Tiger Brands Limited
(Incorporated in the Republic of South Africa)
(Registration number 1944/017881/06)
Share code: TBS ISIN: ZAE000071080
("Tiger Brands" or “the Company”)

ACQUISITION BY TIGER BRANDS OF 63.35% OF THE TOTAL ISSUED ORDINARY SHARE CAPITAL OF DANGOTE FLOUR MILLS PLC (“DFM”) FROM DANGOTE INDUSTRIES LIMITED (“DANGOTE”) AND WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT

1. INTRODUCTION

Shareholders are referred to the announcements dated 7 May 2012, 18 June 2012, 4 July 2012 and 16 August 2012 regarding discussions between Tiger Brands and Dangote (collectively, “the Parties”) in respect of Dangote’s shareholding in DFM, a market leader in the flour and pasta market segment of the Nigerian Consumer Food Sector.

In the announcement dated 4 July 2012, shareholders were advised that the Parties had reached in principle agreement regarding the terms of a potential transaction that would, if implemented, result in Tiger Brands acquiring 63.35% of the total issued ordinary share capital of DFM from Dangote (“the Transaction”). In addition, shareholders were advised that the Parties had agreed a share sale and purchase agreement (“SSPA”) and had submitted the Transaction and its terms as contained in the SSPA to the Securities & Exchange Commission of Nigeria (“SEC”) for approval.

Tiger Brands is pleased to announce that the Parties have received written confirmation from the SEC that the Transaction has been approved. The Parties have therefore signed the SSPA and will cooperate to implement the Transaction.

2. RATIONALE FOR THE TRANSACTION

DFM is a market leader in both the flour and pasta market segment of the Nigerian Consumer Food Sector with strong branding, production and distribution capabilities. The Transaction will add significant scale to Tiger Brands’ existing Nigerian businesses and represents a further important step in Tiger Brands' expansion strategy on the balance of the African continent. In addition to adding new competencies and food categories to Tiger Brands’ existing Nigerian businesses, Tiger Brands will bring its proven competence in milling to bear to further develop and grow DFM.

DFM will be Tiger Brands’ third, and largest, acquisition in Nigeria, following the acquisition of 100% of biscuit manufacturer, Deli Foods Nigeria Limited, in April 2011 and the acquisition of a 49% joint venture interest in UAC of Nigeria Plc’s (“UAC”) Food and Beverage businesses (“UAC Foods”) in May 2011.

Nigeria is a key strategic growth market in West Africa, the second largest African economy and one of the fastest growing economies in sub-Saharan Africa. With an estimated population in excess of 160 million and projected average real GDP growth forecast over the next three years of approximately 7% per annum, Tiger Brands believes, particularly for consumer goods, that the potential of the Nigerian market is significant. The Transaction will substantially add scale to Tiger Brands’ existing Nigerian businesses and strategically positions Tiger Brands to take advantage of the market opportunities within the Nigerian milling sector and related essential food categories.

Tiger Brands views its strategic relationships with both the Dangote and UAC groups as crucial to its continuing success within the Nigerian FMCG sector. Over the medium term, operational synergies and efficiencies will be leveraged to ensure all parties benefit from these strategic alliances.

Turnover from Tiger Brands’ international operations (including exports and the deciduous fruit business, but excluding the equity accounted associates UAC Foods (49%), Empresas Carozzi (24%) and National Foods (37%)) on a pro forma annualised basis for the year ended 30 September 2011 represents approximately 15% of total group turnover for the same period. Tiger Brands’ African footprint currently includes operations in Nigeria, Cameroon, Ethiopia, Kenya and Zimbabwe. The contribution from Tiger Brands’ international operations to group turnover for the year ended 30 September 2011 increases to 26% after the inclusion, on a pro forma basis, of DFM’s turnover for the year ended 31 December 2011.

3. NATURE OF BUSINESS OF DFM

DFM commenced its flour milling business in 1999 as a division of Dangote, the largest industrial conglomerate in West Africa. DFM was incorporated as a public limited company in 2006 and Dangote’s entire flour milling business was transferred to DFM. DFM listed on The Nigerian Stock Exchange (“NSE”) in February 2008.

DFM is involved in the business of flour milling, processing and marketing of branded flour, as well as the production and marketing of pasta and noodles, and is currently the second largest flour milling company in Nigeria with a market share of approximately 30%. It also has a market share of approximately 40% in pasta.

DFM's main product portfolio consists of wheaten flour products (including bread flour, confectionery flour and semolina), but it is also engaged in the manufacture of downstream value-added products through its three majority owned subsidiary companies, namely:

- Dangote Pasta Limited: manufactures and markets spaghetti and macaroni;
- Dangote Noodles Limited: manufactures and markets noodles; and
- Dangote Agrosacks Limited: manufactures a variety of packaging materials.

DFM has a total installed milling capacity of 7,300MT per day and manufactures its flour and flour products from five strategic locations in West North, South, East and Central Nigeria.

In addition to DFM’s approximately 30% market share in flour and approximately 40% market share in pasta, its world class equipment, production facilities and national distribution footprint will enable DFM to maintain and continue to grow its strong market presence.

