Massmart powered by Walmart

Interim Results

for the 26 weeks ended 30 June 2019

Massmart, with total sales of R43.8 billion, for the six months to June 2019, comprises four Divisions operating 441 stores, in 13 sub-Saharan countries.

Through our widely-recognised, differentiated retail and wholesale formats, we have leading shares in the General Merchandise, Liquor, Home Improvement and Wholesale Food markets. Our key foundations of high volume, low cost and operational excellence enable our price leadership.

PERFORMANCE SUMMARY

Reviewed including IFRS 16 in 2019	Like-on-like* excluding IFRS 16 in both years
↑5.5% **Sales** **R43.8 billion** 2018: R41.6 billion	↑5.5% **Sales** **R43.8 billion** 2018: R41.6 billion
↑54.2% **EBITDA, before non-trading items** **R1,867.3 million** 2018: R1,211.1 million	↓45.8% **EBITDA, before non-trading items** **R656.4 million** 2018: R1,211.1 million
↓52.0% **Trading profit before interest and taxation** **R318.9 million** 2018: R664.4 million	↓100.2% **Trading (loss)/profit before interest and taxation** **-R1.4 million** 2018: R664.4 million
-R0.6 billion **Headline loss before restructuring and foreign exchange (taxed)** 2018: R0.3 billion earnings	-R0.5 billion **Headline loss before restructuring and foreign exchange (taxed)** 2018: R0.3 billion earnings
-R0.8 billion **Headline loss** 2018: R0.2 billion earnings	-R0.6 billion **Headline loss** 2018: R0.2 billion earnings

** To provide a more meaningful assessment of the current period's performance, the performance summary has been prepared on a like-on-like basis which excludes the IFRS 16 'Leases' impact in the current period. Refer to note 2 for details on the impact of the new accounting standard using the modified retrospective approach.*

Massmart Interim Results

for the 26 weeks ended 30 June 2019

Group performance including IFRS 16 in 2019

Massmart's total sales for the 26-week period of R43.8 billion represents total growth of 5.5% and comparable growth of 3.6%. Margin pressure resulted in gross margin decreasing by 36 basis points, while expenses increased by 7.6%. This resulted in trading profit of R318.9 million, a decrease of 52% from the previous year period. African currency weakness resulted in foreign exchange losses of R157.1 million (2018: gain of R23.4 million), and increased average borrowings drove net interest expenses to R909.6 million. As a result of the above, Massmart incurred a net loss of R832.4 million, a decrease of 538.1% from the prior year profit of R190.0 million. Headline losses amounted to R796.6 million, a decrease from prior period headline earnings of R204.1 million.

Group performance excluding IFRS 16 in both years

The adoption of the IFRS 16 leasing standard from 1 January 2019 complicates performance comparisons between the results of the current and prior periods. To provide a more meaningful assessment of the current period's performance, and unless otherwise stated, the commentary below has been provided on a like-on-like basis, i.e. excluding the impact of IFRS 16 in both the current and prior periods. The like-on-like financial information must be read in conjunction with note 2 on page 16.

Overview and environment

The difficult consumer economy in South Africa and in several sub-Saharan countries over the past six months has been well documented. This adverse environment not only impacted sales growth but also caused pressure on gross margins and higher than expected expense inflation in certain areas. In South Africa the severe load-shedding in February and March compounded the situation and undoubtedly contributed to the contraction in the first quarter's GDP. National Elections in two of the sub-Saharan countries where we have stores as well as extreme currency weakness contributed to the uncertainty and trading challenges.

Group overview

Massmart's total sales for the 26-week period of R43.8 billion represents total growth of 5.5% and comparable sales growth of 3.6%, with year-to-date product inflation of 2.7%. Total sales from our South African stores for the period grew by 4.9% and comparable sales by 3.2%. Total sales from our ex-SA stores for the period grew by 6.4% and comparable store sales by 2.4% (both in constant currencies). Total ex-SA Rand sales increased by 11.8%.

The Group's sales increased by 6.4% in Food (with inflation of 2.9%), 13.6% in Liquor (inflation of 5.3%), 5.0% in Home Improvement (inflation of 2.9%) and by 0.6% in Durable Goods (marginal deflation). In the second quarter to June 2019 there was a marked decline in sales growth in our non-Food categories whilst sales growth improved slightly in our Food and Liquor categories. Rand sales growth from our ex-SA stores also slowed in this quarter.

Gross margins declined from 19.6% to 19.2%, which was caused by the increased sales participation from the lower margin Food and Liquor categories. Cash-strapped consumers continue to spend proportionately more on our sales promotion activities which causes further gross margin pressure.

With focus on expense management by the Group, expense growth across most of our major expense categories was mitigated, while other new expense pressures emerged as detailed below. Total expenses grew by 11.8% while comparable expenses increased by 9.2%. A net of 16 new stores have been opened since June 2018, representing space growth of 3.1%, which impacted employment, depreciation and occupancy costs. These three expense categories, representing 76% of total expenses, grew by 9.7% which approximates the sum of our space growth and cost-inflation but is higher than our sales growth of 5.5%. The balance of expenses, included in Other operating costs, increased by 19.3% which includes a combination of new store pre-opening costs, increased security costs, the cost of maintenance for generators during the two months of load-shedding, higher credit card costs from increased usage by customers, slightly higher bad debt provisions, and higher IT support costs.

The combination of soft sales, margin pressure and expense growth exceeding sales growth, caused Group trading profit before interest and taxation, to decline by 100.2% to a loss of R1.4 million. Headline earnings were a loss of R550.0 million (2018: a profit of R204.1m). Further detail on the income statement is provided in the Financial review.

Online sales are growing in Game but declined in Builders Warehouse and Makro. Builders Warehouse has annualised the impact of increased online sales relating to water harvesting materials in 2018 in this period, while at Makro lower online sales were as a consequence of a difficult conversion from the legacy online platform to SAP Hybris. Our efforts made towards expanding our omnichannel focus saw the Group increasing the number of articles available online by 20%, basket sizes increasing by 20% and now having 316 unique customer collection points. Click-and-collect expanded into Africa with Builders Warehouse launching their online sales platform in Botswana.

During the 26-week period, seven stores were opened and two were closed, resulting in a net trading space increase of 1.9% to 1,679,524m² and 441 stores at June 2019. A third Game store was opened in Kenya in July 2019, its first outside Nairobi. We remain on track to open another two stores for the remainder of 2019.

Financial review

Like-on-like performance

Massmart's total sales for the 26 weeks ended June 2019 increased by 5.5% and comparable store sales increased by 3.6%. Year-to-date product inflation increased to 2.7% in June 2019.

Our ex-SA businesses represent 8.9% (2018: 8.4%) of total sales and increased by 11.8% in Rands (6.4% increase in constant currencies).

The Group's 26-week like-on-like gross margin of 19.2% is lower than that of the prior period (2018: 19.6%), affected by promotional mix, lower contributions from General Merchandise sales and margin pressure from the deflation in Durable Goods.

Expenses increased by 11.8%, while comparable expenses increased by 9.2%.

