

MASSMART

Dedicated to Value

Reviewed Results

for the 26 weeks to 26th December 2004

Presentation to Investors, Analysts and Media – February 2005

Agenda

- Financial & Operating Highlights
- Environment
- Operating & Financial Performance
- “Vision for Growth 2007”
- Prospects

ADDENDA – Additional data

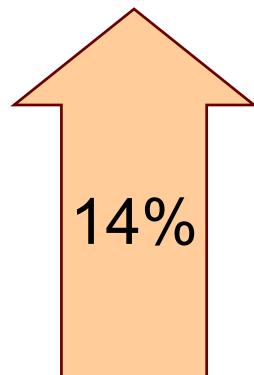
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Financial & Operating Highlights

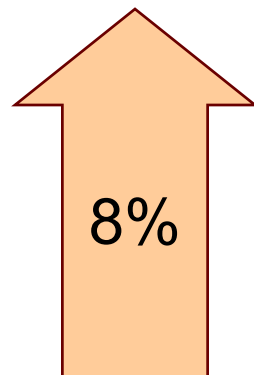
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Financial highlights

R13 929m

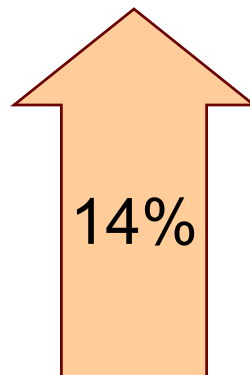


Sales



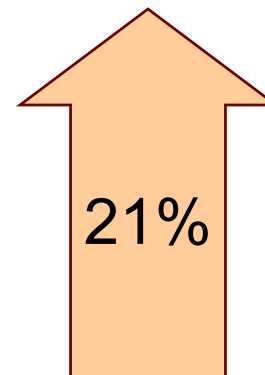
**Comparable
Sales**

R620m



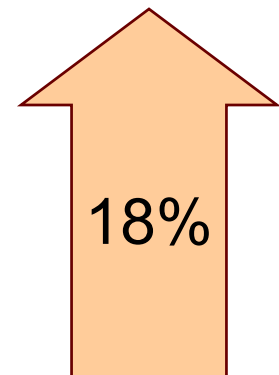
**Trading
Profit**

R443m



**Headline
Earnings**

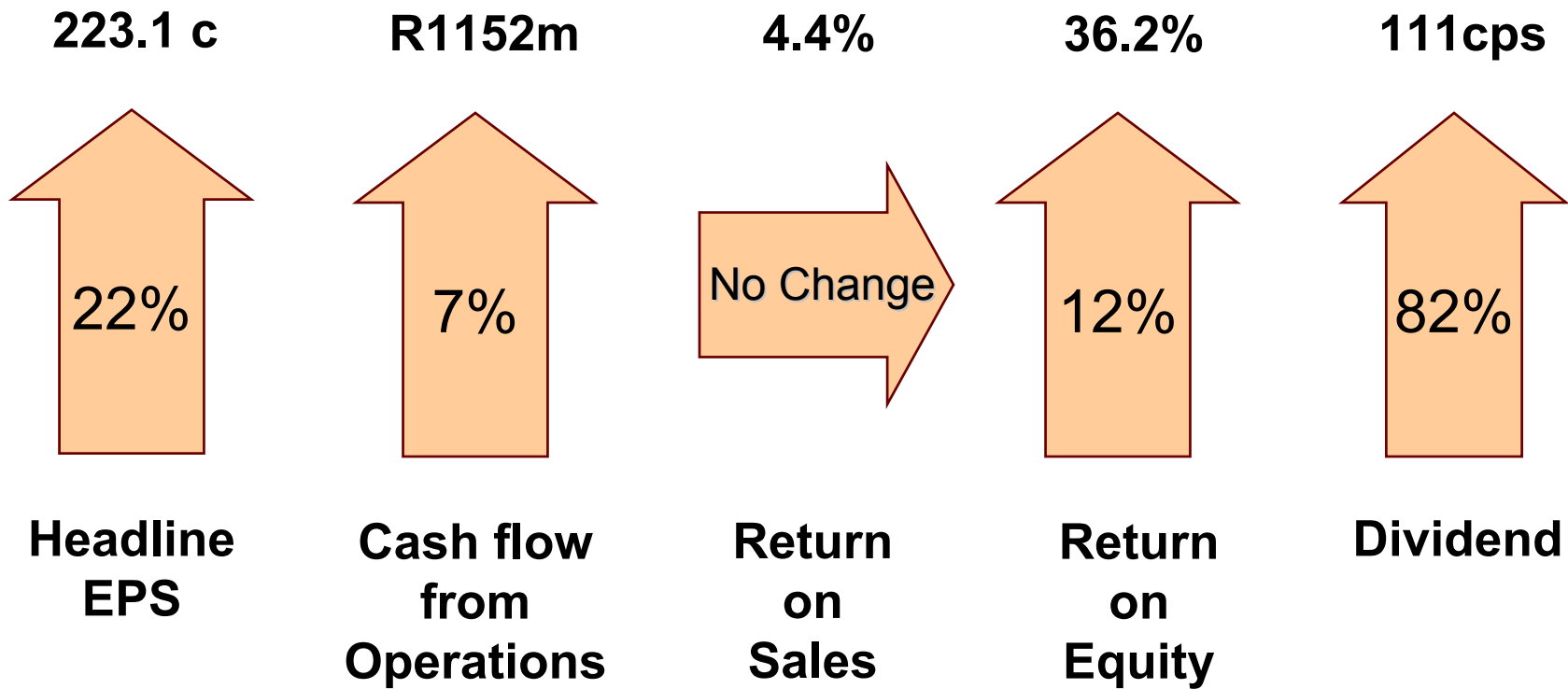
R427m



**Headline
Earnings
Before
Acquisitions**

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Financial highlights



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Operating Highlights

- Record first half sales and profits
- Real comparable store and member growth of 10.5% (deflation of 2.3%)
- Record 4.45% pre interest operating profit margins
- Stable 4.42% post interest operating profit margins
- Store network increased to 168 stores with the acquisition or opening of 11 stores with estimated annual sales of R1.3b

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Operating Highlights (cont.)

- Exceptional performance from Massdiscounters
- Two new Makro stores (relocation/replacement) exceeded sales expectations
- High comparable & new store growth from Builders Warehouse & Tile Warehouse
- Deflation undermined Masscash sales and profits
- Clarity on Masstrade systems & accounting (audited)

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Environment

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Environment

- Two markets
- LSM 5 – 10+
 - Expanding consumer market (structural)
 - Affected by inflation, interest rates, exchange rates & confidence (cyclical)
