Dedicated to Value

Massmart Reviewed Results for the 52 weeks to 26 June 2011

Presentation to Investors, Analysts and Media
August 2011

Saving people money so they can live better
June 2011
Financial Performance
Brief Overview of FY2011

Income Statement:
- Steady sales & good volume growth
- Improving margins
- Effective cost control – comparable expenses +5.4%. Total expenses higher due to investing in stores & capacity
- Capex & higher inventory levels in 2H impacted net interest

Once-off costs:
- Walmart transaction
- Disposal of Makro Zimbabwe

Balance Sheet:
- Walmart transaction
- Significant capital expenditure
- Inventory at historical levels
- Supplier funding / base effect
Effect of Walmart Transaction

Transaction costs of R409m:

- Advisers R239m
- Accelerated IFRS 2 charge R70m (non-cash)
- Supplier Development Fund R100m (non-cash)
- Portion of these costs not tax deductible – artificially higher FY11 tax rate

4.8% more issued shares (9.75m). Negligible effect on weighted-ave. no. of shares (issued late June 2011)

Net cash proceeds of R243m will impact Group borrowings & interest costs (being proceeds R482m less adviser fees R239m)
Makro Zimbabwe

Decision to sell in 2010:
- Indigenisation legislation
- Required further funding to trade effectively

After two Zimbabwe regulatory delays, effective disposal in late February 2011

Loss of R38m represents funding of trading losses before & after decision to sell

Sold to local retail business
No rights to Makro name
Sales Inflation

Annual sales inflation to June 2011:

- General Merchandise: -7.8%
- Home Improvement: +0.7%
- Food & Liquor: +1.6%
- Total: -1.3%

- Recent Rand weakness, if sustained, will have some inflationary effect
- Absent dramatic Rand movement, product inflation should trend towards CPI (5%-7%)
# Sales

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
<th>Total % Chg</th>
<th>Comp % Chg</th>
<th>Inflation %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Massdiscounters</td>
<td>13 332</td>
<td>12 165</td>
<td>9.6</td>
<td>3.7</td>
<td>(7.3)</td>
</tr>
<tr>
<td>Makro</td>
<td>12 723</td>
<td>11 501</td>
<td>10.6</td>
<td>6.9</td>
<td>(0.4)</td>
</tr>
<tr>
<td>Massbuild</td>
<td>7 271</td>
<td>6 367</td>
<td>14.2</td>
<td>7.2</td>
<td>0.8</td>
</tr>
<tr>
<td>Masscash</td>
<td>19 624</td>
<td>17 418</td>
<td>12.7</td>
<td>4.1</td>
<td>2.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>52 950</strong></td>
<td><strong>47 451</strong></td>
<td><strong>11.6</strong></td>
<td><strong>5.2</strong></td>
<td><strong>(1.3)</strong></td>
</tr>
</tbody>
</table>

- Real comparable sales growth in all Divisions
- Total sales growth boosted by new stores in LY & TY, and acquisitions
- Game Africa total local sales growth 11.4% and Rand sales growth 0.9%
## Store Portfolio

<table>
<thead>
<tr>
<th></th>
<th>Massdiscounters</th>
<th>Makro</th>
<th>Massbuild</th>
<th>Masscash</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>June 10</strong></td>
<td>102</td>
<td>13</td>
<td>76</td>
<td>97</td>
<td>288</td>
</tr>
<tr>
<td><strong>Acquired</strong></td>
<td>-</td>
<td>-</td>
<td>1</td>
<td></td>
<td>3</td>
</tr>
<tr>
<td><strong>Closed</strong></td>
<td>-</td>
<td>-</td>
<td>(1)</td>
<td></td>
<td>(1)</td>
</tr>
<tr>
<td><strong>Openings</strong></td>
<td>11</td>
<td>1</td>
<td>5</td>
<td>5</td>
<td>22</td>
</tr>
<tr>
<td><strong>June 11</strong></td>
<td>113</td>
<td>14</td>
<td>81</td>
<td>105</td>
<td>313</td>
</tr>
</tbody>
</table>

- Massdiscounters: nine new Game and two Dion Wired stores.
- Massbuild: Opened three new Builders Warehouse and two Builders Express. One Trade Depot closure. One Builders Express acquired (Cedar Square)
- Masscash stores: three acquired & five Cambridge opened.
Due to Easter date move and 2010 WC Soccer, our sales trends in May to June ’11 were difficult to interpret.

