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**FOR IMMEDIATE RELEASE**

**THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION**

19 August 2021

**RECOMMENDED CASH OFFER**

**for**

**WM MORRISON SUPERMARKETS PLC**

**by**

**MARKET BIDCO LIMITED**

**(a newly incorporated entity formed by Clayton, Dubilier & Rice, LLP in its capacity as adviser to Clayton, Dubilier & Rice, LLC as manager of CD&R Fund XI)**

**to be effected by means of a scheme of arrangement under Part 26 of the Companies Act 2006**

**Summary**

- The boards of Market Bidco Limited ("**Bidco**") and Wm Morrison Supermarkets PLC ("**Morrisons**") are pleased to announce that they have reached agreement on the terms of a recommended cash offer by Bidco for the entire issued and to be issued share capital of Morrisons (the "**CD&R Offer**"). The CD&R Offer is to be effected by means of a scheme of arrangement under Part 26 of the Companies Act.
- Under the terms of the CD&R Offer, each Morrisons Shareholder will be entitled to receive:

**For each Morrisons Share**

**285 pence in cash**

**(the "CD&R Offer Value")**

- The CD&R Offer Value represents:
  - a premium of approximately 60 per cent. to the Closing Price of 178 pence per Morrisons Share on 18 June 2021 (being the last Business Day prior to 19 June 2021, the date of the announcement of a possible offer by CD&R for Morrisons and the commencement of the Offer Period);
  - a premium of approximately 59 per cent. to the three month volume weighted average price of 180 pence per Morrisons Share to 18 June 2021 (being the last Business Day prior to 19 June 2021, the date of

the announcement of a possible offer by CD&R for Morrisons and the commencement of the Offer Period); and

- a premium of approximately 60 per cent. to the six month volume weighted average price of 178 pence per Morrisons Share to 18 June 2021 (being the last Business Day prior to 19 June 2021, the date of the announcement of a possible offer by CD&R for Morrisons and the commencement of the Offer Period).
- The CD&R Offer Value implies:
  - an increase of 13 pence per Morrisons Share and £332 million total offer value on a fully diluted basis to the terms of the Fortress Increased Offer of a 272 pence total consideration for each Morrisons Share;
  - an enterprise value multiple of approximately 9.0 times Morrisons' underlying EBITDA<sup>(1)</sup> for the 52 weeks ended 31 January 2021 and approximately 9.4 times Morrisons' underlying (pre-COVID-19) EBITDA<sup>(1)</sup> for the 52 weeks ended 2 February 2020; and
  - a multiple of approximately 20.7 times Morrisons' underlying earnings per Morrisons Share<sup>(1)</sup> for the 52 weeks ended 31 January 2021.

*(1) Stated post-IFRS 16, before exceptionals and before paying previously waived business rates relief of £230 million in the 52 weeks ended 31 January 2021 .*

- The CD&R Offer values the entire issued and to be issued share capital of Morrisons at approximately £7.0 billion on a fully diluted basis and implies an enterprise value of £9.7 billion.
- The CD&R Offer Value payable by Bidco to Morrisons Shareholders under the terms of the CD&R Offer will be financed from a combination of equity capital to be invested by CD&R Fund XI, Ares European Direct Lending and Alternative Credit Funds and West Street Strategic Solutions, and committed financing provided by Goldman Sachs Bank USA, BNP Paribas SA, Bank of America, N.A., London Branch, and Mizuho Bank, Ltd.
- If, on or after the date of this announcement, any dividend and/or other distribution and/or return of capital is declared, made or paid by Morrisons or becomes payable by Morrisons in respect of the Morrisons Shares, Bidco reserves the right to reduce the CD&R Offer Value payable under the terms of the CD&R Offer for the Morrisons Shares by an amount up to the amount of such dividend and/or other distribution and/or return of capital, in which case any reference in this announcement to the CD&R Offer Value payable under the terms of the CD&R Offer will be deemed to be a reference to the CD&R Offer Value as so reduced. In such circumstances, Morrisons Shareholders would be entitled to receive and retain any such dividend and/or other distribution and/or return of capital.

### **Transaction overview**

- All cash offer for Morrisons by Bidco, intended to be recommended unanimously by the Morrisons Board.
- CD&R believes Morrisons is a high quality business that is well-positioned within UK grocery and led by a strong management team. CD&R recognises the strength of Morrisons' heritage, the legacy of Sir Ken Morrison and its long-term track record of working with and for customers and stakeholders.

- Bidco and CD&R recognise the responsibility of the ownership of Morrisons and highlight the following key attributes of Morrisons, which are important reasons for the CD&R Offer:
  - *Leading UK grocer with strong heritage:* CD&R recognises the legacy of Sir Ken Morrison, Morrisons' history and culture, and considers that this strong heritage is core to Morrisons and its approach to grocery retailing. CD&R is committed to supporting Morrisons to capitalise on these foundations and to execute successfully the current strategy to deliver both growth and profitability;
  - *Clear strategy and strong management team:* The management team has built the differentiated customer proposition and excellent in-store execution that define the business today. CD&R will support Morrisons in further building on these strengths as CD&R has successfully done with a number of its portfolio companies over the years;
  - *Differentiated operational strengths:* Morrisons' operational strengths provide it with a differentiated market position and set of opportunities in the UK grocery retail market. These strengths include its freehold property portfolio, which affords greater flexibility and operational control, as well as its vertical integration, which enables it to compete successfully on price and guarantee the quality of its products in partnership with local suppliers and farmers. CD&R recognises and supports the importance of the integrated model and has recent relevant experience partnering with operators of large real estate portfolios in the UK;
  - *Supportive market environment:* CD&R believes that this will allow Morrisons to accelerate its commercial development;
  - *Attractive wholesale adjacency:* CD&R recognises the opportunity in wholesale and the ability it provides Morrisons to participate in the growth of the convenience sector. CD&R believes the wholesale activities of Morrisons are differentiated and scalable; and
  - *Growing online business:* Morrisons has successfully built one of the leading online grocery businesses in the UK, leveraging its well-integrated business model and strong partnerships with technology businesses such as Ocado and Amazon. CD&R believes Morrisons is well positioned to leverage the growth in online grocery using its differentiated platform.
- CD&R is widely recognised for being a trusted partner to the management teams of the businesses in which it invests and for providing ongoing support to help them innovate, develop, and grow their operations. CD&R has dedicated significant resources to develop an in-depth understanding of the Morrisons management team's vision for the business and is committed to supporting the existing team in continuing to execute its strategy, including the "Fix, Rebuild, Grow, Sustain" strategy which has served the business and its stakeholders well.

## **Recommendation**

- The Morrisons Directors, who have been so advised by Rothschild & Co as to the financial terms of the CD&R Offer, consider the terms of the CD&R Offer to be fair and reasonable. In providing its financial 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, each to be convened as soon as is reasonably practicable following the date of this announcement, expected to be a date in or around the week commencing 4 October 2021.**
- On 3 July 2021, Morrisons and Fortress Bidco, a newly formed company indirectly owned by funds managed or advised by affiliates of Fortress Investment Group, LLC, announced that they had agreed the terms of an acquisition of the entire issued and to be issued ordinary share capital of Morrisons by Fortress Bidco, intended to be implemented by way of a scheme of arrangement under Part 26 of the Companies Act (the "**Fortress 2.7 Announcement**"). The Fortress 2.7 Announcement included a unanimous recommendation from the Morrisons Directors to the Morrisons Shareholders to vote in favour of the Fortress Offer at the Fortress Shareholder Meetings.
- On 6 August 2021, Morrisons and Fortress Bidco announced that they had reached agreement on the terms of an increased cash offer (the "**Fortress Increased Offer Announcement**"). The Fortress Increased Offer Announcement included a unanimous recommendation from the Morrisons Directors to the Morrisons Shareholders to vote in favour of the Fortress Increased Offer at the Fortress Shareholder Meetings.
- **In the light of their intended recommendation of the CD&R Offer from Bidco, the Morrisons Directors have decided unanimously to withdraw their recommendation of the Fortress Increased Offer and, accordingly, will be adjourning the Fortress Shareholder Meetings until around the expected date for the Court Meeting and General Meeting at which Morrisons Shareholders will be asked to approve the CD&R Offer, expected to be a date in or around the week commencing 4 October 2021.**

#### **Information on CD&R and Bidco**

- CD&R has built a distinctive reputation as a trustworthy and collaborative partner to corporates, founding families, entrepreneurs, management and employees, as well as other stakeholders.
- CD&R is recognised for a value creation strategy based on accelerating the growth and improving the operational effectiveness of its portfolio companies, with these factors driving approximately 80 per cent. of the value created by CD&R in the companies it supports.
- CD&R's industrial investment strategy is supported by a staffing approach that combines financial expertise with strong industry operational expertise, involving former senior executives and current board leaders at pre-eminent UK based companies, including BP, GSK, Smith & Nephew, Tesco, WPP and Unilever as well as other international enterprises such as Disney, Gap and PepsiCo, among others.
- CD&R has been investing in Europe for more than 20 years, partnering with 21 businesses for an aggregate transaction value of approximately £22 billion. This has included businesses in the UK and across retail and foodservice that have grown substantially and prospered under as well as after CD&R's ownership:
  - British retailer, B&M, where CD&R partnered with the founding family to further expand the business, including developing an international strategy. Under CD&R's ownership, revenues more than doubled, over 200 new stores were opened and a significant number of new jobs were created;

- British car auction company, BCA, where CD&R helped to lead the transformation of the business from a physical auction provider to an omnichannel marketplace by investing in organic initiatives as well as acquisitions to add digital capabilities, most notably webuyanycar.com;
- BUT and Conforama, where CD&R created the number one player in the French furniture market, including through investments in the product offering, the physical and online customer proposition, and the companies' workforce; and
- Motor Fuel Group ("MFG") where, through organic and acquisitive growth, CD&R supported the business to become one of the leading independent petrol station forecourt operators in the UK, and invested in the development and roll-out of an improved customer proposition in retail and foodservice, as well as an electric vehicle strategy.
- Bidco is a private limited company recently incorporated in England and Wales at the direction of CD&R for the sole purpose of making the CD&R Offer. As at the date of this announcement, the entire issued share capital is indirectly owned by CD&R Fund XI.
- Bidco has not traded since incorporation, nor has it entered into any obligations other than in connection with the CD&R Offer.

