

Illovo Sugar Limited

(Incorporated in the Republic of South Africa)

(Registration number 1906/000622/06)

Share Code: ILV

ISIN: ZAE000083846

("Illovo" or "the Company")

Associated British Foods plc

(Incorporated in England)

(Registration number 293262)

Share Code: ABF

ISIN: GB0006731235

("ABF")

JOINT ANNOUNCEMENT OF THE FIRM INTENTION BY ABF TO MAKE A CASH OFFER TO ACQUIRE ALL OF THE ISSUED SHARES OF ILLOVO NOT ALREADY OWNED BY ABF'S WHOLLY OWNED SUBSIDIARY, ABF OVERSEAS LIMITED ("AOL"), AND WITHDRAWAL OF THE CAUTIONARY ANNOUNCEMENT

1. INTRODUCTION

Further to the Illovo cautionary announcement released on the Stock Exchange News Service ("SENS") of the JSE Limited ("JSE") on 8 February 2016 ("Cautionary Announcement") and the renewal of the Cautionary Announcement released on SENS on 18 March 2016, shareholders of Illovo ("Shareholders") are advised that on 7 April 2016, Illovo entered into a transaction implementation agreement ("TIA") with ABF, in terms of which ABF (or a wholly-owned subsidiary of ABF) will make an offer to acquire all of the issued shares in Illovo (other than the 236 569 232 Illovo shares already owned by AOL) ("Offer Shares").

2. INFORMATION ABOUT ILLOVO

Illovo is Africa's largest sugar producer and has extensive agricultural and manufacturing operations in six African countries. The Illovo group ("the group") harvested 6.3 million tons of sugar cane on its own estates and, together with sugar cane supplied by independent outgrowers across the group, produced 1.8 million tons of raw and refined sugar for the year ending 31 March 2015. It also produces a range of high-value downstream products and generates electricity, fuelled by renewable resources, providing about 90% of the group's annual energy requirements.

The group is a major supplier of sugar to the consumer and industrial markets in the countries in which it operates and to neighbouring regional African markets, using an extensive network of distribution and logistics channels. Export markets include the EU and USA and, through the South African sugar industry, the broader world sugar market. Downstream production of furfural and its derivatives, ethyl alcohol and lactulose are sold primarily into international niche markets. Through its own internal electricity generating capability, using bio-renewable boiler-feedstock such as bagasse and biomass, Illovo provides cost-effective energy supply to all of its own operations and in some of the countries in which it operates, it supplies power into the national grids.

3. INFORMATION ABOUT ABF

ABF is a diversified international food, ingredients and retail group with annual sales of £12.8 billion and 124 000 employees in 48 countries. It has significant businesses in Europe, southern Africa, the Americas, China and Australia. It aims to achieve strong, sustainable leadership positions in markets that offer potential for profitable growth, and

deliver quality products and services that are central to people's lives. The group operates through five business segments: Sugar, Agriculture, Retail, Grocery and Ingredients.

AB Sugar, an operating division of ABF, is an industry leading group serving the international markets for sugar and sugar derived co-products. It has operations in the United Kingdom, Spain, southern Africa and China with an annual processing capacity of some five million tonnes of sugar and 600 million litres of ethanol. ABF acquired its majority shareholding in Illovo in 2006.

4. RATIONALE FOR THE PROPOSED TRANSACTION

Africa is a growth market for sugar, driven by increasing populations and rising incomes. Illovo is well positioned to capitalise on this growth, although, high global sugar stocks, low world sugar prices and forthcoming changes to the EU sugar regime have created a challenging trading environment. AB Sugar has a strong track record of commercial development and delivering performance improvement programmes and believes that full ownership will accelerate Illovo's progress in these areas.

5. MATERIAL TERMS OF THE PROPOSED TRANSACTION

5.1. Transaction mechanism

5.1.1. ABF (or a wholly owned subsidiary) intends to acquire the Offer Shares:

5.1.1.1. by way of a scheme of arrangement ("the Scheme") in terms of section 114 of the Companies Act 71 of 2008, as amended, ("Companies Act") to be proposed by the Illovo board of directors ("Illovo Board") between Illovo and the holders of Offer Shares ("Offer Shareholders"); or

5.1.1.2. if the Scheme fails and ABF so elects, a general offer by ABF to Offer Shareholders to acquire the Offer Shares ("the General Offer"),

(together, the "Proposed Transaction").