Employment costs, the Group's biggest cost category, increased by 8.6% against the prior 26-week period (with a comparable increase of 7.2%). The conversion of temporary contractors to permanent employees led to an 8% increase in full-time equivalents over June 2018 to just over 46,500. This conversion is in line with legislative requirements.

An additional net 16 stores opened since June 2018, increased municipal tariffs and electricity costs together with the severe load-shedding experienced in February and March have resulted in an increase of 8.7% of occupancy costs, and a comparable increase of 6.5%.

Depreciation and amortisation increased by 20.3%. In addition to the impact of new store openings, the implementation of the Hybris web and fulfilment platform in Makro has been completed and its related depreciation has commenced.

Other operating expenses increased by 19.3%. Contributing to this increase are the change management and training costs associated with the Makro Hybris web and fulfilment platform, increased security costs, increased credit card costs, slightly higher bad debt provisions as well as pre-opening store expenses of R53.5 million (2018: R18.6 million).

Trading profit before interest and taxation declined by 100.2% to a loss of R1.4 million. Operating profit before foreign exchange movements and interest declined by 108.7% to a loss of R47.9 million.

Included in operating profit before interest are net realised and unrealised foreign exchange losses of R81.9 million (2018: gain of R23.4 million), the majority of which arose as a result of the recent currency weakness mainly in Zambia and Nigeria.

Cash interest paid to the bank was R313.5 million causing net finance costs to grow by 17.8% to R353.1 million (2018: R299.7 million), largely due to increased levels of borrowing.

The Group's effective tax rate is -21.3% (2018: 29.9%) which resulted in a tax charge of R102.9 million despite recording a loss before tax of R482.9 million. This charge is mainly as a result of impairing certain deferred tax assets previously recognised, in addition to a decision to limit the recognition of further deferred tax assets on year-to-date losses specifically relating to certain African jurisdictions.

Financial position

The commentary on our financial position has been provided taking into account the adoption of IFRS 16.

During the period investment spend was focused on new IT infrastructure, store openings and the refurbishment of existing stores, which was offset by depreciation charges and the transfer of a vacant immovable property to assets held for sale. As a result, the net book value of property, plant and equipment decreased by 3.2% from December 2018. Total capital expenditure was R695.7 million, with expansionary expenditure of R376.9 million relating to investments in IT systems and new store openings. Replacement expenditure was R318.8 million and included IT infrastructure of R156.9 million and store refurbishments of R56.2 million.

The inventory balance decreased by 9.0% to R11.1 billion from December 2018, mainly as a result of focused inventory optimisation while inventory days decreased by three days compared to June 2018. Trade receivables decreased marginally by 0.2%, which resulted in debtors' days remaining static over June 2018. Creditors' days decreased by four days to 56 days.

Operating cash before working capital movements, excluding the impact of IFRS 16, amounted to R659.1 million, 47.5% lower than the corresponding prior year period, caused by weaker operating performance. The cash outflow from working capital movements decreased from R5.1 billion in June 2018 to R4.4 billion in the current period, largely due to 2018 being impacted by investment into inventory to address critical stock levels at Masscash of approximately R500 million, in addition to a concerted and focused initiative to improve overall working capital.

Massdiscounters

COMPRISES THE 149-STORE GENERAL MERCHANDISE AND FOOD DISCOUNTER GAME, WHICH TRADES IN SOUTH AFRICA AND 11 OTHER AFRICAN COUNTRIES; AND THE 23-STORE HI-TECH RETAILER DIONWIRED IN SOUTH AFRICA.

↑ 3.0% **Sales** **R9.4 billion** 2018: R9.1 million

-R396.1m **Trading loss** 2018: -R95.3 million

Total sales of R9.4 billion increased by 3.0% and comparable sales were up 0.7% with year-to-date product inflation of 0.8%. In South Africa, Game's total sales increased by 3.5% while comparable sales increased by 1.7%, an improved first-half sales performance showing positive volume growth. Customer count increased by 5.5% while basket sizes decreased as customers purchase more Food items.

Game Africa's total sales increased by 5.8% in Rands and decreased by 0.2% in constant currencies. Significantly weaker currencies in Zambia and Nigeria (where eight of our 26 ex-SA Game stores are based) impacted sales and profitability. DionWired's sales were below those of the prior period from a lack of new product ranges and innovation and reduced upper-consumer spending.

Disappointingly trading disciplines have not been re-established as robustly as intended during 2019 which continued to cause poor margin management. Margins were also impacted by higher inventory provisions. Expenses increased by 11.1% over June 2018 (a comparable increase of 9.1%), due to the impact of US Dollar leases in our ex-SA stores, increased IT support costs, higher SAP ERP system project costs and higher supply chain and logistics costs. There have been several changes to the Massdiscounters' executive team during the period:

- CEO Albert Voogd resigned with effect from July 2019 and has been replaced, in the interim, by Andrew Stein. Andrew has been with Massmart for 10 years and has worked in both Cambridge and Makro;
- Riaan Turton was appointed Finance Director;
- Katherine Madley was appointed Marketing Director; and
- Neville Hatfield has been appointed Merchandise Director with effect from July 2019. Neville has been the Merchandise Director at Builders Warehouse since 2006 and prior to that had been the Merchandise Director at Game.

Three Game stores were opened during the period and two DionWired stores were closed. Massdiscounters' trading space increased by 1.3% to 568,103m².

Masswarehouse

COMPRISES THE 22-STORE MAKRO WAREHOUSE-CLUB TRADING IN FOOD, GENERAL MERCHANDISE AND LIQUOR IN SOUTH AFRICA; AND MASSFRESH, WHICH HOUSES THE GROUP'S FRESH PRODUCE, FRESH MEAT AND BAKERY OPERATIONS INCLUDING THE FRUITSPOT.

↑ 3.7% **Sales** **R13.4 billion** 2018: R12.9 billion

↓ 30.6% **Trading profit** **R336.4 million** 2018: R484.7 million

Total sales of R13.4 billion increased by 3.7% and comparable sales grew by 1.9%, with product inflation of 2.9%. Comparable sales growth in Food & Liquor was 3.7% and General Merchandise sales growth was down 1.7%. As noted in the Group overview, the second quarter of 2019 saw an increase in sales growth of Food & Liquor but a decline in sales growth in General Merchandise.

Slower sales relating to General Merchandise continues to dampen gross margin %, with the margin achieved being 20bps lower than last year. Masswarehouse has seen expenses grow by 9.0% in total, while comparable expense growth of 6.0% was slightly higher than general inflation and cost increases. Expenses grew as a consequence of the new Makro store which opened in March 2019 (adding 6.5% more space), as well as the impact of on-boarding temporary employees as new permanent employees as a result of legislative requirements. Included in expenses for the six months is approximately R14 million of pre-opening expenses associated with the opening of the new Makro Cornubia store.

The accounting and IT system issues in Massfresh took longer to stabilise than anticipated and so margins remained unacceptably low although they improved during the period. Total sales decreased by 9.8%.

The Cornubia store, north of Durban, was opened in March 2019 increasing Masswarehouse's trading space by 6.5% to 246,125m².