### **Timetable and Conditions**

- It is intended that the CD&R 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 CD&R Offer by way of a Takeover Offer, subject to the consent of the Panel).
- The CD&R Offer will be subject to the Conditions and further terms set out in Appendix 1 to this announcement, and to be set out in full in the Scheme Document, including, amongst others:
  - approvals of Morrisons Shareholders at the Meetings; and
  - the sanction of the Scheme by the Court.
- It is expected that the Scheme Document, containing further information about the CD&R Offer and notices of the Court Meeting and the General Meeting, together with the associated forms of proxy, will be posted to Morrisons Shareholders on a date in or around the week commencing 6 September 2021 and, in any case, within 28 days of this announcement (or such later time as Morrisons, Bidco and the Panel agree). It is likely that the Meetings to approve the CD&R Offer will be convened for a date in or around the week commencing 4 October 2021.
- The CD&R Offer is expected to become Effective in October 2021, subject to satisfaction (or, where applicable, waiver) of the Conditions and further terms set out in Appendix 1 to this announcement.
- An expected timetable of key events relating to the CD&R Offer will be provided in the Scheme Document.

Commenting on the CD&R Offer, Andrew Higginson, Chair of Morrisons, said:

*"The Morrisons Board believes that the offer from CD&R represents good value for shareholders while at the same time protecting the fundamental character of Morrisons for all stakeholders."*

*CD&R have a strong record of developing, strengthening and growing the businesses that they invest in and they share our vision for Morrisons' future. This, together with the strong set of intentions that they have set out today, gives the Morrisons Board confidence that CD&R will be a responsible, thoughtful and careful owner of an important British grocery business."*

Commenting on the CD&R Offer, Sir Terry Leahy, Senior Adviser to CD&R funds, said:

*"CD&R is delighted to have the opportunity to support the management of Morrisons in executing their strategy to grow and develop the business. The grocery sector in the UK is undergoing great change and we believe Morrisons is well placed, with CD&R's support, to succeed in this environment. CD&R values Morrisons' distinctive business model and is committed to supporting it, including the successful ESG and broader stakeholder engagement strategies of the company that are essential to its continued success."*

**This summary should be read in conjunction with the following announcement and the Appendices. The Conditions to, and certain further terms of, the CD&R Offer are set out in Appendix 1 to this announcement. The bases and sources for certain financial information contained in this announcement are set out in Appendix 2. Certain definitions and terms used in this announcement are set out in Appendix 3.**

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BNP Paribas, BofA Securities and Mizuho are also acting as financial advisers to Bidco and CD&R in relation to the CD&R Offer.

Clifford Chance LLP is acting as legal adviser to Bidco and CD&R.

Ashurst LLP is acting as legal adviser to Morrisons.

**Further information**

*Goldman Sachs International ("**Goldman Sachs**"), which is authorised by the PRA and regulated by the FCA and the PRA in the United Kingdom, is acting exclusively for Bidco and CD&R and no one else in connection with the CD&R Offer and will not be responsible to anyone other than Bidco and CD&R for providing the protections afforded to clients of Goldman Sachs or for giving advice in connection with the CD&R Offer or this announcement or any transaction or arrangement referred to herein.*

*J.P. Morgan Securities plc, which conducts its UK investment banking business as J.P. Morgan Cazenove ("**J.P. Morgan Cazenove**") and which is authorised in the United Kingdom by the PRA and regulated by the PRA and the FCA, is acting as financial adviser exclusively for Bidco and Clayton, Dubilier & Rice, LLC and no one else in connection with the CD&R Offer and will not regard any other person as its client in relation to the CD&R Offer and will not be responsible to anyone other than Bidco and Clayton, Dubilier & Rice, LLC for providing the protections afforded to clients of J.P. Morgan Cazenove or its affiliates, nor for providing advice in relation to the CD&R Offer or any other matter or arrangement referred to herein.*

*BNP Paribas SA is authorised and regulated by the European Central Bank and the Autorité de Contrôle Prudentiel et de Résolution. In the UK, BNP Paribas London Branch ("**BNP Paribas**" or "**BNP Paribas London Branch**") is deemed authorised by the PRA with deemed variation of permission, and is subject to regulation by the FCA and limited regulation by the PRA. Details of the Temporary Permissions Regime, which allows EEA-based firms to operate in the UK for a limited period while seeking full authorisation, are available on the FCA's website. BNP Paribas London Branch is registered in the UK under number FC13447 and UK establishment number BR000170, and its UK establishment office address is 10 Harewood Avenue, London NW1 6AA. BNP Paribas is acting as financial adviser exclusively for Bidco and CD&R and no one else in connection with the CD&R Offer and will not be responsible to anyone other than Bidco and CD&R for providing the protections afforded to clients of BNP Paribas or for providing advice in relation to the CD&R Offer or this announcement or any transaction or arrangement referred to herein.*

*Merrill Lynch International ("**BofA Securities**"), a subsidiary of Bank of America Corporation, which is authorised by the PRA and regulated by the FCA and the PRA in the United Kingdom, is acting exclusively for Bidco and CD&R in connection with the matters set out in this announcement and for*

*no one else and will not be responsible to anyone other than Bidco and CD&R for providing the protections afforded to its clients or for providing advice in relation to the subject matter of this announcement or any other matters referred to in this announcement.*

*Mizuho International plc ("**Mizuho**"), which is authorised in the United Kingdom by the PRA and regulated by the PRA and the FCA, is acting as financial adviser exclusively for Bidco and CD&R and no one else in connection with the CD&R Offer and will not regard any other person as its client in relation to the CD&R Offer and will not be responsible to anyone other than Bidco and CD&R for providing the protections afforded to clients of Mizuho or its affiliates, nor for providing advice in relation to the CD&R Offer or any other matter or arrangement 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 CD&R Offer or otherwise.*

*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 CD&R 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 CD&R 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.*

*This announcement is for information purposes only and is not intended to, and does not, constitute or form part of any offer or invitation 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 CD&R 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 CD&R Offer will be made solely through the Scheme Document (or, if the CD&R Offer is implemented by way of a Takeover Offer, the CD&R Offer Document), which will contain the full terms and conditions of the CD&R Offer, including details of how to vote in respect of the CD&R Offer. Any vote in respect of, acceptance or other response to the CD&R Offer should be made only on the basis of the information contained in the Scheme Document (or, if the CD&R Offer is implemented by way of a Takeover Offer, the CD&R Offer Document).*

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

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

### **Overseas Shareholders**

*This announcement has been prepared in accordance with English law, the Takeover Code, the Market Abuse Regulation and the Disclosure Guidance and Transparency Rules 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 CD&R Offer will be subject to the applicable requirements of the Takeover Code, the Panel, the London Stock Exchange and the FCA.*

*The release, publication or distribution of this announcement and the availability of the CD&R 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 the General Meeting, or to appoint another person as proxy to vote at the Court Meeting or the General 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 CD&R 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 CD&R 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 Scheme 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 CD&R 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 CD&R Offer. If the CD&R 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.

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

The CD&R 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. Accordingly, the CD&R Offer is subject to the disclosure requirements and practices applicable in the United Kingdom to schemes of arrangement which differ from the disclosure requirements of the US tender offer and proxy solicitation rules. The financial information included in this announcement has been prepared in accordance with generally accepted accounting standards applicable in the United Kingdom and thus may not be comparable to financial information of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the US.

If, in the future, Bidco exercises its right to implement the CD&R Offer by way of a Takeover Offer, which is to be made into the US, such Takeover Offer will be made in compliance with the applicable US laws and regulations, including Section 14(e) and Regulation 14E under the US Exchange Act. Such Takeover Offer would be made in the United States by Bidco and no one else.

It may be difficult for US holders of Morrisons Shares to enforce their rights and any claim arising out of the US federal laws, since Bidco and Morrisons are 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 the 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 judgment.

Neither the US Securities and Exchange Commission nor any US state securities commission has approved or disapproved of the CD&R Offer, or determined if this announcement is accurate or complete. Any representation to the contrary is a criminal offence in the US.

US Morrisons Shareholders also should be aware that the transaction contemplated herein may have tax consequences in the US and that such consequences, if any, are not described herein. US Morrisons Shareholders are urged to consult with legal, tax and financial advisers in connection with making a decision regarding this transaction.

#### **Forward looking statements**

This announcement (including information incorporated by reference in this announcement), oral statements made regarding the CD&R 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 CD&R Offer on Bidco and Morrisons (including their future prospects, developments and strategies), the expected timing and scope of the CD&R 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", "projects", "strategy", "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 CD&R Offer; the ability to obtain requisite regulatory and shareholder approvals and the satisfaction of other Conditions on the proposed terms and schedule; future market conditions, changes in general economic and business conditions, the behaviour of other market participants, the anticipated benefits from the proposed transaction 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 tax rates, interest rate and currency value fluctuations, 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 in the forward-looking statements. 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. You are cautioned not to place any reliance on these forward-looking statements. 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.