5.1.2. The consideration for the Offer Shares is set out in paragraph 5.2 below ("Offer Consideration").

5.1.3. The Scheme will be subject to the fulfilment of the suspensive conditions set out in paragraph 6 below ("Scheme Conditions") and the General Offer will be subject to the fulfilment of the suspensive conditions set out in paragraph 7 below ("General Offer Conditions").

5.1.4. In the event that:

5.1.4.1. the Scheme becomes operative, the listing of all of Illovo's shares on the Main Board of the JSE will be terminated, and Offer Shareholders will be deemed to have disposed of all of the Offer Shares for the Offer Consideration thereby constituting Illovo as a wholly-owned subsidiary of ABF; or

5.1.4.2. the General Offer is made, following approval of the delisting resolution contemplated in paragraph 7.1.3 below ("Delisting

Resolution”) only Offer Shareholders who accept the General Offer will sell their Offer Shares to ABF for the Offer Consideration. Those Offer Shareholders who do not accept the General Offer will remain shareholders in Illovo, which will become an unlisted subsidiary of ABF if the Delisting Resolution is passed.

5.2. Offer consideration

In terms of the Proposed Transaction, Offer Shareholders will receive a cash consideration of R25 per Offer Share acquired.

Illovo has undertaken that it will not declare or pay any distribution until the Proposed Transaction is implemented or fails.

The table below illustrates the Offer Consideration premium:

	Prior to the Cautionary Announcement (5 February 2016) (R)	Premium(%)
Market price ¹	18.37	36.1%
30-day VWAP ²	17.25	44.9%
60-day VWAP ³	16.32	53.2%
90-day VWAP ⁴	17.17	45.6%

Notes:

1. Closing price of Illovo shares on the JSE on 5 February 2016, being the last trading day prior to the publication of the Cautionary Announcement.
2. The volume weighted average price (“VWAP”) at which Illovo shares traded on the JSE for the 30 trading days up to and including 5 February 2016.
3. VWAP at which Illovo shares traded on the JSE for the 60 trading days up to and including 5 February 2016.
4. VWAP at which Illovo shares traded on the JSE for the 90 trading days up to and including 5 February 2016.

6. CONDITIONS TO THE SCHEME

- 6.1. The implementation of the Scheme is subject to the fulfilment or waiver, as applicable, of the following conditions by no later than 31 July 2016, or such later date as Illovo and ABF agree on in writing on or before such date:
 - 6.1.1. an independent expert, appointed by the independent board referred to in paragraph 13 below (“Independent Board”), provides a “fair and reasonable opinion” in relation to the Proposed Transaction in compliance with the Companies Act and the Takeover Regulations, which states, among other things, that the Offer Consideration is fair and reasonable to Offer Shareholders;
 - 6.1.2. the Independent Board making a written unanimous recommendation, and each of the directors of the Company (other than the three directors who are nominees of ABF) making a written recommendation, to Offer Shareholders

to vote in favour of all resolutions related to the Proposed Transaction (“Transaction Resolutions”);

