



THE SPAR GROUP LIMITED

(Incorporated in the Republic of South Africa)

(Registration number: 1967/001572/06)

JSE and A2X share code: SPP

ISIN: ZAE000058517

("SPAR", the "Company" or the "Group")

DISPOSAL OF THE GROUP'S INTERESTS IN SPAR POLAND AND WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT

1. INTRODUCTION

- 1.1. SPAR shareholders ("**Shareholders**") are referred to the previous announcements published by the Company on SENS, including the cautionary announcement published on 12 July 2024 and the subsequent renewal thereof on 25 July 2024 ("**Cautionary Announcement**"), regarding the decision by the board of directors of SPAR ("**Board**") to dispose of the Group's interests in SPAR Poland (as defined in paragraph 1.2 below) and the progress made in respect thereof.
- 1.2. SPAR is pleased to advise Shareholders that on 3 September 2024 ("**Signature Date**"), SPAR entered into a sale and purchase agreement ("**SPA**") with Przedsiębiorstwo Produkcyjno Handlowo Usługowe Specjał Spółka z o.o. ("**Specjał**" or the "**Purchaser**"), in terms of which SPAR will dispose of its entire shareholding in New Polish Investments Spółka z o.o. ("**SPAR Poland**"), ("**Disposal**").
- 1.3. Specjał is a local Polish retailer established in 1990 and is beneficially wholly-owned by Mr Krzysztof Tokarz, who serves as the current president of the Specjał management board.

2. OVERVIEW OF SPAR POLAND

- 2.1. SPAR Poland is a wholly-owned subsidiary of the Group and the holding company of SPAR's Polish assets, comprising approximately 200 retail stores, 3 distribution centres and 1 production facility, including Kuchnia Polki sp. z o.o., WSS Detal sp. z o.o., Druskienicka 12 sp. z o.o. and KS Market sp. z o.o..
- 2.2. SPAR Poland operates as a retail supermarket chain and wholesale distribution network, with its distribution centres located in Koninko, Stare Gnatowice and Czeladź serving SPAR retailers in, *inter alia*, the northern and southern regions of Poland.
- 2.3. The book value of the net assets of SPAR Poland as at 31 March 2024 was negative PLN305,8 million in accordance with clause 4.3 (R1 450 million based on the ZAR/PLN exchange rate as at 31 March 2024 of R4.7407/PLN1) and the loss attributable thereto for the six months ended 31 March 2024, was PLN172,0 million (R813 million, based on the average ZAR/PLN exchange rate over the 6 month period ended 31 March 2024 of R4.7290/PLN1). This financial information has been extracted from the unaudited condensed consolidated interim financial results of SPAR for the six months ended 31 March 2024, which were prepared in accordance with and containing the information required by International Accounting Standards (IAS) 34: Interim Financial Reporting, the South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, as well as in terms of the International Financial Reporting Standards (IFRS).

3. RATIONALE FOR THE DISPOSAL

As previously advised to Shareholders, and having evaluated and considered all available options, the Board believes that it is in the best interests of the Group and Shareholders to dispose of SPAR Poland, due to, *inter alia*, the significant funding requirements SPAR Poland has placed on the Group since acquisition together with the earnings pressure SPAR Poland's ongoing financial losses have created for the Group. For SPAR Poland to become earnings generative and value accretive to the Group, significant time and investment would be required. The Board believes that the Group can deploy resources in other areas that will result in more meaningful returns for Shareholders.

4. DISPOSAL CONSIDERATION, RECAPITALISATION AND USE OF PROCEEDS

- 4.1. In terms of the SPA, the amount payable for the entire issued share capital of SPAR Poland is PLN40 000 000 (R185 million based on the ZAR/PLN exchange rate as at the Signature Date of R4.6337/PLN1), subject to potential adjustments as further disclosed in paragraph 4.2.1.2. below and will be downwardly adjusted by a maximum of PLN 20 000 000 should certain partner stores leave the SPAR network prior to closing (R93 million based on the ZAR/PLN exchange rate as at the Signature Date of R4.6337/PLN1) (**"Disposal Consideration"**).
- 4.2. Furthermore, implementation of the Disposal will be subject to a total estimated recapitalisation payment by the Group amounting to PLN586 446 288 (R2 717 million) based on the ZAR/PLN exchange rate as at the Signature Date (**"Recapitalisation Amount"**), payable prior to the Effective Date (as defined in paragraph 6 below) consisting of the following:
 - 4.2.1. payment by SPAR of such additional amount as may be necessary for the net asset value of SPAR Poland and its subsidiaries (**"SPAR Poland Group"**) to equal PLN0, as at the Effective Date (**"Initial Amount"**), which Initial Amount:
 - 4.2.1.1. as at the Effective Date, is estimated to equal PLN350 183 288 (R1 623 million based on the ZAR/PLN exchange rate as at the Signature Date); and
 - 4.2.1.2. will be increased or decreased (depending on circumstances) by the appropriate amount calculated on the Effective Date so as to obtain a net asset value for the SPAR Poland Group equal to PLN0;
 - 4.2.2. payment contribution by SPAR of an additional amount of PLN40 000 000 (R185 million based on the ZAR/PLN exchange rate as at the Signature Date); and
 - 4.2.3. payment by SPAR of a further additional amount of PLN196 263 000 (R909 million based on the ZAR/PLN exchange rate as at the Signature Date) to cover the restructuring costs and expected losses of the Group companies for a period of twelve months from the Effective Date.
- 4.3. The value of SPAR Poland's net assets will be:
 - 4.3.1. calculated in accordance with the Accounting Act of 29 September 1994 (Journal of Laws of 2023, item 120, as amended) and the accounting principles and policies adopted by the SPAR Poland Group in its historical financial periods; and
 - 4.3.2. subject to verification through an auditing process in accordance with the principles set out in the SPA.

