

INTEGRATED REPORT 2016

HIGHLIGHTS



STEADY YEAR-ON-YEAR GROWTH
FROM EXISTING STORE BASE



SUCCESSFUL LAUNCH OF THE FIRST RURAL
HUB IN LIMPOPO AS PART OF OUR EMERGING
FARMER DEVELOPMENT PROGRAMME



ONGOING EFFICIENCY IMPROVEMENTS
AND INNOVATION IN WAREHOUSING,
DISTRIBUTION AND LOGISTICS



AWARDED TOP EMPLOYER OF THE
YEAR AWARD IN 2015



THE ACQUISITION OF SPAR SWITZERLAND IN
APRIL 2016 AND BOOKBUILD TO REFINANCE
THE GROUP'S LIABILITIES



FINALISATION OF THE TWO BROAD-BASED BLACK
ECONOMIC EMPOWERMENT SCHEMES AND THE
SUBSEQUENT PAY OUT TO PARTICIPANTS



PARTICIPATED IN THE CDP WATER
PROGRAMME FOR THE FIRST TIME ON
2015 OUTPUT

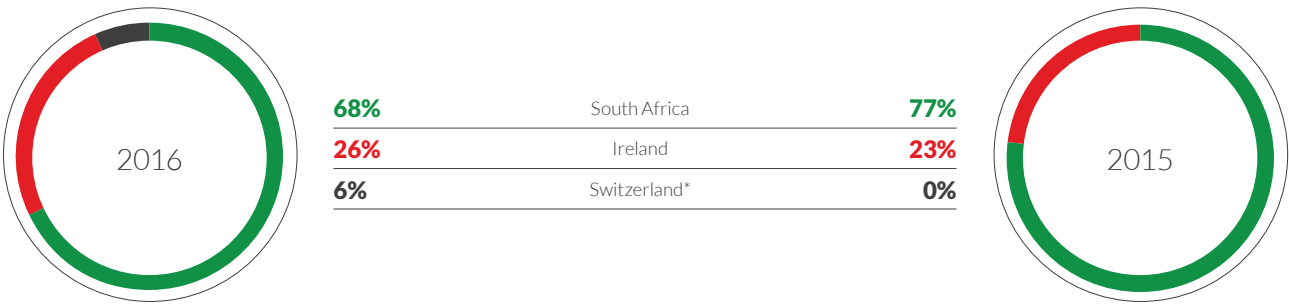
KEY FACTS

**SPAR has the most stores in urban residential areas in South Africa
(nearly twice as many as our closest competitor)**

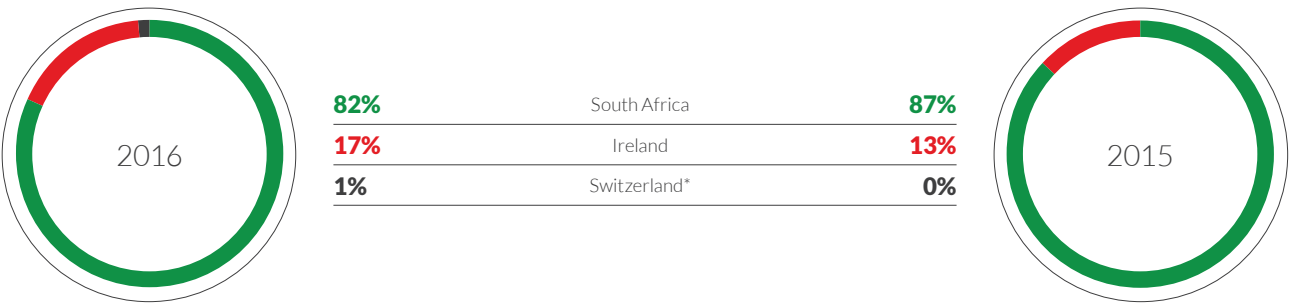
**BWG is the largest retailer in the Irish convenience retail market by
market share**

