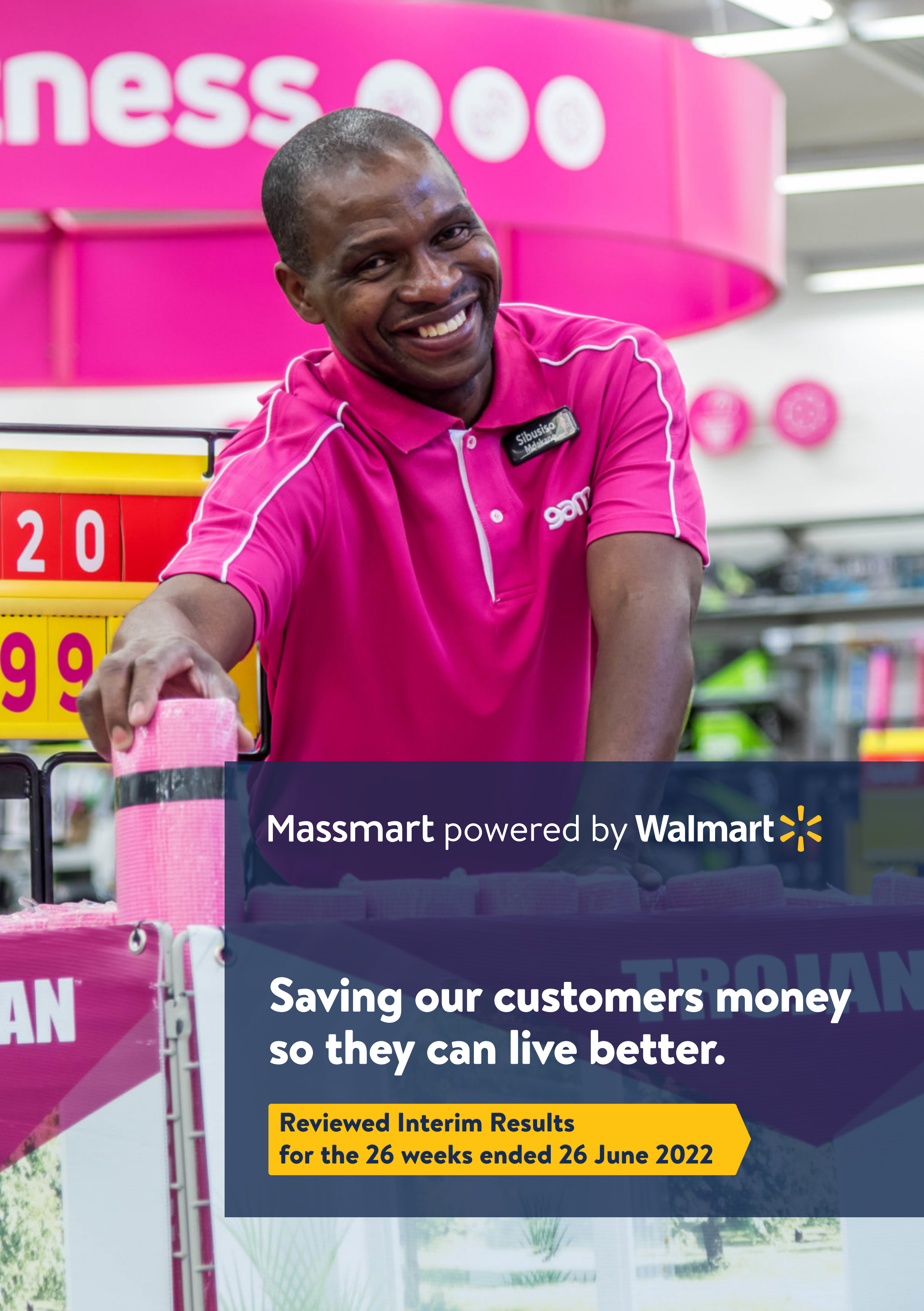


Massmart powered by Walmart

Saving our customers money so they can live better.

Reviewed Interim Results for the 26 weeks ended 26 June 2022

Massmart is an African retail group, with total Group sales of R41.3 billion for the 26-week period ended 26 June 2022. Through our widely recognised and differentiated retail and wholesale formats, represented in 403 Retail and Wholesale stores in 13 sub-Saharan countries, we have leading market shares in the general merchandise, liquor, home improvement and wholesale food markets. The Group's key foundations of high volume, low cost, responsible business and operational excellence enable our price leadership.

MASSMART GROUP

Massmart Retail
powered by Walmart

Massmart Wholesale
powered by Walmart

Performance summary

for the 26 weeks ended 26 June 2022

1.9%
Increased sales from continuing operations
R38.1 BILLION
2021: R37.4 BILLION

46.0%
Increased total Group headline loss
(R942.5 MILLION)
2021: (R645.4 MILLION)

152.0%
Increased headline loss from continuing operations
(R903.5 MILLION)
2021: (R358.5 MILLION)

52.4%
Decreased trading profit before interest and taxation from continuing operations
R377.3 MILLION
2021: R792.1 MILLION

4.0%
Improved total Group loss for the period
(R1,029.2 MILLION)
2021: (R1,072.5 MILLION)

23.8%
Decreased EBITDA, before non-trading items from continuing operations
R1,612.0 MILLION
2021: R2,114.8 MILLION

9.4%
Increased loss for the period from continuing operations
(R847.0 MILLION)
2021: (R774.1 MILLION)

Massmart Reviewed Interim Results

for the 26 weeks ended 26 June 2022

Total Group performance

Massmart's total Group sales for the 26-weeks ended 26 June 2022 of R41.3 billion is flat compared to the same period in 2021, while comparable store sales grew by 2.3% over the same period. Gross margin decreased by 100bps to 19.6% mainly due to the lower General Merchandise sales mix compared to the prior year period and cost inflation outpacing sales inflation.

Our ongoing focus on cost management resulted in a 0.6% decrease in expenses. Other income increased by 173.6% to R383.0 million and primarily related to insurance proceeds accrued for business interruption claims relating to the civil unrest. This resulted in a trading profit of R323.5 million, a decrease of 27.2% from the prior year period.

The Group recognised R205.9 million of retrenchment and business transformation costs, R184.0 million of which related to a once-off negotiated lease settlement cost in respect to the Riverhorse Distribution Centre that was completely destroyed during the July 2021 civil unrest. The Group recognised an impairment expense of R146.5 million, the majority of which related to goodwill in the Cambridge business.

Fluctuations in African currencies resulted in foreign exchange losses of R110.1 million and represented a 25.3% increase from June 2021. A higher opening net debt compared to June 2021, together with increased interest rates, contributed to the 11.2% increase in net interest expenses to R967.5 million.

As a result of the above, the Group incurred a net loss of R1,029.2 million, which represented an improvement of 4.0% from the prior year period loss of R1,072.5 million. The headline loss amounted to R942.5 million, and increased by 46.0% from the prior year period headline loss of R645.4 million.

Appreciation

We are thankful to all our associates who continue to contribute to our Group's performance and put our customers first, despite the hardships of the current economic climate. We are grateful to our customers for their ongoing support and loyalty. We thank our Board and Management teams for their continued guidance and leadership.

Operating environment

During the period we navigated through the ongoing effects of global supply chain challenges, flooding experienced in parts of the country in April 2022 and the normalising of operations following the lifting of Covid-19 related restrictions. We also experienced macroeconomic headwinds in the form of growing inflationary pressures, increased interest rates and fuel and electricity price hikes; which put pressure on discretionary spend merchandise. Eight stores are not trading as at the end of this reporting period as a consequence of the civil unrest in July 2021 and flooding during April 2022.

Discontinued operations

As previously announced the Board made the decision to divest the Group's Cambridge, Rhino and Massfresh (comprising The Fruitspot and a meat processing facility) assets. Following this, the Cambridge, Rhino and Massfresh businesses have been classified and reported as discontinued operations in terms of IFRS 5. As such, the following results and commentary relate to continuing operations only, unless stated otherwise. Refer to note 3.

