



The SPAR Group Limited

(Incorporated in the Republic of South Africa)

Registration number: 1967/001572/06

Share Code: SPP

ISIN: ZAE000058517

("SPAR" or the "Group")

VOLUNTARY ANNOUNCEMENT: UPDATE ON SPAR POLAND STRATEGY

SPAR shareholders ("**Shareholders**") are referred to the interim results for the six months ended 31 March 2022 published on SENS on Wednesday, 8 June 2022, wherein the Board of Directors (the "**Board**") advised Shareholders that during the said reporting period notice was served to a group of SPAR retailers in the south of Poland.

SPAR invested in the recovery of the group of SPAR stores in Poland in February 2020 after it acquired the SPAR wholesale licence to operate in Poland. The process to remove the acquired business, Piotr i Paweł, from business rescue and to gain support from the banks and suppliers was completed in the second quarter of the 2021 financial year. Whilst Poland was under COVID-19 lockdown, the business remained under care and maintenance without the ability for SPAR management to commence the recovery, although significant planning and strategising were done. With the lifting of COVID-19 restrictions in June 2021, the local team was able to commence formal execution of the turnaround plan, however the Russian invasion of Ukraine has caused further disruption to the Polish economy.

Most significantly, the turnaround plan included the termination of contracts with the abovementioned group of SPAR retailers and the restructuring of the distribution centres. Both actions have now been executed.

Of the group of 91 retailers to whom notice was served, 58 retailers elected to leave SPAR Poland on 1 July 2022, representing 11.7% of the turnover for SPAR Poland and 0.2% of Group turnover for the six months ended 31 March 2022. While these exits may appear to be a temporary setback, management strongly believes that the new contracts with the retailers that have elected to remain will help the business achieve the desired levels of retailer loyalty required. The Polish management team remains open to possible renegotiations should the retailers who left change their view and are confident that some of this lost business may be recovered as SPAR's wholesale capabilities within Poland are further expanded and continue to be improved upon.

SPAR Poland currently operates from three distribution centres. Management has taken action to close the Warsaw distribution centre from November 2022. This will streamline logistics, increase efficiencies, and reduce unnecessary costs, since the operations in Poland will now focus on two regional distribution centres. The distribution centre in Poznań will service the retailers in the north of the country and the distribution centre in Czeladź will service the retailers in the south of the country. The Czeladź distribution centre is currently undergoing an expansion, undertaken by the landlord. The expansion will allow for an increase in the range of dry and perishable groceries and will enhance the overall service levels for SPAR retailers. The expansion will be completed by mid-October 2022.

The Board has confirmed the restructuring of the executive leadership, with Max Oliva being appointed as the CEO for SPAR Southern Africa. This will provide the Group CEO, Brett Botten, with the additional capacity to, *inter alia*, oversee the execution of the turnaround strategy for SPAR Poland.

In addition, a working group of the Board has been convened to monitor the strategy execution for the Polish business recovery. Whilst the Board remains convinced that the opportunity for SPAR in Poland remains significant, the progress made against the plan will be closely monitored in the months ahead.

As at 31 March 2022, SPAR Poland reported a store portfolio of 208 stores and turnover of R1.3 billion, representing 1.9% of Group turnover. Taking all subsequent store movements into account, there were 164 stores as at 30 June 2022.

Shareholders are advised that the financial information contained in this announcement is the responsibility of the directors and has not been audited, reviewed or reported on by the Group's auditors.

By order of the Board

Pinetown
12 August 2022

Sponsor:
One Capital

Corporate Broker:
Rand Merchant Bank, a division of FirstRand Bank Ltd