



MASSMART

GROUP UPDATE



Reaping the benefits of share ownership: Thuthukani pays out

The Massmart Thuthukani employee empowerment scheme was launched in 2006. It saw the placement of 18-million Massmart shares, representing R900 million of the company's shareholding, into the Thuthukani Trust. These shares were allocated to Massmart's permanent employees according to who had been contributing to the company's success the longest. When Walmart purchased 51% of Massmart in June 2011, it marked a significant milestone for Thuthukani shareholders, who received a total payout of R439 million from the trust.

The purpose of the Thuthukani Trust

One of the key objectives of the Thuthukani scheme was to share ownership of the company with previously disadvantaged people. Massmart's employees, 85% of whom are from previously disadvantaged backgrounds, are the people who gained the most from the Thuthukani initiative.

Shareholders have benefited from share growth, share vesting and dividend payouts.

The shares were placed in the trust at R49.98 per share. Between October 2006 and June 2011 Massmart shares have tripled in value. Employees benefit from the share growth, as they are entitled to keep the difference between the value of the shares when they were issued and their value at the time of sale.

The Thuthukani Trust held shares on employees' behalf until October 2010, when the first vesting process began. As a consequence of the Walmart

deal, all unvested shares vested early and are now available to participants to trade.

Employees' share allocation also earned them a portion of the Massmart dividend. This has meant that twice a year for the first three years beneficiaries earned between 25% and 75% of the ordinary share dividend. From the fourth year onwards beneficiaries received 100% of the ordinary share dividend. To date dividends paid to participants total R160 million.

Who is part of the Thuthukani Trust?

All permanent South African based employees who joined the Massmart team before October 2006 were allocated shares in the Thuthukani Trust. The shares were allocated according to length of employees' service to the company, irrespective of position or salary. The number of shares issued to any one individual was a minimum of 450 and a maximum of 2 600 shares per person.

What does Walmart mean for Thuthukani Trust shareholders?

When the Walmart transaction was completed in June 2011, 51% of all stakeholders' shares were purchased by the global retailer. This included 51% of the shares owned by Thuthukani shareholders. Many employees consider the R430.6 million paid out by the Thuthukani Trust as one of the most significant BBBEE milestones achieved by the group. ■

Summary of total payments made by the Thuthukani Trust

Dividends paid - R160.2 million

Permitted exits - R97.8 million

First vesting - R278.4 million

Walmart transaction - R430.6 million

Post-Walmart vesting - R397.8 million

Grand total R1.4 billion