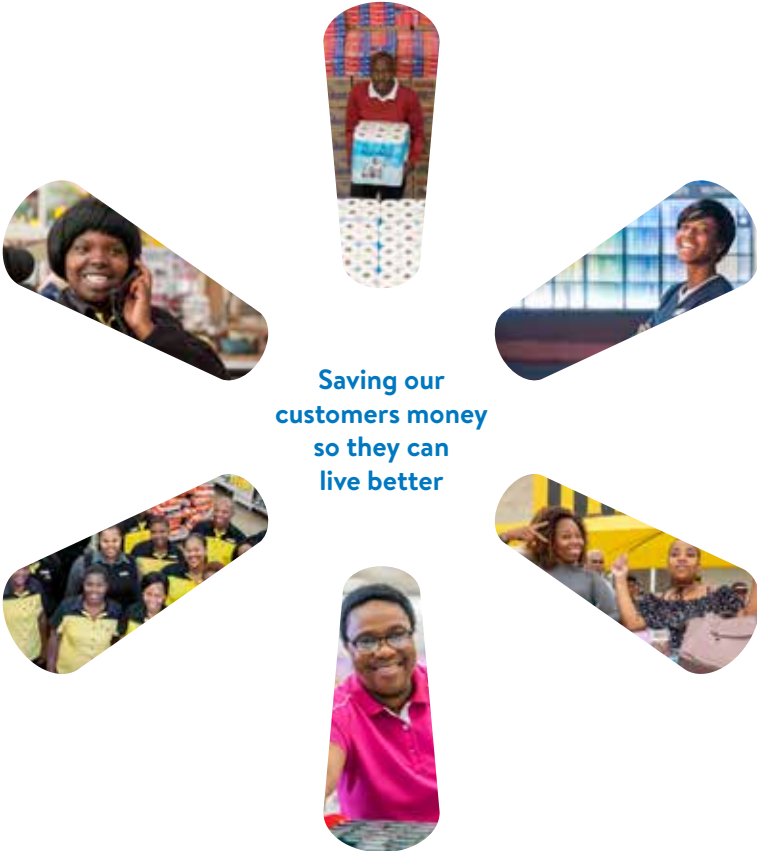




Results

For the 52 weeks ended 29 December 2019

Massmart, with total sales of R93.7 billion, comprises four Divisions operating 443 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

↑ 3.0%

Sales
R93.7 billion
2018: R90.9 billion

↑ 30.4%

EBITDA, before non-trading items
R4.2 billion
2018: R3.2 billion

↓ 46.3%

Trading profit before interest
and taxation
R1.1 billion
2018: R2.1 billion

↓ 227.3%

Headline (loss)/earnings
(R1.1 billion)
2018: R0.9 billion

↓ 195.8%

Headline (loss)/earnings before
reorganisation and restructure costs and
foreign exchange after tax
(R1.0 billion)
2018: R1.0 billion

Like-on-like* excluding IFRS 16 in 2019

↑ 3.0%

Sales
R93.7 billion
2018: R90.9 billion

↓ 45.1%

EBITDA, before non-trading items
R1.8 billion
2018: R3.2 billion

↓ 79.3%

Trading profit before interest
and taxation
R0.4 billion
2018: R2.1 billion

↓ 182.9%

Headline (loss)/earnings
(R0.7 billion)
2018: R0.9 billion

↓ 165.4%

Headline (loss)/earnings before
reorganisation and restructure costs and
foreign exchange after tax
(R0.7 billion)
2018: R1.0 billion

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

Massmart's Reviewed Consolidated Results

for the 52 weeks ended 29 December 2019

Group performance including IFRS 16 in 2019

Massmart's total sales for the 52-weeks ended 29 December of R93.7 billion represents sales growth of 3.0%, with comparable sales growth of 1.5%. Trading pressures resulted in the gross margin declining by 54 basis points, with expenses increasing by 5.9%. This resulted in a trading profit of R1.1 billion, 46.3% lower than 2018. During the year, assets, including those relating to non-profitable stores in Massdiscounters and Masscash, were impaired resulting in an additional expense of R229.5 million. Fluctuations in African currencies negatively impacted the Group resulting in a foreign exchange loss of R143.0 million. Net finance costs increased to R1.8 billion as a result of the adoption of IFRS 16 and increased borrowings during the period. The Group reported a loss of R1.3 billion compared to a profit of R0.9 billion during 2018, and a headline loss of R1.1 billion compared to a profit of R0.9 billion during 2018.

Group performance excluding IFRS 16 in 2019

The adoption of the IFRS 16 'Leases' standard from 1 January 2019 complicates performance comparisons between the results of the current and prior year. To provide a more meaningful assessment of the current year'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 2019. The like-on-like financial information must be read in conjunction with note 2 on page 15.

Overview and environment

The adverse consumer environment documented during the first half worsened during the second half of the year. Economic growth contracted in the third quarter and offered minimal relief during the fourth quarter. Compounding this were trading disruptions and customer inconvenience caused by protest action, load shedding and service delivery protests.

Group financial review

Like-on-like performance

Massmart's total sales for the 52 weeks of R93.7 billion represents sales growth of 3.0%, with comparable sales growth of 1.5% and year-to-date internal sales inflation of 2.5%. Sales from our South African stores increased by 2.7%, with comparable stores sales increasing by 1.3%. Total sales from our rest of Africa stores increased by 6.4% in Rands, and by 5.5% in constant currencies. On a comparable store basis, our rest of Africa store sales increased by 2.9% in Rands and by 2.1% in constant currencies.

