

Interim results

For the 26 weeks ended
26 June 2016



Massmart is a managed portfolio of four divisions, each focused on high-volume, low-margin, low-cost distribution of mainly branded consumer goods for cash, in 13 countries in sub-Saharan Africa, comprising 405 stores. The Group is the second largest distributor of consumer goods in Africa, the leading retailer of general merchandise, liquor and home improvement equipment and supplies, and the leading wholesaler of basic foods.

Overview

In a trading environment that became increasingly difficult during the six months to June 2016, Massmart's total sales were R42.3 billion, an increase of 8.7% over the prior period. Comparable stores' sales growth was 6.4%, with product inflation of 5.8%.

Effective margin management and satisfactory expense control resulted in Group trading profit, excluding foreign exchange movements and interest, growing by 13.5% to R902.8 million, while headline earnings increased by 19.0% to R320.6 million.

The sales performances across our major product categories reflect the economic pressures within the South African consumer environment, with total Food & Liquor sales growing at 13.2% for the period while General Merchandise and DIY total sales grew by only 3.4%. Despite some extreme currency weakness and challenging operating environments, total sales growth from our non-South African stores was robust at 23.2% (16.5% in constant currencies).

Nine stores were opened, including one outside South Africa, during the six months and these represent new space growth of 2.4%. Our focus on optimising the Group's store footprint continued with seven under-performing stores being closed, resulting in an overall net space decrease of 0.1%. Our portfolio of 405 stores includes 38 outside South Africa and these represent 9.3% of the Group's sales.

South African environment

As expected, the South African consumer economy weakened during the six months under review. This became particularly evident from April as Food price increases accelerated and the weaker Rand began impacting prices of imported General Merchandise. These pressures, coupled with negligible economic growth, severely constrained consumers' discretionary spending on durable goods to support spending on non- and semi-durables. We anticipate that this situation will make trading for the remainder of 2016 difficult.

Consequently, Massmart's sales growth softened in General Merchandise and DIY. By contrast, Food and Liquor sales' growth accelerated with higher inflation but also due to very effective trading and positive price-gaps to competitors across our Retail and Wholesale businesses.

The recent rains however, may be an early indication that crops planted later this year will be harvested successfully, potentially resulting in lower prices across most commodity categories in early 2017. If sustained, the recent Rand strength should start reducing General Merchandise price pressure and, provided the consumer confidence levels increase, we may see better sales of appliances, hi-tech, multimedia and home improvement products in 2017.

Our businesses focused intensely on sourcing well-priced merchandise and formulating deals that offer our customers exceptional value, resulting in market share growth across all major categories. We remain driven by our commitment to Saving People Money So They Can Live Better, and estimate that we saved customers approximately R783 million during the period.

African environment

Many countries in Sub-Saharan Africa continue to struggle with the dual challenges of a strong US Dollar and weaker commodity prices. A few countries saw severe currency weakness which was compounded by shortages of foreign currency needed to settle imports into those countries.

Our financial highlights:

Sales

R42,310.9 m

↑ UP BY 8.7%

2015: R38,917.4 m

Headline earnings before forex (taxed)

R406.0 m

↑ UP BY 14.2%

2015: R355.4 m

Operating profit before forex and interest

R944.3 m

↑ UP BY 19.2%

2015: R791.9 m

Headline earnings after forex (taxed)

R320.6 m

↑ UP BY 19.0%

2015: R269.3 m

Operating profit before interest

R819.1 m

↑ UP BY 19.5%

2015: R685.2 m

Total dividend per share

74.1 cents

↓ DOWN BY 49.2%

2015: 146.0 cents

Despite this, sales in our non-SA stores remain robust with total sales growth of 23.2% (and 16.5% in constant currencies) and represent average annual sales of R207.8 million per store.

Non-SA sales currently represent 22.1% of Game's total sales, 8.5% of Massbuild and 13.4% of Masscash Wholesale respectively. We continue to seek new store opportunities across selected African countries and later this year we expect to open a new store in Nigeria, with three further non-SA store openings planned for 2017.

Divisional operational review

Massdiscounters

comprises the 139-store General Merchandise and Food discounter Game, which trades in South Africa, Botswana, Ghana, Kenya, Lesotho, Malawi, Mozambique, Namibia, Nigeria, Tanzania, Uganda and Zambia; and the 24-store hi-tech retailer DionWired.

Total sales for the period increased by 7.6% and comparable sales grew by 2.4% with product inflation of 4.4%. This sales performance was boosted by strong Food sales in South Africa, where Game's total sales growth was 3.3%, and a great sales performance in our non-SA stores where total Rand sales increased by 25.7% (and by 20.1% in local currencies). DionWired performed exceptionally and reported good sales growth and significantly higher trading profit.

Our Fresh roll-out continues with 82 Game stores now offering this category, and Food and Liquor sales comprise 21.8% of Game's total sales.