**SPAR Switzerland has a state-of-the-art distribution centre and efficient
distribution logistics**

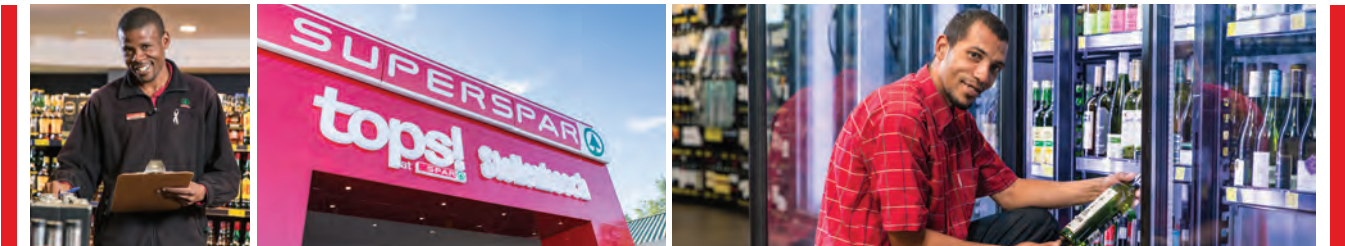
TURNOVER CONTRIBUTION



OPERATING PROFIT CONTRIBUTION



* The 2016 figure for Switzerland only represents the trading performance for 6 months.



GROUP AT A GLANCE

(CONTINUED)



Distribution centres

GEOGRAPHICAL FOOTPRINT

OUR DISTRIBUTION CENTRES ARE AN ESSENTIAL COMPONENT OF OUR BUSINESS MODEL.

South Rand

61 000 m²

60.5 million cases despatched per annum

North Rand

29 581 m²

37.8 million cases despatched per annum

KwaZulu-Natal

62 712 m²

52.3 million cases despatched per annum

Western Cape

40 405 m²

34 million cases despatched per annum

Eastern Cape

22 685 m²

29.1 million cases despatched per annum

Lowveld

21 416 m²

12.5 million cases despatched per annum

Imports warehouse (Build it)

10 000 m²

1.7 million cases despatched per annum



STORES IN SOUTH AFRICA

SUPERSPAR

Build it

SPAR

Pharmacy

KWIKSPAR

SPAR

TRENDY

SaveMor

tops!



BWG Group

24 000 m²

21.8 million cases despatched per annum

Appleby Westward Group Ltd

9 613 m²

10 million cases despatched per annum



St. Gallen

20 400 m²

29.6 million cases despatched per annum

STORES IN IRELAND



STORES IN SWITZERLAND



FOCUS ON

SWITZERLAND

THERE ARE TWO MAIN OFFERINGS UNDER THE SPAR BRAND, NAMELY SPAR, FOCUSED ON NEIGHBOURHOOD SHOPPING, AND SPAR EXPRESS, FOR FORECOURT CONVENIENCE SHOPPING.

FINANCIAL OVERVIEW

SPAR Switzerland made a positive contribution to the group's overall performance, despite only being included for 6 months. The Swiss operations contributed turnover for the period April to September of R5.9 billion, representing 6.5% of overall group turnover.

While the Swiss operating environment is stable, the retail sector has been challenged in recent years by sustained deflationary pressure, with internally measured food deflation averaging 1.2% for the first 9 months of 2016. This has resulted in a drop in consumer prices of -1.1% at the average annual inflation rate up to September 2016. This decline was felt across the retail industry, increasing competition and discounting. The high valuation of the Swiss franc and widespread cross-border shopping further challenged retailers.

The food and retail market in Switzerland is concentrated, consisting of 2 major players who dominate the market through large supermarket. While SPAR Switzerland has a small market share of 2.2% in comparison to competitors, the strength of the voluntary trading model and the positioning of SPAR Switzerland in the mind of consumers as a

modern, neighbourhood store with competitive prices and a wide assortment of branded and private label products has ensured continued, year-on-year growth. On average, SPAR neighbourhood stores are priced 1% more than the 2 competitors, which is accepted by consumers.

In a challenging market environment, SPAR Switzerland is focused on minimising unprofitable stores and consolidating processes to improve efficiency. During the year, six SPAR stores were closed and five were opened. The delivery of Fresh is critical, with Fresh turnover accounting for 43% of total turnover during the 9 months. This is a strong value proposition and competitive advantage for SPAR Switzerland in neighbourhood retailing.

OPERATIONAL OVERVIEW

SPAR Switzerland comprises 49 corporate (47 neighbourhood stores and 2 SPAR express) and 133 independent retailer stores under the SPAR banner in German-speaking Switzerland, and has a multi-brand retail strategy, which includes SPAR and TopCC. Altogether, the SPAR, 11 TopCC and 4 c-stores comprise 64 corporate stores.

There are two main offerings under the SPAR brand, namely SPAR, focused on neighbourhood shopping, and SPAR Express, for forecourt convenience and high frequency (train stations) shopping.

