MASSMART Walmart

REVIEWED CONSOLIDATED RESULTS FOR THE 26 WEEKS ENDED 23 JUNE 2013

Massmart is a managed portfolio of four divisions, each focused on high-volume, low-margin, low-cost distribution of mainly branded consumer goods for cash, in 12 countries in sub-Saharan Africa comprising 359 stores. The Group is the second largest distributor of consumer goods in Africa, the leading retailer of general merchandise, liquor and home improvement equipment and supplies, and the leading wholesaler of basic foods.

OVERVIEW

For the 26 weeks ended 23 June 2013, Massmart's total sales increased by 8.9% over the prior comparable period (being the 26 weeks to June 2012) while comparable sales increased by 5.5%. This level of comparable sales growth was inadequate to cover expense growth and consequently Group operating profit, excluding foreign exchange movements, was 1.0% below last year's equivalent figure. A large positive swing in foreign exchange movements however, caused headline earnings to increase by 51.9%. Excluding foreign exchange, headline earnings declined by 9.4%.

Period-weighted product inflation was 2.9% reflecting positive sales volume growth for the Group. As noted in our regular sales updates, the Group's sales growth slowed throughout the period. There seems to be a clear pattern in the South African economy that whilst all income groups are under some form of spending pressure, this becomes more severe as one moves down income levels. Our lower-income brands have therefore done worse than our higher-income brands. Cash utilised in operations improved to R0.6 billion in the period (June 2012: utilised R0.9 billion). Most of management's focus is on maintaining market shares and reducing costs. The remainder of our focus is in implementing our Strategic Priorities.

ENVIRONMENT

With most South African GDP forecasts for 2013 being revised downwards, it is clear that economic growth is declining and is below the level required to mitigate the high unemployment rate. The middle to lower consumer economy is being further burdened by sharply rising costs of energy and services, over indebtedness, and tightening credit extension by unsecured lenders. These factors provide an unfortunate backdrop to aggressive demands by organised labour, which in the absence of a more reasoned approach will perpetuate the economic challenges. Disposable income levels are fragile.

There is also little on the macro-economic horizon that suggests any improvement, other than the annualisation of the marked slowdown in September last year. Upcoming election periods traditionally detract focus from the core economic issues. The weaker Rand should translate into higher product inflation, although demand weakness should mitigate this to some extent.

Retailers will respond differently to the slowdown, but total retail capacity needs to be reduced, competition for market share will increase, and new avenues for growth need to be found. E-commerce is making prices more transparent. Regulation and steep increases in administered prices are making delivering consumer value more expensive.

DIVISIONAL OPERATIONAL REVIEW

MASSDISCOUNTERS

Comprises the 117-store General Merchandise discounter and Food retailer Game, which trades in South Africa, Botswana, Ghana, Lesotho, Malawi, Mozambique, Namibia, Nigeria, Tanzania, Uganda and Zambia; and the 19-store Hi-tech retailer DionWired.

Divisional comparable sales increased by 3.7% with product inflation of 0.5%, and total sales increased by 9.0%. Critically, Game South Africa's comparable sales growth was only 1.0% which caused severe pressure on profitability and so Massdiscounters' trading profit before interest and tax decreased by 39.6%. There was also cost pressure from the first-time R38.2 million costs of the third regional distribution centre which opened in Durban in July 2012. The roll-out of Dry Groceries and Fresh continues with 31 stores now offering Fresh, and Food sales growth in comparable stores is exceptionally strong. Game Africa and DionWired performed well, with operating profit increasing just below sales growth in both businesses. DionWired's total sales growth was 23.7%. Game Africa's total Rand sales and sales in local currencies increased by 16.0% and by 14.3% respectively.

Three Game stores were opened, increasing space by 13,221 m² (3.0%).

MASSWAREHOUSE

Comprises the 19-store Makro warehouse-club trading in Food, General Merchandise and Liquor in South Africa; and Fruitspot.

Divisional comparable sales increased by 6.9% with product inflation of 2.6%, and total sales grew by 13.7%. Despite trading well in a very competitive environment, which came with some margin pressure, Makro's trading profit before interest and tax decreased marginally by 0.9%. Whilst the new Alberton store, opened in April 2013, made a small positive net profit contribution, this does include R15.2 million of pre-opening costs.

One store was opened, increasing space by 12,550 m² (7.0%).

MASSBUILD

Comprises 80 stores, trading in DIY, Home Improvement and Building Materials, under the Builders Warehouse, Builders Express and Builders Trade Depot brands in South Africa and Botswana.