Sales performance over the Black Friday period was robust and through Group collaborations our customers saved in excess of R300 million. However, this strong performance did not continue during the festive period.

The sales performance across our major categories is reflective of the spending pattern of a financially constrained consumer who continues to prioritise spending on non-Durables over Durable Goods. Food and Liquor sales of R53.5 billion increased by 5.1% (2018: R50.9 billion), Home Improvement sales of R14.2 billion increased by 3.4% (2018: R13.8 billion) and General Merchandise sales of R25.9 billion represents a decrease of 1.3% (2018: R26.3 billion).

A combination of increased promotional activity during the year and the shift of consumers prioritising lower margin categories (Food and Liquor) over higher margin categories (General Merchandise and Home Improvement) resulted in gross margins declining from 19.5% to 18.9%. Gross margin was further impacted by additional provisioning adjustments relating to the Masscash business.

While expense growth of 10.2% exceeded our sales growth of 3.0% during 2019, the second half of the year saw expenses increasing at a lower rate (8.6%) than the first half (11.8%) due to cost saving initiatives implemented by the Group. Expense growth however, still outpaced sales growth in the second half of 2019. Employment costs, the Group's biggest cost category increased by 8.0% (with a comparable increase of 7.8%), mainly impacted by the legislative requirement of converting temporary contractors to permanent associates in late 2018, in addition to the impact of new stores and annual labour cost inflation.

During the period, seven net new stores were opened, including the Makro store in Cornubia, north of Durban. Consequently, and further impacted by increased municipal tariffs, electricity costs and the cost associated with power generation as a result of load-shedding in February and again in December, occupancy costs increased by 8.4%. On a comparable stores basis, the increase was limited to 4.4%, as the impact of some of the cost pressure was offset by initiatives including consumption monitoring and energy efficiency.

Contributing to the 17.3% increase in depreciation and amortisation during the period was the impact of new stores and increased cost associated with the new SAP Hybris web and fulfilment platform in Makro. In addition, 2018 included a credit adjustment of R80 million to depreciation relating to the reassessment of useful lives to certain Masscash assets. Excluding this adjustment, depreciation and amortisation would have increased by 9.6%.

Other operating expenses increased by 14.2%. This was impacted by costs associated with the current economic climate: 5.8% increase in credit card costs as we see bigger credit sales participation; 9.6% increase in security costs driven by the need to increase our security efforts; and a 66.1% increase in bad debts. In addition, pre-opening costs associated with opening new stores, increased by 21.2%.

The combination of the factors explained above culminated in trading profit decreasing by 79.3%.

The evaluation of loss-making stores conducted during the period and an assessment of non-current assets held for sale resulted in impairment costs of R169.5 million recognised during the period.

Currency weaknesses continued into the second half of the year, resulting in a foreign exchange loss of R53.3 million. Net finance costs increased by 10.6% to R689.8 million.

The Group's effective tax rate of -67.4% (2018: 31.5%) is as a result of impairing certain deferred taxation assets previously raised, limiting the recognition of further deferred tax assets and the impact of the taxation charge on profit-making entities. In addition to this, the decrease in share price further impacted the deferred tax asset recognised on the Group share scheme.

Consequently, the Group incurred a net loss for the year of R861.0 million, down from a profit of R868.7 million in 2018. Headline losses amounted to R747.3 million, down from headline earnings of R901.2 million in 2018.

Financial position

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

While capital expenditure was cautiously spent during the period, we invested in store openings, refurbishment of selected existing stores and IT infrastructure. This, together with impairments, resulted in property, plant and equipment decreasing by 5.7% over 2018. Total capital expenditure was well managed during the year and decreased by 14.6% to R1,371.8 million. Expansionary expenditure was R791.5 million and included nine new store openings during the year. Replacement expenditure was R580.3 million, of which R341.7 million relates to investment in IT.

Our concerted and focused effort on working capital improvement continued into the second half of this year. Continued focus on inventory management led to a 2.4% decrease in inventory levels compared to 2018, despite the impact of new stores. Inventory days decreased by four days to 57 days compared to 2018. Trade receivables decreased by 10.7% with debtors days decreasing by two days to eight days.

Trade creditors also decreased by 5.0% resulting in credit days decreasing by seven days due to the change in the mix of goods purchased.

Operating cash before working capital movements, excluding IFRS 16, was R1,911.5 million, 44.0% lower than 2018 aligned to lower operating performance. An increased focus on working capital resulted in improved working capital cash flows relative to 2018. Free cash flow of R239.6 million declined by R1,046.0 million compared to the prior year, due mainly to cash generated from operations being R1,142.8 million lower than the prior year.

Appreciation

We are sincerely appreciative to all our associates for their contributions during the year, especially given our adverse economic environment. We would also like to thank the Board for their support and guidance and our Management teams for their ongoing focus and commitment to driving the Group's turnaround plan.

Directorate

As previously reported, Mohammed Abdool-Samad was announced as Chief Financial Officer and Executive Director of the Board effective 1 August 2019; and Mitchell (Mitch) Slape was announced as Chief Executive Officer and Executive Director of the Board effective 1 September 2019.

On 5 September 2019, the resignation of the Group's General Counsel and Company secretary, Joseph Ralebepa, was announced effective 31 December 2019. Nicole Morgan was announced as the Interim Company secretary effective 1 January 2020.

