



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 SENWES LIMITED AND SENWESBEL LIMITED IN ACCORDANCE WITH REGULATION 101 OF THE COMPANIES REGULATIONS, 2011 ("REGULATIONS") TO MAKE A GENERAL OFFER TO ALL SHAREHOLDERS OF THE COMPANY ("KLK SHAREHOLDERS") TO ACQUIRE ALL THE 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 a letter confirming the firm intention of Senwes Limited, registration number: 1997/005336/06 ("**Senwes**") and Senwesbel Limited, registration number: 1996/017629/06 ("**Senwesbel**"), (hereinafter collectively referred to as the "**Offerors**", and individually referred to as the "**Offeror**") to make a general offer (the "**Offer**") to all KLK Shareholders to acquire all the issued ordinary shares in the Company held by the KLK Shareholders ("**Offer Shares**").
- 1.2 The Company's independent board authorised the publication of this announcement.
- 1.3 The Offerors do not hold any issued shares in the share capital of the Company.
- 1.4 The Offer will be –
- 1.4.1 made by the Offerors posting a circular ("**Offeror Circular**"), enclosing prospectuses in respect of the Offerors (to the extent required), to the holders of the Offer Shares ("**Offerees**"), which Offeror Circular will contain, *inter alia*, the terms and conditions of the Offer; and
- 1.4.2 implemented by way of a general offer by the Offerors to the Offerees as defined in regulation 102(1) of the Regulations as read with section 117(1)(c)(v) of the Companies Act, No 71 of 2008 (as amended) ("**Companies Act**").

2 Background to the Offerors and Rationale for the Offer

- 2.1 Senwes is one of the leading agricultural companies in South Africa, is deeply rooted in agriculture and has a rich and proud history which extends over a period of 110 years. Senwes serves the agricultural sector with a strategic focus which rests on a few pillars - agricultural services, resources, investments, logistical services, financial services and corporate support services. Senwes has over 68 active grain silo complexes and depots and owns more than 25% of the total South African commercial grain storage capacity. Senwes is also the exclusive John Deere agent in the central, and large portions of the Eastern and Western Cape regions of South Africa and supplies mechanical services from 28 branches and 17 mechanisation workshops. The Senwes group has business units in Northwest, Free State, Gauteng, Mpumalanga, Kwazulu-Natal, Eastern Cape, Northern Cape and Western Cape and has a personnel complement of over 3,000 people.

- 2.2 Senwesbel currently holds a 52% of the issued shares in Senwes. Senwesbel has been in existence for 21 years, but does not conduct any operational business. Senwes, the primary subsidiary of Senwesbel and the operating business, was incorporated as a public company on 10 April 1997 after its conversion from a primary agricultural co-operative. The co-operative was established in 1909 and has been in existence for 89 years prior to the conversion. As part of such conversion, Senwesbel bound itself to never hold less than 35,1% of the issued shares in Senwes.
- 2.3 The shares of both Offerors are listed on the ZAR X licenced exchange.
- 2.4 Over the past decade, various structural and economic changes have emerged in the agri-sector. Given the volatile global conditions, local political and economic conditions, opportunities and risks, the boards of directors of the Offerors have decided to approach the shareholders of KLK in endeavouring to become an anchor shareholder in KLK.
- 2.5 The Offerors are therefore making a general offer to the Offerees to acquire an equity stake in KLK as the strategic fit between the two operational companies in terms of diversification are highly appropriate.
- 2.6 In terms of the rationale, the Offerors therefore foresee a long-term sustainable future by joining forces so as to –
- 2.6.1 protect the interest of farmers in a holding structure as well as the participation in the further consolidation of the agri-sector (through a diversified farming investor base which understands the challenges faced by producers) and in the process enhance and unlock significant value for shareholders;
- 2.6.2 diversify the investments of Senwes and KLK from a geographical and commodity risk perspective;
- 2.6.3 unlock potential synergies for growth; and
- 2.6.4 enable Senwes and KLK as the operating companies to meet competition from international role-players that have increasing interests in the agri and related sectors.
- 2.7 Moreover, the challenges facing the commercial producer, albeit in grain commodities or livestock, are material especially in terms of availability of arable land, lack of infrastructure and no support (financial or otherwise) from the State. In terms of both the cash and share purchase considerations, KLK Shareholders would be able to elect the most appropriate unlocking in terms of their current KLK investment.
- 2.8 The Offerors therefore foresee that –
- 2.8.1 the underlying KLK and Senwes Brands will be protected and expanded;
- 2.8.2 solid risk diversification in the investments of each of KLK and Senwes could be achieved; and
- 2.8.3 such a role-player will assist in the prevention of negative growth in rural communities as to ensure sustainable development of these areas as further job creation and rural prosperity.
- 2.9 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 4.2 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 Offerors have posted the Offeror Circular.

