

SHOPRITE HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)

Registration no. 1936/007721/06

ISIN: ZAE000012084

JSE share code: SHP

NSX share code: SRH

LuSE share code: SHOPRITE

("Shoprite Holdings" or "the Company")

DETAILED TERMS OF THE PROPOSED TRANSACTION WITH THE SHOPRITE DEFERRED SHARES AND A WITHDRAWAL OF CAUTIONARY (INCORPORATING A FIRM INTENTION ANNOUNCEMENT IN TERMS OF REGULATION 101 OF THE REGULATIONS ISSUED UNDER THE COMPANIES ACT, ACT 71 OF 2008)

1. Introduction

Shoprite Holdings' ordinary shareholders ("Shareholders") are referred to the cautionary announcement released on the stock exchange news service operated by the JSE Limited ("JSE") ("SENS") on 26 February 2019 and subsequent renewal of the cautionary announcement released on SENS on 9 April 2019, relating to the Company's consideration of a potential acquisition and cancellation of all the Shoprite Holdings deferred shares ("Deferred Shares") comprising of 264,969,112 Deferred Shares and 32.3% of the votes in Shoprite Holdings in issue (the "Proposed Transaction"), being the Deferred Shares in issue other than the Additional Deferred Shares referred to hereunder.

On 18 April 2019, Shoprite Holdings entered into a tripartite agreement with Thibault Square Financial Services Proprietary Limited ("Thibault") and Titan Premier Investments Proprietary Limited ("Titan") on the salient terms detailed below ("Transaction Agreement").

The directors of the Shoprite Holdings board, excluding Dr Wiese and his alternate director JD Wiese ("Board"), being cognisant of the actual and potential conflicts between the position of Thibault, Titan and their related and inter-related parties ("Titan Group") and Shoprite Holdings in relation to the Proposed Transaction, has taken due care to ensure that its independence has been and will remain in place for the duration of the Proposed Transaction.

The Proposed Transaction is subject to the suspensive conditions set out in paragraph 3, which includes the adoption of the special resolutions by the requisite number of Shareholders, other than the Titan Group (the Shareholders other than the Titan Group are hereinafter referred to as the "Minority Shareholders") in terms of the Companies Act No 71 of 2008, as amended ("Companies Act") and in terms of the Listings Requirements of the JSE (the "Listings Requirements").

2. Rationale of the Proposed Transaction

The Board is of the view that the Proposed Transaction will have the following benefits for the Company and its Shareholders:

- simplify the Company's voting share structure and align the Company with international best corporate governance practice;
- all shares in the Company post implementation of the Proposed Transaction will have equal economic and voting rights. Voting interest of Minority Shareholders, will increase from c.57.7% to c.82.2% (representing an equal

- proportion to Shareholders' economic rights in the Company post the implementation of the Proposed Transaction);
- together with being a simpler and more equitable shareholding structure, the post transaction single class of ordinary shares is believed to be more appealing to institutional investors and may therefore have a positive impact on the demand for the Company's shares; and
 - the cancellation of the Deferred Shares removes uncertainty around a future sale of Thibault and thus a transfer of significant influence over Shoprite Holdings to a third party.

3. Key terms of the Transaction Agreement

The Proposed Transaction will be implemented through the specific issue of 20,000,000 new Shoprite Holdings ordinary shares ("Consideration Shares") to Titan in exchange for the agreement by Titan to acquire the Shoprite Holdings ordinary shares held by Thibault ("Disposal Ordinary Shares") and causing the acquisition and cancellation of the Deferred Shares by Shoprite Holdings. The issuance of the Consideration Shares will result in an economic dilution to Shareholders of c.3.5%. The Proposed Transaction will be categorised as a small related party transaction in terms of the Listings Requirements.

Shoprite Holdings is already entitled to acquire 40,652,489 Deferred Shares ("Additional Deferred Shares") as explained below. The acquisition by Titan of the Disposal Ordinary Shares will, in accordance with the terms of Shoprite Holdings' memorandum of incorporation, result therein that Shoprite Holdings will also acquire and cancel the Deferred Shares (other than the Additional Deferred Shares) ("Transaction Deferred Shares") for a nominal consideration of 0.1 cent per share. The total consideration to be paid to acquire all the Transaction Deferred Shares is approximately R265,000.

The acquisition by Shoprite Holdings of all of the Deferred Shares, pursuant to section 48 of the Companies Act, is subject to the provisions of sections 114 and 115 of the Companies Act and therefore treated as a scheme of arrangement.

The Proposed Transaction will be subject to standard warranties and the Consideration Shares will be subject to a 180-day lock-up period.

