Massmart powered by Walmart

Saving our customers money so they can live better.

Massmart Results 2021

Massmart is an African retail group, with total Group sales of R84.9 billion. Through our widely recognised and differentiated retail and wholesale formats, represented in 408 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

- builders
- game
- Cambridge food – save money. live better
- RHINO – THE NAME YOU CAN TRUST

Massmart Wholesale
powered by Walmart

- makro – BIG on life
- JUMBO WHOLESALE – THE GIANT OF AFRICA
- Shield
- The Fruitspot

Performance summary 2021

for the 52 weeks ended 26 December 2021

0.1%

Increased sales from continuing operations*

Increased comparable sales from continuing operations* 3.0%

R77.6 BILLION
2020: R77.6 BILLION

18.0%

Increased headline loss from continuing operations*

(R1.0 BILLION)
2020: (R0.8 BILLION)

48.5%

Decreased trading profit before interest and taxation from continuing operations*

R830.6 MILLION
2020: R1,613.0 MILLION

11.7%

Decreased headline loss before civil unrest related costs after tax from continuing operations*

(R0.7 BILLION)
2020: (R0.8 BILLION)

25.7%

Increased total Group loss for the year

(R2.2 BILLION)
2020: (R1.8 BILLION)

21.6%

Decreased EBITDA, before non-trading items from continuing operations*

R3,409.2 MILLION
2020: R4,350.8 MILLION

53.5%

Increased loss for the year from continuing operations*

(R1.6 BILLION)
2020: (R1.0 BILLION)

65.0%

Increased total Group headline loss

(R1.5 BILLION)
2020: (R0.9 BILLION)

** The comparative numbers have been restated in terms of IFRS 5 due to the discontinued operation classification of the Cambridge, Rhino and Massfresh businesses. All statistics reported are from continuing operations, unless stated otherwise. Refer to note 3.*

Massmart Reviewed Consolidated Results

for the 52 weeks ended 26 December 2021

Total Group performance

Massmart's total Group sales for the 52-weeks ended 26 December 2021 of R84.9 billion represented a 1.9% decrease compared to the same period in 2020, while comparable store sales grew by 1.7% over the same period. Gross margin decreased by 191bps to 18.5%. Excluding inventory write-downs as a result of the civil unrest, gross margin decreased by 45bps to 19.9%. Through our sustainable cost-saving initiatives, expenses decreased by 1.2%. Other income increased by 280.9% to R1.1 billion and primarily related to insurance proceeds received from material damage and business interruption claims related to the civil unrest. This resulted in a trading profit of R195.4 million, a decrease of 83.3% from the prior year. The Group recognised an impairment expense of R1,066.3 million, the majority of which related to assets impacted by the civil unrest of R230.7 million, and Game's corporate assets of R507.2 million, the most significant of which is the SAP S/4 HANA ERP system software asset. Weaknesses in African currencies, together with hedging costs associated with the USD denominated Walmart loan, resulted in foreign exchange losses of R178.5 million which represents a 53.2% decrease from 2020. Net interest expenses increased by 2.3% to R1,778.4 million. As a result of the above, the Group incurred a net loss of R2,203.9 million, which represents an increase of 25.7% from the prior year loss of R1,753.4 million. The headline loss amounted to R1,524.8 million, and increased by 65.0% from the prior year headline loss of R924.3 million.

Operating environment

2021 was a year of significant challenges in the external environment – not only for South Africa, but globally. In spite of the headwinds, Massmart has again proven to be an extremely resilient business, and has effectively navigated through significant challenges while executing components of the Group's Turnaround strategy. We have been able to innovate and adapt to address challenges, and this has made us a fundamentally stronger business and better prepared for the future.

During the year, we were impacted by the ongoing effects of the global Covid-19 pandemic, while the South African market also experienced the civil unrest during July 2021. Global supply chain challenges, which were exacerbated in South Africa by the civil unrest, resulted in insufficient in-stock service levels of certain home electronics and appliances categories. We were further impacted by load shedding and growing inflationary pressures on raw materials and product costing. In addition to the above, labour disputes resulted in a Group-wide strike during November and December this year.

Covid-19

We continue to experience the impact of the Covid-19 pandemic, its successive waves and infection rates, and related trading restrictions. In our efforts to combat Covid-19, we assisted pensioners in rural areas to successfully register for and receive their vaccines at our stores when they collected their SASSA grant payments. We also encouraged our associates to get their vaccines through educational and enablement programmes, rolled out mobile clinics at stores located in high density urban areas and provided paid leave for associates to get vaccinated. We continue to practise and enhance our Covid-19 safety protocols implemented since the onset of the pandemic.

Under Government regulations, Liquor sales were prohibited for approximately 110 days of our trading year. The ban and restrictions on Liquor trading impacted the Total Group by an estimated R1.8 billion* in lost Liquor sales, which translated into an estimated R193.0 million* in lost sales margin during 2021. Liquor sales contributed 15% of total sales during the year (2020: 13%).

Additional Covid-19-related costs associated with ensuring a safe shopping and workplace environment for customers and associates amounted to R77.7 million (2020: R132.4 million). Government-supported Temporary Employment Relief Scheme (TERS) benefits and negotiated rental relief of R62.2 million (2020: R288.0 million) were received by the Group during the year.

Civil unrest

During July 2021, the KwaZulu-Natal and Gauteng provinces of South Africa experienced civil unrest, which directly impacted 43 of our stores and two distribution centres (DCs). Of these, only nine stores and both DCs still remain closed due to significant damage. Damages incurred from the civil unrest from inventory written-off and assets impaired amounted to R1,469.6 million. Including directly related costs this amounted to R1,534.7 million for the Total Group. Insurance proceeds recouped for damaged inventory and assets was R1 billion of which R171.2 million relates to third party liabilities. Of this, R434.8 million was received and R565.2 million was accrued during 2021. The accrued amount was received in January 2022, post our financial year-end. In addition to this, an interim amount of R100 million was received in relation to our business interruptions claims. This resulted in a Total Group net accounting loss of R605.9 million. The majority of business interruption claims are still in the processing phase and will be received during 2022. As previously announced, the Group is comfortable that it is adequately covered for the full extent of the business interruption losses through a non-SASRIA policy.

Lost sales directly related to store closures as a result of the civil unrest is estimated to be R2.7 billion*, with lost sales margin estimated to be R473.1 million* for the Total Group.

Discontinued operations

As previously announced, the Board made the decision to dispose of 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 as one disposal group 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.

Continuing operations performance

Financial review

Massmart's total sales from continuing operations for the 52 weeks to 26 December 2021 of R77.6 billion represents an increase of 0.1%, and an increase of 3.0% on a comparable store sales basis, with year-to-date internal sales inflation of 4.7%. Sales from our South African stores increased by 0.9% and by 4.3% on a comparable store sales basis. Total sales from our rest of African stores decreased by 7.5% in Rands, and increased by 0.3% in constant currencies. On a comparable store sales basis, our rest of African store sales decreased by 7.7% in Rands and by 0.4% in constant currencies. Sales performance in the rest of Africa, in Rands, have been impacted by significant currency fluctuations.

Food and Liquor sales of R39.9 billion decreased by 1.0% (2020: R40.3 billion), Home Improvement sales of R14.9 billion increased by 7.1% (2020: R13.9 billion) and General Merchandise sales of R22.8 billion decreased by 2.2% (2020: R23.4 billion).