SPAR neighbourhood stores offer a range of between 4 000 and 6 000 products, depending on the size of the store. The category assortment for Fresh generally constitutes 43% of the product range. SPAR Express stocks between 1 500 and 2 000 products. The ability to import SPAR branded products at competitive prices from neighbouring countries (in particular Austria, Italy and the Netherlands) strengthens SPAR Switzerland's product base, while offering consumers added value through variety and increased choice. Furthermore, SPAR Switzerland increased our focus on sourcing local suppliers of meat and dairy products to differentiate our offering from mainstream supermarket brands and enhance store provenance.

The development of SPAR Switzerland's discount product range has also been expanded, and now comprises over 200 products that offer consumers quality at discount prices. Sales of the discount product range have increased by 5%.



Marketing and promotional activities to increase sales growth remain aggressive and comparable to our competitors. In both formats, the focus is on delivering value through Fresh, which is supported by revamps at store level to accommodate on-the-go convenience. During the year, a total of four stores were revamped. In addition, we assist our retailers to reduce input costs by managing their electricity bills and changing existing telephone and data lines to digital systems to increase efficiency.

SPAR Switzerland is the number two player in the Swiss cash-and-carry market through the TopCC brand. A total of 11 TopCC cash-and-carry outlets are located in German-speaking Switzerland, with a product range of 18 000 items. TopCC sales declined by 1.5% (April to September 2016) against last year, with average deflation across the product assortment of -1.2%. Promotional activities

are anticipated to contribute positively to retail sales growth. A gold card has been launched, offering customers with sales higher than CHF60 000 per year an attractive rebate scheme. Over 3 500 employees from large and medium-sized companies have registered for a TopCC card, and we expect sales of CHF3.5 million to this target group.

SPAR Switzerland's national distribution centre, located in St. Gallen, services 110 independent MAXI retailers and 80 no-name retailers. In addition, self-collectors, the 191 SPAR and 11 TopCC stores bring the total number of stores serviced to 392. Due to the weakened sales performance of our SPAR retailers, the deflationary environment and the reduction in the amount of customers, delivery from the distribution centre declined by 4.5% compared to last year (April to September 2016). Despite constrained growth, 15.46 million cases were despatched, and the

service level for St. Gallen averages 99.5% across store formats. Continuous investment in world-class facilities further ensures that the national distribution centre is geared for possible growth in volumes of up to 20%.




During the year, the fruit and vegetable section in the TopCC of St. Gallen was revamped. This is now a chilled product facility to better service the cash and carry customers of Fresh. We are also finalising an omni-channel strategy for TopCC, the benefits of which include an integrated ordering and delivering system through our TopCC internet shop. Based on the new HANA System of SAP together with SAP Hybris, the internet shop is fully integrated in the SAP IT environment. The result is that customers have many new features to help them order quickly and conveniently. Delivery will take place directly through our own truck fleet and in addition the concept of click and collect is in consideration.

FOCUS ON SWITZERLAND

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STORE FORMAT OVERVIEW

SPAR Switzerland comprises local neighbourhood stores with a wide product range, including on-the-go convenience. TopCC provides a direct general wholesale supply service to the wider, independent, culinary-focused retail grocery market. Through the national distribution centre, SPAR Switzerland also services a range of independent retailers operating under the MAXI brand, as well as a number of no-name retailers.

<div data-bbox="365 842 564 882">  </div> <ul style="list-style-type: none"> • 68 588 m² total selling area • 162 neighbourhood stores • A broad product range with a focus on Fresh, and providing a wide selection of quality meats and wines 	<div data-bbox="997 848 1251 878">NUMBER OF STORES</div> <table> <tr> <td>'15</td><td>385</td></tr> <tr> <td>'16</td><td>392</td></tr> </table>	'15	385	'16	392
'15	385				
'16	392				
<div data-bbox="395 1200 537 1240">  </div> <ul style="list-style-type: none"> • 2 533 m² total selling area • 20 forecourt convenience stores • Comprehensive offering of snacking, ready-to-eat and on-the-go products 	<div data-bbox="1027 1106 1222 1135">PERFORMANCE</div> <ul style="list-style-type: none"> • Opened 5 new stores • Closed 6 stores • Upgraded 12 stores 				
<div data-bbox="402 1565 529 1608">  </div> <ul style="list-style-type: none"> • 45 500 m² total selling area • 11 branches supplying 16 000 culinary-focused retail clients and many other business customers • 325 – 464 m² selling area, varying according to location • Direct wholesale and cash and carry • Product listing of over 18 000 lines across liquor, confectionary, health and beauty, fresh, frozen, general merchandise and catering products and non-foods 					