Massbuild

COMPRISES 109 STORES, TRADING IN DIY, HOME IMPROVEMENT AND BUILDING MATERIALS, UNDER THE BUILDERS WAREHOUSE, BUILDERS EXPRESS, BUILDERS TRADE DEPOT AND BUILDERS SUPERSTORE BRANDS IN SOUTH AFRICA; AND EIGHT BUILDERS STORES ACROSS BOTSWANA, MOZAMBIQUE AND ZAMBIA.

↑ 5.0% **Sales** **R6.7 billion** 2018: R6.4 million

↓ 10.8% **Trading profit** **R250.2 million** 2018: R280.5 million

Massbuild grew total sales by 5.0% to R6.7 billion, with comparable sales increasing by 1.8% and product inflation of 2.8%. As noted in our December 2018 commentary, contractors' sales remain under pressure and were below the prior period. Assisted by stores opened in 2018, total Rand sales growth in our ex-SA stores was 25.5% while comparable sales grew by 12.3%.

Margins were well managed despite an increase in the participation of promotional sales even though we have not changed our promotional intensity or cadence in Builders Warehouse. As a result of three new stores, total expenses grew by 9.4% and comparable expenses grew by 6.2%.

The product range on the Builders Warehouse Online platform has increased by 47%. Click-and-collect delivery (already available in all South African metropolitan stores) was launched in Botswana during the period.

The Builders Warehouse 'store of the future' was opened in May 2019, in Boksburg in Johannesburg east, as a technology prominent store and includes features such as WiFi, 44 high-definition screens, flatpack modular furniture, complete hardware and do-it-yourself service experiences, three-dimensional printing capabilities, and self-checkout processes. In addition to this, two Builders Superstores and one Builders Express stores were opened in South Africa, resulting in a net trading space increase of 1.8% to 476,582m².

Masscash

COMPRISES 54 WHOLESALE CASH & CARRY STORES AND 63 RETAIL STORES TRADING IN SOUTH AFRICA; 13 CASH & CARRY STORES IN BOTSWANA, LESOTHO, MOZAMBIQUE, NAMIBIA, SWAZILAND AND ZAMBIA; AND SHIELD, A VOLUNTARY BUYING ASSOCIATION.

↑ 9.1% **Sales** **R14.3 billion** 2018: R13.1 billion

-R190.4m **Trading loss** 2018: -R4.1 million

Total sales of R14.3 billion increased by 9.1%, while comparable sales increased by 8.2%. Year-to-date product inflation was 3.6%. Sales in our Wholesale business grew by 13.3% and by only 2.9% in our Retail business (Cambridge and Rhino). Total sales from our ex-SA stores grew by 14.6% and by 10.4% in constant currencies.

Competitive pressure remained intense across both our Wholesale and Retail businesses which both consequently reported margin pressure. Compounding this financial performance was expense growth of 14.4%, with comparable expense growth of 12.7%. Expenses were mainly impacted by depreciation charges and occupancy costs which increased by 9.5% mainly as a result of significant increases relating to utilities, rates and taxes, and the impact of on-boarding temporary employees as new permanent employees as a result of legislative requirements.

Masscash CEO Kevin Vyvyan-Day has announced his resignation with effect from the end of August 2019 and will be replaced, in the interim, by Deepa Sita. Deepa has been the Finance and Commercial Director at Makro since 2016 and she has extensive experience in the South African FMCG market.

There were no new stores with trading space remaining at 388,714m².

Like-on-like Divisional operational review

Rm	26 WEEKS JUNE 2019 (LIKE-ON-LIKE)*	% OF SALES	26 WEEKS JUNE 2018 (REVIEWED)	% OF SALES	LIKE-ON-LIKE* % GROWTH	COMPARABLE* % SALES GROWTH	ESTIMATED % SALES INFLATION#	52 WEEKS DECEMBER 2018 (AUDITED)	% OF SALES
Sales	**43,832.4**		**41,558.4**		*5.5*	*3.6*	*2.7*	**90,941.6**	
Massdiscounters	**9,420.0**		**9,143.9**		*3.0*	*0.7*	*0.8*	**19,729.4**	
Masswarehouse	**13,357.0**		**12,880.8**		*3.7*	*1.9*	*2.9*	**28,778.2**	
Massbuild	**6,734.6**		**6,412.5**		*5.0*	*1.8*	*2.8*	**13,756.1**	
Masscash	**14,320.8**		**13,121.2**		*9.1*	*8.2*	*3.6*	**28,677.9**	
Trading profit/(loss) before interest and taxation**	**0.1**	***0.0***	**665.8**	*1.6*	*(100.0)*			**2,071.1**	*2.3*
Massdiscounters	**(396.1)**	***(4.2)***	**(95.3)**	*(1.0)*	-			**32.6**	*0.2*
Masswarehouse	**336.4**	***2.5***	**484.7**	*3.8*	*(30.6)*			**1,100.8**	*3.8*
Massbuild	**250.2**	***3.7***	**280.5**	*4.4*	*(10.8)*			**749.1**	*5.4*
Masscash	**(190.4)**	***(1.3)***	**(4.1)**	*(0.0)*	-			**188.6**	*0.7*

* *Refer to note 2.*
** *The 'trading profit/(loss) before interest and taxation' above is the amount per the Condensed Consolidated Income Statement less the BEE transaction IFRS 2 charge and excludes restructure costs.*
\# *Group sales inflation is a weighted inflation.*

Our people

We are always appreciative of the contribution of our 46,500 colleagues across sub-Saharan Africa, especially in the current environment where many of them and their own families feel the adverse consequences of the weak economy, increasing unemployment and ever-increasing cost of living. We acknowledge and thank our colleagues in all our stores, offices, DCs, and call-centres for their contributions, service and support.

Directorate

On 27 May 2019, Phumzile Langeni was appointed the Lead Independent Director of the Board.

On 30 April 2019, Mohammed Abdool-Samad was announced as the Chief Financial Officer and Executive Director of the Board effective 1 August 2019.

Following the announcement of Guy Hayward's intention to resign in May 2019, Mitchell Slape has been appointed as Massmart's Chief Executive Officer and Executive Director effective 1 September 2019.

Strategic priorities

Allowing for a review of strategy implicit with the impending changes in management, the Group remains focused on longer-term strategic goals including:

- Improving the profitability of Massdiscounters and Masscash;
- Driving structurally lower operating costs;
- Implementing a Group DC-services and -network function with the aim of reducing the cost-to-serve;
- Investing in Online capabilities which now represent 0.8% sales participation of those categories that are online; and
- Driving our valued-add-services customer offerings across the Group and which are growing in aggregate by 12% in 2019.

Given the Group's current financial performance; our increased IT capital expenditure programme over the next few years; the likely muted South African economic growth in upcoming years; and the possibility of negative movements in future key South African macro-economic variables, the Group continues to selectively curtail new store growth and to focus on reducing operating costs and working capital levels in order to reduce our cash and capital demands.