Eight-week sales growth update to 21 Aug 2011:
- 13.5% total and 7.1% comparable
- Too soon for discernable trend
Gross Profit

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Profit</td>
<td>R9 668m</td>
<td>R8 495m</td>
</tr>
<tr>
<td>As % of Sales</td>
<td>18.3%</td>
<td>17.9%</td>
</tr>
</tbody>
</table>

- Higher gross margins in Massdiscounters, Makro & Massbuild
- Lower gross margins in Masscash:
  - Overall product deflation, moved into inflation in 2H
  - Highly competitive wholesale environment
- Previous Group GP%: 2008 18.4% and 2009 18.0%
### Operating Costs

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Costs</td>
<td>R7 677m</td>
<td>R6 640m</td>
</tr>
<tr>
<td>As % of Sales</td>
<td>14.5%</td>
<td>14.0%</td>
</tr>
</tbody>
</table>

- Difficult environment: Group sales inflation of -1.3% well below SA inflation of 5.0% (CPI)
- Cost control: comparable expenses up only 5.4%
- Total costs increased by 15.6%, higher than sales growth due to:
  - New stores & Massdiscounters RDC
  - Investing in Cambridge capacity
  - Acquisitions
## Employment Costs (49% of total costs)

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment Costs</td>
<td>R3 766m</td>
<td>R3 353m</td>
</tr>
<tr>
<td>As % of Sales</td>
<td>7.1%</td>
<td>7.1%</td>
</tr>
</tbody>
</table>

- Total increase 12.3%
- Comparable increase 4.7%
- A 4.3% increase in staff numbers (FTEs)
- All major 2011/12 wage negotiations settled
Occupancy Costs (22% of total costs)

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Occupancy Costs</td>
<td>R1 665m</td>
<td>R1 415m</td>
</tr>
<tr>
<td>As % of Sales</td>
<td>3.1%</td>
<td>3.0%</td>
</tr>
</tbody>
</table>

- Total increase of 17.6%. Comparable increase of 4.2%
- 6.0% net new trading space
- New Massdiscounters Gauteng RDC added R45m
- Leases comprise 69% of Occupancy costs
- Rates & services inflation remains high
Depreciation (6% of total costs)

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Depreciation</td>
<td>R476m</td>
</tr>
<tr>
<td>As % of Sales</td>
<td>0.89%</td>
<td>0.81%</td>
</tr>
</tbody>
</table>

- Increase by 24.4%
- Greater than sales growth from accelerating capital expenditure
- And as new stores’ sales lag the immediate depreciation charge
- Expected to continue ahead of sales growth due to new stores and refurbishments – especially new Makro stores in FY2012
# Other operating costs (23% of total costs)

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other costs</td>
<td>R1 759m</td>
<td>R1 486m</td>
</tr>
<tr>
<td>As % of Sales</td>
<td>3.3%</td>
<td>3.1%</td>
</tr>
</tbody>
</table>

- Total 18% increase. Comparable increase 7.2%

- Includes:
  - IT costs +27%
  - Transport costs +38%
  - Security +13%
### Forex Gains & Losses (unrealised & realised)

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Massdiscounters</td>
<td>(58.7)</td>
<td>(64.2)</td>
</tr>
<tr>
<td>Other</td>
<td>(13.6)</td>
<td>(23.5)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>(72.3)</strong></td>
<td><strong>(87.7)</strong></td>
</tr>
</tbody>
</table>

- Massdiscounters: net realised & unrealised losses from African operations’ balance sheet translation (from stronger Rand relative to FY2010)
- Other: predominantly unrealised losses from translation of other offshore monetary balances
### Divisional Trading Profit before Interest

**Rm’s**

<table>
<thead>
<tr>
<th>Division</th>
<th>2011</th>
<th>2010</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Massdiscounters</td>
<td>744.0</td>
<td>612.8</td>
<td>21.4</td>
</tr>
<tr>
<td>Masswarehouse</td>
<td>749.0</td>
<td>685.4</td>
<td>9.3</td>
</tr>
<tr>
<td>Massbuild</td>
<td>315.1</td>
<td>260.5</td>
<td>21.0</td>
</tr>
<tr>
<td>Masscash</td>
<td>374.8</td>
<td>469.1</td>
<td>(20.1)</td>
</tr>
</tbody>
</table>

