

NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION, IN WHOLE OR IN PART, DIRECTLY OR INDIRECTLY IN, INTO OR FROM ANY JURISDICTION WHERE TO DO SO WOULD CONSTITUTE A VIOLATION OF THE RELEVANT LAWS OR REGULATIONS OF SUCH JURISDICTION

THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION

FOR IMMEDIATE RELEASE

3 JULY 2021

**RECOMMENDED CASH OFFER**

for

**WM MORRISON SUPERMARKETS PLC**

by

**OPPIDUM BIDCO LIMITED**

**(a newly formed company indirectly owned by funds managed or advised by affiliates of Fortress Investment Group, LLC)**

**to be effected by means of a Scheme of Arrangement under Part 26 of the Companies Act 2006**

**Summary and highlights**

- The boards of directors of Wm Morrison Supermarkets PLC ("**Morrisons**") and Oppidum Bidco Limited ("**Bidco**") are pleased to announce that they have reached agreement on the terms of a recommended all cash offer by Bidco for the entire issued, and to be issued, share capital of Morrisons (the "**Offer**").
- Under the terms of the Offer, Morrisons Shareholders will be entitled to receive **254 pence for each Morrisons Share (the "Offer Value") comprising:**

**For each Morrisons  
Share held:**

**252 pence in cash from Bidco  
(the "Cash Consideration")**

**and**

**a 2 pence cash dividend  
(the "Special Dividend")**

- The Offer values the entire issued and to be issued share capital of Morrisons at approximately £6.3 billion on a fully diluted basis.

- The Offer Value represents a premium of approximately:
  - 42 per cent. to the Closing Price of 178 pence per Morrisons Share on 18 June 2021 (being the last Business Day before the commencement of the Offer Period); and
  - 41 per cent. to the volume-weighted average Closing Price of 180 pence per Morrisons Share for the three-month period ended 18 June 2021 (being the last Business Day before the commencement of the Offer Period).
  
- The Offer Value implies:
  - an enterprise value multiple of approximately 8.3 times Morrisons' underlying EBITDA<sup>(1)</sup> for the 52 weeks ended 31 January 2021 and approximately 8.6 times Morrisons' underlying (pre-COVID-19) EBITDA<sup>(1)</sup> for the 52 weeks ended 2 February 2020; and
  - a multiple of approximately 18.5 times Morrisons' underlying earnings per Morrisons Share<sup>(1)</sup> for the 52 weeks ended 31 January 2021.

<sup>(1)</sup> Stated post-IFRS 16, before exceptionals and before paying previously waived business rates relief of £230 million.

- The Cash Consideration payable to Morrisons Shareholders under the terms of the Offer will be financed by a combination of: (i) equity capital to be invested by funds managed or advised by affiliates of Fortress Investment Group, LLC ("**Fortress**"), Canada Pension Plan Investment Board ("**CPP Investments**"), acting through its wholly owned subsidiary CPPIB Credit Investments Inc., and Koch Real Estate Investments, LLC ("**KREI**"); and (ii) term loan and revolving credit facilities to be provided by Royal Bank of Canada and HSBC as mandated lead arrangers and RBC as facility agent.
  
- The Morrisons Directors intend to declare a special dividend of 2 pence per Morrisons Share, which will be conditional upon the Scheme becoming Effective and, if the Scheme becomes Effective, will be paid to Morrisons Shareholders on the register of members of Morrisons at the Scheme Record Time (the "**Special Dividend**"). Further details are set out in paragraph 13 of this announcement.
  
- If, on or after the date of this announcement and before the Effective Date, any dividend, distribution or other return of capital or value is announced, declared, made or paid by Morrisons or becomes payable by Morrisons in respect of the Morrisons Shares (other than, or in excess of, the Special Dividend), Bidco reserves the right to reduce the Cash Consideration payable under the terms of the Offer for the Morrisons Shares by an amount up to the amount of such dividend and/or distribution and/or other return of capital or value. In such circumstances, Morrisons Shareholders would be entitled to receive and retain any such dividend and/or other distribution and/or return of capital or value.

### Transaction overview

- All cash offer (including in excess of £3 billion of equity capital) for Morrisons by Bidco, unanimously recommended by the Morrisons Directors.

- Fortress has agreed to partner with CPP Investments, the professional investment management organisation that invests the funds transferred to it by the Canada Pension Plan ("**CPP**"), and KREI, part of Koch Industries, which is one of the largest privately held businesses in the United States. CPP Investments and KREI share Fortress' long-term investment approach and will provide financing to Bidco as co-investors in respect of the Offer.
- Morrisons and Fortress place very significant emphasis on the wider responsibilities of ownership of Morrisons. These responsibilities include recognising the legacy of Sir Ken Morrison, Morrisons' history and culture, and the important role that Morrisons plays for all stakeholders, including colleagues, customers, members of the Morrisons Pension Schemes, local communities, partner suppliers, British farming and the wider British public.
  - **Long-term ownership.** Fortress' investment approach is to acquire companies with strong management teams and empower them to deliver their long-term strategy. Fortress has experience investing in the retail and food space in the UK (including Majestic Wine) and a 19-year track record of successfully investing in the grocery industry and petrol forecourt stations in the US.
  - **Strategy.** Fortress intends for Morrisons to continue to operate as a standalone business, with its head office and head office functions remaining in Bradford, led by the Morrisons management team. Fortress is committed to being a good steward of Morrisons through the next stage of its evolution and will support Morrisons and its employees in executing management's existing strategy, including: strong customer focus; vertically integrated supply chain; targeted new store openings and job creation; and focus on wholesale and online channels.
  - **Customers.** Fortress recognises that Morrisons' relationship with its customers forms a central part in the fundamental character of the Morrisons business and that listening carefully to customers and improving and enhancing the shopping trip is a central priority for the Morrisons business.
  - **Colleagues and the Morrisons Pension Schemes.** Fortress believes that Morrisons' colleagues are its greatest asset and fundamental to the future success of the Morrisons business. Fortress confirms that, following the Offer becoming Effective, the existing employment rights, including existing pension rights of the management and employees of Morrisons, will be fully safeguarded. In particular, Fortress is fully supportive of Morrisons' recent pay award of at least £10 an hour for all Morrisons colleagues in stores and manufacturing sites, which Fortress views as an important and appropriate recognition of their contribution to Morrisons. Fortress does not intend to make any change to the benefits provided by the Morrisons Pension Schemes.
  - **Suppliers.** Fortress fully supports the relationships that Morrisons has fostered with its small suppliers and farmers, particularly in response to the challenges of the COVID-19 pandemic, and does not anticipate any material changes to existing payment practices with them.

- **Sustainability and food security.** Fortress believes that sustainability is a key part of Morrisons' long-term strategy and fully supports Morrisons' existing social and environmental commitments to reduce its carbon footprint and use of plastic, to achieve zero deforestation in its supply chains for key risk commodities by 2025, to reduce food waste and to source its products in a sustainable way. Fortress fully supports Morrisons' commitment, as one of British farming's biggest direct supermarket customers, to a target of becoming the first supermarket to be completely supplied by net zero carbon British farms by 2030. Fortress is also committed to supporting Morrisons' important role in ensuring the ongoing security of food supply in the UK.
- **Property.** Fortress recognises the flexibility and control that freehold real estate ownership affords both management teams and shareholders. Fortress appreciates that Morrisons management takes an active approach to managing Morrisons' store portfolio and has undertaken certain property disposal programmes historically. Under its ownership, Fortress would expect to engage with Morrisons management on its long-term plans for managing the estate, but does not anticipate engaging in any material store sale and leaseback transactions. As an important reference point, Fortress' existing portfolio company, Majestic Wine, retains ownership of a significant freehold store estate and has not sold any of its freehold or long leasehold properties under Fortress' ownership. In addition, since acquiring the business in 2019, Fortress reversed planned job cuts at Majestic Wine in the UK and opened new stores in 2020 and 2021, during the COVID-19 pandemic and for the first time since 2015.

### Recommendation

- The Morrisons Directors, who have been so advised by Rothschild & Co as to the financial terms of the Offer, consider the terms of the Offer to be fair and reasonable. In providing its advice to the Morrisons Directors, Rothschild & Co has taken into account the commercial assessments of the Morrisons Directors.
- **Accordingly, the Morrisons Directors intend to recommend unanimously that Morrisons Shareholders vote in favour of the Scheme at the Court Meeting and the Resolution to be proposed at the General Meeting as the Morrisons Directors who hold Morrisons Shares have irrevocably undertaken to do in respect of their own beneficial holdings of 5,643,396 Morrisons Shares in aggregate, representing approximately 0.23 per cent. of Morrisons' issued share capital on 2 July 2021 (being the last Business Day before the date of this announcement).**

### Background to and reasons for the Offer

- Fortress has followed the global grocery retail sector over an extended period and has successfully invested in grocery retail in both North America and Europe. Fortress has experience of investing in the UK, including in the retail and food space through its investment in Majestic Wine. In the US, Fortress has a long track record of successfully investing in the grocery industry (Albertsons, Fresh & Easy, A&P), petrol forecourt stations (United Pacific, Alta Convenience, Circle K) and retail and restaurants (Krystal Burger, Logan's Steakhouse, On the Border).

- Fortress recognises that long-term, sustainable value creation will be maximised by maintaining the long-held focus on Morrisons customers, and in turn providing support and resources to colleagues, suppliers and broader stakeholders to best serve them. As with Fortress' investment in Majestic Wine, which, during the COVID-19 pandemic, opened new stores in 2020 and 2021 for the first time since 2015, Fortress also envisages continuing to support the Morrisons management team's ongoing strategy of targeted new store openings, particularly given the positive performance of recent new stores.
- Fortress views the UK grocery retail sector in particular as an attractive and differentiated long-term investment opportunity. This conviction has been further enhanced over the course of the last year given the impressive manner in which Morrisons supported customers, employees and broader stakeholders through the COVID-19 crisis.
- Fortress has observed Morrisons' strong operational and financial performance, both during and prior to the COVID-19 crisis. Fortress has followed Morrisons' development with strong interest and has dedicated significant resources to developing a thorough understanding of Morrisons' positioning and long-term potential. Further, Fortress views Morrisons' vertically integrated model, substantial focus on grocery retail and nimble and entrepreneurial approach to strategic partnerships (including with small suppliers, farmers and local communities) as clear differentiators and an excellent basis for continued, long-term growth.
- Fortress has been particularly impressed by Morrisons' financial track record and growth since the senior management team was appointed in 2015, with like-for-like sales consistently outperforming its main UK competitors over that period. Fortress believes that the development of the Morrisons Group will be best served as a private business, with access to capital and the benefits of a long-term investment approach.
- While Fortress appreciates the many challenges that the sector has faced, it believes that the rapid advancement in online sales channel capabilities and an enhanced competitive position in relation to low price competitors provides a robust platform for continued expansion of the industry profit pool. Fortress is excited about the prospects for the future and believes Morrisons is well-positioned to take advantage of emerging trends in the UK grocery industry. Whether it is grocery delivery, hiring new staff to help pick and pack customer orders or integrated vertical sourcing of products, Morrisons management has taken steps to be at the forefront of these trends rather than trailing them.

#### **Information on Bidco, Fortress, CPP Investments and KREI**

##### *Bidco*

Bidco is a limited company registered in England and Wales and incorporated on 25 June 2021. Bidco was formed for the purposes of the Offer and is an entity indirectly owned by Fortress Investment Group, LLC. Bidco has not traded since its date of incorporation, nor has it entered into any obligations other than in connection with the Offer.

##### *Fortress*

Fortress is a leading global investment manager with approximately US\$53 billion in assets under management as of 31 March 2021. Fortress manages assets on behalf of over 1,800 institutional clients and private investors worldwide across a range of credit and real estate, private equity and permanent capital investment strategies. Fortress is an independently-operated subsidiary of SoftBank Group Corp. Fortress' investment approach is to acquire companies with strong management teams and empower them to deliver their long-term strategy. Fortress has experience investing in the UK, making direct investments in the retail and food sector (Majestic Wine), mortgage servicing and origination (Paratus AMC) and aircraft leasing and asset management (Falko). In the US, Fortress has a 19-year track record of successfully investing in the grocery industry (Albertsons, Fresh & Easy, A&P), petrol forecourt stations (United Pacific, Alta Convenience, Circle K) and retail and restaurants (Krystal Burger, Logan's Steakhouse, On the Border).

### *CPP Investments*

CPP Investments is a professional investment management organisation that invests the funds transferred to it by the CPP that are not needed by the CPP to pay current benefits on behalf of 20 million contributors and beneficiaries. In order to build a diversified portfolio of assets, CPP Investments invests in public equities, private equities, real estate, infrastructure and fixed income instruments. Headquartered in Toronto, with offices in London, Hong Kong, Mumbai, Luxembourg, New York, San Francisco, São Paulo and Sydney, CPP Investments is governed and managed independently of the CPP and at arm's length from government. As of 31 March 2021, CPP Investments had approximately CA\$497.2 billion (approximately £287 billion) assets under management, of which CA\$23.6 billion (approximately £13.6 billion) is invested in the UK.

### *KREI*

KREI is part of Koch Industries, one of the largest privately held businesses in the United States. KREI focuses its efforts on attractive risk-adjusted capital deployment into real estate assets and operating companies. KREI has an acute focus on best-in-class management teams and flexible capital solutions which align interests to drive mutual benefit with its partners. Since 2003, Koch companies have invested nearly US\$133 billion in growth and improvements. With a presence in more than 70 countries, Koch companies employ 122,000 people worldwide. From January 2009 to present, Koch companies have earned more than 1,300 awards for safety, environmental excellence, community stewardship, innovation, and customer service.

### **Timetable and Conditions**

- It is intended that the Offer will be implemented by way of a Court-sanctioned scheme of arrangement under Part 26 of the Companies Act (although Bidco reserves the right to effect the Offer by way of a Takeover Offer, subject to the consent of the Panel and the terms of the Co-operation Agreement).
- The Offer will be put to the Morrisons Shareholders at the Court Meeting and the General Meeting. The Court Meeting and the General Meeting are required to enable Morrisons Shareholders to consider, and if thought fit, to vote in favour of the Scheme and the Resolution to implement the Scheme. In order to become Effective, the Scheme must be approved by a majority in number of Scheme Shareholders, present and voting (and entitled to vote)

at the Court Meeting, whether in person or by proxy, representing 75 per cent. or more in value of the Scheme Shares held by those Scheme Shareholders (or the relevant class or classes thereof). In addition, at the General Meeting to implement the Scheme, the Resolution must be passed by Morrisons Shareholders representing at least 75 per cent. of the votes validly cast on the Resolution. The General Meeting will be held immediately after the Court Meeting.

- The Offer will be on the terms and subject to the Conditions set out in Appendix 1 and to be set out in the Scheme Document, which will also set out further details of the Offer. It is expected that the Scheme Document containing further information about the Offer and notices of the Meetings, together with the Forms of Proxy, will be published within 28 days of the date of this announcement (unless the Panel agrees otherwise). An expected timetable of principal events will be included in the Scheme Document.
- The Offer is expected to become Effective in Q4 2021, subject to satisfaction (or, where applicable, waiver) of the Conditions and further terms set out in Appendix 1.

### **Comments on the Offer**

- Commenting on the Offer, Andrew Higginson, Chairman of Morrisons, said:

*"The Morrisons Directors believe that the Offer represents a fair and recommendable price for shareholders which recognises Morrisons' future prospects.*

*Morrisons is an outstanding business and our performance through the pandemic has further improved our standing and enabled us to enter the discussions with Fortress from a hard-won position of strength. We have looked very carefully at Fortress' approach, their plans for the business and their overall suitability as an owner of a unique British food-maker and shopkeeper with over 110,000 colleagues and an important role in British food production and farming.*

*It's clear to us that Fortress has a full understanding and appreciation of the fundamental character of Morrisons. This, together with the very clear intentions they have set out today, has given the Morrisons Directors confidence that Fortress will support and accelerate our plans to develop and strengthen Morrisons further.*

*Fortress, CPP Investments and KREI all have strong track records and a long-term approach to investing. They are backing our strategy, our management and our people. Morrisons has a rich history and a special culture and I am convinced that with the long term support of Fortress, the business will continue to prosper in the future."*

- Commenting on today's announcement, Joshua A. Pack, Managing Partner of Fortress, said:

*"We believe in making long-term investments focused on providing strong management teams with the necessary flexibility and support to execute their strategy in a sustainable and value enhancing manner. We fully recognise Morrisons' rich history and the very important role Morrisons plays for colleagues, customers, members of the Morrisons*

*Pension Schemes, local communities, partner suppliers and farmers. We are committed to being good stewards of Morrisons to best serve its stakeholder groups, and the wider British public, for the long term."*

**The above summary should be read in conjunction with, and is subject to, the full text of this announcement and the Appendices. The Offer will be subject to the Conditions and other terms set out in Appendix 1 and to the full terms and conditions which will be set out in the Scheme Document. Appendix 2 contains bases and sources of certain information contained in this announcement. Details of irrevocable undertakings received by Bidco are set out in Appendix 3. Certain terms used in this announcement are defined in Appendix 4.**

The person responsible for making this announcement at Morrisons is Jonathan Burke, Company Secretary.