Our focus on improving the Game customer proposition over the last two years, addressing the merchandise execution and driving supply chain efficiencies manifested in a very positive margin and expense performance, and so Massdiscounters' trading profit before interest and tax increased by 110.8%.

Earlier this month we announced Albert Voogd as the incoming Massdiscounters CEO. Albert (51) is Dutch, has an MSc in Business Administration, and is an experienced retail veteran across Developed and Emerging markets. He was with Ahold for more than 20 years, and has worked in Europe, the USA and South America. Outgoing CEO Robin Wright, whose drive and energy played a very significant part in the improved Game performance, will be retiring but will continue to work with Massmart on specific projects.

Divisional operational review

Rm	26 weeks June 2016 (Reviewed)	% of sales	26 weeks June 2015 (Reviewed)	% of sales	Period % growth	Comparable % sale growth	Estimated % sales inflation	52 weeks December 2015 (Audited)	% of sales
Sales	42,310.9		38,917.4		8.7	6.4	5.8	84,731.8	
Massdiscounters	9,654.1		8,973.6		7.6	2.4	4.4	19,514.1	
Masswarehouse	11,748.3		10,759.2		9.2	7.2	5.5	23,675.9	
Massbuild	5,962.4		5,637.1		5.8	0.8	4.0	12,010.6	
Masscash	14,946.1		13,547.5		10.3	10.9	7.9	29,531.2	
Trading profit before interest and tax	911.3	2.2	806.7	2.1	13.0			2,349.7	2.8
Massdiscounters	62.4	0.6	29.6	0.3	110.8			235.4	1.2
Masswarehouse	508.1	4.3	461.3	4.3	10.1			1,198.7	5.1
Massbuild	259.6	4.4	243.9	4.3	6.4			693.6	5.8
Masscash	81.2	0.5	71.9	0.5	12.9			222.0	0.8

The 'trading profit before interest and tax' above is the amount per the Condensed Consolidated Income Statement less the BEE transaction IFRS 2 charge.

Two Game stores (including one in Zambia) and one DionWired store were opened and one DionWired store was closed, increasing trading space by 1.3% to 540,117m².

Masswarehouse

comprises the 20-store Makro warehouse-club trading in Food, General Merchandise and Liquor in South Africa; and The Fruitspot.

Total sales for the period increased by 9.2% and comparable sales grew by 7.2% with product inflation of 5.5%. Given the dynamics of the consumer environment, sales growths in Food and Liquor were higher than these figures while growth in General Merchandise was lower.

In April we had a very successful store opening near Carnival Mall, east of Johannesburg, and it continues to perform well. Total online sales in General Merchandise and Liquor grew by 100% in the six months to June. Fruitspot performed well in a period of significant volatility in price and supply.

Although there was much cost pressure within the business, very good tactical trading resulted in an effective margin performance and so Makro increased trading profit before interest and tax by 10.1%.

The new Makro store increased trading space by 10.5% to 216,313m².

Massbuild

comprises 102 stores, trading in DIY, Home Improvement and Building Materials, under the Builders Warehouse, Builders Express, Builders Trade Depot and Builders Superstore brands in South Africa, Botswana, Mozambique and Zambia.

Massbuild grew total sales for the period by 5.8%, with comparable sales increasing by 0.8% and product inflation of 4.0%. Given the difficult consumer economy and lower confidence levels amongst upper-income customers, coupled with substantially less construction activity generally, there was declining sales growth in Builders Warehouse with negative comparable growth in some months. Also impacting sales growth, by about 1%, are significantly lower sales of load-shedding products but this negative effect annualises in August 2016.

Builders Express sales remain solid as customers respond to this convenient shopping experience and, outside South Africa, the Builders Warehouse format continues to exceed expectations with total sales in non-SA stores growing by 60.3%. Our smaller format Builders Superstore now comprises nine stores and saw strong sales and profit growth.

Despite the sales pressure, good margin management and effective expense control resulted in Massbuild's trading profit before interest and tax increasing by 6.4%.

One Builders Warehouse store was closed in Mozambique; a Builders Express store and a Builders Superstore were opened; and one Builders Trade Depot store was closed. Net trading space decreased by 0.6% to 446,300m².

Masscash

comprises 68 Wholesale Cash & Carry and 52 Retail stores trading in South Africa, Botswana, Lesotho, Mozambique, Namibia and Swaziland; and Shield, a voluntary buying association.

Total sales increased by 10.3%, comparable sales increased by 10.9% and product inflation was 7.9%. Competition remained intense within the South African Wholesale and Retail Food environments. The severe economic pressure that consumers are experiencing is evident in the very heavy customer traffic experienced in-store around the few days of the month that customers have money following social grant payouts and salary and wage payments. Food inflation accelerated from April 2016 as drought-induced commodity prices escalated.

The Jumbo Crown Mines store that was destroyed by fire in February 2016 is being rebuilt for opening early in 2017 and the resultant direct losses are fully covered by insurance. The loss of this significant trading store causes Masscash Wholesale's comparable sales growth of 11.1% to be higher than total sales growth. Masscash Retail, through the Cambridge and Rhino formats, traded well, reporting comparable sales growth of 12.3%.