Divisional comparable sales increased by 9.0% with product inflation of 3.1%, and total sales increased by 9.0%. All three businesses traded very well but the cost-drag of approximately R19.7 million from the opening of the first Massbuild regional distribution centre in April 2013 caused trading profit before interest and tax to increase by only 1.7%. Builders Warehouse and Builders Express both grew operating profit ahead of sales growth, an exceptional performance in a tough market. Builders Trade Depot is being refocused to 20 larger stores supplying building materials and roof trusses, and it too grew operating profit well ahead of sales growth.

One Builders Warehouse store was opened; two Builders Express stores and three Builders Trade Depot stores were closed; and one Builders Trade Depot store was sold, resulting in net trading space decreasing by 10,496 m² (2.7%).

MASSCASH

Comprises 80 Wholesale Cash and Carry and 44 Retail Cash and Carry stores trading in South Africa, Botswana, Lesotho, Mozambique, Namibia and Swaziland; and Shield, a voluntary buying association.

Divisional comparable sales increased by 4.2% with product inflation of 4.6%. Total sales increased by 5.6%, slightly bolstered by the Rhino acquisition in March 2012. Margin pressure was intense in the Wholesale business as the now independently owned ex-Metro stores fought for market share. Despite good cost control, the Masscash trading profit before interest and tax decreased by 13.5%. We opened our first Mozambique wholesale store in Xai Xai in April 2013 and are seeing positive trading trends. Following the successful roll-out of a new in-store IT system in our Johannesburg stores and distribution centre during this period, the Retail business now operates off one common IT platform. With this distraction behind us, we can focus on same-store and new-store sales growth and improving profitability.

One Retail store and one Wholesale store were opened and one Retail store was closed. Net trading space increased by 6,777 m² (1.7%).

Rm	**26 weeks June 2013 (Reviewed)**	*% of sales*	26 weeks June 2012 (Reviewed)	*% of sales*	*Period % growth*	*Comparable % sales growth*	*Estimated % sales inflation*	26 weeks December 2012 (Audited)	*% of sales*
Sales	**32,369.4**		29,716.9		8.9	5.5	2.9	36,122.6	
Massdiscounters	**7,618.1**		6,986.5		*9.0*	*3.7*	*0.5*	8,422.1	
Masswarehouse	**8,608.9**		7,570.7		*13.7*	*6.9*	*2.6*	9,630.2	
Massbuild	**4,246.9**		3,897.9		*9.0*	*9.0*	*3.1*	4,663.1	
Masscash	**11,895.5**		11,261.8		*5.6*	*4.2*	*4.6*	13,407.2	
Trading profit before interest and tax	**814.9**	*2.5*	929.6	*3.1*	*(12.3)*			1,427.1	*4.0*
Massdiscounters	**151.8**	*2.0*	251.5	*3.6*	*(39.6)*			426.5	*5.1*
Masswarehouse	**394.7**	*4.6*	398.3	*5.3*	*(0.9)*			518.1	*5.4*
Massbuild	**176.9**	*4.2*	174.0	*4.5*	*1.7*			271.0	*5.8*
Masscash	**91.5**	*0.8*	105.8	*0.9*	*(13.5)*			211.5	*1.6*

Trading profit excludes several items. A detailed reconciliation between trading and operating profit can be found below the 'Headline earnings' table on page three.

FINANCIAL REVIEW

Statement of comprehensive income

Total Group sales growth for the 26 weeks ended 23 June 2013 was 8.9% with comparable sales growth of 5.5%. Sales in our African businesses represented 7.6% of total sales and increased by 10.7% in Rands and 8.4% in local currencies.

The Group's product inflation was 2.9% for the period equating to a real comparable volume growth of 2.6%. General Merchandise's inflation decreased to 0.2%, Food and Liquor's inflation decreased to 4.4% and Home Improvement inflation increased to 3.1%.

During the period, six stores were closed, one store was sold and seven stores were opened, resulting in a total of 359 stores at June 2013. Net trading space increased by 1.6% to a total of 1,435,625 m^2.

The Group's gross margin of 18.73% is lower than that of the prior period of 19.10%. This is a result of a combination of a higher Africa contribution in Massdiscounters and improved performance in Massbuild, offset by the difficult trading conditions in Wholesale Food and a greater Food Contribution at a lower margin.

Total expenses (excluding foreign exchange movements) increased by 7.8%. Employment costs, the Group's most significant cost, increased by 16.2%. The impact of the Group's continued investment in capacity and growth can be seen in the 12.2% higher depreciation and amortisation charge and 13.5% increase in occupancy costs. The increase relates to the opening of the new Massdiscounters Regional Distribution Centre, the opening of the Massbuild National Distribution Centre and the opening of the new stores. During the period pre-opening costs amounted to R39.3 million. Comparable expenses increased by 8.8%.