## **Enquiries**

### **Morrisons**

Andrew Kasoulis (Investor Relations Director) +44 7785 343 515  
Simon Rigby (Director of External Communications) +44 7771 784 446

**Rothschild & Co** (lead financial adviser to Morrisons) +44 20 7280 5000  
John Deans  
Majid Ishaq  
Stephen Griffiths

**Jefferies International Limited** (financial adviser and joint corporate broker to Morrisons) +44 20 7029 8000  
Tony White  
Philip Noblet

**Shore Capital**(financial adviser and joint corporate broker to Morrisons) +44 20 7408 4050  
Dru Danford  
Mark Percy

**Citigate Dewe Rogerson** (PR adviser to Morrisons)  
Kevin Smith +44 7710 815 924  
Angharad Couch +44 7507 643 004  
Ellen Wilton +44 7921 352 851

**RBC Capital Markets** (financial adviser to Bidco and Fortress) +44 20 7653 4000  
Mark Preston  
Ed Boyce  
Andrew Diggles  
Alexander Thomas

**HSBC Bank plc** (financial adviser to Bidco and Fortress) +44 20 7991 8888  
Anthony Parsons  
David Plowman  
Aamir Khan  
David McCarthy

<b>TB Cardew</b> (PR adviser to Bidco and Fortress)	+44 20 7930 0777
Tom Allison	+44 7789 998 020
Ed Orlebar	+44 7738 724 630
	fortress@tbcardew.com

Slaughter and May is acting as legal adviser to Fortress and Bidco.

Ashurst LLP is acting as legal adviser to Morrisons.

### **Further information**

*This announcement is for information purposes only and is not intended to and does not constitute, or form part of an offer, invitation or the solicitation of an offer to purchase, otherwise acquire, subscribe for, sell or otherwise dispose of any securities, or the solicitation of any vote or approval in any jurisdiction, pursuant to the Offer or otherwise, nor shall there be any sale, issuance or transfer of securities of Morrisons in any jurisdiction in contravention of applicable law. The Offer will be implemented solely pursuant to the terms of the Scheme Document (or, if the Offer is implemented by way of a Takeover Offer, the Offer Document), which will contain the full terms and conditions of the Offer, including details of how to vote in respect of the Offer. Any vote in respect of, or other response to, the Offer should be made only on the basis of the information contained in the Scheme Document (or, if the Offer is implemented by way of a Takeover Offer, the Offer Document).*

*Morrisons and Bidco will prepare the Scheme Document (or, if the Offer is implemented by way of a Takeover Offer, the Offer Document) to be distributed to Morrisons Shareholders. Morrisons and Bidco urge Morrisons Shareholders to read the Scheme Document (or, if the Offer is implemented by way of a Takeover Offer, the Offer Document) when it becomes available because it will contain important information relating to the Offer.*

*This announcement does not constitute a prospectus, prospectus equivalent document or an exempted document.*

### **Disclaimers**

*RBC Europe Limited (trading as RBC Capital Markets) ("RBC"), which is authorised by the PRA and regulated by the FCA and the PRA in the United Kingdom and a wholly owned subsidiary of Royal Bank of Canada, is acting for Bidco and Fortress and no one else in connection with the matters referred to in this announcement and will not be responsible to anyone other than Bidco and Fortress for providing the protections afforded to clients of RBC Capital Markets, or for providing advice in connection with matters referred to in this announcement. Neither RBC nor its parent nor any of its subsidiaries or affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of RBC in connection with this announcement or any matter referred to herein.*

*HSBC Bank plc ("HSBC"), which is authorised by the PRA and regulated by the FCA and the PRA in the United Kingdom, is acting exclusively for Bidco and Fortress and no one else in connection with the matters referred to in this announcement and will not be responsible to anyone other than Bidco and Fortress for providing the protections afforded to clients of HSBC nor for giving advice in connection with matters referred to in this announcement. Neither HSBC nor any of its subsidiaries or affiliates owes or accepts any duty, liability*

or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of HSBC in connection with this announcement or any matter referred to herein.

N.M. Rothschild & Sons Limited ("**Rothschild & Co**"), which is authorised and regulated by the FCA in the United Kingdom, is acting exclusively as financial adviser to Morrisons and no one else in connection with the matters described in this announcement and will not be responsible to anyone other than Morrisons for providing the protections afforded to clients of Rothschild & Co nor for providing advice in connection with any matter referred to herein. Neither Rothschild & Co nor any of its affiliates (nor their respective directors, officers, employees or agents) owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of Rothschild & Co in connection with this announcement, any statement contained herein, the Offer or otherwise. Rothschild & Co has given, and not withdrawn, its consent to the inclusion of its advice in this announcement in the form and context in which it is included.

Jefferies International Limited ("**Jefferies**"), which is authorised and regulated by the FCA in the United Kingdom, is acting exclusively for Morrisons and no one else in connection with the Offer and will not be responsible to anyone other than Morrisons for providing the protections afforded to clients of Jefferies nor for providing advice in relation to the Offer or any other matters referred to in this announcement. Neither Jefferies nor any of its affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of Jefferies in connection with this announcement, any statement contained herein or otherwise.

Shore Capital Stockbrokers Limited ("**Shore Capital**"), which is authorised and regulated in the United Kingdom by the FCA, is acting as financial adviser and joint corporate broker exclusively for Morrisons and no one else in connection with the matters set out in this announcement and will not regard any other person as its client in relation to the matters in this announcement and will not be responsible to anyone other than Morrisons for providing the protections afforded to clients of Shore Capital, or for providing advice in relation to any matter referred to herein.

### **Overseas jurisdictions**

This announcement has been prepared in accordance with, and for the purpose of complying with, the laws of England and Wales and the Takeover Code, and information disclosed may not be the same as that which would have been disclosed if this announcement had been prepared in accordance with the laws of jurisdictions outside England.

The release, publication or distribution of this announcement in or into certain jurisdictions other than the United Kingdom may be restricted by law and therefore any persons who are subject to the laws of any jurisdiction other than the United Kingdom should inform themselves about, and observe any applicable requirements of their jurisdictions.

The availability of the Offer to Morrisons Shareholders who are not resident in and citizens of the United Kingdom may be affected by the laws of the relevant jurisdictions in which they are located or of which they are citizens. Persons who are not resident in the United Kingdom should inform themselves of, and observe, any applicable legal or regulatory requirements of their jurisdictions. In

*particular, the ability of persons who are not resident in the United Kingdom to vote their Morrisons Shares with respect to the Scheme at the Court Meeting, or to execute and deliver Forms of Proxy appointing another to vote at the Court Meeting on their behalf, may be affected by the laws of the relevant jurisdictions in which they are located. Any failure to comply with the applicable restrictions may constitute a violation of the securities laws of any such jurisdiction. To the fullest extent permitted by applicable law, the companies and persons involved in the Offer disclaim any responsibility or liability for the violation of such restrictions by any person. Further details in relation to Overseas Shareholders will be contained in the Scheme Document.*

*Unless otherwise determined by Bidco or required by the Takeover Code, and permitted by applicable law and regulation, the Offer will not be made available, in whole or in part, directly or indirectly, in, into or from a Restricted Jurisdiction where to do so would violate the laws in that jurisdiction and no person may vote in favour of the Offer by any such use, means, instrumentality or from within a Restricted Jurisdiction or any other jurisdiction if to do so would constitute a violation of the laws of that jurisdiction. Copies of this announcement and any formal documentation relating to the Offer are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in or into or from any Restricted Jurisdiction and persons receiving such documents (including custodians, nominees and trustees) must not mail or otherwise forward, distribute or send them in or into or from any Restricted Jurisdiction. Doing so may render invalid any related purported vote in respect of the Offer. If the Offer is implemented by way of a Takeover Offer (unless otherwise permitted by applicable law and regulation), the Takeover Offer may not be made directly or indirectly, in or into, or by the use of mails or any means or instrumentality (including, but not limited to, facsimile, e-mail or other electronic transmission, telex or telephone) of interstate or foreign commerce of, or of any facility of a national, state or other securities exchange of any Restricted Jurisdiction and the Takeover Offer may not be capable of acceptance by any such use, means, instrumentality or facilities.*

*The Offer will be subject to the applicable requirements of the Takeover Code, the Panel, the London Stock Exchange and the FCA.*

#### **Notice to US investors in Morrisons**

*The Offer relates to the shares of an English company and is being made by means of a scheme of arrangement provided for under English company law. A transaction effected by means of a scheme of arrangement is not subject to the tender offer rules or the proxy solicitation rules under the US Securities Exchange Act of 1934. Accordingly, the Offer is subject to the disclosure and procedural requirements and practices applicable in the United Kingdom to schemes of arrangement which differ from the disclosure requirements of United States tender offer and proxy solicitation rules.*

*The financial information included in this announcement and the Scheme Document (or, if the Offer is implemented by way of a Takeover Offer, the Offer Document) has been or will have been prepared in accordance with generally accepted accounting principles of the United Kingdom and thus may not be comparable to the financial information of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the United States.*

*However, if, in the future, Bidco exercises the right to implement the Offer by way of a Takeover Offer and determines to extend the offer into the United*

*States, the Takeover Offer will be made in compliance with applicable United States laws and regulations, including Section 14(e) of the US Securities Exchange Act of 1934 and Regulation 14E thereunder. Such Takeover Offer would be made in the United States by Bidco and no one else.*

*The receipt of cash pursuant to the Offer by a US holder of Morrisons Shares as consideration for the transfer of its Scheme Shares pursuant to the Scheme may be a taxable transaction for US federal income tax purposes and under applicable US state and local, as well as foreign and other, tax laws. Each Morrisons Shareholder is therefore urged to consult with legal, tax and financial advisers in connection with making a decision regarding the Offer.*

*It may be difficult for US holders of Morrisons Shares to enforce their rights and any claims arising out of US federal laws, since Bidco and Morrisons are each located in a non-US jurisdiction, and some or all of their officers and directors may be residents of a non-US jurisdiction. US holders of Morrisons Shares may not be able to sue a non-US company or its officers or directors in a non-US court for violations of US securities laws. Further, it may be difficult to compel a non-US company and its affiliates to subject themselves to a US court's judgement.*

*In accordance with normal UK practice and pursuant to Rule 14e-5(b) of the US Securities Exchange Act of 1934, Bidco, certain affiliated companies and their nominees or brokers (acting as agents), may from time to time make certain purchases of, or arrangements to purchase, Morrisons Shares outside of the US, other than pursuant to the Offer, until the date on which the Offer and/or Scheme becomes Effective, lapses or is otherwise withdrawn. Also, in accordance with Rule 14e-5(b) of the US Securities Exchange Act of 1934, each of Rothschild & Co, Jefferies, Shore Capital, HSBC and RBC will continue to act as an exempt principal trader in Morrisons Shares on the London Stock Exchange. If such purchases or arrangements to purchase were to be made they would occur either in the open market at prevailing prices or in private transactions at negotiated prices and comply with applicable law, including the US Securities Exchange Act of 1934. Any information about such purchases will be disclosed as required in the UK, will be reported to the Regulatory News Service of the London Stock Exchange and will be available on the London Stock Exchange website at [www.londonstockexchange.com](http://www.londonstockexchange.com).*

### **Forward-looking statements**

*This announcement (including information incorporated by reference into this announcement), oral statements made regarding the Offer, and other information published by Bidco and Morrisons contain statements which are, or may be deemed to be, "forward-looking statements". Forward-looking statements are prospective in nature and are not based on historical facts, but rather on current expectations and projections of the management of Bidco and Morrisons about future events, and are therefore subject to risks and uncertainties which could cause actual results to differ materially from the future results expressed or implied by the forward-looking statements.*

*The forward-looking statements contained in this announcement include statements relating to the expected effects of the Offer on Bidco and Morrisons, the expected timing and scope of the Offer and other statements other than historical facts. Often, but not always, forward-looking statements can be identified by the use of forward-looking words such as "plans", "expects" or "does not expect", "is expected", "is subject to", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or*

*"believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "should", "would", "might" or "will" be taken, occur or be achieved. Although Bidco and Morrisons believe that the expectations reflected in such forward-looking statements are reasonable, Bidco and Morrisons can give no assurance that such expectations will prove to be correct. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future.*

*There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. These factors include, but are not limited to: the ability to complete the Offer; the ability to obtain requisite regulatory and shareholder approvals and the satisfaction of other Conditions on the proposed terms; changes in the global political, economic, business and competitive environments and in market and regulatory forces; changes in future exchange and interest rates; changes in tax rates; future business combinations or disposals; changes in general economic and business conditions; changes in the behaviour of other market participants; the anticipated benefits from the Offer not being realised as a result of changes in general economic and market conditions in the countries in which Bidco and Morrisons operate; weak, volatile or illiquid capital and/or credit markets; changes in the degree of competition in the geographic and business areas in which Bidco and Morrisons operate; and changes in laws or in supervisory expectations or requirements. Other unknown or unpredictable factors could cause actual results to differ materially from those expected, estimated or projected in the forward-looking statements. If any one or more of these risks or uncertainties materialises or if any one or more of the assumptions proves incorrect, actual results may differ materially from those expected, estimated or projected. Such forward-looking statements should therefore be construed in the light of such factors.*

*Neither Bidco nor Morrisons, nor any of their respective associates or directors, officers or advisers, provides any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this announcement will actually occur. Given the risks and uncertainties, you are cautioned not to place any reliance on these forward-looking statements.*

*Specifically, statements of estimated cost savings and synergies related to future actions and circumstances which, by their nature, involve risks, uncertainties and contingencies. As a result, the cost savings and synergies referred to may not be achieved, may be achieved later or sooner than estimated, or those achieved could be materially different from those estimated. Due to the scale of the Morrisons Group, there may be additional changes to the Morrisons Group's operations. As a result, and given the fact that the changes relate to the future, the resulting cost synergies may be materially greater or less than those estimated.*

*Other than in accordance with their legal or regulatory obligations, neither Bidco nor Morrisons is under any obligation, and Bidco and Morrisons expressly disclaim any intention or obligation, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.*

#### **Dealing and Opening Position Disclosure requirements**

*Under Rule 8.3(a) of the Takeover Code, any person who is interested in one per cent. or more of any class of relevant securities of an offeree company or of*

*any securities exchange offeror (being any offeror other than an offeror in respect of which it has been announced that its offer is, or is likely to be, solely in cash) must make an Opening Position Disclosure following the commencement of the offer period and, if later, following the announcement in which any securities exchange offeror is first identified.*

*An Opening Position Disclosure must contain details of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s). An Opening Position Disclosure by a person to whom Rule 8.3(a) applies must be made by no later than 3.30 pm (London time) on the 10<sup>th</sup> Business Day following the commencement of the offer period and, if appropriate, by no later than 3.30 pm (London time) on the 10<sup>th</sup> Business Day following the announcement in which any securities exchange offeror is first identified. Relevant persons who deal in the relevant securities of the offeree company or of a securities exchange offeror prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure.*

*Under Rule 8.3(b) of the Takeover Code, any person who is, or becomes, interested in one per cent. or more of any class of relevant securities of the offeree company or of any securities exchange offeror must make a Dealing Disclosure if the person deals in any relevant securities of the offeree company or of any securities exchange offeror. A Dealing Disclosure must contain details of the dealing concerned and of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror, save to the extent that these details have previously been disclosed under Rule 8. A Dealing Disclosure by a person to whom Rule 8.3(b) applies must be made by no later than 3.30 pm (London time) on the Business Day following the date of the relevant dealing.*

*If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an interest in relevant securities of an offeree company or a securities exchange offeror, they will be deemed to be a single person for the purpose of Rule 8.3.*

*Opening Position Disclosures must also be made by the offeree company and by any offeror and Dealing Disclosures must also be made by the offeree company, by any offeror and by any persons acting in concert with any of them (see Rules 8.1, 8.2 and 8.4).*

*Details of the offeree and offeror companies in respect of whose relevant securities Opening Position Disclosures and Dealing Disclosures must be made can be found in the Disclosure Table on the Panel's website at [www.thetakeoverpanel.org.uk](http://www.thetakeoverpanel.org.uk), including details of the number of relevant securities in issue, when the offer period commenced and when any offeror was first identified. You should contact the Panel's Market Surveillance Unit on +44 (0)20 7638 0129 if you are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure.*

#### **Publication on a website**

*In accordance with Rule 26.1 of the Takeover Code, a copy of this announcement will be made available, subject to certain restrictions relating to persons resident in Restricted Jurisdictions, on Morrisons' website at [www.morrisons-corporate.com/investor-centre/offer-from-fortress](http://www.morrisons-corporate.com/investor-centre/offer-from-fortress) and Fortress' website at [www.fortress.com/offer-for-morrisons](http://www.fortress.com/offer-for-morrisons) by no later than 12 noon (London time) on the first Business Day following the date of this*

announcement. For the avoidance of doubt, neither the contents of these websites nor the contents of any websites accessible from any hyperlinks is incorporated into or forms part of this announcement.

### **No profit forecasts, estimates or quantified benefits statements**

No statement in this announcement is intended as a profit forecast, profit estimate or quantified benefits statement for any period and no statement in this announcement should be interpreted to mean that earnings or earnings per share for Morrisons for the current or future financial years would necessarily match or exceed the historical published earnings or earnings per share for Morrisons.

### **Requesting hard copy documents**

Morrisons Shareholders may request a hard copy of this announcement by contacting Morrisons' registrar, Equiniti Limited, by: (i) submitting a request in writing to Equiniti, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA, United Kingdom; or (ii) calling 0371 384 2030 from within the United Kingdom or +44 (0)121 415 7047 from outside the United Kingdom. Calls are charged at the standard geographical rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Phone lines are open between 9.00 a.m. and 5.00 p.m. (London time), Monday to Friday (excluding public holidays in England and Wales. Please note that Equiniti Limited cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes. For persons who receive a copy of this announcement in electronic form or via a website notification, a hard copy of this announcement will not be sent unless so requested. Such persons may also request that all future documents, announcements and information to be sent to them in relation to the Offer should be in hard copy form.

### **Electronic communications**

Please be aware that addresses, electronic addresses and certain other information provided by Morrisons Shareholders, persons with information rights and other relevant persons for the receipt of communications from Morrisons may be provided to Bidco during the Offer Period as required under Section 4 of Appendix 4 to the Takeover Code to comply with Rule 2.11(c) of the Takeover Code.

### **Rounding**

Certain figures included in this announcement have been subjected to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of figures that precede them.

