TASTE HOLDINGS LIMITED
(Incorporated in the Republic of South Africa)
(Registration number: 2000/002239/06)
Share code: TAS
ISIN: ZAE000081162
(“**Taste**” or “**the Company**”)

DECLARATION AND FINALISATION ANNOUNCEMENT IN RESPECT OF THE TASTE RIGHTS OFFER

INTRODUCTION

Shareholders are referred to the announcement released by the Company on 19 December 2018, whereby it was announced that Taste intends to raise R132 000 000 from its Shareholders by way of a fully underwritten renounceable rights offer (“**Rights Offer**”) of 1 320 000 000 new Taste ordinary shares (“**Rights Offer Shares**”) to qualifying shareholders at a subscription price of 10 cents per Rights Offer Share, in the ratio of 146.42247 Rights Offer Shares for every 100 ordinary share held on the Rights Offer record date, being 8 February 2019 (“**Record Date**”).

Shareholders are also referred to the results of the general meeting announcement released by the Company on 18 January 2019 wherein shareholders were advised that the necessary resolutions to implement the Rights Offer had been passed, which resolutions have been duly filed at the Companies and Intellectual Property Commission.

Shareholders are further advised that the Company has received formal approval for the Rights Offer circular from the Issuer Regulation Division of the JSE Limited and accordingly, the Rights Offer will be implemented in accordance with the salient dates and times set out below.

RATIONALE FOR THE RIGHTS OFFER

In the previous financial year, Taste raised R398 million via a rights offer (“**2018 Rights Offer**”) which was underwritten by Riskowitz Value Fund LP (“**RVF**”). The 2018 Rights Offer took place shortly after RVF purchased Taste’s outstanding bonds from the bondholders after the Company breached its debt covenants. The 2018 Rights Offer was underwritten at a 25% premium to Taste’s share price as of the close of business on the day preceding the date that the 2018 Rights Offer price was announced, being 19 December 2017. All shareholders at the time were provided the opportunity to support the business pro-rata through the 2018 Rights Offer. In the circular sent to shareholders on 16 November 2017 in respect of the 2018 Rights Offer, it was anticipated that the proceeds from the 2018 Rights Offer were going to be used to settle the Company’s term debts, including inter alia, the R255 million of senior secured notes issued by the Company. The balance of the proceeds was to be used to fund the continued roll out of Domino’s Pizza (“**Domino’s**”) and Starbucks Coffee (“**Starbucks**”) stores.

As it transpired, a total of R306 million was utilised to settle the Company’s term debt and associated interest and costs, leaving R92 million surplus. This amount was sufficient to fund Taste’s operations for the remainder of calendar year 2018 but was not sufficient enough to fund the continued expansion of Domino's and Starbucks stores. As a result, Taste was forced to pause the expansion of Domino's and Starbucks stores.

During 2018, it became evident to new management (new management took over in February 2018) that the centralised structure of the Food Division was both inefficient and costly and was a primary contributor to the underperformance of the division. Therefore, the Food Division was restructured during the current year to move all the functional responsibility into the underlying brands thereby removing the executive layer which was sitting above the brands. In addition to the business restructure, the operating models for both Starbucks and Domino's were analysed, with a key takeaway being that in order for the business to be profitable in the future, store level capital expenditures ("**CAPEX**") will need to be greatly reduced, brand, product and operating standards will need to be consistently implemented, and the approach to marketing, brand positioning and customer engagement will need to be revisited once capital has been raised to allow for the execution thereof.

In parallel to its review of the business, Taste's new management has been actively seeking the requisite capital in order for it to first stabilise the business and thereafter resume its expansion of Domino's and Starbucks. In November 2018, Taste was able to secure a lender-discretionary subordinate loan from its largest shareholder, RVF, sufficient to allow the Company to continue operating. A suspensive condition of that subordinate loan, consistent with all cross-border transactions, was on the receipt of the requisite Exchange Control approval by 30 November 2018. That approval was not received until 2 January 2019. Accordingly, and as the subordinated loan was not guaranteed (the lender was not obliged to fund the subordinate loan), in December 2018 Taste undertook an effort to seek alternative forms of permanent capital to fund the operations and thereafter expansion. Through that process, Taste was able to reach an agreement with three parties, namely the RVF, Rand Group LLC ("**Rand Group**") and Eldon Capital Management Limited ("**Eldon**"), to underwrite the current Rights Offer that provides all shareholders with the pro-rata opportunity to not only participate in and contribute to the immediate operating cash needs of the business, but also to fund the next 10 to 12 months of the Food Division's operations and expansion plans in the following manner:

- between R76 million and R83 million to fund the anticipated operating losses over the period;
- between R40 million and R43 million to fund expansion CAPEX to open between 4 and 6 new Starbucks cafés and between 8 to 12 new Domino's restaurants;
- between R5 million and R7 million to fund maintenance CAPEX on the existing Domino's corporate restaurants; and
- between R4 million and R6 million to fund the expansion CAPEX for the Group's shared IT infrastructure.

