

THE SPAR GROUP LIMITED

ANNUAL RESULTS



FOR THE YEAR ENDED 30 SEPTEMBER 2016 AND CASH DIVIDEND DECLARATION



SALIENT FEATURES

Rmillion	Year ended 30 September 2016	Year ended 30 September 2015	% change
Turnover	90 688.5	73 258.8	23.8
Operating profit	2 577.3	2 294.2	12.3
Profit before taxation	2 439.2	1 958.2	24.6
Earnings per share	(cents) 1 010.0	820.8	23.1
Headline earnings per share	(cents) 1 020.0	835.5	22.1
Dividend per share	(cents) 665.0	632.0	5.2
Net asset value per share	(cents) 3 140.1	1 922.6	63.3

REVIEW OF TRADING RESULTS

The SPAR Group delivered a very pleasing overall performance for the year ended 30 September 2016:

- SPAR Southern Africa's organic growth focus continues to deliver strong profitable returns with positive market share gains. In order to support its store network, which increased to 2 033 during the year, spending on promotional and marketing activities has grown. Additional investment in warehousing and distribution capacity continues, in order to handle higher volumes.
- BWG Group (SPAR Ireland) delivered excellent growth in turnover and profitability, underpinned by a strong contribution from all retail brands including the recently acquired Londis and Gilletts Groups. BWG Group increased its total store network to 1 340 outlets.
- The acquisition of a majority stake in SPAR Switzerland in April 2016 added 302 stores to the group's portfolio. Although the business's performance for this first period of consolidation was disappointing, the group is confident that this can be addressed through identified management interventions to enhance retail performance.

FINANCIAL REVIEW

The group achieved a significant 23.8% increase in turnover to R90.7 billion. The core Southern African business reported growth of 9.5% underpinned by heightened promotional and marketing activity in a highly competitive market. In addition, the Irish operations delivered 36.8% turnover growth, bolstered by the full year of trading for Londis, the Gillett acquisition in the current year, and a strong performance across all other brands. The turnover of SPAR Switzerland, consolidated for the second six months, contributed R5.9 billion. Resulting from its international expansion, the group's revenue streams have become more geographically diversified with 32.0% of total turnover for the period being generated in foreign currency.

The group reported a total operating profit of R2.6 billion, up 12.3% from the previous year. This was positively enhanced by the Irish operations which grew their operating profit a significant 41.4% to R433.4 million. In Southern Africa, operating profit increased 6.2%.

Profit before tax was up 24.6% to R2.4 billion, boosted by net interest income of R44.5 million from the Southern African operations, earned on the proceeds of the equity raising in April 2016. Furthermore, lower finance costs in Ireland following the bank refinancing in July 2015 also had a substantial impact.

Profit after tax improved 27.7% to R1.8 billion, as a result of lower effective tax rates in Ireland and Switzerland. Headline earnings per share increased 22.1% to 1 020.0 cents. The board approved a final dividend of 410 cents resulting in a total annual dividend growth of 5.2% which was largely impacted by the increased number of ranking shares and accounting adjustments in the prior year.

SUMMARY SEGMENT ANALYSIS

Rmillion	SPAR Southern Africa	SPAR Ireland	SPAR Switzerland	SPAR Group Ltd
Income statement				
Turnover	61 699.5	23 099.7	5 889.3	90 688.5
Gross profit	5 081.2	2 499.7	826.1	8 407.0
Operating profit	2 111.7	433.4	32.2	2 577.3
Profit before taxation	2 055.6	377.3	6.3	2 439.2
Financial position				
Property, plant and equipment	2 109.5	1 395.5	2 655.3	6 160.3
Goodwill and intangible assets	504.6	3 195.2	308.5	4 008.3
Current assets	10 567.9	3 947.0	2 069.8	16 584.7
Current liabilities	8 482.6	4 566.9	1 073.3	14 122.8
Non-current liabilities	1 099.8	2 901.5	3 588.8	7 590.1

GEOGRAPHICAL REVIEW

SOUTHERN AFRICA

The turnover of SPAR Southern Africa increased 9.5% to R61.7 billion underpinned by double digit liquor and building material sales growth.

Profit before tax grew by 15.7% to R2.1 billion.

TURNOVER

▲ 23.8%

HEADLINE EARNINGS PER SHARE

▲ 22.1%

NET ASSET VALUE PER SHARE

▲ 63.3%

ANNUAL DIVIDEND PER SHARE

665 cents

SPAR stores performed well despite a highly competitive market with retail turnover growth of 8.2% to R73.2 billion and strong organic like-for-like growth of 7.9%. Wholesale turnover growth of 8.9% to R49.6 billion indicates increased loyalty from SPAR's independent retailers.

TOPS at SPAR continues to grow market share, reflected by a 14.6% increase in reported retail turnover to R8.9 billion. The brand extended its strong organic growth trajectory with same store turnover up 10.7%. Wholesale liquor turnover was up 12.0% to R5.2 billion.

The performance of Build it continues to defy constrained consumer spending with retail sales up 13.4% to R11.7 billion and same store growth of 7.4%. Improved loyalty support benefited wholesale turnover, which grew 11.6% to R6.9 billion.

IRELAND

BWG Group's 36.8% increase in turnover to R23.1 billion equated to euro-denominated turnover growth of 14.5% to €1.4 billion. The integration of ADM Londis plc, acquired in the latter part of the prior year, was completed and sales retention was ahead of plan, with a pleasing improvement in like-for-like sales. Excluding the Londis business, the BWG Group attained organic turnover growth of 4.8% for the period. The performance of the SPAR brand in this market was particularly pleasing, with total turnover up 8.0% and 6.0% on a like-for-like basis.