On 25 February 2020, the resignation of Enrique Oсталé from the Board, Remuneration and Nominations Committees was announced. The appointment of JP Suarez to the Remuneration and Nominations Committees was also announced, effective 25 February 2020. On the same day shareholders were informed that Charles Redfield was nominated for appointment as a non-Executive Director of the Board effective 25 February 2020.

Road to Recovery*

Massmart's slowing sales growth over the years necessitated a review of the business. Our review revealed that while Massmart's portfolio consists of strong brands with high market shares in key categories, some strategic and operational gaps impacted our performance. We have mapped out our *Road to Recovery* to reinvigorate growth within our business, reset the cost base and serve our customers better:

- Restructuring the Group operating model
- Portfolio optimisation including Game customer value proposition and wholesale route to market
- Supply Chain optimisation
- Cost reset

Outlook

Massmart's total sales for the seven weeks to 16 February 2020 amounted to R11.4 billion and represents an increase of 2.2% over the prior year. Comparable store sales increased by 1.0% and product inflation is estimated at 2.3%. The subdued economic environment experienced in the latter part of 2019 continues and we expect margin pressure to persist in 2020. The financial information on which this outlook statement is based has not been reviewed and reported on by the Company's external auditors.

Dividend

Our current dividend policy is to declare and pay an interim and final cash dividend representing a 2.0 times dividend cover, unless circumstances dictate otherwise. Due to the headline loss reported, no final dividend has been declared.



Mitchell Slape
Chief Executive Officer



Mohammed Abdool-Samad
Chief Financial Officer

26 February 2020

**For more information refer to our Business Update presentation held on 30 January 2020 on www.massmart.co.za*

Divisional performance

Massdiscounters

Comprises the 150 Game stores, trading General Merchandise and Food in South Africa and 11 other African countries; and the 23 DionWired stores, trading Hi-tech in South Africa

↑ 0.3% ↓ 2,169.3%

Sales
R19.8 billion
2018: R19.7 billion

Trading (loss)/profit*
(R674.6 million)
2018: R32.6 million

Massdiscounters total sales for the 52 weeks of R19.8 billion was 0.3% up on last year, most notably impacted by lower consumer spending on Durable Goods. Comparable stores sales contracted by 2.1% and product deflation was 0.2%.

Encouragingly, Game South Africa saw foot traffic increase by 4% year-on-year, resulting in sales increasing by 1.9%. In the rest of Africa, Game's sales decreased by 0.8% in Rands and by 1.5% in constant currencies owing to currency weaknesses during the period. Sales continued to decrease in DionWired and was 19.8% lower than 2018.

Margins were negatively impacted by a lower contribution of General Merchandise sales to total sales and the impact of a higher promotional mix, specifically in Game. Expenses increased by 8.7%, with comparable expenses increasing by 6.9%. Included in this were the costs associated with store openings and IT costs expensed. The implementation of the SAP S/4 HANA ERP system is continuing and is expected to be completed during 2020.

Four Game stores were opened during the period and two DionWired stores were closed. Massdiscounters' trading space increased by 0.2% to 561,934m².

Masswarehouse

Comprises the 22 Makro stores, Warehouse club trading General Merchandise, Food and Liquor in South Africa; and Massfresh, housing the Group's fresh produce, fresh meat and bakery operations, including the Fruitspot

↑ 2.0% ↓ 15.1%

Sales
R29.4 billion
2018: R28.8 billion

Trading profit*
R934.9 million
2018: R1,100.8 million

Masswarehouse recorded total sales of R29.4 billion, which was 2.0% up on last year, with comparable stores sales contracting by 0.3%. While General Merchandise sales remained flat on last year, Liquor sales grew by 3.5%, Food sales grew by 2.5% and product inflation of 2.2%.

Expenses of R4.1 billion, represent an increase of 6.8% over 2018, with a 4.5% increase in comparable expenses. Included in this is pre-opening expenses of approximately R14 million for the opening of the Makro Cornubia store during the period.

The Cornubia store increased trading space by 6.5% to 246,125m².

Massbuild

Comprises the 110 Builders Warehouse, Builders Express, Builders Trade Depot and Builders Superstores, trading DIY, Home Improvement and building materials in South Africa; and eight stores in Botswana, Mozambique and Zambia.

↑ 3.4% ↓ 10.6%

Sales
R14.2 billion
2018: R13.8 billion

Trading profit*
R669.8 million
2018: R749.1 million

Massbuild total sales of R14.2 billion grew by 3.4% and continues to maintain its market leading performance in DIY, home maintenance and building supplies. Comparable store sales increased by 1.4%, while product inflation was 4.0%. Sales from the rest of Africa stores increased by 15.9% and similarly in constant currencies.

The significant slowdown in the construction sector negatively impacted Massbuild, with commercial and yard sales decreasing by 0.5% compared to last year. This was however more than offset by retail sales growing by 5.3%, as consumers' focus shifted to prioritise smaller home improvement and DIY type projects as opposed to major renovations and builds.

New stores opened during the period and significant increases in utility and energy costs contributed to the 5.7% increase in expenses during the period (comparable increase of 4.3%).

Online continues to be a focus area and online traffic increased by 36%. Click-and-collect has been expanded further into the rest of Africa and is now in Botswana and Zambia.