The funding for the first year of the Food Division's expansion plan affords the Company with the time required to (1) continue operating, (2) prove the revised Starbucks and Domino's operating models, (3) engage with potential investors to fund the long-term operation and expansion of the Company and (4) continue funding operational losses for the period it takes current stores to reach new operating standards or relocations of loss making stores.

It is the short-term objective of management to reach EBITDA break-even at a store level for Domino's within a 24-month period via a combination of entrenching the revised store operating models, expanding the existing store networks and maintaining and relocating certain existing Domino's restaurants.

It is the long-term objective of management for Starbucks and Domino's to reach EBITDA break-even across both brands within a 36 to 40 month period after the commencement of the expansion plan and to attain positive free cash flows, after CAPEX, across both brands within 7-8 years from the commencement of the plan. Management estimates that the Company will require at least R700 million, including the amount raised in the current Rights Offer, to reach positive free cash flow, and that the Starbucks network will need to expand to between 150 and 200 cafés and Domino's to between 220 and 280 restaurants. Further, it is management's view that the market potential over a 10-year period for Starbucks is between 200 to 300 cafés and for Domino's between 280 and 400 restaurants. The above management objectives assume that the business is 100% funded through equity given that the Company is not in a position to raise any debt as it is loss making and only expected to reverse the loss-making trend after the necessary future injection of equity capital.

Over the course of the year and through the networks available across the Domino's and Starbucks' global system, management have been able to study the elements which have resulted in the success of the world's largest coffee company and pizza delivery businesses respectively. It is through these tools (technology, new product development, ops excellence processes, etc.) and ongoing support that management believes that Domino's and Starbucks can attain a similar level of long-term success in South Africa.

Taste's Local Brands; The Fish & Chips Co and Maxis Grill and its Luxury Good Division; Arthur Kaplan Jewellers; World's Finest Watches and NWJ, do not require any additional funding as they are generating sufficient cash from their operations and facilities to fund their expansion plans.

The above objectives of management should not be construed as a forecast and there is no guarantee that the objectives will be received.

SALIENT TERMS OF THE RIGHTS OFFER

In terms of the Rights Offer, 132 000 000 000 Rights Offer Shares will be offered to Taste shareholders recorded in Taste's share register at the close of business on the record date at a subscription price of 10 cents per Rights Offer Shares, in the ratio of 146.42247 Rights Offer Shares for every 100 ordinary shares held.

The subscription price represents a discount of 53.2% to the 30-day volume weighted average traded price of Taste's ordinary shares of R0.21, as at 18 December 2018, being the day prior to announcing the Rights Offer.

Excess applications for Rights Offer Shares will not be allowed and any Rights Offer Shares that are not accepted, renounced or sold shall revert back to the underwriters. The Rights Offer is not conditional upon any minimum subscription being obtained.

The Rights Offer Shares issued will rank *pari passu* with the existing issued shares of Taste.

Only whole numbers of ordinary shares will be issued, and shareholders will be entitled to subscribe for rounded numbers of ordinary shares once the ratio of entitlement has been applied. Fractional entitlements of 0.5 or greater will be rounded up and less than 0.5 will be rounded down.

UNDERWRITING

RVF, Rand Group and Eldon have agreed to underwrite the total of the Rights Offer Shares, being up to 1 320 000 000 Rights Offer Shares, to the extent that Shareholders do not follow their rights in terms of the Rights Offer, in proportion to their underwriting participation being, 70% as to RVF, 15% as to each of Rand Group and Eldon.

SALIENT DATES AND TIME OF THE RIGHTS OFFER

The proposed salient dates and times for the Rights Offer are set out below:

	2019
Declaration and Finalisation Announcement released on SENS	Tuesday, 29 January
Declaration and Finalisation Announcement published in the press	Wednesday, 30 January
Circular published on Taste's website	Monday, 4 February
Last day to trade in Ordinary Shares in order to participate in the Rights Offer *(cum entitlement)*	Tuesday, 5 February
Listing and trading of Letters of Allocation under the JSE Code TASN and ISIN ZAE000266912 on the JSE commences at 09:00 on	Wednesday, 6 February
Taste ordinary Shares commences trading ex-Rights on the JSE at 09:00 on	Wednesday, 6 February
Circular posted to Certificated Shareholders on	Thursday, 7 February
Record Date for the Rights Offer	Friday, 8 February
Rights Offer opens at 09:00 on	Monday, 11 February
Certificated Shareholders will have their Letters of Allocation credited to an electronic account held at the Transfer Secretaries	Monday, 11 February
Dematerialised Shareholders will have their accounts at their CSDP or Broker credited with their entitlement	Monday, 11 February
Circular, where applicable, posted to Dematerialised Shareholders	Monday, 11 February
Last day for trading Letters of Allocation on the JSE	Tuesday, 19 February
Form of Instruction lodged by Certificated Shareholders wishing to sell all or part of their Letter of Allocation at the Transfer Secretaries by 12:00	Tuesday, 19 February
Listing of Rights Offer Shares and trading therein on the JSE commences	Wednesday, 20 February
Rights Offer closes at 12:00.	Friday, 22 February
Payment to be made and Form of Instruction lodged by Certificated Shareholders wishing to renounce or subscribe for all or part of the entitlement at the Transfer Secretaries* on	Friday, 22 February
Record Date for the Letters of Allocation	Friday, 22 February
Rights Offer Shares issued and posted to Shareholders in	Monday, 25 February

