

SENS ANNOUNCEMENT
(the "Notice" or "Announcement")

ISSUER



ZAMBIAN BREWERIES PLC ("ZAMBREW")
[Incorporated in the Republic of Zambia]

Company registration number: 31609
Share Code: ZAMBREW
ISIN: ZM0000000078
Authorised by: Deborah Bwalya – Company Secretary

SPONSOR



Stockbrokers Zambia Limited

[Founder member of the Lusaka Securities Exchange]
[Regulated and licensed by the Securities and Exchange Commission of Zambia]

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APPROVAL

The captioned Notice or Announcement has been approved by:

- i. the Lusaka Securities Exchange
- ii. the Securities and Exchange Commission
- iii. Stockbrokers Zambia Limited

DISCLAIMER AND RISK WARNING

The Notice or Announcement contained herein contains information that may be of a price sensitive nature.

Investors are advised to seek the advice of their investment advisor, stockbroker, or any professional duly licensed by the Securities and Exchange Commission of Zambia to provide securities advice.

ISSUED: 3 May 2018



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["Zambrew" or the "Company"]

CATEGORY 1 ANNOUNCEMENT: PROPOSED DISPOSAL OF THE NON-ALCOHOLIC READY-TO-DRINK BUSINESS SEGMENT OF THE COMPANY AND WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT

1. **INTRODUCTION**

Zambrew shareholders ("**Shareholders**") are referred to the cautionary announcements ("**Announcements**") published by the Company on:

- i. 20 October 2016;
- ii. 27 December 2016;
- iii. 24 February 2017;
- iv. 19 April 2017;
- v. 8 June 2017;
- vi. 23 August 2017;
- vii. 30 October 2017; and
- viii. 7 March 2018.

The Announcements advised Shareholders that on 11 October 2016, Anheuser-Busch InBev SA/NV ("**ABInBev**" or "**ABI**") (Euronext: ABI) (NYSE: BUD) (MEXBOL: ANB) (JSE: ANH) confirmed receipt of notification from The Coca-Cola Company ("**TCCC**") regarding its intention to acquire the stake of ABInBev in Coca-Cola Beverages Africa Propriety Limited ("**CCBA**").

Shareholders were also advised that Zambrew's soft drinks business does not form part of CCBA but it does, however, operate in terms of bottler's agreements that have been concluded between Zambrew and TCCC ("**Bottler's Agreements**"). In this regard, TCCC has notified Zambrew of its intention to terminate the Bottler's Agreements.

Furthermore, Shareholders were advised that ABInBev and TCCC reached an agreement in principle for TCCC (or an affiliate of TCCC) to acquire the non-alcoholic ready-to-drink business segment of the Company, subject to receipt of any requisite regulatory approvals and material consents.

Zambrew is pleased to announce that it entered into a Master Purchase Agreement on 2 May 2018 ("**MPA**") with Coca-Cola Holdings Africa Limited, an indirect subsidiary of TCCC (the "**Purchaser**"), pursuant to which Zambrew has agreed to dispose of its business of manufacturing, distributing, marketing and selling non-alcoholic ready-to-drink beverages (such business, excluding the manufacturing, distribution, marketing and sale of maheu beverages, being the "**Business**") to the Purchaser (the "**Transaction**"). ABInBev and TCCC have entered into the MPA solely for the purposes of the covenant described in paragraph 2.4.3 below and the guarantees described in paragraph 2.4.4 below. Save for the obligations of ABInBev and TCCC under the covenant and the guarantees, neither ABInBev nor TCCC has any rights or obligations under the MPA.

2. THE DISPOSAL

2.1. BACKGROUND INFORMATION ON THE PURCHASER

The Purchaser is an investment holding company incorporated in the United Kingdom. As mentioned above, it is an indirect subsidiary of TCCC, which is the world's largest total beverage company, offering over 500 brands to people in more than 200 countries.