### **General**

If the Offer is effected by way of a Takeover Offer, and such Takeover Offer becomes or is declared unconditional in all respects and sufficient acceptances are received, Bidco intends to exercise its rights to apply the provisions of Chapter 3 of Part 28 of the Companies Act so as to acquire compulsorily the remaining Morrisons Shares in respect of which the Takeover Offer has not been accepted.

*Investors should be aware that Bidco may purchase Morrisons Shares otherwise than under any Takeover Offer or the Scheme, including pursuant to privately negotiated purchases.*

*If you are in any doubt about the contents of this announcement or the action you should take, you are recommended to seek your own independent financial advice immediately from your stockbroker, bank manager, solicitor or independent financial adviser duly authorised under the Financial Services and Markets Act 2000 (as amended) if you are resident in the United Kingdom or, if not, from another appropriate authorised independent financial adviser.*

**NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION, IN WHOLE OR IN PART, DIRECTLY OR INDIRECTLY IN, INTO OR FROM ANY JURISDICTION WHERE TO DO SO WOULD CONSTITUTE A VIOLATION OF THE RELEVANT LAWS OR REGULATIONS OF SUCH JURISDICTION**

**THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION**

**FOR IMMEDIATE RELEASE**

**3 JULY 2021**

**RECOMMENDED CASH OFFER**

**for**

**WM MORRISON SUPERMARKETS PLC**

**by**

**OPPIDUM BIDCO LIMITED**

**(a newly formed company indirectly owned by funds managed or advised by affiliates of Fortress Investment Group, LLC)**

**to be effected by means of a Scheme of Arrangement under Part 26 of the Companies Act 2006**

## **1. Introduction**

The boards of directors of Wm Morrison Supermarkets PLC ("**Morrisons**") and Oppidum Bidco Limited ("**Bidco**") are pleased to announce that they have reached agreement on the terms of a recommended all cash offer by Bidco for the entire issued, and to be issued, share capital of Morrisons (the "**Offer**").

## **2. The Offer**

It is intended that the Offer will be implemented by way of a Court-sanctioned scheme of arrangement under Part 26 of the Companies Act. The purpose of the Scheme is to enable Bidco to acquire the whole of the issued and to be issued share capital of Morrisons.



"**Special Dividend**"). Further details are set out in paragraph 13 of this announcement.

If, on or after the date of this announcement and before the Effective Date, any dividend, distribution or other return of capital or value is announced, declared, made or paid by Morrisons or becomes payable by Morrisons in respect of the Morrisons Shares (other than, or in excess of, the Special Dividend), Bidco reserves the right to reduce the Cash Consideration payable under the terms of the Offer for the Morrisons Shares by an amount up to the amount of such dividend and/or distribution and/or other return of capital or value. In such circumstances, Morrisons Shareholders would be entitled to receive and retain any such dividend and/or other distribution and/or return of capital or value.

In the event that the Offer is to be implemented by way of a Takeover Offer, the Morrisons Shares will be acquired pursuant to the Takeover Offer fully paid and free from all liens, charges, equitable interests, encumbrances and rights of pre-emption and any other interests of any nature whatsoever and together with all rights attaching thereto (other than the right to receive the Special Dividend). Any new Morrisons Shares issued to Bidco pursuant to the Scheme will be transferred on the same basis.

### **3. Background to and reasons for the Offer**

Fortress has followed the global grocery retail sector over an extended period and has successfully invested in grocery retail in both North America and Europe. Fortress has experience of investing in the UK, including in the retail and food space through its investment in Majestic Wine. In the US, Fortress has a long track record of successfully investing in the grocery industry (Albertsons, Fresh & Easy, A&P), petrol forecourt stations (United Pacific, Alta Convenience, Circle K) and retail and restaurants (Krystal Burger, Logan's Steakhouse, On the Border).

Fortress recognises that long-term, sustainable value creation will be maximised by maintaining the long-held focus on Morrisons customers, and in turn providing support and resources to colleagues, suppliers and broader stakeholders to best serve them. As with Fortress' investment in Majestic Wine, which, during the COVID-19 pandemic, opened new stores in 2020 and 2021 for the first time since 2015, Fortress also envisages continuing to support the Morrisons management team's ongoing strategy of targeted new store openings, particularly given the positive performance of recent new stores.

Fortress views the UK grocery retail sector in particular as an attractive and differentiated long-term investment opportunity. This conviction has been further enhanced over the course of the last year given the impressive manner in which Morrisons supported customers, employees and broader stakeholders through the COVID-19 crisis.

Fortress has observed Morrisons' strong operational and financial performance, both during and prior to the COVID-19 crisis. Fortress has followed Morrisons' development with strong interest and has dedicated significant resources to developing a thorough understanding of Morrisons' positioning and long-term potential. Further, Fortress views Morrisons' vertically integrated model, substantial focus on grocery retail and nimble and entrepreneurial approach to strategic partnerships (including with small suppliers, farmers and local communities) as clear differentiators and an excellent basis for continued, long-term growth.

Fortress has been particularly impressed by Morrisons' financial track record and growth since the senior management team was appointed in 2015, with like-for-like sales consistently outperforming its main UK competitors over that period. Fortress believes that the development of the Morrisons Group will be best served as a private business, with access to capital and the benefits of a long-term investment approach.

While Fortress appreciates the many challenges that the sector has faced, it believes that the rapid advancement in online sales channel capabilities and an enhanced competitive position in relation to low price competitors provides a robust platform for continued expansion of the industry profit pool. Fortress is excited about the prospects for the future and believes Morrisons is well-positioned to take advantage of emerging trends in the UK grocery industry. Whether it is grocery delivery, hiring new staff to help pick and pack customer orders or integrated vertical sourcing of products, Morrisons management has taken steps to be at the forefront of these trends rather than trailing them.

#### **4. Recommendation**

The Morrisons Directors, who have been so advised by Rothschild & Co as to the financial terms of the Offer, consider the terms of the Offer to be fair and reasonable. In providing its advice to the Morrisons Directors, Rothschild & Co has taken into account the commercial assessments of the Morrisons Directors.

Accordingly, the Morrisons Directors intend to recommend unanimously that Morrisons Shareholders vote in favour of the Scheme at the Court Meeting and the Resolution at the General Meeting as the Morrisons Directors who hold Morrisons Shares have irrevocably undertaken to do in respect of their own beneficial holdings of 5,643,396 Morrisons Shares, in aggregate representing approximately 0.23 per cent. of Morrisons' issued share capital on 2 July 2021 (being the last Business Day before the date of this announcement).

Further details of these irrevocable undertakings, including the circumstances in which they cease to be binding, are set out in Appendix 3.

#### **5. Background to and reasons for the recommendation**

Following the appointment of the senior management team in 2015, Morrisons has successfully implemented its "Fix, Rebuild, Grow, Sustain" strategy which has delivered significant improvements in Morrisons' operating and financial performance and a materially strengthened balance sheet. Morrisons has overhauled the customer experience to reach 'more and more people' through online, wholesale, convenience and other initiatives to extend its reach to 99.6 per cent. of households in Great Britain. This has been supported by the rapid development of the attractive partnerships with Amazon, Ocado, Deliveroo, McColl's and Rontec.

Since 2016, Morrisons has grown its revenues by £2.1 billion (excluding fuel) to £17.6 billion total revenues in 2021 and its underlying EBITDA to £1.1 billion in 2021<sup>(3)</sup>. In the same period, Morrisons Shareholders have received £1.4 billion in dividends whilst seeing a reduction in net debt, pre-IFRS 16, to £1.1 billion (prior to the COVID-19 pandemic).

<sup>(3)</sup> Stated post-IFRS 16, before exceptionals and before paying previously waived business rates relief of £230 million.

Today, Morrisons is a vertically integrated food manufacturer, wholesaler and multi-channel retailer which is viewed as a well-regarded, heritage British brand focused on price, service and fresh, local produce. Against this backdrop, Morrisons is well positioned to continue to grow by increasingly serving multiple and adjacent markets, and this is supported by excellent long-term market fundamentals and a robust financial position encompassing a strong balance sheet, largely freehold estate, low levels of debt and pension schemes in surplus.

As reported in Morrisons' Q1 2021 trading update, the Morrisons Directors see significant further opportunities to build on its recent successes and continue to build a broader, stronger, new Morrisons for all stakeholders.

The Morrisons Directors did not solicit an offer for Morrisons. However, the Morrisons Directors regularly consider all options for improving shareholder value.

The initial unsolicited proposal received from Fortress on 4 May 2021 was at 220 pence per Morrisons Share and was not at a level the Morrisons Directors felt reflected an appropriate valuation for Morrisons and its future prospects. Fortress then made four subsequent proposals before its offer reached a total value of 254 pence per Morrisons Share on 5 June 2021.

In considering the financial terms of the Offer and determining whether they reflect an appropriate valuation of Morrisons and its future prospects, the Morrisons Directors took into account a number of factors including that:

- the Offer represents an opportunity for Morrisons Shareholders to realise their investment in Morrisons for cash at a fair and reasonable value;
- the Offer Value represents a premium of approximately 42 per cent. to the Closing Price of 178 pence per Morrisons Share on 18 June 2021 (being the last Business Day before the commencement of the Offer Period);
- the Offer Value represents a premium of approximately 41 per cent. to the volume-weighted average Closing Price of 180 pence per Morrisons Share for the three-month period ended 18 June 2021 (being the last Business Day before the commencement of the Offer Period);
- the Offer Value implies an enterprise value multiple of approximately 8.3 times Morrisons' underlying EBITDA<sup>(4)</sup> for the 52 weeks ended 31 January 2021 and approximately 8.6 times Morrisons' underlying (pre-COVID-19) EBITDA<sup>(4)</sup> for the 52 weeks ended 2 February 2020; and
- the Offer Value implies a multiple of approximately 18.5 times Morrisons' underlying earnings per Morrisons Share<sup>(4)</sup> for the 52 weeks ended 31 January 2021.

<sup>(4)</sup> Stated post-IFRS 16, before exceptionals and before paying previously waived business rates relief of £230 million.

In addition to the financial terms of the Offer, Morrisons is placing very significant emphasis in its discussions with Fortress on the wider responsibilities of ownership of Morrisons. These responsibilities include recognising the legacy of Sir Ken Morrison, Morrisons' history and culture, and the important role that

Morrisons plays for all stakeholders, including colleagues, customers, members of the Morrisons Pension Schemes, local communities, partner suppliers, British farming and the wider British public.

Accordingly, the Morrisons Directors have held extensive discussions with Bidco in relation to a number of specific areas which the Morrisons Directors believe are critical to protecting and developing the fundamental character of Morrisons for the benefit of all stakeholders and to its evaluation of Fortress as a suitable and appropriate owner of the Morrisons business.

Fortress has confirmed to Morrisons that it believes in making long-term investments focussed on providing strong management teams with the necessary flexibility and support to execute their strategy in a sustainable and value-enhancing way. Consistent with this approach, Fortress has been clear that it intends to support the Morrisons management team in continuing to execute its existing strategy for the long-term success of the Morrisons business.

Further details of Fortress' intentions regarding the future of the Morrisons business under its ownership are set out in the "Transaction overview" section in the summary and at paragraph 8 of this announcement.

Accordingly, following careful consideration of both the financial terms of the Offer and Fortress' intentions regarding the conduct of the Morrisons business under Fortress' ownership, the Morrisons Directors intend to recommend unanimously the Offer to Morrisons Shareholders.

## **6. Information relating to Morrisons**

Morrisons began as a Bradford market stall in 1899 and has grown to become the UK's fourth largest supermarket chain, employing over 110,000 colleagues across the UK. Following the opening of the first Morrisons supermarket store in 1961, Morrisons went public in 1967, and first entered the FTSE 100 index in April 2001. Today, Morrisons is a well-regarded, heritage British brand focused on price, service and fresh, local produce.

As at May 2021, Morrisons operated a largely freehold property estate including 497 stores, 339 petrol filling stations, 20 manufacturing and packing sites and 9 distribution centres. Through its conveniently located stores, Morrisons carries out approximately 9 million customer transactions every week and has a reach which extends to 99.6 per cent. of households in Great Britain. In addition, Morrisons operates through a series of partnerships. The Ocado partnership, launched in 2013, was the first time Morrisons provided an online delivery service. Since then, Morrisons has also partnered with Amazon and Deliveroo, whilst also reaching into the convenience store sector through partnerships with McColl's and Rontec amongst others.

For the 52 weeks ended 31 January 2021, Morrisons reported total revenues of £17.6 billion and profit before tax and exceptionals<sup>(5)</sup> of £431 million. This includes £290 million direct COVID-19 costs to help feed the nation through the crisis. Morrisons reported EPS before exceptionals<sup>(5)</sup> and waived rates relief of 13.74 pence per Morrisons Share and a full year dividend of 11.15 pence per Morrisons Share, including a special dividend of 4.00 pence per Morrisons Share.

<sup>(5)</sup> Stated before paying previously waived business rates relief of £230 million.

## **7. Information relating to Bidco, Fortress, CPP Investments and KREI**

### ***Bidco***

Bidco is a limited company registered in England and Wales and incorporated on 25 June 2021. Bidco was formed for the purposes of the Offer and is an entity indirectly owned by funds managed by affiliates of Fortress Investment Group, LLC.

Bidco has not traded since its date of incorporation, nor has it entered into any obligations other than in connection with the Offer.

The current directors of Bidco are Joshua A. Pack, David Brooks, Marimuthu Subburathinam and Nicholas Fegan.

Further details in relation to Bidco will be contained in the Scheme Document.

### ***Fortress***

Fortress is a leading global investment manager with approximately US\$53 billion in assets under management as of 31 March 2021. Fortress manages assets on behalf of over 1,800 institutional clients and private investors worldwide across a range of credit and real estate, private equity and permanent capital investment strategies. Fortress is an independently-operated subsidiary of SoftBank Group Corp.

Fortress' investment approach is to acquire companies with strong management teams and empower them to deliver their long-term strategy. Fortress has experience investing in the UK, making direct investments in the retail and food sector (Majestic Wine), mortgage servicing and origination (Paratus AMC) and aircraft leasing and asset management (Falko). In the US, Fortress has a 19-year track record of successfully investing in the grocery industry (Albertsons, Fresh & Easy, A&P), petrol forecourt stations (United Pacific, Alta Convenience, Circle K) and retail and restaurants (Krystal Burger, Logan's Steakhouse, On the Border).

### ***CPP Investments***

CPP Investments is a professional investment management organisation that invests the funds transferred to it by the Canada Pension Plan ("**CPP**") that are not needed by the CPP to pay current benefits on behalf of 20 million contributors and beneficiaries. In order to build a diversified portfolio of assets, CPP Investments invests in public equities, private equities, real estate, infrastructure and fixed income instruments. Headquartered in Toronto, with offices in London, Hong Kong, Mumbai, Luxembourg, New York, San Francisco, São Paulo and Sydney, CPP Investments is governed and managed independently of the CPP and at arm's length from government. As of 31 March 2021, CPP Investments had approximately CA\$497.2 billion (approximately £287 billion) assets under management, of which CA\$23.6 billion (approximately £13.6 billion) is invested in the UK.

### ***KREI***

KREI is part of Koch Industries, one of the largest privately held businesses in the United States. KREI focuses its efforts on attractive risk-adjusted capital deployment into real estate assets and operating companies. KREI has an acute focus on best-in-class management teams and flexible capital solutions which

align interests to drive mutual benefit with its partners. Since 2003, Koch companies have invested nearly US\$133 billion in growth and improvements. With a presence in more than 70 countries, Koch companies employ 122,000 people worldwide. From January 2009 to present, Koch companies have earned more than 1,300 awards for safety, environmental excellence, community stewardship, innovation, and customer service.

## **8. Directors, management, employees, pensions, research and development and locations**

### ***Bidco's strategic plans for Morrisons***

Morrisons and Bidco place very significant emphasis on the wider responsibilities of ownership of Morrisons. These responsibilities include recognising the legacy of Sir Ken Morrison, Morrisons' history and culture, and the important role that Morrisons plays for all stakeholders, including colleagues, customers, members of the Morrisons Pension Schemes, local communities, partner suppliers, British farming and the wider British public.

Bidco has great respect for the high-quality and strength of the Morrisons management team, which is an important part of the rationale for the Offer. Prior to this announcement, Bidco has worked closely with Morrisons' management to understand the key areas of their strategy and plans for the Morrisons business. Bidco is committed to being a good steward of Morrisons through the next stage of its evolution and, following the Offer becoming Effective, Bidco will support Morrisons and its employees in executing management's existing strategy, including: strong customer focus; vertically integrated supply chain; targeted new store openings and job creation; and focus on wholesale and online channels. Bidco views these as critical areas of strength and competitive advantage for Morrisons and therefore central to the investment thesis.

Bidco highly values Morrisons' positive engagement with all its stakeholders, including colleagues, customers, members of the Morrisons Pension Schemes, local communities, partner suppliers, British farming and the wider British public. In particular, Bidco fully supports the relationships that Morrisons has fostered with its small suppliers and farmers, especially in response to the challenges of the COVID-19 pandemic, and Bidco does not anticipate any material changes to existing payment practices with them.

Bidco recognises that Morrisons' relationship with its customers forms a central part in the fundamental character of the Morrisons business and that listening carefully to customers and improving and enhancing the shopping trip is a central priority for the Morrisons business.

In addition, Bidco believes that sustainability is a key part of Morrisons' long-term strategy and greatly values Morrisons' positive engagement with its customers and colleagues, and strong collaboration with its partner suppliers, including farming and fishing communities. Bidco fully supports Morrisons' wider corporate responsibilities on protecting the environment and supporting local communities, which Bidco recognises are key parts of Morrisons' strategy for long-term success. In particular, Bidco is fully supportive of Morrisons' existing social and environmental commitments to reduce its carbon footprint and use of plastic, to achieve zero deforestation in its supply chains for key risk commodities by 2025, to reduce food waste, and to source its products in a sustainable way. Bidco fully supports Morrisons' commitment, as one of British farming's biggest direct supermarket customers, to a target of becoming the first

supermarket to be completely supplied by net zero carbon British farms by 2030.