Group overview from continuing operations

Financial review

Massmart's total sales for the 26 weeks to 26 June 2022 of R38.1 billion represented an increase of 1.9%, and an increase of 4.3% on a comparable store sales basis, with estimated year-to-date internal sales inflation of 4.5%. Sales from our South Africa stores increased by 1.9%, and by 4.6% on a comparable store sales basis. Total sales from our Rest of Africa stores increased by 1.6% in Rands, and decreased by 2.6% in constant currencies. On a comparable store sales basis, our Rest of Africa store sales increased by 1.3% in Rands and decreased by 2.9% in constant currencies. Sales performance in the Rest of Africa, in Rands, has been impacted by significant currency fluctuations, particularly relating to our stores operating in Botswana and Ghana.

Food and Liquor sales of R20.2 billion increased by 7.1% (2021: R18.9 billion), Home Improvement sales of R7.0 billion decreased by 3.2% (2021: R7.2 billion) and General Merchandise sales of R10.9 billion decreased by 3.6% (2021: R11.4 billion). Significant pressure on consumers from the current economic environment resulted in consumers prioritising non-discretionary merchandise.

Sales from our e-commerce platforms grew by 50.0% compared to the prior year period, while orders increased by 109.0% and gross merchandise value (GMV) increased by 108.0% over the same period.

Gross margin decreased by 95bps to 19.6% and was impacted by a combination of global General Merchandise supply chain challenges; sales mix, with softer margin-accretive General Merchandise sales; and inflationary pressures with cost inflation outpacing sales inflation.

The majority of other income related to a R270.0 million insurance proceeds total Group accrual for business interruption claims as a consequence of the 2021 civil unrest.

Our ongoing commitment to cost-saving and Smart Spend initiatives resulted in expenses growing below inflation at 4.4%.

Employment costs, the Group's biggest cost category, increased by 2.7%. Part of the reason for the below inflationary increase is the transfer of our financial transactional processing activities to Genpact in March 2021.

Continued lease agreement re-negotiations and reduced utility costs achieved through our sustainability initiatives resulted in occupancy costs decreasing by 2.4%.

Depreciation and amortisation decreased by 6.7% due to a reduced footprint and a lower asset base as a consequence of asset impairments recognised in 2021. Five stores were closed during the period.

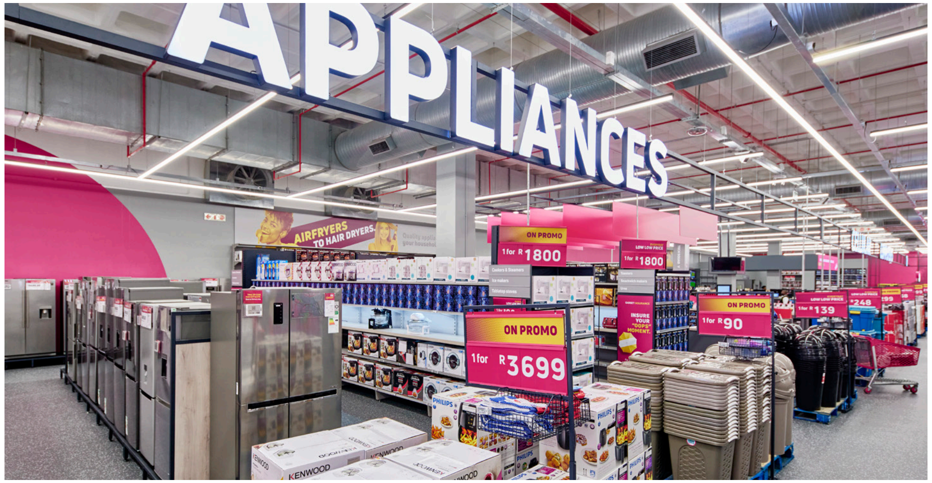
Contributing to the 19.3% increase in other operating costs are investment in e-commerce, investment in customer experience and the shift of the aforementioned employment costs to Genpact in 2021.

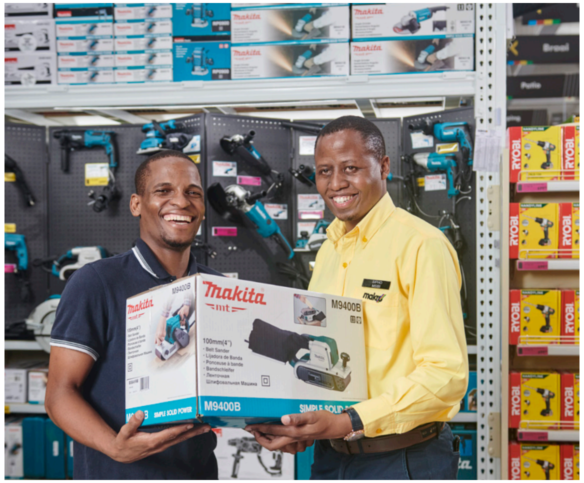
The above resulted in a trading profit of R377.3 million compared to a trading profit of R792.1 million in the prior year period.

During the period, the Group incurred retrenchment and business transformation costs of R205.9 million, compared to R73.4 million in the prior year period. This mainly related to a once-off R184.0 million negotiated lease settlement cost relating to the Riverhorse Distribution Centre that was destroyed during the July 2021 civil unrest.

Impairment losses of R7.3 million were recognised during the period and decreased by 98.8% compared to the prior year period.

Fluctuations in African currencies continue to negatively impact the Group, particularly with our stores operating in Ghana, Kenya and Malawi. This, together with the impact on the revaluation of the USD-denominated Walmart loan resulted in a foreign exchange loss of R110.1 million being incurred, compared to a loss of R87.9 million in the prior year period.





Net finance costs of R930.4 million increased by 12.6% compared to R826.2 million in the prior year period. Cash interest to the Group's financiers, excluding those related to lease liabilities, increased by R58.5 million to R279.0 million, compared to the prior year period. This is due to several interest rate increases, coupled with the higher opening net debt balance compared to the prior year period.

The effective tax rate for the reporting period was 3.4% (2021: 1.8%) and was impacted by the limitation of the recognition of deferred tax assets relating to certain loss-making entities, the South African rate change and disallowed expenditure.

A net loss of R847.0 million was reported for the period (2021: R774.1 million loss), with a headline loss of R903.5 million (2021: R358.5 million loss).

Financial position

Cash flow and debt management remain a priority in the business.

Total capital expenditure for the period amounted to R411.2 million, which was a decrease of 25.6% compared to June 2021. This expenditure was mostly associated with the refurbishment of selected existing stores. Expansionary capital expenditure amounted to R159.3 million, of which leasehold improvements and fixtures, fittings, plant and equipment amounted to R159.1 million. Capital expenditure relating to maintenance amounted to R251.9 million. The 7.9% increase in property, plant and equipment primarily related to capital expenditure.

Working capital continues to be a focus area. The Group's inventory balance increased by 10.7%, while inventory days increased by six days. Global supply chain issues experienced during 2021 resulted in the late delivery of Black Friday and Festive season stock arriving during the first quarter of 2022. This, together with consumers prioritising spend on non-durable items, resulted in increased inventory levels during the reporting period. Trade receivable days increased by three days compared to June 2021, while the trade receivables balance increased by 27.7% over the same period and is reflective of the recovery in the B2B market. Trade creditor days increased by eight days while the trade creditors balance increased by 19.0% since June 2021. This is primarily due to re-negotiated credit terms with our vendors.

Operating cash inflows before working capital movements of R941.4 million decreased by 0.2% over June 2021. Average net debt, excluding lease liabilities, increased by R1.6 billion to R9.4 billion compared to the prior year period.

Directorate

The Board of Massmart is pleased to announce the appointment of Massmart Chief Operating Officer (COO), Jonathan Molapo, to the position of Chief Executive Officer (CEO), with effect from 1 January 2023, when he will take over from Mitch Slape. Mitch will remain in his role until 31 December 2022 and will have ultimate responsibility to deliver the FY2022 financial plan whilst also facilitating the handover to Jonathan.

On 1 July 2022, shareholders were advised of the appointment of Mteto Nyati as an Independent Non-Executive Director and member of the Risk and Social and Ethics Committees, effective 1 July 2022.

No further changes were made to the Directorate as at the date of this report.

Outlook

Total Group sales for the 33-weeks to 14 August 2022 of R52.8 billion represents an increase of 2.9% and a comparable store sales increase of 4.4% over the same period in 2021. Sales from continuing operations of R48.8 billion represents an increase of 4.6% and a comparable store sales increase of 6.0% for the 33-week period to 14 August 2022, over the same period in 2021.

