

**Tongaat Hulett Limited**

(Incorporated in the Republic of South Africa)

Registration number 1892/000610/06

JSE Share Code: TON

ISIN: ZAE000096541

("THL" or the "Company")

CATEGORY 1 TRANSACTION RELATING TO THE DISPOSAL OF THL'S SHARES AND SHAREHOLDER CLAIMS IN TAMBANKULU ESTATES PROPRIETARY LIMITED TO THE PUBLIC SERVICE PENSIONS FUND OF ESWATINI**1. INTRODUCTION**

THL is pleased to advise its shareholders ("**THL Shareholders**") that THL together with its wholly owned subsidiary, Format Development Corporation Limited ("**FDC**") (collectively the "**Sellers**") have entered into a share purchase agreement ("**SPA**") with Eswatini's Public Service Pensions Fund (the "**Purchaser**"), pursuant to which the Purchaser will acquire the shares and shareholder claims (the "**Sale Equity**") in Tambankulu Estates Proprietary Limited ("**Tambankulu**") from the Sellers (the "**Transaction**"). For ease of reference, the Sellers and the Purchaser, are referred to jointly as the "**Parties**". The transaction is subject to suspensive conditions.

The effective date of the Transaction will be the first business day of the calendar month following the date on which the last of the suspensive conditions to the Transaction has either been fulfilled or, as applicable, waived, as the case may be. Such date is expected to be on or about 1 December 2020 (the "**Closing Date**").

2. NATURE OF THE BUSINESS OF TAMBANKULU

Tambankulu is an agri-business based on two agricultural estates astride the Black Umbuluzi River in north eastern Eswatini. It is located 97 km from Maputo, 136 km from Mbabane and 525 km from Durban. Tambankulu was acquired by the Sellers in April 1998.

Tambankulu has 3 767 hectares of fully irrigated land under sugarcane and is producing 62 000 tons of sucrose annually. Tambankulu is the largest independent sugarcane estate in Eswatini, with an average annual yield per hectare of 125 tons. Tambankulu's farms are modern, using high tech irrigation systems, fertigation, artificial ripeners and herbicides.

Tambankulu delivers its sugarcane to the nearby Simunye and Mhlume sugar mills.

3. RATIONALE FOR THE TRANSACTION

THL's board of directors (the "**Board**") has previously advised THL Shareholders of its commitment to reduce the THL group's debt to more sustainable levels and of the undertakings it has given to its funders to reduce debt levels by ZAR8 100 000 000 (eight billion one hundred million Rand) by March 2021 (the "**Debt Reduction Plan**"). In pursuance of the Debt Reduction Plan, the Board has initiated various processes including, (i) implementing greater operational efficiencies in order to improve the THL group's cash flow; (ii) considering potential non-core and core asset disposals, and (iii) considering potential equity capital raising initiatives.

THL believes that although Tambankulu is a quality and well-run business, it is not fully integrated into the larger sugar business of the THL group and accordingly has agreed to dispose of this business. This disposal reinforces THL's commitment to reduce debt levels and to reposition the THL group for long-term sustainability and value creation for THL Shareholders.

4. SALIENT TERMS OF THE TRANSACTION

4.1 In terms of the SPA:

- 4.1.1 THL will sell to the Purchaser, 1 400 000 shares representing approximately 93.33% of the issued shares in Tambankulu and any shareholder loan claims in Tambankulu (the **"THL Equity"**); and
 - 4.1.2 FDC will sell to the Purchaser, 100 000 shares representing approximately 6.67% of the issued shares in Tambankulu and any shareholder loan claims in Tambankulu (the **"FDC Equity"**).
- (collectively the **"Sale Equity"**)

The sale and purchase transactions referred to in paragraphs 4.1.1 and 4.1.2 above, are indivisible.

4.2 Purchase Price

The purchase price for the Sale Equity is a cash amount of ZAR375 000 000 (three hundred and seventy-five million Rand) adjusted by:

- an amount equal to the difference between (i) the working capital per the closing date financial statements and (ii) ZAR10 000 000 (ten million Rand), which is the agreed normalised working capital contained in the SPA (the **"Working Capital Adjustment"**);
- an amount equal to the difference between (i) capital expenditure incurred from 1 April 2020 up to the Closing Date and (ii) the budgeted capital expenditure for the corresponding period (the **"Capex Adjustment"**), subject to such difference being greater than or equal to ZAR2 000 000 (two million Rand); and
- the net proceeds, estimated to be ZAR1 000 000 (one million Rand), from the sale of Mbuluzi Lodge 21 by Tambankulu, which has been excluded from the composition of the assets within Tambankulu, should such proceeds be received after the Closing Date.

