



SEA HARVEST GROUP LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 2008/001066/06)

Share code: SHG

ISIN: ZAE000240198

("Sea Harvest Group" or "the Group")

ACQUISITION OF 100% OF LADISMITH CHEESE COMPANY PROPRIETARY LIMITED

1. INTRODUCTION

Sea Harvest Group is pleased to advise shareholders that its wholly-owned subsidiary, Cape Harvest Food Group Proprietary Limited, has concluded a share purchase agreement to acquire the entire issued share capital of Ladismith Cheese Company Proprietary Limited ("Ladismith Cheese") ("the Acquisition") for a purchase consideration of R527 million ("Purchase Consideration"), to be settled in cash.

2. BACKGROUND TO LADISMITH CHEESE

Established in 1999, Ladismith Cheese is a value-adding dairy processing company based in Ladismith in the Western Cape. Ladismith Cheese's primary business is the production, distribution, marketing and sale of cheese, butter and milk powders to the South African retail, wholesale and food service markets.

Centrally located to various areas of milk supply, Ladismith Cheese produced c.9 000 tons of cheese and butter and 7 500 tons of dairy and non-dairy powder and generated revenues of R681 million and profit after tax of R57.7 million for the financial year to 31 January 2018. Ladismith Cheese employs approximately 350 people and has facilities in Johannesburg and offices in Cape Town.

The shareholders of Ladismith Cheese ("the Vendors") are the Taylor Family Trust, Van Zylsdamme Boerdery (Edms) Bpk, the JJ Nel Familie trust, Deyzel & Coetzee CC, the Van der Vyver Trust, JPA Crafford, the McGown Family Trust, the Muller Family Trust and the Ladismith Kaas Aandele Aansporingstrust and its beneficiaries.

3. RATIONALE FOR THE ACQUISITION

The Acquisition is a further step in the execution of Sea Harvest Group's stated investment strategy of growing:

- organically, through additional volumes and margin enhancement – the Group has executed against this pillar through the recent investments in the Harvest Mzansi factory freezer trawler and the implementation of the Marel factory solution at the Group's Saldanha operations;
- through acquisitions of high value species in:
 - the South African seafood sector – the Group has executed with the recent acquisition of Viking Fishing;
 - the Australian seafood sector – the Group has made some progress with the recent investment in the Spanish Mackerel fishery in Western Australia;
 - the aquaculture sector – the Group has executed with the recent acquisition of 51% of Viking Aquaculture; and
- through acquisitions in complementary sectors of the South African food and agricultural industry which exhibit strong fundamentals and growth, and where the Group is able to leverage its core competencies and strengths.

In this regard, the Acquisition represents the acquisition of a profitable branded FMCG food manufacturer of significant scale in the food and agricultural sector with a long track record, strong national brand and a proven management team.

The dairy sector is expected to experience continued growing demand for cheese and butter in response to consumer dietary changes towards natural fat products.

The Acquisition provides Sea Harvest Group with an ideal platform from which to build on in this sector through the development and acquisition of additional dairy and allied beverage products.

4. PURCHASE CONSIDERATION AND OTHER TERMS

As set out in paragraph 1 above, the Purchase Consideration is an amount of R527 million.

The Acquisition has a commercial effective date of 1 February 2018 (the "Effective Date") and the Vendors will accordingly also be paid an escalation amount calculated by applying a rate of 9.39% per annum to R527 million for the period from the Effective Date to the date upon which the Acquisition is implemented ("the Closing Date"), which will be the first business day of the month commencing after the date on which the last of the conditions precedent to which the Acquisition is subject has been fulfilled or waived (as the case may be). The Closing Date is currently expected to be on or about 1 December 2018.

The Purchase Consideration will be settled in cash on the Closing Date, and will be funded from available cash and/or facilities.

It is currently the intention that the Group undertakes a vendor consideration placing of up to R300 million worth of Sea Harvest Group shares with Brimstone Investment Corporation Limited ("Placing"), in order to part-fund the Purchase Consideration. The shares to be issued pursuant to the Placing will be issued at a price no lower than the lower of (a) a 10% discount to the 30-day VWAP on the day the Placing is authorised by the directors and (b) a 10% discount to the three-day VWAP on the date of the Placing. It is intended that the Placing shares be issued at approximately R14 per share. The Placing is subject to Sea Harvest Group shareholder approval.

The Acquisition is subject to such other terms and conditions as are considered typical for a transaction of this nature. These include the provision by the Vendors of appropriate warranties and indemnities, and an escrow arrangement in terms whereof a portion of the Purchase Consideration is retained in escrow for a period of time.

As part of the Acquisition, the Vendors and the key executives have provided certain non-compete undertakings.

Sea Harvest Group will ensure that the provisions of the memorandum of incorporation of Ladismith Cheese does not frustrate it from compliance with the JSE Limited ("JSE") Listings Requirements.

5. CONDITIONS PRECEDENT

The Acquisition is subject to the fulfilment or waiver (as the case may be) of various conditions precedent, by no later than 30 November 2018 or such later date as may be agreed, including, *inter alia*, the following:

- approval of the Acquisition by the applicable competition authorities, either unconditionally or subject to such conditions as may be acceptable to the relevant party/ies;
- the conclusion of an escrow agreement;
- certain third-party consents, waivers and notifications; and
- no material adverse event occurring between Effective Date and Closing Date.

6. FINANCIAL INFORMATION

The net asset value of Ladismith Cheese as extracted from its audited financial results for the 12 months ended 31 January 2018 prepared in accordance with IFRS for Small and Medium sized entities was R266 471 860 and Ladismith Cheese's net profit after tax for the same period was R57 712 869.

7. CATEGORISATION

In terms of the JSE Listings Requirements, the Acquisition is categorised as a Category 2 transaction.

Cape Town
28 August 2018

**Financial Advisor
and Sponsor to
Sea Harvest Group**

**Legal Advisors to
Sea Harvest Group**

**Financial Advisors to
Ladismith Cheese**

**Legal Advisors to
Ladismith Cheese**