Outlook and trading statement for the year ended December 2019

For the 33 weeks to 18 August 2019, total sales amounted to R55.8 billion, representing an increase of 5.0% over the prior period. Comparable stores' sales increased by 3.2%. Product inflation is estimated at 2.6%.

It is difficult to envisage the South African consumer economy improving in the near-term and negative risks seem heightened in the international geopolitical and economic situation. Massmart's profitability has always been heavily skewed towards the second half of the financial year and particularly the fourth quarter, which includes Black Friday and the Festive season, which makes near-term financial guidance difficult.

Assuming no further deterioration in the South African consumer economy for the remainder of 2019, Massmart expects that basic earnings per share for the year to December 2019 may be at least 50% below last year's basic earnings per share of 410.6 cents per share on a comparable basis (excluding the impact of IFRS 16) and may be at least 100% below last year's basic earnings per share of 410.6 cents per share (including the impact of IFRS 16). On the same basis, Massmart expects that headline earnings per share for the year to December 2019 may be at least 50% below last year's headline earnings per share of 416.5 cents per share on a comparable basis (excluding the impact of IFRS 16) and may be at least 100% below last year's headline earnings per share of 416.5 cents per share on a reported basis (including the impact of IFRS 16). A further announcement will be released once there is a reasonable degree of certainty on results in due course.

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

Dividend

Massmart's dividend policy is to declare and pay an interim and final dividend representing a 2.0 times dividend cover unless circumstances dictate otherwise. As a result of the headline loss reported during this period, no interim dividend has been declared.

On behalf of the Board

Guy Hayward
Chief Executive Officer
28 August 2019

Mohammed Abdool-Samad
Chief Financial Officer

Condensed consolidated income statement

Rm	26 WEEKS JUNE 2019 (REVIEWED)	IFRS 16 ADJUSTMENT*	26 WEEKS JUNE 2019 (ADJUSTED)*	26 WEEKS JUNE 2018 (REVIEWED)	PERIOD % CHANGE	ADJUSTED* % CHANGE	52 WEEKS DECEMBER 2018 (AUDITED)
Revenue	**43,909.4**	-	**43,909.4**	41,688.4	*5.3*	*5.3*	91,180.6
Sales	**43,832.4**	-	**43,832.4**	41,558.4	*5.5*	*5.5*	90,941.6
Cost of sales	**(35,403.5)**	-	**(35,403.5)**	(33,416.3)	*(5.9)*	*(5.9)*	(73,250.4)
Gross profit	**8,428.9**	-	**8,428.9**	8,142.1	*3.5*	*3.5*	17,691.2
Other income	**76.6**	-	**76.6**	127.9	*(40.1)*	*(40.1)*	231.0
Depreciation and amortisation	**(1,548.4)**	890.5	**(657.9)**	(546.7)	*(183.2)*	*(20.3)*	(1,134.6)
Employment costs	**(3,967.4)**	-	**(3,967.4)**	(3,653.8)	*(8.6)*	*(8.6)*	(7,582.9)
Occupancy costs	**(644.6)**	(1,210.8)	**(1,855.4)**	(1,706.6)	*62.2*	*(8.7)*	(3,491.3)
Other operating costs	**(2,026.2)**	-	**(2,026.2)**	(1,698.5)	*(19.3)*	*(19.3)*	(3,644.5)
Trading profit/(loss) before interest and taxation	**318.9**	(320.3)	**(1.4)**	664.4	*(52.0)*	*(100.2)*	2,068.9
Restructuring cost	**-**	-	**-**	(110.3)	*100.0*	*100.0*	(161.0)
Impairment of assets	**(46.9)**	-	**(46.9)**	(8.5)	*(451.8)*	*(451.8)*	(21.4)
Insurance proceeds on items in PP&E	**0.4**	-	**0.4**	2.1	*(81.0)*	*(81.0)*	8.0
Operating profit/(loss) before foreign exchange movements and interest	**272.4**	(320.3)	**(47.9)**	547.7	*(50.3)*	*(108.7)*	1,894.5
Foreign exchange (loss)/gain (note 4)	**(157.1)**	75.2	**(81.9)**	23.4	*(771.4)*	*(450.0)*	(2.7)
Operating profit/(loss) before interest	**115.3**	(245.1)	**(129.8)**	571.1	*(79.8)*	*(122.7)*	1,891.8
- Finance costs	**(921.9)**	556.5	**(365.4)**	(310.5)	*(196.9)*	*(17.7)*	(648.8)
- Finance income	**12.3**	-	**12.3**	10.8	*13.9*	*13.9*	25.1
Net finance costs	**(909.6)**	556.5	**(353.1)**	(299.7)	*(203.5)*	*(17.8)*	(623.7)
(Loss)/Profit before taxation	**(794.3)**	311.4	**(482.9)**	271.4	*(392.7)*	*(278.0)*	1,268.1
Taxation (note 9)	**(38.1)**	(64.8)	**(102.9)**	(81.4)	*53.2*	*(26.4)*	(399.4)
(Loss)/Profit for the period	**(832.4)**	246.6	**(585.8)**	190.0	*(538.1)*	*(408.3)*	868.7
(Loss)/Profit attributable to:							
- Owners of the parent	**(836.1)**	246.6	**(589.5)**	195.7	*(527.2)*	*(401.2)*	888.6
- Non-controlling interests	**3.7**	-	**3.7**	(5.7)	*164.9*	*164.9*	(19.9)
(Loss)/Profit for the period	**(832.4)**	246.6	**(585.8)**	190.0	*(538.1)*	*(408.3)*	868.7
Basic EPS (cents)	**(382.8)**	112.9	**(269.9)**	90.9	*(521.1)*	*(396.9)*	410.6
Diluted basic EPS (cents)	**(378.3)**	111.6	**(266.7)**	89.0	*(525.1)*	*(399.7)*	401.9
Dividend (cents):							
- Interim	**-**	-	**-**	68.0	*(100.0)*	*(100.0)*	68.0
- Final	**-**	-	**-**	-	*-*	*-*	140.0
- Total	**-**	-	**-**	68.0	*(100.0)*	*(100.0)*	208.0

* *To provide a more meaningful comparison of the current period's performance, the performance summary has been prepared on a like-on-like basis which excludes the impact of IFRS 16 'Leases' in the current and prior financial periods. Refer to note 2 for detail on the impact of the new accounting standard using the modified retrospective approach.*

The like-on-like financial performance, for which the Directors of Massmart are responsible, are provided for illustrative purposes only to compare the current financial period's results with the 1 July 2018 and the 30 December 2018 Income Statement, allowing for a like-on-like comparison to June 2019. The Group's external auditor has issued a reporting accountants' report on the 30 June 2019 Income Statement. A copy of their procedures report is available at the Group's registered office.