The 7-week sales performance post our interim reporting period showed an improvement relative to the prior year. Total sales from continuing operations increased by 15.5%, and by 12.8% on a comparable store sales basis, driven in part by the civil unrest-comparison period from the prior year. We remain focused on our strategy to strengthen our core business, and are investing in e-commerce, Home Improvement, General Merchandise, and Wholesale Food & Liquor growth.

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

Notice of detailed cautionary announcement regarding a potential offer by Walmart to acquire all the outstanding shares in Massmart

Holders of Massmart Holdings Limited ordinary shares ("Massmart Shareholders") are hereby advised that the Board of Directors of Massmart Holdings Limited ("Massmart") and the Board of Directors of Walmart Inc. ("Walmart") have reached an in principle agreement regarding the terms and conditions of a potential offer by Walmart to acquire all of the issued ordinary shares in Massmart Holdings Limited ("Ordinary Shares"), other than those Ordinary Shares already indirectly held by Walmart through its wholly-owned subsidiary, Main Street 830 Proprietary Limited, or a treasury shareholding subsidiary of Massmart, pursuant to a scheme of arrangement and standby general offer ("Potential Offer"). If the Potential Offer is made and implemented, it would result in the delisting of all the Ordinary Shares from the main board of the JSE. The Potential Offer Consideration is ZAR62 per share which represents a premium of 53% to the closing share price and 62% premium to the 90-day volume weighted average price as at 26 August 2022, the day prior to the detailed cautionary announcement.

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. No interim dividend has been declared in June 2022 (June 2021: Nil).

Mitchell Slape
Chief Executive Officer

Mohammed Abdool-Samad
Chief Financial Officer
26 August 2022

Condensed consolidated income statement

Rm	26 weeks June 2022 (Reviewed)	26 weeks June 2021 (Reviewed)	Period % change	52 weeks December 2021 (Audited)
Revenue	**38,178.7**	37,585.5	*1.6*	77,715.3
Sales	**38,141.0**	37,445.0	*1.9*	77,621.6
Cost of sales	**(30,650.1)**	(29,736.7)	*(3.1)*	(63,138.9)
Gross profit	**7,490.9**	7,708.3	*(2.8)*	14,482.7
Other income	**110.0**	140.5	*(21.7)*	245.2
Other income relating to civil unrest	**146.5**	–	*100.0*	667.3
Depreciation and amortisation	**(1,226.9)**	(1,314.8)	*6.7*	(2,569.4)
Employment costs	**(3,681.8)**	(3,585.2)	*(2.7)*	(7,258.3)
Occupancy costs	**(499.1)**	(511.2)	*2.4*	(1,024.5)
Other operating costs	**(1,962.3)**	(1,645.5)	*(19.3)*	(3,712.4)
Trading profit before interest and taxation	**377.3**	792.1	*(52.4)*	830.6
Retrenchment and business transformation costs	**(205.9)**	(73.4)	*(180.5)*	(80.7)
Impairment of assets	**(7.3)**	(593.1)	*98.8*	(960.3)
Insurance proceeds on items in PP&E	**–**	–	*–*	121.3
Operating profit/(loss) before foreign exchange movements and interest	**164.1**	125.6	*30.7*	(89.1)
Foreign exchange loss (note 5)	**(110.1)**	(87.9)	*(25.3)*	(178.5)
Operating profit/(loss) before interest	**54.0**	37.7	*43.2*	(267.6)
– Finance costs	**(934.7)**	(831.3)	*(12.4)*	(1,704.0)
– Finance income	**4.3**	5.1	*(15.7)*	8.6
Net finance costs	**(930.4)**	(826.2)	*(12.6)*	(1,695.4)
Loss before taxation	**(876.4)**	(788.5)	*(11.1)*	(1,963.0)
Taxation (note 13)	**29.4**	14.4	*104.2*	385.3
Loss for the period from continuing operations	**(847.0)**	(774.1)	*(9.4)*	(1,577.7)
Discontinued operations				
Loss for the period from discontinued operations	**(182.2)**	(298.4)	*38.9*	(626.2)
Loss for the period	**(1,029.2)**	(1,072.5)	*4.0*	(2,203.9)
Loss attributable to:				
– Owners of the parent	**(1,101.9)**	(1,085.8)	*(1.5)*	(2,225.9)
Continuing operations	**(919.7)**	(790.6)	*(16.3)*	(1,602.9)
Discontinued operations	**(182.2)**	(295.2)	*38.3*	(623.0)
– Perpetual bondholder	**72.3**	–	*100.0*	9.5
Continuing operations	**72.3**	–	*100.0*	9.5
Discontinued operations	**–**	–	*–*	–
– Non-controlling interests	**0.4**	13.3	*(97.0)*	12.5
Continuing operations	**0.4**	16.5	*(97.6)*	15.7
Discontinued operations	**–**	(3.2)	*100.0*	(3.2)
Loss for the period	**(1,029.2)**	(1,072.5)	*4.0*	(2,203.9)
Basic EPS (cents)	**(509.0)**	(502.6)	*(1.3)*	(1,029.9)
Continuing operations	**(424.8)**	(366.0)	*(16.1)*	(741.6)
Discontinued operations	**(84.2)**	(136.6)	*38.4*	(288.3)
Diluted basic EPS (cents)	**(509.0)**	(502.6)	*(1.3)*	(1,029.9)
Continuing operations	**(424.8)**	(366.0)	*(16.1)*	(741.6)
Discontinued operations	**(84.2)**	(136.6)	*38.4*	(288.3)
Dividend (cents):				
– Interim	**–**	–	–	–
– Final	**–**	–	–	–
– Total	**–**	–	–	–

Condensed consolidated statement of comprehensive income

Rm	26 weeks June 2022 (Reviewed)	26 weeks June 2021 (Reviewed)	Period % change	52 weeks December 2021 (Audited)
Loss for the period	**(1,029.2)**	(1,072.5)	*4.0*	(2,203.9)
Items that will not subsequently be re-classified to the Income Statement:	**–**	–	–	(3.1)
Post retirement medical aid actuarial profit, net of tax	**–**	–	–	(3.1)
Items that will subsequently be re-classified to the Income Statement:	**(50.2)**	13.7	*(466.4)*	93.9
Foreign currency translation reserve, net of tax	**(50.2)**	13.6	*(469.1)*	82.0
Fair value movement on OCI financial assets, net of tax	**–**	0.1	*(100.0)*	11.9
Total other comprehensive (loss)/income for the period, net of tax	**(50.2)**	13.7	*(466.4)*	90.8
Total comprehensive loss for the period	**(1,079.4)**	(1,058.8)	*(1.9)*	(2,113.1)
Total comprehensive loss attributable to:				
– Owners of the parent	**(1,152.1)**	(1,072.1)	*(7.5)*	(2,135.1)
Continuing operations	**(969.9)**	(776.9)	*(24.8)*	(1,512.1)
Discontinued operations	**(182.2)**	(295.2)	*38.3*	(623.0)
– Perpetual bondholder	**72.3**	–	*100.0*	9.5
Continuing operations	**72.3**	–	*100.0*	9.5
Discontinued operations	**–**	–	*–*	–
– Non-controlling interests	**0.4**	13.3	*(97.0)*	12.5
Continuing operations	**0.4**	16.5	*(97.6)*	15.7
Discontinued operations	**–**	(3.2)	*100.0*	(3.2)
Total comprehensive loss for the period	**(1,079.4)**	(1,058.8)	*(1.9)*	(2,113.1)

