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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" or "the Group")

ANNOUNCEMENT OF THE PROPOSED SALE BY DAWN OF ITS 49% INTEREST IN GROHE DAWN  
WATERTECH HOLDINGS PROPRIETARY LIMITED ("GDW") AND WITHDRAWAL OF CAUTIONARY  
ANNOUNCEMENT

## 1. Introduction

Shareholders are referred to the cautionary announcements dated 11 July 2017 and 23 August 2017.

DAWN is pleased to announce the conclusion of a share purchase agreement ("Share Purchase

Agreement") and ancillary transaction agreements ("Transaction Agreements") on Thursday, 14

September 2017, with LIXIL Corporation ("LIXIL"), the 51% controlling shareholder of GDW. Under the

terms of the Share Purchase Agreement, LIXIL will acquire the remaining 49% of the issued ordinary

shares in GDW held by DAWN ("the GDW Shares") and GDW will repay DAWN's shareholder loan

claim against GDW (collectively "the Transaction"), pursuant to which DAWN will receive an aggregate

consideration of R324.5 million ("the Transaction Proceeds").

In accordance with the Transaction Agreements, DAWN is pleased to note that, in pursuit of its

turnaround strategic initiatives for its core operations, it will remain the master distributor for the GDW

product range in southern Africa through distribution and service agreements.

## 2. GDW overview

GDW is an investment holding company of the Watertech Companies engaged in the manufacture and

supply of taps, mixers, sanitary ware and related plumbing accessories.

The GDW group manages a portfolio of well-known brands, including Libra Bathrooms, Plexicor, Apex

Valves, Cobra Water Technology, Vaal Ceramics, Grohe and ISCA.

The GDW group includes the following subsidiaries which are collectively referred to as "the Watertech

Companies":

- . Grohe Dawn Fitting Division Proprietary Limited;
- . Libra Bathrooms Proprietary Limited;
- . Vaal Sanitaryware Proprietary Limited; and
- . Apex Valves South Africa Proprietary Limited.

### 3. Rationale for the Transaction

In accordance with the turnaround strategic initiatives, management and the board of directors of

DAWN ("the Board") deemed DAWN's non-controlling interest in GDW as non-core as:

- . GDW is independently managed by LIXIL; and
- . GDW's capital investment program to modernise plant and equipment and product designs would  
require shareholders to contribute additional cash resources.

In this context, DAWN management and the Board believe that DAWN's cash resources would be

better utilised through the allocation of the Transaction Proceeds to DAWN's core South African

operations. This view is augmented by GDW having entered into the Transaction Agreements, including

the master distributor arrangements, with DAWN and its two wholly owned subsidiaries, Wholesale

Housing Supplies Proprietary Limited ("WHS") and Distribution and Warehousing Network Africa

Proprietary Limited (“DAT”) (further details set out in paragraph 4.2 below); regulating the relationship

with GDW and the Watertech Companies.

#### 4. The Transaction

##### 4.1. Share Purchase Agreement

LIXIL indirectly owns 51% of the GDW Shares through Grohe Luxembourg Four S.A. (“Grohe”),

an indirect wholly owned subsidiary of LIXIL. DAWN owns the remaining 49% of the GDW

Shares.

In accordance with the Share Purchase Agreement, DAWN will dispose of the GDW Shares to

LIXIL, against payment by LIXIL of the purchase consideration for such shares, and the

repayment by GDW of amounts outstanding under the DAWN loan agreement, pursuant to

which DAWN will receive an aggregate consideration of R324.5 million.

The salient terms and conditions of the Share Purchase Agreement are set out below:

. the Share Purchase Agreement is subject to the fulfilment of the conditions precedent

contained in paragraph 4.2 below;

. the purchase consideration and the amount outstanding under the DAWN loan

agreement will be settled by an electronic funds transfer, free of any deductions, set-off

or withholding of any amount;

. DAWN is providing LIXIL normal and usual title warranties in relation to the GDW

Shares it owns;

. the Share Purchase Agreement contains the normal and usual remedies for a breach

of the agreement, including cancellation of the Transaction. However, the Share

Purchase Agreement may not be cancelled by any of DAWN, GDW or LIXIL (“the

Parties”) after payment of the purchase consideration and the repayment by GDW of

amounts outstanding under the DAWN loan agreement; and

? LIXIL is entitled to assign its rights under the Share Purchase Agreement to another

company within its group.

#### 4.2. Conditions precedent to the Share Purchase Agreement

The Share Purchase Agreement is subject to the fulfilment of the following suspensive

conditions on or before 31 December 2017:

. that any and all consents and approvals required from the JSE Limited to enter into and

implement the Transaction are obtained, including the approval of the circular (as referred

to in paragraph 5 below);

. that any and all consents and approvals required from the shareholders of DAWN in terms

of the Listings Requirements of the JSE Limited are obtained;

. that any and all consents and approvals required in terms of the Exchange Control

Regulations (promulgated in terms of section 9 of the Currency and Exchanges Act, No. 9

of 1933) in connection with the Grohe loan amendment agreement and the Transaction are

obtained;

. that any and all consents and approvals required in terms of the Namibian Competition Act,

in connection with the Transaction are obtained; and

. that the Transaction Agreements are concluded and/or are obtained (as applicable) and if

subject to conditions, become unconditional, save in relation to any conditions requiring

that the Share Purchase Agreement be entered into and become unconditional.

None of the conditions precedent may be waived. The time for fulfilment of the conditions

precedent may be extended to a later date as agreed to in writing by both LIXIL and DAWN on

or before 31 December 2017.

#### 4.3. Salient terms of the Transaction Agreements

Pursuant to the Share Purchase Agreement, the Parties and/or their underlying group

companies have entered into the Transaction Agreements. The material details of these

agreements are set out below.