2.2. RATIONALE FOR THE DISPOSAL

Following TCCC's notification of its intention to terminate the Bottler's Agreements, ABInBev and TCCC reached an agreement in principle for TCCC (or an affiliate of TCCC) to acquire the Business. The MPA was accordingly entered into in order for Zambrew to dispose of the Business to give effect to the in principle agreement between ABInBev and TCCC.

2.3. SALIENT TERMS OF THE TRANSACTION

2.3.1. Internal Restructuring

In order to facilitate the Transaction, Zambrew will implement an internal restructuring to separate the Business from Zambrew's business of brewing, manufacturing, distributing, marketing and selling alcoholic beverages in Zambia ("**Restructuring**").

In terms of the Restructuring:

- (i) Zambrew will incorporate a new company ("**SoftCo**") and will hold all of the issued shares in SoftCo (save for one issued share which will be held by a person indicated by ABI);
- (ii) Zambrew will sell and transfer to SoftCo, which will purchase and acquire from Zambrew, all of Zambrew's right, title and interest in and to all of its assets, properties and rights to the extent primarily used or held for use in the Business (including, among other things, SoftCo Inventory (as defined in paragraph 2.3.3(ii) below) and certain tangible personal property, contracts ("**SoftCo Assumed Contracts**"), intellectual property, records and coolers identified in the MPA ("**SoftCo Assets**"). The MPA identifies certain assets, properties or rights which do not form part of the SoftCo Assets. Those assets, properties and rights include, among other things, cash and trade or other accounts receivable of the Company or the Business, all rights to any bank accounts and any real property or rights to real property (including any lease arrangements).
- (iii) SoftCo will assume, with effect from the consummation of the Restructuring ("**Restructuring Closing**"), and will pay, perform and discharge when due, the liabilities, commitments and obligations of Zambrew and its affiliates under each SoftCo Assumed Contract, except to the extent that such liability, commitment or obligation is required to be discharged prior to the Restructuring Closing Date (as defined in paragraph 2.3.1(v) below) ("**Assumed Liabilities**"). Save for the Assumed Liabilities, SoftCo will not assume any liability or obligation of Zambrew whatsoever, and Zambrew will accordingly retain responsibility for such liabilities and obligations.
- (iv) The consideration to be paid by SoftCo to Zambrew in consideration for the sale, assignment and transfer of the SoftCo Assets will be (a) an amount equal to the tax written down values of the SoftCo Assets ("**Restructuring Purchase Price**") and (b) the assumption by SoftCo of the Assumed Liabilities.
- (v) The Restructuring Closing will occur prior to the Closing (as defined in paragraph 2.3.3 below). On the date on which the Restructuring Closing takes place ("**Restructuring Closing Date**") SoftCo will discharge the Restructuring Purchase Price by issuing additional ordinary shares in SoftCo to Zambrew.

2.3.2. Sale and Purchase of Shares

Following the completion of the Restructuring, and subject to the terms and conditions of the MPA, Zambrew will sell to the Purchaser, and the Purchaser will purchase from Zambrew, all of the issued shares in SoftCo held by Zambrew (“**Shares**”).

2.3.3. **Purchase Price for the Shares**

Subject to the adjustments described below, the consideration to be paid by the Purchaser to Zambrew for the Shares will be an aggregate purchase price of USD142 272 000.00 in cash (“**Purchase Price**”).

On the date on which the consummation of the sale and purchase of the Shares (“**Closing**”) takes place (“**Closing Date**”), the Purchaser (or its designee) will pay to the Company an amount (“**Initial Purchase Price**”) equal to:

- (i) the Purchase Price; *plus*
- (ii) an amount equal to the lesser of (A) the Company’s good faith estimate (“**Estimated Inventory Value**”) of the value (“**Inventory Value**”) of all products imported in cans that are goods in stock, goods in transit and finished products (excluding spare parts, raw materials and work in progress products), in each case held for sale by the Business as at the Closing Date (“**SoftCo Inventory**”); and (B) USD94 861.40; *minus*
- (iii) an amount equal to fifty percent of the Company’s good-faith estimate (“**Estimated Business Portion of Seller Transaction Expenses**”) of any shared one-off costs, as well as any expenses to be borne by the Company under the MPA, if any, in any case that are not paid as of the Closing and will become payable or paid by SoftCo (“**Business Portion of Seller Transaction Expenses**”); *plus or minus*
- (iv) the amount of any adjustment (to be calculated in accordance with a formula set out in terms of the MPA) that may be made pursuant to a tangible asset audit that will be conducted by Zambrew and the Purchaser prior to Closing; *minus*
- (v) ZMW42 954 886.37, converted into United States dollars at the mid-price for Zambian Kwacha into United States dollars, which shall be the Historical Currency Exchange Rate as of the fifth Business Day prior Closing Date, as determined by OANDA Corporation and made available on its website at <http://www.oanda.com/convert/fxhistory>.

The Initial Purchase Price will be adjusted after the Closing Date as follows:

- (i) if the Inventory Value is less than the Estimated Inventory Value, the Initial Purchase Price will be reduced by, and Zambrew will pay to the Purchaser an amount in cash equal to, the difference between the Estimated Inventory Value and the Inventory Value;
- (ii) if the Inventory Value is greater than the Estimated Inventory Value, the Initial Purchase Price will be increased by, and the Purchaser will pay to Zambrew an amount in cash equal to the difference between (A) the lesser of (1) the Inventory Value and (2) USD94 861.40, and (B) the Estimated Inventory Value;
- (iii) if the Business Portion of Seller Transaction Expenses is greater than the Estimated Business Portion of Seller Transaction Expenses, the Initial Purchase Price will be reduced by, and the Company will pay to the Purchaser, an amount in cash equal to, the difference between the Business Portion of Seller Transaction Expenses and the Estimated Business Portion of Seller Transaction Expenses;
- (iv) if the Business Portion of Seller Transaction Expenses is less than the Estimated Business Portion of Seller Transaction Expenses, the Initial Purchase Price will be increased by, and the Purchaser will pay to the Company, an amount in cash equal to, the difference between the Estimated Business Portion of Seller Transaction Expenses and the Business Portion of Seller Transaction Expenses

2.3.4. **Conditions**

- (i) **Conditions to the Obligations of Zambrew and the Purchaser**

The obligations of Zambrew and the Purchaser to consummate the Transaction are subject to the satisfaction of a number of conditions, including (among others):

- that (a) all waiting periods applicable to the consummation of the Transaction under applicable competition laws shall have expired or been earlier terminated; or (b) all such authorizations and consents of or filings with any governmental entity required prior to the consummation of the Transaction under applicable competition laws are obtained or made;
- that there is no order or law of any governmental entity making it illegal, enjoining or prohibiting the consummation of the Transaction or any portion thereof, and that there is no pending or threatened legal proceedings by any such governmental entity seeking to restrain or prohibit the Transaction;
- that the shareholders of the Company approve the Transaction pursuant to section 9 of the Lusaka Securities Exchange Listings Requirements; and
- that the Company and the Purchaser have completed the tangible asset audit referred to in paragraph 2.3.3(iv) above.

Any and all of the conditions referred to above may be jointly waived by Zambrew and the Purchaser (to the extent permitted by applicable law).

(ii) **Conditions to the Obligations of the Purchaser**

The obligations of Purchaser to consummate the Transaction are subject to the satisfaction of a number of conditions, including (among others):