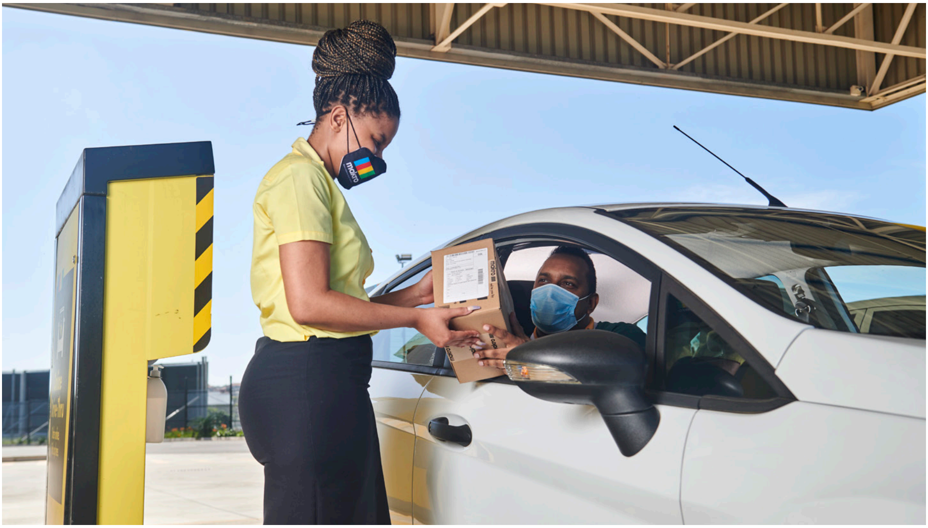
Gross margin decreased by 187bps to 18.7% and was impacted by promotional and sales mix and inventory write-offs as a result of the civil unrest. Excluding inventory write-offs as a result of the civil unrest, gross margin decreased by 62bps to 19.9%.

Included in other income relating to civil unrest are insurance proceeds received from SASRIA for inventory write-offs and an interim business interruption claim, both for damages incurred during the civil unrest.

* *The Covid-19 lost sales impact was estimated at a store specific level. To estimate the impact, we applied the expected sales trend of that store, in comparison to underlying performance in periods where trading was permitted and to store level plans. Where it was noted that there was a pent-up demand impact, this was also taken into account, effectively reducing the loss in sales estimate. Lost trading profit was calculated by applying the achieved margin for the period immediately preceding the restriction to the estimated lost sales value.*

The civil unrest lost sales impact was estimated at a store specific level. To estimate the impact, the YTD sales trends, prior to the civil unrest, of these stores were assessed; including the expected sales trend of that store, in comparison to underlying performance in 2020 and store level plans. Where it was noted that there were specific deflection of sales to neighbouring stores, the impact of deflected sales was also taken into account, effectively reducing the loss in sales estimate. Lost trading profit was calculated by applying the YTD average achieved margin for each store, up to the point of the civil unrest, to the estimated lost sales.

This information is provided only to allow for a more meaningful comparison of performance based on Management's best estimate. This information on which our assumptions are based has not been reviewed and reported on by the Company's external auditors. The estimated information is the responsibility of the Directors of Massmart.



Our continued focus on sustainable cost-saving and Smart Spend initiatives resulted in only a 0.1% increase in costs, and an increase of 1.4% on a comparable store basis.

Employment costs, the Group's biggest cost category, increased by 0.6% (with a comparable decrease of 1.6%), and was impacted by the differential in receipt of the South African Government TERS and skills development levy relief in the current year compared to the prior year.

Occupancy costs decreased by 0.4% (with a comparable increase of 4.1%). Included in the 2020 comparative is the once-off rental relief received from landlords in light of the Covid-19 pandemic. Offsetting this year-on-year increase were rental re-negotiations and reduced utility costs achieved through our sustainability initiatives.

Depreciation and amortisation decreased by 5.5% (and by 7.2% on a comparable store basis) due to a reduced footprint and a lower asset base as a consequence of previous asset impairments recognised. A net of 15 stores were either closed or sold during the year.

Contributing to the 3.5% increase in other operating costs are software maintenance costs, repairs and maintenance and an increase in credit card costs.

The above resulted in a trading profit of R830.6 million compared to a trading profit of R1,613.0 million in 2020.

During the year, the Group incurred retrenchment and business transformation costs of R80.7 million, compared to R107.8 million in the prior year. This mainly related to the turnaround initiative which involved moving certain corporate support functions into centralised Centres of Excellence, as previously announced, as well as professional fees incurred as part of the Group's disposal programmes.
Impairment losses of R960.3 million were recognised during the year and primarily related to the impact of the civil unrest of R210.7 million, Game's corporate assets of R507.2 million, the most significant of which is the SAP S/4 HANA ERP system software asset, as well as the property, plant and equipment and lease assets of certain underperforming Game stores in South Africa and Kenya. Insurance proceeds received in relation to asset impairments resulting from the civil unrest amounted to R118.4 million.

We have benefitted from the strengthening of certain currencies against the South African Rand. This, together with hedging costs associated with the USD denominated Walmart loan resulted in a foreign exchange loss of R178.5 million, compared to a loss of R381.1 million in the prior year.

Net finance costs of R1,695.4 million represents an increase of only 2.8% compared to R1,649.4 million in the prior year. Total net interest expenses in relation to the Group's financiers, excluding those related to lease liabilities, decreased by R38.0 million compared to the prior year. This was partially offset by an increase in finance costs related to lease liabilities.

The Group's effective tax rate of 19.6% (2020: -47.4%) was impacted by the limitation of the recognition of deferred tax assets relating to certain loss-making entities and disallowed expenditure.

A net loss of R1,577.7 million was reported for this year (2020: R1,027.9 million), with a headline loss of R980.2 million (2020: R831.0 million).

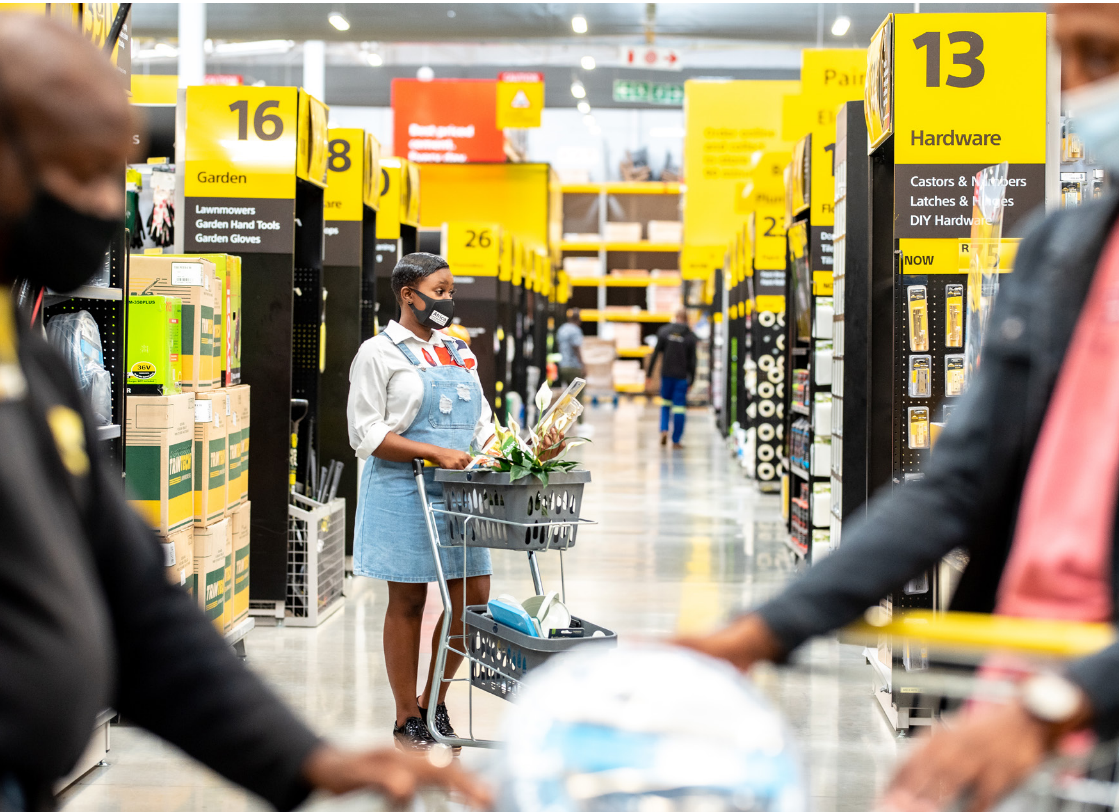
Financial position

During the course of 2020 capital expenditure on projects was deferred, where possible, to preserve cash in an attempt to mitigate the impacts of Covid-19 on the business. As economic activity increased in 2021, there was a commensurate increase in capital expenditure. The Group continues to invest cash responsibly with expenditure being re-prioritised to re-open stores impacted by the civil unrest.