#### **Disclosure requirements of the Takeover Code**

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 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 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(s), 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 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 Takeover 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**

*This announcement and the documents required to be published pursuant to Rule 26.1 of the Takeover Code will be available, subject to certain restrictions relating to persons resident in Restricted Jurisdictions, on CD&R's website at <https://www.cdr-inc.com/Morrison-microsite> and on Morrisons' website at <https://www.morrison-corporate.com/investor-centre/offer-from-cdr> promptly and in any event by no later than 12 noon on the Business Day following the publication of this announcement. The content of the websites referred to in this announcement is not incorporated into and does not form part of this announcement.*

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

*Nothing in this announcement is intended, or is to be construed, 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**

*In accordance with Rule 30.3 of the Takeover Code, Morrisons Shareholders, persons with information rights and participants in the Morrisons Share Plans may request a hard copy of this announcement by contacting Morrisons' registrars, Equiniti Limited, between 8.30 a.m. and 5.30 p.m. Monday to Friday (except public holidays in England and Wales) on 0371 384 2849 from within the UK or +44 371 384 2849 if calling from outside the UK or by submitting a request in writing to Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, United Kingdom. International rates apply to calls from outside the UK. Calls may be recorded and Equiniti Limited cannot provide advice on the merits of the CD&R Offer or give any financial, legal or tax advice. 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 CD&R 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 of the Takeover Code to comply with Rule 2.11(c).*

#### **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.*

**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 THAT JURISDICTION**

**FOR IMMEDIATE RELEASE**

19 August 2021

**RECOMMENDED CASH OFFER**

**for**

**WM MORRISON SUPERMARKETS PLC**

**by**

**MARKET BIDCO LIMITED**

**(a newly incorporated entity formed by Clayton, Dubilier & Rice, LLP in its capacity as adviser to Clayton, Dubilier & Rice, LLC as manager of CD&R Fund XI)**

**to be effected by means of a scheme of arrangement under Part 26 of the Companies Act 2006**

**1. Introduction**

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

It is intended that the CD&R 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 CD&R Offer by way of a Takeover Offer, subject to the consent of the Panel).

**2. The CD&R Offer**

The CD&R Offer, which will be on the terms and subject to the Conditions and further terms set out in Appendix 1 to this announcement, and to be set out in full in the Scheme Document, will be made on the following basis:

**For each Morrisons Share** **285 pence in cash**  
**(the "CD&R Offer Value")**

The CD&R Offer Value represents:

- a premium of approximately 60 per cent. to the Closing Price of 178 pence per Morrisons Share on 18 June 2021 (being the last Business Day prior to 19 June 2021, the date of the announcement of a possible offer by CD&R for Morrisons and the commencement of the Offer Period);
- a premium of approximately 59 per cent. to the three month volume weighted average price of 180 pence per Morrisons Share to 18 June 2021 (being the last Business Day prior to 19 June 2021, the date of the announcement of a possible offer by CD&R for Morrisons and the commencement of the Offer Period); and
- a premium of approximately 60 per cent. to the six month volume weighted average price of 178 pence per Morrisons Share to 18 June 2021 (being the last Business Day prior to 19 June 2021, the date of the announcement of a possible offer by CD&R for Morrisons and the commencement of the Offer Period).

The CD&R Offer Value implies:

- an increase of 13 pence per Morrisons Share and £332 million total offer value on a fully diluted basis to the terms of the Fortress Increased Offer of a 272 pence total consideration for each Morrisons Share;
- an enterprise value multiple of approximately 9.0 times Morrisons' underlying EBITDA<sup>(2)</sup> for the 52 weeks ended 31 January 2021 and approximately 9.4 times Morrisons' underlying (pre-COVID-19) EBITDA<sup>(2)</sup> for the 52 weeks ended 2 February 2020; and
- a multiple of approximately 20.7 times Morrisons' underlying earnings per Morrisons Share<sup>(2)</sup> for the 52 weeks ended 31 January 2021.

*(2) Stated post-IFRS 16, before exceptionals and before paying previously waived business rates relief of £230 million in the 52 weeks ended 31 January 2021 .*

The CD&R Offer values the entire issued and to be issued share capital of Morrisons at approximately £7.0 billion on a fully diluted basis and implies an enterprise value of £9.7 billion.

The CD&R Offer Value payable by Bidco to Morrisons Shareholders under the terms of the CD&R Offer will be financed from a combination of equity capital to be invested by CD&R Fund XI, Ares European Direct Lending and Alternative Credit Funds and West Street Strategic Solutions and committed financing provided by Goldman Sachs Bank USA, BNP Paribas SA, Bank of America, N.A., London Branch, and Mizuho Bank, Ltd.

If, on or after the date of this announcement any dividend and/or other distribution and/or return of capital is declared, made or paid by Morrisons or becomes payable by Morrisons in respect of the Morrisons Shares, Bidco reserves the right to reduce the CD&R Offer Value payable under the terms of the CD&R Offer for the Morrisons Shares by an amount up to the amount of such dividend and/or other distribution and/or return of capital, in which case any reference in this announcement to the CD&R Offer Value payable under the terms of the CD&R Offer will be deemed to be a reference to the CD&R Offer Value as so reduced. In such circumstances, Morrisons Shareholders would be entitled to receive and retain any such dividend and/or other distribution and/or return of capital.

### **3. Background to and reasons for the CD&R Offer**

CD&R believes Morrisons is a high quality business that is well-positioned within UK grocery and led by a strong management team. CD&R recognises the strength of Morrisons' heritage, the legacy of Sir Ken Morrison and its long-term track record of working with and for customers and stakeholders. In particular, Bidco and CD&R recognise the responsibility of the ownership of Morrisons and highlight the following key attributes of Morrisons which are important reasons for the CD&R Offer:

#### *Leading UK grocer with strong heritage*

- Morrisons has over 100 years of history in the UK market, evolving from a market stall in Bradford to the UK's fourth largest supermarket chain under Sir Ken Morrison's leadership, and still proudly headquartered in Yorkshire.
- CD&R recognises the legacy of Sir Ken Morrison, Morrisons' history and culture, and considers that this strong heritage is core to Morrisons and its approach to grocery retailing, and is committed to supporting Morrisons to capitalise on these foundations and to execute successfully the current strategy to deliver both growth and profitability.

### *Clear strategy and strong management team*

- Since 2015, the Morrisons management team has been executing its "Fix, Rebuild, Grow and Sustain" plan which has proved successful in guiding the business to a place today from which it is well positioned to continue its robust growth trajectory.
- The management team has built the differentiated customer proposition and excellent in-store execution that define the business today. CD&R will support Morrisons in further building on these strengths as CD&R has done previously through its successful partnership with B&M. During the period under CD&R ownership, continued improvement of the product and service offerings and investment in the customer experience were key parts of B&M's successful strategy for growth.

### *Differentiated operational strengths*

- Morrisons has many operational strengths that provide it with a differentiated market position and set of opportunities in the UK grocery retail market.
- One aspect of Morrisons' differentiation from its competitors is its freehold property portfolio which affords greater flexibility and operational control. CD&R has recent relevant experience partnering with operators of large real estate portfolios in the UK through its investment in MFG which operates 918 sites across the UK of which more than 90 per cent. are freehold and which has not changed under CD&R's six year ownership.
- Vertical integration represents a further unique operational strength of Morrisons, enabling it to compete successfully on price and guarantee the quality of its products in partnership with local suppliers and farmers. CD&R recognises the importance of the integrated model and will support Morrisons to invest in its supply chain and nurture the relationships with its supplier network.

### *Supportive market environment*

- CD&R anticipates a supportive market environment in the core supermarket segment over the coming years, and believes that this will allow Morrisons to accelerate its commercial development.

### *Attractive wholesale adjacency*

- Morrisons has expanded its wholesale business over recent years through organic growth and acquisitions, gradually building market share to be a meaningful wholesale player today.
- Its focus on the wholesale segment has allowed Morrisons to participate in the growth of the convenience sector. CD&R recognises the opportunity in wholesale and believes the wholesale activities of Morrisons are differentiated and scalable.

### *Growing online business*

- Morrisons has successfully built one of the leading online grocery businesses in the UK, leveraging its well-integrated business model and strong partnerships with technology businesses such as Ocado and Amazon.

- Bidco and CD&R anticipate the growth in online grocery to continue and believe that Morrisons is well positioned to leverage this growth using the differentiated platform it has built.

#### *CD&R's experience and partnership approach*

- CD&R has a long-standing track record of consumer and retail investments, having completed 17 transactions and deployed \$7.3 billion of capital in consumer facing companies since 2000 including investments across the UK, Europe and North America.
- The CD&R team based in London has many years of experience in the UK retail and consumer space, an investment area which is of particular importance to CD&R. This experience includes CD&R's partnership with B&M from 2013 to 2018, and its current investments in MFG (since 2015) and WSH (since 2019).
- More broadly, CD&R has a long standing interest in the food sector, with investments in foodservice distribution businesses Brakes Brothers in the UK, and US Foods and Cheney Brothers in North America, as well as the US restaurant chain MOD Pizza.
- These successful investments, amongst others, and its operating advisers have given CD&R deep insight into the UK grocery sector which, alongside its industry operating expertise and the due diligence conducted in connection with the CD&R Offer, has enabled CD&R and Bidco to build up a strong understanding of Morrisons and the strength of its differentiated business model in the UK food retail market.
- CD&R is widely recognised for being a trusted partner to the management teams of the businesses in which it invests and for providing ongoing support to help them innovate, develop, and grow their operations. CD&R has dedicated significant resources to develop an in-depth understanding of the Morrisons management team's vision for the business and is committed to supporting the existing team in continuing to execute its current strategy, including the "Fix, Rebuild, Grow, Sustain" strategy which has served the business and its stakeholders well.
- Bidco and CD&R believe that as a private limited company, and with their support, Morrisons will have the opportunity to capitalise on: (i) the solid foundations the management team has built (ii) the Company's heritage and strong history and (iii) the broader evolution of the UK grocery market, so as to further accelerate Morrisons' growth and development.

#### **4. Recommendation**

The Morrisons Directors, who have been so advised by Rothschild & Co as to the financial terms of the CD&R Offer, consider the terms of the CD&R Offer to be fair and reasonable. In providing its financial 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, each to be convened as soon as is reasonably practicable following the date of this announcement, expected to be a date in or around the week commencing 4 October 2021.**

On 3 July 2021, Morrisons and Fortress Bidco, a newly formed company indirectly owned by funds managed or advised by affiliates of Fortress Investment Group, LLC, announced that they had agreed the terms of an acquisition of the entire issued and to be issued ordinary share capital of Morrisons by Fortress Bidco, intended to be implemented by way of a scheme of arrangement under Part 26 of the Companies Act (the "**Fortress 2.7 Announcement**"). The Fortress 2.7 Announcement included a unanimous recommendation from the Morrisons Directors to the Morrisons Shareholders to vote in favour of the Fortress Offer at the Fortress Shareholder Meetings.