- that (a) each of the representations and warranties of Zambrew (other than the representations and warranties relating to (A) organization, standing and power; subsidiaries, (B) authority and enforceability, and (C) capitalization of SoftCo) are true and correct in all respects as of the Closing Date, except where the failure of such representations or warranties to be so true and correct does not have, and would not reasonably be expected to have, individually or in the aggregate, a material adverse effect; and (b) each of the representations and warranties of Zambrew relating to (A) organization, standing and power; subsidiaries, (B) authority and enforceability, and (C) capitalization of SoftCo are true and correct in all material respects as of the Closing Date;
- that each of the covenants and obligations set out in the MPA that Zambrew is required to comply with or perform at or prior to the Closing has been complied with or performed in all material respects;
- that a material adverse effect shall not have occurred and be continuing since 31 March 2017;
- that there shall not be pending any legal proceeding by or before any governmental entity (a) seeking to restrain or prohibit the Purchaser's direct or indirect ownership or operation of any portion of the Business or the business and assets of SoftCo; or (b) seeking to impose limitations on the ability of the Purchaser to hold or exercise full rights of ownership of the capital stock of SoftCo;
- that the Restructuring shall have been completed; and
- that SoftCo shall be registered for (a) VAT in Zambia; and (b) all other taxes for which SoftCo is required to be registered in order to operate the Business as it is being conducted by Zambrew immediately prior to the Restructuring Closing Date pursuant to Zambian law.

Any and all of the conditions referred to above may be waived by the Purchaser.

(iii) **Conditions to the Obligations of Zambrew**

The obligations of Zambrew to consummate the Transaction are subject to the satisfaction of a number of conditions, including (among others):

- that (a) each of the representations and warranties of the Purchaser (other than the representations and warranties relating to organization, standing and power, authority and enforceability) are true and correct in all respects as of

the Closing Date, except where the failure of such representations or warranties to be so true and correct does not have, and would not reasonably be expected to have, individually or in the aggregate, a material adverse effect; and (b) each of the representations and warranties of the Purchaser relating to organization, standing and power, authority and enforceability are true and correct in all material respects as of the Closing Date; and

- that each of the covenants and obligations set out in the MPA that the Purchaser is required to comply with or perform at or prior to the Closing has been complied with or performed in all material respects.

Any and all of the conditions referred to above may be waived by Zambrew.

2.4. OTHER SIGNIFICANT TERMS OF THE MPA

2.4.1. Employee Matters

Prior to the Restructuring Closing Date, SoftCo will make an offer of employment to certain employees of the Business that are identified in the MPA (“**Business Employees**”), in each case to be effective as of 12:01 a.m. on the Closing Date (“**Transfer Time**”).

The offer of employment to each Business Employee will provide substantially similar terms and conditions of employment to those terms and conditions applicable to such employee immediately before the Closing Date, inclusive of a total compensation package (including base salary or wages, annual target bonus opportunity and other employee benefits) that is no less favorable, in the aggregate, to the total compensation package (including base salary or wages, annual target bonus opportunity and other employee benefits) provided to each such employee immediately prior to the Closing Date.

Zambrew will terminate the employment of each Business Employee by reason of redundancy or any other lawful means of termination, effective as of immediately prior to the Transfer Time.

2.4.2. Other Undertakings, Warranties and Indemnities

The MPA contains other terms customary for agreements of this nature including, among other things: (i) negotiated representations, warranties, indemnities and limitation on liability customary for a transaction of this nature; (ii) provisions governing the operation of the Business during the period falling between the date of signature of the MPA and the Closing Date; and (iii) a company-specific material adverse change definition.

2.4.3. Non-compete

The MPA contains reciprocal non-compete undertakings in terms of which it is agreed that during the period commencing on Closing and ending on the third anniversary of Closing (“**Period**”):

- (i) ABI and the Company will not, and will cause each of their Majority Controlled Affiliates (as defined below) not to, directly or indirectly, (1) engage in any Business of TCCC (as defined below) in Zambia or (2) manage, operate, lend money, grant a bottling agreement or render material services in respect of or that are of a material benefit to any Products of TCCC or license intellectual property rights related to any Product of TCCC to, or participate in the management or operation of, in each case, any person if such activities are a material part of any Business of TCCC in Zambia in which such person is engaged; provided that ABI, the Company and their Majority Controlled Affiliates are not prohibited from, directly or indirectly:
 - a. acquiring, owning or holding (x) debt securities of any person that are not convertible into, exchangeable or exercisable for equity securities of such person, (y) securities of any person that are listed on a recognized stock exchange in any employee pension or similar plan, or (z) equity securities of