Total capital expenditure for the year amounted to R1,378.0 million, and increased by 33.2% compared to 2020. Expansionary capital expenditure amounted to R902.5 million, of which leasehold improvements and fixtures, fittings plant and equipment amounted to R733.0 million, and was mostly associated with the refurbishment of selected existing stores. Capital expenditure relating to maintenance amounted to R247.5 million. An investment related to the acquisition of OneCart amounted to R228.0 million. Overall property, plant and equipment decreased by 4.3% which was driven primarily by the impairments recognised as well as the classification of the balances related to the discontinued operations as held-for-sale.

Working capital continues to be a focus area. The Group's inventory balance increased by 0.4%, while inventory days remained at 70 days. Trade receivable days remained static since 2020 at nine days. Trade creditor days decreased by seven days to 70 days, while the trade creditors balance decreased by 7.7% since 2020. This is largely due to the renegotiated terms with our suppliers in 2020, which assisted in mitigating the impacts of Covid-19 trading restrictions on the business, coming to an end in 2021.

Operating cash inflows before working capital movements of R1,822.0 million decreased by 60.0% over 2020 and was negatively impacted by the second and third waves of Covid-19 infections that resulted in subdued trading, Liquor trading restrictions during the year, as well as the period of civil unrest in July. Consequently, gross debt increased by 13.3% to R6.7 billion, while average net debt increased by 15.8% to R8.7 billion.



Appreciation

We are thankful to all our associates who continue to contribute to our Group's performance and put our customers first, especially during the challenging times we have experienced during this year. We are grateful to our customers for their ongoing support and loyalty. We also thank our Board and Management teams for their continued guidance and leadership.

Directorate

Several Board and Committee changes took place in 2021. On 14 April 2021, the appointment of Peter John Suarez as an alternate Director to Susan Muigai was announced, effective 6 April 2021, when Susan Muigai notified the Board of her intention to take a leave of absence.

The following changes to the composition of the Board and its Committees were announced, all effective 27 August 2021:

- Sindiswa Zilwa was appointed as an Independent Non-Executive Director, member and the Chairman of the Remuneration Committee, and a member of the Audit and Nominations Committees
- Daria Beckom was appointed as a Non-Independent Non-Executive Director and a member of the Social and Ethics Committee
- Phumzile Langeni resigned as the Deputy Chairman and Lead Independent Non-Executive Director, Chairman of the Remuneration Committee and a member of the Nominations Committee
- Nolulamo (Lulu) Gwagwa resigned as an Independent Non-Executive Director and Chairman of the Social and Ethics Committee, and a member of the Audit and Risk Committees
- Following Susan Muigai's leave of absence, she resigned as a Non-Independent Non-Executive Director and member of the Social and Ethics Committee
- Olufunke (Funke) Ighodaro was appointed the Lead Independent Non-Executive Director and Deputy Chairman
- Lindiwe Mthimunye was appointed as a member and the Chairman of the Social and Ethics Committee.

Outlook

Total Group sales for the eight weeks to 20 February 2022 of R12.3 billion represents an increase of 1.7% and a comparable store sales increase of 5.1% over the same period in 2021. Sales from continuing operations of R11.3 billion represents an increase of 3.6% and a comparable store sales increase of 6.6% for the eight-week period to 20 February 2022, over the same period in 2021.

While we remain uncertain of the future in terms of potential Covid-19 trading restrictions and global and local supply chain challenges on our business, we are confident in our ability to successfully navigate through these challenges and serve our customers. We are focused on re-opening the remainder of those stores damaged during the civil unrest. At the same time, we expect our improved expense control from sustainable cost-saving initiatives to continue at pace. Finally, we have addressed the impediments to past performance through our Turnaround plan, and are now well-positioned to pursue growth in e-commerce, Home Improvement and General Merchandise, and in the Wholesale Food & Liquor space.

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, the need to preserve cash and the ongoing impact of the civil unrest and Covid-19 pandemic on our operating environment, no final dividend has been declared during this financial year (2020: nil).

Mitchell Slape
Chief Executive Officer

Mohammed Abdool-Samad
Chief Financial Officer
4 March 2022

Condensed consolidated income statement

Rm	52 weeks December 2021 (Reviewed)	52 weeks December 2020 (Restated)*	Period % change
Revenue	**77,715.3**	77,808.7	*(0.1)*
Sales	**77,621.6**	77,568.5	*0.1*
Cost of sales	**(62,168.0)**	(61,644.8)	*(0.8)*
Cost of sales relating to civil unrest	**(970.9)**	–	*(100.0)*
Gross profit	**14,482.7**	15,923.7	*(9.0)*
Other income	**245.2**	239.2	*2.5*
Other income relating to civil unrest	**667.3**	–	*100.0*
Depreciation and amortisation	**(2,569.4)**	(2,717.6)	*5.5*
Employment costs	**(7,258.3)**	(7,217.0)	*(0.6)*
Occupancy costs	**(1,024.5)**	(1,028.9)	*0.4*
Other operating costs	**(3,712.4)**	(3,586.4)	*(3.5)*
Trading profit before interest and taxation	**830.6**	1,613.0	*(48.5)*
Retrenchment and business transformation costs	**(80.7)**	(107.8)	*25.1*
Impairment of assets	**(749.6)**	(173.0)	*(333.3)*
Impairment of assets relating to civil unrest	**(210.7)**	–	*(100.0)*
Insurance proceeds on items in PP&E	**2.9**	1.0	*190.0*
Insurance proceeds on items in PP&E relating to civil unrest	**118.4**	–	*100.0*
Operating (loss)/profit before foreign exchange movements and interest	**(89.1)**	1,333.2	*(106.7)*
Foreign exchange loss (note 7)	**(178.5)**	(381.1)	*53.2*
Operating (loss)/profit before interest	**(267.6)**	952.1	*(128.1)*
– Finance costs	**(1,704.0)**	(1,690.5)	*(0.8)*
– Finance income	**8.6**	41.1	*(79.1)*
Net finance costs	**(1,695.4)**	(1,649.4)	*(2.8)*
Loss before taxation	**(1,963.0)**	(697.3)	*(181.5)*
Taxation (note 15)	**385.3**	(330.6)	*216.5*
Loss for the year from continuing operations	**(1,577.7)**	(1,027.9)	*(53.5)*
Discontinued operations			
Loss for the year from discontinued operations	**(626.2)**	(725.5)	*13.7*
Loss for the year	**(2,203.9)**	(1,753.4)	*(25.7)*
Loss attributable to:			
– Owners of the parent	**(2,225.9)**	(1,737.7)	*(28.1)*
Continuing operations	**(1,602.9)**	(1,033.6)	*(55.1)*
Discontinued operations	**(623.0)**	(704.1)	*11.5*
– Perpetual bondholder	**9.5**	–	*100.0*
Continuing operations	**9.5**	–	*100.0*
Discontinued operations	**–**	–	–
– Non-controlling interests	**12.5**	(15.7)	*179.6*
Continuing operations	**15.7**	5.7	*175.4*
Discontinued operations	**(3.2)**	(21.4)	*85.0*
Loss for the year	**(2,203.9)**	(1,753.4)	*(25.7)*
Basic EPS (cents)	**(1,029.9)**	(802.3)	*(28.4)*
Continuing operations	**(741.6)**	(477.2)	*(55.4)*
Discontinued operations	**(288.3)**	(325.1)	*11.3*
Diluted basic EPS (cents)	**(1,029.9)**	(802.3)	*(28.4)*
Continuing operations	**(741.6)**	(477.2)	*(55.4)*
Discontinued operations	**(288.3)**	(325.1)	*11.3*
Dividend (cents):			
– Interim	**–**	–	–
– Final	**–**	–	–
– Total	**–**	–	–