The Proposed Transaction is subject to, *inter alia*, the following suspensive conditions:

- to be met by no later than 31 May 2019:
 - the Company has not received written notices from Minority Shareholders who in aggregate hold more than 15% of the total issued Ordinary Shares held by the Minority Shareholders, indicating that they will not vote in favour of the required special resolution, post engagement with Minority Shareholders.
- to be met by no later than 30 September 2019:
 - the Board and the independent board constituted in terms of the Companies Act comprising of Mr EC Kieswetter, Mr JF Basson, Dr ATM Mokgokong, Ms AM le Roux, Mr JA Rock and Prof SA Zinn ("Independent Board"), have adopted the resolutions required to implement the Proposed Transaction;
 - the Board has received an independent expert report in terms of section 114(3) of the Companies Act that is acceptable to the Board;

- the Board and/or the Independent Board has received an opinion from an independent expert that reflects that the Proposed Transaction is both fair and reasonable;
- the JSE and Takeover Regulation Panel ("TRP") have provided the required approvals or exemptions in order to implement the Proposed Transaction;
- the financial institutions that hold any form of encumbrance over the Disposal Ordinary Shares have in writing unconditionally agreed to release the Disposal Ordinary Shares from those encumbrances to enable the Disposal Ordinary Shares to be transferred to Titan;
- Thibault has delivered a certificate signed by the auditors of Thibault to the Company in terms whereof its auditors certify that immediately after the Disposal Ordinary Shares have been transferred and the Consideration Shares have been issued, the fair market value of the assets of Thibault will exceed the aggregate amount of the liabilities of Thibault;
- the required resolutions have been adopted by the requisite number of Minority Shareholders, at a general meeting of Shareholders ("General Meeting");
- Shareholders not holding more than 2% of all Shoprite Holdings' issued Ordinary Shares have exercised appraisal rights in terms of section 164 of the Companies Act; and
- Shareholders have not exercised their rights in terms of section 115(3) of the Companies Act or if Shareholders do exercise those rights, the court has finally approved the special resolutions and the Proposed Transaction or finally rejected an application to review the special resolutions and the Proposed Transaction, as the case may be.

Some of those conditions that are not of a regulatory nature may be waived by the Company or jointly by the parties hereto.

Additional Deferred Shares

Unrelated to the Proposed Transaction, in December 2017 Thibault sold a number of Ordinary Shares held by it at the time. The effect thereof was that Shoprite Holdings became entitled to acquire the Additional Deferred Shares, in accordance with the terms of Shoprite Holdings' memorandum of incorporation. On fulfillment of the above suspensive conditions the Company will accordingly acquire and cancel all the Transaction Deferred Shares as well as the Additional Deferred Shares held by Thibault. The effect thereof will be that on completion of those acquisitions Shoprite Holdings will have no more issued Deferred Shares. The Additional Deferred Shares have not been included in any of the voting percentages calculated in this announcement as the rights to exercise any voting rights in respect of the Additional Deferred Shares have lapsed and Thibault has undertaken not to exercise any voting rights in respect of these shares prior to the cancellation thereof.

The approvals required to implement the Proposed Transaction, as detailed above, will therefore also include approvals for the acquisition and cancellation of the Additional Deferred Shares.

Effective date

The effective date of the Proposed Transaction is expected to be when all the suspensive conditions have been met, which is expected to be on or before 30 September 2019.

4. Process

Board

The following process was followed by Shoprite Holdings to ensure its independence:

- the Board appointed an independent committee to negotiate and evaluate the benefits of the Proposed Transaction for Shoprite Holdings and its Shareholders;
- the Board independently evaluated the Proposed Transaction without the presence of the Titan Group, its appointed directors and its financial advisors; and
- the Board appointed independent financial advisors.

Independent expert

The Board has appointed Ernst and Young Advisory Services Proprietary Limited ("EY") as the independent expert, as required in terms of the Listings Requirements and Companies Act.

EY has furnished a draft opinion to the Board that considers the Proposed Transaction to be both fair and reasonable to Shareholders (the "Draft Independent Expert Opinion"). The Draft Independent Expert Opinion is subject to the limitations and conditions, normal for a transaction of this nature, to be set out in the final opinion and subject to the required regulatory approvals.

5. Impact of the Proposed Transaction on the economic and voting interest of Shareholders

Following the issuance of the Consideration Shares the total voting interest of Minority Shareholders will increase from c.57.7% to c.82.2%, while their economic interest will dilute by c.3.5% (calculated using the total Ordinary Shares in issue less treasury shares of 35,436,572, which are shares owned by Shoprite Holdings' main trading subsidiary, Shoprite Checkers (Pty) Ltd).

