Interim Results Presentation
For six months to June 2017

Saving our customers money so they can live better
Agenda

1. Financial review
2. Operational review
3. Strategy & prospects
Financial Review

Hans van Lierop
Financial highlights

Weak sales in difficult environment

\[ \uparrow 0.5\% \]
R42.5 billion
2016: R42.3 billion

Exceptional expense control

\[ \downarrow 1.0\% \]
Comparable expenses
2016: 7.5% increase

Great inventory management

\[ \downarrow 6 \text{ days} \]
56 days
2016: 62 days

Headline earnings

R328.6 m
\[ \uparrow 2.5\% \]
R320.6 million
2016: R320.6 million
Sales by geography

**SA vs. Ex-SA sales**

- **Ex-SA sales** 8.2%
- **South Africa sales** 91.8%

Ex-SA sales impacted by severe currency weakness

Sales by category

**SA sales by category**

- **Food and Liquor** 58%
  - SA Retail Food up 8.3%
  - SA Liquor up 7.3%
- **Non-Food** 42%

**Ex-SA sales by category**

- **Food and Liquor** 49%
  - Ex-SA Food down 1.4%
  - Ex-SA Liquor down 20.0%
- **Non-Food** 51%

Group Food & Liquor sales up 3.0%
Group non-Food sales down 2.9%

Weak consumer spending, especially on discretionary items
Gross profit margin

Sales environment impacting margins

Product mix

Lower Food inflation

Promotions & Gen Merch deflation

Gross profit margin
June 2016
19.3%

Gross profit margin
June 2017
18.8%
Exceptional expense management

Total expenses down 0.2%

↓12.9% Ex-SA expenses
↓16.0% comparable expenses
• Operational efficiency
• In-country supply chain management
• Currency movement

↑1.1% South Africa expenses
↑0.2% comparable expenses
• Operational efficiency
• Strong cost discipline
Expense categories

Benefitting from 2016 store closures & lower ex-SA expenses

<table>
<thead>
<tr>
<th>Category</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment costs</td>
<td>↓2.5%</td>
</tr>
<tr>
<td>Depreciation</td>
<td>↑1.0%</td>
</tr>
<tr>
<td>Occupancy costs</td>
<td>↑2.8%</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>↑1.5%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Category</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labour scheduling</td>
<td>↓0.1%</td>
</tr>
<tr>
<td>Reduced shifts in DCs</td>
<td>↓10.6%</td>
</tr>
<tr>
<td>Selective replacement</td>
<td>↑1.4%</td>
</tr>
<tr>
<td>Natural attrition</td>
<td>↓1.7%</td>
</tr>
</tbody>
</table>

- • Labour scheduling
- • Reduced shifts in DCs
- • Selective replacement
- • Natural attrition
- • Re-adjusting useful lives (IFRS)
- • Benefitting from store closures
- • 2.5% increase in new trading space
- • Reduced rentals on lease reviews
- • Benefit of owned properties
- • Focus on containing costs
- • Administrative efficiency
- • Reduction of non-essential activities

Benefitting from 2016 store closures & lower ex-SA expenses
Divisional Performance

Trading profit before interest and taxation down 14.1%

- **Massdiscounters**
  - Soft sales
  - Some margin pressure from product mix
  - Great expense management

- **Masswarehouse**
  - Good sales given the environment
  - Some margin pressure from product mix
  - Great expense management

- **Massbuild**
  - Soft sales
  - Good margin management, benefitting from more retail customers
  - Great expense management

- **Masscash**
  - Weak sales in Wholesale
  - Margin pressure from high participation of commodities
  - Strong sales in Retail
  - Great expense management
### Earnings

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Profit Before FX and Interest</td>
<td>-14.1%</td>
</tr>
<tr>
<td>FX</td>
<td>13.3%</td>
</tr>
<tr>
<td>Finance Cost &amp; Taxation</td>
<td>1.7%</td>
</tr>
<tr>
<td>Minorities &amp; Other</td>
<td>1.6%</td>
</tr>
<tr>
<td>Headline Earnings</td>
<td>2.5%</td>
</tr>
</tbody>
</table>

As in previous year the insurance proceeds from the fire of the Jumbo Crown Mines Store are excluded from Headline Earnings.
Working capital