**Trading Profit before Interest**

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2 182.9</td>
<td>2 027.8</td>
<td>7.6</td>
</tr>
</tbody>
</table>

Trading profit excludes foreign exchange losses & Transaction costs
## Net Interest Paid

*Rm’s*

<table>
<thead>
<tr>
<th></th>
<th>June 2011</th>
<th>June 2010</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Massdiscounters</td>
<td>38.0</td>
<td>47.6</td>
<td>(20.2)</td>
</tr>
<tr>
<td>Masswarehouse</td>
<td>54.2</td>
<td>57.8</td>
<td>(6.2)</td>
</tr>
<tr>
<td>Massbuild</td>
<td>39.6</td>
<td>31.2</td>
<td>26.9</td>
</tr>
<tr>
<td>Masscash</td>
<td>16.9</td>
<td>26.5</td>
<td>(36.2)</td>
</tr>
<tr>
<td>Corporate</td>
<td>(255.9)</td>
<td>(209.8)</td>
<td>(22.0)</td>
</tr>
<tr>
<td><strong>Total interest</strong></td>
<td><strong>(107.2)</strong></td>
<td><strong>(46.7)</strong></td>
<td><strong>(129.6)</strong></td>
</tr>
</tbody>
</table>

- Only Massbuild with better working capital management
- Corporate pays Divisions’ interest & funds Group capital expenditure
## Divisional Trading Profit after Interest

<table>
<thead>
<tr>
<th>Rm’s</th>
<th>June</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2011</td>
</tr>
<tr>
<td>Massdiscounters</td>
<td>782.0</td>
</tr>
<tr>
<td>Masswarehouse</td>
<td>803.2</td>
</tr>
<tr>
<td>Massbuild</td>
<td>354.7</td>
</tr>
<tr>
<td>Masscash</td>
<td>391.7</td>
</tr>
<tr>
<td><strong>Trading Profit before tax</strong></td>
<td><strong>2 331.6</strong></td>
</tr>
</tbody>
</table>
## Tax Charge

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total tax</td>
<td>R585m</td>
<td>R608m</td>
</tr>
<tr>
<td>Tax rate</td>
<td>38.9%</td>
<td>33.4%</td>
</tr>
</tbody>
</table>

- Excluding effect of non-deductible Transaction costs, the *normalised* tax rate is 32.6%
- Tax rate includes STC on dividends 5.6% (2010: 4.6%)
- As profits increase, Group tax rate likely to be 32%-33%
Effect of Walmart Transaction

Share capital higher R482m

After advisers’ fees, net cash proceeds R242m

Massmart share trusts always consolidated with Group results:
- Cash proceeds received 20 June 2011
- Group balance sheet shows cash proceeds of R1 094m, with corresponding liability to Trust beneficiaries
- Paid out 28 June 2011

Share trust amounts contra’d in Cash Flow statement, i.e. no effect
## Stock & Creditors

<table>
<thead>
<tr>
<th></th>
<th>June 2011</th>
<th></th>
<th>June 2010</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rms</td>
<td>Days</td>
<td>Rms</td>
<td>Days</td>
</tr>
<tr>
<td>Net Stock (1)</td>
<td>6 200</td>
<td>49.8</td>
<td>5 601</td>
<td>52.6</td>
</tr>
<tr>
<td>Trade Creditors (1)</td>
<td>7 554</td>
<td>55.9</td>
<td>7 329</td>
<td>60.4</td>
</tr>
<tr>
<td>Provisions &amp; Accruals</td>
<td>1 145</td>
<td>-</td>
<td>1 059</td>
<td>-</td>
</tr>
</tbody>
</table>

- Stock levels recovered in all Divisions
- Stock days lower in Massdiscounters, Makro & Builders Warehouse
- Creditors’ terms unchanged. Creditor funding returning to normal levels after WC Soccer lift in June 2010 (FY09 55.5 days)

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

<table>
<thead>
<tr>
<th></th>
<th>June 2011</th>
<th>June 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Trade Debtors</td>
<td>1 311</td>
<td>1 251</td>
</tr>
<tr>
<td></td>
<td>Days</td>
<td>Days</td>
</tr>
<tr>
<td></td>
<td>7.9</td>
<td>8.4</td>
</tr>
</tbody>
</table>