- 4.4. The amounts referred to in paragraph 4.2.1, 4.2.2 and 4.2.3 will be used in the first place to settle all outstanding external banking debt of the SPAR Poland Group. The SPAR Poland Group debt as at 31 August 2024 was PLN423 902 515 (R1 964 million based on the ZAR/PLN exchange rate as at the Signature Date).
- 4.5. In order to limit the potential exposure to the Group, the Recapitalisation Amount shall be subject to a maximum amount of PLN750 000 000 (R3 475 million based on the ZAR/PLN exchange rate as at the Signature Date). This has also been done in terms of the JSE requirements to determine the Category of the transaction.
- 4.6. The Disposal Consideration will be used to fund part of the Recapitalisation Amount.

5. CONDITIONS PRECEDENT

- 5.1. Implementation of the Disposal is subject to the fulfilment or waiver (as the case may be) of the conditions precedent customary for a transaction of this nature in accordance with the SPA including, *inter alia*, the following by 31 March 2025 ("**Long Stop Date**"):

- 5.1.1. the consent from the Polish Office of Competition and Consumers Protection in respect of the Disposal;
- 5.1.2. the consent from SPAR International B.V. and provision by SPAR of a confirmation letter from SPAR International B.V. confirming that there are no outstanding claims relating to the SPAR brand under the license agreement concluded between SPAR International B.V. and SPAR Poland;
- 5.1.3. the repayment of SPAR Poland's bank debt and the provision by SPAR of letters of comfort confirming that there are no claims against SPAR Poland;
- 5.1.4. the Seller confirming there have been no Material Adverse Changes (as defined in paragraph 5.2 below);
- 5.1.5. the recapitalisation of the SPAR Poland; and
- 5.1.6. a confirmatory due diligence by the Purchaser within 30 business days of the consent of the Polish Office of Competition and Consumers Protection in respect of the Disposal.

(collectively, the "**Conditions Precedent**").

- 5.2. The material adverse changes include, *inter alia*, the following:

- 5.2.1. a force majeure;
- 5.2.2. loss by the Group companies of the right to use the "SPAR" trademark;
- 5.2.3. material reduction to revenue of between 15% to 22.5%;
- 5.2.4. loss of partner stores; and
- 5.2.5. termination of employment relationships or civil law relationships or dismissal of at least 10% of the key employees,

("Material Adverse Changes").

- 5.3. The Conditions Precedent set out in paragraphs 5.1.2 to 5.1.6 are capable of waiver by the Purchaser, in whole or in part and conditionally or unconditionally in writing to the Seller, at any time prior to the Long Stop Date.

6. EFFECTIVE DATE

The effective date of the Disposal shall be the last date of the month in which all the Conditions Precedent have been fulfilled or waived ("**Fulfilment Date**") and is expected to be on 31 October 2024 ("**Effective Date**"), save that, if all the Conditions Precedent are fulfilled or waived on a date falling less than 5 business days before the last day of the month, the Effective Date shall be the last day of the month following the month in which the Fulfilment Date occurred.

7. CATEGORISATION OF THE DISPOSAL

The Disposal, taking into consideration the Disposal Consideration and the maximum Recapitalisation Amount, is classified as a category 2 transaction for SPAR in terms of paragraph 9.5(a), as read with paragraph 9.8, of the JSE Limited Listings Requirements and is therefore not subject to Shareholder approval.

8. WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT

Shareholders are advised that as a result of the publication of this announcement, the Cautionary Announcement is hereby withdrawn and caution is no longer required to be exercised when dealing in the Company's securities.

Pinetown
4 September 2024

Sponsor
One Capital