3 Pre-condition to making the Offer

3.1 The making of the Offer to the Offerees by the posting of the Offeror Circular is subject to the fulfilment of the pre-condition ("**Pre-Condition**") that the Takeover Regulation Panel ("**Panel**") has given its approval for the posting of the Offeror Circular.

3.2 The Pre-Condition is not capable of being waived.

4 The Offer

4.1 The Offer will be made jointly by the Offerors.

4.2 In terms of the Offer, Senwes will offer to purchase all the Offer Shares held by the Offerees for the following consideration ("**Offer Consideration**") –

4.2.1 a cash consideration of R18.50 per Offer Share ("**Cash Consideration**"); and/or

4.2.2 consideration in the form of shares to be issued by Senwes ("**Senwes Shares**") and/or Senwesbel ("**Senwesbel Shares**") (collectively referred to as the "**Consideration Shares**"), at the election of Offerees, in the ratios of –

4.2.2.1 1.4 (one point four) Senwes Shares per Offer Share; and/or

4.2.2.2 1.8 (one point eight) Senwesbel Shares per Offer Share (subject to the Offerees complying with the "bona fide farmer" qualification criteria as provided for in Senwesbel's memorandum of incorporation),

rounded up or down using conventional rounding methods. The Cash Consideration represents a premium of 18.4% over the average trading price of the Offer Shares during the month of October 2018 of R15.62 per Offer share.

4.3 The Offerors undertake, to reconsider the ratios of Consideration Shares per Offer Share in order to bring same within the fair value range as may be determined by the independent expert to be appointed by the Company should such fair value support it as such.

4.4 For the avoidance of doubt, however subject to the requirement stipulated in paragraph 4.2.2.2, each Offeree can elect to take either the Cash Consideration or Senwes Shares or Senwesbel Shares or a combination thereof, subject to the aforesaid Senwesbel qualification criteria referred to above.

4.5 The Offerors confirmed that they have sufficient authorised shares to give effect to the settlement of the Consideration Shares on the basis referred to above.

4.6 Settlement of the Offer Consideration will be made to each Offeree who validly accepts the Offer ("**Offer Participant**") within 6 business days after the date on which the Offer becomes wholly unconditional in accordance with its terms, subject to the Offer Participant complying with any such requirements as may be necessary for it to receive the listed, uncertificated shares in Senwes and/or Senwesbel.

4.7 The Offer will remain open for a minimum period of **30** business days.

5 Squeeze Out

Should the Offer be accepted by holders of at least 90% of the Offer Shares, the Offerors may wish to invoke the provisions of section 124 of the Companies Act and compulsorily acquire the KLK shares held by those Offerees that do not accept the Offer.

6 Offer Consideration Guarantee

Pursuant to Regulation 111(4), ABSA Bank Limited has provided to the Panel an irrevocable and unconditional bank guarantee in favour of the Offerees, for the sole purpose of fully satisfying the Cash Consideration payable to the Offer Participants pursuant to the Offer.

7 Conditions Precedent to the Offer

7.1 The Offer will be subject to the fulfilment of the following conditions precedent, which shall be contained in the Offeror Circular –

7.1.1 by no later than **28 February 2019** (or such later date as the Offerors may determine in their sole discretion subject to the Regulations), all regulatory approvals as may be required for the implementation of the Offer are obtained; and

7.1.2 within 45 business days of the opening date of the Offer, Offerees holding at least 20% of the total number of Offer Shares have accepted the Offer ("**condition as to acceptances**");

7.2 The Offerors have expressly reserved for themselves the right to unilaterally waive the condition as to acceptances at any time prior to the date referred to in paragraph 7.1.2 above.

8 Salient Dates

8.1 It is anticipated that the Offeror Circular will be posted by the Offerors to the Offerees on or before 18 January 2019, 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.

8.2 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	Friday, 18 January 2019
Offer expected to open at 09h00 on ⁴	Monday, 21 January 2019
Independent Board Circular expected to be posted to shareholders of the Company on ⁵	Monday, 18 February 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 Offerors must publish the 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.
4. The opening date of the Offer ("**Opening Date**") is the day after the date of posting of the 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 Offerors shall not be entitled to extend the Offer after the 45th business day after the Opening Date, unless the condition as to acceptances has been fulfilled or waived by the Offerors.
8. The Offer as mentioned in note 7 above will terminate unless: (a) it has been declared unconditional as to acceptances, alternatively such condition has been waived by the Offerors, on or before midnight on the 45th business day after the Opening Date; or (b) the Company's independent board consent to an extension of such date.
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.

9 **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

18 December 2018