Effective margin management in the face of intense competitive pressure enabled Masscash to grow trading profit before interest and tax by 12.9%.

Two Wholesale stores were closed; whilst three Retail stores were opened and two were closed, resulting in net trading space decreasing by 7.1% to 346,069m².

Financial review

Financial performance

Total Group sales for the six months to June 2016 increased by 8.7% over the prior period, with comparable sales growth of 6.4%. Product inflation was 5.8%, suggesting real comparable volume growth of 0.6%. Inflation in General Merchandise, Food & Liquor and Home Improvement increased to 6.1%, 6.2% and 3.6% respectively. Our non-SA businesses represented 9.3% (2015: 8.2%) of total sales and increased by 23.2% in Rands.

During the six months to June 2016, nine stores were opened and seven were closed, resulting in a total of 405 stores at June 2016. Net trading space decreased by 0.1% from December 2015 to 1,548,799m².

The Group's gross margin of 19.3% is slightly higher than that of the prior year of 18.9%. The improved margin was mostly driven from business and category mix improvements. Total operating expenses increased by 11.2% over the prior period and comparable expenses increased by 7.5%.

Employment costs, the Group's biggest cost category, increased by 9.4% (with a comparable increase of 8.1%), partly due to new stores which led to a 3.2% increase in fulltime-equivalent personnel, combined with the conversion of contractor staff into fulltime employees.

Occupancy costs increased by 11.8%, mainly due to store openings since June 2015 and high increases in electricity and rates. Depreciation and amortisation increased by 16.2% over the prior period, primarily as a result of an increase in capital expenditure on higher depreciating assets like IT hardware and software. Other operating expenses increased by 9.7%. The cost of our investment in upgrading our IT infrastructure, as well as pre-store opening expenses for the Makro Carnival Mall store of R16.9 million, are included in this expense category.

The results for the period are favourably affected by a net insurance gain of R41.5 million arising from the excess of the insured replacement value over the net book value of the assets destroyed by the fire at the Jumbo Crown Mines store in February 2016.

Included in operating profit are net realised and unrealised foreign exchange losses of R125.2 million (2015: loss of R106.7 million). As our African footprint has expanded, so too has our exposure to foreign currency fluctuations which have been particularly volatile during this period. In response, we are actively managing the value and currency of our foreign-denominated loan balances, where practicable, and we take out foreign exchange contracts on select exposures. All foreign-denominated inventory orders are however automatically covered forward.

Excluding foreign exchange movements, earnings before interest, tax, depreciation and amortisation (EBITDA) of R1.5 billion increased over the prior period by 21.9%.

Net finance costs have grown to R279.2 million (2015: R234.8 million), mainly aggravated by two interest rate increases during 2016.

The Group's effective tax rate of 30.1% is lower than the prior period's 31.9%.

Headline earnings and Headline EPS increased by 19.0% and 19.3% respectively over the prior period. Adjusting for the effect of the foreign exchange movements in both periods, Headline earnings and Headline EPS increased by 14.2% and 14.5% respectively.

Financial position

Inventories have increased by 10.1% since June 2015, slightly higher than sales growth, mainly as a result of the new stores opened during the period and strategic inventory positions to maintain price competitiveness. Inventory days only increased by one day to 62 days. Trade and other receivables increased by 5.3% resulting in debtors' days decreasing by one day to nine days. Creditors' days decreased to 56.0 days (2015: 57.6 days) as we early-settled some foreign-denominated creditor balances in non-SA countries to limit potential currency volatility.

The net book value of property, plant and equipment increased by 7.9% over the prior period. Investment and expansionary expenditure have been focused on new stores, IT infrastructure and the refurbishment of existing stores.

The annual rolling return on equity was 22.4% for the period (2015: 20.4%) and excluding foreign exchange movements, this figure was 24.5% (2015: 22.8%).

Operating cash utilised amounted to R2.4 billion, R0.8 billion higher than the prior period, primarily as a result of the movement in inventory and creditors discussed already. Total capital expenditure of R747.5 million comprises: R346.7 million on replacement expenditure including store refurbishments and our IT systems' investment; and R400.8 million on expansionary expenditure, and is in line with expectation.

Our people

Massmart's performance depends on our 45,500 colleagues whose dedication, commitment and hard work ensure that our in-store experience consistently exceeds the expectations of our customers. We would like to thank every colleague for their customer service and support, including those in our offices and distribution centres, knowing that part of the Group's steadily improving performance comes from their efforts.

Strategic priorities

Our areas of strategic focus remain unchanged:

- To drive the growth and profitability of the core South African business over the medium-term;
- To expand further into Food Retail and the Fresh categories through new stores and our existing formats, and to increase Massbuild's market presence in South Africa;
- Measured Sub-Saharan African expansion through Builders Warehouse, Game and Masscash and in the next two years we anticipate opening five new stores representing African space growth of about 12.0%; and
- We continue to expand and improve our ecommerce offerings in DionWired, Makro and Masscash Wholesale. A Massbuild online project to serve the contractor and professional market should be operational before the end of 2016.