During the period, four Builders stores were opened in South Africa, resulting in a 2.2% increase in trading space to 478,279m².

Masscash

Comprises the 54 Wholesale Cash & Carry stores and 63 Retail stores in South Africa; 13 Cash & Carry stores in Botswana, Lesotho, Mozambique, Namibia, Swaziland and Zambia; and Shield, a voluntary buying association.

↑ 5.6% ↓ 366.1%

Sales
R30.3 billion
2018: R28.7 billion

Trading (loss)/profit*
(R501.8 million)
2018: R188.6 million

Masscash total sales of R30.3 billion grew by 5.6%, especially supported by strong wholesale sales growth of 8.6%. Comparable store sales have shown a similar increase. Product inflation was 3.6%. Retail sales are flat on last year, testament to a very competitive market environment. Sales from the rest of Africa stores increased by 11.6% and by 10.4% in constant currencies.

No new stores were opened or closed during the year, resulting in trading space remaining at 388,714m².

* Divisional trading profit/(loss) includes Corporate allocations.

Divisional trading review

Rm	52 weeks December 2019 (Reviewed)	IFRS16 adjustment*	52 weeks December 2019 (Adjusted)*	52 weeks December 2018 (Audited)
Sales	93,660.0		93,660.0	90,941.6
Massdiscounters	19,796.0		19,796.0	19,729.4
Masswarehouse	29,367.5		29,367.5	28,778.2
Massbuild	14,219.0		14,219.0	13,756.1
Masscash^	30,277.5		30,277.5	28,677.9
Trading profit/(loss) before interest and taxation**	1,111.2	(682.9)	428.3	2,071.1
Massdiscounters	(391.0)	(283.6)	(674.6)	32.6
Masswarehouse	1,039.1	(104.2)	934.9	1,100.8
Massbuild	848.5	(178.7)	669.8	749.1
Masscash	(385.4)	(116.4)	(501.8)	188.6

Like-on-like divisional trading review

Rm	52 weeks December 2019 (Like-on- like)*	% of sales	52 weeks December 2018 (Audited)	% of sales	Like-on-like* % change	Comparable % sales change	Estimated % sales inflation#
Sales	93,660.0		90,941.6		3.0	1.5	2.5
Massdiscounters	19,796.0		19,729.4		0.3	(2.1)	(0.2)
Masswarehouse	29,367.5		28,778.2		2.0	(0.3)	2.2
Massbuild	14,219.0		13,756.1		3.4	1.4	4.0
Masscash^	30,277.5		28,677.9		5.6	5.8	3.6
Trading profit/(loss) before interest and taxation**	428.3	0.5	2,071.1	2.3	(79.3)		
Massdiscounters	(674.6)	(3.4)	32.6	0.2	(2,169.3)		
Masswarehouse	934.9	3.2	1,100.8	3.8	(15.1)		
Massbuild	669.8	4.7	749.1	5.4	(10.6)		
Masscash	(501.8)	(1.7)	188.6	0.7	(366.1)		

* 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 reorganisation and restructure costs. Divisional trading profit/(loss) includes Corporate allocations.

Group sales inflation is a weighted inflation.

^ Included in the sales number is R312.6 million commission income (2018: R324.9 million) earned by acting as an agent through the Shield arrangement (a voluntary buying association). In cases where the Group acts as an agent in a transaction and where sales are recognised on a net basis, the contractual terms of such arrangements do not meet the requirements that allow offsetting financial instruments resulting in the related receivable and payable balances being disclosed on a gross basis.

Condensed consolidated income statement

Rm	52 weeks December 2019 (Reviewed)	IFRS 16 adjustment*	52 weeks December 2019 (Adjusted)*	52 weeks December 2018 (Audited)	Period % change	Adjusted* % change
Revenue	93,843.1	–	93,843.1	91,180.6	2.9	2.9
Sales	93,660.0	–	93,660.0	90,941.6	3.0	3.0
Cost of sales	(75,946.8)	–	(75,946.8)	(73,250.4)	(3.7)	(3.7)
Gross profit	17,713.2	–	17,713.2	17,691.2	0.1	0.1
Other income	179.7	–	179.7	231.0	(22.2)	(22.2)
Depreciation and amortisation	(3,067.1)	1,736.3	(1,330.8)	(1,134.6)	(170.3)	(17.3)
Employment costs	(8,188.0)	–	(8,188.0)	(7,582.9)	(8.0)	(8.0)
Occupancy costs	(1,365.8)	(2,419.2)	(3,785.0)	(3,491.3)	60.9	(8.4)
Other operating costs	(4,160.8)	–	(4,160.8)	(3,644.5)	(14.2)	(14.2)
Trading profit before interest and taxation	1,111.2	(682.9)	428.3	2,068.9	(46.3)	(79.3)
Reorganisation and restructure costs	(33.1)	–	(33.1)	(161.0)	79.4	79.4
Impairment of assets	(229.5)	60.0	(169.5)	(21.4)	(972.4)	(692.1)
Insurance proceeds on items in PP&E	3.4	–	3.4	8.0	(57.5)	(57.5)
Operating profit before foreign exchange movements and interest	852.0	(622.9)	229.1	1,894.5	(55.0)	(87.9)
Foreign exchange loss (note 4)	(143.0)	89.7	(53.3)	(2.7)	(5,196.3)	(1,874.1)
Operating profit before interest	709.0	(533.2)	175.8	1,891.8	(62.5)	(90.7)
– Finance costs	(1,860.4)	1,109.3	(751.1)	(648.8)	(186.7)	(15.8)
– Finance income	61.3	–	61.3	25.1	144.2	144.2
Net finance costs	(1,799.1)	1,109.3	(689.8)	(623.7)	(188.5)	(10.6)
(Loss)/Profit before taxation	(1,090.1)	576.1	(514.0)	1,268.1	(186.0)	(140.5)
Taxation (note 9)	(206.3)	(140.7)	(347.0)	(399.4)	48.3	13.1
(Loss)/Profit for the period	(1,296.4)	435.4	(861.0)	868.7	(249.2)	(199.1)
(Loss)/Profit attributable to:						
– Owners of the parent	(1,307.5)	434.9	(872.6)	888.6	(247.1)	(198.2)
– Non-controlling interests	11.1	0.5	11.6	(19.9)	155.8	158.3
(Loss)/Profit for the period	(1,296.4)	434.5	(861.0)	868.7	(249.2)	(199.1)
Basic EPS (cents)	(600.6)	199.8	(400.8)	410.6	(246.3)	(197.6)
Diluted basic EPS (cents)	(594.9)	197.9	(397.0)	401.9	(248.0)	(198.8)
Dividend (cents):						
– Interim	–	–	–	68.0	(100.0)	(100.0)
– Final	–	–	–	140.0	(100.0)	(100.0)
– Total	–	–	–	208.0	(100.0)	(100.0)