- Closely monitor commercial credit
- Bad debt experience steady
- RCS still doing well in Massdiscounters
- Soft-launch with RCS in Builders Warehouse
Net Capital Expenditure

<table>
<thead>
<tr>
<th></th>
<th>June 2011</th>
<th>June 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Replacement Capex</td>
<td>305</td>
<td>278</td>
</tr>
<tr>
<td>Investment Capex</td>
<td>843</td>
<td>346</td>
</tr>
<tr>
<td><strong>Total Capex</strong></td>
<td><strong>1,148</strong></td>
<td><strong>624</strong></td>
</tr>
<tr>
<td>Businesses &amp; minorities acquired</td>
<td>171</td>
<td>534</td>
</tr>
<tr>
<td><strong>Total Capital Expenditure</strong></td>
<td><strong>1,319</strong></td>
<td><strong>1,158</strong></td>
</tr>
</tbody>
</table>

- Included in Investment capex:
  - Land & buildings of R243m (FY10: R21m), includes new Makro stores (open & to be opened)
  - New stores’ plant & equip +R184m
  - Acquired businesses with four stores & one property
Group Gearing

- Average Group net gearing of R1 486m (FY10: R584m), and debt /equity ratio 39% (2010: 18%)
- Over-stocked position in 2H adversely affected gearing
- Group net gearing now R800m
- Making steady progress with property acquisitions (large stores) in Makro and Builders Warehouse – for new sites and existing leased properties
- Anticipated capital expenditure for FY2012 of R1.6bn, before any acquisitions (R700m maintenance, R900m expansionary)
## Cashflow Statement

<table>
<thead>
<tr>
<th>Rm’s</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating cashflows (excl. Transaction costs)</td>
<td>2 503</td>
<td>2 347</td>
</tr>
<tr>
<td>Working capital (retained) / released</td>
<td>(625)</td>
<td>293</td>
</tr>
<tr>
<td>Cash from Operations</td>
<td>1 878</td>
<td>2 640</td>
</tr>
<tr>
<td>Interest &amp; Tax paid</td>
<td>(703)</td>
<td>(563)</td>
</tr>
<tr>
<td>Replacement capex</td>
<td>(305)</td>
<td>(278)</td>
</tr>
<tr>
<td><strong>Free cashflow</strong></td>
<td>870</td>
<td>1 799</td>
</tr>
<tr>
<td>Transaction Costs (cash-effect)</td>
<td>(239)</td>
<td>-</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>(822)</td>
<td>(822)</td>
</tr>
<tr>
<td>Net investment capex &amp; acquisitions</td>
<td>(993)</td>
<td>(853)</td>
</tr>
<tr>
<td><strong>Cash inflow before Financing</strong></td>
<td>(1 184)</td>
<td>124</td>
</tr>
</tbody>
</table>
HEPS – Headline Earnings per Share (cents). FY11 HEPS excluding Transaction Costs

Cash EPS – Cash from Operating Activities, before dividends paid, less Maintenance Capex. And FY11 excluding Transaction Costs
ROCE = EBITA / Average Capital Employed. EBITA in FY11 excludes Transaction Costs

ROE = Headline Earnings / Average Shareholders Equity. Headline Earnings in FY11 excludes Transaction Costs
Dividend

Total dividend per share (cents) | 2011 | 2010
--- | --- | ---
386 | 386

- Despite HEPS decline, are holding total dividend at same level as FY10
- Dividend policy remains x1.7 cover on headline earnings
Highlights of the Operational Performance
### Group Operating Performance Highlights

<table>
<thead>
<tr>
<th>Metric</th>
<th>2011</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Sales growth</td>
<td>+11.6%</td>
<td>6.0% Additional space</td>
</tr>
<tr>
<td>Comparable Sales growth</td>
<td>+5.2%</td>
<td>Low inflation</td>
</tr>
<tr>
<td>Comparable store expense growth</td>
<td>+5.4%</td>
<td>Retail refurbishment programme</td>
</tr>
<tr>
<td>Increase in Trading Profit excl Forex</td>
<td>+6.4%</td>
<td>Was at -3.5% FY2010</td>
</tr>
<tr>
<td>Increase in Inventories</td>
<td>+10.7%</td>
<td>Softer Christmas; Gauteng RDC</td>
</tr>
<tr>
<td>Decrease in Cash Generated by Ops</td>
<td>-28.8%</td>
<td></td>
</tr>
<tr>
<td>Good progress with Retail Cash and Carry</td>
<td>R4.7bn</td>
<td>Annualised and including Rhino</td>
</tr>
</tbody>
</table>
Comparable store sales growth – Total Massmart