 - Utilising credit
 - 54% of Massmart sales (mainly retail) & 77% profits
- LSM 1 – 4
 - Cautious, unemployed
 - Supply chain challenged by low/negative inflation
 - 46% of Massmart sales (wholesale) & 23% profits

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Environment

	D '03	D '04
Rand/\$	6.69	5.67
PPI Import %	-8.2	-0.1
CPIX %	4.0	4.3
Retail Infl. %	2.1	3.8*
CPI Food %	4.3	1.5

* Oct '04

Impact

Cost of goods falling

- Buoyant durables trading
- Low food volume sensitivity
- Deflation lowers R's banked
- Deflation depresses gross margins through markdowns

Action

Competitive stance

- Maintain competitive pricing
- Shorten promotional lead times
- Build margin through mix
- Range differentiation vs. competition
- Intelligent import program and capability

- Maintain low expense base

Asset management

- Clear aged/overpriced stock quickly
- Collaborate with suppliers for supply chain efficiency
- Buy less stock more frequently
- Maintain high stock turns
- Portfolio optimisation

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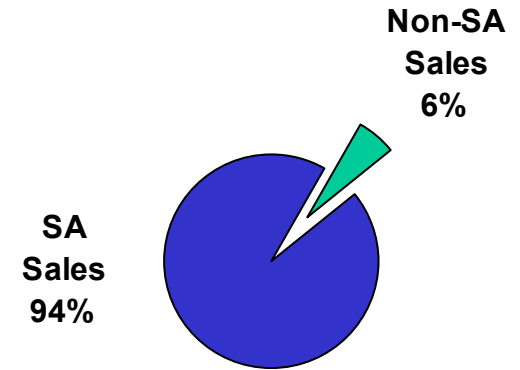
Operating & Financial Performance

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Inflation

- Group inflation for the period to December 04:
 - General Merchandise: -5.2%
 - Food: -0.7%
 - Liquor: +7.0%
 - Total: -2.3%
- Excluding Liquor, every business experienced deflation during the period
- Significant deflation in some Food commodities
- *Calculated on prices of actual purchases in the current period vs. prior period*

Sales



(Rm's)	<u>2004</u>	<u>2003</u>	<u>% Chg</u>	<u>Comp. % Chg</u>
Massdiscounters	3 966	3 590	10.5	6.5
Masswarehouse	4 292	3 668	17.0	14.2
Masscash	5 671	4 996	13.5	5.0
Total	<u>13 929</u>	<u>12 254</u>	13.7	8.2

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Store Portfolio

	MDD	Makro	Builders	CBW	Jumbo	Total
July '04	67	*12	15	57	6	157
Acquired	-		2	-	1	3
Openings	5	1	2	1	-	9
Closures	-	-1	-	-	-	-1
Dec '04	72	12	19	58	7	168