Condensed consolidated statement of financial position

Rm	June 2022 (Reviewed)	June 2021 (Reviewed)	Period % change	December 2021 (Audited)
ASSETS				
Non-current assets	20,536.5	19,777.1	*3.8*	21,014.7
Property, plant and equipment, including investment property	7,922.8	7,341.3	*7.9*	7,856.3
Lease assets	7,334.2	8,041.7	*(8.8)*	8,034.1
Goodwill and other intangible assets	2,566.5	2,369.9	*8.3*	2,632.2
Investments and other financial assets	240.9	221.1	*9.0*	220.7
Deferred taxation	2,472.1	1,803.1	*37.1*	2,271.4
Current assets	17,445.9	15,141.4	*15.2*	16,914.2
Inventories	12,559.1	11,349.7	*10.7*	11,925.9
Trade, other receivables and prepayments	3,911.7	2,925.8	*33.7*	3,952.5
Taxation	112.3	80.3	*39.9*	101.0
Cash on hand and bank balances	862.8	785.6	*9.8*	934.8
Non-current assets classified as held for sale	1,914.9	2,596.0	*(26.2)*	2,215.8
Total assets	39,897.3	37,514.5	*6.4*	40,144.7
EQUITY AND LIABILITIES				
Total equity	1,374.7	1,806.1	*(23.9)*	2,545.2
Equity attributable to owners of the parent	(691.5)	1,731.9	*(139.9)*	479.8
Equity attributable to perpetual bondholder	2,009.9	–	*100.0*	2,009.5
Non-controlling interests	56.3	74.2	*(24.1)*	55.9
Non-current liabilities	10,635.7	11,688.4	*(9.0)*	11,630.6
Interest-bearing borrowings	1,400.0	2,268.7	*(38.3)*	2,000.0
Lease liabilities	8,646.9	9,129.7	*(5.3)*	9,234.1
Deferred taxation	248.8	193.0	*28.9*	158.3
Other non-current liabilities and provisions	340.0	97.0	*250.5*	238.2
Current liabilities	27,158.9	22,256.1	*22.0*	25,222.3
Trade, other payables and provisions	15,628.7	13,660.7	*14.4*	19,164.4
Taxation	70.4	113.0	*(37.7)*	46.3
Bank overdrafts and debt facilities (note 11)	252.8	222.4	*13.7*	245.5
Interest-bearing borrowings	9,881.1	7,025.5	*40.6*	4,467.4
Lease liabilities	1,325.9	1,234.5	*7.4*	1,298.7
Non-current liabilities directly associated with assets held for sale	728.0	1,763.9	*(58.7)*	746.6
Total equity and liabilities	39,897.3	37,514.5	*6.4*	40,144.7

Condensed consolidated statement of cash flows

Rm	June 2022 (Reviewed)	June 2021 (Reviewed)	December 2021 (Audited)
Operating cash before working capital movements	941.4	943.3	1,822.0
Working capital movements	(3,639.2)	(4,076.6)	(1,304.9)
Cash (utilised by)/generated from operations	(2,697.8)	(3,133.3)	517.1
Taxation paid	(46.3)	(373.4)	(425.3)
Interest received	4.5	5.3	9.1
Interest paid	(880.4)	(852.9)	(1,884.2)
Dividends received	–	–	45.0
Dividends paid	–	(7.5)	(15.0)
Cash outflow from operating activities	(3,620.0)	(4,361.8)	(1,753.3)
Investment to maintain operations	(251.9)	(326.4)	(247.5)
Investment to expand operations	(159.3)	(226.2)	(902.5)
Investment in subsidiaries	–	–	(228.0)
Proceeds on disposal of property, plant and equipment	6.7	32.4	10.3
Proceeds on disposal of assets classified as held for sale	6.4	86.9	107.2
Proceeds on disposal of intangible assets	0.1	4.6	7.3
Insurance proceeds on property, plant and equipment	73.3	–	56.4
Cash outflow from investing activities	(324.7)	(428.7)	(1,196.8)
Issue of perpetual bond	–	–	2,000.0
Perpetual bond interest repayment	(71.9)	–	–
Interest-bearing borrowings and debt facilities raised	4,780.2	3,590.0	2,340.0
Interest-bearing borrowings and debt facilities repaid	(111.9)	(582.4)	(2,308.0)
Lease liabilities repaid	(734.5)	(772.4)	(1,388.9)
Non-controlling interests acquired	–	(87.9)	(310.3)
Cash inflow from financing activities	3,861.9	2,147.3	332.8
Net decrease in cash and cash equivalents	(82.8)	(2,643.2)	(2,617.3)
Foreign exchange movements on cash and cash equivalents	3.5	(7.9)	52.7
Cash and cash equivalents classified as held for sale	–	(39.6)	–
Opening cash and cash equivalents	689.3	3,253.9	3,253.9
Closing cash and cash equivalents	610.0	563.2	689.3

Condensed consolidated statement of changes in equity

Rm	Share capital	Share premium	Other reserves	Retained profit	Equity attributable to owners of the parent	Equity attributable to perpetual bondholder	Non-controlling interests	Total
Balance as at December 2020 (Audited)	2.2	122.9	791.4	2,074.8	2,991.3	–	(39.8)	2,951.5
Dividends declared	–	–	–	–	–	–	(15.0)	(15.0)
Total comprehensive loss	–	–	90.8	(2,225.9)	(2,135.1)	9.5	12.5	(2,113.1)
Issue of perpetual bond*	–	–	–	–	–	2,000.0	–	2,000.0
Changes in non-controlling interests	–	–	(366.6)	–	(366.6)	–	98.2	(268.4)
IFRS 2 charge and treasury shares acquired	–	(36.0)	28.4	(2.2)	(9.8)	–	–	(9.8)
Balance as at December 2021 (Audited)	2.2	86.9	544.0	(153.3)	479.8	2,009.5	55.9	2,545.2
Total comprehensive loss	–	–	(50.2)	(1,101.9)	(1,152.1)	72.3	0.4	(1,079.4)
Payment of perpetual bond interest*	–	–	–	–	–	(71.9)	–	(71.9)
IFRS 2 charge and treasury shares acquired	–	(20.4)	0.7	0.5	(19.2)	–	–	(19.2)
Balance as at June 2022 (Reviewed)	**2.2**	**66.5**	**494.5**	**(1,254.7)**	**(691.5)**	**2,009.9**	**56.3**	**1,374.7**
Balance as at December 2020 (Audited)	2.2	122.9	791.4	2,074.8	2,991.3	–	(39.8)	2,951.5
Dividends declared	–	–	–	–	–	–	(7.5)	(7.5)
Total comprehensive loss	–	–	13.7	(1,085.8)	(1,072.1)	–	13.3	(1,058.8)
Changes in non-controlling interests	–	–	(194.3)	–	(194.3)	–	108.2	(86.1)
IFRS 2 charge and treasury shares acquired	–	(15.1)	22.9	(0.8)	7.0	–	–	7.0
Balance as at June 2021 (Reviewed)	2.2	107.8	633.7	988.2	1,731.9	–	74.2	1,806.1

* *On 02 December 2021 a R2 billion perpetual fixed rate unsecured bond was issued to Main Street 830 Proprietary Limited, a subsidiary of Walmart, by Massmart Holdings Limited. The salient features of the bond are:*

- *The principal amount is R2 billion with a perpetual tenor*
- *Massmart Holdings Limited may, at its sole discretion, repay the Capital Loan (in whole or in part), on the First Optional Repayment Date (2 September 2022) or any Interest Payment Day (set to occur on 2 June and 2 December of each year) thereafter*
- *The initial interest rate is 7.25% with an interest step-up on 31 December 2023 of 225bps*
- *Interest may be deferred at the sole discretion of Massmart Holdings Limited. During the interim reporting period the Group elected to make an interest payment of R71.9 million*
- *Massmart Holdings Limited shall not declare, nor pay, any distribution or dividend, nor make any other payment on its ordinary share capital (except if required by law or in respect of the share scheme) as long as the deferred interest remains outstanding*
- *There are no events of default or cross default.*

In terms of the requirements of IFRS, the perpetual bond is classified as an equity instrument as Massmart Holdings Limited has no contractual obligation to deliver cash or another financial asset in any circumstances outside its control. Refer to note 10.