Bidco recognises the flexibility and control that freehold real estate ownership affords both management teams and shareholders. Bidco appreciates that Morrisons management takes an active approach to managing Morrisons' store portfolio and has undertaken certain property disposal programmes historically. Under its ownership, Bidco would expect to engage with Morrisons management on its long-term plans for managing the estate, but does not anticipate engaging in any material store sale and leaseback transactions. As an important reference point, Fortress' existing portfolio company, Majestic Wine, retains ownership of a significant freehold store estate and has not sold any of its freehold or long leasehold properties under Fortress' ownership. In addition, since acquiring the business in 2019, Fortress reversed planned job cuts at Majestic Wine in the UK and opened new stores in 2020 and 2021, during the COVID-19 pandemic and for the first time since 2015.

Recognising the constraints of due diligence within the public offer process, Bidco has not yet had access to sufficiently detailed information to formulate detailed plans or intentions regarding the impact of the Offer on the Morrisons Group, other than its overarching intention to support management's ongoing strategy. Following the Offer becoming Effective, Bidco intends to work with Morrisons' management to complete a fuller evaluation of the Morrisons Group and its operations and organisational structure, which will consider both the short- and long-term objectives of the business. Bidco expects that this evaluation will be completed within approximately six months from the Effective Date.

The evaluation will focus on all aspects of the Morrisons business and the opportunities available to it, including:

- engaging with Morrisons' customers, colleagues, suppliers and other stakeholders;
- assessing potential investment that will support Morrisons' growth ambitions and overall strategy, including potential acquisitions;
- reviewing Morrisons' property portfolio and long-term plans for managing the estate although, as noted above, Bidco does not anticipate engaging in any material store sale and leaseback transactions; and
- assessing strategic options in respect of Morrisons' portfolio of petrol filling stations.

The aim of the evaluation will be to validate the assumptions underlying Bidco's investment thesis which have been confirmed through the management meetings held as part of its confirmatory due diligence exercise. Accordingly, Bidco expects the outcome of the evaluation to be consistent with its stated intentions set out elsewhere in this paragraph 8.

### ***Employees and management***

Bidco greatly values the skills and experience of the Morrisons management and employees of Morrisons and is committed to supporting Morrisons' important role in ensuring the ongoing security of food supply in the UK. Over the last year in particular, Bidco recognises that Morrisons has played a critical part in feeding the nation during the COVID-19 pandemic and greatly admires

the outstanding efforts of the whole Morrisons team, including management and colleagues in stores, manufacturing and distribution sites and head office.

In this regard, there are strong parallels with some of the initiatives Fortress has supported since acquiring Majestic Wine, which has seen an increase in staff recruitment and training across the retail estate since the acquisition in 2019. Fortress is particularly proud of Majestic Wine being named as the highest ranked retailer in the Glassdoor "Top 50 Places to Work" in 2020.

Once Morrisons ceases to be a public listed company, a limited number of PLC-related functions may be reduced in scope or become unnecessary. Bidco has not yet developed proposals as to how any such potential change in functions will be implemented. Bidco intends to work with Morrisons' management to identify the extent to which individuals involved in those functions may be reassigned to other appropriate roles within Morrisons on or before the Offer becoming Effective. Any individuals impacted will be treated in a manner consistent with Morrisons' high standards, culture and practices (including any applicable informing and consulting requirements) and the assurances given to the Morrisons Directors.

Save as set out above in respect of PLC-related functions, Bidco does not expect any material change in headcount or the balance of skills and functions of employees and management of the Morrisons Group to arise as a consequence of the Offer becoming Effective.

### ***Existing rights and pensions***

Bidco believes that Morrisons' colleagues are its greatest asset and fundamental to the future success of the Morrisons business. Bidco confirms that, upon and following the Offer becoming Effective, the existing contractual and statutory employment rights, including in relation to pensions, of all Morrisons' management and employees will be fully safeguarded in accordance with applicable law.

Bidco does not intend to make any material change to the conditions of employment of the employees of the Morrisons Group. In particular, Bidco is fully supportive of Morrisons' recent pay award of at least £10 an hour for all Morrisons colleagues in stores and manufacturing sites, which Bidco views as an important and appropriate recognition of their contribution to Morrisons.

Morrisons operates and participates in three defined benefit pension schemes in the UK, being the Morrisons 1967 Section of the Morrisons Retirement Saver Plan, the RSP Section of the Morrisons Retirement Saver Plan and the Safeway Pension Scheme (together, the "**UK Pension Schemes**"). The last full actuarial valuations in respect of the UK Pension Schemes were carried out on 1 April 2019 for the Safeway Pension Scheme and 5 April 2019 for each of the Morrisons 1967 Pension Scheme and the Morrisons Retirement Saver Plan. Each of these valuations revealed a funding surplus on the agreed valuation bases. The aggregate surplus was approximately £682 million for all plans combined.

The UK Pension Schemes are closed to new entrants and to the future accrual of benefits for existing members. Bidco does not intend to re-open any of the UK Pension Schemes to new members or future accrual. Bidco fully appreciates the importance of the UK Pension Schemes and their members and trustees as key stakeholders within Morrisons' business. Bidco does not intend to make any change to the benefits provided by the UK Pension Schemes. Bidco confirms

that its intention is for employer contributions to the UK Pension Schemes to continue in line with current arrangements.

Safeway also has a defined benefit pension arrangement in Gibraltar, the Safeway Stores (Overseas) Limited Pension Scheme (the "**Gibraltar Pension Scheme**"). As at 31 January 2021, the Gibraltar Pension Scheme had a deficit of approximately £1.3 million on an IAS19 basis. The Gibraltar Pension Scheme is open to new members and to future accrual. Bidco does not intend to make changes to the Gibraltar Pension Scheme (including with regard to accrual of benefits for existing members, the admission of new members and current arrangements for the funding of the scheme deficit) and confirms its intention for employer contributions to the Gibraltar Pension Scheme to continue in line with current arrangements.

### ***Headquarters, locations, fixed assets and research and development***

Following the Offer becoming Effective, as with Fortress' existing portfolio company investments, Bidco intends for Morrisons to continue to operate as a standalone business, led by the Morrisons management team. Bidco has no plans to make any material restructurings or change in the locations of Morrisons' places of business (save for any changes at the head office due to the reduction of PLC-related functions described above) and intends to retain Morrisons' head office and head office functions in Bradford.

Save as set out above, no changes are envisaged with respect to the redeployment of Morrisons' fixed asset base and, to Bidco's knowledge, Morrisons has no research and development function.

### ***Management incentive arrangements***

Following the Offer becoming Effective, Bidco intends to review Morrisons' management, governance and incentives structures. Bidco has not entered into, and has not had discussions on proposals to enter into any form of incentivisation arrangements with members of Morrisons' management, but will have discussions and enter into such arrangements following the Effective Date and intends to operate annual and long-term incentive arrangements in the future.

### ***Trading facilities***

Morrisons Shares are currently listed on the Official List and admitted to trading on the London Stock Exchange. As set out in paragraph 15, applications will be made to the FCA for the cancellation of the listing of Morrisons Shares on the Official List and to the London Stock Exchange for the cancellation of trading of Morrisons Shares on the Main Market of the London Stock Exchange.

None of the statements in this paragraph 8 are "post-offer undertakings" for the purpose of Rule 19.5 of the Takeover Code.

## **9. Morrisons Share Plans**

Participants in the Morrisons Share Plans will be contacted regarding the effect of the Offer on their rights thereunder. Details of the proposals will be set out in the Scheme Document (or, as the case may be, the Offer Document) and in separate letters to be sent to participants in the Morrisons Share Plans.

## **10. Financing of the Offer**

The Cash Consideration payable to Morrisons Shareholders under the terms of the Offer will be financed by a combination of: (i) equity capital to be invested by Fortress, CPP Investments, acting through its wholly owned subsidiary CPPIB Credit Investments Inc., and KREI; and (ii) term loan and revolving credit facilities to be provided under a facilities agreement dated on or around the date of this announcement entered into between, amongst others, Royal Bank of Canada and HSBC as mandated lead arrangers and RBC as facility agent.

Fortress may syndicate part of its equity funding commitments. In addition, other potential investors may acquire indirect minority interests in Bidco during the Offer Period or after the Scheme becomes Effective.

RBC and HSBC, each in its capacity as financial adviser to Bidco, are satisfied that the resources available to Bidco are sufficient to satisfy in full the Cash Consideration.

Further information on the financing of the Offer will be set out in the Scheme Document.

## 11. Offer-related arrangements

### ***Confidentiality Agreement***

On 13 June 2021, Fortress Investment Group (UK) Limited and Morrisons entered into a confidentiality agreement in relation to the Offer (the "**Confidentiality Agreement**"), pursuant to which, amongst other things, Fortress gave certain undertakings to: (a) subject to certain exceptions, keep information relating to Morrisons and the Offer confidential and not to disclose it to third parties; and (b) use such confidential information only in connection with the Offer. These confidentiality obligations will remain in force until the earlier of 13 June 2023 and completion of the Offer by Bidco.

### ***Co-operation Agreement***

Pursuant to a co-operation agreement (the "**Co-operation Agreement**"), Bidco, Morrisons and FIG LLC (a wholly-owned subsidiary of Fortress Investment Group LLC) have, amongst other things, each agreed that Bidco and Morrisons will: (i) co-operate in relation to obtaining all approvals, consents, clearances, permissions, confirmations, comfort letters and waivers, making all filings and ensuring that all waiting periods have expired, from or under any applicable laws, regulations or practices applied by any applicable regulatory authority, as are necessary and/or expedient to enable the Effective Date to occur by the Long Stop Date and/or to satisfy one or more of the Conditions set out in paragraphs 3(A) to 3(D) of Appendix 1; and (ii) co-operate in implementing certain employee-related matters in relation to the Morrisons Share Plans. In addition, Bidco has agreed to certain provisions if the Scheme should switch to a Takeover Offer.

The Co-operation Agreement will terminate in certain circumstances, including if: (i) a third party offer is recommended by the Morrisons Directors; (ii) if the Morrisons Directors withdraw their recommendation of the Offer; (iii) if, prior to the Long Stop Date, any Condition has been invoked by Bidco (where the invocation is permitted by the Panel); (iv) a third party offer completes, becomes effective or is declared wholly unconditional in all respects; (v) the Offer is withdrawn, terminated or lapses prior to the Long Stop Date; (vi) if the Scheme does not become Effective in accordance with its terms by the Long Stop Date; or (vii) otherwise as agreed between Bidco and Morrisons in writing.

Pursuant to the terms of the Co-operation Agreement, Bidco undertakes that it will deliver a notice in writing to Morrisons on the Business Day prior to the Scheme Court Hearing confirming either: (i) the satisfaction or waiver of the Conditions (other than the Conditions set out in paragraphs 2(A) to 2(C) of Appendix 1); or (ii) to the extent permitted by the Panel, that it intends to invoke or treat as unsatisfied or incapable of satisfaction one or more Conditions.

### ***Bid Conduct Agreement***

Fortress Credit Advisers LLC, Bidco, CPP Investments and KREI, have entered into a bid conduct agreement (the "**Bid Conduct Agreement**"), pursuant to which they have agreed certain principles in accordance with which they intend to co-operate on evaluating and implementing the Offer, and the basis on which they intend to hold their interests in Bidco's parent company.

Under the terms of the Bid Conduct Agreement, CPP Investments and KREI acknowledge that Fortress Credit Advisers LLC shall have the exclusive right to take decisions as to the conduct of, and negotiations relating to, the Offer (subject to certain limited conditions) and, among other things, shall (subject to limited exceptions) have sole responsibility for liaising with Morrisons, the Morrisons Shareholders and other stakeholders and all decisions in relation to the implementation of the Offer.

Pursuant to the terms of the Bid Conduct Agreement, CPP Investments and KREI: (i) give customary standstill undertakings in relation to themselves and their concert parties; (ii) agree to work with each other and Fortress Credit Advisers LLC on an exclusive basis in relation to the Offer; and (iii) undertake to notify Fortress Credit Advisers LLC if they are approached by any third party in relation to any potential competing bid for Morrisons. The terms of the Bid Conduct Agreement also include an agreement by each of Fortress Credit Advisers LLC, CPP Investments and KREI not to do or omit to do anything which frustrates their ability to make the Offer.

The Bid Conduct Agreement will expire and terminate upon the earlier of: (i) a definitive shareholders agreement being executed and becoming effective; (ii) by unanimous decision of Fortress Credit Advisers LLC, CPP Investments and KREI; (iii) the Offer (if made) lapsing or being withdrawn; and (iv) a competitive offer becoming effective.

### ***Clean Team Agreement***

Fortress Investment Group (UK) Limited and Morrisons have entered into a clean team confidentiality agreement dated 19 June 2021 (the "**Clean Team Agreement**") which sets out certain procedures for the exchange and use of competitively sensitive information in order to ensure that the exchange of such information does not give rise to any infringement of antitrust law.

## **12. Scheme process**

It is intended that the Offer will be effected by a Court-sanctioned scheme of arrangement between Morrisons and the Scheme Shareholders under Part 26 of the Companies Act. Bidco reserves the right to effect the Offer by way of a Takeover Offer, subject to the consent of the Panel and the terms of the Co-operation Agreement.

The purpose of the Scheme is to provide for Bidco to become owner of the whole of the issued and to be issued share capital of Morrisons. Under the

Scheme, the Offer is to be achieved by the transfer of the Scheme Shares held by Scheme Shareholders to Bidco in consideration for which Scheme Shareholders will receive the Cash Consideration on the basis set out in paragraph 2 above. The procedure involves, among other things, a petition by Morrisons to the Court to sanction the Scheme.

The Offer will be subject to the Conditions and further terms referred to in Appendix 1 and the full terms and conditions to be set out in the Scheme Document and will only become Effective if, among other things, the following events occur on or before the Long Stop Date (or such later date as Bidco and Morrisons may, with the consent of the Panel, agree and, if required, the Court may approve):

- a resolution to approve the Scheme is passed by a majority in number of the Scheme Shareholders present and voting (and entitled to vote) at the Court Meeting, either in person or by proxy, representing 75 per cent. or more in value of each class of the Scheme Shares held by those Scheme Shareholders;
- the Resolution is passed by the requisite majority of Morrisons Shareholders at the General Meeting;
- following the Meetings, the Scheme is sanctioned by the Court (without modification, or with modification on terms agreed by Bidco and Morrisons); and
- following such sanction, an office copy of the Scheme Court Order is delivered to the Registrar of Companies.

Upon the Scheme becoming Effective: (i) it will be binding on all Morrisons Shareholders, irrespective of whether or not they attended or voted at the Meetings (and if they attended and voted, whether or not they voted in favour); and (ii) share certificates in respect of Morrisons Shares will cease to be valid and entitlements to Morrisons Shares held within the CREST system will be cancelled.

Any Morrisons Shares issued before the Scheme Record Time will be subject to the terms of the Scheme. The Resolution to be proposed at the General Meeting will, amongst other matters, provide that the Articles be amended to incorporate provisions requiring any Morrisons Shares issued after the Scheme Record Time (other than to Bidco and/or its nominees) to be automatically transferred to Bidco on the same terms as the Offer (other than terms as to timings and formalities). The provisions of the Articles (as amended) will avoid any person (other than Bidco and its nominees) holding Morrisons Shares after the Effective Date.

If the Scheme does not become Effective on or before the Long Stop Date, it will lapse and the Offer will not proceed (unless the Panel otherwise consents).

The Scheme Document will include full details of the Scheme, together with notices of the Court Meeting and the General Meeting and the expected timetable, and will specify the action to be taken by Scheme Shareholders. It is expected that the Scheme Document, together with the Forms of Proxy, will be published within 28 days of the date of this announcement (unless the Panel agrees otherwise). Subject, amongst other things, to the satisfaction or waiver of the Conditions, it is expected that the Scheme will become Effective in Q4 2021. The Scheme will be governed by English law. The Scheme will be subject to the

applicable requirements of the Takeover Code, the Panel, the London Stock Exchange and the FCA.

### 13. Dividends

As part of the Offer, the boards of Morrisons and Bidco have agreed the declaration of the Special Dividend. The Special Dividend will be conditional upon the Scheme becoming Effective (or, if the Offer is implemented by way of a Takeover Offer, the Takeover Offer becoming or being declared unconditional in all respects). Morrisons Shareholders on the register of members at the Scheme Record Time (or, if the Offer is implemented by way of a Takeover Offer, the date on which the Takeover Offer is declared unconditional in all respects) shall be entitled to receive the Special Dividend. If the Scheme becomes Effective (or, if the Takeover Offer becomes or is declared unconditional in all respects), the Special Dividend will be paid not more than 14 days after the Effective Date.

If, on or after the date of this announcement and before the Effective Date, any dividend, distribution or return of capital or value is announced, declared, made or paid by Morrisons or becomes payable by Morrisons in respect of the Morrisons Shares (other than, or in excess of, the Special Dividend), Bidco reserves the right to reduce the Cash Consideration payable under the terms of the Offer for the Morrisons Shares by an amount up to the amount of such dividend and/or distribution and/or other return of capital or value. In such circumstances, Morrisons Shareholders would be entitled to receive and retain any such dividend and/or other distribution and/or return of capital or value.

### 14. Disclosure of interests in Morrisons

Except for the irrevocable commitments referred to in paragraph 4 above and as disclosed below, as at the close of business on 2 July 2021 (being the last practicable date prior to the date of this announcement), neither Bidco, nor any of its directors, nor, so far as Bidco is aware, any person acting in concert (within the meaning of the Takeover Code) with Bidco:

- has any interest in, or right to subscribe for, any relevant securities of Morrisons; nor
- has any short position in Morrisons Shares, including any short position under a derivative, any agreement to sell, any delivery obligation or right to require another person to purchase or take delivery of relevant securities of Morrisons; nor
- has borrowed or lent any relevant securities of Morrisons or entered into any financial collateral arrangements relating to relevant securities of Morrisons; nor
- is party to any dealing arrangement of the kind referred to in Note 11 on the definition of acting in concert in the Takeover Code in relation to relevant securities of Morrisons.