*Excludes two Makro Zimbabwe stores but includes Strubens Valley

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Sales Growth Analysis

	<u>%</u>
Existing stores (<i>comparable</i> growth)	8.2
New stores	3.1
Acquisitions (Trident & Mica)	2.4
Total sales growth	<u>13.7</u>
Group deflation	<u>-2.3</u>

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Massdiscounters

	2004	2003	%
Sales	3 966	3 590	<i>10.5</i>
PBIT	312.4	229.5	<i>36.1</i>
Interest	(2.2)	(15.6)	<i>85.9</i>
PBT	310.2	213.9	<i>45.0</i>

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Massdiscounters



General Merchandise discounter: 61 Game & 11 Dion stores:

- Game South Africa
 - Deflation 4.3%
 - Exceptional control of margin, expenses, inventory & debtors
 - Four new stores > Mitchells Plain very successful
- Game Africa
 - New store in Maputo (December 04)
 - Rand sales 15% higher. Comparable sales flat
 - Forex loss R13m
- Dion
 - Good comparable sales growth. Good margin

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Masswarehouse

	2004	2003	%
Sales	4 292	3 669	17.0
PBIT	208.3	157.0	32.7
Interest	6.7	13.3	(49.6)
PBT	215.0	170.3	26.2

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Masswarehouse

Makro:

- 12 warehouse club stores
- Strubens Valley reopened. Wonderboom relocated from Pretoria-West. Both trading well
- Good General Merchandise & Liquor sales & margin growth
- Low Food growth & softer margin
- One-off expenses of R13m (restraints & opening costs)
- Higher insurance costs (R7m)
- Increased focus on costs

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Builders Warehouse & Tile Warehouse:

- Home Improvement, DIY & Builders hardware outlets
- 10 Builders Warehouses & 9 Tile Warehouses
- Polokwane opened (December 04)
- Two ex-Mica stores acquired in Rivonia & Edenvale. Rebranded and trading very well. Both owners have joined BW executive directorate
- Finance, procurement & operations capacity strengthened
- SAP Retail implemented
- Strong comparable sales growth & firmer margins

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Masscash (including Masstrade)

	2004	2003	%
Sales	5 671	4 996	13.5
PBIT	99.6	157.5	(36.8)
Interest	(0.3)	6.4	-
PBT	99.3	163.9	(39.4)

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Masscash



Masscash

- CBW (58 outlets):
 - 1 new store. Trident 25% minority acquired (Botswana)
 - Food deflation 2.1%. Significant deflation in commodities from Rand strength and over-supply
 - Deflation, low growth & competition caused pressure on sales & gross margins
 - Although low cost base, lower GPs result in much lower net margins
- Jumbo (7 outlets):
 - Durban relocated. CT outlet acquired
 - Competition continues in Crown Mines
 - Higher gross margins & better expense control

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Masstrade



- Trading profit depressed by deflation, excessive costs & lower rebates to R15m
- Management substantially changed in July 04
- In August 04 reported a non-cash adjustment of R25m attributable to 2003
- In December 04 we cautioned about further adverse adjustments
- Following new management's systems & accounting review (audited by Deloitte) rebate over-accrual in both businesses found to be R43m (25m taken last year)
- Final adjustment of R18.3m therefore taken against '04
- Current profitability impaired & likely to remain at current levels

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Masstrade

	Dec 2004	June 2004	June 2003
Sales	1 835	3 288	2 695
PBT reported	*(3.3)	*57.1	77.8
Add back prior year adjustment	18.3	25.0	
Apply adjustments		(18.3)	(25.0)
Actual trading PBT	15.0	63.8	52.8

* After the adjustments applicable to the previous year

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Forex Losses

<i>Rm's</i>	<u>2004</u>	<u>2003</u>
Massdiscounters	(12.9)	(11.5)
CBW / Trident	-	1.0
Other	(4.5)	(12.6)
Total	<hr/> <u>(17.4)</u>	<hr/> <u>(23.1)</u>

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Divisional PBIT

(Rm's)	<u>December</u>		
	<u>2004</u>	<u>2003</u>	<u>%</u>
Massdiscounters	312.4	229.5	36.1
Masswarehouse	208.3	157.0	32.7
Masscash	99.6	157.5	(36.8)
Total	<u>620.3</u>	<u>544.0</u>	14.0

PBIT = Profit before Interest & Tax

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Interest Paid

(Rm's)	<u>December</u>	
	<u>2004</u>	<u>2003</u>
Massdiscounters	(2.2)	(15.7)
Masswarehouse	6.7	13.3
Masscash	(0.3)	6.4
Corporate	(9.4)	(7.0)
Total interest	<u>(5.2)</u>	<u>(3.0)</u>

Average Group gearing of 8%

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Divisional PBT

(Rm's)