* *The comparative numbers have been restated in terms of IFRS 5 due to the discontinued operation classification of the Cambridge, Rhino and Massfresh businesses. Refer to note 3.*

Condensed consolidated statement of comprehensive income

Rm	52 weeks December 2021 (Reviewed)	52 weeks December 2020 (Restated)*	Period % change
Loss for the year	**(2,203.9)**	(1,753.4)	*(25.7)*
Items that will not subsequently be re-classified to the Income Statement:	**(3.1)**	11.9	*(126.1)*
Post retirement medical aid actuarial profit, net of tax	**(3.1)**	11.9	*(126.1)*
Items that will subsequently be re-classified to the Income Statement:	**93.9**	8.9	*955.1*
Foreign currency translation reserve, net of tax	**82.0**	9.0	*811.1*
Fair value movement on OCI financial assets, net of tax	**11.9**	(0.1)	*12,000.0*
Total other comprehensive income for the year, net of tax	**90.8**	20.8	*336.5*
Total comprehensive loss for the year	**(2,113.1)**	(1,732.6)	*(22.0)*
Total comprehensive (loss)/income attributable to:			
– Owners of the parent	**(2,135.1)**	(1,716.9)	*(24.4)*
Continuing operations	**(1,512.1)**	(1,012.8)	*(49.3)*
Discontinued operations	**(623.0)**	(704.1)	*11.5*
– Perpetual bondholder	**9.5**	–	*100.0*
Continuing operations	**9.5**	–	*100.0*
Discontinued operations	**–**	–	–
– Non-controlling interests	**12.5**	(15.7)	*179.6*
Continuing operations	**15.7**	5.7	*175.4*
Discontinued operations	**(3.2)**	(21.4)	*85.0*
Total comprehensive loss for the year	**(2,113.1)**	(1,732.6)	*(22.0)*

* *The comparative numbers have been restated in terms of IFRS 5 due to the discontinued operation classification of the Cambridge, Rhino and Massfresh businesses. Refer to note 3.*

Condensed consolidated statement of financial position

Rm	52 weeks December 2021 (Reviewed)	52 weeks December 2020 (Audited)	Period % change
ASSETS			
Non-current assets	**21,014.7**	21,804.4	*(3.6)*
Property, plant and equipment, including investment property	**7,856.3**	8,206.9	*(4.3)*
Lease assets	**8,034.1**	8,590.0	*(6.5)*
Goodwill and other intangible assets	**2,632.2**	3,272.6	*(19.6)*
Investments and other financial assets	**220.7**	176.1	*25.3*
Deferred taxation	**2,271.4**	1,558.8	*45.7*
Current assets	**16,914.2**	18,446.9	*(8.3)*
Inventories	**11,925.9**	11,880.6	*0.4*
Trade, other receivables and prepayments	**3,952.5**	3,126.3	*26.4*
Taxation	**101.0**	90.8	*11.2*
Cash on hand and bank balances	**934.8**	3,349.2	*(72.1)*
Non-current assets classified as held for sale	**2,215.8**	488.3	*353.8*
Total assets	**40,144.7**	40,739.6	*(1.5)*
EQUITY AND LIABILITIES			
Total equity	**2,545.2**	2,951.5	*(13.8)*
Equity attributable to owners of the parent	**479.8**	2,991.3	*(84.0)*
Equity attributable to perpetual bondholder	**2,009.5**	-	*100.0*
Non-controlling interests (note 16)	**55.9**	(39.8)	*240.5*
Non-current liabilities	**11,630.6**	10,188.4	*14.2*
Interest-bearing borrowings	**2,000.0**	277.8	*619.9*
Lease liability	**9,234.1**	9,659.9	*(4.4)*
Deferred taxation	**158.3**	153.0	*3.5*
Other non-current liabilities and provisions	**238.2**	97.7	*143.8*
Current liabilities	**25,222.3**	27,599.7	*(8.6)*
Trade, other payables and provisions	**19,164.4**	20,252.0	*(5.4)*
Taxation	**46.3**	394.1	*(88.3)*
Bank overdrafts and debt facilities (note 14)	**245.5**	95.3	*157.6*
Interest-bearing borrowings	**4,467.4**	5,550.9	*(19.5)*
Lease liability	**1,298.7**	1,307.4	*(0.7)*
Non-current liabilities directly associated with assets held for sale	**746.6**	–	*100.0*
Total equity and liabilities	**40,144.7**	40,739.6	*(1.5)*

The Statement of Financial Position has not been restated in terms of IFRS 5. IFRS 5 requires the discontinued operations of the Cambridge, Rhino and Massfresh businesses to be restated only in the Income Statement. Refer to note 3.

Condensed consolidated statement of cash flows

Rm	December 2021 (Reviewed)	December 2020 (Audited)
Operating cash before working capital movements	1,822.0	4,559.5
Working capital movements	(1,304.9)	(187.9)
Cash generated from operations	517.1	4,371.6
Taxation paid	(425.3)	(105.9)
Net interest paid	(1,875.1)	(1,707.0)
Dividends received	45.0	–
Dividends paid	(15.0)	(39.9)
Cash (outflow)/inflow from operating activities	(1,753.3)	2,518.8
Investment to maintain operations	(247.5)	(269.9)
Investment to expand operations	(902.5)	(764.2)
Investment in subsidiaries	(228.0)	(0.2)
Proceeds on disposal of property, plant and equipment	10.3	19.4
Proceeds on disposal of assets classified as held for sale	107.2	–
Proceeds on disposal of intangible assets	7.3	2.0
Insurance proceeds on property, plant and equipment	56.4	–
Other investing activities	–	7.5
Cash outflow from investing activities	(1,196.8)	(1,005.4)
Issue of perpetual bond	2,000.0	–
Interest-bearing borrowings and debt facilities raised	2,340.0	7,544.2
Interest-bearing borrowings and debt facilities repaid	(2,308.0)	(5,288.3)
Lease liabilities repaid	(1,388.9)	(1,537.9)
Non-controlling interests acquired (note 16)	(310.3)	–
Acquisition of treasury shares	–	(66.2)
Cash inflow arising from other non-current liabilities	–	26.3
Cash inflow from financing activities	332.8	678.1
Net (decrease)/increase in cash and cash equivalents	(2,617.3)	2,191.5
Foreign exchange movements on cash and cash equivalents	52.7	(88.2)
Opening cash and cash equivalents	3,253.9	1,150.6
Closing cash and cash equivalents	689.3	3,253.9

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 2019 (Audited)	2.2	209.8	763.7	3,809.8	4,785.5	–	15.3	4,800.8
Dividends declared	–	–	–	–	–	–	(39.9)	(39.9)
Total comprehensive income/(loss)	–	–	20.8	(1,737.7)	(1,716.9)	–	(15.7)	(1,732.6)
Changes in non-controlling interests	–	–	–	–	–	–	0.5	0.5
IFRS 2 charge and treasury shares acquired	–	(86.9)	6.9	2.7	(77.3)	–	–	(77.3)
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 income/(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 (note 16)	–	–	**(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 (Reviewed)	**2.2**	**86.9**	**544.0**	**(153.3)**	**479.8**	**2,009.5**	**55.9**	**2,545.2**

* *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 tenure*
- *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*
- *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 because Massmart Holdings Limited has no contractual obligation to deliver cash or any other financial asset(s) in any circumstances outside its control.

