

BOWLER METCALF LIMITED

Incorporated in the Republic of South Africa
(Registration number 1972/005921/06)
Share code: BCF ISIN: ZAE0000308797
("Bowler Metcalf" or "the Company")

DISPOSAL OF QUALITY BEVERAGES 2000 PROPRIETARY LIMITED ("QB") IN RETURN FOR A STRATEGIC SHAREHOLDING

INTRODUCTION

The Company is pleased to advise shareholders that it and MIF Holdings (Pty) Ltd ("MIF"), the holding company of Shoreline Sales and Distribution (Pty) Ltd ("Shoreline") have signed Heads of Agreement ("HOA") which set out the key terms on which the Company proposes to dispose of 100% of Quality Beverages 2000 (Pty) Ltd ("the Disposal") and MIF will dispose of 100% of Shoreline in return for shareholdings in a newly formed entity, which will hold Quality Beverages 2000 (Pty) Ltd ("QB") and Shoreline as wholly owned subsidiaries ("the Proposed Transaction").

The Proposed Transaction is subject to the conclusion of definitive formal agreements and will be subject to certain conditions precedent, including the completion of a due diligence and approval of the Competition authorities. The Proposed Transaction will become effective at the end of the month in which the conditions precedents are fulfilled.

The Proposed Transaction is not defined as a related party transaction and the terms thereof are outlined below.

BACKGROUND, RATIONALE AND NATURE OF BUSINESS

In 2002 the Company acquired a 30% interest in the soft drink company, QB, with a view to achieving vertical integration for symbiotic growth. This interest was expanded to 51% in 2003. In 2006, to provide expansion finance for QB, the Company followed their rights in a share issue by QB, which increased their interest therein to 74.9%. During 2013, QB became a wholly owned subsidiary of the Company following the acquisition of the remaining minority interests in QB.

At the consumer interface, QB's principal brand of Jive is well recognised in the flavoured carbonated soft drinks market in the Western Cape and QB continues to be strong in the market of confined labels (for major retail groups) both in the Western Cape and Gauteng.

Shoreline, under the brand name of Coo-ee, successfully runs a remarkably similar business to QB from an operational and standards point of view, with its primary market being KZN. Earlier this year, the Company and MIF commenced discussions with regard to the merger of QB and Shoreline, the intention being to take advantage of the strong regional presence of QB in the Western Cape and Shoreline in KZN, their respective strong brand footprints and production facilities and the synergies in the respective businesses to form a formidable soft drinks business which can compete effectively and efficiently across South Africa. The synergies between the companies, including procurement, production, marketing, distribution and management are very promising. If the Proposed Transaction is successfully concluded, the benefits thereof to all stakeholders (including consumers) should become apparent within a period of twelve months.

TERMS OF THE PROPOSED TRANSACTION

The HOA in respect of the Proposed Transaction were signed by the Company and MIF on 25 September 2014. In terms thereof, the Company and MIF propose to dispose of their 100% shareholdings in QB and Shoreline respectively to a newly formed holding company ("SoftBev") in exchange for strategic shareholdings in SoftBev. Subject to a potential adjustment detailed below, it is envisaged that the Company will hold approximately 42% and MIF approximately 56% of the initial equity interest in SoftBev, while minority shareholdings in SoftBev will be acquired by key employees at fair value.

Through its subsidiary Bowler Plastics (Pty) Ltd ("Bowler"), the Company will be responsible for the implementation of PET bottle blowing ("the Project") at the Epping premises of QB. Upon successful implementation of the Project, Bowler will no longer supply blown bottles to QB (Epping) but continue to supply the same quantity of preforms instead, under certain commercial terms and conditions. This integration of bottle blowing into a filling operation is consistent with best manufacturing practices and will achieve notable efficiencies and therefore reduce the cost of production for QB in the Western

Cape. The loss to Bowler of the PET bottle blowing profits will negatively affect Bowler's operating profits and the impact thereon will be fully detailed in the pro-forma figures which will be included in a circular to shareholders. The HOA provides for a transition period during the Project, as well as a preform supplier agreement, post the Project. The HOA further makes provision for penalties and an adjustment to the Company's shareholding in SoftBev, in the event that the implementation of the Project is delayed or unsuccessful. The Company is confident that Bowler has the experience and expertise to deliver the Project as envisaged.

The sale consideration for the transfer of QB to SoftBev (to be settled by an issue of shares in SoftBev) is approximately R274 000 000 (two hundred and seventy four million Rands). This amount includes the sale of Quality Beverages Johannesburg (Pty) Ltd (the wholly owned subsidiary of QB, operating in Gauteng) but excludes Postal Presents (Pty) Ltd, being the owner of the Epping factory currently occupied by QB. Postal Presents (Pty) Ltd will be retained by the Company.

CONDITIONS PRECEDENT

The Proposed Transaction will be subject to the conclusion of definitive agreements relating to the Proposed Transaction and the following conditions precedent, which will be contained therein:

1. the undertaking of the due diligence investigations, and confirmation by the parties that they are satisfied with the respective outcome thereof;
2. approval of the Proposed Transaction by the shareholders of the Company and MIF;
3. approval of the Proposed Transaction by the JSE and the TRP, as applicable; and
4. approval of the Proposed Transaction by the competition authorities as required by the Competition Act.

It is expected that the conditions precedent will have been fulfilled by 31 December 2014. The parties may, by mutual consent, extend the period for the fulfilment or waiver of any one or more or part of any of the Conditions Precedent.

CATEGORISATION

This Proposed Transaction is a Category 1 disposal for the Company as the sale consideration exceeds 25% of Bowler's market capitalisation (and 30% in terms of the incoming new JSE Listings requirements). Accordingly, a circular will be prepared for distribution to shareholders seeking their approval for the Proposed Transaction.

PRO FORMA FINANCIAL EFFECTS

Pro forma financial effects are currently being prepared for inclusion in the circular to shareholders and will be published in due course.

DOCUMENTATION AND SALIENT DATES

Further details of the Proposed Transaction will be included in a circular to be sent to shareholders in due course. This circular will include, *inter alia*, a notice of the General Meeting at which shareholder approval will be sought and a form of proxy, if required.

The salient dates in relation to the General Meeting will be published on or about the date of posting of the circular.

CAUTIONARY ANNOUNCEMENT

Shareholders are advised to exercise caution in dealing in their securities until a further announcement is made.

Johannesburg
26 September 2014

Sponsor:

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