	<u>2004</u>	<u>2003</u>	<u>%</u>
Massdiscounters	310.2	213.9	45.0
Masswarehouse	215.0	170.3	26.2
Masscash	99.3	163.9	(39.4)
Total	<u>624.5</u>	<u>548.1</u>	13.9

PBT = Profit before Tax

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Tax Rate Reconciliation

	<u>Dec 04</u>	<u>Dec 03</u>
	<u>%</u>	<u>%</u>
<i>Standard rate</i>	30.0	30.0
Exempt income	-2.3	-2.1
Disallowables	0.6	0.4
STC	0.1	1.9
Foreign tax	-0.2	0.4
Other allowances	-0.5	1.0
<i>Effective headline tax rate</i>	<u>27.7</u>	<u>31.6</u>

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Sustainable tax rate

- Current tax rate low due to no STC charge (a distribution of share premium in 2004)
- Now a significant STC charge on the interim dividend paid in the six months to June 05, due to earnings growth & lower dividend cover
- Will add approximately 2.5% to annual effective tax rate
- The higher effective rate is expected to continue

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Stock & Creditors

	<u>Dec 2004</u>		<u>Dec 2003</u>	
	<u>Rms</u>	<u>Days</u>	<u>Rms</u>	<u>Days</u>
Net Stock (1)	3 263	58	2 753	56
Trade Creditors (1)	5 271	70	4 463	67

1. Days calculated using historic cost of sales.

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Debtors

	<u>Dec 2004</u>		<u>Dec 2003</u>	
	<u>Rms</u>	<u>Days</u>	<u>Rms</u>	<u>Days</u>
Trade Debtors (1)	1 140	52	940	47
Consumer Debtors (2)	268	214	256	224

1. Includes Furnex, Shield, Makro, Jumbo, Builders Warehouse & CBW. Days calculated using historic sales.
2. Massdiscounters HP & Revolving Credit.

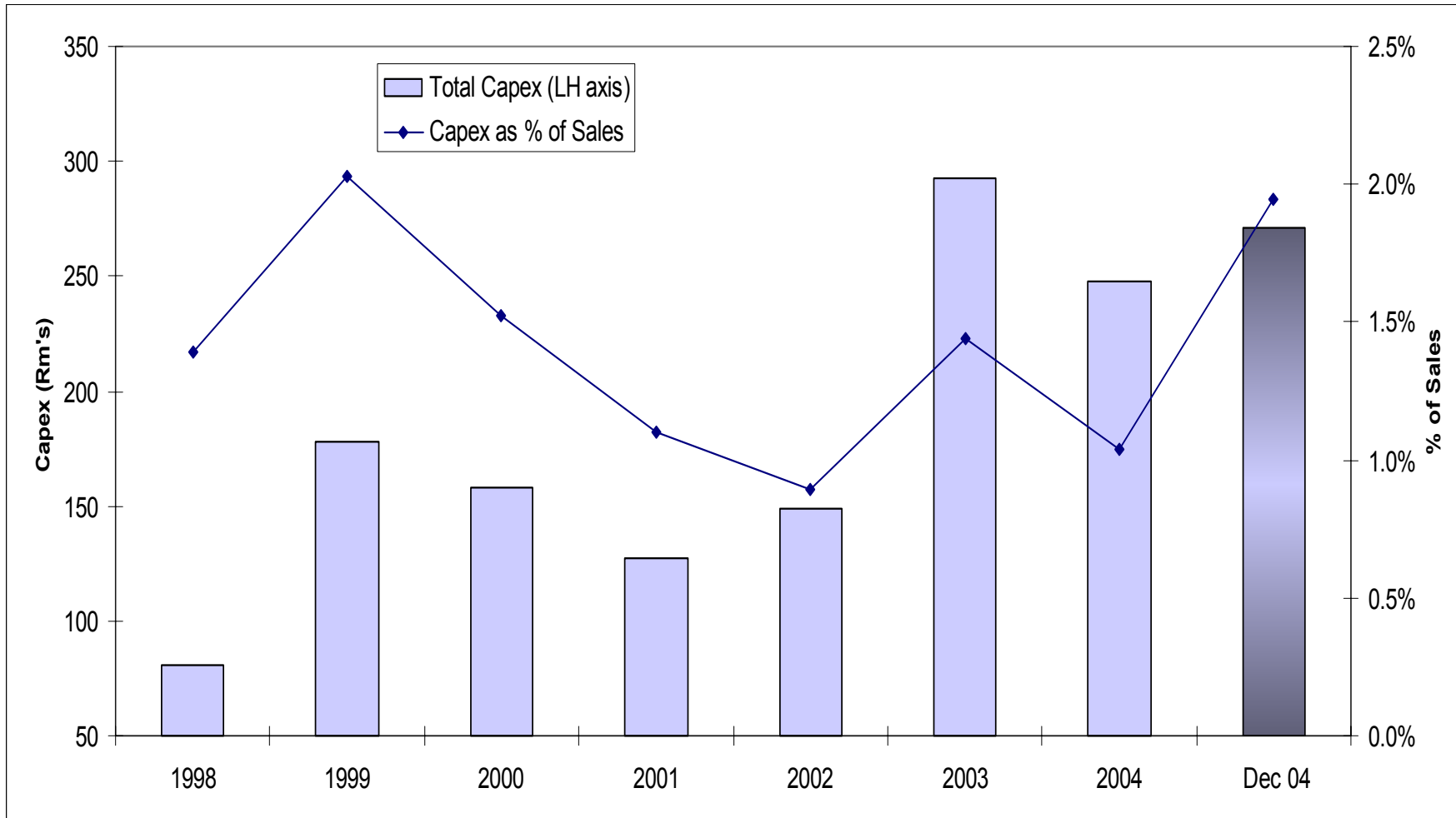
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Depreciation & Capex