Headline earnings

Rm	52 weeks December 2021 (Reviewed)	52 weeks December 2020 (Restated)*	Period % change
Reconciliation of loss for the year to headline loss			
Loss for the year attributable to owners of the parent (IAS 33 earnings)	**(2,225.9)**	(1,737.7)	*(28.1)*
Write-off of tangible and intangible assets	**1,084.7**	814.6	*33.2*
Continuing operations	**976.5**	188.9	*416.9*
Discontinued operations	**108.2**	625.7	*(82.7)*
Net (profit)/loss on disposal of tangible and intangible assets	**(8.3)**	30.4	*(127.3)*
Continuing operations	**(10.3)**	30.5	*(133.8)*
Discontinued operations	**2.0**	(0.1)	*2,100.0*
Insurance proceeds on items of PP&E	**(132.5)**	(1.4)	*(9,364.3)*
Continuing operations	**(121.3)**	(1.0)	*(12,030.0)*
Discontinued operations	**(11.2)**	(0.4)	*(2,700.0)*
Total tax effects of adjustments	**(242.8)**	(30.2)	*(704.0)*
Continuing operations	**(222.2)**	(15.8)	*(1,306.3)*
Discontinued operations	**(20.6)**	(14.4)	*(43.1)*
Headline loss	**(1,524.8)**	(924.3)	*(65.0)*
Continuing operations	**(980.2)**	(831.0)	*(18.0)*
Discontinued operations	**(544.6)**	(93.3)	*(483.7)*
Civil unrest related costs after taxation from continuing operations	**246.8**	–	*100.0*
Headline loss before civil unrest related costs (taxed) from continuing operations	**(733.4)**	(831.0)	*11.7*
Retrenchment and business transformation costs after taxation from continuing operations	**68.1**	77.6	*(12.2)*
Headline loss before civil unrest, retrenchment and business transformation costs (taxed) from continuing operations	**(665.3)**	(753.4)	*11.7*
Foreign exchange after taxation from continuing operations	**127.0**	333.9	*(62.0)*
Headline loss before civil unrest, retrenchment, business transformation and foreign exchange costs (taxed) from continuing operations	**(538.3)**	(419.5)	*(28.3)*
Headline EPS (cents)	**(705.5)**	(426.8)	*(65.3)*
Continuing operations	**(453.5)**	(383.7)	*(18.2)*
Discontinued operations	**(252.0)**	(43.1)	*(484.7)*
Headline EPS before civil unrest, retrenchment, business transformation and foreign exchange costs (taxed) from continuing operations (cents)	**(249.1)**	(193.7)	*(28.6)*
Diluted headline EPS (cents)	**(705.5)**	(426.8)	*(65.3)*
Continuing operations	**(453.5)**	(383.7)	*(18.2)*
Discontinued operations	**(252.0)**	(43.1)	*(484.7)*
Diluted headline EPS before civil unrest, retrenchment, business transformation and foreign exchange costs (taxed) from continuing operations (cents)	**(249.1)**	(193.7)	*(28.6)*

* *The comparative numbers have been restated in terms of IFRS 5 due to the discontinued operation classification of the Cambridge, Rhino and Massfresh businesses. Refer to note 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 dispose of 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	52 weeks December 2021 (Reviewed)	52 weeks December 2020 (Restated)
Revenue	**7,245.7**	8,955.2
Sales	**7,245.7**	8,917.0
Cost of sales	**(5,783.3)**	(7,212.6)
Cost of sales relating to civil unrest	**(268.0)**	–
Gross profit	**1,194.4**	1,704.4
Other income	**11.1**	37.9
Other income relating to civil unrest	**131.9**	–
Depreciation and amortisation	**(163.9)**	(313.3)
Employment costs	**(749.6)**	(893.8)
Occupancy costs	**(191.9)**	(204.1)
Other operating costs	**(867.2)**	(771.4)
Trading loss before interest and taxation	**(635.2)**	(440.3)
Retrenchment and business transformation costs	**21.0**	(24.7)
Impairment of assets	**(86.0)**	(625.7)
Impairment of assets relating to civil unrest	**(20.0)**	–
Insurance proceeds on items in PP&E	**–**	0.4
Insurance proceeds on items in PP&E relating to civil unrest	**11.2**	–
Operating loss before interest	**(709.0)**	(1,090.3)
– Finance costs	**(83.5)**	(89.3)
– Finance income	**0.5**	0.7
Net finance costs	**(83.0)**	(88.6)
Loss before taxation	**(792.0)**	(1,178.9)
Taxation	**165.8**	453.4
Loss for the year from discontinued operations	**(626.2)**	(725.5)
Total loss for the year attributable to:		
– Owners of the parent	**(623.0)**	(704.1)
– Perpetual bondholder	**–**	–
– Non-controlling interests	**(3.2)**	(21.4)
Loss for the year from discontinued operations	**(626.2)**	(725.5)
Net cash inflows/(outflows) from discontinued operations		
Operating activities	**529.4**	296.4
Investing activities	**(303.4)**	(108.6)
Financing activities	**(220.7)**	(163.4)
Net increase in cash and cash equivalents	**5.3**	24.4

Assets and liabilities classified as held for sale

Assets classified as held for sale		
Property, plant and equipment	**473.7**	70.0
Lease assets	**561.5**	–
Goodwill and other intangible assets	**367.9**	–
Inventories	**812.7**	418.3
Total assets classified as held for sale	**2,215.8**	488.3
Liabilities directly associated with assets held for sale		
Lease liability	**665.5**	–
Trade, other payables and provisions	**81.1**	–
Total liabilities directly associated with assets held for sale	**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.

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 and liabilities classified as held for sale' carried at fair value, and those 'Financial instruments' and 'Non-current assets and liabilities 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.

	December 2021 (Reviewed)					December 2020 (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
Financial assets										
Financial assets at fair value through profit or loss	238.7	238.7	–	18.9	219.8	227.7	227.7	–	52.5	175.2
Financial assets at fair value through OCI	0.9	0.9	0.9	–	–	0.7	0.7	0.7	–	–
Non-current assets classified as held for sale	2,215.8	2,215.8	–	–	2,215.8	488.3	488.3	–	–	488.3
	2,455.4	2,455.4	0.9	18.9	2,435.6	716.7	716.7	0.7	52.5	663.5
Financial liabilities										
Financial liabilities at amortised cost	2,295.5	2,366.5	–	2,366.5	–	2,277.8	2,348.9	–	2,348.9	–
Financial liabilities at fair value through profit or loss	104.3	104.3	–	104.3	–	500.3	500.3	–	500.3	–
Non-current liability classified as held for sale	746.6	746.6	–	–	746.6	–	–	–	–	–
	3,146.4	3,217.4	–	2,470.8	746.6	2,778.1	2,849.2	–	2,849.2	–

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 2020 year-end. For more detail in this regard, refer to the 2020 audited consolidated Group Annual Financial Statements available on the Group's website, as well as the 2021 audited consolidated Group Annual Financial Statements when these become available.

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 at fair value through profit or loss		Non-current assets and liabilities classified as held for sale	
Rm	December 2021 (Reviewed)	December 2020 (Audited)	December 2021 (Reviewed)	December 2020 (Audited)
Opening balance	175.2	126.2	488.3	159.5
Fair value adjustments recognised in the Income Statement	44.6	49.0	–	–
Held for sale assets and liabilities sold during the year	–	–	(107.3)	–
Assets and liabilities transferred as held for sale during the year	–	–	1,102.3	468.8
Held for sale assets transferred to property, plant and equipment during the year	–	–	(14.1)	(140.0)
Closing balance	219.8	175.2	1,469.2	488.3

Additional information

	December 2021 (Reviewed)	December 2020 (Audited)
Net asset value per share (cents)	**218.9**	1,365.0
Ordinary shares (000's):		
– In issue	**219,138.8**	219,138.8
– Weighted average (net of treasury shares)	**216,127.4**	216,580.3
– Diluted weighted average	**225,775.5**	222,666.0
Preference shares (000's):		
– Black Scarce Skills Trust 'B' shares in issue	**2,797.7**	2,797.7
Capital commitments (Rm):		
– Authorised and committed	**412.5**	326.5
– Authorised not committed	**1,957.4**	1,312.7
US dollar exchange rates:		
– Period end (R/$)	**15.55**	14.62
– Average (R/$)	**14.75**	16.36