1st Half 2011

2nd Half 2011

-2% 0% 2% 4% 6% 8% 10% 12% 14%

July’11 Aug’11 Sept’11 Oct’11 Nov’11 Dec’11 Jan’11 Feb’11 March’11 April’11 May’11 June’11

8% 13% 9% 11% 5% 7% 4% 4% 8% 8% 2% 2% 1%
Total Contribution by Category

- **Home Improvement**: 13.9%
- **General Merchandise**: 33.4%
- **Food and Liquor**: 52.7%

**Inflation**
- Home Improvement: 1.6%
- Comp Sales: 7.2%
- Deflation: 7.8%

**Contribution and Performance by Category**
Divisional Performance
Massdiscounters

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>R 13 332m</td>
<td>3.7%</td>
</tr>
<tr>
<td>PBT excl Forex</td>
<td>R782m</td>
<td>18.4%</td>
</tr>
<tr>
<td>( PBT ) margin</td>
<td></td>
<td>5.9%</td>
</tr>
</tbody>
</table>

- Game SA: great performance
- Half-year over-stock addressed
- Game Africa performed reasonably in currency but went backwards in Rands
- Dion Wired had another spectacular growth ending the year with 13 stores
- New Gauteng RDC successfully commissioned and Durban RDC construction started
- 2 Game Foodco’s converted and 2 new Foodco’s opened (and Maputo converted post year-end)
- Rollout of Foodco to all stores approved
Masswarehouse

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>R 12 723m</td>
<td>10.6%</td>
</tr>
<tr>
<td>PBT</td>
<td>R803m</td>
<td>8.1%</td>
</tr>
<tr>
<td>PBT margin</td>
<td>6.3%</td>
<td></td>
</tr>
</tbody>
</table>

- Good sales performance with Food recovering in second-half
- New store in Vanderbijl successfully opened with new Fresh offering
- Comparable profits rose faster than sales - new store opening costs and higher than average new-stores rentals
- Construction on 3 new stores in Milnerton, Nelspruit and Polokwane started
- Offer for Fruitspot made and submitted to Competition Commission – access to sourcing and distribution of Fruit and Vegetables
- Work progressing on new stores in Jhb North and East, Durban North and Cape Town North
- Makro Zimbabwe sold
Massbuild

<table>
<thead>
<tr>
<th>2011</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>R7 271m</td>
</tr>
<tr>
<td>PBT</td>
<td>R355m</td>
</tr>
<tr>
<td>PBT margin</td>
<td>4.9%</td>
</tr>
</tbody>
</table>

- Another good performance from Warehouse – taking market share
- Express model proving successful accessing smaller markets
- Depot still struggling in poor market but relatively stable
- Massbuild consolidation completed – one head office
- Construction and system preparation started on first store outside SA in Gaborone
- Progress on sites in other SADC markets
- Regional Distribution Strategy approved and first RFP issued
Masscash

<table>
<thead>
<tr>
<th>2011</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>R19 624m</td>
</tr>
<tr>
<td>PBT</td>
<td>R392m</td>
</tr>
<tr>
<td>PBT margin</td>
<td></td>
</tr>
</tbody>
</table>

- **Wholesale**
  - General pressure from low inflation and high unemployment
  - Business distracted by new system implementation
  - Good progress on Franchise rollout (Saverite >100 stores)

- **Retail**
  - Good performance at store level
  - Investment in overheads ahead of sales on National and Regional management teams
  - Gauteng ambient RDC opened
  - Majority of stores converted to Cambridge Brand (once off costs)
  - Work begun on single system rollout
  - Good progress on new store pipeline
  - Offer made on Rhino and submitted to Competition Commission (very slow)
Environment
Environment

- Developed world economies in bad shape, low growth for a while
- Emerging markets the place to be
- SA GDP growth appears to be low but solid
- Inflation for the year low, but increasing, particularly in food
- Interest rates low – uncertainty about direction
- Political environment not positive
- Youth unemployment a global problem
- African politics and economics in a mixed state
Environment – Competitive Retail