Name	Nature of interest	Number of Morrisons Shares	Percentage of Morrisons' issued share capital (per cent.)
HCBO (HSBC Broking Securities)	Interest in Morrisons Shares	1	0.00000004

(Asia) Limited), as a concert party (within the meaning of the Takeover Code) of Bidco held as part of a scrip dividend for multiple clients

An "interest in" securities for these purposes arises, in summary, when a person has long economic exposure, whether absolute or conditional, to changes in the price of securities (and a person who only has a short position in securities is not treated as interested in those securities). In particular, a person will be treated as having an 'interest' by virtue of the ownership, voting rights or control of securities, or by virtue of any agreement to purchase, option in respect of, or derivative referenced to securities.

It has not been possible for Bidco to make enquiries of all of its concert parties in advance of the release of this announcement. Therefore, if Bidco becomes aware, following the making of such enquiries, that any of its other concert parties have any additional interests in relevant securities of Morrisons, all relevant details in respect of Bidco's concert parties will be included in Bidco's Opening Position Disclosure in accordance with Rule 8.1(a) and Note 2(a)(i) on Rule 8 of the Takeover Code.

#### **15. Delisting, cancellation of trading and re-registration**

It is intended that the London Stock Exchange and the FCA will be requested respectively to cancel trading in Morrisons Shares on the Main Market of the London Stock Exchange and the listing of the Morrisons Shares from the Official List, in each case, to take effect on or shortly after the Effective Date.

It is expected that the last day of dealings in Morrisons Shares on the Main Market of the London Stock Exchange will be the Business Day immediately prior to the Effective Date and no transfers will be registered after 6.00 p.m. (London time) on that date.

It is intended that Morrisons be re-registered as a private limited company as part of the Scheme and for this to take effect as soon as practicable on or following the Effective Date.

#### **16. Consents**

RBC, HSBC, Rothschild & Co, Jefferies and Shore Capital have each given and not withdrawn their consent to the publication of this announcement with the inclusion herein of the references to their names in the form and context in which they appear.

#### **17. Documents available for inspection**

Copies of the following documents will, by no later than 12 noon (London time) on the first Business Day following the date of this announcement, be published on Morrisons' website at [www.morrisons-corporate.com/investor-centre/offer-from-fortress](http://www.morrisons-corporate.com/investor-centre/offer-from-fortress) and Fortress' website at [www.fortress.com/offer-for-morrisons](http://www.fortress.com/offer-for-morrisons) until the end of the Offer Period:

- this announcement;
- the irrevocable commitments listed in Appendix 3;

- the documents entered into for the financing of the Offer referred to in paragraph 10 above;
- the Confidentiality Agreement referred to in paragraph 11 above;
- the Co-operation Agreement referred to in paragraph 11 above;
- the Bid Conduct Agreement referred to in paragraph 11 above;
- the Clean Team Agreement referred to in paragraph 11 above; and
- the consent letters from each of RBC, HSBC, Rothschild & Co, Jefferies and Shore Capital referred to in paragraph 16 above.

The contents of Morrisons' website and Fortress' website are not incorporated into and do not form part of this announcement.

## 18. General

Bidco reserves the right to elect (with the consent of the Panel and subject to the terms of the Co-operation Agreement) to implement the Offer by way of a Takeover Offer as an alternative to the Scheme. In such event, the Takeover Offer will be implemented on substantially the same terms (subject to appropriate amendments), so far as applicable, as those which would apply to the Scheme.

If the Offer is effected by way of a Takeover Offer and such Takeover Offer becomes or is declared unconditional in all respects and sufficient acceptances are received Bidco intends to: (i) request the London Stock Exchange and the FCA cancel trading in Morrisons Shares on the London Stock Exchange's main market for listed securities and the listing of the Morrisons Shares from the Official List; and (ii) exercise its rights to apply the provisions of Chapter 3 of Part 28 of the Companies Act to acquire compulsorily the remaining Morrisons Shares in respect of which the Takeover Offer has not been accepted.

The Offer will be on the terms and subject to the Conditions set out in Appendix 1, and to the full terms and conditions be set out in the Scheme Document. The formal Scheme Document comprising will be sent to Morrisons Shareholders within 28 days of this announcement (or on such later date as may be agreed between Bidco and Morrisons with the consent of the Panel).

Appendix 2 contains bases and sources of certain information contained in this announcement. Details of irrevocable undertakings received by Bidco are set out in Appendix 3. Certain terms used in this announcement are defined in Appendix 4.

This announcement does not constitute an offer or an invitation to purchase or subscribe for any securities. Such offer will be contained in the Scheme Document.

### Enquiries

#### Morrisons

Andrew Kasoulis (Investor Relations Director)	+44 7785 343 515
Simon Rigby (Director of External Communications)	+44 7771 784 446

<b>Rothschild &amp; Co</b> (lead financial adviser to)	+44 20 7280 5000
--	------------------

Morrisons)  
John Deans  
Majid Ishaq  
Stephen Griffiths

**Jefferies International Limited** (financial adviser  
and joint corporate broker to Morrisons) +44 20 7029 8000  
Tony White  
Philip Noblet

**Shore Capital**(financial adviser and joint corporate  
broker to Morrisons) +44 20 7408 4050  
Dru Danford  
Mark Percy

**Citigate Dewe Rogerson** (PR adviser to Morrisons)  
Kevin Smith +44 7710 815 924  
Angharad Couch +44 7507 643 004  
Ellen Wilton +44 7921 352 851

**RBC Capital Markets** (financial adviser to Bidco  
and Fortress) +44 20 7653 4000  
Mark Preston  
Ed Boyce  
Andrew Diggles  
Alexander Thomas

**HSBC Bank plc** (financial adviser to Bidco and  
Fortress) +44 20 7991 8888  
Anthony Parsons  
David Plowman  
Aamir Khan  
David McCarthy

**TB Cardew** (PR adviser to Bidco and Fortress) +44 20 7930 0777  
Tom Allison +44 7789 998 020  
Ed Orlebar +44 7738 724 630  
fortress@tbcardew.com

Slaughter and May is acting as legal adviser to Bidco and Fortress.

Ashurst LLP is acting as legal adviser to Morrisons.

***Further information***

*This announcement is for information purposes only and is not intended to and does not constitute, or form part of an offer, invitation or the solicitation of an offer to purchase, otherwise acquire, subscribe for, sell or otherwise dispose of any securities, or the solicitation of any vote or approval in any jurisdiction, pursuant to the Offer or otherwise, nor shall there be any sale, issuance or transfer of securities of Morrisons in any jurisdiction in contravention of applicable law. The Offer will be implemented solely pursuant to the terms of the Scheme Document (or, if the Offer is implemented by way of a Takeover Offer, the Offer Document), which will contain the full terms and conditions of the Offer, including details of how to vote in respect of the Offer. Any vote in respect of, or other response to, the Offer should be made only on the basis of the information*

contained in the Scheme Document (or, if the Offer is implemented by way of a Takeover Offer, the Offer Document).

Morrison's and Bidco will prepare the Scheme Document (or, if the Offer is implemented by way of a Takeover Offer, the Offer Document) to be distributed to Morrison's Shareholders. Morrison's and Bidco urge Morrison's Shareholders to read the Scheme Document (or, if the Offer is implemented by way of a Takeover Offer, the Offer Document) when it becomes available because it will contain important information relating to the Offer.

This announcement does not constitute a prospectus, prospectus equivalent document or an exempted document.

### **Disclaimers**

RBC Europe Limited (trading as RBC Capital Markets) ("**RBC**"), which is authorised by the PRA and regulated by the FCA and the PRA in the United Kingdom and a wholly owned subsidiary of Royal Bank of Canada, is acting for Bidco and Fortress and no one else in connection with the matters referred to in this announcement and will not be responsible to anyone other than Bidco and Fortress for providing the protections afforded to clients of RBC Capital Markets, or for providing advice in connection with matters referred to in this announcement. Neither RBC nor its parent nor any of its subsidiaries or affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of RBC in connection with this announcement or any matter referred to herein.

HSBC Bank plc ("**HSBC**"), which is authorised by the PRA and regulated by the FCA and the PRA in the United Kingdom, is acting exclusively for Bidco and Fortress and no one else in connection with the matters referred to in this announcement and will not be responsible to anyone other than Bidco and Fortress for providing the protections afforded to clients of HSBC nor for giving advice in connection with matters referred to in this announcement. Neither HSBC nor any of its subsidiaries or affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of HSBC in connection with this announcement or any matter referred to herein.

N.M. Rothschild & Sons Limited ("**Rothschild & Co**"), which is authorised and regulated by the FCA in the United Kingdom, is acting exclusively as financial adviser to Morrison's and no one else in connection with the matters described in this announcement and will not be responsible to anyone other than Morrison's for providing the protections afforded to clients of Rothschild & Co nor for providing advice in connection with any matter referred to herein. Neither Rothschild & Co nor any of its affiliates (nor their respective directors, officers, employees or agents) owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of Rothschild & Co in connection with this announcement, any statement contained herein, the Offer or otherwise. Rothschild & Co has given, and not withdrawn, its consent to the inclusion of its advice in this announcement in the form and context in which it is included.

Jefferies International Limited ("**Jefferies**"), which is authorised and regulated by the FCA in the United Kingdom, is acting exclusively for Morrison's and no one else in connection with the Offer and will not be responsible to anyone other than Morrison's for providing the protections afforded to clients of Jefferies nor

*for providing advice in relation to the Offer or any other matters referred to in this announcement. Neither Jefferies nor any of its affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of Jefferies in connection with this announcement, any statement contained herein or otherwise.*

*Shore Capital Stockbrokers Limited ("**Shore Capital**"), which is authorised and regulated in the United Kingdom by the FCA, is acting as financial adviser and joint corporate broker exclusively for Morrisons and no one else in connection with the matters set out in this announcement and will not regard any other person as its client in relation to the matters in this announcement and will not be responsible to anyone other than Morrisons for providing the protections afforded to clients of Shore Capital, or for providing advice in relation to any matter referred to herein.*

### **Overseas jurisdictions**

*This announcement has been prepared in accordance with, and for the purpose of complying with, the laws of England and Wales and the Takeover Code, and information disclosed may not be the same as that which would have been disclosed if this announcement had been prepared in accordance with the laws of jurisdictions outside England.*

*The release, publication or distribution of this announcement in or into certain jurisdictions other than the United Kingdom may be restricted by law and therefore any persons who are subject to the laws of any jurisdiction other than the United Kingdom should inform themselves about, and observe any applicable requirements of their jurisdictions.*

*The availability of the Offer to Morrisons Shareholders who are not resident in and citizens of the United Kingdom may be affected by the laws of the relevant jurisdictions in which they are located or of which they are citizens. Persons who are not resident in the United Kingdom should inform themselves of, and observe, any applicable legal or regulatory requirements of their jurisdictions. In particular, the ability of persons who are not resident in the United Kingdom to vote their Morrisons Shares with respect to the Scheme at the Court Meeting, or to execute and deliver Forms of Proxy appointing another to vote at the Court Meeting on their behalf, may be affected by the laws of the relevant jurisdictions in which they are located. Any failure to comply with the applicable restrictions may constitute a violation of the securities laws of any such jurisdiction. To the fullest extent permitted by applicable law, the companies and persons involved in the Offer disclaim any responsibility or liability for the violation of such restrictions by any person. Further details in relation to Overseas Shareholders will be contained in the Scheme Document.*

*Unless otherwise determined by Bidco or required by the Takeover Code, and permitted by applicable law and regulation, the Offer will not be made available, in whole or in part, directly or indirectly, in, into or from a Restricted Jurisdiction where to do so would violate the laws in that jurisdiction and no person may vote in favour of the Offer by any such use, means, instrumentality or from within a Restricted Jurisdiction or any other jurisdiction if to do so would constitute a violation of the laws of that jurisdiction. Copies of this announcement and any formal documentation relating to the Offer are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in or into or from any Restricted Jurisdiction and persons receiving such documents (including custodians, nominees and trustees) must not mail or otherwise*

*forward, distribute or send them in or into or from any Restricted Jurisdiction. Doing so may render invalid any related purported vote in respect of the Offer. If the Offer is implemented by way of a Takeover Offer (unless otherwise permitted by applicable law and regulation), the Takeover Offer may not be made directly or indirectly, in or into, or by the use of mails or any means or instrumentality (including, but not limited to, facsimile, e-mail or other electronic transmission, telex or telephone) of interstate or foreign commerce of, or of any facility of a national, state or other securities exchange of any Restricted Jurisdiction and the Takeover Offer may not be capable of acceptance by any such use, means, instrumentality or facilities.*

*The Offer will be subject to the applicable requirements of the Takeover Code, the Panel, the London Stock Exchange and the FCA.*

### **Notice to US investors in Morrisons**

*The Offer relates to the shares of an English company and is being made by means of a scheme of arrangement provided for under English company law. A transaction effected by means of a scheme of arrangement is not subject to the tender offer rules or the proxy solicitation rules under the US Securities Exchange Act of 1934. Accordingly, the Offer is subject to the disclosure and procedural requirements and practices applicable in the United Kingdom to schemes of arrangement which differ from the disclosure requirements of United States tender offer and proxy solicitation rules.*

*The financial information included in this announcement and the Scheme Document (or, if the Offer is implemented by way of a Takeover Offer, the Offer Document) has been or will have been prepared in accordance with generally accepted accounting principles of the United Kingdom and thus may not be comparable to the financial information of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the United States.*

*However, if, in the future, Bidco exercises the right to implement the Offer by way of a Takeover Offer and determines to extend the offer into the United States, the Takeover Offer will be made in compliance with applicable United States laws and regulations, including Section 14(e) of the US Securities Exchange Act of 1934 and Regulation 14E thereunder. Such Takeover Offer would be made in the United States by Bidco and no one else.*

*The receipt of cash pursuant to the Offer by a US holder of Morrisons Shares as consideration for the transfer of its Scheme Shares pursuant to the Scheme may be a taxable transaction for US federal income tax purposes and under applicable US state and local, as well as foreign and other, tax laws. Each Morrisons Shareholder is therefore urged to consult with legal, tax and financial advisers in connection with making a decision regarding the Offer.*

*It may be difficult for US holders of Morrisons Shares to enforce their rights and any claims arising out of US federal laws, since Bidco and Morrisons are each located in a non-US jurisdiction, and some or all of their officers and directors may be residents of a non-US jurisdiction. US holders of Morrisons Shares may not be able to sue a non-US company or its officers or directors in a non-US court for violations of US securities laws. Further, it may be difficult to compel a non-US company and its affiliates to subject themselves to a US court's judgement.*

*In accordance with normal UK practice and pursuant to Rule 14e-5(b) of the US Securities Exchange Act of 1934, Bidco, certain affiliated companies and their nominees or brokers (acting as agents), may from time to time make certain purchases of, or arrangements to purchase, Morrisons Shares outside of the US, other than pursuant to the Offer, until the date on which the Offer and/or Scheme becomes Effective, lapses or is otherwise withdrawn. Also, in accordance with Rule 14e-5(b) of the US Securities Exchange Act of 1934, each of Rothschild & Co, Jefferies, Shore Capital, HSBC and RBC will continue to act as an exempt principal trader in Morrisons Shares on the London Stock Exchange. If such purchases or arrangements to purchase were to be made they would occur either in the open market at prevailing prices or in private transactions at negotiated prices and comply with applicable law, including the US Securities Exchange Act of 1934. Any information about such purchases will be disclosed as required in the UK, will be reported to the Regulatory News Service of the London Stock Exchange and will be available on the London Stock Exchange website at [www.londonstockexchange.com](http://www.londonstockexchange.com).*

### **Forward-looking statements**

*This announcement (including information incorporated by reference into this announcement), oral statements made regarding the Offer, and other information published by Bidco and Morrisons contain statements which are, or may be deemed to be, "forward-looking statements". Forward-looking statements are prospective in nature and are not based on historical facts, but rather on current expectations and projections of the management of Bidco and Morrisons about future events, and are therefore subject to risks and uncertainties which could cause actual results to differ materially from the future results expressed or implied by the forward-looking statements.*

*The forward-looking statements contained in this announcement include statements relating to the expected effects of the Offer on Bidco and Morrisons, the expected timing and scope of the Offer and other statements other than historical facts. Often, but not always, forward-looking statements can be identified by the use of forward-looking words such as "plans", "expects" or "does not expect", "is expected", "is subject to", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "should", "would", "might" or "will" be taken, occur or be achieved. Although Bidco and Morrisons believe that the expectations reflected in such forward-looking statements are reasonable, Bidco and Morrisons can give no assurance that such expectations will prove to be correct. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future.*

*There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. These factors include, but are not limited to: the ability to complete the Offer; the ability to obtain requisite regulatory and shareholder approvals and the satisfaction of other Conditions on the proposed terms; changes in the global political, economic, business and competitive environments and in market and regulatory forces; changes in future exchange and interest rates; changes in tax rates; future business combinations or disposals; changes in general economic and business conditions; changes in the behaviour of other market participants; the anticipated benefits from the Offer not being realised as a result of changes in general economic and market conditions in the countries in which Bidco and Morrisons operate; weak, volatile or illiquid capital and/or credit*

markets; changes in the degree of competition in the geographic and business areas in which Bidco and Morrisons operate; and changes in laws or in supervisory expectations or requirements. Other unknown or unpredictable factors could cause actual results to differ materially from those expected, estimated or projected in the forward-looking statements. If any one or more of these risks or uncertainties materialises or if any one or more of the assumptions proves incorrect, actual results may differ materially from those expected, estimated or projected. Such forward-looking statements should therefore be construed in the light of such factors.