Headline earnings

Rm	26 weeks June 2022 (Reviewed)	26 weeks June 2021 (Reviewed)	Period % change	52 weeks December 2021 (Audited)
Reconciliation of loss for the period to headline loss				
Loss for the period attributable to owners of the parent (IAS 33 earnings)	(1,101.9)	(1,085.8)	*(1.5)*	(2,225.9)
Write-off of tangible and intangible assets	166.4	616.7	*(73.0)*	1,084.7
Continuing operations	20.6	597.4	*(96.6)*	976.5
Discontinued operations	145.8	19.3	*655.4*	108.2
Net (profit)/loss on disposal of tangible and intangible assets	(3.8)	(17.2)	*77.9*	(8.3)
Continuing operations	(3.1)	(6.0)	*48.3*	(10.3)
Discontinued operations	(0.7)	(11.2)	*93.8*	2.0
Insurance proceeds on items of PP&E	(0.2)	–	*(100.0)*	(132.5)
Continuing operations	–	–	–	(121.3)
Discontinued operations	(0.2)	–	*(100.0)*	(11.2)
Total tax effects of adjustments	(3.0)	(159.1)	*98.1*	(242.8)
Continuing operations	(1.3)	(159.3)	*99.2*	(222.2)
Discontinued operations	(1.7)	0.2	*(950.0)*	(20.6)
Headline loss	(942.5)	(645.4)	*(46.0)*	(1,524.8)
Continuing operations	(903.5)	(358.5)	*(152.0)*	(980.2)
Discontinued operations	(39.0)	(286.9)	*86.4*	(544.6)
Retrenchment and business transformation costs after taxation from continuing operations	148.2	54.0	*174.4*	68.1
Headline loss before retrenchment and business transformation costs (taxed) from continuing operations	(755.3)	(304.5)	*(148.0)*	(912.1)
Foreign exchange after taxation from continuing operations	98.7	69.3	*42.4*	127.0
Headline loss before retrenchment, business transformation and foreign exchange costs (taxed) from continuing operations	(656.6)	(235.2)	*(179.2)*	(785.1)
Headline EPS (cents)	(435.3)	(298.8)	*(45.7)*	(705.5)
Continuing operations	(417.3)	(166.0)	*(151.4)*	(453.5)
Discontinued operations	(18.0)	(132.8)	*86.4*	(252.0)
Headline EPS before retrenchment, business transformation and foreign exchange costs (taxed) from continuing operations (cents)	(303.3)	(108.9)	*(178.5)*	(363.3)
Diluted headline EPS (cents)	(435.3)	(298.8)	*(45.7)*	(705.5)
Continuing operations	(417.3)	(166.0)	*(151.4)*	(453.5)
Discontinued operations	(18.0)	(132.8)	*86.4*	(252.0)
Diluted headline EPS before retrenchment, business transformation and foreign exchange costs (taxed) from continuing operations (cents)	(303.3)	(108.9)	*(178.5)*	(363.3)

Discontinued operations

In an effort to optimise the Group's store portfolio, in line with the revised strategy, and to take a focused approach to deliver sustainable, profitable growth and best serve our customers, the Board made the decision to divest the Group's Cambridge, Rhino and Massfresh (comprising The Fruitspot and a meat processing facility) assets. Refer to note 3.

The results of the Cambridge, Rhino and Massfresh discontinued operations, excluding the impact of Corporate allocations as well as the impact of intercompany transactions, are as follows:

Rm	June 2022 (Reviewed)	June 2021 (Reviewed)	December 2021 (Audited)
Revenue	**3,175.8**	3,878.1	7,245.7
Sales	**3,175.8**	3,878.6	7,245.7
Cost of sales	**(2,584.9)**	(3,090.6)	(6,051.3)
Gross profit	**590.9**	788.0	1,194.4
Other income	**3.0**	(0.5)	11.1
Other income relating to civil unrest	**123.5**	–	131.9
Depreciation and amortisation	**(0.1)**	(146.0)	(163.9)
Employment costs	**(347.7)**	(413.5)	(749.6)
Occupancy costs	**(94.4)**	(109.5)	(191.9)
Other operating costs	**(329.0)**	(466.4)	(867.2)
Trading loss before interest and taxation	**(53.8)**	(347.9)	(635.2)
Retrenchment and business transformation costs	**–**	21.0	21.0
Impairment of assets (note 12)	**(139.2)**	(4.6)	(106.0)
Insurance proceeds on items in PP&E	**0.2**	–	11.2
Operating loss before interest	**(192.8)**	(331.5)	(709.0)
– Finance costs	**(37.3)**	(44.1)	(83.5)
– Finance income	**0.2**	0.2	0.5
Net finance costs	**(37.1)**	(43.9)	(83.0)
Loss before taxation	**(229.9)**	(375.4)	(792.0)
Taxation	**47.7**	77.0	165.8
Loss for the period from discontinued operations	**(182.2)**	(298.4)	(626.2)
Total loss for the period attributable to:			
– Owners of the parent	**(182.2)**	(295.2)	(623.0)
– Perpetual bondholder	**–**	–	–
– Non-controlling interests	**–**	(3.2)	(3.2)
Loss for the period from discontinued operations	**(182.2)**	(298.4)	(626.2)
Net cash inflows/(outflows) from discontinued operations			
Operating activities	**53.0**	76.0	529.4
Investing activities	**(31.7)**	61.7	(303.4)
Financing activities	**(69.1)**	(156.5)	(220.7)
Net (decrease)/increase in cash and cash equivalents	**(47.8)**	(18.8)	5.3

Assets and liabilities classified as held for sale

Rm	June 2022 (Reviewed)	June 2021 (Reviewed)	December 2021 (Audited)
Assets classified as held for sale			
Property, plant and equipment	**492.0**	595.0	473.7
Lease assets	**614.3**	503.8	561.5
Goodwill and other intangible assets	**227.6**	442.6	367.9
Inventories	**581.0**	879.5	812.7
Trade, other receivables and prepayments	**–**	135.5	–
Cash on hand and bank balances	**–**	39.6	–
Total assets classified as held for sale	**1,914.9**	2,596.0	2,215.8
Liabilities directly associated with assets held for sale			
Lease liability	**643.8**	669.7	665.5
Trade, other payables and provisions	**84.2**	1,094.2	81.1
Total liabilities directly associated with assets held for sale	**728.0**	1,763.9	746.6

The balances classified as held for sale include assets and liabilities related to the Cash & Carry business unit, in addition to those of the discontinued operations.

The lease related balances of the discontinued operations are in Management's view directly associated to the proposed disposal and would therefore form part of any disposal. These balances are therefore included as assets and liabilities classified as held for sale.

On 20 August 2021, the Group announced that a sale of business agreement had been entered into in terms of which the Group will divest the businesses of Cambridge, Rhino and Massfresh as well as 12 Cash & Carry stores to Shoprite Checkers Proprietary Limited ("Shoprite"). Refer to note 3. The terms of this agreement provided specificity to the assets and liabilities that will be acquired, which was not evident at the end of the June 2021 reporting period. Consequently assets to the value of R308.2 million and liabilities to the value R987.5 million, as at June 2021, will not form part of the divestment to Shoprite.

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

	June 2022 (Reviewed)					June 2021 (Reviewed)					December 2021 (Audited)				
Rm	Total carrying amount	Total Fair Value	Level 1	Level 2	Level 3	Total carrying amount	Total Fair Value	Level 1	Level 2	Level 3	Total carrying amount	Total Fair Value	Level 1	Level 2	Level 3
Financial assets															
Financial assets at fair value through profit or loss	251.5	251.5	–	32.1	219.4	252.7	252.7	–	32.5	220.2	238.7	238.7	–	18.9	219.8
Financial assets at fair value through OCI	0.9	0.9	0.9	–	–	0.9	0.9	0.9	–	–	0.9	0.9	0.9	–	–
Non-current assets classified as held for sale	1,914.9	1,914.9	–	–	1,914.9	2,596.0	2,596.0	–	–	2,596.0	2,215.8	2,215.8	–	–	2,215.8
	2,167.3	2,167.3	0.9	32.1	2,134.3	2,849.6	2,849.6	0.9	32.5	2,816.2	2,455.4	2,455.4	0.9	18.9	2,435.6
Financial liabilities															
Financial liabilities at amortised cost	2,300.2	2,227.4	–	2,227.4	–	2,268.7	2,335.7	–	2,335.7	–	2,295.5	2,366.5	–	2,366.5	–
Financial liabilities at fair value through profit or loss	19.1	19.1	–	19.1	–	91.8	91.8	–	91.8	–	104.3	104.3	–	104.3	–
Non-current liabilities classified as held for sale	728.0	728.0	–	–	728.0	1,763.9	1,763.9	–	–	1,763.9	746.6	746.6	–	–	746.6
	3,047.3	2,974.5	–	2,246.5	728.0	4,124.4	4,191.4	–	2,427.5	1,763.9	3,146.4	3,217.4	–	2,470.8	746.6

There were no transfers between Level 1, Level 2 and Level 3 fair value categories during the current or previous financial periods.