DFM achieved a total turnover of NGN68,024 million (equivalent to approximately ZAR3.2 billion) for the financial year ended 31 December 2011.

4. THE PURCHASE PRICE

On the effective date as set out in paragraph 7 below, Tiger Brands will pay Dangote NGN9.50 per DFM Share, implying an aggregate purchase price of NGN30,093 million (equivalent to approximately ZAR1.5 billion) (“Purchase Price”). Excluding the once-off impact of an amount of NGN1,484 million relating to a provision for irrecoverable claims against two insurance companies, the Purchase Price represents a Transaction Enterprise Value to EBITDA ratio of 8.5x based on DFM’s published unaudited annual financial results for the year ended 31 December 2011 prepared in compliance with International Financial Reporting Standards (“IFRS”).

In addition to the Purchase Price, Tiger Brands will pay Dangote, if applicable, the positive difference between:

i. the amount equal to the adjusted audited profit after tax attributable to shareholders of DFM for the financial year ending 31 December 2012, prepared in accordance with Nigerian Generally Accepted Accounting Principles (“Nigerian GAAP”), multiplied by an agreed price-to-earnings ratio of 14 times and then multiplied by 63.35%, being Tiger Brands’ interest in DFM immediately after implementation of the Transaction (“Adjusted Price”); and

ii. the Purchase Price,

(“Purchase Price Adjustment”).

Tiger Brands shareholders are advised that, excluding the once-off abnormal charge referred to above, the audited profit after tax attributable to shareholders of DFM for the financial year ended 31 December 2011, prepared in accordance with Nigerian GAAP, was approximately NGN1,960 million. Based on the agreed formula, the adjusted audited profit after tax attributable to shareholders of DFM for the financial year ending 31 December 2012, would need to exceed NGN3,393 million, an implied increase of 73%, in order for there to be a Purchase Price Adjustment. Furthermore, the Parties have agreed that the total consideration payable by Tiger Brands, being the aggregate of the Purchase Price and the Purchase Price Adjustment, shall not exceed an agreed and authorised cap of NGN82,361 million (equivalent to approximately ZAR4.1 billion, or NGN26 per DFM Share) (“Purchase Price Cap”). In order to reach the Purchase Price Cap, the adjusted audited profit after tax attributable to shareholders of DFM for the financial year ending 31 December 2012, would need to equal NGN9,286 million, an implied year-on-year increase of 374%.

For the three months ended 31 March 2012, DFM reported (in compliance with IFRS) an attributable loss of NGN105 million, compared to an attributable profit of NGN336 million for the same period last year.

The Purchase Price Adjustment, if payable by Tiger Brands, will be payable within 30 days of receipt and approval by the board of directors of DFM (“DFM Board”) of the consolidated audited financial statements of DFM for the year ending 31 December 2012.

The Purchase Price and the Purchase Price Adjustment, if payable, will be settled by Tiger Brands, in cash, from South Africa.

5. CONTINUED ROLE OF DANGOTE IN DFM

Dangote will retain a strategic interest of 10% of the total issued ordinary share capital of DFM (“Strategic Shareholding”) for a minimum period of five years after implementation of the Transaction. Furthermore, whilst Dangote retains its Strategic Shareholding, it will continue to have the right to appoint two directors to the DFM Board, with Aliko Dangote continuing as Chairman of DFM.

6. CATEGORISATION OF THE TRANSACTION

Based on the maximum potential amount payable by Tiger Brands of NGN117,000 million (equivalent to approximately ZAR6.2 billion at the NGN:ZAR exchange rate of 18.92:1 as at close of business on 19 September 2012) in terms of the Transaction, being the aggregate of the Purchase Price, the maximum potential Purchase Price Adjustment and the maximum potential consideration payable in respect of the Minority Offer (defined in paragraph 8 below), the Transaction is deemed to be a category 2 transaction in terms of the Listings Requirements of the JSE Limited ("JSE").

7. EFFECTIVE DATE

Provided that there is no material adverse change as defined in the SSPA, it is expected that the effective date of the Transaction will occur as soon as practical after 1 October 2012. The approvals of the SEC, NSE and the South African Reserve Bank have been obtained.

8. OFFER TO THE MINORITY SHAREHOLDERS OF DFM

Shareholders are advised that after the implementation of the Transaction, Tiger Brands is required in terms of the statutory requirements under Nigerian law to make a mandatory offer to the minority shareholders of DFM ("DFM Minorities") to acquire, on the same terms as the Transaction, the ordinary shares in DFM that the Company does not already own (excluding Dangote's Strategic Shareholding) ("Minority Offer").

The Minority Offer, when made by Tiger Brands, will be structured as a tender offer. Notwithstanding the requirement to make a mandatory offer, acceptance by Tiger Brands of any ordinary shares in DFM tendered pursuant to the Minority Offer, can be made subject to a maximum level of acceptance. A further announcement will be made in due course.