- 6.1.3. the approval of the special resolution for the Scheme (“the Scheme Resolution”) by the requisite majority of Offer Shareholders in terms of the Companies Act and, if the provisions of section 115(2)(c) of the Companies Act become applicable:
 - (i) the approval of the Scheme by the High Court; and
 - (ii) if applicable, the Company not treating the scheme resolution as a nullity as contemplated in section 115(5)(b) of the Companies Act;
- 6.1.4. the approval of the special resolution to be proposed by the Illovo Board for the deletion, with effect from the date on which the Proposed Transaction is implemented, of article 8 and articles 135 to 146 of Illovo’s Memorandum of Incorporation (“MOI”) in terms of section 16(1)(c)(i)(aa) of the Companies Act and article 8 of the MOI (“the MOI Amendment Resolution”) and the filing (together with the prescribed fee) of such resolution as contemplated by section 16(7) of the Companies Act with the Companies and Intellectual Property Commission;
- 6.1.5. in relation to any objection to the Scheme Resolution and/or the MOI Amendment Resolution by Offer Shareholders, either:
 - (i) such Offer Shareholders give notice objecting to the Scheme Resolution and/or the MOI Amendment Resolution, as applicable, as contemplated in section 164(3) of the Companies Act, and the aggregate number of votes exercised against either or both of such resolutions is no more than 5% of all the Offer Shares (provided that if an Offer Shareholder exercises his votes against both of such resolutions, his votes shall only be taken into account once for this purpose), or
 - (ii) if the circumstances contemplated in paragraph 6.1.5(i) arise, Offer Shareholders have not exercised appraisal rights by giving valid demands in terms of sections 164(5) to 164(8) of the Companies Act, in respect of more than 5% of all the Offer Shares within 30 business days following the general meeting (provided that if an Offer Shareholder exercises appraisal rights in respect of both of such resolutions, his Offer Shares shall only be taken into account once for this purpose);
- 6.1.6. all clearances required to effect the Scheme are granted, including without being limited to:
 - (i) the approval of the documents related to the Proposed Transaction by the Takeover Regulation Panel (“TRP”) and the issue by the TRP of a compliance certificate with respect to the Scheme in terms of section 121(b) of the Companies Act;
 - (ii) approval of the South African Reserve Bank in terms of the South African Exchange Control Regulations;
 - (iii) approval of the JSE, including approvals required from the JSE in connection with the termination of the listing of Illovo’s shares;

provided that if any such clearance is granted subject to any condition or qualification, then ABF shall be entitled to consent to the imposition of the condition or qualification, in which event the clearance will be regarded as having been granted; provided further that if such clearance is granted subject to any condition or qualification which is of a material nature, then, notwithstanding the foregoing, both Illovo and ABF must agree to the imposition of such condition or qualification if the clearance is to be regarded as having been granted;

6.1.7. a resolution is passed by the Illovo Board to amend certain of the rules (“PSS Scheme Rules”) of the Illovo Sugar Phantom Share Scheme (“PSS Scheme”); and

6.1.8. a resolution is passed by the remuneration committee of the Illovo Board to amend certain of the rules (“FSP Rules”) of the Illovo Sugar Limited Forfeitable Share Plan (“FSP”).

6.2. Waiver of Scheme Conditions

6.2.1. ABF shall be entitled to waive (in whole or in part) in writing the Scheme Conditions stipulated in paragraphs 6.1.1 (insofar as it relates to the recommendation of the independent expert), 6.1.2, 6.1.4, 6.1.5, 6.1.7 and 6.1.8.

6.2.2. The Scheme Conditions stipulated in paragraphs 6.1.1 (insofar as it relates to the appointment of the independent expert and the issue of the “fair and reasonable opinion”), 6.1.3, 6.1.6(i), 6.1.6(ii) and 6.1.6(iii) are not capable of waiver.

6.2.3. ABF and Illovo by agreement shall be entitled to waive (in whole or in part), in writing, the Scheme Conditions stipulated in paragraphs 6.1.6 (insofar as it does not relate to paragraphs 6.1.6(i), 6.1.6(ii) and 6.1.6(iii)).

7. CONDITIONS TO THE GENERAL OFFER

As indicated in paragraph 5.1.1.2 above, the General Offer will only be made if the Scheme fails. Shareholders will be kept informed in this regard.

7.1. The implementation of the General Offer is subject to the fulfilment or waiver, as applicable, of the following conditions by no later than 15 September 2016, or such later date as Illovo and ABF agree on in writing on or before such date:

7.1.1. an independent expert, appointed by the Independent Board, provides a “fair and reasonable opinion” in relation to the Proposed Transaction in compliance with the Companies Act and the Takeover Regulations, which states, among other things, that the Offer Consideration is fair and reasonable to Offer Shareholders;

7.1.2. the Independent Board making a written unanimous recommendation, and each of the directors of the Company (other than the three directors who are nominees of ABF) making a written recommendation, to Offer Shareholders to vote in favour of all the Transaction Resolutions;

