

Rand Merchant Investment Holdings Limited
(Incorporated in the Republic of South Africa)
(Registration number: 2010/005770/06)
ISIN: ZAE000210688
Share code: RMI
(RMI or the **Company**)

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CASH PROCEEDS IN RESPECT OF FRACTIONAL ENTITLEMENTS AND APPORTIONMENT OF TAX COST FOR TAX PURPOSES: UNBUNDLING BY RMI OF ITS SHAREHOLDING IN DISCOVERY LIMITED AND MOMENTUM METROPOLITAN HOLDINGS LIMITED

1. INTRODUCTION

Shareholders of RMI (**RMI Shareholders**) are referred to the declaration announcement published by RMI on SENS on 25 March 2022 (**Declaration Announcement**) and finalisation announcement published by RMI on SENS on 8 April 2022 (**Finalisation Announcement**), regarding the unbundling by way of a distribution *in specie* of 167,242,590 ordinary shares in the issued share capital of Discovery Limited (**Discovery**), comprising 25.0% of the issued ordinary share capital of Discovery (**Unbundled Discovery Shares**), and 401,048,075 ordinary shares in the issued share capital of Momentum Metropolitan Holdings (**Momentum Metropolitan**), comprising 26.8% of the issued ordinary share capital of Momentum Metropolitan (**Unbundled Momentum Metropolitan Shares**), to RMI Shareholders on Monday, 25 April 2022 (the **Unbundling**).

Subject to the terms and conditions set out in the Declaration Announcement, including the restrictions, RMI Shareholders will, pursuant to the distribution *in specie*, become entitled to Unbundled Discovery Shares in the distribution entitlement ratio of 10.91799 Unbundled Discovery Shares for every 100 ordinary shares held in the issued share capital of RMI (**RMI Shares**) and entitled to Unbundled Momentum Metropolitan Shares in the distribution entitlement ratio of 26.18136 Unbundled Momentum Metropolitan Shares for every 100 RMI Shares, held on Friday, 22 April 2022 (**Record Date**). The distribution of Unbundled Discovery Shares and Unbundled Momentum Metropolitan Shares to RMI Shareholders may result in fractional entitlements to Unbundled Discovery Shares and/or Unbundled Momentum Metropolitan Shares for the recipients.

The salient dates and times included in the Finalisation Announcement remain unchanged.

2. PURPOSE OF THIS ANNOUNCEMENT

The purpose of this announcement is to notify RMI Shareholders of the following:

- the value to be utilised in determining the cash payment due to an RMI Shareholder in respect of any fractional entitlements to Unbundled Discovery Shares and/or Unbundled Momentum Metropolitan Shares (**Cash Proceeds**);
- the closing prices of the Unbundled Discovery Shares, the Unbundled Momentum Metropolitan Shares and RMI Shares on Wednesday, 20 April 2022, the day the RMI Shares begin trading "ex" the entitlement to receive the Unbundled Discovery Shares and Unbundled Momentum Metropolitan Shares;

- the ratio in which the expenditure incurred and / or the market value (for purposes of paragraph 29 of the Eighth Schedule to the Income Tax Act) (**Market Value**) in respect of the RMI Shares must be apportioned between the RMI Shares, the Unbundled Discovery Shares and the Unbundled Momentum Metropolitan Shares for South African taxation purposes (**Apportionment Ratio**); and
- the estimated tax payable by RMI as well as the amount which must be added to the tax cost / base cost for the RMI Shareholders.

3. CASH VALUE OF FRACTIONAL ENTITLEMENTS

As outlined in paragraph 5 of the Declaration Announcement, in implementing the Unbundling, RMI is required by the Listings Requirements of the JSE Limited (**Listing Requirements**) to round down the fractional entitlements to Unbundled Discovery Shares and/or Unbundled Momentum Metropolitan Shares to the nearest whole number. The aggregated excess fractional entitlements to the Unbundled Discovery Shares and/or Unbundled Momentum Metropolitan Shares to which an RMI Shareholder would otherwise be entitled will not be transferred to them but will instead be sold on behalf of and at the risk of the relevant RMI Shareholder in the market as soon as practicable after the Unbundling.

RMI Shareholders will accordingly receive Cash Proceeds (net of any applicable taxes (such as Securities Transfer Tax) or costs) in respect of their fractional entitlements to Unbundled Discovery Shares and/or Unbundled Momentum Metropolitan Shares on the basis set out in this announcement. In accordance with the JSE Listings Requirements, this amount will be determined with reference to the volume weighted average price (**VWAP**) in Rand of Discovery shares and Momentum Metropolitan shares traded on the Johannesburg Stock Exchange on Wednesday, 20 April 2022, being the first trading day "ex" the entitlement to participate in the Unbundling, reduced by 10% (**Cash Proceeds**).