Debtors’ days

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>9</td>
<td>9</td>
</tr>
</tbody>
</table>

Inventory days

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>62</td>
<td>56</td>
</tr>
</tbody>
</table>

Creditors’ days

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>56</td>
<td>52</td>
</tr>
</tbody>
</table>

- Intense focus on inventory levels (width & depth)
- Creditors’ days decreased, due to lower purchases and early settlement of certain ex-SA creditors
<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sales</strong></td>
<td>R42.5 billion</td>
<td>R42.3 billion</td>
</tr>
<tr>
<td></td>
<td>↑ 0.5%</td>
<td></td>
</tr>
<tr>
<td><strong>Gross Profit</strong></td>
<td>18.8%</td>
<td>19.3%</td>
</tr>
<tr>
<td><strong>Operating profit before interest</strong></td>
<td>R765.1 million</td>
<td>R819.1 million</td>
</tr>
<tr>
<td></td>
<td>↓ 6.6%</td>
<td></td>
</tr>
<tr>
<td><strong>Headline earnings</strong></td>
<td>R328.6 million</td>
<td>R320.6 million</td>
</tr>
<tr>
<td></td>
<td>↑ 2.5%</td>
<td></td>
</tr>
</tbody>
</table>
Key performances

- **SA Retail**
  - Food growth: strong
  - Total sales increase: **8.3%**

- **GM sales**
  - Soft but gained market share
  - Market shares in small \& large appliances*: >30%

- **Tremendous online growth**
  - Sales growth: **45.8%**

- **Superb expense control**
  - Comparable decrease: **1.0%**

* Source: Nielsen SA and GFK SA (Jun 2017)
Sales performance

Massdiscounters

- Good Food & Liquor growth (SA stores total +9.8%)
- Positive Game SA comp sales
- Game ex-SA sales decline 10% but +12% in local currencies
- Gen Merch sales soft and in product deflation

R9.5 billion
2016: R9.7 billion

Masswarehouse

- Strong Food & Liquor growth (total of +6.9%)
- Slightly impacted by deflation in commodities
- Soft Gen Merch sales

R12.2 billion
2016: R11.7 billion

Massbuild

- Slightly positive SA sales growth
- Retail sales growth above contractors’
- Negative ex-SA growth (flat in local currencies). Severe in Mozambique

R6.0 billion
2016: R6.0 billion

Masscash

- Wholesale affected by commodities’ deflation & industry de-stocking. High sales participation
- Negative ex-SA growth
- Strong Retail growth of 7.7%

R14.8 billion
2016: R14.9 billion

↓ 3.5% comparable sales

↑ 1.5% comparable sales

↓ 0.2% comparable sales

↓ 3.3% comparable sales
The current environment has sharpened our focus on:

- Effective expense control
- Online sales
- GM growth
- Customer value proposition
- Financial and Value-Added Services’ revenue
- Private Label
- Supply chain
Online sales

Makro total online sales ↑47.8
Makro Liquor online sales ↑84.7%
Acquired WumDrop to enable same-day delivery capability

DionWired online sales ↑23.7%
GK-POS successfully completed across all Game and DionWired stores in SA

Builders Online attracted 30.3% more users to its site
Has 16,000 registered users since March '17 launch.
Click-and-collect in 32 stores in 6 provinces

Group online sales ↑45.8%
Massmart market share growth:

- Small Appliances ↑3%
- Large Appliances ↑4%
- PC Software ↑3%
- Hi-Tech ↓1%
- Paint ↑1%
- Powertools ↑2%

Market shares in small and large domestic appliances

>30%

* Source: Nielsen SA and GFK SA (Jun 2017)
Improve customer value proposition

Launched mCard customer rewards app including mCard, mRewards and mWallet

25% new online users activated by Makro Free Delivery Day Promotion

Cambridge Food has the lowest-priced basket of 250 KVI lines in our competitor set

Builders’ Save Money and Get it Done promotions saw 70% unit growth on advertised products (6 months to June 2017)

We’ve saved our customers R1.1 billion through our promotions
Financial and Value-added Services revenues

Keep & grow our customer loyalty and improve convenience through value-added services