<i>Rm's</i>	<u>2004</u>	<u>2003</u>
Depreciation	71	65
Replacement Capex	131	97
Investment Capex	148	148

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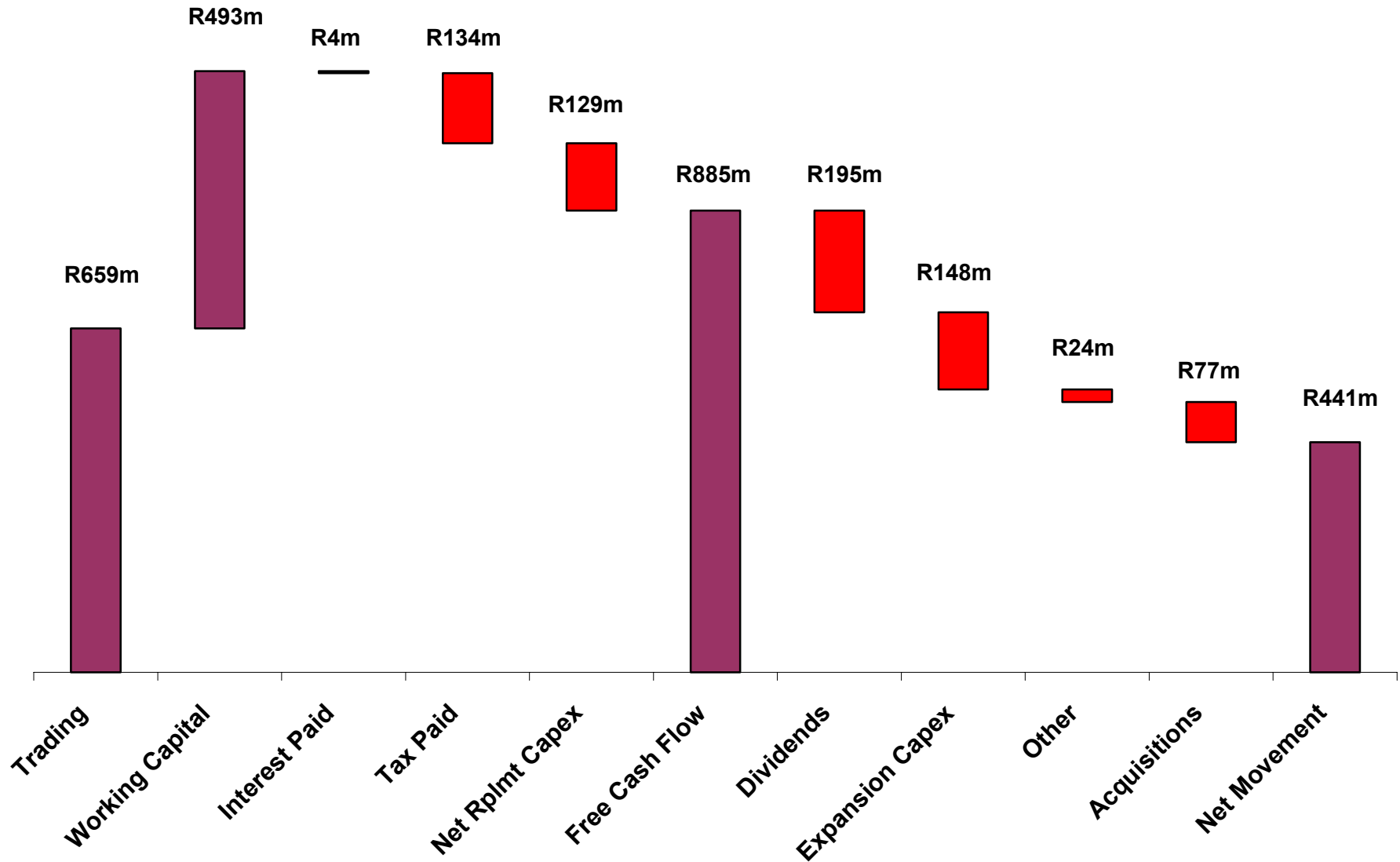
Capital Expenditure



