



D A W N

**DISTRIBUTION AND WAREHOUSING
NETWORK LIMITED**

(Incorporated in the Republic of South Africa)
(Registration number 1984/008265/06)
Share code: DAW & ISIN code: ZAE000018834
("DAWN" or "the Company")

**SALE OF SHARES AND CLAIMS IN SWAN PLASTICS
PROPRIETARY LIMITED ("SWAN PLASTICS")**

1. Introduction

Shareholders are hereby advised that on 4 October 2017, DAWN Consolidated Holdings Proprietary Limited ("DCH"), a wholly owned subsidiary of DAWN, agreed binding terms with Michael Swanson, Phillip Cotterill and Desmond Robins, being the minority shareholders in Swan Plastics, for the sale of DCH's 51% equity shareholding and claims in Swan Plastics on the terms and conditions set out below (the "Sale"). The terms will be recorded in writing in a sale agreement to be entered into between the parties ("the Sale Agreement").

The effective date of the Sale will be the signature date of the Sale Agreement – which will be announced as and when it arises.

2. Business of Swan Plastics

Swan Plastics is principally involved in the manufacturing of PVC products and water waste systems.

3. Transaction structure and consideration payable

The purchase price for the shares and claims is R35 million (thirty five million rand), payable in cash. The purchase price will be payable as follows:

- R30 million (thirty million rand) within 7 days of signature date of the Sale Agreement; and
- R5 million (five million rand) by 3 April 2018, which amount will bear interest at the prime rate and will be calculated from the signature date of the Sale Agreement until the date of payment.

Title to the shares and claims will pass upon payment of the R30 million. Payment of the R5 million is to be secured to Dawn's satisfaction.

4. Rationale for the Sale

In terms of the agreements entered into at the time of DCH's investment in Swan Plastics, a written call option was entered into between the shareholders in 2013. In terms of the call option, DCH is obliged to purchase the minority shareholders' equity in and claims against Swan Plastics if certain events occur. As a result, this call option was disclosed as a derivative liability in the audited Dawn group financial statements as at 31 March 2017 to the value of R72,2 million.

The minority shareholders indicated they wanted to trigger the call option, however, it was agreed to dispose of the remaining shareholding for R35 million instead.

The derivative liability will be de-recognised from the effective date of the Sale.

5. Use of the Sale proceeds

DAWN intends to use the Sale proceeds towards working capital, thereby reducing the Company's interest burden and associated gearing levels.

6. Net assets and profits attributable to the Sale

As at 31 March 2017, DCH's audited investment in Swan Plastics reflected a carrying amount of R20 million, on an IFRS basis.

The audited total profit after tax of Swan Plastics for the financial year ended 31 March 2017 amounted to R29,5 million, and the audited net asset value of Swan Plastics as at 31 March 2017 amounted to R45,3 million, all calculated on an IFRS basis.

7. Conditions precedent to the Sale

There are no conditions precedent to the Sale.

8. Categorisation

In terms of the JSE Listings Requirements, the Sale is classified as a Category 2 transaction and does not require shareholder approval.

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5 October 2017

Sponsor

Deloitte.

Legal advisor to DAWN