- Money transfers, gift cards, airtime, electricity, bill payments to be in most SA stores in H2
- Grow Private Label Card (PLC) sales in collaboration with RCS
- PLC cross-shopping across our retail brands
- Grow money-transfer points-of-presence
- RCS cash loans in Game, Builders and Makro. To be rolled-out to Cambridge and Jumbo in H2
Private Label

150 new Private Label innovation lines launched up to June ‘17

Great Value sales
↑15.1%

Cambridge brand sales
↑11.4%

M Brand sales
↑12.5%

Standout performance by Masscash who grew Marketside by 321%
Supply chain

Savings & efficiencies
from a focus on Group-wide transport, logistics, planning & storage

Since 2012 large SC investments in three divisions. Optimise use of these DCs across the Group. Reduce DC space & work-shifts

Leverage the transport fleet across Group for primary & secondary legs

Greater reliance on automated forecasting & replenishment

Indent DCs. Focus next on integrated African supply chain
Strategic priorities

Over the longer-term, our key areas of strategic focus remain unchanged:

- Drive the growth and profitability of the core South African business over the medium-term.
- Expand further into Food Retail and the Fresh categories through new stores and our existing formats in South Africa.
- Sub-Saharan African expansion through new stores in Builders Warehouse, Game and Masscash.
- Expand, improve and refine our online / ecommerce offerings in DionWired, Game, Makro and Massbuild.

In the next two years we anticipate ex-SA space growth of about 17.1%.
Prospects

And 34-weeks’ sales update

• Total sales to 20 August ‘17 of R56.2 billion grew by 1.0% with comparable sales growth of -0.9%. Product inflation estimated at 2.7%
• There remains continued high levels of economic volatility and political uncertainty
• However, Group sales growth may improve slightly in 2nd half of 2017 from:
  • Lower inflation
  • Steady Rand
  • Lower interest rates
  • Higher Rand sales from our ex-SA stores following annualisation of 2016 currency weakness

Any reference to future financial performance included in this document has not been reviewed or reported on by the Group’s external auditors. The auditor’s report does not necessarily report on all of the information contained in this announcement/financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor’s engagement they should obtain a copy of the auditor’s report together with the accompanying financial information from the issuer’s registered office.
For further details, go to
www.massmart.co.za/interimresults2017
Additional information

- Condensed Consolidated Income Statement
- Tax Rate Reconciliation
- Cash Flow Statement
- Capital Expansion
- Capex Per Category
- Store Portfolio
- Forecast Stores: Jul 2017 – Jun 2019
- Number of shares
## Condensed Consolidated Income Statement

for the 6 months ended June 2017

<table>
<thead>
<tr>
<th></th>
<th>Jun 2017 (Reviewed)</th>
<th>Jun 2016 (Reviewed)</th>
<th>% growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>41,627.4</td>
<td>42,466.3</td>
<td>0.4</td>
</tr>
<tr>
<td>Sales</td>
<td>42,506.3</td>
<td>42,310.9</td>
<td>0.5</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>(34,525.4)</td>
<td>(34,138.3)</td>
<td>(1.1)</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>7,980.9</td>
<td>8,172.6</td>
<td>2.3</td>
</tr>
<tr>
<td>Other income</td>
<td>114.3</td>
<td>63.0</td>
<td>81.4</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>(542.0)</td>
<td>(536.6)</td>
<td>(1.0)</td>
</tr>
<tr>
<td>Employment costs</td>
<td>(3,453.6)</td>
<td>(3,541.2)</td>
<td>2.5</td>
</tr>
<tr>
<td>Occupancy costs</td>
<td>(1,626.6)</td>
<td>(1,582.3)</td>
<td>(2.8)</td>
</tr>
<tr>
<td>Other operating costs</td>
<td>(1,697.9)</td>
<td>(1,672.7)</td>
<td>(1.5)</td>
</tr>
<tr>
<td>Trading profit before foreign exchange movements and interest</td>
<td>775.1</td>
<td>902.8</td>
<td>(14.1)</td>
</tr>
<tr>
<td>Impairment of assets</td>
<td>(0.2)</td>
<td>(50.9)</td>
<td></td>
</tr>
<tr>
<td>Insurance proceeds on items in PP&amp;E</td>
<td>6.8</td>
<td>92.4</td>
<td></td>
</tr>
<tr>
<td>Operating profit before foreign exchange movements and interest</td>
<td>781.7</td>
<td>944.3</td>
<td>(17.2)</td>
</tr>
<tr>
<td>Foreign exchange loss</td>
<td>(16.6)</td>
<td>(125.2)</td>
<td></td>
</tr>
<tr>
<td>Operating profit before interest</td>
<td>765.1</td>
<td>819.1</td>
<td>(6.6)</td>
</tr>
<tr>
<td>Net finance costs</td>
<td>(282.1)</td>
<td>(279.2)</td>
<td>(1.0)</td>
</tr>
<tr>
<td>Profit before taxation</td>
<td>483.0</td>
<td>539.9</td>
<td>(10.5)</td>
</tr>
</tbody>
</table>
## Tax rate reconciliation

