



SENWES LIMITED

ISIN NUMBER: ZAEZ00000018

(Incorporated in the Republic of South Africa)

(Registration number 1997/005336/06)

("Senwes")

SENWESBEL LIMITED

ISIN NUMBER: ZAEZ00000026

(Incorporated in the Republic of South Africa)

(Registration number 1996/017629/06)

("Senwesbel")



SUIDWES HOLDINGS (RING FENCED)

PROPRIETARY LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 1998/007242/07)

("Suidwes")

(Jointly referred to as "the Companies")

JOINT ANNOUNCEMENT RELATING TO THE FIRM INTENTION BY SENWESBEL AND SENWES TO MAKE AN OFFER TO ACQUIRE THE ENTIRE ISSUED SHARE CAPITAL OF SUIDWES AND THE SCHEME OF ARRANGEMENT

1 INTRODUCTION

- 1.1 The boards of directors of the Companies (each the "**Senwes Board**", the "**Suidwes Board**" and the "**Senwesbel Board**") hereby inform their respective shareholders that Senwes and Suidwes have entered into a loan ("**the Loan Agreement**") and Senwesbel, Senwes and Suidwes have entered into an implementation agreement ("**Implementation Agreement**") in terms of which:
- 1.1.1 Senwes will lend and advance a convertible loan to Suidwes Investments Proprietary Limited ("**Suidwes Investments**") to settle the Suidwes Investments facilities at the Land and Agricultural Bank of South Africa ("**the Land Bank**"); and
- 1.1.2 Senwesbel and Senwes will subsequently offer to acquire the entire issued ordinary and preference share capital of Suidwes (collectively "**Scheme Shares**"), against a share or cash consideration by way of a scheme of arrangement (the "**Scheme**" or the "**Suidwes Scheme**") in terms of section 114 of the Companies Act, No. 71 of 2008, as amended (the "**Companies Act**"), to be proposed by the Suidwes Board to the holders of the Scheme Shares ("**Suidwes Scheme Participants**") as at the applicable record date ("**Offer**"); and
- 1.1.3 Senwes will eventually become Suidwes' Investments shareholder.
- 1.2 The Offer, as contemplated in paragraph 1.1.2 are subject to the fulfilment of the respective conditions precedent applicable to each step as set out in paragraph 5 below, before being capable of being implemented ("**the Scheme Operative Date**").
- 1.3 Shareholders of Suidwes are further advised that the Suidwes Board has appointed an independent expert ("**Independent Expert**") as required section 114(2) of the Companies Act for purposes of evaluating the Offer and to advise Suidwes shareholders in due course on whether same is regarded as fair and reasonable.

- 1.4 The purpose of this joint announcement is to *inter alia* advise shareholders of the Companies of the salient terms and conditions relating to the Transaction.

2 BACKGROUND

- 2.1 Senwes, with its head office in Klerksdorp, 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 111 years. Senwes provides goods and services to the commercial grain agricultural sector with strategic focus housed in three operational channels – market access for grain, input supplies and financial services.
- 2.2 Suidwes with its head office in Leeudoringstad, is one of the well-known agricultural groups in South Africa. Over the past 111 years, Suidwes has played a role in various areas of agriculture in South Africa by investing in the agricultural value chain, providing appropriate agricultural production inputs, services and market access in an integrated manner, supporting commercial producers.
- 2.3 Senwesbel is an investment holding company with Senwes as its sole investment.

3 RATIONALE

- 3.1 The Transaction is proposed for *inter alia* the following reasons:
- 3.1.1 The successful implementation of the Offer, after the fulfilment of the conditions as described in paragraph 5 below, will result in the consolidation of the Senwes group and the Suidwes group (“**Consolidated Entity**”) which is expected to unlock the following key benefits:
- 3.1.1.1 The Consolidated Entity will be established as a platform to benefit from, or capitalise on consolidation-, investment-, and other strategic scalable opportunities available in the broader agricultural sector from time to time;
- 3.1.1.2 To achieve greater geographical, operational and risk diversification;
- 3.1.1.3 To utilise cost efficiencies due to the combined critical mass with a focus on reducing duplicated costs to clients;
- 3.1.1.4 To enhance sustainability in the agricultural industry including the continued sustainability of rural areas and towns in central South Africa in ensuring continued employment and welfare of local rural communities;
- 3.1.1.5 To unlock operational and key strategic business synergies between Suidwes and Senwes that are mutually beneficial;
- 3.1.1.6 Suidwes Scheme Participants will exchange their ordinary shares and preference shares held in Suidwes (“**Suidwes Shares**”) for new shares in Senwesbel at Suidwes’ shares current market value;
- 3.1.1.7 Suidwes Scheme Participants will convert their relatively illiquid investment in Suidwes into Senwesbel Shares which is a more liquid instrument (since both Senwes and Senwesbel are listed on the ZAR X licenced exchange); and
- 3.1.1.8 Suidwes Scheme Participants will be able to utilise the Senwesbel Shares as security for credit facilities at Suidwes at prevailing market value.
- 3.1.2 In addition to the above, the implementation of the Offer will ensure that:
- 3.1.2.1 Suidwes, as a century plus old agricultural business with its established trademarks is to continue from Leeudoringstad to service its commercial client base;