The Transaction Agreements (other than the Share Purchase Agreement) are all inter-

conditional on the Share Purchase Agreement becoming unconditional. Therefore, if the Share

Purchase Agreement fails to become unconditional, the Transaction Agreements will not

become unconditional.

The Transaction and the transactions contained in the Transaction Agreements constitute an

indivisible transaction. If any Transaction Agreement is not executed contemporaneously with

the others or if any fail to take effect in full or is terminated or cancelled for any reason on or

before the completion of the relevant closing obligations of each of the Parties in terms of the

Share Purchase Agreement ("Closing"), then each of DAWN and LIXIL will be

entitled to

terminate the Share Purchase Agreement summarily, on written notice.

4.3.1. WHS master distributor agreement

The WHS master distributor agreement records the terms and conditions on which WHS

is appointed by each Watertech Company as its non-exclusive distributor of such

company's products within South Africa, Botswana, Swaziland, Namibia and Lesotho.

Pursuant to this agreement, the Watertech Companies will sell, and WHS will purchase

the relevant products.

4.3.2. DAT master distributor agreement

The DAT master distributor agreement records the terms and conditions on which DAT

is appointed by each Watertech Company as its non-exclusive distributor of that

company's products within certain jurisdictions which include, inter alia, Zambia,

Zimbabwe, Mozambique, Malawi, Seychelles, Rwanda, Ghana, Tanzania and the

Democratic Republic of Congo. Pursuant to this agreement, the Watertech Companies

will sell, and DAT will purchase, the relevant products.

4.3.3. Consignment agreement

Under the consignment agreement, the Watertech Companies will appoint WHS to hold

the inventory of the Watertech Companies recorded in their enterprise resource

planning ("ERP") systems which are held by WHS at its premises immediately before

the first business day of the calendar month following the calendar month in which

Closing occurs (“the Commencement Date”) on consignment.

The consignment agreement is expressed to endure for not longer than one year from

the Commencement Date, at which point WHS will return all remaining consignment

inventory held by GDW.

#### 4.3.4. Third party logistics agreement (“3PL Agreement”)

The Watertech Companies require third party logistics services to, inter alia, deliver their

products to their customers. Consequently, it has entered into the 3PL Agreement

whereby each Watertech Company wishes to appoint WHS as a non-exclusive

independent contractor to perform services which include scheduling, delivery,

unloading and reverse logistics within South Africa, Botswana, Swaziland, Namibia and

Lesotho.

#### 4.3.5. Termination of services and amendment agreement

The current sales, operational and distribution services that WHS provides to the

Watertech Companies will terminate with effect from the Commencement Date, due to

the new Transaction Agreements (excluding the termination of services and amendment

agreement) being entered into, and are no longer required to be separately regulated in

such agreement. The previous agreement will remain in force to regulate the provision

by WHS of certain IT and payroll services (provided to date), which will be terminable

by the giving of written notice by any party thereto.

4.3.6. Irrevocable undertakings

DAWN has obtained irrevocable undertakings from certain of its shareholders to vote in

favour of the resolutions required to implement the Transaction. Details of such

irrevocable undertakings will be included in the circular to shareholders referred to

paragraph 5 below.

4.4. Restraint and bilateral non-solicitation

As part of the Share Purchase Agreement, DAWN has provided an undertaking to LIXIL, GDW

and each Watertech Company that:

. it will not at any time during the period commencing on Closing and expiring on the

second anniversary of Closing ("Restraint Period") become engaged in any competing

business (as defined in the Share Purchase Agreement) carried on anywhere in Sub-

Saharan Africa; and

. it will not at any time during the Restraint Period solicit or employ certain key employees

from LIXIL or any Watertech Company.

GDW has also provided substantially the same non-solicitation undertaking in favour of DAWN

and WHS not to solicit certain key employees of DAWN and WHS.

4.5. Utilisation of the Transaction Proceeds

DAWN intends to utilise the Transaction Proceeds for its ongoing operations after:

. settling the Company's existing indebtedness in full with ABSA Bank Limited under its

revolving credit and overdraft facility in an aggregate of R200 million; and



. settling Transaction costs including any taxes that will arise from the Transaction.

#### 4.6. Categorisation of the Transaction

The Transaction is a category 1 transaction in accordance with the Listings Requirements of the

JSE Limited. A general meeting of DAWN shareholders will be convened to be approve the

required resolutions by DAWN shareholders (“General Meeting”). In this context, DAWN seeks

to procure irrevocable undertakings from shareholders to vote in favour of such resolutions,

details of which will be included in the circular to shareholders referred to paragraph 5 below.

#### 5. Circular

A circular containing the full details of the Transaction, recommendation by the Board, and

incorporating a notice convening the required General Meeting, will be posted to shareholders in due

course and the date of the General Meeting will be announced on SENS once the circular is posted.

#### 6. Financial information relating to the Transaction

As per the 31 March 2017 DAWN audited consolidated financial statements, the investment in GDW

had a carrying amount of R290.6 million and contributed a loss, including impairments of R65.7 million

to the Group.

#### 7. Responsibility statement

The Board accepts responsibility for the information contained in the announcement. To the best of

their 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 included.

8. Withdrawal of Cautionary Announcement

Shareholders are referred to the cautionary announcement dated 11 July 2017 and renewed on 23

August 2017, respectively, and are advised that they are no longer required to exercise caution when

dealing in DAWN's securities.

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14 September 2017

Financial advisor and transaction sponsor

Investec Bank Limited

Legal advisors to DAWN

Edward Nathan Sonnenbergs Incorporated

Werksmans Attorneys

Legal Advisors to LIXIL

Bowman Gilfillan Incorporated

Sponsor

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