- Retail market:
  - Still in a low inflation, low interest rate cycle
  - National Retail sales data confusing
  - July and August numbers important
  - Food inflation on the rise, if Rand weakens it will run
  - Durables reasonably solid despite deflation
  - Semi-Durables solid
  - Non-Durables very competitive
  - Housing and building market bad

- Massmart performance was affected by:
  - Very strong performance in GM and HI
  - Market share gains in GM and HI
  - Food inflation turning positive
  - Gross Margins improving – but trading aggressively
  - Food Retail, investment ahead of the curve and therefore cost growth is high
  - Improving Supply Chain
  - Poor Africa performance in Rands
Environment

- **Challenges**
  - Unions wage demands in contradiction of National focus on job creation
  - Local Manufacturing and supply-chain being disrupted by the numerous local strikes – affecting sustainability
  - Inefficiency of bureaucracy - Council, liquor licences, services, regulatory approval – all slowing growth
  - Rising cost of doing business – local taxes, energy, transport, NHI etc.
  - Increasing levels of regulatory complexity
Update on Walmart transaction
Update on Walmart Transaction

- Competition Approval granted on the 28\textsuperscript{th} May 2011 with four Voluntary Conditions
  - No transaction-related retrenchments for 2 years
  - No challenge to Union recognition for 3 years
  - First right of re-employment to 503 retrenched employees
  - R100m supplier development commitment over 3 years
- Deal became effective 20\textsuperscript{th} June 2011
- New Board structure implemented and has met twice
  - Doug McMillon
  - Jeff Davis
  - JP Suarez
Update on Walmart Transaction

Doug McMillon
President & CEO, Walmart Int.
Update on Walmart Transaction

Jeff Davis
Snr. Vice President & Treasurer, Walmart Int.
Update on Walmart Transaction

JP Suarez
Update on Walmart Transaction

- Competition Approval granted on the 28th May 2011 with four Voluntary Conditions
  - No transaction-related retrenchments for 2 years
  - No challenge to Union recognition for 3 years
  - First right of re-employment to 503 retrenched employees
  - R100m supplier development commitment over 3 years
- Deal became effective 20th June 2011
- New Board structure implemented and has met twice
- Three Departments of Government submitted request for review 14 days after Review Deadline (need for condonation)
- Saccawu submitted request for appeal
- Namibian Competition Commission appeal unconditional approval
- SA Competition Appeal hearing set down for 20/21 October
- Namibian Appeal set down for 17th October
- Our preparations well advanced
Update on Integration
Update on Integration

- 12 person Expatriate Team and their families on the ground in SA
- 8 person Massmart Channel team (under the leadership of Graham Rebello) merged with Expatriate team to form the Integration team
- Integration Executive Don Frieson and General Counsel Michael Spivey appointed to the Executive Committee
- First phase on Integration, Evaluation almost complete
- Next phase is implementation
- 50 Co-owners spent three weeks in country evaluating 155 toolkit implementations with Massmart Business Owners
- Toolkits grouped into Governance, Culture and Value
- Launch advert successful with estimated savings of over R20m for customers
- More promotions being planned
Update on Integration - Conditions

- Union recognition condition was already implemented
- No transaction related retrenchments were contemplated
- Mncane Mthunzi appointed as Supplier Development Executive to oversee R100m program. Commences 1st September, 2011
Update on Integration - Conditions

- Will lead the R100m Supplier Development Program that we agreed to as a condition of the Massmart/Walmart merger.

- Responsible for our commitment to the development of Local Manufacturers, Local Farmers, SMME's and BEE suppliers.

- Currently Chief Executive Officer of Consumer Goods Council of South Africa (CGCSA)

- Former Managing Director of the Black Management Forum (BMF)

- Wide range of industry experience including Transport, Industrial Products, Retail, Telecommunications, Broadcasting, Information Technology and Government.