Directorate

With effect from 31 August 2016, our lead non-Executive Director, Chris Seabrooke, handed over the chairman roles of the Audit and Risk Committees to Moses Kgosana and will also cease to be a member of both committees after 16 years of membership. The Board would like to pay tribute to the effective and valuable role Chris played as chairman of these key sub-committees over the past five years. Chris remains deputy chairman of the Board, chairman of the Remuneration committee and a member of the Nomination committee.

Prospects

For the 34 weeks to 21 August 2016, total sales increased by 8.3% and comparable sales increased by 5.9%. For the remainder of 2016, the South African economic environment will likely continue to constrain consumer spending across key Group categories including General Merchandise and Home Improvement/DIY, whilst our substantial Food and Liquor categories will likely continue to outperform. Notwithstanding the current uncertainty, should the currency strengthen and Food pricing move into disinflation, it is possible that trading in 2017 may be relatively better than 2016. Trading conditions in most non-SA countries where we have stores are unlikely to deteriorate further provided there are no exogenous shocks.

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

Dividend

Massmart's 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. Notice is hereby given that a gross interim cash dividend of 74.10 cents per share, in respect of the period ended 26 June 2016 has been declared. The number of shares in issue at the date of this declaration is 217,136,334.

The dividend has been declared out of income reserves as defined in the Income Tax Act, 1962, and will be subject to the South African dividend withholding tax ("DWT") rate of 15% which will result in a net dividend of 62.985 cents per share to those shareholders who are not exempt from paying dividend tax. Massmart's tax reference number is 9900/196/71/9.

The salient dates relating to the payment of the dividend are as follows:

Last day to trade cum dividend on the JSE:

Tuesday, 13 September 2016

First trading day ex dividend on the JSE:

Wednesday, 14 September 2016

Record date:

Friday, 16 September 2016

Payment date:

Monday, 19 September 2016

Share certificates may not be dematerialised or re-materialised between Wednesday, 14 September 2016 and Friday, 16 September 2016, both days inclusive.

Massmart shareholders who hold Massmart ordinary shares in certificated form ("certificated shareholders") should note that dividends will be paid by cheque and by means of an electronic funds transfer ("EFT") method. Where the dividend payable to a particular certificated shareholder is less than R100, the dividend will be paid by EFT only to such certificated shareholder. Certificated shareholders who do not have access to any EFT facilities are advised to contact the company's transfer secretaries, Computershare Investor Services at Ground Floor, 70 Marshall Street, Johannesburg 2001; PO Box 61051, Marshalltown 2107; on 011 370 5000; or on 086 110 09818 (fax), in order to make the necessary arrangements to take delivery of the proceeds of their dividend.

Massmart shareholders who hold Massmart ordinary shares in dematerialised form will have their accounts held at their CSDP or broker credited electronically with the proceeds of their dividend.

On behalf of the Board



Guy Hayward
Chief Executive Officer
24 August 2016



Johannes van Lierop
Chief Financial Officer

Condensed consolidated income statement

Rm	26 weeks June 2016 (Reviewed)	26 weeks June 2015 (Reviewed)	% change	52 weeks December 2015 (Audited)
Revenue	42,466.3	38,980.7	8.9	84,857.4
Sales	42,310.9	38,917.4	8.7	84,731.8
Cost of sales	(34,138.3)	(31,545.8)	(8.2)	(68,689.6)
Gross profit	8,172.6	7,371.6	10.9	16,042.2
Other income	63.0	63.3	(0.5)	125.6
Depreciation and amortisation	(536.6)	(461.7)	(16.2)	(946.2)
Employment costs	(3,541.2)	(3,236.8)	(9.4)	(6,784.3)
Occupancy costs	(1,582.3)	(1,415.7)	(11.8)	(2,865.6)
Other operating costs	(1,672.7)	(1,525.4)	(9.7)	(3,245.8)
Trading profit before interest and taxation	902.8	795.3	13.5	2,325.9
Impairment of assets (note 2)	(50.9)	(3.4)		(25.7)
Insurance proceeds on items in PP&E (note 2)	92.4	–		–
Operating profit before foreign exchange movements and interest	944.3	791.9	19.2	2,300.2
Foreign exchange loss (note 3)	(125.2)	(106.7)	(17.3)	(149.8)
Operating profit before interest	819.1	685.2	19.5	2,150.4
- Finance costs	(294.1)	(252.5)	(16.5)	(507.7)
- Finance income	14.9	17.7	(15.8)	32.4
Net finance costs	(279.2)	(234.8)	(18.9)	(475.3)
Profit before taxation	539.9	450.4	19.9	1,675.1
Taxation	(162.5)	(143.8)	(13.0)	(505.9)
Profit for the period	377.4	306.6	23.1	1,169.2
Profit attributable to:				
- Owners of the parent	356.3	281.6	26.5	1,112.8
- Non-controlling interests	21.1	25.0	(15.6)	56.4
Profit for the period	377.4	306.6	23.1	1,169.2
Basic EPS (cents)	164.7	129.9	26.8	513.5
Diluted basic EPS (cents)	162.0	127.9	26.7	506.1
Dividend (cents):				
- Interim	74.1	146.0	(49.2)	146.0
- Final	–	–	–	112.2
- Total	74.1	146.0	(49.2)	258.2

