

**15 September 2009**

**Super Group confident of profitability after disposal of loss-making operations**

Super Group today announced a substantial loss for the year to June 2009, tempered by satisfactory performances in continuing operations and confidence that profitability would increase as the group focused on its core supply chain business.

It was a tale of two very different sides of the broad-based supply chain business – profits at continuing operations, which are cash generative and expected to increase market share, and losses at the unprofitable operations being disposed of, with attendant closure costs and other once-off expenses.

The impact of discontinued operations on the group as a whole is shown in the group's after-tax loss of R1,3 billion compared to a profit of R6,3 million in the 2008 financial year. This translated into a headline loss per share of 170,1 cents, compared to headline earnings of 11,9 cents per share in 2008.

However, as the new CEO, Peter Mountford said, continuing operations produced headline earnings of 35 cents per share and revenue of R7,1 billion, down only 8,4% on last year "which under the prevailing economic conditions is a good performance".

An operating profit from continuing operations of R474 million and an operating loss from discontinued operations of R1,2 billion resulted in a total operating loss for the group of R741,7 million, compared to a R532 million profit in 2008.

The group as a whole generated cash from operations of R1,19 billion, a slight increase on the R1,14 billion generated in 2008.

"We are very pleased with the cash generated from operations for the year as a result of a concerted effort made by the group to convert earnings into cash," Mountford said. He expected the cash-generating abilities of the group to improve after the disposal of non-core operations.

Once the restructuring is complete, Super Group will comprise three operating divisions – the core Supply Chain division, made up of the South African operations and African Logistics; the Automotive division containing the remaining profitable motor dealerships and the Fleet Solutions division, which combines the FleetAfrica operations and sgfleet in Australia.

Discontinued operations include the Industrial Products division, made up of Hermans Truck Accident Repairs, MMS Mobile Cranes, Powerstar commercial vehicles and Cargolite. In the Retail Supply Chain division, AutoZone is being disposed of while some Mica operations have been sold and the remainder are to be bought by a company which includes Mica members. In corporate services, the Emerald Insurance Group has been sold to Santam.

Super Group has already substantially reduced its debt, with net debt decreasing by R768 million. A recapitalisation process currently underway will put the group on a firm financial footing.

No decision has yet been announced on the two recapitalisation options open to the group. It already has a bank recapitalisation agreement signed with lenders and Allan Gray in July which would lead to a fully underwritten R1 billion rights issue through the issue of 2,2 billion shares at 45c. Discussions are still underway with an international logistics group, concerning an alternative proposal involving the issue of 1,4 billion shares at 70c.

Detailing the divisional performance, Mountford said he was very pleased with the performance of the Supply Chain division. Revenue decreased by 4,2%, with revenue declining by 11% at the South African operations and increasing by 56,5% in the African Logistics business.

The division's overall trading margin was slightly lower than the previous year at 11,4%. "We are comfortable with this margin. Our target is in the region of 11,5%," Mountford said.

He was confident that the South African supply chain business would expand its customer base. New contracts had been awarded by multinational companies, and key contracts had been renewed.

Regarding African Logistics, Mountford said it remained "the leading sub-Saharan transport company" and was well positioned to benefit from the upturn in commodity markets and aid programmes in Africa. Should the Zimbabwe economy recover, African Logistics was in a strong position to participate through its presence there.

In the Automotive division, dealerships had an exceptionally tough year in common with motor dealerships throughout the country. Cost-cutting initiatives included staff reductions and the closure of non-profitable dealerships. Challenging trading conditions are expected to continue into 2010, with the new Consumer Protection Act and the Second Hand Goods Act coming into effect and impacting the dealership industry.

Mountford said he was very pleased with the Fleet Solutions division's overall performance. FleetAfrica posted an 8,6% increase in revenue and a 0,5% rise in trading profit, mainly as a result of cost saving initiatives. In Australia sgfleet had a successful year, gaining market share and renewing contracts in a tough year for the Australian economy. It had been awarded a large contract by an Australian state government, and is poised for growth once the market recovers.

FleetAfrica is looking for a funding partner to support its expansion. The recapitalisation of Super Group will place it in a stronger position to tender for new government, parastatal and private sector business.

Discontinued operations reported trading losses, R220 million in the Retail Supply Chain division, and R457 million in the Industrial Products division. Mountford said Super Group is investigating action to recover the money lost in Angola where no payment has been received for 200 vehicles delivered. However he expected this to take "considerable time".

With the steps being taken to refocus the business, expand core businesses, reduce costs, improve net working capital and optimise asset utilisation, Mountford is optimistic.

“The group’s cores businesses are expected to show improved profitability. The initiatives being implemented across the business position Super Group to improve market share in its core operations,” he said.

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