tr>
<td>HP Debtors (1) &amp; (2)</td>
<td>224</td>
<td>189</td>
<td>221</td>
<td>186</td>
</tr>
</tbody>
</table>

1. Days calculated using historic sales and cost of sales.
## Cash Flow

(Rm’s) | Dec ‘02 | Dec ‘01 | %
--- | --- | --- | ---
From Operations | 466 | 357 | 31
Working Capital | 90 | 330 | (73)
| 556 | 687 | (19)
Interest + Taxation | (54) | (53) | (2)
Fixed Asset Replacement | (56) | (55) | (2)
Free Cash Flow | 446 | 579 | (23)
## Cash Flow (slide 2 of 2)

<table>
<thead>
<tr>
<th>(Rm’s)</th>
<th>Dec ‘02</th>
<th>Dec ‘01</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Free Cash Flow</td>
<td>446</td>
<td>579</td>
<td>(23)</td>
</tr>
<tr>
<td>Fixed Asset Investment</td>
<td>(147)</td>
<td>(8)</td>
<td></td>
</tr>
<tr>
<td>Dividend</td>
<td>(71)</td>
<td>(41)</td>
<td>(73)</td>
</tr>
<tr>
<td>Jumbo Consideration</td>
<td>-</td>
<td>(502)</td>
<td></td>
</tr>
<tr>
<td>Share buy-back</td>
<td>(17)</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Net Loan Funding</td>
<td>17</td>
<td>234</td>
<td></td>
</tr>
<tr>
<td><strong>Net Cash Flow</strong></td>
<td>228</td>
<td>262</td>
<td></td>
</tr>
</tbody>
</table>
## Capital Expenditure

(Rm’s) | Dec ‘02 | Dec ‘01
---|---|---
Land & buildings | 56 | -
Leasehold improvements | 24 | 2
PPE | 82 | 32
Computer | 30 | 18
Motor vehicles | 3 | 4
Goodwill | 8 | 7
Total | 203 | 63
**Returns**

RONA - EBITA / Average Net Assets

ROE - Headline Earnings / Average Shareholders Equity (ignoring previous goodwill & trademark write-offs)
Prospects
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
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
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
“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
Dedicated to Shareholder Value

www.massmart.co.za
Dedicated to Value Retailing

Additional Financial Data
<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (Rm's)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attributable earnings</td>
<td>264.5</td>
</tr>
<tr>
<td>Goodwill</td>
<td>22.2</td>
</tr>
<tr>
<td>Loss on fixed asset disposals</td>
<td>0.5</td>
</tr>
<tr>
<td><strong>Headline earnings</strong></td>
<td><strong>287.2</strong></td>
</tr>
</tbody>
</table>
# Tax Rate Reconciliation

<table>
<thead>
<tr>
<th>Description</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Standard rate</strong></td>
<td>30.0</td>
</tr>
<tr>
<td>Exempt income</td>
<td>-3.6</td>
</tr>
<tr>
<td>Disallowables</td>
<td>1.4</td>
</tr>
<tr>
<td>Assessed losses</td>
<td>-1.7</td>
</tr>
<tr>
<td>Adjustments to prior year</td>
<td>-0.8</td>
</tr>
<tr>
<td>STC</td>
<td>1.7</td>
</tr>
<tr>
<td>Foreign tax rates</td>
<td>1.5</td>
</tr>
<tr>
<td><strong>Effective Massmart rate</strong></td>
<td>31.9</td>
</tr>
</tbody>
</table>
## Number of Shares

<table>
<thead>
<tr>
<th>Date</th>
<th>Shares (000’s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 July 2002</td>
<td>197 824</td>
</tr>
<tr>
<td>Net share buy-back</td>
<td>(1 002)</td>
</tr>
<tr>
<td>At 29 December 2002</td>
<td>196 822</td>
</tr>
<tr>
<td>Weighted-average for period</td>
<td>197 547</td>
</tr>
<tr>
<td>Fully-diluted weighted average</td>
<td>202 556</td>
</tr>
</tbody>
</table>
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)