Headline earnings

Rm	26 weeks June 2016 (Reviewed)	26 weeks June 2015 (Reviewed)	% change	52 weeks December 2015 (Audited)
Reconciliation of profit for the period to headline earnings				
Profit for the period attributable to owners of the parent	356.3	281.6	26.5	1,112.8
Impairment of assets (note 2)	50.9	3.4		25.7
Loss/(Profit) on disposal of tangible and intangible assets	4.8	(1.4)		2.3
Profit on sale of assets classified as held for sale	–	(1.1)		(5.2)
Compensation from 3rd parties for items of PP&E that were impaired, lost or given up	(92.4)	–		(1.2)
Foreign currency translation reserve re-classified to the Income Statement	–	(12.9)		(12.7)
Total tax effects of adjustments	1.0	(0.3)		(2.9)
Headline earnings	320.6	269.3	19.0	1,118.8
Foreign exchange loss after taxation	85.4	86.1		111.0
Headline earnings before foreign exchange (taxed)	406.0	355.4	14.2	1,229.8
Headline EPS (cents)	148.2	124.2	19.3	516.3
Headline EPS before foreign exchange (taxed) (cents)	187.7	164.0	14.5	567.5
Diluted headline EPS (cents)	145.8	122.4	19.1	508.8
Diluted headline EPS before foreign exchange (taxed) (cents)	184.6	161.5	14.3	559.3

Condensed consolidated statement of comprehensive income

Rm	26 weeks June 2016 (Reviewed)	26 weeks June 2015 (Reviewed)	% change	52 weeks December 2015 (Audited)
Profit for the period	377.4	306.6	23.1	1,169.2
Items that will not subsequently be re-classified to the Income Statement:				
Net post retirement medical aid actuarial profit	–	–		5.0
Items that will subsequently be re-classified to the Income Statement:	(263.4)	(36.4)		(21.2)
Foreign currency translation reserve	(270.5)	(28.9)		(24.2)
Cash flow hedges - effective portion of changes in fair value	(29.4)	(8.7)		4.4
Fair value movement on available-for-sale financial assets	(1.4)	(2.2)		(3.5)
Income tax relating to components of other comprehensive income	37.9	3.4		2.1
Total other comprehensive loss for the period, net of tax	(263.4)	(36.4)		(16.2)
Total comprehensive income for the period	114.0	270.2	(57.8)	1,153.0
Total comprehensive income attributable to:				
– Owners of the parent	92.9	245.2		1,096.6
– Non-controlling interests	21.1	25.0		56.4
Total comprehensive income for the period	114.0	270.2	(57.8)	1,153.0

Condensed consolidated statement of financial position

Rm	June 2016 (Reviewed)	June 2015 (Reviewed)	% change	December 2015 (Audited)
ASSETS				
Non-current assets	12,168.1	11,433.3		12,031.2
Property, plant and equipment	8,237.8	7,631.8	7.9	8,117.8
Goodwill and other intangible assets	2,981.5	2,960.3		2,999.1
Investments and other financial assets	179.8	161.7		165.1
Deferred taxation	769.0	679.5		749.2
Current assets	17,369.2	16,110.3		18,687.6
Inventories	11,590.9	10,530.8	10.1	11,934.5
Trade and other receivables	4,052.7	3,848.2	5.3	4,697.4
Taxation	276.2	202.7		50.8
Cash on hand and bank balances	1,449.4	1,528.6		2,004.9
Non-current assets classified as held for sale	10.6	3.0		11.5
Total assets	29,547.9	27,546.6		30,730.3
EQUITY AND LIABILITIES				
Total equity	5,503.7	5,212.5		5,791.1
Equity attributable to owners of the parent	5,404.0	5,033.0	7.4	5,636.0
Non-controlling interests	99.7	179.5		155.1
Non-current liabilities	4,906.1	3,368.6		3,053.4
Interest-bearing borrowings (note 4)	3,562.7	2,184.7		1,819.6
Deferred taxation	95.2	70.2		73.5
Other non-current liabilities and provisions	1,248.2	1,113.7		1,160.3
Current liabilities	19,138.1	18,965.5		21,885.8
Trade, other payables and provisions	15,115.1	14,512.2	4.2	20,077.7
Taxation	233.4	155.7		155.6
Bank overdrafts	2,618.0	3,267.1		446.4
Interest-bearing borrowings	1,171.6	1,030.5		1,206.1
Total equity and liabilities	29,547.9	27,546.6		30,730.3