Taking into account the VWAP of ZAR165.38658 for Discovery, RMI Shareholders are advised that the calculation of the Cash Proceeds due to RMI Shareholders in respect of any fractional entitlements regarding Unbundled Discovery Shares will be based on a price of ZAR148.84793 (i.e. ZAR165.38658 x 0.9) per Unbundled Discovery Share.

Taking into account the VWAP of R16.97883 for Momentum Metropolitan, RMI Shareholders are advised that the calculation of the Cash Proceeds due to RMI Shareholders in respect of any fractional entitlements regarding Unbundled Momentum Metropolitan Shares will be based on a price of ZAR15.28095 (i.e. R16.97883 x 0.9) per Unbundled Momentum Metropolitan Share.

4. APPORTIONMENT RATIO TAX PRINCIPLES

The summary below represents general comments and is not intended to constitute a complete analysis of the tax consequences of the Unbundling for RMI Shareholders in terms of existing South African tax law. It is not intended to be, nor should it be considered as legal or tax advice. Neither RMI, its associates, its advisors, its directors or employees can be held responsible for the tax consequences of the Unbundling and therefore RMI Shareholders are advised to consult their own tax advisors in this regard. RMI Shareholders are referred to paragraph 8 of the Declaration Announcement which outlines certain further tax considerations in respect of the Unbundling.

The Unbundling constitutes an unbundling transaction in terms of section 46 of the South African Income Tax Act of 1962 as amended (**Income Tax Act**).

RMI Shareholders will have a combined expenditure in respect of the RMI Shares including the Unbundled Discovery Shares and Unbundled Momentum Metropolitan Shares received pursuant to the Unbundling.

RMI Shares held as trading stock:

Any RMI Shareholder holding RMI Shares as trading stock will be deemed to acquire the Unbundled Discovery Shares and Unbundled Momentum Metropolitan Shares as trading stock. The combined expenditure of such RMI Shares, Unbundled Discovery Shares and Unbundled Momentum Metropolitan Shares will be the amount taken into account by the RMI Shareholder in respect of those RMI Shares, as contemplated in section 11(a), section 22(1), or section 22(2) of the Income Tax Act. The portion of the above combined expenditure to be allocated to the Unbundled Discovery Shares and Unbundled Momentum Metropolitan Shares will be determined by applying the ratio that the Market Value of the Unbundled Discovery Shares and Unbundled Momentum Metropolitan Shares bear to the sum of the Market Value of the RMI Shares, the Unbundled Discovery Shares and Unbundled Momentum Metropolitan Shares at the end of the first trading day "ex" the entitlement to participate in the Unbundling, being Wednesday, 20 April 2022. The expenditure so allocated to the Unbundled Discovery Shares and Unbundled Momentum Metropolitan Shares will reduce the expenditure relating to the retained RMI Shares.

RMI Shares held as capital assets:

Any RMI Shareholder holding RMI Shares as capital assets will be deemed to acquire the Unbundled Discovery Shares and Unbundled Momentum Metropolitan Shares as capital assets. The combined expenditure of such RMI Shares, Unbundled Discovery Shares and Unbundled Momentum Metropolitan Shares will be the original expenditure incurred in respect of the RMI Shares, that is allowable in terms of paragraph 20 of the Eighth Schedule to the Income Tax Act, and where the RMI Shares were acquired before 1 October 2001, the expenditure and/or Market Value, as the case may be, adopted or determined as contemplated in paragraph 29 of the Eighth Schedule to the Income Tax Act. The portion of the above combined expenditure and/or Market Value, as the case may be, to be allocated to the Unbundled Discovery Shares and Unbundled Momentum Metropolitan Shares will be determined by applying the ratio that the Market Value of the Unbundled Discovery Shares and Unbundled Momentum Metropolitan Shares bear to the sum of the Market Value of the RMI Shares, the Unbundled Discovery Shares and Unbundled Momentum Metropolitan Shares at the end of the first trading day "ex" the entitlement to participate in the Unbundling, being Wednesday, 20 April 2022. The expenditure and/or Market Value, as the case may be, so allocated to the Unbundled Discovery Shares and Unbundled Momentum Metropolitan Shares will reduce the expenditure and/or Market Value, as the case may be, of the retained RMI Shares.

RMI Shareholders, including RMI Shareholders who are non-resident for tax purposes in South Africa, are advised to consult their own professional tax advisors should they have any queries regarding the taxation consequences of the Unbundling and the calculation of their costs for taxation purposes.

5. APPORTIONMENT RATIO CALCULATION

RMI Shareholders are referred to paragraph 8.3 of the Declaration Announcement, wherein RMI advised RMI Shareholders that it would notify them of the Apportionment Ratio on Thursday, 21 April 2022.