<table>
<thead>
<tr>
<th>%</th>
<th>Jun 2017 (Reviewed)</th>
<th>Jun 2016 (Reviewed)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard tax rate</td>
<td>28.0</td>
<td>28.0</td>
</tr>
<tr>
<td>Non-taxable income and disallowable expenses</td>
<td>0.2</td>
<td>(1.7)</td>
</tr>
<tr>
<td>Assessed loss not utilised</td>
<td>2.8</td>
<td>4.7</td>
</tr>
<tr>
<td>Other - including foreign tax adjustments</td>
<td>(0.8)</td>
<td>(0.9)</td>
</tr>
<tr>
<td><strong>Group tax rate</strong></td>
<td><strong>30.2</strong></td>
<td><strong>30.1</strong></td>
</tr>
</tbody>
</table>
## Cash Flow Statement

<table>
<thead>
<tr>
<th>Description</th>
<th>Jun 2017 (Reviewed)</th>
<th>Jun 2016 (Reviewed)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating cash before working capital movements</td>
<td>1,530.1</td>
<td>1,666.4</td>
</tr>
<tr>
<td>Working capital movements</td>
<td>(4,136.2)</td>
<td>(4,095.2)</td>
</tr>
<tr>
<td><strong>Cash utilised in operations</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(2,606.1)</td>
<td>(2,428.8)</td>
<td></td>
</tr>
<tr>
<td>Net interest and tax paid</td>
<td>(475.1)</td>
<td>(461.1)</td>
</tr>
<tr>
<td>Net investment to maintain operations</td>
<td>(353.3)</td>
<td>(346.7)</td>
</tr>
<tr>
<td><strong>Free cash flow</strong></td>
<td>(3,434.5)</td>
<td>(3,236.6)</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>(504.1)</td>
<td>(266.2)</td>
</tr>
<tr>
<td>Investment to expand operations and other net investing activities</td>
<td>(378.5)</td>
<td>(388.9)</td>
</tr>
<tr>
<td><strong>Cash inflow before financing activities</strong></td>
<td>(4,317.1)</td>
<td>(3,891.7)</td>
</tr>
</tbody>
</table>
## Capital expansion

<table>
<thead>
<tr>
<th></th>
<th>Jun 2017 (Reviewed)</th>
<th>Jun 2016 (Reviewed)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land and buildings/leasehold improvements</td>
<td>334.8</td>
<td>126.0</td>
</tr>
<tr>
<td>Vehicles</td>
<td>0.9</td>
<td>3.3</td>
</tr>
<tr>
<td>Fixtures, fittings, plant and equipment</td>
<td>28.5</td>
<td>220.7</td>
</tr>
<tr>
<td>Computer hardware</td>
<td>8.3</td>
<td>31.4</td>
</tr>
<tr>
<td>Computer software</td>
<td>23.1</td>
<td>19.5</td>
</tr>
<tr>
<td><strong>Investment to expand operations</strong></td>
<td><strong>395.7</strong></td>
<td><strong>400.8</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Jun 2017 (Reviewed)</th>
<th>Jun 2016 (Reviewed)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land and buildings/leasehold improvements</td>
<td>41.1</td>
<td>37.8</td>
</tr>
<tr>
<td>Vehicles</td>
<td>18.6</td>
<td>23.2</td>
</tr>
<tr>
<td>Fixtures, fittings, plant and equipment</td>
<td>135.8</td>
<td>222.3</td>
</tr>
<tr>
<td>Computer hardware</td>
<td>76.2</td>
<td>33.5</td>
</tr>
<tr>
<td>Computer software</td>
<td>81.6</td>
<td>29.8</td>
</tr>
<tr>
<td>Other</td>
<td>0.0</td>
<td>0.1</td>
</tr>
<tr>
<td><strong>Investment to maintain operations</strong></td>
<td><strong>353.3</strong></td>
<td><strong>346.7</strong></td>
</tr>
</tbody>
</table>