Condensed consolidated statement of cash flows

Rm	June 2016 (Reviewed)	June 2015 (Reviewed)	December 2015 (Audited)
Operating cash before working capital movements	1,666.4	1,308.0	3,384.4
Working capital movements	(4,095.2)	(2,925.3)	372.0
Cash (utilised in)/generated from operations	(2,428.8)	(1,617.3)	3,756.4
Taxation paid	(266.4)	(347.7)	(631.0)
Net interest paid	(194.7)	(175.4)	(437.0)
Investment income	-	-	40.3
Dividends paid	(266.2)	(622.8)	(958.3)
Cash (outflow)/inflow from operating activities	(3,156.1)	(2,763.2)	1,770.4
Investment to maintain operations	(346.7)	(365.5)	(983.7)
Investment to expand operations	(400.8)	(289.2)	(710.7)
Investment in subsidiaries	-	(28.2)	(16.9)
Proceeds on disposal of property, plant and equipment	11.6	7.8	38.7
Proceeds on disposal of assets classified as held for sale	-	16.1	23.1
Other net investing activities	0.3	3.5	3.9
Cash outflow from investing activities	(735.6)	(655.5)	(1,645.6)
Increase/(decrease) in non-current liabilities	1,680.2	52.4	(314.1)
(Decrease)/increase in current liabilities	(62.5)	197.7	372.3
Non-controlling interests acquired	(156.4)	(2.2)	(60.1)
Net acquisition of treasury shares	(26.2)	(22.2)	(23.6)
Cash inflow/(outflow) from financing activities	1,435.1	225.7	(25.5)
Net (decrease)/increase in cash and cash equivalents	(2,456.6)	(3,193.0)	99.3
Foreign exchange movements	(270.5)	(28.9)	(24.2)
Opening cash and cash equivalents	1,558.5	1,483.4	1,483.4
Closing cash and cash equivalents	(1,168.6)	(1,738.5)	1,558.5

Condensed consolidated statement of changes in equity

Rm	Share capital	Share premium	Other reserves	Retained profit	Equity attributable to owners of the parent	Non- controlling interests	Total
Balance as at December 2014 (Audited)	2.2	733.4	550.5	4,048.3	5,334.4	192.8	5,527.2
Dividends declared	-	-	-	(914.1)	(914.1)	(52.7)	(966.8)
Total comprehensive income	-	-	(16.2)	1,112.8	1,096.6	56.4	1,153.0
Changes in non-controlling interests	-	-	(18.7)	-	(18.7)	(41.4)	(60.1)
IFRS 2 charge and Share Trust transactions	-	-	218.5	(23.6)	194.9	-	194.9
Treasury shares acquired	-	(58.3)	1.2	-	(57.1)	-	(57.1)
Balance as at December 2015 (Audited)	2.2	675.1	735.3	4,223.4	5,636.0	155.1	5,791.1
Dividends declared	-	-	-	(243.6)	(243.6)	(31.2)	(274.8)
Total comprehensive income	-	-	(263.4)	356.2	92.8	21.1	113.9
Changes in non-controlling interests	-	-	(132.8)	-	(132.8)	(45.3)	(178.1)
IFRS 2 charge and Share Trust transactions	-	-	105.1	(26.2)	78.9	-	78.9
Treasury shares acquired	-	(27.8)	0.5	-	(27.3)	-	(27.3)
Period ended June 2016 (Reviewed)	2.2	647.3	444.7	4,309.8	5,404.0	99.7	5,503.7
Balance as at December 2014 (Audited)	2.2	733.4	550.5	4,048.3	5,334.4	192.8	5,527.2
Dividends declared	-	-	-	(589.7)	(589.7)	(35.6)	(625.3)
Total comprehensive income	-	-	(36.4)	281.6	245.2	25.0	270.2
Changes in non-controlling interests	-	-	0.6	-	0.6	(2.7)	(2.1)
IFRS 2 charge and Share Trust transactions	-	-	99.3	(22.2)	77.1	-	77.1
Treasury shares acquired	-	(34.6)	-	-	(34.6)	-	(34.6)
Period ended June 2015 (Reviewed)	2.2	698.8	614.0	3,718.0	5,033.0	179.5	5,212.5

Fair value hierarchy

For financial instruments traded in an active market (level 1), fair value is determined using stock exchange quoted prices. For other financial instruments (level 2), appropriate valuation techniques, including recent market transactions and other valuation models, have been applied and significant inputs include market yield curves and exchange rates. For non-current assets classified as held for sale (level 3) fair value less costs to sell, in terms of IFRS 5, has been determined based on the sale agreements. The table below reflects 'Financial instruments' and 'Non-current assets classified as held for sale' carried at fair value, and those 'Financial instruments' and 'Non-current assets classified as held for sale' that have carrying amounts that differ from their fair values, in the Statement of Financial Position.