- 3.1.2.2 Suidwes' current governance structures and personnel remain to ensure continued focus on market access for grain, preservation of assets and an enhanced value proposition with *inter alia* access to a larger range of inputs and services, such as John Deere whole goods equipment, IT platforms and credit solutions.
- 3.2 Senwesbel is to change its name to Agri Investments Holdings or similar, which is acceptable by the Companies, as to reflect the nature of the Consolidated Entity.
- 3.3 The Independent Expert's opinion in connection with the Scheme will be communicated to Suidwes shareholders in due course together with the Notice of the Annual General Meeting ("**the Notice**") and the offer circular to be sent to Suidwes shareholders detailing *inter alia* the terms of the Transaction ("**Offer Circular**").

4 REGULATORY FRAMEWORK FOR THE OFFER

- 4.1 The Scheme, including the Offer, does not constitute an "affected transaction" as defined in section 117(1)(c) of the Companies Act since Suidwes is not a regulated company as defined in the Companies Act.
- 4.2 The Scheme is subject to the Companies Act and is to be implemented in accordance with sections 114, 115 and 164 of the Companies Act and will be proposed by the Suidwes Board between Suidwes and the Suidwes Scheme Participants.

5 SCHEME CONDITIONS

- 5.1 The implementation of the Suidwes Scheme will be subject to the fulfilment of the following regulatory suspensive conditions:
 - 5.1.1 The approval of the ordinary and special resolutions by the requisite majority Suidwes shareholders in accordance with section 115(2) of the Companies Act; and
 - 5.1.2 the receipt of the approval (with or without conditions) in writing of the relevant South African competition authority/ies, in terms of the Competition Act, No. 89 of 1998, as amended, of the Transaction.
- 5.2 The conditions in paragraph 5.1 are of a regulatory nature and cannot be waived by the Companies.

6 SENWESBEL AND SENWES

Shortly after the Scheme Operative Date, Senwes shall purchase the Scheme Shares from Senwesbel by issuing shares to Senwesbel as consideration. The number of shares issued by Senwes to Senwesbel to acquire the interest in Suidwes will be done on a negotiated basis against the prevailing market price.

7 TOTAL COMMITMENT TO SUIDWES AND ITS SHAREHOLDERS

After the Scheme Operative Date, the Senwes Group shall have committed an aggregate amount of R630 million to the Suidwes Group in accordance with the Suidwes Scheme including the recapitalisation as contemplated in paragraph 8 below.

8 CONVERSION OF THE LOAN

After the Scheme Operative Date, Senwes will convert the loan extended to Suidwes Investments as contemplated in paragraph 1.1.1 above, to equity in Suidwes Investments. In terms of the Loan Agreement, in the

event that the Scheme Conditions as contemplated in paragraph 5 above, are not fulfilled the loan will not convert and will be repayable to Senwes by no later than 30 June 2021.

9 PRO FORMA FINANCIAL EFFECTS ON SUIDWES SCHEME PARTICIPANTS

The *pro forma* financial effects on Suidwes Scheme Participants are to be communicated in the Offer Circular together with the Independent Expert's Opinion.

10 PRO FORMA EFFECTS ON SENWESBEL AND SENWES

The *pro forma* financial effects on Senwesbel and Senwes are to be published separately on ZAPS, the news service of ZAR X, the licenced exchange on which the Senwesbel and Senwes shares are listed.

11 SUIDWES BOARD, INDEPENDENT OPINION AND RECOMMENDATIONS

The Suidwes Board has appointed Mr. Johannes Frederik Basson as the independent expert as required in section 114(2) of the Companies Act to provide the Suidwes Board with external advice in connection with the Transaction and to make appropriate recommendations to the Suidwes Scheme Participants. Mr. Basson is a CA (SA) since 1975 and was a partner at PricewaterhouseCoopers between 1978 and 2008. An abbreviated resume of Mr. Basson shall accompany the Offer Circular. The substance of the external advice and the opinion of the Independent Board on the Offer will be detailed in the Notice and Offer Circular.

12 FURTHER DOCUMENTATION AND SALIENT DATES

In addition to comprehensive details of the Suidwes Scheme, the Notice and Offer Circular will contain, *inter alia*, a notice of the Scheme Meeting, a form of proxy and a form of surrender and transfer. The Notice, including the Offer Circular is expected to be posted to Suidwes shareholders on or about 3 April 2020. The salient dates in relation to the Offer will be published prior to the posting of the Suidwes Notice and Offer Circular.

13 COMPANIES BOARDS' RESPONSIBILITY STATEMENT

The Companies' respective board of directors accept responsibility for the information contained in this announcement, and confirms that to the best of its knowledge and belief, such information set out herein is true and this announcement does not omit anything likely to affect the importance of such information included.

By order of the Board of Directors of the Companies

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27 February 2020

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