On 6 August 2021, Morrisons and Fortress Bidco announced that they had reached agreement on the terms of an increased cash offer (the "**Fortress Increased Offer Announcement**"). The Fortress Increased Offer Announcement included a unanimous recommendation from the Morrisons Directors to the Morrisons Shareholders to vote in favour of the Fortress Increased Offer at the Fortress Shareholder Meetings.

**In the light of their intended recommendation of the CD&R Offer from Bidco, the Morrisons Directors have decided unanimously to withdraw their recommendation of the Fortress Increased Offer and, accordingly, will be adjourning the Fortress Shareholder Meetings until around the expected date for the Court Meeting and General Meeting at which Morrisons Shareholders will be asked to approve the CD&R Offer, expected to be a date in or around the week commencing 4 October 2021.**

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

On 4 May 2021, the Morrisons Board received an unsolicited proposal from Fortress at 220 pence per Morrisons Share. This proposal 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, a level at which the Morrisons Directors were minded to recommend the Fortress Offer, subject to satisfaction or waiver of Fortress' pre-conditions to the announcement of a firm intention to make an offer.

In order to facilitate the satisfaction of those pre-conditions, which related principally to the undertaking of limited due diligence and the arrangement of Fortress' funding of the offer, Morrisons and Fortress agreed a confidentiality agreement on 13 June 2021 and a clean team agreement on 19 June 2021. Fortress was given due diligence access on 14 June 2021.

On 19 June 2021 the Morrisons Board confirmed that it had received and rejected an unsolicited highly conditional non-binding proposal from CD&R in relation to a proposed cash offer of 230 pence per Morrisons share for the entire issued and to be issued share capital of Morrisons from CD&R.

CD&R made two subsequent proposals, the second of which was made on 29 June 2021 being a cash offer of 255 pence per Morrisons Share for the entire issued and to be issued share capital of Morrisons. Having evaluated this proposal, the Morrisons Board agreed to provide CD&R with access to limited confirmatory due diligence. Morrisons and CD&R agreed a confidentiality agreement on 5 July 2021 and a clean team agreement on 6 July 2021. CD&R was given due diligence access on 6 July 2021.

On 3 July 2021, Morrisons and Fortress announced that they had reached agreement on the Fortress Offer. Under the terms of the Fortress Offer, Morrisons Shareholders would receive a total value of 254 pence per Morrisons share in cash.



On 6 August 2021, Morrisons and Fortress Bidco announced that they had reached agreement on the Fortress Increased Offer. Under the terms of the Fortress Increased Offer, Morrisons Shareholders would receive a total value of 272 pence per Morrisons share in cash.

On 19 August 2021, CD&R, having been given similar access to information on Morrisons as that provided to Fortress and having completed its confirmatory due diligence, made a proposal of 285 pence per Morrisons share in cash.

**The Morrisons Board, together with its financial adviser Rothschild & Co, has carefully considered and evaluated the financial terms of the CD&R Offer and concluded that the CD&R Offer represents a superior offer for Morrisons shareholders as compared with the Fortress Increased Offer.**

**The Morrisons Board also carefully evaluated CD&R's intentions regarding the conduct of the Morrisons business under CD&R's ownership, and concluded that CD&R is a suitable and appropriate owner of Morrisons.**

**Accordingly, the Morrisons Board has decided unanimously to withdraw their recommendation for the Fortress Increased Offer and intend to recommend unanimously the CD&R Offer to Morrisons Shareholders.**

In considering the financial terms of the CD&R 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 CD&R Offer represents a 13 pence per share (4.8 per cent.) premium to the Fortress Increased Offer;
- the CD&R Offer Value represents a premium of approximately 60 per cent. to the Closing Price of 178 pence per Morrisons Share on 18 June 2021 (being the last Business Day prior to 19 June 2021, the date of the announcement of a possible offer by CD&R for Morrisons and the commencement of the Offer Period);
- the CD&R Offer Value represents a premium of approximately 59 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 prior to 19 June 2021, the date of the announcement of a possible offer by CD&R for Morrisons and the commencement of the Offer Period);
- the CD&R Offer Value implies an enterprise value multiple of approximately 9.0 times Morrisons' underlying EBITDA<sup>(3)</sup> for the 52 weeks ended 31 January 2021 and approximately 9.4 times Morrisons' underlying (pre-COVID-19) EBITDA<sup>(3)</sup> for the 52 weeks ended 2 February 2020; and
- the CD&R Offer Value implies a multiple of approximately 20.7 times Morrisons' underlying earnings per Morrisons Share<sup>(3)</sup> for the 52 weeks ended 31 January 2021.

<sup>(3)</sup> Stated post-IFRS 16, before exceptionals and before paying previously waived business rates relief of £230 million in the 52 weeks ended 31 January 2021 .

## **6. Information relating to Bidco and CD&R**

## *CD&R*

CD&R, a private investment firm that manages capital on behalf of university endowments, foundations and pensions, is recognised for a value creation strategy based on accelerating the growth and improving the operational effectiveness of the companies it supports. Since its founding in 1978, CD&R has built a distinctive reputation as a trustworthy and collaborative partner to corporates, founding families, entrepreneurs, management and employees, as well as other stakeholders. Over its 43 year history, CD&R has generated superior investment returns for its global investors, including asset owners domiciled in the UK, by working closely with portfolio company management and employees, playing a constructive role in helping them transition their businesses to the next stage of profitable growth, including providing additional equity capital to support such growth. CD&R's industrial investment strategy is supported by a staffing approach that combines financial expertise with strong industry operational expertise. CD&R's operational resource base includes nearly 40 operating partners and advisers to funds it manages, including former senior executives and board leaders at pre-eminent UK based companies, including BP, GSK, Smith & Nephew, Tesco, WPP and Unilever as well as other international enterprises such as Disney, Gap and PepsiCo, among others.

CD&R has offices in New York and London, and has been investing in Europe for more than 20 years, acquiring 21 businesses for an aggregate transaction value of approximately £22 billion.

Approximately 80 per cent. of the value created by CD&R comes from growth and operational excellence. In CD&R's 2013 investment in British retailer B&M, for example, CD&R partnered with the founding family to further expand the business, develop an international strategy and ultimately take the company public on the London Stock Exchange. Under CD&R's ownership, revenues more than doubled, over 200 new stores were opened and a significant number of new jobs were created. In its 2010 investment in the British car auction company BCA, CD&R helped to lead the transformation of the business from a physical auction provider to an omnichannel marketplace by investing in organic initiatives as well as acquisitions to add digital capabilities, most notably [webuyanycar.com](http://webuyanycar.com). Both businesses have continued to grow and prosper after CD&R's ownership. B&M and BCA exemplify CD&R's history of building value by contributing to the long-term growth of its portfolio companies.

CD&R has a long standing track record of successful retail investments, including current portfolio companies BUT and Conforama, where CD&R created the number one player in the French furniture market, and MFG, where through organic and acquisitive growth CD&R supported the business to become one of the leading independent petrol station forecourt operators in the UK.

CD&R has extensive experience in the food supply chain in the UK, with investments in foodservice distribution (Brakes Brothers) as well as catering (WSH). CD&R also has broader experience in the sector, specifically in North America, with an almost uninterrupted presence since the 1990s, through its successful investments in food service distribution with Alliant, US Foods and Cheney Brothers, as well as in the restaurant chain MOD Pizza.

## *Bidco*

Bidco is a private limited company recently incorporated in England and Wales at the direction of CD&R for the sole purpose of making the CD&R Offer. As at the date of this announcement, the entire issued share capital is indirectly owned by CD&R Fund XI.

Bidco has not traded since incorporation, nor has it entered into any obligations other than in connection with the CD&R Offer.

## **7. 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>(4)</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>(4)</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>(4)</sup> *Stated before paying previously waived business rates relief of £230 million.*

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

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

Bidco recognises the distinct heritage and history of Morrisons which have shaped its differentiated approach to grocery retailing, and believes the key resources and relationships of Morrisons reflect the values on which the business is built and are central to its continued success. In supporting Morrisons' growth strategy, Bidco and CD&R are confident that they will be a good partner to Morrisons' stakeholders including management, employees, customers, suppliers and pension trustees.

### ***Long-term ownership***

CD&R has a long history of successfully partnering, developing and caring for the businesses, management, employees and wider stakeholder constituencies of its portfolio companies. Based on its reputation for being a trustworthy partner, CD&R has often been selected as the "partner of choice" to corporates, families, management teams and investors.

CD&R's focus is on building strong, sustainable businesses for the benefit of all stakeholders by investing in its portfolio companies, leveraging the expertise of its operating partners and advisers to accelerate revenue growth, support innovation, and drive operational performance, including strong Environmental, Social and Governance ("ESG") programmes.

For example, under CD&R's ownership, British retailer B&M, more than doubled its revenues and EBITDA as a result of a successful store roll-out in

the UK, and continued the improvement of its product and service offering and investment in the customer experience and infrastructure through store refurbishments, warehouse capacity and IT improvements. CD&R is proud of the fact that B&M continues to grow and prosper today as a public company beyond CD&R's involvement.

Equally, MFG, which is today one of the largest independent forecourt operators in the UK by number of sites, grew under CD&R ownership from approximately 300 sites to 918 stations across the country. CD&R has driven growth by strong investment in convenience retail and on-site food-to-go offering as well as highly synergistic M&A and optimisation of fuel operations.

Further, CD&R supported the transformation of the British car auction company BCA from a physical auction provider to an omnichannel marketplace by investing in organic initiatives as well as acquisitions to add digital capabilities, most notably [webuyanycar.com](http://webuyanycar.com).

Bidco anticipates utilising a similar approach to these examples in its investment in Morrisons.