Included in operating profit are net realised and unrealised foreign exchange gains of R133.8 million (June 2012: R154.9 million loss). During the six months, the Rand weakened significantly against the Group's basket of African currencies. The loss in the prior year related in the most part to the devaluation of the Malawian Kwacha.

Excluding foreign exchange movements, earnings before interest, tax, depreciation and amortisation (EBITDA) of R1.1 billion increased over the prior period by 1.4%.

Net interest paid of R124.3 million increased as a result of the Group's capital expenditure programme and higher working capital levels. At R3.5 billion, the Group's average borrowings are higher than the prior period's figure of R1.9 billion. The higher interest charge is due to the R0.6 billion funding for the acquisition of seven Makro properties discussed below and due to some inefficiencies in working capital.

The Group's effective tax rate of 31.1% (June 2012: 40.2%) should normalise at 30.0%.

The minority interests comprise store managers' holdings in Masscash stores and minorities in acquired Masscash businesses. This period's figure has been affected by the prior year sale of Kawena and the acquisition of several store managers' minority interests in Masscash Wholesale.

Headline earnings increased by 51.9% and headline EPS increased by 51.2%. Adjusting for the effect of the foreign exchange movements in both periods however, shows a decrease of 9.4% and 9.9% respectively.

Statement of financial position

Working capital was managed effectively in Massbuild and Masscash, while Massdiscounters is overstocked given the lower sales in Game SA and Makro is carrying higher stock levels from its new stores. Days in inventory at June 2013 were 62.4 (June 2012: 57.8 days) for the Group.

The net book value of property, plant and equipment increased by 57.0% compared to June 2012. This was largely the result of the acquisition of seven Makro stores.

The Group's gearing ratio (debt:equity) increased to 66.0% (June 2012: 47.3%).

The annual rolling return on equity was 26.6% at June 2013 (June 2012: 29.2%). Excluding foreign exchange movements, this figure was 25.7% (June 2012: 30.5%).

Statement of cash flows

Operating cash utilised of R0.6 billion is a reflection of the increased levels of inventory in the Group. Total capital expenditure of R1.2 billion is 35.6% higher than the prior period, and comprises R257.7 million on replacement and R971.5 million on expansionary expenditure. This increase is mainly as a result of the acquisition of seven Makro stores.

Change in Financial Year-end and Reviewed Financial Information

To align with Walmart (the Group's Holding Company), with effect from the last reporting cycle Massmart has changed its financial year from the end of June to the end of December.

Acquisition of Makro Stores

With effect from the end of January 2013, Massmart acquired control of seven Makro stores. The cash consideration paid for control amounted to R575 million. The income statement effect of this transaction has been neutral to date and we expect it to become positive with significant annual cash flow benefits.

STRATEGIC PRIORITIES

We completed our annual three-year planning process, which was approved by the Board in May 2013, and have five priorities.

The first recognises that as a result of our huge investment programme over the past few years, our depreciation and occupancy costs combined have increased by 1% of sales, and that we need to adjust our future investment programme to reduce our costs by this amount.

The second is that we will focus on a more disciplined implementation of our Divisional Strategies targeting operating disciplines and putting the customer first.

The third is to upweight our focus and increase resources on ex-South Africa growth, which will include shutting underperforming stores in South Africa.

The fourth is to deliver on category innovation in Fresh, Clothing and e-commerce.

The fifth is to consolidate our accountability programmes in Supplier Development, Governance, Sustainability and Compliance with the intention of building trust with our Stakeholders.

PROSPECTS

For the 34 weeks to 18 August 2013, total sales increased by 9.2% and comparable sales increased by 5.3%, continuing the trends experienced towards the close of the financial period.

We believe that the remainder of the year will continue to see sales under pressure, with the potential upside being the annualising of the slowdown which started in September 2012. Any improvement in earnings in the short term will be dependent on our ability to reduce costs. Any market share gains will be as a result of superior retail offerings.

The financial information on which this outlook statement is based has not been reviewed or reported on by the Company's external auditors.

Shareholders' attention is drawn to the fact that the full financial year will be a 53-week period.

DISTRIBUTION AND DIVIDEND POLICY

Massmart's dividend policy is to declare and pay an interim and final cash dividend representing a 1.55 times dividend cover unless circumstances dictate otherwise. There were no STC credits available for use as part of this declaration. The number of shares in issue at the date of this declaration is 217,039,311.

Notice is hereby given that a gross interim cash dividend of 146.00 cents per share in respect of the period ended 23 June 2013 has been declared. The dividend has been declared out of income reserves and will be subject to the Dividend Tax rate of 15% which will result in a net dividend of 124.10 cents per share to those shareholders who are not exempt from paying Dividend Tax. Massmart's tax reference number is 9900/196/71/9.