- 7.1.3. approval of an ordinary resolution to be proposed by the Illovo Board to approve the delisting of Illovo shares from the Main Board of the JSE in terms of section 1.14(a) of the JSE Listings Requirements, if the General Offer is made;
- 7.1.4. the approval of the MOI Amendment Resolution and the filing (together with the prescribed fee) of such resolution as contemplated by section 16(7) of the Companies Act with the Companies and Intellectual Property Commission;
- 7.1.5. in relation to any objection to the MOI Amendment Resolution by Offer Shareholders, either:
- (i) such Offer Shareholders give notice objecting to the MOI Amendment Resolution, as contemplated in section 164(3) of the Companies Act, and vote against such resolution in respect of no more than 5% of all the Offer Shares; or
 - (ii) if the circumstances contemplated in paragraph 7.1.5(i) arise, Offer Shareholders have not exercised appraisal rights by giving valid demands in terms of sections 164(5) to 164(8) of the Companies Act, in respect of more than 5% of all the Offer Shares within 30 business days following the general meeting;
- 7.1.6. all clearances required to effect the General Offer are granted, including without being limited to:
- (i) the approval of the documents related to the Proposed Transaction by the TRP and the issue by the TRP of a compliance certificate with respect to the General Offer in terms of section 121(b) of the Companies Act;
 - (ii) approval of the South African Reserve Bank in terms of the South African Exchange Control Regulations;
 - (iii) approval of the JSE, including, approvals required from the JSE in connection with the termination of the listing of the Shares, if the Delisting Resolution has been passed;
- provided that if any such clearance is granted subject to any condition or qualification, then ABF shall be entitled to consent to the imposition of the condition or qualification, in which event the clearance will be regarded as having been granted; provided further that if such clearance is granted subject to any condition or qualification which is of a material nature, then, notwithstanding the foregoing, both Illovo and ABF must agree to the imposition of such condition or qualification if the clearance is to be regarded as having been granted;
- 7.1.7. a resolution is passed by the Illovo Board to amend certain of the PSS Scheme Rules; and
- 7.1.8. a resolution is passed by the remuneration committee of the Illovo Board to amend certain of the FSP Rules.

7.2. Waiver of General Offer Conditions

- 7.2.1. ABF shall be entitled to waive (in whole or in part) in writing the General Offer Conditions stipulated in 7.1.1 (insofar as it relates to the recommendation of the independent expert), 7.1.2, 7.1.3, 7.1.4, 7.1.5, 7.1.7 and 7.1.8.
- 7.2.2. The General Offer Conditions stipulated in paragraphs 7.1.1 (insofar as it relates to the appointment of the independent expert and the issue of the “fair and reasonable opinion”), 7.1.6(i), 7.1.6(ii) and 7.1.6(iii) are not capable of waiver.
- 7.2.3. ABF and Illovo by agreement shall be entitled to waive (in whole or in part), in writing, the General Offer Conditions stipulated in paragraphs 7.1.6 (insofar as it does not relate to paragraphs 7.1.6(i), 7.1.6(ii) and 7.1.6(iii)).

8. TERMINATION RIGHTS IN CERTAIN CIRCUMSTANCES

The Proposed Transaction and the TIA will terminate with immediate effect, *inter alia*, as follows:

- 8.1. Upon written notice by ABF to Illovo, if the recommendation of the Independent Board is: (i) withdrawn; or (ii) having been given, is not withdrawn, but the Independent Board recommends a competing proposal.
- 8.2. Upon written notice by ABF to Illovo, if a MAC has occurred after 31 March 2016. For the purposes of this paragraph, MAC means:
 - 8.2.1. any change or proposed change in any law, regulation or policy in South Africa which would restrict the ability of ABF to transmit freely capital injected into, and/or dividends or other distributions paid out by, Illovo into foreign exchange and to remit it offshore and, for the purposes hereof, a “proposed change” means a change proposed in terms of a bill introduced in the National Assembly of the Parliament of South Africa, or in terms of a draft bill or draft regulations published by a department of the Government of South Africa for public comment, in either case, after the date of signature of the TIA; or
 - 8.2.2. an adverse effect, fact or circumstance or any potential adverse effect, fact or circumstance (which may include, a civil commotion or unrest, a coup d’état taking place, the outbreak of war or nationalisation or expropriation) which arises or occurs or is reasonably expected to arise or occur, and which results, or is reasonably expected to result, (alone or together with any other such actual or potential adverse effect fact or circumstance) in a reduction of more than R315 000 000 in Illovo’s earnings before interest and tax for the financial year ending 31 March 2017.
- 8.3. Upon written notice by either ABF or Illovo (“Terminating Party”) to the other one of them (“Breaching Party”), given prior to implementation of the Proposed Transaction, if the Breaching Party commits a material breach of the TIA, the Scheme or the General Offer and fails to remedy such breach within 10 Business Days of receipt of a notice from the Terminating Party to the Breaching Party requesting same.