Headline earnings

Rm	26 WEEKS JUNE 2019 (REVIEWED)	IFRS 16 ADJUSTMENT*	26 WEEKS JUNE 2019 (ADJUSTED)*	26 WEEKS JUNE 2018 (REVIEWED)	PERIOD % CHANGE	ADJUSTED* % CHANGE	52 WEEKS DECEMBER 2018 (AUDITED)
Reconciliation of (loss)/profit for the period to headline earnings							
(Loss)/Profit for the year attributable to owners of the parent	**(836.1)**	246.6	**(589.5)**	195.7	*(527.2)*	*(401.2)*	888.6
Write-off of tangible and intangible assets	**60.0**	-	**60.0**	8.5	*605.6*	*605.6*	24.0
Net (profit)/loss on disposal of tangible and intangible assets	**(3.3)**	-	**(3.3)**	4.6	*(170.5)*	*(170.5)*	9.5
Profit on sale of non-current assets classified as held for sale	**(11.8)**	-	**(11.8)**	-	*-*	*-*	(15.9)
Insurance proceeds on items of PP&E	**(0.4)**	-	**(0.4)**	(2.1)	*81.0*	*81.0*	(8.0)
Net loss arising from partial or full termination of lease	**5.7**	-	**5.7**	-	*-*	*-*	-
Total tax effects of adjustments	**(10.7)**	-	**(10.7)**	(2.6)	*(312.8)*	*(312.8)*	3.0
Headline (loss)/earnings	**(796.6)**	246.6	**(550.0)**	204.1	*(490.4)*	*(369.5)*	901.2
Restructuring after taxation	**-**	-	**-**	79.4	*(100.0)*	*(100.0)*	115.9
Headline (loss)/earnings before restructure costs (taxed)	**(796.6)**	246.6	**(550.0)**	283.5	*(381.0)*	*(294.0)*	1,017.1
Foreign exchange after taxation	**150.1**	(75.1)	**75.0**	(20.4)	*834.1*	*(466.8)*	2.7
Headline (loss)/earnings before restructure costs and foreign exchange loss (taxed)	**(646.5)**	171.5	**(475.0)**	263.1	*(345.7)*	*(280.5)*	1,019.9
Headline EPS (cents)	**(364.7)**	112.9	**(251.8)**	94.7	*(485.1)*	*(365.9)*	416.5
Headline EPS before restructure costs and foreign exchange (taxed) (cents)	**(296.0)**	78.5	**(217.5)**	122.2	*(342.2)*	*(278.0)*	471.3
Diluted headline EPS (cents)	**(360.4)**	111.6	**(248.8)**	92.7	*(488.8)*	*(368.4)*	407.6
Diluted headline EPS before restructure costs and foreign exchange (taxed) (cents)	**(292.5)**	77.6	**(214.9)**	119.7	*(344.4)*	*(279.5)*	461.3

** Refer to note 2.*

Condensed consolidated statement of comprehensive income

Rm	26 WEEKS JUNE 2019 (REVIEWED)	IFRS 16 ADJUSTMENT*	26 WEEKS JUNE 2019 (ADJUSTED)*	26 WEEKS JUNE 2018 (REVIEWED)	PERIOD % CHANGE	ADJUSTED* % CHANGE	52 WEEKS DECEMBER 2018 (AUDITED)
(Loss)/Profit for the period	**(832.4)**	246.6	*(585.8)*	190.0	*(538.1)*	*(408.3)*	868.7
Items that will not subsequently be re-classified to the Income Statement:	**(0.2)**	-	*(0.2)*	3.1	*(106.5)*	*(106.5)*	13.3
Net post retirement medical aid actuarial profit	**-**	-	*-*	3.2	*(100.0)*	*(100.0)*	13.4
Fair value movement on OCI financial assets	**(0.2)**	-	*(0.2)*	(0.1)	*(100.0)*	*(100.0)*	(0.1)
Items that will subsequently be re-classified to the Income Statement:	**(39.9)**	-	*(39.9)*	124.1	*(132.2)*	*(132.2)*	90.6
Foreign currency translation reserve	**(48.0)**	-	*(48.0)*	127.3	*(137.7)*	*(137.7)*	85.6
Cash flow hedges - effective portion of changes in fair value	**-**	-	*-*	20.8	*(100.0)*	*(100.0)*	20.8
Income tax relating to components of other comprehensive income	**8.1**	-	*8.1*	(24.0)	*133.8*	*133.8*	(15.8)
Total other comprehensive (loss)/profit for the period, net of tax	**(40.1)**	-	*(40.1)*	127.2	*(131.5)*	*(131.5)*	103.9
Total comprehensive (loss)/income for the period	**(872.5)**	246.6	*(625.9)*	317.2	*(375.1)*	*(297.3)*	972.6
Total comprehensive (loss)/income attributable to:							
- Owners of the parent	**(876.2)**	246.6	*(629.6)*	322.9	*(371.3)*	*(295.0)*	992.5
- Non-controlling interests	**3.7**	-	*3.7*	(5.7)	*164.9*	*164.9*	(19.9)
Total comprehensive (loss)/income for the period	**(872.5)**	246.6	*(625.9)*	317.2	*(375.1)*	*(297.3)*	972.6

** Refer to note 2.*

Condensed consolidated statement of financial position

Rm	JUNE 2019 (REVIEWED)	JUNE 2018 (REVIEWED)	% CHANGE	DECEMBER 2018 (AUDITED)	IFRS 16 AT ADOPTION ADJUSTMENT*	2019 OPENING BALANCE (ADJUSTED)*
ASSETS						
Non-current assets	**22,086.7**	13,814.3	59.9	14,165.8	8,530.0	22,695.8
Property, plant and equipment	**8,820.5**	8,891.6	(0.8)	9,109.5	-	9,109.5
Right-of-use assets	**8,571.6**	529.3	1,519.4	537.7	8,530.0	9,067.7
Goodwill and other intangible assets	**3,745.8**	3,484.2	7.5	3,656.3	-	3,656.3
Investments and other financial assets	**143.6**	139.1	3.2	119.2	-	119.2
Deferred taxation	**805.2**	770.1	4.6	743.1	-	743.1
Current assets	**17,353.9**	17,474.1	(0.7)	20,605.2	(118.1)	20,487.1
Inventories	**11,086.7**	11,023.6	0.6	12,180.9	-	12,180.9
Trade, other receivables and prepayments	**4,460.4**	4,782.7	(6.7)	5,693.2	(118.1)	5,575.1
Taxation	**448.6**	506.4	(11.4)	361.3	-	361.3
Cash on hand and bank balances	**1,358.2**	1,161.4	16.9	2,369.8	-	2,369.8
Non-current assets classified as held for sale	**166.7**	36.0	363.1	11.6	-	11.6
Total assets	**39,607.3**	31,324.4	26.4	34,782.6	8,411.9	43,194.5
EQUITY AND LIABILITIES						
Total equity	**5,280.3**	6,021.8	(12.3)	6,528.6	(227.1)	6,301.5
Equity attributable to owners of the parent	**5,267.4**	5,992.1	(12.1)	6,514.0	(227.1)	6,286.9
Non-controlling interests	**12.9**	29.7	(56.5)	14.6	-	14.6
Non-current liabilities	**11,502.5**	3,457.9	232.6	3,694.5	8,784.3	12,478.8
Interest-bearing borrowings	**2,267.6**	1,400.0	62.0	1,606.0	-	1,606.0
Lease liability	**9,056.6**	560.4	1,516.2	648.1	10,060.6	10,708.7
Deferred taxation	**86.5**	84.8	2.0	76.7	-	76.7
Other non-current liabilities and provisions	**91.8**	1,412.7	(93.5)	1,363.7	(1,276.3)	87.4
Current liabilities	**22,824.5**	21,844.7	4.5	24,559.5	(145.3)	24,414.2
Trade, other payables and provisions	**15,354.9**	14,907.0	3.0	21,925.1	(145.3)	21,779.8
Taxation	**68.7**	75.5	(9.0)	205.3	-	205.3
Bank overdrafts and debt facilities (note 8)	**6,044.7**	5,836.4	3.6	1,744.0	-	1,744.0
Interest-bearing borrowings	**6.0**	959.8	(99.4)	616.1	-	616.1
Lease liability	**1,350.2**	66.0	1,945.4	69.0	-	69.0
Total equity and liabilities	**39,607.3**	31,324.4	26.4	34,782.6	8,411.9	43,194.5