Neither Bidco nor Morrisons, nor any of their respective associates or directors, officers or advisers, provides any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this announcement will actually occur. Given the risks and uncertainties, you are cautioned not to place any reliance on these forward-looking statements.

Specifically, statements of estimated cost savings and synergies related to future actions and circumstances which, by their nature, involve risks, uncertainties and contingencies. As a result, the cost savings and synergies referred to may not be achieved, may be achieved later or sooner than estimated, or those achieved could be materially different from those estimated. Due to the scale of the Morrisons Group, there may be additional changes to the Morrisons Group's operations. As a result, and given the fact that the changes relate to the future, the resulting cost synergies may be materially greater or less than those estimated.

Other than in accordance with their legal or regulatory obligations, neither Bidco nor Morrisons is under any obligation, and Bidco and Morrisons expressly disclaim any intention or obligation, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

### **Dealing and Opening Position Disclosure requirements**

Under Rule 8.3(a) of the Takeover Code, any person who is interested in one per cent. or more of any class of relevant securities of an offeree company or of any securities exchange offeror (being any offeror other than an offeror in respect of which it has been announced that its offer is, or is likely to be, solely in cash) must make an Opening Position Disclosure following the commencement of the offer period and, if later, following the announcement in which any securities exchange offeror is first identified.

An Opening Position Disclosure must contain details of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s). An Opening Position Disclosure by a person to whom Rule 8.3(a) applies must be made by no later than 3.30 pm (London time) on the 10<sup>th</sup> Business Day following the commencement of the offer period and, if appropriate, by no later than 3.30 pm (London time) on the 10<sup>th</sup> Business Day following the announcement in which any securities exchange offeror is first identified. Relevant persons who deal in the relevant securities of the offeree company or of a securities exchange offeror prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure.

Under Rule 8.3(b) of the Takeover Code, any person who is, or becomes, interested in one per cent. or more of any class of relevant securities of the offeree company or of any securities exchange offeror must make a Dealing

*Disclosure if the person deals in any relevant securities of the offeree company or of any securities exchange offeror. A Dealing Disclosure must contain details of the dealing concerned and of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror, save to the extent that these details have previously been disclosed under Rule 8. A Dealing Disclosure by a person to whom Rule 8.3(b) applies must be made by no later than 3.30 pm (London time) on the Business Day following the date of the relevant dealing.*

*If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an interest in relevant securities of an offeree company or a securities exchange offeror, they will be deemed to be a single person for the purpose of Rule 8.3.*

*Opening Position Disclosures must also be made by the offeree company and by any offeror and Dealing Disclosures must also be made by the offeree company, by any offeror and by any persons acting in concert with any of them (see Rules 8.1, 8.2 and 8.4).*

*Details of the offeree and offeror companies in respect of whose relevant securities Opening Position Disclosures and Dealing Disclosures must be made can be found in the Disclosure Table on the Panel's website at [www.thetakeoverpanel.org.uk](http://www.thetakeoverpanel.org.uk), including details of the number of relevant securities in issue, when the offer period commenced and when any offeror was first identified. You should contact the Panel's Market Surveillance Unit on +44 (0)20 7638 0129 if you are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure.*

#### **Publication on a website**

*In accordance with Rule 26.1 of the Takeover Code, a copy of this announcement will be made available, subject to certain restrictions relating to persons resident in Restricted Jurisdictions, on Morrisons' website at [www.morrisons-corporate.com/investor-centre/offer-from-fortress](http://www.morrisons-corporate.com/investor-centre/offer-from-fortress) and Fortress' website at [www.fortress.com/offer-for-morrisons](http://www.fortress.com/offer-for-morrisons) by no later than 12 noon (London time) on the first Business Day following the date of this announcement. For the avoidance of doubt, neither the contents of these websites nor the contents of any websites accessible from any hyperlinks is incorporated into or forms part of this announcement.*

#### **No profit forecasts, estimates or quantified benefits statements**

*No statement in this announcement is intended as a profit forecast, profit estimate or quantified benefits statement for any period and no statement in this announcement should be interpreted to mean that earnings or earnings per share for Morrisons for the current or future financial years would necessarily match or exceed the historical published earnings or earnings per share for Morrisons.*

#### **Requesting hard copy documents**

*Morrisons Shareholders may request a hard copy of this announcement by contacting Morrisons' registrar, Equiniti Limited, by: (i) submitting a request in writing to Equiniti, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA, United Kingdom; or (ii) calling 0371 384 2030 from within the United Kingdom or +44 (0)121 415 7047 from outside the United Kingdom. Calls are charged at the standard geographical rate and will vary by provider. Calls*

outside the United Kingdom will be charged at the applicable international rate. Phone lines are open between 9.00 a.m. and 5.00 p.m. (London time), Monday to Friday (excluding public holidays in England and Wales. Please note that Equiniti Limited cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes. For persons who receive a copy of this announcement in electronic form or via a website notification, a hard copy of this announcement will not be sent unless so requested. Such persons may also request that all future documents, announcements and information to be sent to them in relation to the Offer should be in hard copy form.

### **Electronic communications**

Please be aware that addresses, electronic addresses and certain other information provided by Morrisons Shareholders, persons with information rights and other relevant persons for the receipt of communications from Morrisons may be provided to Bidco during the Offer Period as required under Section 4 of Appendix 4 to the Takeover Code to comply with Rule 2.11(c) of the Takeover Code.

### **Rounding**

Certain figures included in this announcement have been subjected to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of figures that precede them.

### **General**

If the Offer is effected by way of a Takeover Offer, and such Takeover Offer becomes or is declared unconditional in all respects and sufficient acceptances are received, Bidco intends to exercise its rights to apply the provisions of Chapter 3 of Part 28 of the Companies Act so as to acquire compulsorily the remaining Morrisons Shares in respect of which the Takeover Offer has not been accepted.

Investors should be aware that Bidco may purchase Morrisons Shares otherwise than under any Takeover Offer or the Scheme, including pursuant to privately negotiated purchases.

If you are in any doubt about the contents of this announcement or the action you should take, you are recommended to seek your own independent financial advice immediately from your stockbroker, bank manager, solicitor or independent financial adviser duly authorised under the Financial Services and Markets Act 2000 (as amended) if you are resident in the United Kingdom or, if not, from another appropriate authorised independent financial adviser.

## **APPENDIX 1**

### **CONDITIONS TO AND CERTAIN FURTHER TERMS OF THE OFFER**

#### **PART A: CONDITIONS TO THE SCHEME AND THE OFFER**

1. The Offer will be conditional upon the Scheme becoming unconditional and becoming Effective, subject to the provisions of the Takeover Code, by no later than the Long Stop Date, or such later date (if any) as Bidco and Morrisons may, with the consent of the Panel, agree and (if required) as the Court may allow.

### **Scheme approval**

2. The Scheme will be conditional upon:
  - (A) (i) its approval by a majority in number representing not less than 75 per cent. in value of Scheme Shareholders who are on the register of members of Morrisons (or the relevant class or classes thereof) at the Voting Record Time, present and voting (and entitled to vote), whether in person or by proxy, at the Court Meeting and at any separate class meeting which may be required (or any adjournment thereof); and (ii) such Court Meeting (and any separate class meeting which may be required) being held on or before the 22<sup>nd</sup> day after the expected date of the Court Meeting to be set out in the Scheme Document in due course (or such later date as may be agreed between Bidco and Morrisons with the consent of the Panel (and that the Court may approve if required));
  - (B) (i) the Resolution being duly passed at the General Meeting (or any adjournment thereof); and (ii) such General Meeting being held on or before the 22<sup>nd</sup> day after the expected date of the General Meeting to be set out in the Scheme Document in due course (or such later date as may be agreed between Bidco and Morrisons with the consent of the Panel (and that the Court may approve if required)); and
  - (C) (i) the sanction of the Scheme by the Court (with or without modification (but subject to any such modification being acceptable to Bidco and Morrisons)) and the delivery of the office copy of the Scheme Court Order to the Registrar of Companies; and (ii) the Scheme Court Hearing being held on or before the 22<sup>nd</sup> day after the expected date of the Scheme Court Hearing to be set out in the Scheme Document in due course (or such later date as may be agreed between Bidco and Morrisons with the consent of the Panel (and that the Court may approve)).

### **General conditions**

3. In addition, subject as stated in Part B below and to the requirements of the Panel, Bidco and Morrisons have agreed that the Offer will be conditional upon the following Conditions and, accordingly, the necessary actions to make the Scheme Effective will not be taken unless the following Conditions (as amended if appropriate) have been satisfied or, where relevant, waived:

#### ***Official authorisations, regulatory clearances and Third Party clearances***

- (A) the CMA:

- (i) confirming in writing that it does not intend to refer the Offer or any matters arising therefrom for a Phase 2 CMA Reference (including as a result of the acceptance of undertakings in lieu of a reference); or
  - (ii) as at the date on which all other Conditions (with the exception of sanction of the Scheme by the Court pursuant to paragraph 2 above) are satisfied or waived, having responded to a briefing paper in writing that it has no further questions in relation to the Offer (and having not otherwise opened an inquiry, or indicated in writing that it is still investigating whether to open an inquiry);
- (B) in the event that the UK Secretary of State for Business, Energy & Industrial Strategy (or such other UK Secretary of State as is applicable) issues an intervention notice to the CMA in relation to the Offer or any matters arising therefrom, the UK Secretary of State confirming in writing that it does not intend to make a reference under section 45 of the Enterprise Act 2002;
- (C) other than in respect of the Conditions set out in paragraphs 3(A) and 3(B) above, all necessary filings or applications having been made in connection with the Offer and all statutory or regulatory obligations in any jurisdiction having been complied with in connection with the Offer or the acquisition by any member of the Wider Bidco Group of any shares or other securities in, or control of, Morrisons and all authorisations, orders, grants, recognitions, determinations, confirmations, consents, licences, clearances, permissions, exemptions and approvals reasonably deemed necessary or appropriate by Bidco or any member of the Wider Bidco Group for or in respect of the Offer including without limitation, its implementation and financing or the proposed direct or indirect acquisition of any shares or other securities in, or control of, Morrisons or any member of the Wider Morrisons Group by any member of the Wider Bidco Group having been obtained in terms and in a form satisfactory to Bidco from all appropriate Third Parties or persons with whom any member of the Wider Morrisons Group has entered into contractual arrangements and all such material authorisations, orders, grants, recognitions, determinations, confirmations, consents, licences, clearances, permissions, exemptions and approvals necessary or appropriate to carry on the business of any member of the Wider Morrisons Group which is material in the context of the Bidco Group or the Morrisons Group as a whole or of the financing of the Offer remaining in full force and effect and all filings necessary for such purpose having been made and there being no notice or intimation of any intention to revoke or not to renew any of the same at the time at which the Offer becomes otherwise unconditional and all necessary statutory or regulatory obligations in any jurisdiction having been complied with;
- (D) other than in respect of the Conditions set out in paragraphs 3(A) and 3(B) above, no relevant government or governmental, quasi-governmental, supranational, statutory, regulatory, environmental or investigative body, court, trade agency,

association, institution, any entity owned or controlled by any relevant government or state, or any other body or person whatsoever in any jurisdiction (each a "**Third Party**") having given notice of a decision to take, institute, implement or threaten any action, proceeding, suit, investigation, enquiry or reference (and, in each case, not having withdrawn the same), or having enacted, made or proposed any statute, regulation, decision or order, or change to published practice or having taken any other steps, and there not continuing to be outstanding any statute, regulation, decision or order, which in each case would reasonably be expected to:

- (i) require, prevent or materially delay the divestiture, or materially alter the terms envisaged for any proposed divestiture by any member of the Wider Bidco Group or any member of the Wider Morrisons Group of all or any portion of their respective businesses, assets or property or impose any limitation on the ability of any of them to conduct their respective businesses (or any of them) or to own any of their respective assets or properties or any part thereof which, in any such case, is material in the context of the Wider Bidco Group or the Wider Morrisons Group in either case taken as a whole;
- (ii) require, prevent or materially delay the divestiture by any member of the Wider Bidco Group of any shares or other securities in Morrisons;
- (iii) impose any material limitation on, or result in a delay in, the ability of any member of the Wider Bidco Group directly or indirectly to acquire or to hold or to exercise effectively any rights of ownership in respect of shares or loans or securities convertible into shares or any other securities (or the equivalent) in any member of the Wider Morrisons Group or the Wider Bidco Group or to exercise voting or management control over any such member;
- (iv) otherwise adversely affect the business, assets, profits or prospects of any member of the Wider Bidco Group or of any member of the Wider Morrisons Group to an extent which is material in the context of the Wider Bidco Group or the Wider Morrisons Group in either case taken as a whole;
- (v) make the Scheme or the Offer or, in each case, its implementation or the acquisition or proposed acquisition by Bidco or any member of the Wider Bidco Group of any shares or other securities in, or control of Morrisons void, illegal, and/or unenforceable under the laws of any jurisdiction, or otherwise, directly or indirectly, restrain, restrict, prohibit, delay or otherwise interfere with the same, or impose additional conditions or obligations with respect thereto;

- (vi) require any member of the Wider Bidco Group or the Wider Morrisons Group to offer to acquire any shares or other securities (or the equivalent) or interest in any member of the Wider Morrisons Group or the Wider Bidco Group owned by any third party;
- (vii) impose any limitation on the ability of any member of the Wider Morrisons Group to co-ordinate its business, or any part of it, with the businesses of any other members which is adverse to and material in the context of the Wider Morrisons Group taken as a whole or in the context of the Offer; or
- (viii) result in any member of the Wider Morrisons Group ceasing to be able to carry on business under any name under which it presently does so, and all applicable waiting and other time periods (including any extensions thereof) during which any such Third Party could institute, implement or threaten any action, proceeding, suit, investigation, enquiry or reference or any other step under the laws of any jurisdiction in respect of the Scheme or the Offer or the acquisition or proposed acquisition of any Morrisons Shares having expired, lapsed or been terminated;

***Certain matters arising as a result of any arrangement, agreement etc.***

- (E) save as Disclosed, there being no provision of any agreement, arrangement, licence, permit or other instrument to which any member of the Wider Morrisons Group is a party or by or to which any such member or any of its assets may be bound, entitled or subject, or any circumstance which in consequence of the Offer or the acquisition or proposed acquisition of any shares or other securities (or equivalent) in Morrisons or because of a change in the control or management of Morrisons or otherwise, would reasonably be expected to result in any of the following to an extent which is material and adverse in the context of the Wider Morrisons Group, or the Wider Bidco Group, in either case taken as a whole, or in the context of the Offer:
  - (i) any moneys borrowed by or any other indebtedness or liabilities (actual or contingent) of, or grant available to any such member, being or becoming repayable or capable of being declared repayable immediately or earlier than their or its stated maturity date or repayment date or the ability of any such member to borrow moneys or incur any indebtedness being withdrawn or inhibited or being capable of becoming or being withdrawn or inhibited;
  - (ii) any such agreement, arrangement, licence, permit or instrument or the rights, liabilities, obligations or interests of any such member thereunder being terminated or adversely modified or adversely affected or any obligation or liability arising or any adverse action being taken or arising thereunder;

- (iii) any asset or interest of any such member being or failing to be disposed of or charged or ceasing to be available to any such member or any right arising under which any such asset or interest could be required to be disposed of or charged or could cease to be available to any such member otherwise than in the ordinary course of business;
- (iv) the creation or enforcement of any mortgage, charge or other security interest over the whole or any part of the business, property, assets or interest of any such member;
- (v) the rights, liabilities, obligations or interests of any such member, or the business of any such member with, any person, firm, company or body (or any arrangement or arrangements relating to any such interest or business) being terminated, adversely modified or affected;
- (vi) the value of any such member or its financial or trading position or prospects being prejudiced or adversely affected;
- (vii) any such member ceasing to be able to carry on business under any name under which it presently does so; or
- (viii) the creation or acceleration of any liability, actual or contingent, by any such member other than trade creditors or other liabilities incurred in the ordinary course of business or in connection with the Offer,

and, save as Disclosed, no event having occurred which, under any provision of any agreement, arrangement, licence, permit or other instrument to which any member of the Wider Morrisons Group is a party or by or to which any such member or any of its assets may be bound, entitled or subject, would reasonably be expected to result in any of the events or circumstances as are referred to in sub-paragraphs (i) to (viii) above, in each case to the extent material in the context of the Wider Morrisons Group taken as a whole;

***Certain events occurring since 31 January 2021***

- (F) save as Disclosed, no member of the Wider Morrisons Group having, since 31 January 2021:
  - (i) save as between Morrisons and wholly-owned subsidiaries of Morrisons or for Morrisons Shares issued under or pursuant to the exercise of options and vesting of awards granted under the Morrisons Share Plans, issued or agreed to issue, authorised or proposed the issue of additional shares of any class;
  - (ii) save as between Morrisons and wholly-owned subsidiaries of Morrisons or for the grant of options and awards and other rights under the Morrisons Share Plans, issued or agreed to issue, authorised or proposed the issue of

securities convertible into shares of any class or rights, warrants or options to subscribe for, or acquire, any such shares or convertible securities;