Mncane Mthunzi
Group Supplier Dev. Exec.
Update on Integration - Conditions

- Union recognition condition was already implemented
- No transaction related retrenchments has been implemented
- Mncane Mthunzi appointed as Supplier Development Executive to oversee R100m program. Commences 1st September 2011
- Process begun on 503 retrenched employees
Vision for Growth 2014
Vision for Growth 2014

- Leadership and Transformation
- Growth of the core business
- Organic growth
- New formats and categories
- Integration (New)
- Customer 2.0
- Sustainability
Vision for Growth 2013 - update

- Five Game Foodco’s – next one in Rosebank – should be 20 by year-end
- Now have 3 RDC’s – should have 4 by year-end
- Fresh Strategies complete in all Divisions
- Initial performance of Cambridge, Foodco and Makro Fresh encouraging – lots of work to do
- Size of Food Retail prize – Initial work confirms our current market share is about 10% (of R250bn) and we have the opportunity over the next 5 years to take that to between 15% and 20%.
- Builders Warehouse will roll out Major appliances - will focus on Gas
- Opened Game Lilongwe in Malawi
- Good start to Integration
- Rhino acquisition (the last large independent retail group) awaiting CC
- Fruitspot acquisition awaiting CC – gives us access to supply
- Slow progress on Customer 2.0, but our focus will return this year
- Good progress on EE with the appointment of 3 Director-level Black Executives and another great intake of Graduates
Update on Vision for Growth 2013

- Growth
  - Trading space planned growth (including store acquisitions):
    - 2011 – 8.0% (6.0%)
    - 2012 – 8.0%
    - 2013 – 8.0%

- New stores 2011 – (including store acquisitions)
  - 30 (26) stores:
    - 11 (9) Game, 3 (2) Dion Wired
    - 1 (1) Makro
    - 0 (1) Wholesale Cash and Carry
    - 10 (7) Retail Cash and Carry
    - 3 (3) Builders Warehouse, 2 (3) Builders Express, 0 (0) Builders Trade Depot
Vision for Growth 2014

- **Growth**
  - Trading space planned growth (including store acquisitions):
    - 2012 – 9.0%
    - 2013 – 8.0%
    - 2014 – 8.0%

- **New stores 2012** – (including store acquisitions)
  - 27 stores:
    - 12 Game, 3 Dion Wired
    - 2 Makro
    - 2 Wholesale Cash and Carry
    - 6 Retail Cash and Carry
    - 1 Builders Warehouse, 1 Builders Express, 0 Builders Trade Depot
Risks & Prospects
Massmart’s 2012 Prospects

- 8 Week to 21st August comparable stores sales growth 7.0%
- Benefits and costs of Integration expected to be neutral for FY2012
- We will continue to invest for market share gains in Food Retail
- Africa expected to perform better this year
- Inflation rising – question about interest rates
- Global economic and SA political environment difficult
- Expect a solid performance
Comparable store sales growth – Total Massmart

1st Half 2011

- July '10: 8%
- Aug '10: 13%
- Sept '10: 9%
- Oct '10: 11%
- Nov '10: 9%
- Dec '10: 7%
- Jan '11: 4%
- Feb '11: 4%
- March '11: 8%
- April '11: 8%
- May '11: 3%
- June '11: 2%
- July '11: 9%
- August '11: 7%

2nd Half 2011

- July '11: 1%
- August '11: -1%
Risks

- Volatility of Rand – effect on Food inflation
- Local and Provincial Government service costs and taxes
- Legislative environment
- Increasing tax burden on business – e.g. NHI
- Transaction Appeal Process
- Impact on Nationalisation and Expropriation Debate on FDI and therefore economy
- Global economy
Conclusion
Conclusion

- Successful Regulatory approval of the Transaction
- Satisfactory trading performance for the year
- Good progress on growth and strategy implementation
- Very busy year ahead
- Integration benefits from 2013
- Good growth opportunities in the medium to long-term
Thank You & Questions?
Additional Financial Data
### Headline Tax Rate Reconciliation

<table>
<thead>
<tr>
<th></th>
<th>June 2011</th>
<th>June 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard tax rate</td>
<td>28.0</td>
<td>28.0</td>
</tr>
<tr>
<td>Disallowed expenses</td>
<td>10.7</td>
<td>3.5</td>
</tr>
<tr>
<td>Exempt income</td>
<td>(0.4)</td>
<td>(0.1)</td>
</tr>
<tr>
<td>Foreign income</td>
<td>(1.6)</td>
<td>(0.8)</td>
</tr>
<tr>
<td>Prior year</td>
<td>(1.4)</td>
<td>(1.2)</td>
</tr>
<tr>
<td>STC</td>
<td>5.6</td>
<td>4.6</td>
</tr>
<tr>
<td>Other</td>
<td>(2.0)</td>
<td>(0.6)</td>
</tr>
<tr>
<td><strong>Group tax rate</strong></td>
<td><strong>38.9</strong></td>
<td><strong>33.4</strong></td>
</tr>
</tbody>
</table>
## Analysis of Tax Charge