Capex excludes goodwill on CBW minorities buyouts

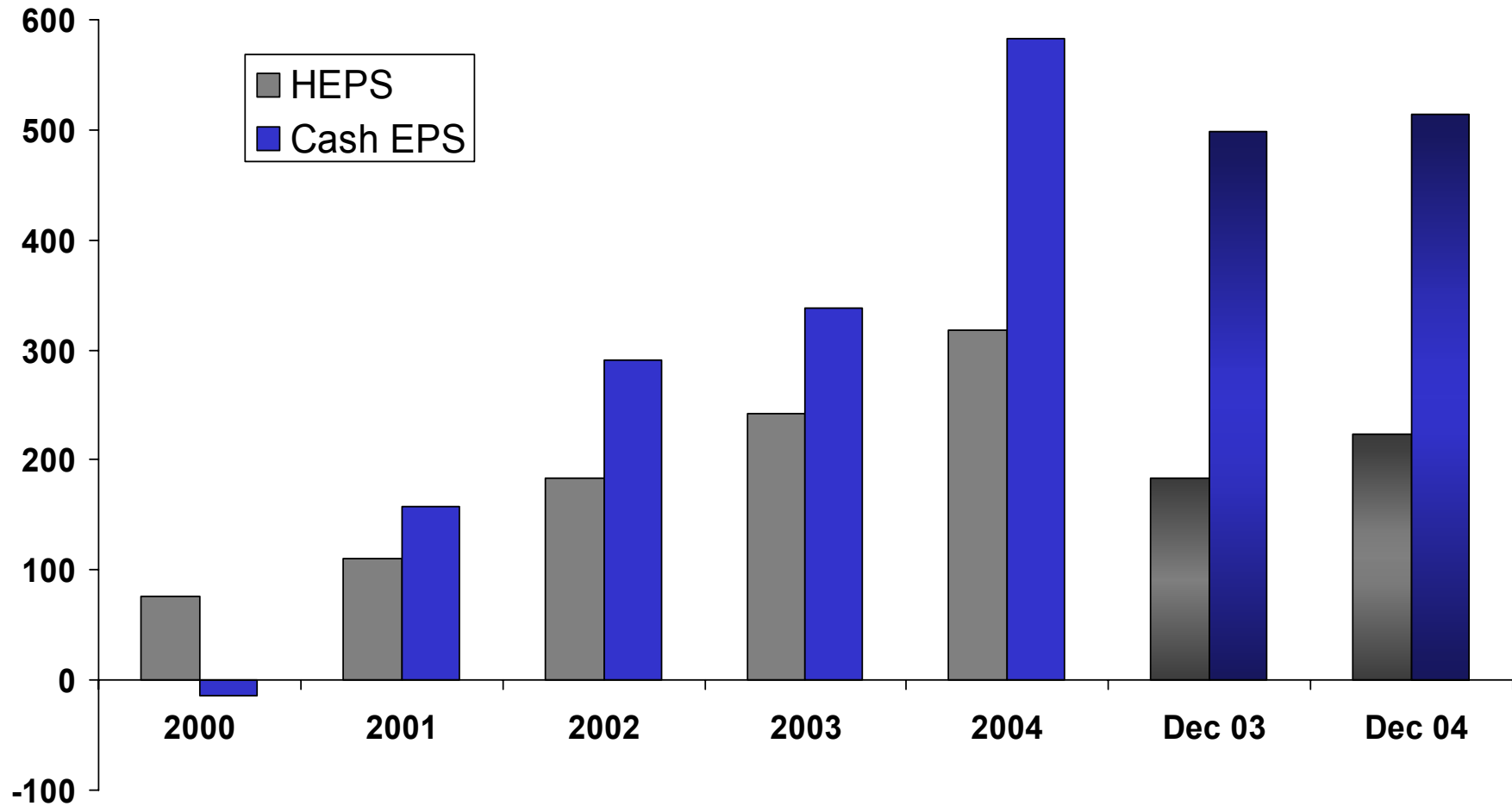
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Cashflow Analysis