* To provide a more meaningful comparison of the current year'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 financial year. Refer to note 2 for detail on the impact of the new accounting standard using the modified retrospective approach.

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

Headline earnings

Rm	52 weeks December 2019 (Reviewed)	IFRS 16 adjustment*	52 weeks December 2019 (Adjusted)*	52 weeks December 2018 (Audited)	Period % change	Adjusted* % change
Reconciliation of (loss)/profit for the period to headline earnings						
(Loss)/Profit for the year attributable to owners of the parent	(1,307.5)	434.9	(872.6)	888.6	(247.1)	(198.2)
Write-off of tangible and intangible assets	245.3	(60.0)	185.3	24.0	922.1	672.1
Net (profit)/loss on disposal of tangible and intangible assets	(2.5)	–	(2.5)	9.5	(126.3)	(126.3)
Profit on sale of non-current assets classified as held for sale	(27.6)	–	(27.6)	(15.9)	(73.6)	(73.6)
Insurance proceeds on items of PP&E	(3.4)	–	(3.4)	(8.0)	57.5	57.5
Net loss arising from partial or full termination of lease	5.7	–	5.7	–	100.0	100.0
Total tax effects of adjustments	(57.4)	25.2	(32.2)	3.0	(2,013.3)	(1,173.3)
Headline (loss)/earnings	(1,147.4)	400.1	(747.3)	901.2	(227.3)	(182.9)
Reorganisation and restructure costs after taxation	23.8	–	23.8	115.9	(79.5)	(79.5)
Headline (loss)/earnings before reorganisation and restructure costs (taxed)	(1,123.6)	400.1	(723.5)	1,017.1	(210.5)	(171.1)
Foreign exchange after taxation	146.5	(89.6)	56.9	2.7	5,325.9	2,007.4
Headline (loss)/earnings before restructure costs and foreign exchange loss (taxed)	(977.1)	310.5	(666.6)	1,019.8	(195.8)	(165.4)
Headline EPS (cents)	(527.1)	183.8	(343.3)	416.5	(226.6)	(182.4)
Headline EPS before reorganisation and restructure costs and foreign exchange (taxed) (cents)	(448.9)	142.6	(306.3)	471.3	(195.2)	(165.0)
Diluted headline EPS (cents)	(522.0)	182.0	(340.0)	407.6	(228.1)	(183.4)
Diluted headline EPS before reorganisation and restructure costs and foreign exchange (taxed) (cents)	(444.6)	141.3	(303.3)	461.3	(196.4)	(165.7)

* Refer to note 2.

Condensed consolidated statement of comprehensive income

Rm	52 weeks December 2019 (Reviewed)	IFRS 16 adjustment*	52 weeks December 2019 (Adjusted)*	52 weeks December 2018 (Audited)	Period % change	Adjusted* % change
(Loss)/Profit for the period	(1,296.4)	435.4	(861.0)	868.7	(249.2)	(199.1)
Items that will not subsequently be re-classified to the Income Statement:	8.1	–	8.1	13.3	(39.1)	(39.1)
Net post retirement medical aid actuarial profit	8.1	–	8.1	13.4	(39.6)	(39.6)
Fair value movement on OCI financial assets	–	–	–	(0.1)	100.0	100.0
Items that will subsequently be re-classified to the Income Statement:	(76.9)	–	(76.9)	90.6	(184.9)	(184.9)
Foreign currency translation reserve	(91.8)	–	(91.8)	85.6	(207.2)	(207.2)
Cash flow hedges – effective portion of changes in fair value	–	–	–	20.8	(100.0)	(100.0)
Fair value movement on OCI financial assets	(0.3)	–	(0.3)	–	100.0	100.0
Income tax relating to components of other comprehensive income	15.2	–	15.2	(15.8)	196.2	196.2
Total other comprehensive (loss)/profit for the period, net of tax	(68.8)	–	(68.8)	103.9	(166.2)	(166.2)
Total comprehensive (loss)/income for the period	(1,365.2)	435.4	(929.8)	972.6	(240.4)	(195.6)
Total comprehensive (loss)/income attributable to:						
– Owners of the parent	(1,376.3)	434.9	(941.4)	992.5	(238.7)	(194.9)
– Non-controlling interests	11.1	0.5	11.6	(19.9)	155.8	158.3
Total comprehensive (loss)/income for the period	(1,365.2)	435.4	(929.8)	972.6	(240.4)	(195.6)

* Refer to note 2.