1.7% Total Capex as a % of sales

*Jun 2016: 1.7%*

- **Land & buildings/leasehold improvements**: 50.2%
- **Vehicles**: 14.0%
- **Fixtures, fittings, plant & equipment**: 11.3%
- **Computer hardware**: 2.6%
- **Computer software**: 21.9%
## Store portfolio

<table>
<thead>
<tr>
<th>Total</th>
<th>Massdiscounters</th>
<th>Masswarehouse</th>
<th>Massbuild</th>
<th>Masscash</th>
</tr>
</thead>
<tbody>
<tr>
<td>415</td>
<td>166</td>
<td>20</td>
<td>105</td>
<td>124</td>
</tr>
<tr>
<td>Up from 412 in Dec 2016</td>
<td>Up from 165 in Dec 2016</td>
<td>Unchanged</td>
<td>Up from 104 in Dec 2016</td>
<td>Up from 123 in Dec 2016</td>
</tr>
</tbody>
</table>

- **+3** Opened
  - **+1 Game**
    - +1 in Ghana
  - **+1 Builders Superstore**
    - +1 in South Africa
  - **+1 Retail Wholesalers**
    - +1 in South Africa
  - -1 in South Africa
### Forecast stores: Jul 2017 – Jun 2019

<table>
<thead>
<tr>
<th>Total</th>
<th>Massdiscounters</th>
<th>Masswarehouse</th>
<th>Massbuild</th>
<th>Masscash</th>
</tr>
</thead>
<tbody>
<tr>
<td>+46</td>
<td>+10</td>
<td>+1</td>
<td>+15</td>
<td>+20</td>
</tr>
<tr>
<td>Up from 415 to 461</td>
<td>Up from 166 to 176</td>
<td>Up from 20 to 21</td>
<td>Up from 105 to 120</td>
<td>Up from 124 to 164</td>
</tr>
<tr>
<td>+38</td>
<td>South Africa</td>
<td>+7 Game</td>
<td>+1 Makro</td>
<td>+18 Retail</td>
</tr>
<tr>
<td></td>
<td>+8 Africa</td>
<td>+2 in South Africa</td>
<td>+1 in South Africa</td>
<td>+18 in South Africa</td>
</tr>
<tr>
<td></td>
<td></td>
<td>+2 in Ghana</td>
<td></td>
<td>+2 Wholesale</td>
</tr>
<tr>
<td></td>
<td></td>
<td>+1 in Nigeria</td>
<td></td>
<td>+1 in South Africa</td>
</tr>
<tr>
<td></td>
<td></td>
<td>+2 in Zambia</td>
<td></td>
<td>+1 in Zambia</td>
</tr>
<tr>
<td></td>
<td></td>
<td>+3 DionWired</td>
<td></td>
<td>+9 Builders Superstore</td>
</tr>
<tr>
<td></td>
<td></td>
<td>+3 in South Africa</td>
<td></td>
<td>+9 in South Africa</td>
</tr>
</tbody>
</table>

- **+10.5%**
  Up from 1,585,957m² to 1,752,692m²

- **+5.6%**
  Up from 549,454m² to 580,071m²

- **+9.4%**
  Up from 217,907m² to 238,426m²

- **+11.1%**
  Up from 451,336m² to 501,324m²

- **+17.9%**
  Up from 367,260m² to 432,871m²

This 10.5% increase includes a 17.1% increase in our Rest of Africa trading space.
## Number of shares

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>At June 2016</td>
<td>217,136.3</td>
</tr>
<tr>
<td>Shares issued</td>
<td>9.2</td>
</tr>
<tr>
<td>At June 2017</td>
<td>217,145.5</td>
</tr>
<tr>
<td>Weighted-average at June 2017</td>
<td>216,428.1</td>
</tr>
<tr>
<td>Diluted weighted-average at 2017</td>
<td>220,154.9</td>
</tr>
</tbody>
</table>