The financial assets and financial liabilities have been presented based on an analysis of their respective natures, characteristics and risks.

The valuation techniques and significant inputs driving the fair value determination have remained unchanged since the Group's December 2021 year-end. For more detail in this regard, refer to the 2021 Massmart Group audited consolidated annual financial statements available on the Group's website.

The Group has considered the significant unobservable inputs, the sensitivities attached to them as well as any possible interrelationship between significant unobservable inputs. Currently it is assessed that no such material inputs exist and that no reasonable movement in such an input would result in a material impact for the Group.

Fair value measurements categorised within Level 3 reconciliation

	Financial assets measured at fair value through profit or loss			Non-current assets and liabilities classified as held for sale		
Rm	June 2022 (Reviewed)	June 2021 (Reviewed)	December 2021 (Audited)	June 2022 (Reviewed)	June 2021 (Reviewed)	December 2021 (Audited)
Opening balance	219.8	175.2	175.2	1,469.2	488.3	488.3
Fair value adjustments recognised in other income in the Income Statement	(0.4)	45.0	44.6	–	–	–
Held for sale assets sold during the period	–	–	–	(6.7)	(86.9)	(107.3)
Assets and liabilities transferred as held for sale during the period	–	–	–	14.1	430.7	1,102.3
Held for sale assets transferred to property, plant and equipment during the period	–	–	–	–	–	(14.1)
Movement in balances classified as held for sale during the previous financial period	–	–	–	(289.7)	–	–
Closing balance	219.4	220.2	219.8	1,186.9	832.1	1,469.2

Additional information

	June 2022 (Reviewed)	June 2021 (Reviewed)
Net asset value per share (cents)	601.6	790.3
Ordinary shares (000's):		
– In issue	219,138.8	219,138.8
– Weighted average (net of treasury shares)	216,504.3	216,019.9
– Diluted weighted average	222,519.3	227,348.6
Preference shares (000's):		
– Black Scarce Skills Trust 'B' shares in issue	2,797.7	2,797.7
Capital expenditure (Rm):		
– Authorised and committed	430.0	315.8
– Authorised, not committed	2,070.1	838.6
US dollar exchange rates:		
– Period end (R/$)	15.80	14.14
– Average (R/$)	15.37	14.53

Share Data: 27 Dec 2021 - 26 Jun 2022	
Closing price, 26 Jun 2022	R36.00
Share price (26-week high)	R64.59
Share price (26-week low)	R34.02
Market Cap (billions)	R7.89
Shares in issue (millions, net of treasury shares)	216.6
Average shares traded (millions)	0.4
Percentage of average shares traded	0.2%
Reuters	MSMJ.J
Bloomberg	MSM SJ

Business unit operational review

Rm	26 weeks June 2022 (Reviewed)	% of sales	26 weeks June 2021 (Reviewed)	% of sales	Period % growth	Comparable % sales growth	Estimated % sales inflation#	52 weeks December 2021 (Audited)	% of sales
Total sales*	**41,316.8**		41,323.6		–	*2.3*	4.8	84,867.3	
Sales from continuing operations*	**38,141.0**		37,445.0		*1.9*	*4.3*	4.5	77,621.6	
Game	**7,358.1**		7,581.8		*(3.0)*	*(0.5)*	1.7	15,272.5	
Builders	**7,012.6**		7,239.6		*(3.1)*	*(2.2)*	4.8	14,917.1	
Massmart Wholesale^+	**23,770.3**		22,623.6		*5.1*	*8.1*	5.8	47,432.0	
Sales from discontinued operations*	**3,175.8**		3,878.6		*(18.1)*	*(15.9)*	8.2	7,245.7	
Sales Disaggregation	**41,316.8**		41,323.6		–			84,867.3	
South Africa continuing operations	**34,562.1**		33,923.6		*1.9*			70,280.8	
Food and Liquor	**18,258.3**		17,073.7		*6.9*			36,157.4	
Durables	**16,303.8**		16,849.9		*(3.2)*			34,123.4	
South Africa discontinued operations	**3,175.8**		3,878.6		*(18.1)*			7,245.7	
Food and Liquor	**3,141.2**		3,821.2		*(17.8)*			7,148.4	
Durables	**34.6**		57.4		*(39.7)*			97.3	
Rest of Africa	**3,578.9**		3,521.4		*1.6*			7,340.8	
Food and Liquor	**1,937.0**		1,780.1		*8.8*			3,770.5	
Durables	**1,641.9**		1,741.3		*(5.7)*			3,570.3	
Trading profit/(loss) before interest and taxation**	**323.5**	**0.8**	444.3	1.1	*(27.2)*			195.6	0.2
Trading profit/(loss) before interest and taxation from continuing operations**	**454.2**	**1.2**	813.1	2.2	*(44.1)*			902.2	1.2
Game	**(322.2)**	**(4.4)**	(347.3)	(4.6)	*7.2*			(1,031.1)	(6.8)
Builders	**292.1**	**4.2**	607.6	8.4	*(51.9)*			1,179.6	7.9
Massmart Wholesale+	**484.3**	**2.0**	552.8	2.4	*(12.4)*			753.7	1.6
Trading loss before interest and taxation from discontinued operations**	**(130.7)**	**(4.1)**	(368.8)	(9.5)	*64.6*			(706.6)	(9.8)

* *At an individual business unit level intercompany sales do reflect and are included in the measure of business unit profit or loss. In the above table and at a consolidated level all intercompany sales are eliminated. Only the Massmart Wholesale business unit and the Massfresh business made material intercompany sales during the current period. The Massmart Wholesale intercompany sales amounted to R580.7 million (June 2021: R188.5 million; December 2021: R353.6 million) while the Massfresh intercompany sales amounted to R153.0 million (June 2021: R217.7 million; December 2021: R429.5 million).*

** *Business unit trading profit/(loss) includes Corporate allocations.*

\# *Group sales inflation is a weighted inflation. Game sales inflation excludes Liquor inflation.*

^ *Included in the sales number is R166.4 million commission income (June 2021: R131.7 million; December 2021: R311.9 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.*

\+ *Massmart Wholesale comprises one operating segment due to their underlying brands sharing similar economic characteristics per the IFRS 8 criteria.*

Business unit assets and liabilities

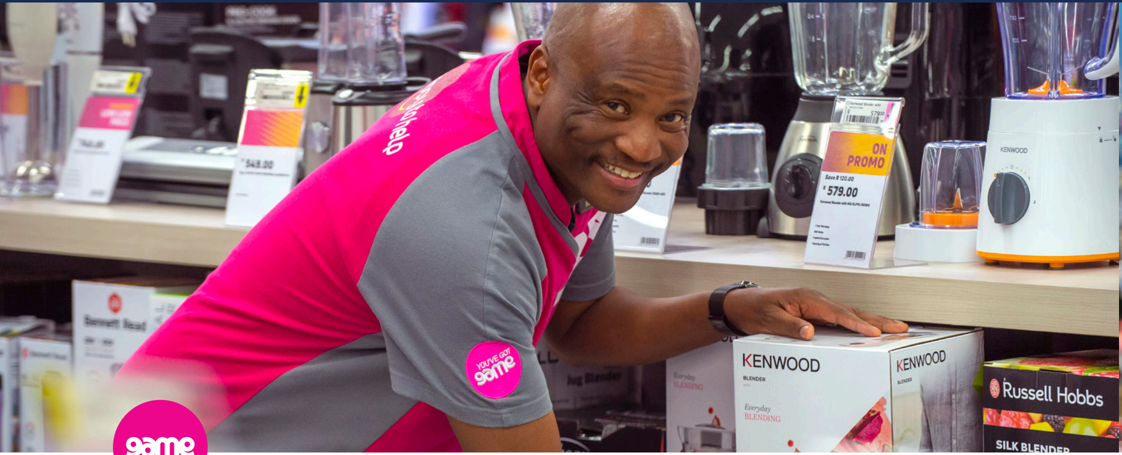
Rm	Total	Game	Builders	Massmart Wholesale+	Other*	Sale Businesses
June 2022 (Reviewed)						
Total Assets	**39,897.3**	**9,347.5**	**7,117.3**	**11,689.2**	**9,086.2**	**2,657.1**
South Africa	**35,426.3**					
Rest of Africa	**4,471.0**					
Total Liabilities	**38,522.6**	**6,226.9**	**5,240.8**	**11,149.3**	**14,562.7**	**1,342.9**
South Africa	**35,678.5**					
Rest of Africa	**2,844.1**					
June 2021 (Reviewed)						
Total Assets	37,514.5	9,217.0	7,252.5	10,218.6	7,980.4	2,846.0
South Africa	33,244.9					
Rest of Africa	4,269.6					
Total Liabilities	35,708.4	6,398.8	5,238.2	10,084.5	12,197.6	1,789.3
South Africa	31,794.6					
Rest of Africa	3,913.8					
December 2021 (Audited)						
Total Assets	40,144.7	9,612.4	7,178.9	12,269.7	8,124.5	2,959.2
South Africa	35,568.5					
Rest of Africa	4,576.2					
Total Liabilities	37,599.5	7,172.0	5,736.9	13,509.6	9,427.1	1,753.9
South Africa	34,914.7					
Rest of Africa	2,684.8					