Condensed consolidated statement of financial position

Rm	December 2019 (Reviewed)	December 2018 (Audited)	IFRS 16 at adoption adjustment*	2019 Opening balance (Adjusted)*	Period % change	Adjusted* % change
ASSETS						
Non-current assets	21,747.2	14,165.8	8,530.0	22,695.8	53.5	(4.2)
Property, plant and equipment	8,585.9	9,109.5	–	9,109.5	(5.7)	(5.7)
Lease assets	8,283.1	537.7	8,530.0	9,067.7	1,440.5	(8.7)
Goodwill and other intangible assets	3,865.5	3,656.3	–	3,656.3	5.7	5.7
Investments and other financial assets	127.0	119.2	–	119.2	6.5	6.5
Deferred taxation	885.7	743.1	–	743.1	19.2	19.2
Current assets	18,431.1	20,605.2	(118.1)	20,487.1	(10.6)	(10.0)
Inventories	11,893.8	12,180.9	–	12,180.9	(2.4)	(2.4)
Trade, other receivables and prepayments	5,020.8	5,693.2	(118.1)	5,575.1	(11.8)	(9.9)
Taxation	224.7	361.3	–	361.3	(37.8)	(37.8)
Cash on hand and bank balances	1,291.8	2,369.8	–	2,369.8	(45.5)	(45.5)
Non-current assets classified as held for sale	159.5	11.6	–	11.6	1,275.0	1,275.0
Total assets	40,337.8	34,782.6	8,411.9	43,194.5	16.0	(6.6)
EQUITY AND LIABILITIES						
Total equity	4,800.8	6,528.6	(227.1)	6,301.5	(26.5)	(23.8)
Equity attributable to owners of the parent	4,785.5	6,514.0	(227.1)	6,286.9	(26.5)	(23.9)
Non-controlling interests	15.3	14.6	–	14.6	4.8	4.8
Non-current liabilities	11,121.2	3,694.5	7,673.9	11,368.4	201.0	(2.2)
Interest-bearing borrowings	2,000.0	1,606.0	–	1,606.0	24.5	24.5
Lease liability	8,950.7	648.1	8,950.2	9,598.3	1,281.1	(6.7)
Deferred taxation	79.7	76.7	–	76.7	3.9	3.9
Other non-current liabilities and provisions	90.8	1,363.7	(1,276.3)	87.4	(93.3)	3.9
Current liabilities	24,415.8	24,559.5	965.1	25,524.6	(0.6)	(4.3)
Trade, other payables and provisions	21,117.0	21,925.1	(145.3)	21,779.8	(3.7)	(3.0)
Taxation	200.4	205.3	–	205.3	(2.4)	(2.4)
Bank overdrafts and debt facilities (note 8)	141.2	1,744.0	–	1,744.0	(91.9)	(91.9)
Interest-bearing borrowings	1,572.8	616.1	–	616.1	155.3	155.3
Lease liability	1,384.4	69.0	1,110.4	1,179.4	1,906.4	17.4
Total equity and liabilities	40,337.8	34,782.6	8,411.9	43,194.5	16.0	(6.6)

* Refer to note 2.

Condensed consolidated statement of cash flows

Rm	December 2019 (Reviewed)	IFRS 16 adjustment*	December 2019 (Adjusted)*	December 2018 (Audited)
Operating cash before working capital movements	4,296.8	(2,385.3)	1,911.5	3,411.3
Working capital movements	(82.0)	(106.8)	(188.8)	(545.8)
Cash generated from operations	4,214.8	(2,492.1)	1,722.7	2,865.5
Taxation paid	(191.1)	–	(191.1)	(324.6)
Net interest paid	(1,714.7)	1,003.0	(711.7)	(482.9)
Dividends received	20.0	–	20.0	34.0
Dividends paid	(162.4)	–	(162.4)	(750.0)
Cash inflow from operating activities	2,166.6	(1,489.1)	677.5	1,342.0
Investment to maintain operations	(580.3)	–	(580.3)	(772.4)
Investment to expand operations	(791.5)	–	(791.5)	(833.6)
Proceeds on disposal of property, plant and equipment	7.9	–	7.9	20.4
Proceeds on disposal of assets classified as held for sale	41.3	–	41.3	32.8
Other net investing activities	11.3	–	11.3	5.9
Cash outflow from investing activities	(1,311.3)	–	(1,311.3)	(1,546.9)
Increase/(Decrease) in non-current liabilities	600.0	–	600.0	(583.7)
(Decrease)/Increase in current liabilities	(2,613.4)	1,489.1	(1,124.3)	1,043.5
Net acquisition of treasury shares	(48.4)	–	(48.4)	(221.1)
Cash (outflow)/inflow from financing activities	(2,061.8)	1,489.1	(572.7)	238.7
Net (decrease)/increase in cash and cash equivalents	(1,206.5)	–	(1,206.5)	33.8
Foreign exchange movements on cash and cash equivalents	(12.7)	–	(12.7)	29.9
Opening cash and cash equivalents	2,369.8	–	2,369.8	2,306.1
Closing cash and cash equivalents	1,150.6	–	1,150.6	2,369.8

* Refer to note 2.