DISTRIBUTION CENTRES

St. Gallen

33 000 m ² surface area	1 500 chilled product SKUs
32 million cases per annum	350 fruit and vegetables
562 employees	392 stores serviced
6 900 ambient product SKUs	

2017 TARGETS

- Boost warehouse sales to independent MAXI retailers by 3%

TOP FIVE RISKS

RISK	MITIGATING ACTIONS
Fire at the national distribution centre or one of SPAR Switzerland's larger-format corporate stores	<ul style="list-style-type: none"> • Ongoing training with fire brigades and insurance companies to ensure appropriate actions are understood • Every second year a review of action plans to ensure they are in line with best practice
Failure of SPAR Switzerland's internal control system	<ul style="list-style-type: none"> • Internal control system is inspected and reviewed by auditors • Workflow is monitored to ensure effectiveness, supported by employee training
Security (of employees)	<ul style="list-style-type: none"> • Ongoing training
Information technology	<ul style="list-style-type: none"> • Security is checked (firewalls, ease of hacking, etc.) and passwords are enhanced to boost the strength of SPAR Switzerland's IT systems
Crisis management	<ul style="list-style-type: none"> • Ongoing training to ensure continuous improvement

SOCIAL SUSTAINABILITY REPORT

SPAR Switzerland has been involved in the Swiss retail landscape for almost 30 years. Ongoing initiatives to strengthen the brand and enhance the reputation of SPAR Switzerland in the minds of stakeholders are critical to our success.

COMMUNITY INVESTMENT

SPAR Switzerland has been supporting the Swiss Children Cancer Association for 15 years. We also work closely with retailers and encourage them to support local

charities. SPAR Switzerland sponsors a number of sporting and recreational events to encourage active, health lifestyles.

OUR EMPLOYEES

We strive to provide our employees with a safe working environment that nurtures career growth and development. We conduct biannual employee surveys to monitor and manage employee concerns and expectations. These surveys further enable us to develop our employee value proposition to ensure we are able to attract, retain and develop our talent pool.

Employee development

During the year, SPAR Switzerland offered our employees 144 different courses across a range of topics.

We also offer a range of apprenticeships. During the year, 100 new apprentices took up positions with SPAR Switzerland at different positions across our operations. Further, 121 apprentices, who began their apprenticeships with SPAR Switzerland in 2013 and 2014, finished successfully. Of these 121 apprentices, 40 have remained with SPAR Switzerland and now occupy

FOCUS ON SWITZERLAND

(CONTINUED)

positions as employees at the corporate office, or at store level with our independent retailers.

Health and safety

The health and safety of SPAR Switzerland's employees is an important aspect of our business. To ensure employee health and wellness, SPAR Switzerland subsidises employees' annual medical check-ups. This initiative is particularly important for more senior employees, who are critical in providing leadership and expertise.

Food safety

SPAR Switzerland has a dedicated quality control department to monitor food safety. Inspections are done in collaboration with local food inspectors, who are employees of the Swiss government. This enables us to ensure our independent retailers and consumers that the highest standards of food safety are maintained. In addition, we provide our employees with courses and training on food safety, as necessary.

ENVIRONMENTAL SUSTAINABILITY REPORT

Environmental initiatives include enhancements to our fleet, as well as a number of energy and waste-reduction programmes to make our distribution operations more environmentally friendly. These include:

- All our trucks are equipped with Euro 6 engines, which require less diesel and produce lower emissions.
- We replaced the cooling system at the national distribution centre with one that is environmentally friendly and uses a natural cooling agent. Phase two will consist of replacing the second cooling system.
- Through a number of energy-saving initiatives, we achieved an 11.9% year-on-year reduction in our GHG emissions. This was largely attributed to the replacement of cooling systems at store level and the introduction of energy-efficient lighting at store level.
- SPAR Switzerland recycled the equivalent of 2 424 tonnes of packaging waste, with a minor contribution made by electronic waste.

FOCUS AREAS FOR 2017

- Achieve like-for-like sales and store growth
- Access untapped markets and delivery to a wider customer base by entering new geographies
- Focus on revamping existing stores to better service our focus on Fresh
- Enhance retail offering and in-store standards
- Upgrade to TopCC