The salient dates relating to the payment of the dividend are as follows:

Last day to trade *cum* dividend on the JSE:	Friday, 6 September 2013
First trading day *ex* dividend on the JSE:	Monday, 9 September 2013
Record date:	Friday, 13 September 2013
Payment date:	Monday, 16 September 2013

Share certificates may not be dematerialised or rematerialised between Monday, 9 September 2013 and Friday, 13 September 2013, both days inclusive.

Massmart shareholders who hold Massmart ordinary shares in certificated form ("certificated shareholders") should note that dividends will be paid by cheque and by means of an electronic funds transfer ("EFT") method. Where the dividend payable to a particular certificated shareholder is less than R100, the dividend will be paid by EFT only to such certificated shareholder. Certificated shareholders who do not have access to any EFT facilities are advised to contact the Company's transfer secretaries, Computershare Investor Services at Ground Floor, 70 Marshall Street, Johannesburg, 2001, PO Box 61051, Marshalltown, 2107, on (011) 370 5000, or on 086 110 09818 (fax), in order to make the necessary arrangements to take delivery of the proceeds of their dividend.

Massmart shareholders who hold Massmart ordinary shares in dematerialised form will have their accounts held at their CSDP or broker credited electronically with the proceeds of their dividend.

On behalf of the Board

Grant Pattison	**Guy Hayward**	**Ilan Zwarenstein**
Chief Executive Officer	Chief Operating Officer	Group Financial Director

21 August 2013

UP BY 8.9% **R32,369 million** SALES 2012: R29,717 million	DOWN BY 1.0% **R730 million** OPERATING PROFIT BEFORE FOREX 2012: R738 million	UP BY 30.3% **R635 million** CASH UTILISED BY OPERATIONS 2012: R911 million	DOWN BY 9.4% **R392 million** HEADLINE EARNINGS BEFORE FOREX 2012: R433 million	DOWN BY 9.9% **181 cents** HEADLINE EPS BEFORE FOREX 2012: 201 cents	**146 cents** DIVIDEND PER SHARE 2012: 146 cents

CONDENSED CONSOLIDATED INCOME STATEMENT

Rm	**26 weeks June 2013 (Reviewed)**	26 weeks June 2012 (Reviewed)	*% change*	26 weeks December 2012 (Audited)
Revenue	**32,466.0**	29,815.8	*8.9*	36,234.5
Sales	**32,369.4**	29,716.9	*8.9*	36,122.6
Cost of sales	**(26,306.4)**	(24,039.8)	*(9.4)*	(29,523.2)
Gross profit	**6,063.0**	5,677.1	*6.8*	6,599.4
Other income	**96.6**	98.9	*(2.3)*	111.9
Depreciation and amortisation	**(357.4)**	(318.6)	*(12.2)*	(342.6)
Impairment of assets (note 3)	**–**	(16.2)		(5.4)
Employment costs	**(2,555.8)**	(2,199.0)	*(16.2)*	(2,487.5)
Occupancy costs	**(1,215.2)**	(1,070.9)	*(13.5)*	(1,225.6)
Foreign exchange profit/(loss)	**133.8**	(154.9)		(76.7)
Walmart transaction, integration and related costs (note 4)	**–**	(143.7)		(205.2)
Other operating costs	**(1,300.9)**	(1,289.8)	*(0.9)*	(1,243.2)
Operating profit	**864.1**	582.9	*48.2*	1,125.1
Finance costs	**(142.0)**	(111.4)	*(27.5)*	(106.0)
Finance income	**17.7**	44.4	*(60.1)*	45.6
Net finance costs	**(124.3)**	(67.0)	*(85.5)*	(60.4)
Profit before taxation	**739.8**	515.9	*43.4*	1,064.7
Taxation	**(230.2)**	(207.3)	*(11.0)*	(342.3)
Profit for the period	**509.6**	308.6	*65.1*	722.4
Profit attributable to:				
Owners of the parent	**481.5**	280.5		691.8
Preference shareholders (note 5)	**–**	3.6		1.4
Non-controlling interests	**28.1**	24.5		29.2
Profit for the period	**509.6**	308.6	*65.1*	722.4
Basic EPS (cents)	**222.0**	129.9	*70.9*	319.7
Diluted basic EPS (cents)	**219.4**	127.7	*71.8*	315.4
Dividend (cents):				
– Interim	**146.0**	–		–
– Final	**–**	146.0		275.0
– Total	**146.0**	146.0	–	275.0