- (iii) other than to another member of the Morrisons Group, prior to the Offer becoming Effective, recommended, declared, paid or made any dividend or other distribution payable in cash or otherwise or made any bonus issue;
- (iv) save for intra-Morrisons Group transactions, merged or demerged with any body corporate or acquired or disposed of or transferred, mortgaged or charged or created any security interest over any assets or any right, title or interest in any asset (including shares and trade investments) or authorised or proposed or announced any intention to propose any merger, demerger, disposal, transfer, mortgage, charge or security interest, in each case, other than in the ordinary course of business and, in each case, to the extent which is material in the context of the Wider Morrisons Group taken as a whole;
- (v) save for intra-Morrisons Group transactions, made or authorised or proposed or announced an intention to propose any change in its loan capital in each case, to the extent which is material in the context of the Wider Morrisons Group taken as a whole;
- (vi) issued, authorised or proposed the issue of, or made any change in or to, any debentures or (save for intra-Morrisons Group transactions), save in the ordinary course of business, incurred or increased any indebtedness or become subject to any contingent liability;
- (vii) purchased, redeemed or repaid or announced any proposal to purchase, redeem or repay any of its own shares or other securities or reduced or, save in respect to the matters mentioned in sub-paragraphs (i) or (ii) above, made any other change to any part of its share capital in each case, to the extent which is material in the context of the Wider Morrisons Group taken as a whole;
- (viii) save for intra-Morrisons Group transactions, implemented, or authorised, proposed or announced its intention to implement, any reconstruction, merger, demerger, amalgamation, scheme, commitment or other transaction or arrangement otherwise than in the ordinary course of business;
- (ix) entered into or varied or authorised, proposed or announced its intention to enter into or vary any contract, transaction or commitment (whether in respect of capital expenditure or otherwise) which is of a long term, onerous or unusual nature or magnitude or which

involves or could reasonably be expected to involve an obligation of such a nature or magnitude other than in the ordinary course of business, in each case, to the extent which is material in the context of the Wider Morrisons Group taken as a whole;

- (x) (other than in respect of a member which is dormant and was solvent at the relevant time) taken any corporate action or steps or had any legal proceedings started or threatened against it in relation to the suspension of payments, a moratorium of any indebtedness, its winding-up, dissolution or reorganisation or for the appointment of a receiver, administrative receiver, administrator, manager, trustee or similar officer of all or any part of its assets or revenues or any analogous proceedings in any jurisdiction or appointed any analogous person in any jurisdiction or had any such person appointed, in each case, to the extent which is material in the context of the Wider Morrisons Group taken as a whole;
- (xi) entered into any contract, transaction or arrangement which would be restrictive on the business of any member of the Wider Morrisons Group or the Wider Bidco Group other than of a nature and extent which is normal in the context of the business concerned;
- (xii) waived or compromised any claim otherwise than in the ordinary course of business which is material in the context of the Wider Morrisons Group taken as a whole;
- (xiii) made any material alteration to its memorandum or articles of association or other incorporation documents;
- (xiv) been unable, or admitted in writing that it is unable, to pay its debts or commenced negotiations with one or more of its creditors with a view to rescheduling or restructuring any of its indebtedness, or having stopped or suspended (or threatened to stop or suspend) payment of its debts generally or ceased or threatened to cease carrying on all or a substantial part of its business;
- (xv) entered into any contract, commitment, arrangement or agreement otherwise than in the ordinary course of business or passed any resolution or made any offer (which remains open for acceptance) with respect to or announced any intention to, or proposed to, effect any of the transactions, matters or events referred to in this paragraph 3(F));
- (xvi) made or agreed or consented to any change to:
  - (a) the terms of the trust deeds constituting the pension scheme(s) established by any member of the Wider Morrisons Group for its directors,

employees or their dependents, including the Morrisons Pension Schemes;

- (b) the contributions payable to any such scheme(s) or to the benefits which accrue or to the pensions which are payable thereunder;
- (c) the basis on which qualification for, or accrual or entitlement to, such benefits or pensions are calculated or determined; or
- (d) the basis upon which the liabilities (including pensions) of such pension schemes are funded, valued or made,

in each case, to the extent which is material in the context of the Wider Morrisons Group taken as a whole;

- (xvii) proposed, agreed to provide or modified the terms of any of the Morrisons Share Plans or other benefit constituting a material change relating to the employment or termination of employment of a material category of persons employed by the Wider Morrisons Group or which constitutes a material change to the terms or conditions of employment of any senior employee of the Wider Morrisons Group, save as agreed by the Panel (if required) and by Bidco, or entered into or changed the terms of or made any offer (which remains open for acceptance) to enter into or change the terms of any contract with any director or senior executive;
- (xviii) taken (or agreed or proposed to take) any action which requires, or would require, the consent of the Panel or the approval of Morrisons Shareholders in general meeting in accordance with, or as contemplated by, Rule 21.1 of the Takeover Code;
- (xix) entered into or varied in a material way the terms of, any contracts, agreement or arrangement with any of the directors or senior executives of any members of the Wider Morrisons Group; or
- (xx) waived or compromised any claim which is material in the context of the Wider Morrisons Group taken as a whole, otherwise than in the ordinary course;

***No adverse change, litigation or regulatory enquiry***

(G) save as Disclosed, since 31 January 2021:

- (i) no adverse change or deterioration having occurred in the business, assets, financial or trading position or profits or operational performance of any member of the Wider Morrisons Group which, in any such case, is material and adverse in the context of the Wider Morrisons Group taken as a whole;

- (ii) no litigation, arbitration proceedings, prosecution or other legal proceedings to which any member of the Wider Morrisons Group is or may become a party (whether as a plaintiff, defendant or otherwise) and no enquiry, review or investigation by, or complaint or reference to, any Third Party or other investigative body against or in respect of any member of the Wider Morrisons Group having been instituted, announced, implemented or threatened by or against or remaining outstanding in respect of any member of the Wider Morrisons Group which in any such case has had or would reasonably be expected to have a material adverse effect on the Wider Morrisons Group taken as a whole;
- (iii) no contingent or other liability of any member of the Wider Morrisons Group having arisen or become apparent to Bidco or increased which has had or might reasonably be expected to have an adverse effect on the Wider Morrisons Group taken as a whole; or in the context of the Offer;
- (iv) no enquiry or investigation by, or complaint or reference to, any Third Party having been threatened, announced, implemented, instituted by or remaining outstanding against or in respect of any member by or the Wider Morrisons Group which in any case is material in the context of the Wider Morrisons Group taken as a whole;
- (v) no member of the Wider Morrisons Group having conducted its business in breach of any applicable laws and regulations and which is material in the context of the Wider Morrisons Group taken as a whole; and
- (vi) no steps having been taken which are likely to result in the withdrawal, cancellation, termination or modification of any licence or permit held by any member of the Wider Morrisons Group which is necessary for the proper carrying on of its business and the withdrawal, cancellation, termination or modification of which has had, or would reasonably be expected to have, a material adverse effect on the Wider Morrisons Group taken as a whole;

***No discovery of certain matters***

(H) save as Disclosed, Bidco not having discovered:

- (i) that any financial, business or other information concerning the Wider Morrisons Group as contained in the information publicly disclosed at any time by or on behalf of any member of the Wider Morrisons Group is materially misleading, contains a material misrepresentation of fact or omits to state a fact necessary to make that information not misleading and which was not subsequently corrected before the date of this announcement by disclosure either publicly or otherwise to Bidco or its professional advisers, in each

case, to the extent which is material in the context of the Wider Morrisons Group taken as a whole;

- (ii) that any member of the Wider Morrisons Group or partnership, company or other entity in which any member of the Wider Morrisons Group has a significant economic interest and which is not a subsidiary undertaking of Morrisons, is subject to any liability (contingent or otherwise), in each case, to the extent which is material in the context of the Wider Morrisons Group taken as a whole; or
- (iii) any information which affects the import of any information disclosed at any time by or on behalf of any member of the Wider Morrisons Group and which is material in the context of the Wider Morrisons Group taken as a whole;

(l) save as Disclosed, Bidco not having discovered that:

- (i) any past or present member of the Wider Morrisons Group has failed to comply with any and/or all applicable legislation or regulation, of any jurisdiction with regard to the use, treatment, handling, storage, carriage, disposal, spillage, release, discharge, leak or emission of any waste or hazardous substance or any substance likely to impair the environment or harm human health or animal health or otherwise relating to environmental matters or the health and safety of humans, or that there has otherwise been any such use, treatment, handling, storage, carriage, disposal, spillage, release, discharge, leak or emission (whether or not the same constituted a non-compliance by any person with any such legislation or regulations, and wherever the same may have taken place) any of which storage, carriage, disposal, spillage, release, discharge, leak or emission would be likely to give rise to any liability (actual or contingent) or cost on the part of any member of the Wider Morrisons Group and which is material in the context of the Wider Morrisons Group taken as a whole;
- (ii) there is, or is likely to be, for any reason whatsoever, any material liability (actual or contingent) of any past or present member of the Wider Morrisons Group to make good, remediate, repair, reinstate or clean up any property or any controlled waters now or previously owned, occupied, operated or made use of or controlled by any such past or present member of the Wider Morrisons Group (or on its behalf) or by any person for which a member of the Wider Morrisons Group is or has been responsible, or in which any such member may have or previously have had or be deemed to have had an interest, under any environmental legislation, regulation, notice, circular or order of any Third Party and which is material in the context of the Wider Morrisons Group taken as a whole;

- (iii) circumstances exist (whether as a result of the Offer or otherwise) which would be reasonably likely to lead to any Third Party instituting, or whereby any member of the Wider Bidco Group or any present or past member of the Wider Morrisons Group would be likely to be required to institute, an environmental audit or take any other steps which would in any such case be reasonably likely to result in any material liability (whether actual or contingent) to improve, modify existing or install new plant, machinery or equipment or carry out changes in the processes currently carried out or make good, remediate, repair, re-instate or clean up any land or other asset currently or previously owned, occupied or made use of by any past or present member of the Wider Morrisons Group (or on its behalf) or by any person for which a member of the Wider Morrisons Group is or has been responsible, or in which any such member may have or previously have had or be deemed to have had an interest which is material in the context of the Wider Morrisons Group taken as a whole; or
- (iv) circumstances exist whereby a person or class of persons would be likely to have any claim or claims in respect of any product or process of manufacture or materials used therein currently or previously manufactured, sold or carried out by any past or present member of the Wider Morrisons Group which claim or claims would be likely, materially and adversely, to affect any member of the Wider Morrisons Group and which is material in the context of the Wider Morrisons Group taken as a whole or the Offer; and

***Anti-corruption, economic sanctions, criminal property and money laundering***

(J) save as Disclosed, Bidco not having discovered that:

- (i) any:
  - (a) past or present member, director, officer or employee of the Wider Morrisons Group is or has at any time engaged in any activity, practice or conduct which would constitute an offence under the Bribery Act 2010, the US Foreign Corrupt Practices Act of 1977 or any other applicable anti-corruption or anti-bribery legislation; or
  - (b) any person that performs or has performed services for or on behalf of the Wider Morrisons Group is or has at any time engaged in any activity, practice or conduct in connection with the performance of such services which would constitute an offence under the Bribery Act 2010, the US Foreign Corrupt Practices Act of

1977 or any other applicable anti-corruption or anti-bribery legislation; or

- (ii) any asset of any member of the Wider Morrisons Group constitutes criminal property as defined by section 340(3) of the Proceeds of Crime Act 2002 (but disregarding paragraph (b) of that definition) or proceeds of crime under any other applicable law, rule, or regulation concerning money laundering or proceeds of crime or any member of the Wider Morrisons Group is found to have engaged in activities constituting money laundering under any applicable law, rule, or regulation concerning money laundering; or
- (iii) any past or present member, director, officer or employee of the Wider Morrisons Group, or any other person for whom any such person may be liable or responsible, is or has engaged in any conduct which would violate applicable economic sanctions or dealt with, made any investments in, made any funds or assets available to or received any funds or assets from:
  - (a) any government, entity or individual in respect of which US, UK or European Union persons, or persons operating in those territories, are prohibited from engaging in activities or doing business, or from receiving or making available funds or economic resources, by US, UK or European Union laws or regulations, including the economic sanctions administered by the United States Office of Foreign Assets Control, or Her Majesty's Revenue and Customs; or
  - (b) any government, entity or individual targeted by any of the economic sanctions of the United Nations or the European Union or any of their respective member states; or
- (iv) any past or present member, director, officer or employee of the Wider Morrisons Group, or any other person for whom any such person may be liable or responsible:
  - (a) has engaged in conduct which would violate any relevant anti-terrorism laws, rules, or regulations, including but not limited to the U.S. Anti-Terrorism Act; or
  - (b) has engaged in conduct which would violate any relevant anti-boycott law, rule, or regulation or any applicable export controls, including but not limited to the Export Administration Regulations administered and enforced by the U.S. Department of Commerce or the International Traffic in Arms Regulations administered and enforced by the U.S. Department of State; or

- (c) has engaged in conduct which would violate any relevant laws, rules, or regulations concerning human rights, including but not limited to any law, rule, or regulation concerning false imprisonment, torture or other cruel and unusual punishment, or child labour; or
- (d) is debarred or otherwise rendered ineligible to bid for or to perform contracts for or with any government, governmental instrumentality, or international organization or found to have violated any applicable law, rule, or regulation concerning government contracting or public procurement; or
- (v) any member of the Wider Morrisons Group is or has been engaged in any transaction which would cause Bidco to be in breach of any law or regulation upon its Offer of Morrisons, including but not limited to the economic sanctions of the United States Office of Foreign Assets Control, or Her Majesty's Revenue and Customs, or any other relevant government authority.

#### **PART B: FURTHER TERMS OF THE OFFER**

1. Subject to the requirements of the Panel and the Takeover Code, Bidco reserves the right in its sole discretion to waive:
  - (A) the deadline set out in paragraph 1 of Part A of this Appendix 1, and any of the deadlines set out in paragraph 2 of Part A of this Appendix 1 for the timing of the Court Meeting, General Meeting and the Scheme Court Hearing. If any such deadline is not met, Bidco shall make an announcement by 7.00 a.m. on the Business Day following such deadline confirming whether it has invoked or waived the relevant Condition or agreed with Morrisons to extend the deadline in relation to the relevant Condition; and
  - (B) in whole or in part, all or any of the Conditions set out in paragraphs 3(A) to 3(J) (inclusive) of Part A of this Appendix 1.
2. Bidco shall be under no obligation to waive or treat as satisfied any of the Conditions that it is entitled (with the consent of the Panel and subject to the requirements of the Takeover Code) to invoke, by a date earlier than the latest date specified above for the fulfilment or waiver thereof, notwithstanding that the other Conditions may at such earlier date have been waived or fulfilled and that there are at such earlier date no circumstances indicating that any of such Conditions may not be capable of fulfilment.
3. If Bidco is required by the Panel to make an offer for Morrisons Shares under the provisions of Rule 9 of the Takeover Code, Bidco may make such alterations to any of the above Conditions and the terms of the Offer as are necessary to comply with the provisions of Rule 9.
4. Under Rule 13.5(a) of the Takeover Code, Bidco may not invoke a Condition so as to cause the Offer not to proceed, to lapse or to be withdrawn

unless the circumstances which give rise to the right to invoke the Condition are of material significance to Bidco in the context of the Offer. The Conditions set out in paragraphs 2(A) (i), 2(B) (i), and 2(C) (i) of Part A of this Appendix 1 and, if applicable, any acceptance condition if the Offer is implemented by means of a Takeover Offer, are not subject to this provision of the Takeover Code. Bidco may only invoke a Condition that is subject to Rule 13.5(a) with the consent of the Panel and any Condition that is subject to Rule 13.5(a) may be waived by Bidco.

5. Bidco reserves the right to elect to implement the Offer by way of a Takeover Offer as an alternative to the Scheme (subject to the Panel's consent and the terms of the Co-operation Agreement). In such event, the Offer will be implemented on the same terms and conditions (subject to appropriate amendments including (without limitation) the inclusion of an acceptance condition set at 75 per cent. of the Morrisons Shares (or such other percentage as Bidco and Morrisons may, subject to the rules of the Takeover Code and the terms of the Co-operation Agreement and with the consent of the Panel, decide) of the Morrisons Shares and any amendments required by, or deemed appropriate by, Bidco under applicable law, so far as applicable) as those which would apply to the Scheme. Further, if sufficient acceptances of such Takeover Offer are received and/or sufficient Morrisons Shares are otherwise acquired, it is the intention of Bidco to apply the provisions of the Companies Act to acquire compulsorily any outstanding Morrisons Shares to which such Takeover Offer relates.
6. The Offer will lapse if the European Commission either initiates proceedings under Article 6(1)I of Council Regulation (EC) 139/2004/EC, or the Offer otherwise becomes subject to a CMA Phase 2 Reference, in each case before 1.00 p.m. on or before the later of the date of the Court Meeting and the date of the General Meeting. In such event, Morrisons will not be bound by the terms of the Scheme.
7. The Offer will be governed by the laws of England and Wales and be subject to the jurisdiction of the English courts and to the Conditions set out above. The Scheme will be subject to the applicable requirements of the Takeover Code, the Panel, the London Stock Exchange, the Listing Rules, the FCA and the Registrar of Companies.
8. Each of the Conditions shall be regarded as a separate Condition and shall not be limited by reference to any other Condition.
9. The Morrisons Shares will be acquired pursuant to the Offer with full title guarantee, fully paid and free from all liens, equities, charges, encumbrances, options, rights of pre-emption and any other third party rights and interests of any nature whatsoever and together with all rights now or hereafter attaching or accruing to them, including voting rights and the right to receive and retain in full all dividends and other distributions (if any) declared, made or paid, or any other return of capital or value (whether by reduction of share capital or share premium account or otherwise) made on or after the Effective Date.
10. If, on or after the date of this announcement and before the Offer becomes Effective, any dividend, distribution or other return of capital or value is announced, declared, made or paid by Morrisons or becomes payable by Morrisons in respect of the Morrisons Shares (other than, or in

excess of, the Special Dividend), Bidco reserves the right (without prejudice to any right of Bidco, with the consent of the Panel, to invoke the Condition set out in paragraph 3 (F)(iii) of Part A of this Appendix 1) to reduce the consideration payable under the terms of the Offer for the Morrisons Shares by an amount equal to the aggregate amount of such dividend, distribution or other return of capital or value. In such circumstances, Morrisons Shareholders would be entitled to receive and retain any such dividend, distribution or return of capital or value. Any exercise by Bidco of its rights referred to in this paragraph 10 shall be the subject of an announcement and, for the avoidance of doubt, shall not be regarded as constituting any revision or variation of the Offer.