Share data

Share Data: 28 Dec 2020 – 26 Dec 2021	
Closing price, 26 Dec 2021	R58.28
Share price (52 week high)	R74.32
Share price (52 week low)	R38.30
Market Cap (billions)	R12.77
Shares in issue (millions, net of treasury shares)	216.5
Shares traded (millions)	103.5
Percentage of shares traded	47.8%
Reuters	MSMJ.J
Bloomberg	MSM SJ

Business unit operational review

Rm	52 weeks December 2021 (Reviewed)	% of sales	52 weeks December 2020 (Restated)*	% of sales	Period % growth	Comparable % sales growth	Estimated % sales inflation#
Total sales**	**84,867.3**		86,485.5		*(1.9)*	1.7	4.9
Sales from continuing operations**	**77,621.6**		77,568.5		*0.1*	3.0	4.7
Game	**15,272.5**		16,721.1		*(8.7)*	(5.6)	3.4
Builders	**14,917.1**		13,926.0		*7.1*	5.2	6.4
Massmart Wholesale^+	**47,432.0**		46,921.4		*1.1*	5.5	4.7
Sales from discontinued operations**	**7,245.7**		8,917.0		*(18.7)*	(10.6)	7.2
Sales Disaggregation	**84,867.3**		86,485.5		*(1.9)*		
South Africa continuing operations	**70,280.8**		69,634.0		*0.9*		
Food and Liquor	**36,157.4**		36,245.5		*(0.2)*		
Durables	**34,123.4**		33,388.5		*2.2*		
South Africa discontinued operations	**7,245.7**		8,917.0		*(18.7)*		
Food and Liquor	**7,148.4**		8,783.5		*(18.6)*		
Durables	**97.3**		133.5		*(27.1)*		
Rest of Africa	**7,340.8**		7,934.5		*(7.5)*		
Food and Liquor	**3,770.5**		4,097.9		*(8.0)*		
Durables	**3,570.3**		3,836.6		*(6.9)*		
Trading profit/(loss) before interest and taxation***	**195.6**	**0.2**	1,172.7	1.4	*(83.3)*		
Trading profit/(loss) before interest and taxation from continuing operations***	**902.2**	**1.2**	1,672.2	2.2	*(46.0)*		
Game	**(1,031.1)**	**(6.8)**	(532.5)	(3.2)	*93.6*		
Builders	**1,179.6**	**7.9**	1,032.6	7.4	*14.2*		
Massmart Wholesale+	**753.7**	**1.6**	1,172.1	2.5	*(35.7)*		
Trading loss before interest and taxation from discontinued operations***	**(706.6)**	**(9.8)**	(499.5)	(5.6)	*41.5*		

* *Massfresh was previously disclosed as part of the Massmart Wholesale operating segment but has been included as part of the discontinued operations for presentation purposes due to the discontinued operation classification of the Cambridge, Rhino and Massfresh businesses. Refer to note 3.*

** *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 year. The Massmart Wholesale intercompany sales amounted to R353.6 million (December 2020: R313.4 million) while the Massfresh intercompany sales amounted to R429.5 million (December 2020: R508.3. million).*

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

\# *Group sales inflation is a weighted inflation.*

^ *Included in the sales number is R311.9 million commission income (December 2020: R321.1 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**
December 2021 (Reviewed)						
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**					
December 2020 (Restated)**						
Total Assets	40,739.6	9,352.0	7,584.7	11,568.1	9,173.9	3,060.9
South Africa	37,266.0					
Rest of Africa	3,473.6					
Total Liabilities	37,788.1	7,632.1	6,270.8	13,295.5	8,746.6	1,843.1
South Africa	35,222.3					
Rest of Africa	2,565.8					

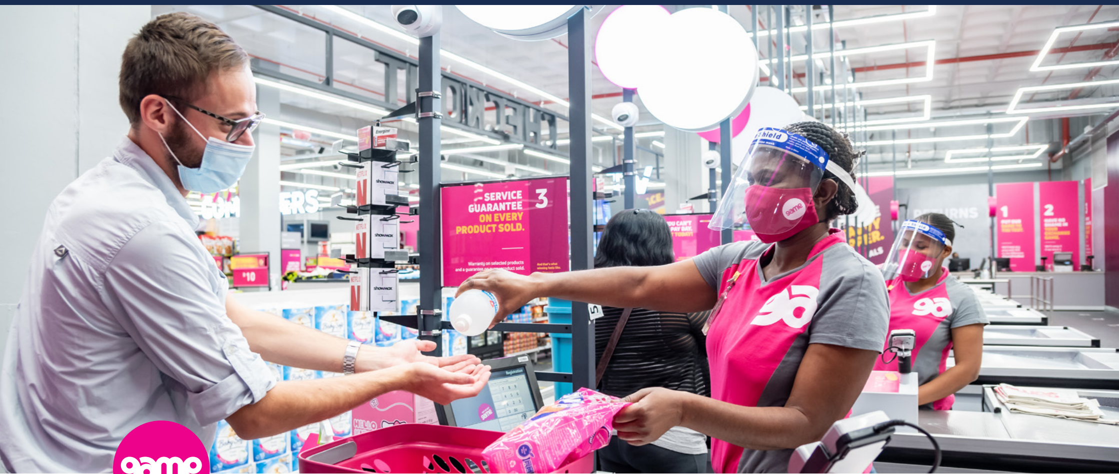
\+ *Massmart Wholesale comprises one operating segment due to their underlying brands sharing similar economic characteristics per the IFRS 8 criteria.*

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

** *Subsequent to the announcement that the Cambridge, Rhino and Massfresh businesses would be sold, the composition of the Group's reportable segments changed and have therefore been restated in terms of the requirements of IFRS 8. The Fruitspot, as well as the Massfresh Meat businesses were previously disclosed as part of the Massmart Wholesale operating segment, but have been combined with the previously disclosed Cambridge operating segment results to form the Sale Businesses operating segment. Refer to notes 2 and 3.*

Massmart Retail powered by Walmart

Business unit performance



game

TRADING GENERAL MERCHANDISE AND FOOD RETAILER

8.7%
R15.3bn
DECREASED SALES
2020: R16.7bn

90bps
26.5%
DECREASED GP MARGIN*
2020: 27.4%

93.6%
(R1,031.1m)
INCREASED TRADING LOSS**
2020: (R532.5m)

146 stores
in South Africa, Botswana, Ghana, Kenya, Lesotho, Malawi, Mozambique, Namibia, Nigeria, Tanzania, Uganda, Zambia
DEC 2020: 149

Game's total sales for the 52 weeks of R15.3 billion was 8.7% lower than the same period last year, while comparable stores sales contracted by 5.6%. Product inflation was estimated at 3.4%.

Total sales from the South African Game stores declined by 6.9%, and by 3.7% on a comparable store sales basis. Sales from the rest of Africa stores decreased by 12.8% in Rands and by 2.6% in constant currencies, due to continued currency weaknesses during the year.

Sales were negatively impacted by global supply chain challenges, which was further exacerbated by the loss of our DCs during the civil unrest. This resulted in insufficient in-stock levels in the home electronic and small and large appliance categories.

In South Africa, Fresh and Frozen offerings have been removed from all Game stores, and replaced with Clothing. In addition, 114 Game stores were relayed into Stores of Excellence during the year.

Through enhanced online capabilities and widened online assortment levels, online sales increased by 72.0% compared to 2020.

The 90bps decrease in margin has been impacted by inventory valuation adjustments and a customs tax provision. Excluding this, the margin would be 27.7%, representing an increase of 40bps.

Excellent expense management and cost-saving initiatives in place resulted in a 5.8% decrease in expenses, with a 4.3% decrease on a comparable store basis.

Ten Game stores were impacted during the civil unrest. Lost sales resulting from the civil unrest and Covid-19 trading restrictions is estimated to be R349.5 million, with an estimated lost trading profit of R246.6 million. Seven stores have re-opened as at the end of 2021.

Three Game stores were closed during the year resulting in trading space reducing by 2.2% to 511,711m^2 (December 2020: 523,151m^2)^.