certificated form (where applicable) on or about	
CSDP or Broker accounts in respect of Dematerialised Shareholders will be updated with Rights Offer shares and debited with any payments due on	Monday, 25 February
Results of Rights Offer announced on SENS	Monday, 25 February
Results of Rights Offer published in the press	Tuesday, 26 February
Refund cheques posted to Certificated Shareholders and Rights Offer Shares not subscribed for by existing Shareholders in terms of the Rights Offer, issued to the Underwriters on or about	Wednesday, 27 February

*CSDPs effect payment in respect of Dematerialised Shareholders on a delivery versus payment method.

Notes:

1. Unless otherwise indicated, all times are South African times.
2. Shareholders may not Dematerialise or rematerialise their Ordinary Shares between Wednesday, 6 February 2019, and Friday, 8 February 2019, both dates inclusive.

RIGHTS OFFER CIRCULAR

A circular ("**Circular**"), containing full details of the terms of the Rights Offer , will be made available on the Company's website (www.tasteholdings.co.za/investorcentre/downloads) on Monday, 4 February 2019.

The Circular and a form of instruction in respect of a letter of allocation will be posted on Thursday, 7 February 2019 to certificated shareholders.

The Circular will be distributed on Monday, 11 February 2019 to dematerialised shareholders.

JURISDICTION

The distribution of the Circular and the form of instruction in respect of a letter of allocation in jurisdictions other than South Africa may be restricted or affected by the laws of such jurisdiction, and failure to comply with any of those restrictions may constitute a violation of the laws of any such jurisdiction. Non-resident Shareholders should inform themselves about and observe any applicable legal requirements of such jurisdictions in relation to all aspects of the Circular that may affect them, including the Rights Offer. It is the responsibility of any foreign Shareholder to satisfy himself/herself/itself as to the full observation of the laws and regulatory requirements of the relevant jurisdiction in connection with the Rights Offer, including but not limited to: the obtaining of any governmental, exchange control or other consent; the making of any filings which may be required; the compliance with other necessary formalities; and the payment of any issue, transfer or other taxes or requisite payments due in such jurisdiction.

The Rights Offer is further subject to any applicable laws and regulations of South Africa, including but not limited to the Companies Act 71 of 2008, the Listings Requirements of the JSE Limited and the Exchange Control Regulations. Any foreign Shareholder who is in doubt as to its position, including without limitation its tax status, should consult an appropriate independent professional advisor in the relevant jurisdiction without delay. Neither, the

Company, its directors nor PSG Capital accept any responsibility for the failure by any Shareholder to inform itself about, or to observe, any applicable legal requirements in any relevant jurisdiction, nor for any failure by the Company to observe the requirements of any jurisdiction.

The Rights Offer does not constitute an offer in any jurisdiction in which it is illegal to make such an offer and the Circular and the form of instruction in respect of a letter of allocation should not be forwarded or transmitted by shareholders to any person in any territory other than where it is lawful to make such an offer.

The Rights Offer Shares and the letters of allocation have not been and will not be registered under the United States of America Securities Act of 1933 ("**Securities Act**"). Accordingly, Rights Offer Shares and the letters of allocation may not be offered, sold, resold, delivered or transferred, directly or indirectly, in or into the United States or to, or for the account or benefit of, United States persons, except pursuant to exemptions from the Securities Act. The Circular and the accompanying documents are not being, and must not be, mailed or otherwise distributed or sent in, into or from the United States. The Circular and the accompanying documents do not constitute an offer of any securities for sale in the United States or to United States persons, save as aforementioned

The Rights Offer does not constitute an offer in the District of Columbia, the United States, the Dominion of Canada, the Commonwealth of Australia, Japan or in any other jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer ("**Non-qualifying Shareholder**"). Non-qualifying Shareholders should consult their professional advisors to determine whether any governmental or other consents are required, or other formalities need to be observed to allow them to view the Circular or to take up the Rights Offer, or trade their entitlement. Shareholders holding ordinary shares in Taste on behalf of persons who are Non-Qualifying Shareholders, are responsible for ensuring that the viewing of the Circular, taking up the Rights Offer, or trading in their entitlements under the Rights Offer, do not breach regulations in the relevant overseas jurisdictions.

To the extent that Non-qualifying Shareholders are not entitled to participate in the Rights Offer as a result of the aforementioned restrictions, such Non-qualifying Shareholders should not take up their Rights Offer entitlement or trade in their Rights Offer entitlement and should allow their Rights in terms of the Rights Offer to lapse.

Sandton
29 January 2019

Sponsor and Transaction Advisor
PSG Capital

PSG CAPITAL