11. To the extent that a dividend, distribution or other return of capital or value has been declared, paid, made or is payable, and is or shall be: (i) transferred pursuant to the Offer on a basis which entitles Bidco to receive the dividend, distribution or other return of capital or value and to retain it; or (ii) cancelled, the consideration payable and the Offer Value shall not be subject to change and shall not be reduced in accordance with paragraph 10 of Part B of this Appendix 1.
12. The Offer is not being made, directly or indirectly, in, into or from, or by use of the mails of, or by any means of instrumentality (including, but not limited to, facsimile, e-mail or other electronic transmission, telex or telephone) of interstate or foreign commerce of, or of any facility of a national, state or other securities exchange of, any Restricted Jurisdiction.
13. The availability of the Offer to persons not resident in the United Kingdom may be affected by the laws of the relevant jurisdictions. Any persons who are subject to the laws of any jurisdiction other than the United Kingdom should inform themselves about and observe any applicable requirements. Further information in relation to Overseas Shareholders will be contained in the Scheme Document.

## **APPENDIX 2**

### **BASES AND SOURCES**

In this announcement, unless otherwise stated or the context otherwise requires, the following bases and sources have been used.

1. Morrisons' fully diluted equity value has been calculated on the basis of a fully diluted issued ordinary share capital of 2,461,693,793 Morrisons Shares, calculated as:
  - (A) 2,413,931,288 Morrisons Shares in issue as at 2 July 2021 (being the last practicable date before the date of this announcement); plus
  - (B) up to 54,058,152 Morrisons Shares which are expected to be issued pursuant to the Morrisons Share Plans in connection with

the Offer, assuming that the Effective Date occurs on 30 September 2021; less

- (C) 6,295,647 Morrisons Shares as at 2 July 2021 (being the last practicable date before the date of this announcement) held by the Morrisons Employee Benefit Trust which will be used to satisfy the exercise of options and vesting of awards granted under the Morrisons Share Plans.
2. The premium calculations to the price per Morrisons Share used in this announcement have been calculated by reference to:
- (A) the Closing Price on 18 June 2021 (being the last Business Day before the commencement of the Offer Period) of 178 pence derived from Bloomberg; and
- (B) the volume weighted average Closing Price of 180 pence per Morrisons Share for the three-month period ended on 18 June 2021 (being the last Business Day before the commencement of the Offer Period) derived from Bloomberg.
3. Certain figures included in this announcement have been subject to rounding adjustments.
4. Unless otherwise stated, the financial information of Morrisons is extracted (without material adjustment) from Morrisons' annual report and financial statements for the 52 weeks ended 31 January 2021, which were released on 12 May 2021 or, where applicable, Morrisons' annual report and financial statements for the 52 weeks ended 2 February 2020, which were released on 13 May 2020.

### APPENDIX 3

#### DETAILS OF IRREVOCABLE UNDERTAKINGS

##### Morrisons Directors

The following Morrisons Directors who hold Morrisons Shares have given irrevocable undertakings to vote in favour of the Scheme at the Court Meeting and the Resolution at the General Meeting in respect of their own beneficial holdings of Morrisons Shares (or those Morrisons Shares over which they have control):

Name	Total number of Morrisons Shares	Percentage of Morrisons Shares in issue on 2 July 2021 (being the last Business Day before the date of this announcement) (per cent.)
D. Potts	3,603,760	0.1493
T. Strain	1,428,976	0.0592
M. Gleeson	316,758	0.0131
R. Anand	22,500	0.0009
K. Havelock	100,000	0.0041
A. Higginson	126,402	0.0052

L. McGowan	20,000	0.0008
J. Townsend	25,000	0.0010
<b>Total</b>	<b>5,643,396</b>	<b>0.23</b>

The undertakings from the Morrisons Directors will cease to be binding only if:

- (i) the Scheme Document is not sent to Morrisons Shareholders within 28 days (or such longer period as the Panel may agree) after the date of this announcement;
- (ii) Bidco announces, with the consent of the Panel, that it does not intend to make or proceed with the Offer and no new, revised, or replacement Scheme or Takeover Offer is announced by Bidco in accordance with Rule 2.7 of the Takeover Code at the same time;
- (iii) the Scheme lapses or is withdrawn in accordance with its terms and Bidco publicly confirms that it does not intend to proceed with the Offer or to implement the Offer by way of a Takeover Offer;
- (iv) the Scheme does not become Effective on or before 6.00 p.m. on the Long Stop Date (other than in circumstances where Bidco has, prior to such date, elected (in accordance with the Co-operation Agreement) to exercise its right to proceed by way of a Takeover Offer and announced the same in accordance with the requirements of paragraph 8 of Appendix 7 to the Takeover Code, and such Takeover Offer has not lapsed or been withdrawn); or
- (v) any competing offer for the entire issued and to be issued share capital of Morrisons becomes or is declared unconditional or, if proceeding by way of scheme of arrangement, becomes effective.

## APPENDIX 4

### DEFINITIONS

The following definitions apply throughout this announcement unless the context requires otherwise:

<b>"Articles"</b>	the articles of association of Morrisons from time to time;
<b>"Bid Conduct Agreement"</b>	the bid conduct agreement entered into between Fortress Credit Advisers LLC, Bidco, CPP Investments and KREI dated 3 July 2021, a summary of which is set out in paragraph 11 of this announcement;
<b>"Bidco"</b>	Oppidum Bidco Limited, a private limited company incorporated in England and Wales with registered number 13478127 and whose registered office is at 7 Clarges Street, Fourth Floor, London W1J 8AE, United Kingdom;
<b>"Bidco Group"</b>	Bidco and its subsidiaries and subsidiary undertakings from time to time;
<b>"Business Day"</b>	means any day, other than a public holiday, Saturday or a Sunday

	when banks are generally open in London for general banking business;
<b>"Cash Consideration"</b>	the cash consideration payable by Bidco in connection with the Offer, being 252 pence for each Morrisons Share;
<b>"Clean Team Agreement"</b>	the clean team agreement entered into between Fortress Investment Group (UK) Limited and Morrisons in relation to the Offer dated 19 June 2021, a summary of which is set out in paragraph 11 of this announcement;
<b>"Closing Price"</b>	the closing middle market quotations of a share derived from the Daily Official List;
<b>"CMA"</b>	the Competition and Markets Authority;
<b>"CMA Phase 2 Reference"</b>	a reference of the Offer to the chair of the CMA for the constitution of a group under Schedule 4 to the Enterprise and Regulatory Reform Act 2013;
<b>"Companies Act"</b>	the Companies Act 2006, as amended from time to time;
<b>"Conditions"</b>	the conditions to the Offer, as set out in Appendix 1 and to be set out in the Scheme Document;
<b>"Confidentiality Agreement"</b>	the confidentiality agreement entered into between Fortress Investment Group (UK) Limited and Morrisons in relation to the Offer dated 13 June 2021, a summary of which is set out in paragraph 11 of this announcement;
<b>"Co-operation Agreement"</b>	the co-operation agreement entered into between Bidco, FIG LLC and Morrisons dated 3 July 2021, a summary of which is set out in paragraph 11 of this announcement;
<b>"Court"</b>	the High Court of Justice in England and Wales;
<b>"Court Meeting"</b>	the meeting of the Scheme Shareholders convened by order of the Court pursuant to section 896 of the Companies Act for the purpose of considering and, if thought fit, approving the Scheme (with or without amendment) and any adjournment thereof;
<b>"CPP"</b>	Canada Pension Plan;
<b>"CPP Investments"</b>	Canada Pension Plan Investment Board, acting through its wholly owned subsidiary CPPIB Credit Investments Inc.;
<b>"CREST"</b>	the relevant system (as defined in the Uncertificated Securities Regulations 2001 (SI 2001/3755) in respect of which Euroclear UK & Ireland Limited is the Operator (as defined in the Regulations);
<b>"Daily Official List"</b>	the daily official list of the London Stock Exchange;
<b>"Dealing Disclosure"</b>	an announcement pursuant to Rule 8 of the Takeover Code containing details of dealings in interests in relevant securities of a party to an offer;

<b>"Disclosed"</b>	<p>(a) information disclosed by, or on behalf of, Morrisons in Morrisons' annual report and financial statements for the 52 weeks ended 31 January 2021 or in this announcement; or</p> <p>(b) fairly disclosed in writing prior to the date of this announcement by or on behalf of Morrisons to Bidco or Fortress (or their respective officers, employees, agents or advisers in their capacity as such), including (but not limited to) via the virtual data room operated on behalf of Morrisons in respect of the Offer or via email; or</p> <p>(c) as otherwise publicly announced by Morrisons prior to the date of this announcement (by the delivery of an announcement to a Regulatory Information Service); or</p> <p>(d) fairly disclosed in writing in connection with any management presentation in connection with the Offer which was attended by Morrisons and any of Bidco or Fortress (or their respective officers, employees, agents or advisers in their capacity as such);</p>
<b>"Effective"</b>	<p>either:</p> <p>(a) if the Offer is implemented by way of the Scheme, the Scheme having become effective pursuant to its terms; or</p> <p>(b) if the Offer is implemented by way of a Takeover Offer, means the Takeover Offer having been declared or having become unconditional in all respects in accordance with the requirements of the Takeover Code;</p>
<b>"Effective Date"</b>	the date on which the Offer becomes Effective;
<b>"Excluded Shares"</b>	any Morrisons Shares: (a) registered in the name of, or beneficially owned by Bidco, any member of the Bidco Group or their respective nominees; (b) registered in the name of, or beneficially owned by, funds managed by Fortress or any of their subsidiary undertakings or their respective nominees; or (c) held by Morrisons in treasury;
<b>"FCA"</b>	the Financial Conduct Authority;
<b>"Forms of Proxy"</b>	the forms of proxy in connection with each of the Court Meeting and the General Meeting, which shall accompany the Scheme Document;
<b>"Fortress"</b>	funds managed or advised by affiliates of Fortress Investment Group, LLC;
<b>"General Meeting"</b>	the general meeting of Morrisons Shareholders to be convened to consider and if thought fit pass, <i>inter alia</i> , a special resolution in relation to the Scheme and the Offer;
<b>"Gibraltar Pension Scheme"</b>	the Safeway Stores (Overseas) Limited Pension Scheme;
<b>"HSBC"</b>	HSBC Bank plc;

<b>"Jefferies"</b>	Jefferies International Limited;
<b>"KREI"</b>	Koch Real Estate Investments, LLC;
<b>"London Stock Exchange"</b>	London Stock Exchange plc;
<b>"Long Stop Date"</b>	2 April 2022, or such later date as may be agreed in writing between Bidco and Morrisons (with the Panel's consent and as the Court may approve, if such consent and/or approval is/are required);
<b>"Meetings"</b>	the Court Meeting and the General Meeting;
<b>"Morrisons"</b>	Wm Morrison Supermarkets PLC, a public limited company incorporated in England and Wales with registered number 00358949 and whose registered office is at Hilmore House, Gain Lane, Bradford, West Yorkshire, BD3 7DL;
<b>"Morrisons Directors"</b>	the directors of Morrisons as at the date of this announcement;
<b>"Morrisons Employee Benefit Trust"</b>	the Wm Morrison Supermarkets PLC Employee Benefit Trust;
<b>"Morrisons Group"</b>	Morrisons and its subsidiaries and subsidiary undertakings from time to time;
<b>"Morrisons Pension Schemes"</b>	the UK Pension Schemes and the Gibraltar Pension Scheme;
<b>"Morrisons Shareholders"</b>	the registered holders of Morrisons Shares from time to time;
<b>"Morrisons Share Plans"</b>	the Wm Morrison Supermarkets PLC Sharesave Scheme 2010; the Wm Morrison Supermarkets PLC Sharesave Scheme 2020; the 2007 Wm Morrison Supermarkets Long Term Incentive Plan; the Wm Morrison Supermarkets 2017 Long Term Incentive Plan; the 2010 Wm Morrison Supermarkets Deferred Share Bonus Plan; and the 2020 Wm Morrison Supermarkets Deferred Share Bonus Plan;
<b>"Morrisons Shares"</b>	the ordinary shares of 10 pence each in the capital of Morrisons from time to time;
<b>"Offer"</b>	the proposed offer for the entire issued and to be issued share capital of Morrisons by Bidco, to be effected by the Scheme as described in this announcement (or by the Takeover Offer under certain circumstances described in this announcement);
<b>"Offer Document"</b>	should the Offer be implemented by means of the Takeover Offer, the document to be sent to Morrisons Shareholders which will contain, <i>inter alia</i> , the terms and conditions of the Takeover Offer;
<b>"Offer Period"</b>	the offer period (as defined in the Takeover Code) relating to Morrisons commencing on 19 June 2021 and ending on the earlier of the Effective Date and/or the date on which the Scheme lapses or is withdrawn (or such other date as the Panel may decide);

<b>"Offer Value"</b>	254 pence for each Morrisons Share, being the sum total of the Cash Consideration and the Special Dividend;
<b>"Official List"</b>	the official list of the FCA;
<b>"Opening Position Disclosure"</b>	per Rule 8 of the Takeover Code, an announcement containing details of interests or short positions in, or rights to subscribe for, any relevant securities of a party to the offer if the person concerned has such a position;
<b>"Overseas Shareholders"</b>	Scheme Shareholders who are resident in, ordinarily resident in, or citizens of, jurisdictions outside the United Kingdom;
<b>"Panel"</b>	the Panel on Takeovers and Mergers;
<b>"PRA"</b>	the Prudential Regulation Authority;
<b>"RBC"</b>	RBC Europe Limited (trading as "RBC Capital Markets");
<b>"Registrar of Companies"</b>	the Registrar of Companies in England and Wales;
<b>"Regulatory Information Service"</b>	any information service authorised from time to time by the FCA for the purpose of disseminating regulatory announcements;
<b>"Resolution"</b>	the special resolution(s) to be proposed at the General Meeting necessary to implement the Scheme, including, amongst other things, to make certain amendments to the Articles and to approve the re-registration of Morrisons as a private limited company in accordance with the Companies Act;
<b>"Restricted Jurisdiction"</b>	any jurisdiction where local laws or regulations may result in a significant risk of civil, regulatory or criminal exposure if information concerning the Offer is sent or made available to Morrisons Shareholders in that jurisdiction;
<b>"Rothschild &amp; Co"</b>	N.M. Rothschild & Sons Limited;
<b>"Scheme"</b>	the proposed scheme of arrangement under Part 26 of the Companies Act between Morrisons and Scheme Shareholders to implement the Offer;
<b>"Scheme Court Hearing"</b>	the hearing of the Court to sanction the Scheme under section 899 of the Companies Act, including any adjournment thereof;
<b>"Scheme Court Order"</b>	the order of the Court sanctioning the Scheme under section 899 of the Companies Act;
<b>"Scheme Document"</b>	the document to be dispatched to Morrisons Shareholders including the particulars required by section 897 of the Companies Act;
<b>"Scheme Record Time"</b>	the time and date specified as such in the Scheme Document, expected to be 6.00 p.m. on the Business Day immediately after the date of the Scheme Court Hearing, or such later time as Bidco and Morrisons may agree;
<b>"Scheme Shareholders"</b>	the holders of Scheme Shares;

<b>"Scheme Shares"</b>	<p>all Morrisons Shares:</p> <p>(a) in issue at the date of the Scheme Document;</p> <p>(b) (if any) issued after the date of the Scheme Document and prior to the Voting Record Time; and</p> <p>(c) (if any) issued at or after the Voting Record Time and prior to the Scheme Record Time in respect of which the original or any subsequent holder thereof is bound by the Scheme, or shall by such time have agreed in writing to be bound by the Scheme,</p> <p>but excluding any Excluded Shares;</p>
<b>"Shore Capital"</b>	Shore Capital Stockbrokers Limited;
<b>"Significant Interest"</b>	a direct or indirect interest in 20 per cent. or more of the voting equity share capital of an undertaking;
<b>"Special Dividend"</b>	the proposed special dividend of 2 pence for each Morrisons Share held at the Scheme Record Time, which the Morrisons Directors intend to declare in connection with the Offer;
<b>"Takeover Code"</b>	the City Code on Takeovers and Mergers, as issued from time to time by or on behalf of the Panel;
<b>"Takeover Offer"</b>	should the Offer be implemented by way of a takeover offer as defined in Chapter 3 of Part 28 of the Companies Act, the recommended offer to be made by or on behalf of Bidco to acquire the entire issued and to be issued share capital of Morrisons and, where the context admits, any subsequent revision, variation, extension or renewal of such offer;
<b>"UK" or "United Kingdom"</b>	the United Kingdom of Great Britain and Northern Ireland;
<b>"UK Pension Schemes"</b>	the Morrisons 1967 Section of the Morrisons Retirement Saver Plan, the RSP Section of the Morrisons Retirement Saver Plan, and the Safeway Pension Scheme;
<b>"US" or "United States"</b>	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia;
<b>"Voting Record Time"</b>	6.00 p.m. on the day which is two Business Days prior to the Court Meeting or any adjournment thereof (as the case may be);
<b>"Wider Bidco Group"</b>	Bidco and its subsidiary undertakings, associated undertakings and any other undertaking in which Bidco and/or such undertakings (aggregating their interests) have a Significant Interest; and
<b>"Wider Morrisons Group"</b>	Morrisons and its subsidiary undertakings, associated undertakings and any other undertaking in which Morrisons and/or such undertakings (aggregating their interests) have a Significant Interest.

All references to time in this announcement are to London time unless otherwise stated.

A reference to "includes" shall mean "includes without limitation", and references to "including" and any other similar term shall be construed accordingly.

For the purposes of this announcement, "subsidiary", "subsidiary undertaking", "undertaking" and "equity share capital" have the meanings given by the Companies Act and "associated undertaking" has the meaning given by paragraph 19 of Schedule 6 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, other than paragraph 19(1) (b) of Schedule 6 to those regulations which shall be excluded for this purpose.

References to an enactment include references to that enactment as amended, replaced, consolidated or re-enacted by or under any other enactment before or after the date of this announcement.