<table>
<thead>
<tr>
<th></th>
<th>June 2011</th>
<th>June 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>SA tax</td>
<td>488.3</td>
<td>462.8</td>
</tr>
<tr>
<td>STC</td>
<td>83.9</td>
<td>68.2</td>
</tr>
<tr>
<td>Deferred tax</td>
<td>(35.0)</td>
<td>63.2</td>
</tr>
<tr>
<td>Foreign tax</td>
<td>48.5</td>
<td>31.5</td>
</tr>
<tr>
<td>Foreign deferred tax</td>
<td>(0.4)</td>
<td>(17.5)</td>
</tr>
<tr>
<td><strong>Income Statement Charge</strong></td>
<td><strong>585.3</strong></td>
<td><strong>608.2</strong></td>
</tr>
</tbody>
</table>
## Capital Expenditure

<table>
<thead>
<tr>
<th></th>
<th>June 2011</th>
<th>June 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rm’s</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land &amp; buildings</td>
<td>243.3</td>
<td>21.2</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>92.9</td>
<td>29.3</td>
</tr>
<tr>
<td>PPE</td>
<td>567.6</td>
<td>365.4</td>
</tr>
<tr>
<td>Computers</td>
<td>235.9</td>
<td>176.8</td>
</tr>
<tr>
<td>Motor vehicles</td>
<td>48.8</td>
<td>37.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1 188.5</strong></td>
<td><strong>630.1</strong></td>
</tr>
</tbody>
</table>

2012 Budget Capex R1.6bn

These figures exclude acquisitions
## Headline Earnings Reconciliation

<table>
<thead>
<tr>
<th></th>
<th>June 2010</th>
<th>June 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attributable earnings</td>
<td>838.7</td>
<td>1 129.9</td>
</tr>
<tr>
<td>Impairment of assets</td>
<td>10</td>
<td>3.7</td>
</tr>
<tr>
<td>Profit / Loss on fixed asset disposals</td>
<td>(2.9)</td>
<td>0.6</td>
</tr>
<tr>
<td>Loss on sale of business</td>
<td>34.9</td>
<td>5.3</td>
</tr>
<tr>
<td>Tax effects on adjustments</td>
<td>1.2</td>
<td>(0.9)</td>
</tr>
<tr>
<td><strong>Headline earnings</strong></td>
<td><strong>881.9</strong></td>
<td><strong>1 138.6</strong></td>
</tr>
</tbody>
</table>
## Number of Shares

<table>
<thead>
<tr>
<th></th>
<th>(000’s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>At June 2010</td>
<td>201 496</td>
</tr>
<tr>
<td>Shares issued</td>
<td>12 387</td>
</tr>
<tr>
<td>At June 2011</td>
<td>213 883</td>
</tr>
<tr>
<td>Weighted-average for period</td>
<td>203 516</td>
</tr>
<tr>
<td>Fully-diluted weighted average</td>
<td>216 425</td>
</tr>
</tbody>
</table>

IAS 33 requires the fully-diluted weighted-average shares calculation to be based on the extent to which the BEE shares are in-the-money. This must take into account the strike price, the associated IFRS 2 charge and average annual share price for the past financial year. This calculation produces the additional 2.5m shares that are included in the fully-diluted weighted-average number of shares.
Trading Space

- Net new space 72 116m²
  - Opened and acquired 93 369m²
  - Closed or sold 21 253m²
- June 2011 trading space 1 280 936m²
- 6.0% net space growth (unweighted)
Targets

Group Annual ROS > 5.5%

Int-bearing Debt : Equity < 30%

Return on Capital Employed (ROCE) > 45%

Return on Equity > 35%

ROS = PBT / Sales
ROCE = EBITA / Average capital employed, excluding goodwill and deferred tax assets
ROE = Headline Earnings / Average shareholders equity, excluding goodwill and deferred tax assets
ROCE is not same as the Walmart-defined ROIC (return on invested capital)
Dedicated to Value

Dedicated to Shareholder Value

www.massmart.co.za