HEADLINE EARNINGS

Reconciliation of net profit for the period to headline earnings				
Net profit attributable to owners of the parent	**481.5**	280.5		691.8
Impairment of assets (note 3)	**–**	16.2		5.4
Loss on disposal of fixed assets	**7.9**	10.2		6.2
Loss on disposal of business	**1.8**	12.1		4.4
Fair value adjustment on assets classified as held for sale	**–**	7.9		0.4
Total tax effects of adjustments	**(2.7)**	(5.4)		(2.7)
Headline earnings	**488.5**	321.5	*51.9*	705.5
Headline earnings before foreign exchange (taxed)	**392.2**	433.0	*(9.4)*	760.7
Headline EPS (cents)	**225.2**	148.9	*51.2*	326.0
Headline EPS before foreign exchange (taxed) (cents)	**180.8**	200.6	*(9.9)*	351.5
Diluted headline EPS (cents)	**222.6**	146.4	*52.0*	321.7
Diluted headline EPS before foreign exchange (taxed) (cents)	**178.7**	197.1	*(9.3)*	346.9

RECONCILIATION BETWEEN TRADING AND OPERATING PROFIT

Profit before interest and taxation				
Trading profit before interest and taxation	**814.9**	929.6	*(12.3)*	1 427.1
Asset impairments (note 3)	**–**	(16.2)		(5.4)
Walmart transaction, integration and related costs (note 4)	**(74.9)**	(143.7)		(205.2)
Loss on disposal of business	**(1.8)**	(12.1)		(4.4)
Fair value adjustment on assets classified as held for sale	**–**	(7.9)		(0.4)
BEE transaction IFRS 2 charge (note 6)	**(7.9)**	(11.9)		(9.9)
Foreign exchange profit/(loss)	**133.8**	(154.9)		(76.7)
Operating profit before interest and taxation	**864.1**	582.9	*48.2*	1 125.1

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Rm	**26 weeks June 2013 (Reviewed)**	26 weeks June 2012 (Reviewed)	*% change*	26 weeks December 2012 (Audited)
Profit for the period	**509.6**	308.6		722.4
Items that will not be re-classified subsequently to the income statement	**–**	–		–
Items that will be re-classified subsequently to the income statement:				
Foreign currency translation reserve	**4.8**	(19.1)		25.1
Cash flow hedges	**48.7**	(4.9)		(5.8)
Revaluation of listed shares	**(0.1)**	0.1		1.6
Revaluation of available for sale investments	**6.4**	–		–
Income tax relating to components of other comprehensive income	**(13.6)**	1.3		1.6
Other comprehensive income for the year, net of tax	**46.2**	(22.6)		22.5
Total comprehensive income for the period	**555.8**	286.0	*94.3*	744.9
Total comprehensive income attributable to:				
Owners of the parent	**527.7**	257.9		714.3
Preference shareholders (note 5)	**–**	3.6		1.4
Non-controlling interests	**28.1**	24.5		29.2
Total comprehensive income for the period	**555.8**	286.0	*94.3*	744.9

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Rm	**June 2013 (Reviewed)**	June 2012 (Reviewed)	*% change*	December 2012 (Audited)
ASSETS				
Non-current assets	**9,335.8**	7,175.8		7,595.1
Property, plant and equipment	**5,525.7**	3,520.6	*57.0*	3,868.2
Goodwill and other intangible assets	**2,970.8**	2,868.5		2,945.3
Investments and loans	**247.3**	456.5		385.3
Deferred taxation	**592.0**	330.2		396.3
Current assets	**13,434.4**	11,895.9		15,422.2
Inventories	**8,991.2**	7,615.6	*18.1*	9,691.5
Trade, other receivables and prepayments	**3,228.6**	2,953.9	*9.3*	3,681.7
Taxation	**25.6**	21.0		17.0
Cash and bank balances	**1,189.0**	1,305.4		2,032.0
Non-current assets classified as held for sale	**–**	103.2		2.5
Total	**22,770.2**	19,174.9		23,019.8
EQUITY AND LIABILITIES				
Total equity	**4,802.1**	4,564.8		4,915.3
Equity attributable to equity holders of the parent	**4,628.9**	4,356.9	*6.2*	4,739.7
Non-controlling interests	**173.2**	207.9		175.6
Non-current liabilities	**2,102.0**	1,486.0		1,183.4
Long-term interest-bearing borrowings	**1,101.7**	852.7		671.8
Other non-current liabilities and provisions (note 7)	**931.5**	604.8		474.9
Deferred taxation	**68.8**	28.5		36.7
Current liabilities	**15,866.1**	12,982.2		16,921.1
Trade, other payables and provisions	**12,845.9**	11,441.7	*12.3*	15,669.3
Taxation	**327.4**	259.0		298.5
Bank overdrafts	**2,208.2**	632.6		392.1
Short-term interest-bearing borrowings	**484.6**	648.9		561.2
Liabilities associated to assets classified as held for sale	**–**	141.9		–
Total	**22,770.2**	19,174.9		23,019.8

