



**The Trusted Home of Agriculture**  
**Die Betroubare Tuiste van Landbou**

**BKB Limited**  
**Registration number: 1998/012435/06**  
**("BKB")**



**VKB Beleggings Proprietary Limited**  
**Registration number: 2011/007000/07**  
**("VKB")**

**30 September 2020**

## **JOINT ANNOUNCEMENT: TRANSACTIONS BETWEEN BKB AND VKB**

Shareholders of BKB and VKB ("**BKB & VKB Shareholders**") are referred to the announcement of 2 July 2019 in which shareholders were informed of, amongst others, the introduction of VKB as a shareholder in BKB.

Through today's announcement, the Boards of Directors of BKB and VKB (the "**Boards**") wish to update BKB & VKB Shareholders as well as other interested stakeholders of BKB and VKB insofar further developments which are of importance.

### **Background**

1. As announced on 2 July 2019, BKB and VKB entered into discussions regarding a potential opportunity to investigate the synergies between their respective businesses and/or certain of their business operations ("**Potential Combination Transaction**").
2. In pursuance thereof, BKB and VKB previously committed themselves for a period during which they held discussions in good faith and as a collective effort ("**Discussions**") towards possibly achieving suitable transaction structures for purposes of the Potential Combination Transaction, subject thereto that mutual agreement between BKB and VKB is reached insofar the proposed transactions being investigated ("**Proposed Transactions**").
3. Following the aforementioned Discussions, BKB & VKB Shareholders are hereby further advised that BKB and VKB concluded a transaction framework agreement, which agreement serves as a framework for the pursuance of the Proposed Transactions as a collective effort between BKB and VKB ("**Framework Agreement**").

4. Accordingly, the Boards are pleased to communicate to BKB & VKB Shareholders the salient features of the Proposed Transactions that have been agreed in-principle between BKB and VKB and which will be pursued in accordance with the Framework Agreement.
5. The Proposed Transactions entail that the following new “combined businesses” are envisaged to be established:
  - 5.1. **Trade Retail and Fuel** – in essence comprising the consolidation of the respective trade retail businesses (including the respective fuel retail businesses) of BKB and VKB Landbou Proprietary Limited (“**VKB Landbou**”), a subsidiary of VKB (“**Retail and Fuel Transaction**”); and
  - 5.2. **AgriFin** – in essence comprising the consolidation of BKB and VKB Landbou’s respective financial services businesses related to production and seasonal accounts, term loans and other interest-bearing credit lines (“**AgriFin Transaction**”).

### **Retail and Fuel Transaction**

6. The main objectives (amongst other) to be achieved in pursuing the Retail and Fuel Transaction include:
  - 6.1. centralising BKB and VKB’s existing distribution operations to their respective branches to improve efficiencies and cost savings;
  - 6.2. the retainment of the BKB and VKB brands as well as location and support functions of the respective branches/retail outlets under a single holding company jointly owned by BKB and VKB; and
  - 6.3. maintaining and enhancing the broad-based black economic empowerment credentials of the respective retail fuel businesses.
7. The Retail and Fuel Transaction will be implemented through the consolidation of all the trade retail businesses of BKB and VKB (i.e. conducted at their respective branches), in a manner:
  - 7.1. which retains the trademarks and separate brands of BKB and VKB; and
  - 7.2. where the profits attributable to the former businesses of BKB and VKB are effectively distributed to the former owners of the businesses (i.e. BKB or VKB).
8. The incentive rebate programme of VKB will remain in place. BKB shall receive the profits from its retail and fuel branches as dividends which may in turn also be distributed as dividends to BKB shareholders.

9. Each of BKB's and VKB's retail and fuel businesses will retain their own personnel and management. It is not expected that there will be any merger-related retrenchments.
10. It is an important objective for the Boards that the current approach of both BKB and VKB of being producer-focused be maintained and that customer experiences and service be enhanced through the Retail and Fuel Transaction.

### **AgriFin Transaction**

11. The objectives of the AgriFin Transaction include, amongst others:
  - 11.1. securing long-term funding for the financing businesses of BKB and VKB at competitive rates;
  - 11.2. diversifying the product offerings of these businesses; and
  - 11.3. further expanding the geographical operations of the financing businesses.
12. The AgriFin Transaction will be implemented through the combination of the respective financial services businesses of BKB and VKB.
13. This is expected to position the newly combined finance business favourably in order to address the expanding needs and requirements of BKB and VKB's respective farmer producers and clients, more specifically by making available a range of innovative and competitively priced agricultural finance products.

### **Conclusion**

14. The other businesses of BKB not mentioned above (amongst other livestock, fibre (wool and mohair) and PakHouse Brands) will not form part of the Proposed Transactions but will remain within BKB as holding company.
15. Similarly, the other VKB businesses, including its significant grain business and VKB Agri Processors Proprietary Limited, will not form part of the Proposed Transactions.
16. The Boards are looking forward to exploring the possibilities and potential opportunities for value creation for producers and shareholders that the Proposed Transactions may present.
17. All of the above remains subject to amongst others compliance with all relevant legislation, including competition legislation, and further announcements will be issued in this regard in due course.

18. Due the size of the Proposed Transactions, approval of the shareholders of BKB and VKB are not required for the Proposed Transactions.

**JOINT RELEASE ON BEHALF OF THE BOARDS OF DIRECTORS OF BKB AND VKB.**

**30 SEPTEMBER 2020**



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