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	-	-	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 treasury shares acquired	-	(262.1)	173.0	11.7	(77.4)	-	(77.4)
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 as at December 2018 (Reviewed) Re-presented	2.2	139.1	729.6	5,416.0	6,286.9	14.6	6,301.5
Issue of share capital	-	-	-	-	-	-	-
Dividends declared	-	174.3	-	(302.6)	(128.3)	(32.6)	(160.9)
Total comprehensive income	-	-	(68.8)	(1,307.5)	(1,376.3)	11.1	(1,365.2)
Changes in non-controlling interests	-	-	0.5	-	0.5	22.2	22.7
IFRS 2 charge and treasury shares acquired	-	(103.6)	102.4	3.9	2.7	-	2.7
Balance as at December 2019 (Reviewed)	2.2	209.8	763.7	3,809.8	4,785.5	15.3	4,800.8

* Refer to note 2.

Divisional assets and liabilities

Rm	Total	Other*	Massdiscounters	Masswarehouse	Massbuild	Masscash
December 2019 (Reviewed)						
Total Assets	40,337.8	5,322.4	10,054.3	8,292.9	7,360.2	9,308.0
Total Liabilities	35,537.0	3,696.2	8,864.5	10,516.7	5,947.5	6,512.1
December 2018 (Audited)						
Total Assets	34,782.6	5,880.3	7,606.0	6,838.1	5,253.2	9,205.0
Total Liabilities	28,254.0	4,455.5	6,042.7	7,478.4	3,786.8	6,490.6

* Includes consolidation entries.

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.

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data

Rm	December 2019 (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	154.5	-	28.5	125.9	124.3	-	124.3	-
Financial assets at amortised cost	7.3	-	7.3	-	9.6	-	9.6	-
Financial assets measured at fair value through OCI	-	-	-	-	1.1	1.1	-	-
Non-current assets classified as held for sale	159.5	-	-	159.5	11.6	-	-	11.6
	321.2	-	35.8	285.4	146.6	1.1	133.9	11.6
Financial liabilities								
Financial liabilities at amortised cost	2,326.3	-	2,326.3	-	2,342.2	-	2,342.2	-
Financial liabilities at fair value through profit or loss	37.4	-	37.4	-	24.8	-	24.8	-
	2,363.7	-	2,363.7	-	2,367.0	-	2,367.0	-

The Group's unlisted investments in insurance cell-captives were previously categorised within Level 2 of the fair value hierarchy. Due to the unobservability of the lowest level input that is significant to the entire valuation, the financial assets were re-categorised to Level 3 at the end of the period. Other than this transfer, there were no further transfers between Level 1, Level 2 and Level 3 fair value categories during the year.

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.

Additional information

	Dec 2019 (Reviewed)	Dec 2018 (Audited)
Net asset value per share (cents)	2,183.8	2,999.4
Ordinary shares (000's):		
- In issue	219,138.8	217,179.1
- Weighted average (net of treasury shares)	217,686.4	216,390.6
- Diluted weighted average	219,793.1	221,078.7
Preference shares (000's):		
- Black Scarce Skills Trust 'B' shares in issue	2,797.7	2,797.7
Capital expenditure (Rm):		
- Authorised and committed	1,018.4	958.8
- Authorised not committed	1,047.3	1,413.9
US dollar exchange rates:		
- period end (R/\$)	14.03	14.47
- average (R/\$)	14.42	13.18

Share data

31 Dec 2018 – 29 Dec 2019

Closing price, 27 Dec 2019	R50.95	Shares traded (millions)	186.2
Share price (52 week high)	R116.69	Percentage of shares traded	85.6%
Share price (52 week low)	R38.25	Reuters	MSMJ.J
Market Cap (billions)	R11.09	Bloomberg	MSM SJ
Shares in issue (millions)	217.7		

Notes

- These provisional reviewed condensed consolidated results 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 provisional reviewed 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.
 - 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 year's financial performance with 2018, December 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 10, the current year'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 had no impact on the accounting of previously 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:
 - Modified retrospective adoption – no comparatives required to be disclosed
 - Combine lease and non-lease components
 - Exemption of short-term leases and leases for low value assets
 - Portfolio approach applied to classes of leases that have similar characteristics
 - Interest rate based on remaining lease term for existing leases at transition date
 - At 29 December 2019 Massmart had 443 stores, 87% 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 R1.1 billion for the year.
 - The average remaining life of real estate leases is four years, with the exception of the Woodmead land lease which has 73 years remaining.
 - Further information around the adoption can be found in the detailed presentation 'IFRS 16 – Accounting for Leases' on www.massmart.co.za