* *Excludes inventory write-offs as a result of the civil unrest.*
** *Business unit trading profit/(loss) includes Corporate allocations.*
^ *Trading space has been re-measured based on updated measurement criteria, and comparatives re-presented.*

Massmart Retail powered by Walmart

Business unit performance

TRADING DIY, HOME IMPROVEMENT AND BUILDING MATERIALS RETAILER

7.1%
R14.9bn
INCREASED SALES
2020: R13.9bn

110bps
34.8%
DECREASED GP MARGIN*
2020: 35.9%

14.2%
R1,179.6m
INCREASED TRADING PROFIT**
2020: R1,032.6m

118 stores
in South Africa, Botswana, Kenya, Mozambique and Zambia
DEC 2020: 120

Builders total sales of R14.9 billion represents an increase of 7.1% compared to 2020, while comparable store sales increased by 5.2%, with product inflation estimated at 6.4%.

Increased sales levels over the prior year were driven in part by the trading restrictions in 2020, in which all South African Builders stores were closed during the month of April 2020. Sales from South African stores increased by 8.0% and by 6.0% on a comparable store sales basis. Total sales from the rest of Africa stores decreased by 1.0% in Rand terms and increased by 7.8% on a constant currency basis, and decreased by 2.2% and increased by 4.1% respectively on a comparable store sales basis. Ongoing improvements to online capabilities on the Builders website, increased product offerings and the launch of the Builders mini-app within the VodaPay Super App resulted in online sales increasing by 48.3% over 2020.

Pricing pressures experienced resulted in a 110bps decrease in margin compared to 2020.

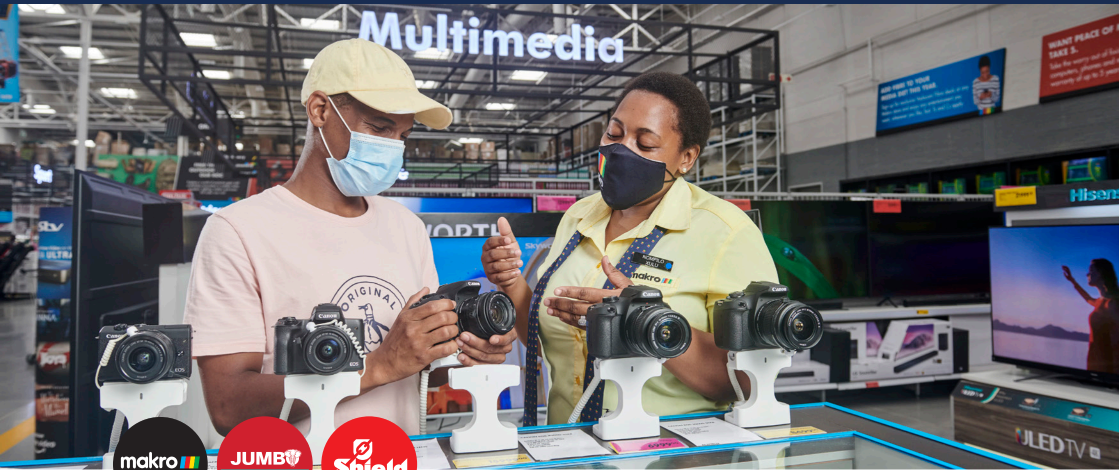
Expenses increased by 6.4% over 2020, and by 5.0% on a comparable store basis.

Eight stores were impacted during the civil unrest. Lost sales resulting from the civil unrest and Covid-19 trading restrictions is estimated to be R76.7 million, with an estimated lost trading profit of R37.7 million. Six stores have re-opened as at the end of 2021.

During the year, one Builders Warehouse store was opened, one Builders Express store was closed and two Builders Trade Depots were closed, all in South Africa. This, together with certain store re-measurements, resulted in a 0.6% increase in trading space to 365,603m^2 (December 2020: 363,558m^2)^.

* *Excludes inventory write-offs as a result of the civil unrest.*
** *Business unit trading profit/(loss) includes Corporate allocations.*
^ *Trading space has been re-measured based on updated measurement criteria, and comparatives re-presented.*

Massmart Wholesale powered by Walmart
Business unit performance*



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

1.1%
R47.4bn
INCREASED SALES
2020: R46.9bn

50bps
15.1%
DECREASED GP MARGIN**
2020: 15.6%

35.7%
R753.7m
DECREASED TRADING PROFIT***
2020: R1,172.1m

22 Makro stores
in South Africa
DEC 2020: 22

66 Jumbo and Shield stores
in South Africa, Botswana, Lesotho, Mozambique, Namibia, Swaziland and Zambia; and Shield, a voluntary buying association.
DEC 2020: 69

Makro total sales of R28.3 billion increased by 6.7% compared to 2020, while comparable stores sales increased by 10.8%.

Wholesale Cash & Carry total sales of R19.1 billion decreased by 6.3% compared to 2020, with comparable store sales decreasing by 1.6%.

Through enhanced online capabilities and the launch of the Makro mini app within the VodaPay Super App, Makro's online sales increased by 18.6%.

Commercial and wholesale sales continued to be impacted by the lower activity in the corporate, tourism and hospitality, restaurant and catering sectors as a result of the Covid-19 pandemic.

The lower gross margin compared to last year is mainly as a result of change in sales mix, with improved Liquor sales in 2021.

Expenses increased by 2.9% and by 4.4% on a comparable store basis.

Seven stores were impacted during the civil unrest. Lost sales resulting from the civil unrest and Covid-19 trading restrictions is estimated to be R2,947.1 million, with an estimated lost trading profit of R544.0 million. Five stores have re-opened as at the end of 2021.

No new Makro stores were opened or closed during the year, while one Jumbo store was closed and two Cash & Carry stores were sold. Makro's trading space remained unchanged at 260,171m^2^, while Cash & Carry's trading space decreased by 6.9% to 234,964m^2 (December 2020: 252,253m^2)^.

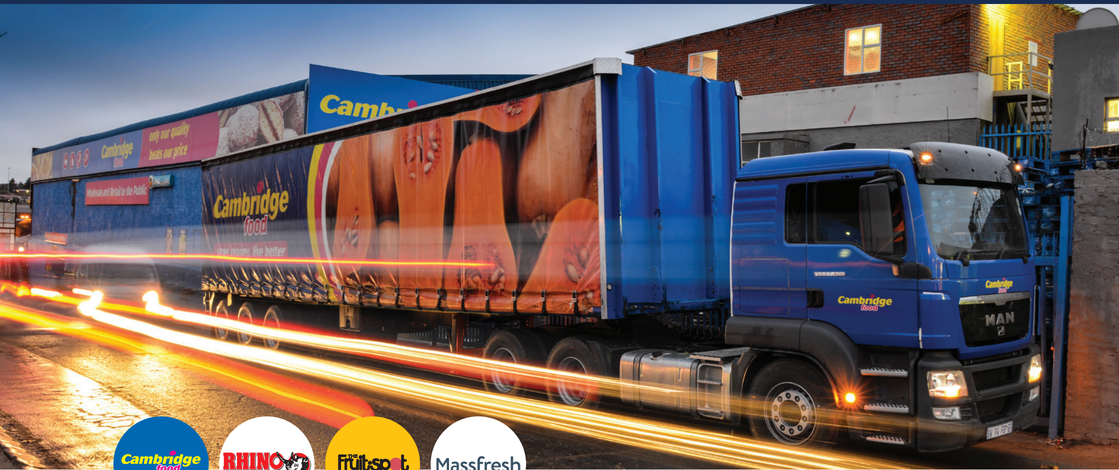
* *Massfresh was previously disclosed as part of the Massmart Wholesale operating segment but has been included as part of the discontinued operations for presentation purposes due to the discontinued operation classification of the Cambridge, Rhino and Massfresh businesses. Refer to note 3*

** *Excludes inventory write-offs as a result of the civil unrest.*

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

^ *Trading space has been re-measured based on updated measurement criteria, and comparatives re-presented.*

Massmart Wholesale powered by Walmart
Discontinued operations*



FOOD RETAILER

18.7%
R7.2bn
DECREASED SALES
2020: R8.9bn

(100bps)
18.1%
GP MARGIN**
2020: 19.1%

41.5%
(R706.6m)
INCREASED TRADING LOSS***
2020: (R499.5m)

56 stores
in South Africa
DEC 2020: 63

Total sales from discontinued operations were R7.2 billion, representing a decline of 18.7%, and by 10.6% on a comparable store sales basis. Estimated sales inflation was 7.2%.