4.3 Settlement of the purchase price

The Purchaser will pay the purchase price, in cash, as follows:

- 4.3.1 on the Closing Date, the Purchaser shall pay ZAR375 000 000 (three hundred and seventy-five million Rand) to the Sellers;
- 4.3.2 on the third business day after the day on which the amount of the Working Capital Adjustment is determined, the Purchaser or the Sellers (depending on whether it is a positive or negative number) will pay to the Sellers or the Purchaser as the case may be, such amount, together with interest thereon at the prime rate from the Closing Date to the date of payment;
- 4.3.3 on the third business day after the day on which the amount of the Capex Adjustment is determined, the Purchaser or the Sellers (depending on whether it is a positive or negative number) will pay such amount together with interest thereon at the prime rate from the Closing Date to the date of payment; and
- 4.3.4 within two business days of receiving the net proceeds from the sale of Mbuluzi Lodge 21, the Purchaser will pay such net proceeds to the Sellers.

4.4 Use of proceeds

As detailed in paragraph 3 above, THL will use the proceeds of the Transaction to reduce debt within THL.

5. SUSPENSIVE CONDITIONS TO THE TRANSACTION

The Transaction is subject to the fulfilment (or waiver to the extent permissible) of the following suspensive conditions:

- 5.1 by 31 December 2020 (or such later date/s as THL may in its sole discretion elect and notify to the other Parties in writing):
 - 5.1.1 each Seller obtains all shareholder approvals, as required under the South African Companies Act or the Eswatini Companies Act (as applicable) and/or the JSE Listings Requirements for the implementation of the Transaction;
 - 5.1.2 the Parties obtain all regulatory consents or approvals required for the implementation of the Transaction, including any required approvals of the:
 - 5.1.2.1 Eswatini Competition Commission in terms of the Eswatini Competition Act No. 8 of 2007; and
 - 5.1.2.2 Land Control Board in terms of the Eswatini Land Speculation Control Act No. 8 of 1972,with conditions attached thereto which are acceptable to THL, or without any conditions being attached thereto;
- 5.2 by 10 July 2020 (or such later date/s as THL may in its sole discretion elect and notify the other Parties in writing), the regulatory application documents are submitted to the relevant regulatory authorities.

6 FINANCIAL INFORMATION

The consolidated net asset value ("**NAV**") of Tambankulu as at 31 March 2020 was ZAR171 700 000 (one hundred and seventy-one million seven hundred thousand Rand), and Tambankulu's profit after tax for the year ended 31 March 2020 was ZAR40 900 000 (forty million nine hundred thousand Rand). The NAV excludes an intercompany loan from Tambankulu to THL of ZAR231 800 000 (two hundred and thirty-one million eight hundred thousand Rand) as at 31 March 2020, which will be distributed *in specie* to the Sellers prior to the Closing Date.

This financial information has been extracted from Tambankulu's unpublished consolidated management accounts. THL and the board of Tambankulu confirms that it is satisfied with the quality of such management accounts and the financial information has not been reviewed or reported on by Tambankulu's external auditors for this period.

7 CLASSIFICATION OF THE TRANSACTION

The Transaction meets the definition of a category 1 transaction as contemplated in the JSE Listings Requirements. As a result, the Transaction must be approved by an ordinary resolution of THL Shareholders, which will require the support of more than 50% of the votes exercised thereon.

8 CIRCULAR

A circular setting out the full details of the Transaction (the "**Circular**") is in course of preparation and will be distributed to THL Shareholders within 60 business days of this announcement. The Circular will incorporate a notice convening a general meeting of THL Shareholders (the "**General Meeting**") at which THL Shareholders will be requested to vote on the relevant resolutions. At the same time,

the salient dates and times of the Transaction, including the date of the General Meeting, will be announced on SENS.

17 June 2020

Financial Advisor to THL

PricewaterhouseCoopers Corporate Finance Proprietary Limited

Legal Advisor to THL

Bowmans

Sponsor to THL

Investec