### *Strategy and Management*

Following the CD&R Offer becoming Effective, Bidco intends to continue to operate Morrisons as a standalone business led by the Morrisons management team, with its head office and head office functions remaining in Bradford. Bidco highly values the current structure, strategy and management of the business and recognises that the management team and colleagues will be key to Morrisons' success going forward. Bidco is therefore committed to supporting the existing Morrisons management team in continuing to execute its existing strategy, including the "Fix, Rebuild, Grow, Sustain" strategy which has served the business and its stakeholders well. Bidco does not intend to make any significant changes to the current strategy of the business.

### *Customers*

Bidco recognises that Morrisons' deep understanding of its customers is core to its success. This enables Morrisons to be relevant and accessible, underpinning the easy and enjoyable customer experience at its supermarkets and rapidly expanded online presence. Bidco highly values Morrisons' approach and capabilities in relation to serving its customers.

### *Colleagues and the Morrisons Pension Schemes*

Bidco considers that the over 110,000 existing experienced and skilled Morrisons colleagues are the heart of the business and are core to driving the differentiated customer experience that helps define the Morrisons proposition. Bidco confirms that, following the CD&R Offer becoming Effective, the existing contractual and statutory employment rights, including existing pension rights of all Morrisons' management team and employees of Morrisons will be fully safeguarded. Bidco believes strongly in recognising the value of employees to everything that Morrisons does and is fully supportive of Morrisons' recent pay award of at least £10 an hour for all Morrisons colleagues in stores and manufacturing sites. Bidco does not intend to make any change to the benefits provided by the Morrisons Pension Schemes and looks forward to constructive engagement with the trustees of the Morrisons Pension Schemes in the future.

### *Suppliers and farmers*

Bidco recognises that the trusted and collaborative relationships that Morrisons has with its suppliers are fundamental to ensuring the quality that

its customers expect. Morrisons has played an important role in securing the future of many smaller suppliers during challenging times, thus supporting local communities and building stronger relationships based on mutual trust. Bidco does not anticipate any material changes to existing payment practices with suppliers.

#### *Local communities*

Morrisons' heritage has included a strong focus on the local communities which the company supports. This thinking has been reinforced across many areas of the business by, for example, the vertical integration strategy and payment terms for small suppliers and farmers where Morrisons has consciously sought to be a supportive partner to local communities. Bidco values and remains committed to these aspects of the heritage and operating approach of Morrisons.

#### *Environmental, Social and Governance ("ESG")*

Environmental, Social and Governance are important focus areas for CD&R. CD&R has established an ESG roadmap across its portfolio with the goal to enhance ESG performance during its ownership via an established framework of review. Bidco is fully aware of Morrisons' strong track record in this area as highlighted by its existing environment, carbon, packaging and plastic commitments. Bidco will continue to support, such initiatives in the business, including Morrisons' commitment, as one of British farming's biggest direct supermarket customers, to become the first supermarket to be completely supplied by net zero carbon British farms by 2030.

#### *Wholesale, convenience and fuel forecourts*

Morrisons has an extensive portfolio of 339 fuel forecourts. CD&R owns MFG, one of the leading operators of fuel forecourts in the UK with 918 sites. CD&R believes there is a potential opportunity for a commercial operational partnership between Morrisons and MFG that could accelerate the development of Morrisons' wholesale business and convenience portfolio through supply and branding arrangements. CD&R believes that such arrangements could also enhance the customer experience within MFG sites and develop Morrisons' engagement with a broader customer base. Assessment of such a partnership and the associated opportunities are at an early stage and will require further discussion with the management of Morrisons.

#### *Property*

As part of its commitment to delivering sustainable growth for Morrisons and continuing to enhance profitability and return on capital, Bidco expects to continue to invest in the store footprint and new store openings, as well as further online and wholesale development as critical components of the growth story. Similar investments have been key features in a number of CD&R's portfolio companies, including B&M, MFG and BUT / Conforama.

Bidco recognises that the high proportion of freehold ownership of the Morrisons store estate is a particular strength of the business which has been carefully preserved over many years and will continue to be a cornerstone of Morrisons. Bidco does not intend to engage in any material store sale and leaseback transactions.

High levels of real estate ownership has been a feature of previous CD&R investments, including MFG where real estate ownership has remained above 90 per cent. since the acquisition by CD&R in 2015.

#### *Capital structure*

CD&R intends to put in place a long-term capital structure for Morrisons that provides the business with substantial liquidity and the appropriate financial flexibility to continue to invest in and support the growth of Morrisons. CD&R anticipates that leverage in Morrisons' funding structure will reduce over time, with over £3.4 billion of equity capital initially invested in Bidco for the purposes of making the CD&R Offer, and that Bidco will retain a significant equity ownership for an extended period.

#### *Long-term partnership review with Morrisons management*

Recognising the limitations of due diligence within a public company context, in conjunction with the short timeframe and reduced opportunity to meet with management, Bidco has not been able to formulate fully all aspects of its strategy for Morrisons, other than its intention to support management's ongoing strategy. Bidco intends to engage with the Morrisons management team following the CD&R Offer becoming Effective to understand the business in more detail and to partner with management to set out the joint vision and strategy for Morrisons in the context of becoming a private company. Bidco will ask the management of Morrisons to lead this process with the close collaboration and input of CD&R and, where appropriate, other stakeholders in the business. Bidco believes that this review process is an important part of the long-term partnership that it intends to build with the management of Morrisons and broader stakeholders in the business in order to determine the short and long term objectives for the business and how they can best be delivered in a collaborative way. Bidco will work with the management of Morrisons to determine the detailed scope of this review and the appropriate timetable for its completion but Bidco anticipates this review will be completed within approximately six months from the Effective Date. Bidco anticipates the review will focus on all aspects of the business and opportunities available, including:

- reviewing Morrisons' markets, customers, procurement, service offerings and delivery;
- driving further investment to support the customer experience and proposition, the work environment and opportunities for colleagues and Morrisons' growth ambitions and delivery of its potential;
- assessing the opportunity across each aspect of the business to enhance its strategic positioning, accelerate development and deliver its long term objectives, including potential partnerships and acquisitions. This would include Morrisons' property portfolio, portfolio of fuel forecourts and convenience retail network; and
- deepening engagement with the key stakeholders of the business including customer, colleagues, suppliers and farmers, broader business partners, pension trustees and other stakeholders.

The outcomes of the review could include investment in people, capabilities, organisation, infrastructure and assets to grow the business sustainably over the long-term. Bidco expects the outcome of the evaluation to be consistent with its stated intentions set out elsewhere in this paragraph 8 .

#### ***Employees and Management***

Morrisons has a strong team of talented and committed colleagues who have all worked hard to help Morrisons develop its differentiated position in the food grocery market and as an attractive proposition in the minds of customers and broader stakeholders. The strength and importance of this broad team has been particularly highlighted over the last year as Morrisons has played an important role in supporting the supply of food in the UK during the COVID-19 pandemic. Bidco and CD&R acknowledge and are inspired by the outstanding efforts of the whole Morrisons team in this

achievement, including management and colleagues in stores, manufacturing and distribution sites and head office. Bidco and CD&R fully appreciate the ongoing importance of this role and are fully committed to supporting Morrisons.

Bidco and CD&R recognise that, through Morrisons' "Fix, Rebuild, Grow, Sustain" framework, Morrisons' management team has made good progress in repositioning the group since 2015, including establishing a core purpose, aim, model and strategy for the business. This approach has driven enhanced stakeholder dialogues and relationships, improved financial performance, attracted substantial new talent to the Morrisons Group and enabled significant investment to be made in the business. Bidco and CD&R recognise the high quality of the colleagues and strength of the management team at Morrisons and their importance to the success of Morrisons following the CD&R Offer. The quality of the Morrisons management team and commitment of all colleagues at Morrisons is an important part of the rationale for the CD&R Offer. Bidco and CD&R have given assurances to the Morrisons Directors that the existing contractual and statutory employment rights, including pension rights, of all Morrisons' management and employees shall be fully safeguarded. Bidco's and CD&R's plans for Morrisons do not involve any change in the balance of skills and functions of employees or their conditions of employment. 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. Bidco views this pay award as an important and appropriate recognition of their contribution to Morrisons.

Portfolio companies in which CD&R has invested have an outstanding track record of investing in initiatives to support people and their success within their organisations. CD&R helped B&M expand its footprint, increasing UK stores and employment by nearly 80 per cent. and 120 per cent., respectively, under CD&R's ownership.

It is not anticipated that, as a result of the CD&R Offer, there will be any material change to Morrisons' headcount. If, as anticipated, following the CD&R Offer becoming Effective, Morrisons becomes a private limited company, a limited number of functions related to being a publicly listed company 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 and CD&R, with the support and guidance of Morrisons' management, intend to provide alternative opportunities where possible within Morrisons to employees currently in these roles. At this stage, Bidco and CD&R have not yet developed a proposal in relation to these alternative opportunities or additional recruitment areas and will only develop and implement such a proposal in coordination with Morrisons' management. Bidco and CD&R will consult as necessary or appropriate with relevant employees, any employee representatives and other stakeholders before any proposals referred to in this section (*Employees and Management*) are finalised.

### ***Pensions***

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 has met the trustees of the UK Pension Schemes and 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***

Bidco and CD&R intend for Morrisons to continue to operate as a standalone business, led by the Morrisons management team with its head office and head office functions in Bradford. Bidco has no plans to make any material restructurings or change in the locations of Morrisons' places of business other than any changes at the head office, which are necessary due to Morrisons' change of status to a private limited company.

Bidco and CD&R have no plans to change the locations of Morrisons' places of business or to redeploy the fixed assets of Morrisons following the CD&R Offer becoming Effective. Morrisons does not currently have a research and development function and Bidco and CD&R have no plans in this regard.

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

Following the CD&R Offer becoming Effective, Bidco and CD&R intend to review Morrisons' management, governance and incentives structures. Bidco has not entered into, and has not had any discussions on proposals to enter into any form of incentivisation arrangements with members of Morrisons' management. It will enter into such discussions and put in place appropriate arrangements following the completion of the CD&R Offer 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 13, 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. Financing of the CD&R Offer**

Bidco is providing the CD&R Offer Value payable to Morrisons Shareholders under the terms of the CD&R Offer through a combination of equity capital and debt financing. The financing will comprise: (i) capital comprising



ordinary shares and preference shares to be invested by CD&R Fund XI, Ares European Direct Lending and Alternative Credit Funds and West Street Strategic Solutions; and (ii) a term loan and revolving facilities to be provided under an interim facilities agreement arranged Goldman Sachs Bank USA, BNP Paribas SA, Bank of America, N.A., London Branch, and Mizuho Bank, Ltd.