\+ *Massmart Wholesale comprises one operating segment due to their underlying brands sharing similar economic characteristics per the IFRS 8 criteria.*

* *Includes consolidation entries as well as the assets and liabilities of the Corporate and e-commerce operations.*

Massmart Retail powered by Walmart

Business unit performance



TRADING GENERAL MERCHANDISE, FOOD AND LIQUOR

TOTAL GAME SALES
R7.4bn
3.0% decrease
2021: R7.6bn

CORE STORE SALES^
R6.4bn
no movement
2021: R6.4bn

TOTAL GAME GP MARGIN
27.6%
20bps increase
2021: 27.4%

CORE STORE GP MARGIN^
27.9%
74bps increase
2021: 27.2%

TOTAL GAME TRADING LOSS*
(R322.2m)
7.2% improvement
2021: (R347.3m)

CORE STORE TRADING LOSS*^
(R231.0m)
30.1% improvement
2021: (R330.3m)

146 total Game stores
in South Africa, Botswana, Ghana, Kenya, Lesotho, Malawi, Mozambique, Namibia, Nigeria, Tanzania, Uganda, Zambia.
DEC 2021: 146

Game's total sales for the 26 weeks of R7.4 billion was 3.0% lower than June 2021, while comparable store sales decreased by 0.5%. Product sales inflation is estimated at 1.7%.**

Total sales from South Africa stores decreased by 1.3% and increased by 2.2% on a comparable store basis. All South African Game stores have been relayed with new and expanded department ranges and were re-launched on 1 July 2022. Sales from the Rest of Africa stores decreased by 10.1% in Rands and by 12.8% in constant currencies. Changes to import regulations disrupted inventory supplies in some Rest of Africa stores. Game's core store sales remained the same compared to June 2021 and comparable store sales increased by 2.1%, while GP margin increased by 74bps and trading loss improved by 30.1% to R231.0 million.

The new Game website was launched in April 2022 and includes an expanded assortment range. GMV increased by 26.0% compared to the prior year period.

The 20bps increase in margin is attributable to the continued focus of everyday low prices and sales mix, despite a focus on clearing aged stock.

During the reporting period, R37.2 million insurance proceeds was accrued for business interruption experienced as a consequence of the civil unrest in 2021.

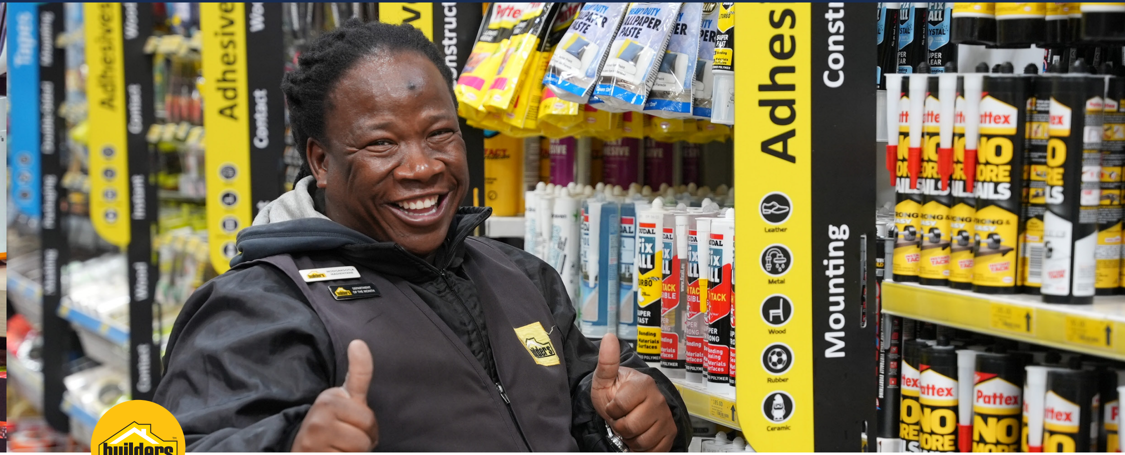
Strong expense management resulted in expenses decreasing by 6.1%.

Three stores remain closed as a result of damage from the civil unrest as at the end of this reporting period.

No Game stores were opened or closed during the period, resulting in trading space remaining at 511,711m².

* *Business unit trading profit/(loss) includes Corporate allocations.*
** *Excludes Liquor sales inflation*
^ *Core stores exclude divestiture stores: 14 stores in East and West Africa and 15 South Africa stores, refer to note 4.*

Massmart Retail powered by Walmart



TRADING DIY, HOME IMPROVEMENT AND BUILDING MATERIALS

SALES
R7.0bn
3.1% decrease
2021: R7.2bn

GP MARGIN
33.7%
170bps decrease
2021: 35.4%

TRADING PROFIT*
R292.1m
51.9% decrease
2021: R607.6m

116 stores
in South Africa, Botswana, Kenya, Mozambique and Zambia.
DEC 2021: 118

Builders total sales of R7.0 billion represents a 3.1% decrease compared to the same period in 2021, while comparable store sales decreased by 2.2% over the same period. Product sales inflation is estimated at 4.8%.

The reduction in sales was affected by the normalising of consumer spending habits following the surge in DIY spend during the Covid-19 lockdown in the prior year period.

Sales from South African stores decreased by 3.3% and by 2.3% on a comparable sales basis compared to the same period in 2021. Sales from the Rest of Africa stores decreased by 1.3% in Rand terms and by 10.7% in constant currencies, while comparable store sales decreased by 1.3% in Rand terms and by 11.5% in constant currencies.

Enhancements to the online platform resulted in a 51.0% increase in GMV compared to the prior year period.

The 170bps decrease in margin has been impacted by cost inflationary pressures and sales mix, with an increase in yard sales compared to retail sales.

During the reporting period R18.3 million insurance proceeds was accrued for business interruption experienced as a consequence of the civil unrest in 2021.

Expense management resulted in expenses increasing by only 1.0% over the prior year period.

Two stores remain closed as a result of damage from the civil unrest and flooding as at the end of this reporting period.

During the period, one Builders Trade Depot store and one Builders Super store was closed in South Africa. This resulted in a 1.5% decrease in trading space to 360,028m² (December 2021: 365,603m²).

* *Business unit trading profit/(loss) includes Corporate allocations.*

Massmart Wholesale powered by Walmart

Business unit performance

TRADING GENERAL MERCHANDISE, FOOD (INCLUDING WHOLESALE) AND LIQUOR; AND BUYING ASSOCIATION

SALES
R23.8bn
5.1% increase
2021: R22.6bn

GP MARGIN
15.1%
27bps decrease
2021: 15.4%

TRADING PROFIT*
R484.3m
12.4% decrease
2021: R552.8m

22 Makro stores
in South Africa
DEC 2021: 22

66 Cash & Carry stores
in South Africa, Botswana, Lesotho, Mozambique, Namibia, Eswatini and Zambia; and Shield, a voluntary buying association.
DEC 2021: 66

Makro's total sales of R14.3 billion increased by 6.9% compared to the same period in 2021, while comparable store sales increased by 9.1% over the same period. Cash & Carry's total sales of R9.5 billion increased by 2.5% compared to the same period in 2021, while comparable store sales increased by 6.8%. Product sales inflation is estimated at 5.8%.

An increase in products available for sale online contributed to the 21.0% increase in GMV in Makro.