The voting interest of the Titan Group will decrease from c.42.3% to c.17.8% and its economic interest will increase from c.14.8% to c.17.8%.

6. Potential financial impact of the Proposed Transaction

The Proposed Transaction is expected to result in a potential once-off reduction in earnings and headline earnings of c.R3.3 billion, based on a 30-day-volume-weighted-average-price of R165.35 per share as at 17 April 2019, for indicative purposes, in Shoprite Holdings' results for the financial year in which the Proposed Transaction is approved. The once-off reduction in earnings is mainly as a result of the recognition of Shoprite Holdings' commitment to issue the Consideration Shares (as referred to above) and will not have an impact on Shoprite Holdings' cash resources.

In addition, the total Ordinary Shares in issue will increase from 591,338,502 to 611,338,502 post the issuance of the Consideration Shares, which will affect the earnings and headline earnings per share calculations.

Other than as explained above, the Proposed Transaction is not expected to have any direct material impact on the future earnings or cash flow of Shoprite Holdings.

Shareholders are advised that the above potential financial impact and statements contained in this announcement have not been reviewed by Shoprite Holdings' auditors or a reporting accountant, are provided for illustrative purposes only and are the responsibility of the Board.

Further details on the financial impact of the Proposed Transaction will be provided in a circular to be posted to Shareholders.

7. Shoprite Holdings share capital

Shoprite Holdings currently has sufficient authorised but unissued Ordinary Shares to issue the Consideration Shares.

8. Cash confirmation provided to the TRP

Shoprite Holdings delivered to the TRP a confirmation from Werksmans Attorneys confirming that Werksmans Attorneys holds an amount equal to the cash consideration required to be paid to acquire all the Deferred Shares, other than the Additional Deferred Shares, in trust for Shoprite Holdings (in conformity with Regulation 111(4) of the Regulations in terms of the Companies Act) ("Cash Confirmation"). The Cash Confirmation is for a nominal amount of approximately R265,000.

9. Intention of Titan post the Proposed Transaction

Immediately post the Proposed Transaction, the Titan Group will remain Shoprite Holdings' largest shareholder. The Titan Group has indicated to Shoprite Holdings that its intention is to remain a long-term Shareholder. In addition, Dr Wiese has indicated his intention post the Proposed Transaction to remain as chairman of the board of directors of Shoprite Holdings.

10. Notice of General Meeting

A circular incorporating a notice of General Meeting to be held on or about 25 June 2019 containing further information in relation to the Proposed Transaction will be posted to Shareholders on or about 27 May 2019, subject to the outcome of engagement with Shoprite Holdings' major Minority Shareholders.

11. Responsibility statement

The Independent Board accepts responsibility for the information contained in this announcement. To the best of its knowledge and belief, the information contained in this announcement is true and nothing has been omitted which is likely to affect the importance of the information.

12. Shareholder rights

Dissenting shareholders

A Shareholder who is entitled to vote at the General Meeting is entitled to seek relief in terms of section 164 of the Companies Act if that Shareholder notified Shoprite Holdings in advance in writing of its intention to oppose the special resolution to be put to Shareholders in terms of sections 48, 114 and 115 of the Companies Act to approve the acquisition of the Deferred Shares ("Scheme Resolution"), was present at the General Meeting and voted against the special resolution. A copy of section 164 will be included in the circular to be posted to Shareholders. In this regard Shareholders are also referred to the suspensive conditions above.

Court approval

Shareholders are advised that in terms of section 115(3) of the Companies Act, despite the Scheme Resolution having been adopted, Shoprite Holdings may not proceed to implement that resolution without the approval of a court if the resolution was opposed by at least 15% of the voting rights that were exercised on that resolution and, within five business days after the vote, any person who voted against the resolution requires Shoprite Holdings to seek court approval; or the court, on an application within 10 business days after the vote by any person who voted against the resolution, grants that person leave to apply to a court for a review of the transaction in accordance with section 115(3). In this regard Shareholders are also referred to the suspensive conditions above.

13. Cautionary withdrawal

Shareholders are advised that following the release of full details of the Proposed Transaction, Shareholders no longer need to exercise caution when dealing in their Ordinary Shares.

PG DU PREEZ

Company Secretary

On behalf of the board of directors of Shoprite Holdings

Date issued: 18 April 2019

Financial Advisor and Transaction Sponsor to Shoprite Holdings: Investec Bank Limited

Financial Advisor to Titan and Thibault: Rand Merchant Bank, a division of FirstRand Bank Limited