9. LETTERS OF SUPPORT

ABF has received non-binding letters of support from each of the executive directors of Illovo to support the Proposed Transaction, vote in favour of the Transaction Resolutions and accept the General Offer, if made.

10. UNDERTAKINGS AND SHAREHOLDER SUPPORT

To date, commitments have been received from certain Shareholders or asset managers, including Allan Gray Proprietary Limited (“Allan Gray”), Investec Asset Management Proprietary Limited and Kagiso Asset Management Proprietary Limited, collectively holding or managing, as the case may be, 54% of the Offer Shares, on behalf of their clients, to either vote in favour of, or recommend to their clients (as in the case of Allan Gray) to vote in favour of, the Scheme and/or all Transaction Resolutions.

11. FUNDING OF THE PROPOSED TRANSACTION

ABF will fund the Offer Consideration from its own cash resources and existing facilities. The TRP has been provided with a cash guarantee from ABSA Bank Limited in compliance with Regulation 111 of the Takeover Regulations.

12. INTERESTS OF ABF AND ITS RESPECTIVE DIRECTORS’ INTERESTS IN ILLOVO SECURITIES

As at the date of release of this announcement, none of the directors of ABF has declared any direct interests in Illovo. The directors of ABF have not had any dealings in Illovo shares during the period beginning six months before the date of release of this announcement and ending on the date of release of this announcement.

13. INDEPENDENT BOARD AND FAIR AND REASONABLE OPINION

Illovo has convened its Independent Board, comprised of its independent non-executive directors Messrs T S Munday, M J Hankinson, A Mpungwe, G Gomwe, Drs D Konar, S Kana and Mrs C W N Molohe, to consider the terms of the Proposed Transaction. The Independent Board has retained Rand Merchant Bank, a division of FirstRand Bank Limited (“RMB”) as independent expert for the purposes of providing a report and opinion on the Proposed Transaction, as required under section 114(2) and (3) of the Companies Act and regulations. RMB has furnished a preliminary opinion (“Preliminary Opinion”) to the Independent Board that it considers the Proposed Transaction to be fair and reasonable to Shareholders. The Preliminary Opinion is based on information available to RMB up to and including 6 April 2016 and is subject to the limitations and conditions to be set out in the formal opinion to be contained in the shareholder circular for the Proposed Transaction (“Circular”).

The Independent Board, having considered the terms of the Proposed Transaction and the Preliminary Opinion, intend to unanimously recommend to Offer Shareholders to vote in favour of the Transaction Resolutions and to accept the General Offer, if made.

14. POSTING OF CIRCULAR

It is anticipated that the Circular will be posted to Shareholders on or about 25 April 2016. The Circular will include, among other things, the notice of the meeting to be held on or about 25 May 2016 for the purpose of considering and, if deemed fit, passing the Transaction Resolutions. A further announcement setting out the salient dates and times in relation to the Proposed Transaction, the Circular and the meeting will be released in due course.

15. WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT

The Cautionary Announcement is hereby withdrawn and caution is no longer required to be exercised by Shareholders when dealing in their Illovo shares.

16. INDEPENDENT BOARD RESPONSIBILITY STATEMENT

The Independent Board (to the extent that the information relates to Illovo) accepts responsibility for the information contained in this announcement and certify that, to the best of their knowledge and belief, the information contained in this announcement relating to Illovo is true and this announcement does not omit anything that is likely to affect the import of such information.

17. ABF BOARD RESPONSIBILITY STATEMENT

ABF's board of directors (to the extent that the information relates to ABF) accepts responsibility for the information contained in this announcement and certifies that, to the best of their knowledge and belief, the information contained in this announcement relating to ABF is true and this announcement does not omit anything that is likely to affect the import of such information.

Durban
8 April 2016

Financial adviser and transaction sponsor to Illovo

The Standard Bank of South Africa Limited

Legal adviser to Illovo

Edward Nathan Sonnenbergs Inc

Independent Expert

Rand Merchant Bank (a division of FirstRand Bank Limited)

Financial adviser to ABF

Rothschild (South Africa)

Legal adviser to ABF

Bowman Gilfillan Incorporated