The 27bps decrease in margin was impacted by sales mix, with increased sales in Food and Liquor compared to General Merchandise and cost inflation being ahead of sales inflation.

During the reporting period R91.0 million insurance proceeds was accrued for business interruption experienced as a consequence of the civil unrest in 2021.

Discreet expense management resulted in expenses increasing by 4.3%, below inflation.

Two stores remain closed as a result of the civil unrest as at the end of this reporting period.

No new Makro or Cash & Carry stores were opened or closed during the period. Makro and Cash & Carry's trading space remained unchanged at 260,171 m^2 and 234,964 m^2, respectively.

* *Business unit trading profit/(loss) includes Corporate allocations*

Massmart Wholesale powered by Walmart

Discontinued operations

FOOD RETAILER

SALES
R3.2bn
18.1% decrease
2021: R3.9bn

GP MARGIN
17.3%
34bps decrease
2021: 17.6%

TRADING LOSS*
(R130.7m)
64.6% improvement
2021: (R368.8m)

53 stores
in South Africa
DEC 2021: 56

Total sales from discontinued operations of R3.2 billion represents a decrease of 18.1% compared to June 2021. Comparable store sales decreased by 15.9% over the same period. Product sales inflation is estimated at 8.2%. Sales were impacted by high unemployment rates, reduced disposable income and reduced trading categories and departments. The 34bps decrease in margin was also impacted by cost inflation being ahead of sales inflation.

During the reporting period, R123.5 million insurance proceeds was accrued for business interruption experienced as a consequence of the civil unrest in 2021.

Strong expense management resulted in expenses decreasing by 24.3%.

One store remains closed as a result of the civil unrest as at the end of this reporting period.

Two Cambridge stores and one Rhino store were closed during the period. This resulted in a 4.2% decrease in trading space to 103,945m^2 (December 2021: 108,461m^2).

* *Business unit trading profit/(loss) includes Corporate allocations*

Notes

1. These reviewed interim 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 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.

2. The Group operating model comprises Massmart Retail (incorporating Game, Builders, Cambridge and Rhino) and Massmart Wholesale (incorporating Makro, The Fruitspot and Wholesale Cash & Carry); and is supported by our Group e-commerce function which also comprises OneCart and Wumdrop. The Group's reportable segments comprise Game; Builders (incorporating the Builders Warehouse, Builders Express, Builders Trade Depot and Builders Superstore brands); Massmart Wholesale (incorporating the Makro, Jumbo, Trident, Jumbo Shield and Saverite brands); and the Sale Businesses (incorporating the Cambridge Food and Rhino brands, as well as The Fruitspot). Given its relative size, Group e-commerce is not disclosed as a separate operating segment and is included with the corporate operations.

3. As previously reported, a sale of business agreement has been concluded with Shoprite Checkers Proprietary Limited in terms of which the Group sells, as a going concern, the businesses of Cambridge, Rhino and Massfresh as well as 12 Cash & Carry stores for a maximum consideration of R1,360.0 million. Consequently these businesses and stores are classified as held for sale with the income statement results of the Group's Cambridge, Rhino and Massfresh businesses being presented as discontinued operations in terms of IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'.

   The Competition Commission has recommended the transaction to the Competition Tribunal for approval, subject to conditions to be imposed on both the merging parties, which is anticipated to be finalised in September 2022.

4. The Group previously announced that it had identified 14 Game stores in East and West Africa and 15 Game stores in South Africa it intends to divest. This decision represents an intensification of the Group's initiative to optimise the Game store portfolio as we move beyond our turnaround imperative, to prioritise investment in core and high returning trading assets. The Group is currently following a S189 (of the South African Labour Relations Act 66 of 1995, as amended) consultation process with some of these South African stores. A Service provider has been appointed to assist the Group with the divestment of the East and West Africa stores and a further update will be provided in due course.

5. The majority of Massmart's realised and unrealised foreign exchange loss was primarily a result of currency weakness in Ghana, Kenya and Malawi, as well as the impact on the revaluation of the USD-denominated Walmart loan.

6. During March 2021, the managed services agreement involving Genpact (a strategic partner of Walmart Enterprise Services) managing Massmart's financial transaction processing activities became effective (MSA). The MSA covers a period of eight years and will incur a total of USD16.2 million transformational costs, of this USD13.36 million is payable within the first two years of the contract. Walmart, through its wholly-owned Irish subsidiary, Newgrange Platinum Services, LTD. ("NGPS"), entered into a contract to assist Massmart to manage the resultant cash outflow by entering into an agreement with Genpact to pay the upfront transformational costs and charging these to Massmart in eight equal instalments, interest-free. Consequently, Massmart entered into a back-to-back agreement with NGPS reflecting these terms. The net effect of this agreement will provide cash flow relief to Massmart of USD11.34 million over the first two years of the MSA. During the 2022 interim reporting period, an amount of R14.9 million (June 2021: R4.8 million) was paid to NGPS in terms of this agreement.

7. Massmart and its business units 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. The balances outstanding by/to Walmart as at June 2022 as disclosed on the balance sheet are as follows:

Rm	June 2022	June 2021
Trade, other receivables and prepayments	4.1	7.0
Perpetual bond (classified as equity)	2,009.9	–
Trade, other payables and provisions	5.5	33.2
Interest-bearing borrowings	1,856.6	3,428.9

8. Massmart offers a diverse range of retail offerings to the market consisting of Food and 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.

9. The constant currency information included in these reviewed interim 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 reviewed interim condensed consolidated results is considered pro forma and 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 present Massmart's financial position, changes in equity, results of operations, or cash flows.

Sales growth in:	Reported currency	Constant currency
Botswana Pula	5.7%	8.1%
Nigerian Naira	(14.6%)	(16.4%)
Tanzanian Shilling	(16.0%)	(20.5%)
Zambian Kwacha	14.1%	(14.4%)
Kenyan Shilling	(27.4%)	(27.4%)
Ghanaian Cedi	(33.6%)	(22.5%)
Malawian Kwacha	27.0%	29.2%
Ugandan Shilling	(28.2%)	(32.8%)
Rest of Africa	1.2%	(2.9%)

10. In December 2021, Walmart extended the term of a portion of the previously advanced R4 billion USD-denominated loan. This involved replacing R2 billion (approximately US$125 million) of this loan by subscribing for a perpetual fixed rate unsecured bond. The terms of the bond are disclosed in the footnote to the condensed consolidated statement of changes in equity. The repayment of the remaining Walmart loan was extended on 2 August 2022 for a further six months. All other terms to this loan remain unchanged to those disclosed in the 2021 Massmart Group audited consolidated annual financial statements available on the Group's website.

11. Total interest-bearing borrowings and debt facilities, including bank overdrafts and lease liabilities, increased by R1.6 billion compared to June 2021. Average net debt also increased by R1.6 billion compared to the prior year period.

12. A reassessment of the fair-value-less-cost-to-sell of the Shoprite transaction disposal group, detailed in note 3, was conducted during the reporting period. This resulted in the recognition of an impairment expense of R139.2 million in discontinued operations, which relates to Cambridge goodwill.

13. The current period net taxation credit is based on a best estimate annual effective tax rate and deferred tax movements for the period. The Group's continuing operations effective tax rate of 3.4% (2021: 1.8%) was impacted by the limitation of the recognition of deferred tax assets relating to certain loss-making entities, the South African rate change and disallowed expenditure. Deferred tax assets (arising from unutilised tax losses in trading entities) are recognised as a result of the reassessment of the recoverable amount of the deferred tax asset as at the interim reporting date. The assessment considers the probability of forecasted future taxable income, which may include future tax planning opportunities.

14. During June 2022, the Group received confirmation from its insurers that a second interim payment of R270.0 million (excluding VAT) relating to the business interruption insurance claim, stemming from the civil unrest in July 2021 would be made. An accrual for this receipt was raised as at the interim reporting period with the full balance being received from the insurers during July 2022. The total business interruption insurance recoveries received to date have been R370.0 million (excluding VAT) with the remainder of the claim, and final payment anticipated to be concluded during the second-half of this year.

15. These reviewed interim condensed consolidated results 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 Chief Financial Officer, Mohammed Abdool-Samad CA (SA), supervised the preparation of the Group's reviewed interim condensed consolidated results.

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or visit massmart.co.za/interimresults2022

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