** Refer to note 2.*

Condensed consolidated statement of cash flows

Rm	JUNE 2019 (REVIEWED)	IFRS 16 ADJUSTMENT*	JUNE 2019 (ADJUSTED)*	JUNE 2018 (RESTATED)**	DECEMBER 2018 (AUDITED)
Operating cash before working capital movements	**1,869.9**	(1,210.8)	659.1	1,256.2	3,411.3
Working capital movements	**(4,370.1)**	-	(4,370.1)	(5,147.7)	(545.8)
Cash (utilised)/generated from operations	**(2,500.2)**	(1,210.8)	(3,711.0)	(3,891.5)	2,865.5
Taxation paid	**(328.6)**	-	(328.6)	(293.3)	(324.6)
Net interest paid	**(831.2)**	475.6	(355.6)	(239.5)	(482.9)
Dividends received	**-**	-	-	14.0	34.0
Dividends paid	**(129.7)**	-	(129.7)	(603.0)	(750.0)
Cash (outflow)/inflow from operating activities	**(3,789.7)**	(735.2)	(4,524.9)	(5,013.3)	1,342.0
Investment to maintain operations	**(318.8)**	-	(318.8)	(274.0)	(772.4)
Investment to expand operations	**(376.9)**	-	(376.9)	(358.9)	(833.6)
Proceeds on disposal of property, plant and equipment	**0.6**	-	0.6	9.6	20.4
Proceeds on disposal of assets classified as held for sale	**13.5**	-	13.5	-	32.8
Other net investing activities	**8.3**	-	8.3	2.1	5.9
Cash outflow from investing activities	**(673.3)**	-	(673.3)	(621.2)	(1,546.9)
Increase/(decrease) in non-current liabilities	**600.0**	-	600.0	(848.5)	(583.7)
Increase in current liabilities	**2,867.6**	735.2	3,602.8	5,379.2	1,043.5
Non-controlling interests acquired	**(0.8)**	-	(0.8)	-	-
Net acquisition of treasury shares	**(78.0)**	-	(78.0)	(164.3)	(221.1)
Cash inflow from financing activities	**3,388.8**	735.2	4,124.0	4,366.4	238.7
Net (decrease)/increase in cash and cash equivalents	**(1,074.2)**	-	(1,074.2)	(1,268.1)	33.8
Foreign exchange movements on cash and cash equivalents	**(13.6)**	-	(13.6)	0.9	29.9
Opening cash and cash equivalents	**2,369.8**	-	2,369.8	2,306.1	2,306.1
Closing cash and cash equivalents	**1,282.0**	-	1,282.0	1,038.9	2,369.8

** Refer to note 2.*
*** Refer to note 8.*

Condensed consolidated statement of changes in equity

Rm	SHARE CAPITAL	SHARE PREMIUM	OTHER RESERVES	RETAINED PROFIT	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	NON-CONTROLLING INTERESTS	TOTAL
Balance as at December 2017 (Audited)	2.2	401.2	452.7	5,478.1	6,334.2	43.2	6,377.4
Dividends declared	-	-	-	(735.6)	(735.6)	(8.4)	(744.0)
Total comprehensive income - restated	-	-	103.9	888.6	992.5	(19.9)	972.6
Changes in non-controlling interests	-	-	-	0.3	0.3	(0.3)	-
IFRS 2 charge and Share Trust transactions	-	(221.1)	173.0	11.7	(36.4)	-	(36.4)
Treasury shares acquired	-	(41.0)	-	-	(41.0)	-	(41.0)
Balance as at December 2018 (Audited)	**2.2**	**139.1**	**729.6**	**5,643.1**	**6,514.0**	**14.6**	**6,528.6**
Effect of adoption of new accounting standard (IFRS 16)*	-	-	-	(227.1)	(227.1)	-	(227.1)
Balance at December 2018 (Reviewed) Restated	**2.2**	**139.1**	**729.6**	**5,416.0**	**6,286.9**	**14.6**	**6,301.5**
Issue of share capital	-	174.3	-	-	174.3	-	174.3
Dividends declared	-	-	-	(302.6)	(302.6)	(4.2)	(306.8)
Total comprehensive income	-	-	(40.1)	(836.1)	(876.2)	3.7	(872.5)
Changes in non-controlling interests	-	-	0.5	-	0.5	(1.2)	(0.7)
IFRS 2 charge and Share Trust transactions	-	(78.0)	20.3	0.5	(57.2)	-	(57.2)
Treasury shares acquired	-	41.7	-	-	41.7	-	41.7
Balance as at June 2019 (Reviewed)	**2.2**	**277.1**	**710.3**	**4,277.8**	**5,267.4**	**12.9**	**5,280.3**
Balance as at December 2017 (Audited) as previously stated	2.2	401.2	452.7	5,478.1	6,334.2	43.2	6,377.4
Dividends declared	-	-	-	(588.5)	(588.5)	(8.4)	(596.9)
Total comprehensive income	-	-	127.2	195.7	322.9	(5.7)	317.2
Changes in non-controlling interests	-	-	-	-	-	0.6	0.6
IFRS 2 charge and Share Trust transactions	-	-	90.8	10.7	101.5	-	101.5
Treasury shares acquired	-	(178.0)	-	-	(178.0)	-	(178.0)
Balance as at June 2018 (Reviewed)	**2.2**	**223.2**	**670.7**	**5,096.0**	**5,992.1**	**29.7**	**6,021.8**

** Refer to note 2.*

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments identified below. The table below reflects 'Financial instruments' and 'Non-current assets classified as held for sale' carried at fair value, and those 'Financial instruments' and 'Non-current assets classified as held for sale' that have carrying amounts that differ from their fair values, in the Statement of Financial Position.

