



KLK LANDBOU LIMITED
(Incorporated in the Republic of South Africa)
(Registration number: 1997/015589/06)
("KLK" or "the Company")

ANNOUNCEMENT OF A FIRM INTENTION BY SUBTROPICO LIMITED TO MAKE AN OFFER TO ACQUIRE THE REMAINING ISSUED SHARES OF THE COMPANY

1 Introduction

- 1.1 Shareholders of the Company are advised that the board of directors of the Company has received from Subtropico Limited, registration number 1993/000220/06 ("**Offeror**"), a letter of firm intention to make an offer (the "**Offer**") to acquire the remaining issued ordinary shares in the Company not already held by the Offeror ("**Offer Shares**") in terms of regulation 101 of the Companies Regulations, 2011 ("**Regulations**").
- 1.2 The Company has been informed by the Offeror that there are no concert parties to the Offer, however, the Offeror has also indicated that it has concluded a funding facility arrangement with African Rainbow Capital Proprietary Limited, registration number 2015/000394/07 ("**ARC**"), to enable the Offeror to comply with the applicable Regulations for purposes of making the Offer. The Company therefore believes that the Offeror and ARC may be acting in concert (as such term is defined in the Companies Act, No 71 of 2008 (as amended) ("**Companies Act**"). The Company will make further enquiries in this regard and to the extent that sufficient information comes to light, and if the Takeover Regulation Panel ("**Panel**") so requires, the Company shall provide a further update to its shareholders through the release of a further announcement.
- 1.3 Shareholders of the Company are accordingly advised that the Company's independent board authorised the publication of this announcement subject to further information being provided by the Offeror concerning the Offeror's arrangements with ARC in terms of the aforementioned funding facility, so that the board of directors of the Company is given such further evidence, in accordance with regulation 99(4) of the Regulations, that the Offeror is indeed in a position to implement the Offer in full.
- 1.4 The Offeror currently holds 5,258,885 shares, which shares comprise 30.61% of the issued ordinary shares of the Company. The Offer Shares comprise 69.39% of the issued share capital of the Company.
- 1.5 The Offer will be –
- 1.5.1 made by the Offeror posting an offeror offer circular ("**Offeror Circular**") to the holders of the Offer Shares ("**Offerees**"), which Offeror Circular will contain, *inter alia*, the terms and conditions of the Offer; and
- 1.5.2 implemented by way of a general offer by the Offeror to the Offerees as defined in regulation 102(1) of the Regulations as read with section 117(1)(c)(v) of the Companies Act.



2 Rationale for the Offer

- 2.1 For sake of transparency, the shareholders of the Company are informed that the following rationale for the Offer is contained in the Offeror's letter of firm intention:
- 2.1.1 The Offeror acquired its shareholding in the Company by acquiring shares in the open market. The Offeror believes it makes strategic sense for it to increase its shareholding in the Company.
- 2.1.2 The Offeror believes the Offer will represent an opportunity for the Offerees to realise cash for shares or to swap their Offer Shares for shares in the Offeror and thereby still hold an indirect shareholding in KLK.
- 2.1.3 The Offeror will have a more diversified geographical footprint and product service offering.
- 2.1.4 In addition to KLK, the Offeror believes that an investment in the Offeror also means an indirect shareholding in the following investments –
- 2.1.4.1 the Vleissentraal (livestock & game auctions), that operates in all 9 provinces;
- 2.1.4.2 the Subtropico Market Agency group of companies, that sells fresh produce on 11 municipal and private markets in the Republic of South Africa through well-known agencies like the Offeror, Wenpro, Spes Bona, Citifresh, GW Poole, Protea, Delta and DWFresh; and
- 2.1.4.3 Farmwise, that supplies pre-packed and pre-cut potatoes, onions, butternuts, sweet potatoes, peppers and baby marrows to Woolworths and other major retailers.
- 2.1.5 The Offeror believes a stronger balance sheet will ensure improved access to capital to fund any future expansion, acquisitions and unlock synergies and opportunities for the Company and the Offeror.
- 2.1.6 The Offeror believes that the Offer will provide greater market access and service offering to the Offeror's combined producer base.
- 2.2 The Company's independent board shall consider the aforesaid statements of the Offeror as and when it considers the Offer and the Offer Consideration (as defined in paragraph 3.2 below) and will express its views thereon in terms of the offeree response circular to be posted to shareholders of the Company ("**Independent Board Circular**") after the Offeror has posted the Offeror Circular.

3 The Offer

- 3.1 The Offer will be made by the Offeror.
- 3.2 In terms of the Offer, the Offeror will offer to purchase all the Offer Shares held by the Offerees for the following consideration ("**Offer Consideration**") –
- 3.2.1 a cash amount of R17.50 per Offer Share ("**Cash**"); or
- 3.2.2 issuance of 1 share in the authorised but unissued share capital of the Offeror for every 6 Offer Shares held ("**Subtropico Shares**"); or
- 3.2.3 a combination of Cash and Subtropico Shares,



subject to the conditions precedent set out in paragraph 4 below being fulfilled ("**Conditions Precedent**").