Sales were negatively impacted by high unemployment and reduced disposable income and Government grants, as well as the depressed hospitality, restaurant and catering sectors as a result of the Covid-19 pandemic.

Excellent expense management resulted in expenses reducing by 12.8% over 2020, and by 11.3% on a comparable store basis.

A total of 18 stores were impacted during the civil unrest. Lost sales resulting from the civil unrest and Covid-19 trading restrictions is estimated to be R1,175.3 million, with an estimated lost trading profit of R358.1 million. A total of 16 stores have re-opened as at the end of 2021.

Three Cambridge and four Rhino stores were sold during the year, as previously announced. This resulted in a 12.0% decrease in trading space to 108,461m^2 (December 2020: 123,259m^2) ^.

* *Massfresh was previously disclosed as part of the Massmart Wholesale operating segment but has been included as part of the discontinued operations for presentation purposes due to the discontinued operation classification of the Cambridge, Rhino and Massfresh businesses. Refer to note 3.*

** *Excludes inventory write-offs as a result of the civil unrest.*

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

^ *Trading space has been re-measured based on updated measurement criteria, and comparatives re-presented.*

Notes

1. These reviewed provisional 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 provisional 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 K2019389785 (South Africa) Proprietary Limited, a subsidiary of 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 now 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 conditions precedent to this agreement are in the process of being fulfilled, including the Competition Commission review, which are all anticipated to be completed during the first half of 2022.

4. The Group also previously announced that it had identified 14 Game stores in East and West Africa and 15 Game stores in South Africa it intends to dispose of. 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. Service providers have been appointed to assist the Group with these disposals and a further update will be provided in due course.

5. The Group announced, on 06 October 2021, that it had entered into an agreement to acquire a controlling interest in OneCart Proprietary Limited. OneCart is a fast moving consumer goods market place and logistics platform that partners with leading retailers in South Africa to enable fast, flexible and efficient online sales and home delivery to consumers across the country. The platform provides access to products across the dry grocery, frozen and fresh foods, liquor, baby, health and beauty, household and pet supplies categories; all made available to consumers via a single shopping interface. After the fulfilment of all suspensive conditions, the transaction became effective on 29 October 2021 with Massmart acquiring an effective shareholding of 87.5%. The breakdown of the assets and liabilities acquired, as well as the purchase consideration are:

	Rm
Property, plant and equipment	0.2
Other intangible assets	58.8
Goodwill	258.5
Trade, other receivables and prepayments	4.4
Trade and other payables	(41.0)
Deferred taxation	(11.8)
Non-controlling interests	(41.1)
Assets and liabilities acquired	**228.0**
Cash acquired	4.8
Net assets and liabilities acquired	**232.8**
Cash acquired	4.8
Consideration paid	(232.8)
Net purchase consideration	**(228.0)**

From the acquisition date until the financial year-end, OneCart has contributed R23.2 million to sales and generated a loss of R11.8 million. Had OneCart been acquired on 28 December 2020 the Group's sales for the 52-weeks ended 26 December 2021 relating to continuing operations would have been R73.2 million higher at R77,694.8 million, and the loss for the year from continuing operations would have been R9.2 million higher at R1,586.9 million.

6. In May 2020, the International Accounting Standards Board issued an amendment to IFRS 16 'Leases', dealing specifically with Covid-19 related rent concessions. In line with the practical expedient provided in the amendment, the Group recognised approximately R1 million (2020: R102 million) rental relief in the occupancy costs line of the condensed consolidated income statement relating to rent concessions meeting the conditions specified and occurring as a direct consequence of the Covid-19 pandemic.

7. The majority of Massmart's realised and unrealised foreign exchange loss was primarily a result of currency weakness in Malawi, Kenya and Uganda, as well as the impact of hedging costs associated with the USD denominated Walmart loan.

8. As previously announced, 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 in transformational costs, of this USD13.4 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 back-to-back agreement with NGPS reflecting these terms. The net effect of this agreement will provide cash flow relief to Massmart of USD11.3 million over the first two years of the MSA. As at December 2021, an amount of R22.4 million was paid to NGPS in terms of this agreement.

9. 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 and its subsidiaries as at December 2021 as disclosed on the balance sheet are:

	Rm
Trade, other receivables and prepayments	9.8
Perpetual bond (classified as equity)	(2,009.5)
Trade, other payables and provisions	(4.2)
Interest-bearing borrowings	(1,826.2)

10. Excluding the impact of the civil unrest, impairment losses of R749.6 million were recognised during the year and related primarily to Game's corporate assets (R507.2 million), the most significant of which is the SAP S/4 HANA ERP system software asset. The corporate assets impairment was assessed on a consistent basis to the fair-value-less-cost-to-dispose methodology as articulated in the 2020 audited consolidated Group Annual Financial Statements available on the Group's website. The most significant driver of the impairment was Game's revenue growth, which was much lower than Management's forecast as at December 2020, and the resultant impact this had on trading profit. The remaining key inputs, being the average margin (between 27% and 29%) and expense growth (between 1% and 5%) over the 5-year forecast period as well as the discount rate (16.4%), were within Management's sensitivity ranges. Included in the corporate assets impairment is goodwill amounting to R9.0 million. Further impairment losses amounting to R182.8 million were also recognised and related to a number of underperforming Game stores, primarily in South Africa and Kenya.

11. Massmart offers a diverse range of retail offerings to the market consisting of Food & Liquor, General Merchandise and Home Improvement (DIY). 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.

12. The constant currency information included in these reviewed provisional 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 provisional 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 present Massmart's financial position, changes in equity, results of operations or cash flows.

Sales growth in:	**Reported currency**	**Constant currency**
Botswana Pula	**(6.2%)**	**0.9%**
Nigerian Naira	**(11.0%)**	**5.6%**
Tanzanian Shilling	**(29.1%)**	**(21.3%)**
Zambian Kwacha	**(4.5%)**	**17.3%**
Kenyan Shilling	**(12.8%)**	**(0.3%)**
Rest of Africa	**(7.4%)**	**(4.3%)**

13. As per the announcement on 21 December 2021, Walmart continued to demonstrate strong levels of support for Massmart, by agreeing to optimise the Group's balance sheet in the short to medium term, by extending 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. This bond was issued by Massmart Holdings Limited, has a perpetual tenure and is treated as equity in terms of IFRS. The bond bears interest at 7.25% initially, and includes an interest step up of 225bps on 31 December 2023. The remaining Walmart loan has a 6-month tenure, which can be extended at the end of each tenure period. All other terms remain materially unchanged.

14. Total interest-bearing borrowings and debt facilities, including bank overdrafts and lease liabilities, increased by R354.4 million compared to December 2020. Average net debt increased by R1.2 billion compared to the prior year.

15. The Group's effective tax rate of 19.6% (2020: -47.4%) was impacted by the limitation of the recognition of deferred tax assets relating to certain loss-making entities and disallowed expenditure.

16. During the current year, the Group acquired the remaining 49.8% non-controlling interest in Sunshine Powersave Proprietary Limited that the Group did not own from the minority shareholders. All conditions precedent were met and the purchase became effective on 2 July 2021, for a purchase consideration of R200.0 million. Furthermore, in three separate transactions, the Group also acquired the remaining 25% shareholding in Cambridge Food Gauteng Proprietary Limited, the 38.5% shareholding in HB Unlimited Overs Cricket Proprietary Limited trading as Wumdrop and the 40% shareholding in Croge Investments Proprietary Limited it did not already own for a combined purchase consideration of R110.3 million.

17. These provisional 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 provisional condensed consolidated results.

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