Rm	June 2016 (Reviewed)	Level 1	Level 2	Level 3	June 2015 (Reviewed)	Level 1	Level 2	Level 3	December 2015 (Audited)	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss	157.2	–	157.2	–	138.8	–	138.8	–	188.1	–	188.1	–
– Investment in cell captives and other	155.6	–	155.6	–	134.4	–	134.4	–	139.3	–	139.3	–
– FEC asset (de-designated)	1.6	–	1.6	–	4.4	–	4.4	–	48.8	–	48.8	–
Financial asset designated as a cash flow hedging instrument	2.2	–	2.2	–	3.2	–	3.2	–	20.7	–	20.7	–
– FEC asset	2.2	–	2.2	–	3.2	–	3.2	–	20.7	–	20.7	–
Loans and receivables	14.2	–	14.2	–	13.5	–	13.5	–	13.9	–	13.9	–
– Employee share trust loans	14.2	–	14.2	–	13.5	–	13.5	–	13.9	–	13.9	–
Available-for-sale financial assets	3.6	3.6	–	–	6.3	6.3	–	–	4.9	4.9	–	–
– Listed investments	3.6	3.6	–	–	6.3	6.3	–	–	4.9	4.9	–	–
Non-current assets classified as held for sale	10.6	–	–	10.6	7.0	–	–	7.0	11.5	–	–	11.5
	187.8	3.6	173.6	10.6	168.8	6.3	155.5	7.0	239.1	4.9	222.7	11.5
Financial liabilities at amortised cost	3,671.9	–	3,671.9	–	2,880.2	–	2,880.2	–	2,522.0	–	2,522.0	–
– Medium-term loan and bank loans	3,671.9	–	3,671.9	–	2,880.2	–	2,880.2	–	2,522.0	–	2,522.0	–
Financial liabilities at fair value through profit or loss	9.4	–	9.4	–	2.1	–	2.1	–	5.6	–	5.6	–
– FEC liability (de-designated)	9.4	–	9.4	–	2.1	–	2.1	–	5.6	–	5.6	–
Financial liability designated as a cash flow hedging instrument	12.1	–	12.1	–	3.4	–	3.4	–	2.1	–	2.1	–
– FEC liability	12.1	–	12.1	–	3.4	–	3.4	–	2.1	–	2.1	–
	3,693.4	–	3,693.4	–	2,885.7	–	2,885.7	–	2,529.7	–	2,529.7	–

There were no transfers of financial instruments between Level 1, Level 2 and Level 3 fair value measurements during the period ended June 2016. The financial assets and financial liabilities have been presented based on an analysis of their respective natures, characteristics and risks.

Additional information

	June 2016 (Reviewed)	June 2015 (Reviewed)	December 2015 (Audited)
Net asset value per share (cents)	2,488.8	2,317.0	2,595.6
Ordinary shares (000's):			
– In issue	217,136.3	217,136.3	217,136.3
– Weighted average (net of treasury shares)	216,359.4	216,764.1	216,688.8
– Diluted weighted average	219,885.3	220,020.1	219,892.9
Preference shares (000's):			
– Black Scarce Skills Trust 'B' shares in issue	2,840.5	2,840.5	2,840.5
Capital expenditure (Rm):			
– Authorised and committed	489.1	844.7	953.4
– Authorised not committed	1,312.9	1,047.4	1,033.9
Operating lease commitments (2016 – 2029) (Rm)	17,549.9	15,270.1	15,575.7
US dollar exchange rates: – period end (R/\$)	15.06	12.11	15.23
– average (R/\$)	15.41	11.90	12.74

Share Data

Closing share price at 24 Jun 2016	R127.00
Share price (26 week high)	R141.80
Share price (26 week low)	R82.03
Market cap	R27.6bn
Reuters	MSMJJ
Bloomberg	MSMJ
	MSM SJ