CD&R, Ares European Direct Lending and Alternative Credit Funds and West Street Strategic Solutions may syndicate part of their funding commitments to one or more co-investors either before or after the Scheme becomes Effective. If such co-investment occurs prior to the Scheme becoming Effective, an announcement will be made by Bidco in respect of this through a Regulatory Information Service. In addition, other potential investors may acquire indirect minority interests in Bidco during the offer period or once the Scheme becomes Effective.

Goldman Sachs International and J.P. Morgan Cazenove, as financial advisers to Bidco, are satisfied that sufficient resources are available to Bidco to satisfy in full the CD&R Offer Value payable to Morrisons Shareholders under the terms of the CD&R Offer.

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

#### **10. Morrisons Share Plans**

Participants in the Morrisons Share Plans will be contacted regarding the effect of the CD&R Offer on their options and awards under the Morrisons Share Plans and appropriate proposals, where required, will be made to such participants in due course. Details of the proposals will be set out in the Scheme Document and in separate letters to be sent to participants in the Morrisons Share Plans.

The Scheme will not extend to Morrisons Shares issued after the Scheme Record Time. However, it is proposed to amend the Articles at the General Meeting to provide that, if the CD&R Offer becomes Effective, any Morrisons Shares issued to any person other than Bidco or its nominees after the Scheme Record Time (including in satisfaction of an option exercised under one of the Morrisons Share Plans) will be automatically transferred to Bidco in consideration for the payment by Bidco to such persons of an amount equal to the CD&R Offer Value available under the terms of the CD&R Offer for each Morrisons Share so transferred. The provisions of the Articles (as amended) will avoid any person (other than Bidco and its nominees) holding shares in the capital of Morrisons after the Effective Date.

#### **11. Offer-related arrangements**

##### *Confidentiality Agreement*

On 5 July 2021, CD&R and Morrisons entered into a confidentiality agreement (the "**Confidentiality Agreement**") in relation to the CD&R Offer, pursuant to which, amongst other things, CD&R has undertaken to keep confidential information relating to Morrisons and to the CD&R Offer and not to disclose it to third parties (with certain exceptions). These confidentiality obligations will remain in force until the second anniversary of the date of the Confidentiality Agreement (except in certain limited circumstances). The Confidentiality Agreement contains provisions pursuant to which CD&R has agreed not to solicit certain employees of the Morrisons Group, subject to customary carve-outs, for a period of 12 months from the date of the Confidentiality Agreement.

##### *Clean Team Agreement*

On 6 July 2021, CD&R, Morrisons and their respective legal advisers entered into the Clean Team Agreement, the purpose of which is to stipulate the procedure for the sharing of CD&R and Morrisons' commercially sensitive information with each other during the due diligence exercise to ensure that the exchange of such commercially sensitive information remains compliant with antitrust laws and to ensure that such sharing does not constitute a waiver of privilege, right or immunity otherwise available.

#### *Co-operation Agreement*

On 19 August 2021, Bidco, Market Topco and Morrisons entered into a co-operation agreement (the "**Co-operation Agreement**"), pursuant to which, among other things Bidco and Market Topco have undertaken to use reasonable endeavours to implement the CD&R Offer and to promptly engage with the CMA and relevant UK government stakeholders in respect of the CD&R Offer.

Morrisons has undertaken to provide promptly such information and assistance to Bidco as Bidco may reasonably require for the purposes of, among other matters, satisfying the Regulatory Condition (as defined therein). Bidco has also agreed to promptly provide Morrisons with such information, assistance and access as may reasonably be required for the preparation of the Scheme Document and any other document published in connection with the Scheme.

The Co-operation Agreement will terminate in certain circumstances, including (subject to certain exceptions):

- (a) if agreed in writing between the parties, at any time prior to the Effective Date;
- (b) upon service of written notice by Bidco to Morrisons, if one or more of the following occurs:
  - (i) prior to the Long Stop Date, a third party announces a possible offer or firm intention to make an offer or revised offer (whether or not subject to the satisfaction or waiver of any pre-conditions) for Morrisons which the Morrisons Directors recommend or state publicly their intention to recommend; or
  - (ii) a Morrisons Board Adverse Recommendation Change (as defined in the Co-operation Agreement) occurs (other than a Morrisons Board Adverse Recommendation Change set out in limb (b) of that definition); or
- (c) upon service of written notice by either party to the other party, if one or more of the following occurs:
  - (i) prior to the Long Stop Date, any Condition has been invoked by Bidco (where (if permission is required) the invocation of the relevant Condition is permitted by the Panel);
  - (ii) prior to the Long Stop Date, a third party announces a possible offer or firm intention to make an offer or revised offer (whether or not subject to the satisfaction or waiver of any pre-conditions) for Morrisons which completes, becomes effective or is declared or becomes unconditional in all respects;
  - (iii) if the CD&R Offer is withdrawn, terminated or lapses in accordance with its terms prior to the Long Stop Date and, where required, with the consent of the Panel (other than where: (i) such lapse or withdrawal is as a result of the

exercise of Bidco's right to effect a Switch (as defined in the Co-operation Agreement); or (ii) it is otherwise to be followed within five (5) Business Days (or such other period as Morrisons and Bidco may agree) by an announcement under Rule 2.7 of the Takeover Code made by Bidco or any person acting in concert with Bidco (or deemed to be acting in concert with Bidco) to implement the CD&R Offer by a different offer or scheme on substantially the same or improved terms);

- (iv) if the Scheme is not approved by the Scheme Shareholders at the Morrisons Court Meeting and/or the Morrisons Shareholders at the Morrisons General Meeting, or the Court refuses to sanction the Scheme; or
- (v) unless otherwise agreed by the parties in writing or required by the Panel, if the Effective Date has not occurred by the Long Stop Date.

The Co-operation Agreement also contains provisions that will apply in respect of the Morrisons Share Plans and certain Morrisons employee incentive arrangements.

## **12. Scheme process and Conditions to the CD&R Offer**

It is intended that the CD&R Offer shall be implemented by way of a Court-sanctioned scheme of arrangement between Morrisons and the Morrisons Shareholders under Part 26 of the Companies Act.

The effect of the Scheme is to provide for Bidco to become the holder of the entire issued and to be issued ordinary share capital of Morrisons. This is to be achieved by the transfer of the Morrisons Shares to Bidco, in consideration for which the Morrisons Shareholders who are on the register of members at the Scheme Record Time shall receive the CD&R Offer Value on the basis set out in paragraph 2 of this announcement.

To become Effective, the Scheme requires, among other things:

- the approval of a majority in number of the Scheme Shareholders who are present and vote (and are entitled to vote), whether in person or by proxy, at the Court Meeting and who represent not less than 75 per cent. in value of each class of the Scheme Shares voted by those Morrisons Shareholders;
- the passing of the Resolution at the General Meeting (which will require the approval of Morrisons Shareholders representing at least 75 per cent. of the votes cast at the General Meeting either in person or by proxy); and
- the sanction of the Scheme by the Court and, following such sanction, the delivery of a copy of the Court Order to the Registrar of Companies.

The Conditions in paragraph 2 of Appendix 1 to this announcement provide that the Scheme will lapse if:

- the Court Meeting and the General Meeting are not held by 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);
- the Scheme Court Hearing to approve the Scheme is not held by the 22<sup>nd</sup> day after the expected date of such hearing to be set out in the Scheme

Document in due course (or such later date as may be agreed between Bidco and Morrisons); and

- the Scheme does not become Effective by 11.59 p.m. on the Long Stop Date,

provided however that the deadlines for the timing of the Court Meeting, the General Meeting and the Scheme Court Hearing as set out above may be waived by Bidco, and the Long Stop Date may be extended by agreement between Morrisons, Bidco, the Panel and the Court.

If any Condition in paragraph 2 of Appendix 1 to this announcement is not capable of being satisfied by the date specified therein, Bidco shall make an announcement through a Regulatory Information Service as soon as practicable and, in any event, by not later than 7.00 a.m. on the Business Day following the date so specified, stating whether Bidco has invoked that Condition, (where applicable) waived that Condition or, with the agreement of Morrisons, specified a new date by which that Condition must be satisfied.

Once the necessary approvals from Morrisons Shareholders have been obtained and the other Conditions have been satisfied or (where applicable) waived and the Scheme has been approved by the Court, the Scheme will become Effective upon delivery of the Court Order to the Registrar of Companies.

Upon the Scheme becoming Effective: (i) it shall be binding on all Scheme Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the General Meeting (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.

It is expected that the Scheme Document, containing further information about the CD&R Offer and notices of the Court Meeting and the General Meeting, together with the associated forms of proxy, will be posted to Morrisons Shareholders on a date in or around the week commencing 6 September 2021 and, in any case, within 28 days of this announcement (or such later time as Morrisons, Bidco and the Panel agree). It is likely that the Meetings to approve the CD&R Offer will be convened for a date in or around the week commencing 4 October 2021.

Subject to the satisfaction of the Conditions, the Scheme is expected to become Effective in October 2021.

An expected timetable of key events relating to the CD&R Offer will be provided in the Scheme Document.

### **13. 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 on the premium segment of the Official List, in each case, to take effect on or shortly after the Effective Date.

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

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

Date.

#### 14. Disclosure of interests in Morrisons securities

CD&R made a public Opening Position Disclosure in respect of the interests in the relevant securities of Morrisons held by CD&R and its concert parties on 5 July 2021 (the "**CD&R Opening Position Disclosure**").