ADDITIONAL INFORMATION

	26 weeks June 2013 (Reviewed)	26 weeks June 2012 (Reviewed)	26 weeks December 2012 (Audited)
Net asset value per share (cents)	**2,132.8**	2,015.9	2,185.1
Ordinary shares (000's):			
– In issue	**217,039**	216,124	216,910
– Weighted average	**216,893**	215,870	216,414
– Diluted weighted average	**219,413**	219,661	219,313
Preference shares (000's):			
– Thuthukani Trust 'A' shares held by the participants (notes 5 and 6)	**–**	1,053	–
– Black Scarce Skills Trust 'B' shares held by the participants (note 6)	**1,521**	1,740	1,755
Capital expenditure (Rm):			
– Authorised and committed	**873.7**	472.1	954.7
– Authorised not committed	**853.7**	598.3	715.6
Gross operating lease commitments (2013 – 2027) (Rm)	**14,148.9**	12,271.0	13,383.4
US dollar exchange rates – period end (R/$)	**10.16**	8.40	8.59
– average (R/$)	**9.16**	7.93	8.47

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Rm	26 weeks June 2013 (Reviewed)	26 weeks June 2012 (Reviewed)	26 weeks December 2012 (Audited)
Operating cash before working capital movements	**1,266.6**	974.3	1,707.5
Working capital movements	**(1,901.8)**	(1,885.5)	1,110.0
Cash (utilised by)/generated from operations	**(635.2)**	(911.2)	2,817.5
Taxation paid	**(364.3)**	(232.4)	(369.1)
Net interest paid	**(124.3)**	(67.0)	(60.4)
Investment income	**–**	0.1	–
Dividends paid	**(595.9)**	(547.7)	(317.0)
Cash (outflow)/inflow from operating activities	**(1,719.7)**	(1,758.2)	2,071.0
Net investment to maintain operations	**(257.7)**	(296.1)	(333.3)
Investment to expand operations	**(971.5)**	(282.5)	(402.6)
Businesses acquired	**–**	(327.9)	–
Other net investing activities	**30.2**	3.0	(25.3)
Cash outflow from investing activities	**(1,199.0)**	(903.5)	(761.2)
Cash inflow/(outflow) from financing activities	**254.8**	503.4	(367.8)
Net (decrease)/increase in cash and cash equivalents	**(2,663.9)**	(2,158.3)	942.0
Foreign exchange movements	**4.8**	(19.1)	25.1
Opening cash and cash equivalents	**1,639.9**	2,850.2	672.8
Closing cash and cash equivalents	**(1,019.2)**	672.8	1,639.9

FAIR VALUES OF FINANCIAL INSTRUMENTS

For financial instruments traded in an active market (level 1), fair value is determined using stock exchange quoted prices. For other financial instruments (level 2), appropriate valuation techniques, including recent market transaction and other valuation models, have been applied and significant inputs include market yield curves and exchange rates. There is no difference between the fair value and carrying value of financial assets and liabilities not presented below due to either the short-term nature of these items, or the fact that they are priced at variable interest rates.

FAIR VALUE HIERARCHY

Financial instruments carried at fair value in the statement of financial position:	June 2013 (Rm)	Level 1 (Rm)	Level 2 (Rm)
Financial assets at fair value through profit or loss	**231.1**	–	231.1
Investment in a trading and logistics structure	**112.8**	–	112.8
Other	**118.3**	–	118.3
Available-for-sale financial assets	**13.8**	13.8	–
Assets measured at fair value	**244.9**	13.8	231.1
Financial liabilities at fair value through profit or loss	**5.4**	–	5.4
Liabilities measured at fair value	**5.4**	–	5.4