Rm	JUNE 2019 (REVIEWED)	LEVEL 1	LEVEL 2	LEVEL 3	JUNE 2018 (REVIEWED)	LEVEL 1	LEVEL 2	LEVEL 3	DECEMBER 2018 (AUDITED)	LEVEL 1	LEVEL 2	LEVEL 3
Financial assets												
Financial assets at fair value through profit or loss	159.1	-	159.1	-	185.6	-	185.6	-	124.3	-	124.3	-
Loans and receivables	6.1	-	6.1	-	12.5	-	12.5	-	9.6	-	9.6	-
OCI	0.9	0.9	-	-	1.0	1.0	-	-	1.1	1.1	-	-
Non-current assets classified as held for sale	166.7	-	-	166.7	36.0	-	-	36.0	11.6	-	-	11.6
	332.8	0.9	165.2	166.7	235.1	1.0	198.1	36.0	146.6	1.1	133.9	11.6
Financial liabilities												
Financial liabilities at amortised cost	2,345.2	-	2,345.2	-	2,013.7	-	2,013.7	-	2,342.2	-	2,342.2	-
Financial liabilities at fair value through profit or loss	24.4	-	24.4	-	46.2	-	46.2	-	24.8	-	24.8	-
	2,369.6	-	2,369.6	-	2,059.9	-	2,059.9	-	2,367.0	-	2,367.0	-

There were no transfers of financial instruments between Level 1, Level 2 and Level 3 fair value measurements during the period ended June 2019.
The financial assets and financial liabilities have been presented based on an analysis of their respective natures, characteristics and risks.
Refer to the valuation techniques applied in the latest Annual Financial Statements.

Divisional Trading Review

Rm	26 WEEKS JUNE 2019 (REVIEWED)	IFRS16 ADJUSTMENT*	26 WEEKS JUNE 2019 (ADJUSTED)*	26 WEEKS JUNE 2018 (REVIEWED)	52 WEEKS DECEMBER 2018 (AUDITED)
Sales	**43,832.4**		43,832.4	41,558.4	90,941.6
Massdiscounters	**9,420.0**		9,420.0	9,143.9	19,729.4
Masswarehouse	**13,357.0**		13,357.0	12,880.8	28,778.2
Massbuild	**6,734.6**		6,734.6	6,412.5	13,756.1
Masscash	**14,320.8**		14,320.8	13,121.2	28,677.9
Trading profit/(loss) before interest and taxation**	**320.4**	(320.3)	0.1	665.8	2,071.1
Massdiscounters	**(267.8)**	(128.3)	(396.1)	(95.3)	32.6
Masswarehouse	**418.4**	(82.0)	336.4	484.7	1,100.8
Massbuild	**318.4**	(68.2)	250.2	280.5	749.1
Masscash	**(148.6)**	(41.8)	(190.4)	(4.1)	188.6

* *The Group has adopted IFRS 16 'Leases' using the modified retrospective approach in the 2019 period. Prior year comparatives are on an IAS 17 'Leases' basis. Refer to note 2.*

** *The 'trading profit/(loss) before interest and taxation' above is the amount per the Condensed Consolidated Income Statement less the BEE transaction IFRS 2 charge and excludes restructure costs.*

Additional information

Rm	JUNE 2019 (REVIEWED)	JUNE 2018 (REVIEWED)	DECEMBER 2018 (AUDITED)
Net asset value per share (cents)	**2,403.7**	2,759.1	2,999.4
Ordinary shares (000's):			
- In issue	**219,138.8**	217,179.1	217,179.1
- Weighted average (net of treasury shares)	**218,400.1**	215,380.6	216,390.6
- Diluted weighted average	**221,006.5**	219,884.7	221,078.7
Preference shares (000's):			
- Black Scarce Skills Trust 'B' shares in issue	**2,797.7**	2,797.7	2,797.7
Capital expenditure (Rm):			
- Authorised and committed	**436.1**	1,094.5	958.8
- Authorised not committed	**1,212.6**	695.9	1,413.9
US dollar exchange rates: - period end (R/$)	**14.08**	13.76	14.47
- average (R/$)	**14.20**	12.33	13.18

Share data

	31 DEC 2018 - 30 JUNE 2019
Closing price, 28 Jun 2018	**R62.20**
Share price (26 week high)	**R116.21**
Share price (26 week low)	**R61.85**
Market cap (billions)	**R13.63**
Shares in issue (millions)	**219.1**
Shares traded (millions)	**83.2**
Percentage of shares traded	**38.0%**

Reuters **MSMJ.J**
Bloomberg **MSM SJ**
Source: I-Net

Notes

1. These reviewed interim condensed consolidated results (pages 9 to 15) 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 International Accounting Standard (IAS) 34 'Interim financial reporting', the JSE Limited Listings Requirements and the requirements of the Companies Act 71 of 2008 of South Africa. The accounting policies and methods of computation used in the preparation of the reviewed interim condensed consolidated results are in terms of IFRS and are consistent in all material respects with those applied in the most recent Annual Financial Statements, except for the changes listed below in note 2.
2. Adoption of IFRS 16 'Leases'
   - The Group has adopted IFRS 16 'Leases' using the modified retrospective approach, by recognising the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of equity at 31 December 2018. To provide a more meaningful comparison of the current period's financial performance with prior periods, June 2019 has been presented on a like-on-like basis with prior periods, excluding the impact of IFRS 16. Therefore, with the exception of the Statement of Financial Position on page 12, the current period's information was reported on a pro forma basis under IAS 17 'Leases'.
   - IFRS 16 has had a significant impact for the Group, given the number of stores that are leased. IFRS 16 has had no impact on the accounting of existing finance leases. It has however impacted most leases that were previously recorded as operating leases under IAS 17, where only the occupancy charge was recorded in the Income Statement. IFRS 16 now requires leases to be recognised in the Statement of Financial Position in the form of a capitalised right-of-use asset and corresponding liability. Changes to the Income Statement result in occupancy costs being replaced by an amortisation of the right-of-use asset and lease finance costs on the liability.
   - In applying IFRS 16 for the first time, the Group has used the following expedients permitted by the standard:
     a. Modified retrospective adoption – no comparatives required to be disclosed
     b. Combine lease and non-lease components
     c. Exemption of short-term leases
     d. Portfolio approach applied to classes of leases that have similar characteristics
     e. Interest rate based on remaining lease term for existing leases at transition date
   - At 30 June 2019 Massmart had 441 stores, 88% of which were leased.
   - The weighted average lessee's incremental borrowing rate applied to the lease liabilities on adoption date was 11.9%. Finance costs for the Group was an additional R0.6 billion for the period.

- The average remaining life of real estate leases is five years, with the exception of the Woodmead land lease which has 74 years remaining.
- Further information around the adoption can be found in the detailed presentation 'IFRS 16 – Accounting for Leases' on www.massmart.co.za/investor-center/financial-results/.