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Cash Earnings

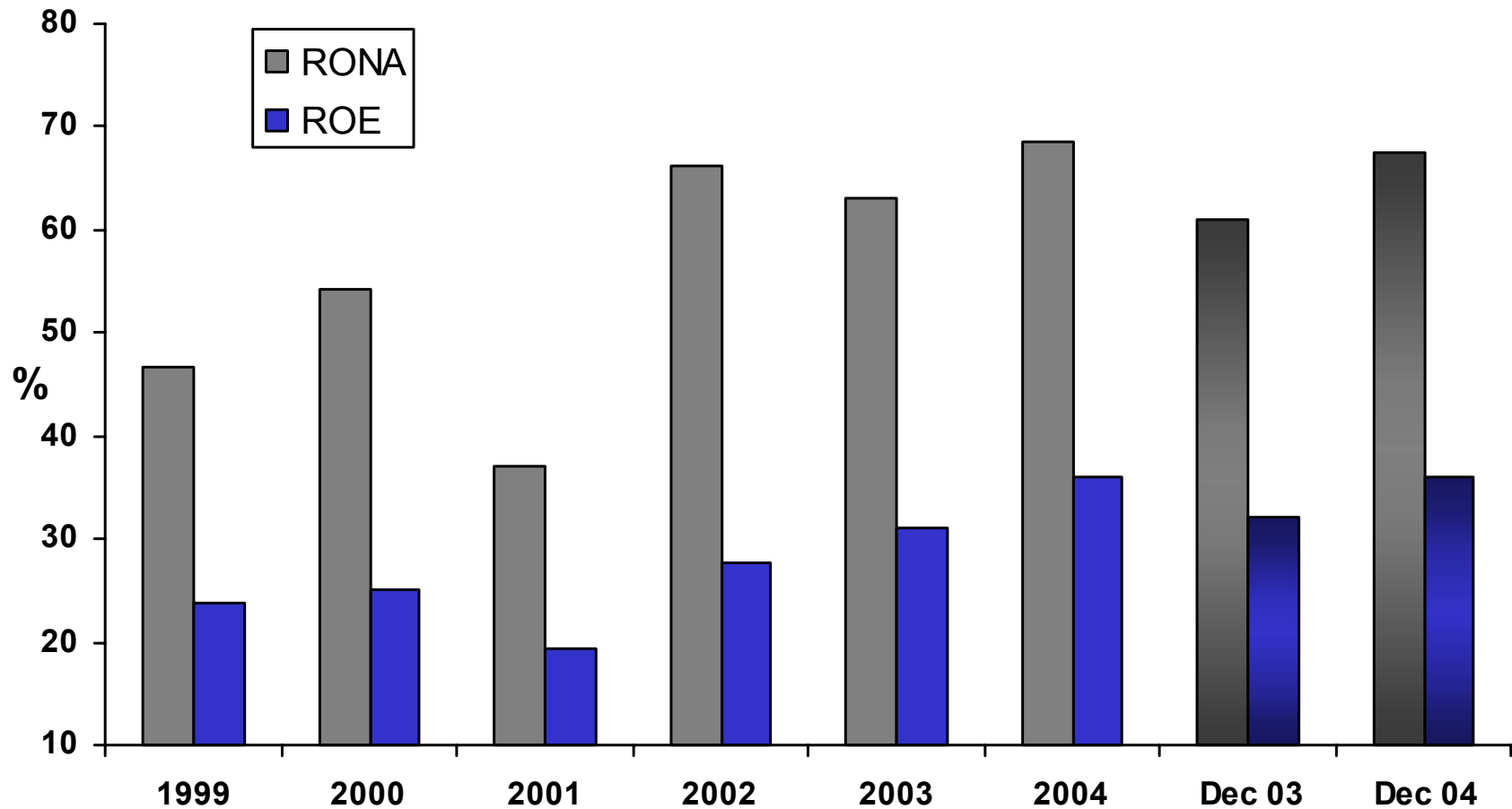


HEPS – Headline Earnings per Share (cents)

Cash EPS – Cash from Operating Activities, before dividends paid

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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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“Vision for Growth 2007”

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Vision for Growth 2007

- Three year financial targets arising from successful implementation of competitive growth strategy
- “Vision for Growth”
 - 2002 launched Vision 2005 > sales approaching R30b & operating profit of R1b
 - 2004 updated to Vision 2007 > targeted sales R36b HEPS 600c
 - Report on Vision 2007 progress & update to Vision 2008 in August
- Organic & acquisitive growth in familiar categories

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H1 organic & acquisitive sales growth

Strategic Objectives	Progress as at December 2004
Continued real sales growth from existing outlets	10.5%
Expansion into new categories and formats	<ul style="list-style-type: none">• Increasing SKU's in Builders Warehouse & Tile Warehouse• Game clearance outlet
New outlets	<ul style="list-style-type: none">• 11 new stores (estimated annualised sales R1.3b)
Selected acquisitions that conform to Massmart's strategic and financial criteria	<ul style="list-style-type: none">• 1 C&C

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H2 organic & acquisitive sales growth