There were no transfers between Level 1 and Level 2 fair value measurements during the six months ending June 2013 and no transfers into or out of Level 3.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Rm	Ordinary share capital	Share premium	General reserves	Retained profit	Equity attributable to equity holders of the parent	Non-controlling interests	Total
Six months ended December 2011 (Reviewed)	2.2	750.1	583.1	3 322.7	4,658.1	206.5	**4,864.6**
Dividends declared	–	–	–	(547.7)	(547.7)	(19.3)	**(567.0)**
Total comprehensive income	–	–	(22.6)	284.1	261.5	24.5	**286.0**
Changes in non-controlling interests and distribution to minorities	–	–	3.0	–	3.0	(3.8)	**(0.8)**
Non-controlling interests relating to acquisitions	–	–	(20.5)	–	(20.5)	–	**(20.5)**
Share trust transactions and IFRS 2 charge	–	–	72.5	(69.7)	2.8	–	**2.8**
Treasury shares realised/(acquired)	–	0.5	(0.8)	–	(0.3)	–	**(0.3)**
Six months ended June 2012 (Reviewed)	2.2	750.6	614.7	2,989.4	4,356.9	207.9	**4,564.8**
Dividends declared	–	–	–	(317.0)	(317.0)	(39.6)	**(356.6)**
Total comprehensive income	–	–	22.5	693.2	715.7	29.2	**744.9**
Changes in non-controlling interests and distribution to minorities	–	–	(13.6)	–	(13.6)	(21.9)	**(35.5)**
Share trust transactions and IFRS 2 charge	–	–	(224.1)	220.0	(4.1)	–	**(4.1)**
Release of amortisation of trademark reserve	–	–	(76.5)	76.5	–	–	**–**
Treasury shares realised	–	1.5	0.3	–	1.8	–	**1.8**
Six months ended December 2012 (Audited)	2.2	752.1	323.3	3,662.1	4,739.7	175.6	**4,915.3**
Dividends declared	–	–	–	(595.9)	(595.9)	(30.0)	**(625.9)**
Total comprehensive income	–	–	46.2	481.5	527.7	28.1	**555.8**
Changes in non-controlling interests and distribution to minorities	–	–	(1.6)	–	(1.6)	(0.5)	**(2.1)**
Share trust transactions and IFRS 2 charge	–	–	66.9	(100.7)	(33.8)	–	**(33.8)**
Treasury shares realised	–	(7.2)	–	–	(7.2)	–	**(7.2)**
Six months ended June 2013 (Reviewed)	2.2	744.9	434.8	3,447.0	4,628.9	173.2	**4.802.1**

NOTES

1. These reviewed condensed interim consolidated financial statements have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), its interpretations issued by the IFRS Interpretations Committee, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, presentation and disclosure as required by IAS 34 Interim Financial Reporting, the JSE Listings Requirements and the requirements of the Companies Act of South Africa. The accounting policies are consistent in all material respects with that of the previous financial period, except for:
   IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7
   IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements
   IFRS 11 Joint Arrangements, IAS 28 Investments in Associates and Joint Ventures
   IFRS 12 Disclosure of Interests in Other Entities
   IFRS 13 Fair Value Measurement
   IAS 19 Employee Benefits (Revised)
2. During the current period, the only Massmart shares acquired in the market were by the Massmart Employee Share Trusts where 0.9 million shares (0.4% of average shares in issue) were bought at an average price of R193.57 totalling R175.3 million. During the comparative six-month period, the Massmart Employee Share Trusts acquired 0.7 million shares (0.3% of average shares in issue) at an average price of R174.84 totalling R120.0 million.
3. There was no impairment of assets in the current period. The impairment of assets in the prior period relates to the impairment of certain acquired goodwill in Masscash.
4. Walmart transaction, integration and related costs in the prior periods comprise professional fees, integration costs, expatriate employment costs, share-based payments, travel, consulting costs and other direct expenses relating to the Walmart transaction, of which certain amounts remain unpaid at the reporting date, as well as the additional R140.0 million being the increase in the Supplier Development Fund required by the judgement of the Competition Appeal Court. At June 2013 an amount of R125.5 million remains unpaid (June 2012: R76.7 million) and has been accounted for in trade and other payables. The Walmart transaction costs are behind us and integration costs are now included as part of our normal operating costs.
5. The preference shareholders' dividend amount of R3.6 million in the prior period represents the December 2011 interim cash dividend of 252 cents paid to all Thuthukani beneficiaries. The Thuthukani dividend was equivalent to 100% of the ordinary dividend for the prior period. On 1 October 2012, the final conversion of 'A' preference shares to ordinary shares through the Thuthukani Trust occurred and as such there was no preference dividend paid in the current period.
6. The Massmart BEE transaction, which came into operation in October 2006, gave rise to an IFRS 2 Share-based Payment charge of R7.9 million (June 2012: R11.9 million). The 'A' and 'B' preference shares were issued to the Thuthukani Trust and the Black Scarce Skills Trust respectively. On 1 October 2012, the final conversion of 'A' preference shares to ordinary shares through the Thuthukani Trust occurred. The employees had the option of converting their remaining share allocation into Massmart ordinary shares and continue to receive 100% of the dividend on their ordinary shares or they could sell their remaining share allocation and receive net proceeds after tax and selling expenses.
7. Other non-current liabilities and provisions include the net lease smoothing liability of R755.0 million (June 2012: R342.8 million).
8. There were no businesses acquired in the current period. The net asset value of the businesses acquired during the prior comparative period was R44.9 million on the date of acquisition.
9. Massmart finalised the acquisition of Capensis Investments 241 (Pty) Ltd on 25 January 2013, and now controls seven Makro properties previously lease held. The impact is: an increase in PPE of R1.353.6 million; a release of both the lease smoothing position of R437.0 million and the bare dominium option of R122.0 million; and a final cash outflow during this period of R575.0 million.
10. There were no significant subsequent events in the period.
11. Massmart and its divisions enter into certain transactions with related parties in the normal course of business. Details of these are, and will be, disclosed in Massmart's Integrated Annual Report. Transactions between the Company and Walmart (its Holding Company), were accounted for in Walmart transaction, integration and related costs in the prior periods, in the condensed consolidated income statement. Further detail relating to these costs is disclosed in note 4 above. The Walmart transaction costs are behind us and integration costs are now included as part of our normal operating costs. During the period the Group secured a medium-term loan with Walmart repayable after five years. Interest of 7.46% is repaid quarterly. The loan of R600.0 million is accounted for under interest-bearing non-current liabilities. As a 51% shareholder, Walmart will also be receiving a dividend based on their number of shares held.
12. The results of the 26 weeks ended June 2013 have been reviewed by independent external auditors, Ernst & Young Inc., and their unmodified review report is available for inspection at the Company's registered office. The review was performed in accordance with ISRE 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity. The results of the 26 weeks ended June 2012 were reviewed by independent external auditors, Deloitte & Touche, and their unmodified review report is available for inspection at the Company's registered office. The review was performed in accordance with ISRE 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity. Any reference to future financial performance included in this announcement has not been reviewed or reported on by the Group's external auditors.