RMI Shareholders are hereby advised that the Apportionment Ratio is based on the closing price of ZAR26.20 per RMI Share, ZAR164.25 per Discovery Share and ZAR17.00 per Momentum Metropolitan Share on Wednesday, 20 April 2022. The Apportionment Ratio applicable to the Unbundling has therefore been calculated as follows:

Where –

A = the closing price of a Discovery Share on Wednesday, 20 April 2022 multiplied by the entitlement ratio under the Unbundling in respect of the Unbundled Discovery Shares, i.e. ZAR17.93280 (being $ZAR164.25 \times 10.91799 / 100$)

B = the closing price of an Unbundled Momentum Metropolitan Share on Wednesday, 20 April 2022 multiplied by the entitlement ratio under the Unbundling in respect of the Unbundled Momentum Metropolitan Shares, i.e. ZAR4.45083 (being ZAR17.00 X 26.18136 /100)

C = the closing price of an RMI Share on Wednesday, 20 April 2022, i.e. ZAR26.20

Discovery Apportionment = (A / (A + B + C))

= (ZAR17.93280 / (ZAR17.93280 + ZAR4.45083 + ZAR26.20)) X 100
= 36.91120%

Momentum Metropolitan Apportionment = (B / (A + B + C))

= (ZAR4.45083 / (ZAR17.93280 + ZAR4.45083 + ZAR26.20)) X 100
= 9.16117%

RMI Apportionment = (C / (A + B + C))

= (ZAR26.20 / (ZAR17.93280 + ZAR4.45083 + ZAR26.20)) X 100
= 53.92763%

Accordingly, RMI Shareholders are hereby advised that the expenditure incurred and/or Market Value, as the case may be, in respect of RMI Shares must therefore be apportioned in the ratio of 36.91120% to an Unbundled Discovery Share received, 9.16117% to an Unbundled Momentum Metropolitan Share received and 53.92763% to an RMI Share held after the Unbundling.

6. INCREASE TO TAX COST / BASE COST PER SHARE BASED ON "DISQUALIFIED PERSON" RULES

As referred to paragraph 8.2.6 of the Declaration Announcement, the extent of the "disqualified person" shareholder at the first trading day "ex" the entitlement to participate in the Unbundling, being, Wednesday, 20 April 2022, is 8.09% currently held by the Government Employees Pension Fund. Consequently, the net capital gain for RMI is calculated as the sum of the following:

Unbundled Discovery Shares

the market value of the Unbundled Discovery Shares of ZAR164.25; less

the average cost of the Unbundled Discovery Shares of ZAR147.73; multiplied by

8.09%.

Unbundled Momentum Metropolitan Shares

the market value of the Unbundled Momentum Metropolitan Shares of ZAR17.00; less

the average cost of the Unbundled Momentum Metropolitan Shares of ZAR17.52; multiplied by

8.09%.

The taxable capital gain as calculated above (80% of the net capital gain) will be included in RMI's taxable income and subject to tax in RMI's hands, resulting in an estimated tax of ZAR46.27 million being payable.

RMI Shareholders are hereby advised that the amount of tax payable by RMI must be added to the tax cost / base cost for the RMI Shareholders and therefore be apportioned in the ratio of 36.91120% to an Unbundled Discovery Share received, 9.16117% to an Unbundled Momentum Metropolitan Share received and 53.92763% to an RMI Share held after the Unbundling.

Practically, the increase to the tax cost / base cost per share should be calculated as follows:

	Apportionment Ratio (D)	Estimated tax payable by RMI (ZAR millions) (E)	Amount of tax allocated per Apportionment Ratio (ZAR millions) (F) F = (D x E)	RMI Shares in issue or Unbundled Discovery Shares or Unbundled Momentum Metropolitan Shares (as applicable) (G)	Increase to tax cost / base cost per share (as applicable) (ZAR) (H) H = F / G
RMI Shares	53.92763%	46.27	24.95	1 531 807 770	0.01629
Unbundled Momentum Metropolitan Shares	9.16117%	46.27	4.24	401 048 075	0.01057
Unbundled Discovery Shares	36.91120%	46.27	17.08	167 242 590	0.10211

21 April 2022

Sole financial adviser and JSE transaction sponsor:

Merrill Lynch South Africa (Pty) Ltd t/a BofA Securities

South African Legal adviser:

Webber Wentzel

US and International Legal adviser:

Linklaters LLP

Important Note

RMI Shareholders are referred to the Declaration Announcement referenced in this announcement (and accessible on RMI's website via the following link: <https://www.rmih.co.za/investor-relations>) for the full disclaimers which apply to this announcement (including the information contained herein) and are incorporated by reference in full in this announcement, as if specifically stated.