Strategic Objectives	Plans to June 2005
Continued real sales growth from existing outlets	<ul style="list-style-type: none">• ?
Expansion into new categories and formats	<ul style="list-style-type: none">• Upscale Dion finalised• Smaller format Game• CBW catering
New outlets	<ul style="list-style-type: none">• 6 new stores (estimated annualised sales R700m)
Selected acquisitions that conform to Massmart's strategic and financial criteria	<ul style="list-style-type: none">• Acquisitions announced• Pending acquisition

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Acquisitions announced

- De La Rey & Federated Timbers purchase consideration R576m to R660m dependent on performance
- 2006 estimated sales R1.7b
- PBT margins above Masswarehouse where both businesses will be housed
- Further strategic objective to become major participant in DIY/HI distribution
- Provide national footprint and exceptional procurement opportunities

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De La Rey

- Subject to regulatory authorities approval
- Very similar to Builders Warehouse
- 3 stores (expanding) in Western Cape
- Mainly cash retail customers with lesser participation by small building contractors
- Excellent management

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Federated Timbers

- Subject to regulatory authorities approval
- Mirror image of Builders Warehouse
- 34 stores in 9 provinces
- Mainly small building contractors with lesser participation by cash retail customers
- Excellent management

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Vision for Growth 2007

- Three year financial targets arising from successful implementation of competitive growth strategy
- “Vision for Growth”
 - 2002 launched Vision 2005 > sales approaching R30b & operating profit of R1b
 - 2004 updated to Vision 2007 > targeted sales R36b HEPS 600c
 - Update on Vision 2007 progress and update to Vision 2008 in August
- Organic & acquisitive growth in familiar categories
- Margin enhancement through portfolio mix, product mix & productivity

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New Structure - Targeted PBT ROS

	<i>Med. term full year target</i>	<i>Dec '04</i>	<i>Jun '04</i>	<i>Dec '03</i>	<i>Jun '03</i>	<i>Dec '02</i>	<i>Jun '02</i>	<i>Dec '01</i>	<i>Jun '01</i>	<i>Dec '00</i>
Massdiscounters	6.0	7.82	4.77	5.83	3.64	5.40	3.36		2.02	3.2
Masswarehouse	5.0	5.00	4.30	4.64	3.03	3.29	2.91	3.9	2.52	3.3
Masscash	3.0	1.75	3.00	3.08	4.08	3.46	3.92	3.1	3.52	3.0
Group	*4.47	4.48	3.97	4.47	3.49	3.80	3.29		2.48	

* Proforma using actual sales mix (December '04) and target margins

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Leadership

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Leadership

- Grant Pattison appointed Group Commercial Director
- Aubrey Cimring appointed to Executive Committee as Deputy CFO
- 13% executive directors, 15% top mgmt, 27% senior mgmt, 43% professionally qualified middle mgmt, 50% academically qualified junior & supervisory mgmt from previously disadvantaged groups

Prospects

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Environmental outlook

- Past four years RSA retail beneficiary of:
 - favourable economic conditions
 - evolution of new consumer market
 - upward valuation of domestic property
- Developments more structural than cyclical
- Cautiously confident about consumer spending
- Good growth of retail economy – but at lower rate than 2004

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Massmart's Prospects

- Confident of leadership, portfolio, unique approach to high volume low cost distribution
- Manifest in capex & investment programme
- Lower operating income growth in H2
 - Exceptional working capital improvements in Massdiscounters in H2 03/04
 - Under performance of new Masscash
- H2 EPS growth depressed by STC (not applicable in '04)

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Dedicated to Value

Dedicated to Shareholder Value

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Additional Financial Data

Capital Expenditure

(Rm's)	<u>Dec 04</u>	<u>Dec 03</u>
Land & buildings	55	13
Leasehold improvements	32	6
PPE	158	52
Computers	19	57
Motor vehicles	7	8
Sub-total	<u>271</u>	<u>136</u>
Goodwill	8	103
Total	<u><u>279</u></u>	<u><u>238</u></u>

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Headline Earnings Reconciliation

	<u>Rm's</u>
Attributable earnings	396.6
Goodwill	46.3
Loss on fixed asset disposals	0.5
	<hr/>
Headline earnings	443.4
	<hr/> <hr/>

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Analysis of Tax Charge

	<u>Dec</u> <u>04</u>	<u>Dec</u> <u>03</u>
Current tax	173.4	155.2
Deferred tax	(15.5)	(1.7)
Foreign tax	12.4	18.3
	<hr/>	<hr/>
Income Statement Charge	170.3	171.8
	<hr/> <hr/>	<hr/> <hr/>

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Number of Shares

	<u>(000's)</u>
At 1 July 2004	199 191
Shares issued	-
	<hr/>
At 27 June 2004	199 191
	<hr/> <hr/>
Weighted-average for period	198 803
	<hr/> <hr/>
Fully-diluted weighted average	205 898
	<hr/> <hr/>

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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)

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