3. The pro forma financial effects for the current financial period, for which the Directors of Massmart are responsible, are provided for illustrative purposes only to show the effect of IFRS 16, allowing for a like-on-like comparison of the 26-week periods in 2019 to reflect the accounting under IAS 17, had the standard still been in effect from 31 December 2018. These pro forma financial effects are not expected to have a continuing effect and have only been disclosed to assist in understanding the impact IFRS 16 in the first period of adoption.
   a. Due to its nature, the pro forma financial effects may not fairly present the Group's results of operations or cash flows.
   b. The accounting policies adopted by the Group in the 2019 reviewed interim condensed consolidated results, which have been prepared in accordance with IFRS, have been used in preparing the unaudited pro forma 26-weeks Condensed Consolidated Income Statement and Cash flows Statement.
   c. The amounts in the 'IFRS 16 adjustment' column in the Condensed Consolidated Income Statement, that relate to interest and depreciation, was extracted from the accounting records.
   d. The occupancy cost in the 'IFRS 16 adjustment' column in the Condensed Consolidated Income Statement, represents the actual rental payments made during the period and was extracted from the accounting records.
   e. The amounts in the 'IFRS 16 adjustment' column in the Condensed Consolidated Cash Flow Statement, represents the rental payments split into interest and capital payments extracted from the accounting records.
   f. The pro forma financial effects columns as described above, in the opinion of the Directors, fairly reflects the results for the 26-week period to the 30 June 2019.
   g. The calculation of EPS and Headline EPS for the pro forma '26 weeks June 2019 (adjusted)' column in the Income Statement, is the adjusted reviewed results for the 26-week period ended 30 June 2019.
   h. The Group's external auditor has issued a reporting accountants' report on the pro forma 26-week information. A copy of their report is available at the Group's registered office.
   i. The pro forma financial effects is presented in accordance with the JSE Listing Requirements. These require that pro forma financial information be compiled in terms of the JSE Listing Requirements, the SAICA Guide on Pro Forma Financial Information and any relevant guidance issued by IRBA.
4. The majority of Massmart's realised and unrealised foreign exchange loss before IFRS 16, was primarily a result of recent currency weakness in Zambia. The unrealised foreign exchange loss for IFRS 16 was primarily a result of the currency weakness in Nigeria.
5. Massmart and its Divisions enter into certain transactions with related parties in the normal course of business. As a 52.8% shareholder, Main Street 830 Proprietary Limited, a subsidiary of Walmart, is entitled to a dividend based on their number of shares held. A net amount of R3.1 million remains payable by Walmart, which has been accounted for in 'trade, other payables and provisions' and 'trade, other receivables and prepayments' respectively.
6. Massmart offers a diverse range of retail offerings to the market consisting of Food & Liquor, General Merchandise and Home Improvement. Due to the cyclical nature of this industry, higher revenues and operating profits are usually expected in the second half of the year rather than in the first six months. Higher sales during the period October to December are mainly attributed to the increased demand for our non-Food categories where we see an increase in discretionary spend leading up to the Black Friday and Christmas holiday periods. This information is provided to allow for a better understanding of the results.
7. The constant currency information included in these reviewed interim condensed consolidated results has been presented to illustrate the Group's underlying ex-SA business performance excluding the effect of foreign currency fluctuations. In determining the application of constant currency, sales for the prior comparable financial reporting period have been adjusted to take into account the average monthly exchange rate for the current period. The table below depicts the percentage change in sales in both reported currency and constant currency for the given material currencies. The constant currency information incorporated in these reviewed interim condensed consolidated results has not been audited or reviewed or otherwise reported on by our external auditors. The constant currency information is the responsibility of the Directors of Massmart. It has been prepared for illustrative purposes only and due to its nature, may not fairly present Massmart's financial position, changes in equity, results of operations or cash flows.

Sales growth in:	Reported Currency	Constant Currency
Botswana Pula	13.8%	5.8%
Ghanaian Cedi	28.1%	27.9%
Mozambican Metical	21.4%	5.9%
Total ex-SA	**11.8%**	**6.4%**

8. Interest-bearing borrowings, including bank overdrafts, have increased by R9.9 billion since June 2018. This movement is largely due to the adoption of IFRS 16 of R10.1 billion. During the period, an error was identified which resulted in a reclassification of the June 2018 statement of cash flows. Term loans were replaced by an overnight facility that does not meet the definition of cash and cash equivalents under IAS 7 - Statement of Cash Flows. As a result, the June 2018 comparative current liabilities, the inflow from financing activities together with net and closing cash and cash equivalents has been restated by R5,713.9 million in the condensed consolidated statement of cash flows.
9. The current period taxation charge has been calculated based on the actual tax at the interim reporting date rather than using the effective rate on the estimated year-end profit. This is due to the effective rate yielding an inappropriate rate for interim reporting, primarily as a result of the impairment of deferred tax assets previously raised, business seasonality further exacerbated by the low profit base expected at year-end.
10. These reviewed interim condensed consolidated results (pages 9 to 15) 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'. Any reference to future financial performance included in this announcement 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 Group's registered office. The preparation of the Group's reviewed interim condensed consolidated results was supervised by the Chief Financial Officer, Mohammed Abdool-Samad CA (SA).

Massdiscounters

GENERAL MERCHANDISE AND FOOD DISCOUNTER

172
STORES
(171 stores in Dec 2018)
in South Africa, Botswana, Ghana, Kenya, Lesotho, Malawi, Mozambique, Namibia, Nigeria, Tanzania, Uganda, Zambia

R9.4bn
SALES
(R9.1bn in Jun 2018)

R396.1m*
TRADING LOSS
(R95.3m in Jun 2018)

568,103
M^2 OF TRADING SPACE
(560,828m^2 in Dec 2018)

Masswarehouse

WAREHOUSE CLUB

22
STORES
(21 stores in Dec 2018)
in South Africa

R13.4bn
SALES
(R12.9bn in Jun 2018)

R336.4m*
TRADING PROFIT
(R484.7m in Jun 2018)

246,125
M^2 OF TRADING SPACE
(231,021m^2 in Dec 2018)

Massbuild

HOME IMPROVEMENT RETAILER AND BUILDING MATERIALS SUPPLIER

117
STORES
(114 stores in Dec 2018)
in South Africa, Botswana, Mozambique, Zambia

R6.7bn
SALES
(R6.4bn in Jun 2018)

R250.2m*
TRADING PROFIT
(R280.5m in Jun 2018)

476,582
M^2 OF TRADING SPACE
(468,155m^2 in Dec 2018)

Masscash

FOOD WHOLESALER, RETAILER AND BUYING ASSOCIATION

130
STORES
(130 stores in Dec 2018)
in South Africa, Botswana, Lesotho, Mozambique, Namibia, Swaziland, Zambia

R14.3bn
SALES
(R13.1bn in Jun 2018)

R190.4m*
TRADING LOSS
(R4.1m in Jun 2018)

388,714
M^2 OF TRADING SPACE
(388,714m^2 in Dec 2018)

Refer to note 2.

For more information call +27 11 517 0000 or visit massmart.co.za/interimresults2019

Massmart Holdings Limited
("the Company" or "the Group")

JSE code MSM

ISIN ZAE000152617

Company registration number
1940/014066/06

Registered office
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Date of publication 29 August 2019

Company secretary
NJ Ralebepa

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Directorate
K Dlamini (Chairman), GRC Hayward[1] (Chief Executive Officer), MH Abdool-Samad[1] (Chief Financial Officer), NN Gwagwa, O Ighodaro, P Langeni, S Muigai[2], L Mthimunye, E Ostalé[3], JP Suarez[4]

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