Operating profit grew 41.4% to R433.4 million while profit after tax was up 106% to R327.6 million, or 73% in euro terms.

SWITZERLAND

A majority stake in SPAR Switzerland was acquired effective from 1 April 2016 and the group recognised their results for the six months from that date. The cash portion of the purchase price was settled from the proceeds of the equity capital raised through the April 2016 bookbuild. SPAR Switzerland's overall sales were down some 4.1% on the prior year, partially attributable to adverse weather in the middle of the period. These lower sales were a major contributor to its underperformance.

The higher gross margins that characterise SPAR Switzerland's business model, partially shielded the impact of lower sales.

SPAR Switzerland recorded operating profit of R32.2 million for the period and profit before tax amounting to R6.3 million. However, adjusting for an extraordinary IFRS pension charge and a financial liability cost relating to the future minority purchase obligation, the reported profit before tax increases to R31.0 million. Although the performance of SPAR Switzerland for this first period of consolidation was well below plan, the underlying drivers to reach the required returns have been analysed and plans have been prioritised to improve the performance of this region.

WE LOOK FORWARD TO WITNESSING
THE LIFE-CHANGING IMPACT THAT
THIS SCHEME WILL MAKE TO MEMBERS
OF OUR SPAR FAMILY.

MIKE HANKINSON, CHAIRMAN

THE BBBEE TRANSACTION

In 2009, the group entered into a seven-year BBBEE empowerment deal, with 16 000 SPAR employees and SPAR retailer employees being the beneficiaries of this scheme. In terms of the transaction, 18.9 million redeemable convertible preference shares were issued to the BBBEE Trusts. Over the term of the scheme, the SPAR share price increased substantially, creating significant value for the beneficiaries and converted into 7.4 million new ordinary SPAR shares.

This share issue was facilitated by The SPAR Group Ltd through an accelerated bookbuild offering. The value created through the placement of these shares realised R1.5 billion for the benefit of beneficiaries.

PROSPECTS

In Southern Africa, the group will maintain an uncompromising focus on the organic growth of retailers to ensure their success, regardless of the uncertainty of the economic and political landscapes.

The Irish economy remains robust and accordingly the BWG Group is well positioned to extend its strong performance, building on its successes in driving real business growth. The Irish management team remains upbeat about business prospects and growth opportunities despite the economic uncertainties relating to Brexit.

Management has identified the issues that need to be addressed in the Swiss operations in order to achieve the expected profitability levels. SPAR remains confident in the investment case and will focus on improving the retail performance, thereby driving returns.

SPAR management and the board believe we will continue to prosper in our chosen markets and deliver value to our shareholders.

Mike Hankinson
Chairman

Graham O'Connor
Chief Executive Officer

DECLARATION OF ORDINARY DIVIDEND

Notice is hereby given that a gross final cash dividend of 410 cents per share has been declared by the board in respect of the year ended 30 September 2016. The dividend has been declared out of income reserves.

This brings the total gross dividend for the year to 665 cents (2015: 632 cents) per ordinary share.

The salient dates for the payment of the final dividend are detailed below:

Last day to trade <i>cum</i> -dividend	Tuesday, 6 December 2016
Shares to commence trading ex-dividend	Wednesday, 7 December 2016
Record date	Friday, 9 December 2016
Payment of dividend	Monday, 12 December 2016

Shareholders will not be permitted to dematerialise or rematerialise their share certificates between Wednesday, 7 December 2016 and Friday, 9 December 2016, both days inclusive.

In terms of South African taxation legislation effective from 1 April 2012, the following additional information is disclosed:

- The South African local dividend tax rate is 15%;
- The net local dividend amount is 348.5 cents per share for shareholders liable to pay tax on dividends and 410 cents per share for shareholders exempt from such dividend tax;
- The issued share capital of The SPAR Group Ltd is 192 602 355 ordinary shares; and
- The SPAR Group Ltd's tax reference number is 9285/168/20/0.

By order of the board

MJ Hogan
Company Secretary

Pinetown
15 November 2016

ABOUT THIS ANNOUNCEMENT

This short-form announcement is the responsibility of the directors. The information disclosed is only a summary and does not contain full or complete details. Any investment decision by investors and/or shareholders should be based on consideration of the full results announcement released on SENS on 16 November 2016 and are available on the company's website, www.spar.co.za.

The results announcement is also available for inspection at the company's registered office, The SPAR Group Ltd, 22 Chancery Lane, Pinetown, 3610, at no charge, during normal business hours from 16 November 2016 to 16 December 2016. Investors and/or shareholders may request copies of the full announcement from the Company Secretary at mandy.hogan@spar.co.za.

DIRECTORATE AND ADMINISTRATION

Directors: MJ Hankinson* (Chairman), GO O'Connor (Chief Executive), MW Godfrey, WA Hook, MP Madi*, M Mashologu*, HK Mehta*, P Mnganga*, R Venter, CF Wells* (*Non-executive) Company Secretary: MJ Hogan The SPAR Group Ltd ("SPAR" or "the company" or "the group")

Registration number: 1967/001572/06 ISIN: ZAE000058517 JSE share code: SPP Registered office: 22 Chancery Lane, PO Box 1589, Pinetown, 3600 Transfer secretaries: Link Market Services South Africa (Pty) Ltd, PO Box 4844, Johannesburg, 2000

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