As set out in the CD&R Opening Position Disclosure, the following persons acting in concert with Bidco hold interests in Morrisons Shares:

<b>Name</b>	<b>Number of Morrisons Shares</b>	<b>Percentage of Morrisons' existing issued share capital</b>
J.P. Morgan Cazenove	223	0.00

Save as disclosed in this announcement and in the CD&R Opening Position Disclosure, as at 18 August 2021 (being the latest 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 it for the purposes of the CD&R Offer: (i) had any interest in, or right to subscribe for, or had borrowed or lent any Morrisons Shares or securities convertible or exchangeable into Morrisons Shares; (ii) had any short positions in respect of relevant securities of Morrisons (whether conditional or absolute and whether in the money or otherwise), including any short position under a derivative, any agreement to sell or any delivery obligation or right to require another person to purchase or take delivery; (iii) has borrowed or lent any relevant securities of Morrisons (including, for these purposes, any financial collateral arrangements of the kind referred to in Note 4 on Rule 4.6 of the Takeover Code) save for any borrowed shares which have been either on-lent or resold; or (iv) is a party to any dealing arrangement of the kind referred to in Note 11 on the definition of acting in concert in the Takeover Code.

It has not been practicable for Ares European Direct Lending and Alternative Credit Funds, Mizuho, BNP Paribas, BofA Securities and West Street Strategic Solutions (in the case of its affiliates, so far as they are presumed to be acting in concert with it) to make enquiries of all of their 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 concert parties have any additional interests in the relevant securities of Morrisons, all relevant details in respect of Bidco's concert parties will be included in a revised CD&R Opening Position Disclosure in accordance with Rule 8.1(a) and Note 2(a)(i) on Rule 8 of the Takeover Code which shall be made on or before 12 noon (London time) on the 10<sup>th</sup> Business Day following the date of this announcement.

#### 15. Consents

Goldman Sachs, J.P. Morgan Cazenove, BofA Securities, BNP Paribas, Mizuho, 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.

#### 16. Documents available for inspection

Copies of the following documents will be available promptly on CD&R's and Morrisons' websites, subject to certain restrictions relating to persons resident in Restricted Jurisdictions, at <https://www.cdr-inc.com/Morrisons-microsite> and <https://www.morrisons-corporate.com/investor-centre/offer-from-cdr> respectively and in any event by no later than 12 noon on the Business Day following the publication of this announcement:

- (a) this announcement;
- (b) the Confidentiality Agreement;
- (c) the Clean Team Agreement;
- (d) the Co-operation Agreement;
- (e) the consent letters from each of Goldman Sachs, J.P. Morgan Cazenove, BofA Securities, BNP Paribas, Mizuho, Rothschild & Co, Jefferies and Shore Capital referred to in paragraph 15 above;
- (f) the documents relating to the financing of the CD&R Offer referred to in paragraph 9 (*Financing of the CD&R Offer*) above;
- (g) a video message from Sir Terry Leahy relating to the CD&R Offer; and
- (h) a presentation about CD&R.

The content of the websites referred to in this announcement is not incorporated into and does not form part of this announcement.

## 17. General

The CD&R Offer will be on the terms and subject to the Conditions set out in Appendix 1 to this announcement, and to be set out in full in the Scheme Document. The bases and sources of certain financial information contained in this announcement are set out in Appendix 2. Certain terms used in this announcement are defined in Appendix 3.

The Morrisons Shares will be acquired pursuant to the CD&R 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 without limitation 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) with a record date falling on or after the Effective Date.

This announcement does not constitute an offer or an invitation to purchase or subscribe for any securities.

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BNP Paribas, BofA Securities and Mizuho are also acting as financial advisers to Bidco and CD&R in relation to the CD&R Offer.

Clifford Chance LLP is acting as legal adviser to Bidco and CD&R.

Ashurst LLP is acting as legal adviser to Morrisons.

**Further information**

*Goldman Sachs International ("Goldman Sachs"), which is authorised by the PRA and regulated by the FCA and the PRA in the United Kingdom, is acting exclusively for Bidco and CD&R and no one else in connection with the CD&R Offer and will not be responsible to anyone other than Bidco and CD&R for providing the protections afforded to clients of Goldman Sachs or for giving advice in connection with the CD&R Offer or this announcement or any transaction or arrangement referred to herein.*

*J.P. Morgan Securities plc, which conducts its UK investment banking business as J.P. Morgan Cazenove ("**J.P. Morgan Cazenove**") and which is authorised in the United Kingdom by the PRA and regulated by the PRA and the FCA, is acting as financial adviser exclusively for Bidco and Clayton, Dubilier & Rice, LLC and no one else in connection with the CD&R Offer and will not regard any other person as its client in relation to the CD&R Offer and will not be responsible to anyone other than Bidco and Clayton, Dubilier & Rice, LLC for providing the protections afforded to clients of J.P. Morgan Cazenove or its affiliates, nor for providing advice in relation to the CD&R Offer or any other matter or arrangement referred to herein.*

*BNP Paribas SA is authorised and regulated by the European Central Bank and the Autorité de Contrôle Prudentiel et de Résolution. In the UK, BNP Paribas London Branch ("**BNP Paribas**" or "**BNP Paribas London Branch**") is deemed authorised by the PRA with deemed variation of permission, and is subject to regulation by the FCA and limited regulation by the PRA. Details of the Temporary Permissions Regime, which allows EEA-based firms to operate in the UK for a limited period while seeking full authorisation, are available on the FCA's website. BNP Paribas London Branch is registered in the UK under number FC13447 and UK establishment number BR000170, and its UK establishment office address is 10 Harewood Avenue, London NW1 6AA. BNP Paribas is acting as financial adviser exclusively for Bidco and CD&R and no one else in connection with the CD&R Offer and will not be responsible to anyone other than Bidco and CD&R for providing the protections afforded to clients of BNP Paribas or for providing advice in relation to the CD&R Offer or this announcement or any transaction or arrangement referred to herein.*

*Merrill Lynch International ("**BoFA Securities**"), a subsidiary of Bank of America Corporation, which is authorised by the PRA and regulated by the FCA and the PRA in the United Kingdom, is acting exclusively for Bidco and CD&R in connection with the matters set out in this announcement and for no one else and will not be responsible to anyone other than Bidco and CD&R for providing the protections afforded to its clients or for providing advice in relation to the subject matter of this announcement or any other matters referred to in this announcement.*

*Mizuho International plc ("**Mizuho**"), which is authorised in the United Kingdom by the PRA and regulated by the PRA and the FCA, is acting as financial adviser exclusively for Bidco and CD&R and no one else in connection with the CD&R Offer and will not regard any other person as its client in relation to the CD&R Offer and will not be responsible to anyone other than Bidco and CD&R for providing the protections afforded to clients of Mizuho or its affiliates, nor for providing advice in relation to the CD&R Offer or any other matter or arrangement 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 CD&R Offer or otherwise.*

*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 CD&R 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 CD&R 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.*

*This announcement is for information purposes only and is not intended to, and does not, constitute or form part of any offer or invitation 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 CD&R 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 CD&R Offer will be made solely through the Scheme Document (or, if the CD&R Offer is implemented by way of a Takeover Offer, the CD&R Offer Document), which will contain the full terms and conditions of the CD&R Offer, including*



*details of how to vote in respect of the CD&R Offer. Any vote in respect of, acceptance or other response to the CD&R Offer should be made only on the basis of the information contained in the Scheme Document (or, if the CD&R Offer is implemented by way of a Takeover Offer, the CD&R Offer Document).*

*Morrison's and Bidco will prepare the Scheme Document (or, if the CD&R Offer is implemented by way of a Takeover Offer, the CD&R 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 CD&R Offer is implemented by way of a Takeover Offer, the CD&R Offer Document) when it becomes available because it will contain important information relating to the CD&R Offer.*

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

### **Overseas Shareholders**

*This announcement has been prepared in accordance with English law, the Takeover Code, the Market Abuse Regulation and the Disclosure Guidance and Transparency Rules 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 CD&R Offer will be subject to the applicable requirements of the Takeover Code, the Panel, the London Stock Exchange and the FCA.*

*The release, publication or distribution of this announcement and the availability of the CD&R Offer to Morrison's 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 Morrison's Shares with respect to the Scheme at the Court Meeting or the General Meeting, or to appoint another person as proxy to vote at the Court Meeting or the General 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 CD&R 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 CD&R 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 Scheme 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 CD&R 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 CD&R Offer. If the CD&R 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.*

### **Notice to US investors in Morrison's**

*The CD&R 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. Accordingly, the CD&R Offer is subject to the disclosure requirements and practices applicable in the United Kingdom to schemes of arrangement which differ from the disclosure requirements of the US tender offer and proxy solicitation rules. The financial information included in this announcement has been prepared in accordance with generally accepted accounting standards applicable in the United Kingdom and thus may not be comparable to financial information of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the US.*

*If, in the future, Bidco exercises its right to implement the CD&R Offer by way of a Takeover Offer, which is to be made into the US, such Takeover Offer will be made in compliance with the applicable*

*US laws and regulations, including Section 14(e) and Regulation 14E under the US Exchange Act. Such Takeover Offer would be made in the United States by Bidco and no one else.*

*It may be difficult for US holders of Morrisons Shares to enforce their rights and any claim arising out of the US federal laws, since Bidco and Morrisons are 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 the 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 judgment.*

*Neither the US Securities and Exchange Commission nor any US state securities commission has approved or disapproved of the CD&R Offer, or determined if this announcement is accurate or complete. Any representation to the contrary is a criminal offence in the US.*

*US Morrisons Shareholders also should be aware that the transaction contemplated herein may have tax consequences in the US and that such consequences, if any, are not described herein. US Morrisons Shareholders are urged to consult with legal, tax and financial advisers in connection with making a decision regarding this transaction.*

### **Forward looking statements**

*This announcement (including information incorporated by reference in this announcement), oral statements made regarding the CD&R 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 CD&R Offer on Bidco and Morrisons (including their future prospects, developments and strategies), the expected timing and scope of the CD&R 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", "projects", "strategy", "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 CD&R Offer; the ability to obtain requisite regulatory and shareholder approvals and the satisfaction of other Conditions on the proposed terms and schedule; future market conditions, changes in general economic and business conditions, the behaviour of other market participants, the anticipated benefits from the proposed transaction 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 tax rates, interest rate and currency value fluctuations, 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 in the forward-looking statements. 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. You are cautioned not to place any reliance on these forward-looking statements. 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.*