    The preparation of the Group's reviewed condensed interim consolidated financial statements was supervised by the Group Financial Director, Ilan Zwarenstein, BCom, BAcc, CA(SA).

MASSDISCOUNTERS

GENERAL MERCHANDISE DISCOUNTER AND FOOD RETAILER

UP BY 9.0%	DOWN BY 39.6%
R7,618.1m	R151.8m
SALES	TRADING PROFIT BEFORE INTEREST AND TAX

Stores: 117
South Africa, Botswana, Ghana, Lesotho, Malawi, Mozambique, Namibia, Nigeria, Tanzania, Uganda, Zambia

Stores: 19
South Africa

MASSWAREHOUSE

WAREHOUSE CLUB

UP BY 13.7%	DOWN BY 0.9%
R8,608.9m	R394.7m
SALES	TRADING PROFIT BEFORE INTEREST AND TAX

Stores: 19
South Africa

MASSBUILD

HOME IMPROVEMENT RETAILER AND BUILDING MATERIALS SUPPLIER

UP BY 9.0%	UP BY 1.7%
R4,246.9m	R176.9m
SALES	TRADING PROFIT BEFORE INTEREST AND TAX

Stores: 29
South Africa, Botswana

Stores: 27
South Africa

Stores: 24
South Africa

MASSCASH

FOOD WHOLESALER, RETAILER AND BUYING ASSOCIATION

UP BY 5.6%	DOWN BY 13.5%
R11,895.5m	R91.5m
SALES	TRADING PROFIT BEFORE INTEREST AND TAX

MASSCASH WHOLESALE:

Stores: 80
South Africa, Botswana, Lesotho
Mozambique, Namibia, Swaziland

MASSCASH RETAIL:

Stores: 44
South Africa

BUYING ASSOCIATION:

South Africa, Botswana, Swaziland

Directorate
MJ Lamberti (Chairman),
CS Seabrooke (Deputy Chairman),
GM Pattison* (Chief Executive Officer),
D Cheesewright***,
JA Davis**, NN Gwagwa,
GRC Hayward* (Chief Operating Officer), P Langeni,
JP Suarez**, I Zwarenstein* (Group Financial Director)
* Executive ** USA *** UK

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Company registration number
1940/014066/06
Registered office
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Sunninghill Ext 6, 2191

Company secretary
P Sigsworth
Transfer secretaries
Computershare Investor Services (Pty) Limited
Registered auditors
Ernst & Young Inc.*
Deloitte & Touche*
* *Scope defined in note 12*
Sponsor
Deutsche Securities (SA) (Proprietary) Limited

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Share data: 19 August 2013
Share price: R156.60
Share price (52 week high): R208.00
Share price (52 week low): R146.00
Market Cap: R34.0 billion
Reuters: MSMJ.J
Bloomberg: MSM SJ