- any person that do not give ABI, the Company or any of their Majority Controlled Affiliates Majority Control of such person; or
 - b. owning or acquiring, in a transaction or series of transactions Majority Control of any person or business (an “**Acquired Business**”) that, directly or indirectly, at the time of such acquisition, engages in a Business of TCCC in Zambia, or engages in any of the activities set forth in paragraph 2.4.3(i)(2) (the portion that includes such a Business of TCCC or activities, an “**Acquired Business of TCCC**”) and the continuation of such Acquired Business of TCCC shall not be a breach of the non-compete, provided that (A) the revenue attributable to the Acquired Business of TCCC in Zambia constitutes less than five percent of the total revenue of the Acquired Business, and (B) ABI and its Majority Controlled Affiliates cease to engage in such Acquired Business of TCCC following the date that is twenty-four months after the completion of the relevant transaction or transactions.
- (ii) To avoid the sharing of competitively-sensitive information by the employees formerly involved with the distribution of the Products of ABI, TCCC and the Purchaser will not, and will cause each of their Majority Controlled Affiliates not to, directly or indirectly, (1) use the assets used in conducting the Business in Zambia as a going concern, or any employees formerly involved with the distribution of the Products of ABI, to engage in any business which competes with the Business of ABI in Zambia or (2) manage, operate, lend money, grant a bottling agreement or render material services in respect of or that are a material benefit to any Products of ABI or license intellectual property rights related to any Product of ABI to, or participate in the management or operation of, in each case, any person if such activities are a material part of any Business of ABI in Zambia in which such person is engaged; provided that TCCC, the Purchaser and their Majority Controlled Affiliates are not prohibited from, directly or indirectly:
- a. acquiring, owning or holding (x) debt securities of any person that are not convertible into, exchangeable or exercisable for equity securities of such person, (y) securities of any person that are listed on a recognized stock exchange in any employee pension or similar plan, or (z) equity securities of any person that do not give TCCC, the Purchaser or any of their Majority Controlled Affiliates Majority Control of such person; or
 - b. owning or acquiring, in a transaction or series of transactions Majority Control of any Acquired Business that, directly or indirectly, at the time of such acquisition, engages in a Business of ABI in Zambia, or engages in any of the activities set forth in 2.4.3(ii)(2) (the portion that includes such a Business of ABI or activities, an “**Acquired Business of ABI**”), and the continuation of such Acquired Business of ABI shall not be a breach of the non-compete, provided that (A) the revenue attributable to the Acquired Business of ABI in Zambia constitutes less than five percent of the total revenue of the Acquired Business, and (B) TCCC and its Majority Controlled Affiliates cease to engage in such Acquired Business of ABI following the date that is twenty-four months after the completion of the relevant transaction or transactions.

For the purposes of the non-compete undertakings:

- (i) “**Business of ABI**” means each of the following activities: (a) brewing, manufacturing, producing, processing, packaging and bottling Products of ABI; and (b) marketing, distributing, importing, transporting and selling Products of ABI, excluding (i) any business or activity carried out in Zambia pursuant to the terms of the Manufacturer’s Agreement or the Transition Services Agreement and (ii) any business or activity carried out anywhere in the world other than Zambia.
- (ii) “**Business of TCCC**” means each of the following activities: (a) brewing, manufacturing, producing, processing, packaging and bottling Products of TCCC;