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 52-week periods in 2019 to reflect the accounting under IAS 17, had the standard still been in effect to 29 December 2019. These pro forma financial effects are not expected to have a continuing impact and have only been disclosed to assist in understanding the impact of IFRS 16 in the first year of adoption.
- Due to its nature, the pro forma financial effects may not fairly present the Group's results of operations or cash flows.
 - The accounting policies adopted by the Group in the 2019 provisional reviewed condensed consolidated results, which have been prepared in accordance with IFRS, have been used in preparing the unaudited pro forma 52-weeks Condensed Consolidated Income Statement and Cash flows Statement.
 - 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.
 - 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.
 - The taxation balance represents the calculated tax effect on the above adjustments, taking into consideration the statutory tax paying position of the respective entities.
 - The non-controlling interest adjustment relates to the net impact of interest and depreciation as well as the actual rental payments made during the period relating to the non-controlling shareholders of Group entities and was extracted from the accounting records of the Group.
 - 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.
- The pro forma financial effects columns as described above, in the opinion of the Directors, fairly reflects the results for the 52-week period to 29 December 2019.
 - The calculation of EPS and Headline EPS for the pro forma '52 weeks December 2019 (adjusted)' column in the Income Statement is the adjusted reviewed results for the 52-week period ended 29 December 2019.
 - The calculation of Diluted EPS and Diluted Headline EPS for the pro forma 52-week period is based on the diluted weighted average number of shares over the full 52-week period.
 - The Group's external auditor has issued a reporting accountants' report on the pro forma 52-week information. A copy of their report is available at the Group's registered office.
 - 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, was primarily a result of currency weakness.
5. Massmart and its Divisions enter into certain transactions with related parties in the normal course of business. Main Street 830 Proprietary Limited, a subsidiary of Walmart, is a 52.8% shareholder. As at 29 December 2019, a net amount of R0.6 million remains payable by Walmart, which has been accounted for in 'trade, other payables and provisions' and 'trade, other receivables and prepayments'.
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 provisional reviewed condensed consolidated results has been presented to illustrate the Group's underlying rest of Africa 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 provisional reviewed 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 | 9.7% | 5.7% |
| Mozambican Metical | 15.3% | 5.0% |
| Zambian Kwacha | (5.4%) | 7.8% |
| Total ex-SA | 6.4% | 4.7% |
8. Interest-bearing borrowings, including bank overdrafts, have increased by R9.4 billion since December 2018. This movement is largely due to the impact of IFRS 16 of R9.6 billion. The Group's closing cash and cash equivalents balance in the statement of cash flows includes bank overdrafts of R141.2 million (2018: Rnil). The R1,744.0 million overnight facilities reflected in the 2018 financial year does not meet the definition of cash and cash equivalents under IAS7 'Statement of Cash Flows'.
9. The Group's effective tax rate, excluding the impact of IFRS 16, of -67.4% (2018: 31.5%) is as a result of impairing certain deferred taxation assets previously raised, limiting the recognition of further deferred tax assets and the taxation charge on profit-making entities. In addition to this, the decrease in share price further impacted the deferred tax asset recognised on the Group share scheme.
10. During the post balance-sheet period the Group announced the commencement of a potential store closure consultation process in terms of section 189 and section 189A of the Labour Relations Act 66 of 1995, as amended; with organised labour and other relevant stakeholders. A total of 34 DionWired and Masscash stores and approximately 1,440 employees are potentially affected by this process. No provisions have been raised in this regard. The re-organisation of the operating model was also announced. The current four divisions will be re-organised into two business units: Massmart Wholesale and Massmart Retail.
11. These provisional reviewed condensed consolidated results have been reviewed by our 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 Chief Financial Officer, Mohammed Abdool-Samad CA (SA), supervised the preparation of the Group's provisional reviewed condensed consolidated results.

Sales growth in:	Reported currency	Constant currency
Botswana Pula	9.7%	5.7%
Mozambican Metical	15.3%	5.0%
Zambian Kwacha	(5.4%)	7.8%
Total ex-SA	6.4%	4.7%

Massdiscounters

General Merchandise
and Food discounter



173 stores

2018: 171 stores

in South Africa,
Botswana, Ghana,
Kenya, Lesotho,
Malawi, Mozambique,
Namibia, Nigeria,
Tanzania, Uganda,
Zambia



R19.8bn

Sales
2018: R19.7bn



(R674.6m)*

Trading (loss)/profit
2018: R32.6m

+ 561,934m²

Trading space
2018: 560,828m²

11,964

Full-time employee
equivalents
2018: 11,730

Masswarehouse

Warehouse club



22 stores

2018: 21 stores

in South Africa



R29.4bn

Sales
2018: R28.8bn



R934.9m*

Trading profit
2018: R1,100.8m

+ 246,125m²

Trading space
2018: 231,021m²

9,776

Full-time employee
equivalents
2018: 10,646

Massbuild

Home improvement
Retailer and building
materials supplier



118 stores

2018: 114 stores

in South Africa,
Botswana,
Mozambique,
Zambia



R14.2bn

Sales
2018: R13.8bn



R669.8m*

Trading profit
2018: R749.1m

+ 478,279m²

Trading space
2018: 468,155m²

10,226

Full-time employee
equivalents
2018: 10,421

Masscash

Food Wholesaler, Retailer
and buying association



130 stores

2018: 130 stores

in South Africa,
Botswana, Lesotho,
Mozambique,
Namibia, Swaziland,
Zambia



R30.3bn

Sales
2018: R28.7bn



(R501.8m)*

Trading (loss)/profit
2018: R188.6m

+ 388,714m²

Trading space
2018: 388,714m²

16,965

Full-time employee
equivalents
2018: 14,984

* Refer to note 2.

For more information call +27 11 517 0000 or visit massmart.co.za/results2019

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

JSE code MSM

ISIN ZAE000152617

Company registration number
1940/014066/06

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