- 3.3 The Offer Consideration represents a premium of approximately 12% on the trading price of a share in the Company as at 27 September 2018 of R15.60 per share.
- 3.4 Should all the Offerees accept the Offer in respect of the Offer Shares, the maximum Offer Consideration shall be R208,643,855.
- 3.5 Settlement of the Offer Consideration will be made to each Offeree who validly accepts the Offer ("**Offeree Participant**") within 6 business days after the later of (i) the Conditions Precedent being fulfilled and (ii) the acceptance of the Offer by such Offeree Participant.
- 3.6 The Offer will remain open for acceptance by an Offeree for a period of at least 30 business days after the opening date of the Offer, which opening date shall occur on the 1st business day after the date of posting of the Offeror Circular.

4 **Conditions Precedent to the Offer**

- 4.1 The Offer will be subject to the fulfilment of the following conditions precedent by no later than 28 February 2019 –
 - 4.1.1 obtaining Competition Commission approval;
 - 4.1.2 the Offeror increasing its authorised share capital; and
 - 4.1.3 approval by the Panel in terms of the Companies Act.
- 4.2 The Offeror has reserved the right to extend the date on which all Conditions Precedent need to be fulfilled.
- 4.3 The Offeror has confirmed that, but for the Conditions Precedent, there will be no conditions as to a minimum threshold of acceptances in respect of the Offer.
- 4.4 Shareholders of the Company are informed that the Offer may not be implemented or given effect to until the Panel has–
 - 4.4.1 issued a compliance certificate; or
 - 4.4.2 granted an exemption for the transaction.

5 **Cash Guarantee/Cash Confirmation**

- 5.1 The Offeror has confirmed that sufficient cash resources are available for the payment of the Offer Consideration.
- 5.2 Absa Bank Limited has provided two irrevocable unconditional bank guarantees in the amounts of R50,000,000 and R160,000,000, respectively, to the Panel to satisfy the full Offer Consideration ("**Offeror Guarantees**") which are both in a form acceptable to the Panel and complies with regulations 111(4) and 111(5) of the Regulations.
- 5.3 It appears that the Offeror Guarantee in the amount of R160,000,000 is secured through a funding facility provided by one of the Offeror's shareholders, namely ARC, the holder of 25% of the total issued shares of the Offeror, which funding facility shall be repaid by the Offeror in cash or by the issue of shares in the Offeror to ARC at R105 per share.



6 Salient Dates

6.1 It is anticipated that the Offeror Circular will be posted by the Offeror to the Offerees on or before 12 December 2018, containing full details of the Offer and the manner in which the Offerees may elect to respond to the Offer. Within 20 business days after the Offeror Circular has been posted, the Company's independent board shall post the Independent Board Circular to the shareholders of the Company.

6.2 The anticipated salient dates and times of the Offer are set out in the table below:

Event	Date ^{1 2}
Offeror Circular expected to be posted to the Offerees on ³	Wednesday, 12 December 2018
Offer expected to open at 09h00 on ⁴	Thursday, 13 December 2018
Independent Board Circular expected to be posted to shareholders of the Company on ⁵	Wednesday, 16 January 2019
Conditions Precedent expected to be fulfilled by no later than	Thursday, 28 February 2019
Announcement of fulfilment of Conditions Precedent expected to be published by no later than ⁶	Thursday, 28 February 2019
Offer expected to close at 17h00 on ^{7 8}	To be confirmed
Offer Consideration to be paid to each Offer Participant by no later than ⁹	To be confirmed

Notes:

1. The above dates and times are South African dates and times.
2. The above dates and times are subject to change, with the approval of the Panel. Any changes will be announced to the shareholders of the Company.
3. The Offeror must publish the Offeror Circular within 20 business days after the date of publication of this announcement or such longer period allowed by the Executive Director of the Panel, on good cause shown.
4. The opening date of the Offer ("**Opening Date**") is the day after the date of posting of the Offeror Circular.
5. The Company's independent board must publish the Independent Board Circular within 20 business days of the date of posting of the Offer Circular. The Company's independent board may, however, apply to the Panel for an extension of this time period.
6. On the 45th business day after the Opening Date, an announcement shall be made by no later than 16:30 as to whether the offer is unconditional as to acceptances or has terminated.
7. The Offeror shall not be entitled to extend the Offer after the 45th business day after the Opening Date.



8. The Offer as mentioned in note 7 above will terminate unless: (a) it has been declared unconditional as to acceptances on or before midnight on the 45th business day after the Opening Date; or (b) the Company's independent board consent to an extension; or (c) a firm intention of a competing offer has been announced.
9. The Offer Consideration must be settled within 6 business days after the later of (a) the Offer being declared wholly unconditional; and (b) acceptance thereof by an Offeree.

7 Responsibility Statement

The Company's independent board collectively and individually accept full responsibility for the accuracy of the information contained in this announcement and confirm that to the best of their respective knowledge and belief, the information set out herein is true and this announcement does not omit anything likely to affect the importance of the information included.

By order of the Company's independent board

15 November 2018