- and (b) marketing, distributing, importing, transporting and selling Products of TCCC, excluding (i) any business or activity carried out in Zambia pursuant to the terms of the Manufacturer's Agreement or the Transition Services Agreement and (ii) any business or activity carried out anywhere in the world other than Zambia.
- (iii) **"Majority Control"**, or other similar expressions such as **"Majority Controlling"** or **"Majority Controlled by"**, means, with respect to any person, (a) the possession, directly or indirectly, of the power or ability (whether through ownership of voting securities, contractual rights or otherwise) to elect, designate or appoint more than fifty percent of the directors of the board of directors (or other group performing similar functions) of such person or (b) ownership of more than fifty percent of the issued and outstanding equity securities of such person.
 - (iv) **"Majority Controlled Affiliates"** means, with respect to any person, any other person Majority Controlled by such person.
 - (v) **"Products of ABI"** means (a) all beverages manufactured or sold by the Company as at the date of execution of this Agreement (including, without limitation, clear beer, traditional African beer, cassava beer, flavoured beer and cider) and (b) all alcoholic and non-alcoholic brewed malt beverages.
 - (vi) **"Products of TCCC"** means all non-alcoholic (a) carbonated soft drinks, (b) waters, (c) flavored waters, (d) isotonic beverages, (e) ready-to-drink maheu, (f) ready-to-drink tea and (g) ready-to-drink coffee (but excluding juices or dairy products).

2.4.4. **Parent Company Guarantee**

Each of ABInBev and TCCC has guaranteed the due, punctual, full and complete performance of the obligations of Zambrew (in the case of ABInBev) or the Purchaser (in the case of TCCC) under the MPA.

2.4.5. **Related Agreements**

In terms of the MPA, Zambrew and the Purchaser will enter into the following agreements in connection with the Transaction:

- (i) **Manufacturer's Agreement**
The Manufacturer's Agreement records the terms upon which TCCC authorizes Zambrew to prepare and package beverages under certain trade marks owned by TCCC for sale and delivery only to designated distributors.
- (ii) **Transition Services Agreement**
The Transition Services Agreement records the terms upon which Zambrew will provide or case to be provided (through one of its affiliates or a subcontractor) to the Purchaser certain services on a transitional basis.

The services to be provided are described in the Transition Services Agreement and are categorized as "General Services" (which include vendor management, fleet maintenance and human resources services) and "IT Services" (which include access to listed IT applications and end-user support).

The General Services will be provided for a period of three months following the Closing Date, and the IT Services will be provided for a period of twelve months following the Closing Date.

2.5. **EFFECTIVE DATE**

Unless Zambrew and the Purchaser agree otherwise, the Closing will take place on the second business day following the day on which the last to be satisfied or waived of the conditions referred to in paragraph 2.3.4 above have been satisfied or waived (other than those conditions that by their terms are to be satisfied at the Closing). However, unless otherwise agreed, the Closing will not occur during the two weeks prior to the end of any calendar quarter.

2.6. APPLICATION OF THE SALE PROCEEDS

The sale proceeds will be applied as follows:

- (i) replacement of or upgrades to systems and assets that have been impacted as part of the Transaction;
- (ii) paying down of local borrowings to ensure suitable capital structure for the reduced business is maintained; and
- (iii) surplus cash will be distributed to shareholders by way of a special dividend.

3. CATEGORISATION OF THE DISPOSAL

The nature of the MPA between the Company and TCCC classifies it as a Category 1 Transaction and is subject to Shareholder approval according to the Lusaka Securities Exchange. A Circular convening a general meeting and providing further details of the disposal will be posted to Shareholders in due course.

4. FURTHER CAUTIONARY

Shareholders are further advised that the financial effects of the Disposal on the Company are currently being assessed by the Company's Reporting Accountants and an announcement detailing the financial effects of the Disposal will be published once established. In the meantime, Shareholders are advised to exercise caution when dealing in the Company's securities.

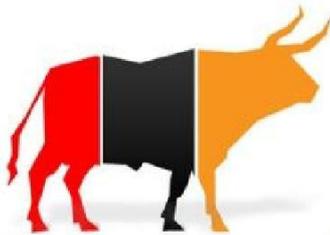
By Order of the Board

Deborah Bwalya

Company Secretary

Issued in Lusaka, Zambia on Thursday, 3rd March 2018

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