9. UNAUDITED PRO FORMA FINANCIAL EFFECTS FOR THE SIX MONTHS ENDED 31 MARCH 2012

The table below sets out the unaudited *pro forma* financial effects of the Transaction on Tiger Brands' earnings per share ("EPS"), headline earnings per share ("HEPS"), diluted earnings per share ("Diluted EPS"), diluted headline earnings per share ("Diluted HEPS"), net asset value ("NAV") and tangible net asset value ("TNAV") per share and have been prepared to assist Tiger Brands shareholders in assessing the impact of the Transaction on Tiger Brands' consolidated historical financial information. The material assumptions used in the preparation of these *pro forma* financial effects are set out in the notes following the table.

These *pro forma* financial effects have been prepared for illustrative purposes only and, because of their nature, may not fairly present the actual financial effects on Tiger Brands. The *pro forma* financial effects are the responsibility of the directors of Tiger Brands.

	Before the Transaction	After the Transaction	Percentage change (%)
EPS (cents)	805	774	(3.85)
HEPS (cents)	787	755	(4.07)
Diluted EPS (cents)	784	754	(3.83)
Diluted HEPS (cents)	766	736	(3.92)
NAV per share (cents)	6,401	6,401	-

TNAV per share (cents)	3,992	3,582	(10.27)

Notes:

i. The *pro forma* financial effects are based on the published unaudited results for Tiger Brands for the 6 month period ended 31 March 2012 and DFM's unaudited pro forma results for the 6 month period ended 31 December 2011 ("DFM's pro forma results"). DFM's pro forma results have been determined on the basis of deducting DFM's unpublished unaudited results for the 6 month period ended 30 June 2011 from DFM's published unaudited results for the year ended 31 December 2011 (including the once-off abnormal charge referred to in paragraph 4 above), both of which results (previously published in accordance with Nigerian GAAP) have been revised and prepared in compliance with IFRS by DFM management. Based on the information provided to Tiger Brands by DFM, the directors of Tiger Brands are satisfied with the quality of DFM's pro forma results.

ii. The *pro forma* financial effects are based on the Purchase Price of R1,513 million. DFM's earnings attributable to DFM shareholders for the relevant period of NGN854 million have been converted into ZAR at a NGN:ZAR average exchange rate for the 6 months to 31 December 2011 of 20.72:1. DFM's NAV attributable to DFM shareholders as at 31 December 2011 of NGN26,717 million has been converted into ZAR at the prevailing NGN:ZAR exchange rate as at 31 December 2011 of 20.08:1.

iii. The *pro forma* financial effects on the NAV and TNAV per Tiger Brands ordinary share, respectively, have been based on the assumption that the Transaction was implemented on 31 March 2012. The pro forma financial effects on Tiger Brands' EPS, HEPS, Diluted EPS and Diluted HEPS, respectively, have been based on the assumption that the Transaction was implemented on 1 October 2011.

iv. Included in the above:
   - The effect of once-off transaction costs of R36.5 million;
   - The excess of the Purchase Price over the carrying value of the underlying assets has been allocated to identifiable intangible assets (trademarks) in the amount of ZAR132 million and goodwill in the amount of ZAR596 million, based on a preliminary purchase price allocation. In terms of IFRS 3: Business Combinations, a detailed purchase price allocation exercise will need to be performed within a period of 12 months from the effective date of the Transaction;
   - The identifiable intangible assets are amortised over 5 years;
   - Interest on the Purchase Price is assumed at an average rate of 6.16% per annum;
   - The calculations of EPS and HEPS for the 6 month period ended 31 March 2012 have been based on the weighted average number of ordinary shares of 159,126,178 (which excludes the 10,326,758 treasury shares and the 21,371,686 empowerment shares held by various empowerment entities which are consolidated by Tiger Brands for accounting purposes);
   - The calculations of Diluted EPS and Diluted HEPS for the 6 month period ended 31 March 2012 have been based on the diluted weighted number of shares of 163,321,894 (which excludes the treasury and empowerment shares referred to above);
   - The calculations of NAV per share and TNAV per share as at 31 March 2012 have been based on 159,386,794 ordinary shares in issue (which excludes the treasury and empowerment shares referred to above); and
   - The *pro forma* financial information has been prepared using the same accounting policies as those applied in the most recently published financial statements of Tiger Brands.

v. Excluding the once-off transaction costs referred to in note iv above, the pro forma calculations of EPS and HEPS for the 6 month period shown in the table above reflect a dilution of 0.99% and 1.14% respectively in respect of EPS and HEPS.

10. FINALISATION AND WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT

A further announcement will be released on the Securities Exchange News Service of the JSE upon implementation of the Transaction.

Shareholders are accordingly advised that they are no longer required to exercise caution when dealing in the Company’s securities.

Bryanston
25 September 2012

Lead financial adviser and transaction sponsor to Tiger Brands
Standard Bank

Joint Nigerian financial adviser to Tiger Brands
ACL Capital Partners Ltd

Nigerian stock broker to Tiger Brands
Vetiva Securities Limited

Nigerian legal adviser to Tiger Brands
Udo Udoma & Belo-Osagie

South African legal adviser to Tiger Brands
Edward Nathan Sonnenbergs Inc.

Sponsor to Tiger Brands
J.P. Morgan Equities