Source: I-Net

Notes

- 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 provisional reviewed condensed consolidated results are in terms of IFRS and are consistent in all material respects with those applied in the most recent annual financial statements, as none of the amendments coming into effect in the current financial period have had an impact on the financial reporting of the Group.
- In the current year, the majority of the impairment of assets of R50.9 million and the insurance compensation income of R92.4 million are as a result of the Jumbo Crown Mines' store fire that occurred within the Masscash Division. Inventories in the store, of R93.1 million, were written off and insurance proceeds to the same value were recognised in the 'Cost of Sales' line. In the prior period, the impairment of assets was as a result of store closures.
- The majority of Massmart's realised and unrealised foreign exchange losses of R125.2 million (June 2015: R106.7 million) arose as a result of its Rand-denominated intercompany loans to its African subsidiaries, as well as in settling its Rand-denominated foreign creditors. Despite Massmart's increased investment into the rest of Africa; the weakening of the average basket of other African currencies against the Rand; and the volatility of the Rand against the US Dollar, Massmart managed to contain its foreign exchange exposure.
- Massmart secured a new R2.0 billion term facility in the current period, maturing in two parts: R1.4 billion in five years and R600 million in three years.
- There were no significant subsequent events after the current period end.
- Massmart and its divisions enter into certain transactions with related parties in the normal course of business. Details of these are, and will be, disclosed in Massmart's Integrated Annual Report. At June 2016, the Supplier Development Fund had a closing balance of R105.3 million (June 2015: R140.8 million). A net amount of R26.6 million remains unpaid to Walmart (June 2015: R248.5 million), which has been accounted for in 'trade, and other receivables' and 'trade, other payables and provisions'. The Group has a medium-term loan with Walmart that is repayable in April 2018, on which interest of 7.46% is paid quarterly. The loan of R600.0 million is accounted for under interest-bearing non-current liabilities. As a 52.4% shareholder, Wal-Mart Stores, Inc. will also be receiving a dividend based on their number of shares held.
- 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 and reported on by the Group's external auditors. The auditor's report does not necessarily report on all of the information contained in this announcement/ financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's report together with the accompanying financial information from the Group's registered office. The preparation of the Group's reviewed interim condensed consolidated financial statements was supervised by the Chief Financial Officer, Johannes van Lierop, Bachelor of Business Economics, RA (Amsterdam).

Massmart Holdings Limited

("the Company" or "the Group")

JSE code MSM

ISIN ZAE000152617

Company registration number

1940/014066/06

Registered office

Massmart House,
16 Peltier Drive,
Sunninghill Ext 6, 2191

Company secretary

P Sigsworth

Sponsor

Deutsche Securities (SA) Proprietary Limited
3 Exchange Square, 87 Maude Street,
Sandton, Johannesburg, 2196, South Africa

Transfer secretaries

Computershare Investor Services
Proprietary Limited,
70 Marshall Street, Johannesburg, 2001
South Africa

Registered auditors

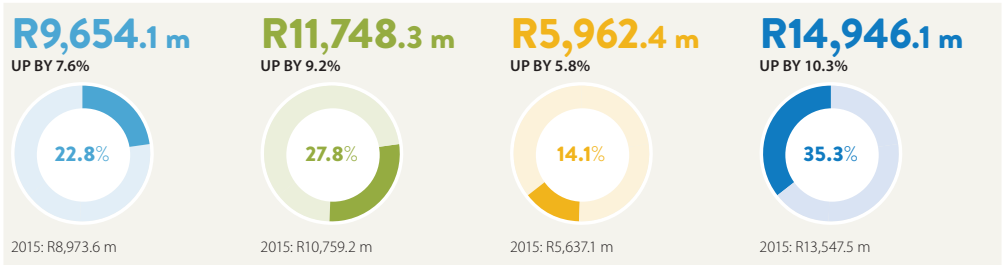
Ernst & Young Inc.
102 Rivonia Road, Sandton,
Johannesburg, 2196, South Africa

Directorate

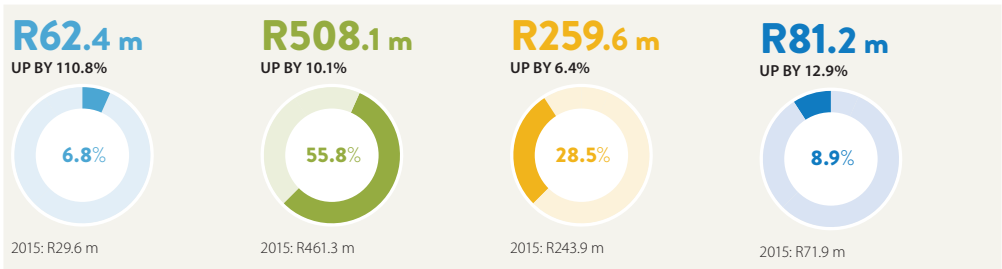
K Dlamini (Chairman), CS Seabrooke (Deputy
Chairman), GRC Hayward* (Chief Executive
Officer), A Clarke***, NN Gwagwa, R Kgosana,
P Langeni, E Ostale****, JP Suarez**,
JJM van Lierop* (Chief Financial Officer)
*Executive **USA ***UK ****Chile

Massdiscounters	Masswarehouse	Massbuild	Masscash
General merchandise discounter and food retailer	Warehouse club	Home improvement retailer and building materials supplier	Food wholesaler, retailer and buying association















Sales



Trading profit before interest and tax



Stores

 139 STORES South Africa, Botswana, Ghana, Kenya, Lesotho, Malawi, Mozambique, Namibia, Nigeria, Tanzania, Uganda, Zambia	  20 STORES South Africa	 38 STORES South Africa, Botswana, Mozambique, Zambia	 42 STORES South Africa	  68 WHOLESALE STORES South Africa, Botswana, Lesotho, Mozambique, Namibia, Swaziland
 24 STORES South Africa		 13 STORES South Africa	 9 STORES South Africa	  52 RETAIL STORES South Africa
				  BUYING ASSOCIATIONS South Africa, Botswana, Namibia, Swaziland