### **Disclosure requirements of the Takeover Code**

*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 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 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(s), 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 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 Takeover 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**

*This announcement and the documents required to be published pursuant to Rule 26.1 of the Takeover Code will be available, subject to certain restrictions relating to persons resident in Restricted Jurisdictions, on CD&R's website at <https://www.cdr-inc.com/Morrison-microsite> and on Morrison's website at <https://www.morrison-corporate.com/investor-centre/offer-from-cdr> promptly and in any event by no later than 12 noon on the Business Day following the publication of this announcement. The content of the websites referred to in this announcement is not incorporated into and does not form part of this announcement.*

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

*Nothing in this announcement is intended, or is to be construed, 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 Morrison's for the current or future financial years would necessarily match or exceed the historical published earnings or earnings per share for Morrison's.*

### **Requesting hard copy documents**

*In accordance with Rule 30.3 of the Takeover Code, Morrison's Shareholders, persons with information rights and participants in the Morrison's Share Plans may request a hard copy of this announcement by contacting Morrison's registrars, Equiniti Limited, between 8.30 a.m. and 5.30 p.m. Monday to Friday (except public holidays in England and Wales) on 0371 384 2849 from within the UK or +44 371 384 2849 if calling from outside the UK or by submitting a request in writing to Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, United Kingdom. International rates apply to calls from outside the UK. Calls may be recorded and Equiniti Limited cannot provide advice on the merits of the CD&R Offer or give any financial, legal or tax advice. 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 CD&R 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 of the Takeover Code to comply with Rule 2.11(c).*

## **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.*

# **APPENDIX 1 CONDITIONS TO AND CERTAIN FURTHER TERMS OF THE CD&R OFFER**

## **Part A: Conditions to the Scheme and CD&R Offer**

1. The CD&R 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.

### **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 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)).

### **Other 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 CD&R 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:

### **UK merger control**

- (a) No Initial Enforcement Order being in force that would make completion of the CD&R Offer illegal and/or invalid;

### **Other Third Party clearances**

- (b) other than in respect of the Condition set out in paragraph 3(a) above, all necessary filings or applications having been made in connection with the CD&R Offer and all statutory or regulatory obligations in any jurisdiction having been complied with in connection with the CD&R 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 CD&R 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 CD&R 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 CD&R Offer becomes otherwise unconditional and all necessary statutory or regulatory obligations in any jurisdiction having been complied with;
- (c) other than in respect of the Condition set out in paragraph 3(a) 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 CD&R 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 CD&R 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 CD&R Offer or the acquisition or proposed acquisition of any Morrisons Shares having expired, lapsed or been terminated;

#### **Confirmation of absence of adverse circumstances**

- (d) 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 CD&R 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 CD&R 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 CD&R 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;

**No material transactions, claims or changes in the conduct of the business of the Morrisons Group**

- (e) 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 CD&R 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(e);
- (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 material adverse change**

(f) 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 CD&R 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 of 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;
- (g) 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;

### **Environmental liabilities**

- (h) 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 CD&R 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 CD&R Offer; and

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

(i) 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 for 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 CD&R 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(i) (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 CD&R 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 CD&R 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 CD&R Offer. The Conditions set out in paragraphs 1, 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 CD&R 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 CD&R 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 CD&R 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 90 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 CD&R Offer will lapse if the European Commission either initiates proceedings under Article 6(1)(c) of Council Regulation (EC) 139/2004/EC, or the CD&R Offer otherwise becomes subject to a Phase 2 CMA 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 CD&R 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 CD&R 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 without limitation 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) with a record date falling on or after the Effective Date.
10. 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, 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(e)(iii) of Part A of this Appendix 1) to reduce the CD&R Offer Value payable under the terms of the CD&R 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 CD&R 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 CD&R 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 CD&R 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 CD&R 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 CD&R 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 SOURCES AND BASES OF INFORMATION**

Unless otherwise stated in this announcement:

1. the value attributed to the fully diluted issued share capital of Morrisons of £7.0 billion is based on a value of 285 pence per Morrisons Share; and:
  - a) 2,419,113,418 Morrisons Shares in issue on 19 August 2021 (being the last Business Day prior to the date of this announcement); *plus*
  - b) up to 48,269,719 Morrisons Shares which are expected to be issued pursuant to the Morrisons Share Plans in connection with the CD&R Offer, assuming that the Effective Date occurs on 30 September 2021; *less*
  - c) 6,295,647 Morrisons Shares held by the Morrisons Employee Benefit Trust which can be used to satisfy the exercise of options and vesting of awards granted under the Morrisons Share Plans as at 19 August 2021 (being the last Business Day prior to the date of this announcement);
2. the enterprise value of £9.7 billion is calculated by reference to the fully diluted equity value plus net debt of £2,710 million comprising underlying net debt excluding one off impacts of £1,339 million, and lease liabilities of £1,371 million as at 31 January 2021;
3. the enterprise value multiple of approximately 9.0 times underlying EBITDA for the 52 weeks ended 31 January 2021 is based on the enterprise value of £9.7 billion and Morrisons EBITDA stated post-IFRS 16, before exceptionals and before paying previously waived business rates relief<sup>(5)</sup> of £1,077 million;
4. the enterprise value multiple of approximately 9.4 times underlying EBITDA for the 52 weeks ended 2 February 2020 is based on the enterprise value of £9.7 billion and Morrisons EBITDA stated post-IFRS 16 and before exceptionals of £1,039 million;
5. the equity value multiple of approximately 20.7 times underlying earnings for the 52 weeks ended 31 January 2021 is based on a value of 285 pence per



Morrisons Share and Morrisons basic earnings per share stated post-IFRS 16, before exceptionals and before paying previously waived business rates relief<sup>(5)</sup> of 13.74 pence;

6. the increase of £332 million total offer value on a fully diluted basis to the terms of the Fortress Increased Offer is calculated as the difference between the value attributed to the fully diluted issued share capital of Morrisons by the CD&R Offer and the value attributed to the fully diluted issued share capital of Morrisons by the Fortress Increased Offer of a 272 pence total consideration for each Morrisons Share and fully diluted share capital of Morrisons of 2,456,672,899 Morrisons Shares as set out in the Fortress Increased Offer Announcement;
7. unless otherwise stated, the financial information relating to Morrisons is extracted (without material adjustment) from the 2020/21 Morrisons Annual Report and the 2020/21 Morrisons Preliminary Results Presentation;
8. unless otherwise stated, all prices and volume weighted average prices for Morrisons Shares have been derived from Factset and represent Closing Prices on the relevant date(s); and
9. certain figures included in this announcement have been subject to rounding adjustments.

<sup>(5)</sup> *Waived business rates relief of £230 million.*

### **APPENDIX 3 DEFINITIONS**

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

<b>"2020/21 Morrisons Annual Report"</b>	the annual report and audited accounts of the Morrisons Group for the 52 weeks ended 31 January 2021
<b>"2020/21 Morrisons Preliminary Results Presentation"</b>	the preliminary results of the Morrisons Group for the 52 weeks ended 31 January 2021, which were released on 11 March 2021
<b>"Ares European Direct Lending and Alternative Credit Funds"</b>	funds advised and/or managed by Ares Management Corporation or its affiliates
<b>"Articles"</b>	the articles of association of Morrisons from time to time
<b>"associated undertaking"</b>	shall be construed in accordance with paragraph 19 of Schedule 6 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410) (but for this purpose ignoring paragraph 19(1)(b) of Schedule 6 to those regulations)
<b>"Bidco"</b>	Market Bidco Limited, a private limited company incorporated in England and Wales with registered number 13537474 whose registered office is at C/O Alter Domus (UK) Limited, 18 St Swithin's Lane, London, United Kingdom, EC4N 8AD

<b>"Bidco Board"</b>	the board of directors of Bidco
<b>"Bidco Group"</b>	Bidco and its subsidiary undertakings and, where the context permits, each of them
<b>"BNP Paribas"</b>	BNP Paribas, London Branch
<b>"BofA Securities"</b>	Merrill Lynch International
<b>"Business Day"</b>	a day, not being a public holiday, Saturday or Sunday, on which clearing banks in London are open for normal business
<b>"CD&amp;R"</b>	Clayton, Dubilier & Rice, LLP in its capacity as adviser to Clayton, Dubilier & Rice, LLC as manager of CD&R Fund XI
<b>"CD&amp;R Fund XI"</b>	Clayton, Dubilier & Rice Fund XI, L.P., Clayton, Dubilier & Rice XI-A, L.P., CD&R Advisor Fund XI, L.P. and Clayton, Dubilier & Rice XI (Scotland), L.P., as the context requires
<b>"CD&amp;R Offer"</b>	the proposed recommended cash acquisition by Bidco of the entire issued and to be issued share capital of Morrisons by means of the Scheme, or should Bidco so elect (with the consent of the Panel), by means of a Takeover Offer
<b>"CD&amp;R Offer Document"</b>	should the CD&R Offer be implemented by means of the Takeover Offer, the document to be sent to Morrisons Shareholders which will contain, inter alia, the terms and conditions of the Takeover Offer
<b>"CD&amp;R Offer Value"</b>	285 pence per Morrisons Share
<b>"Clean Team Agreement"</b>	means the clean team agreement entered into between CD&R and Morrisons in relation to the CD&R Offer dated 6 July 2021
<b>"Closing Price"</b>	the closing middle market price of a Morrisons Share as derived from the Daily Official List on any particular date
<b>"CMA"</b>	the Competition and Markets Authority
<b>"Companies Act"</b>	the Companies Act 2006, as amended from time to time
<b>"Conditions"</b>	the conditions to the implementation of the CD&R Offer (including the Scheme) which are set out in Part A of Appendix 1 to this announcement and to be set out in the Scheme Document
<b>"Co-operation Agreement"</b>	means the co-operation agreement entered into between Bidco, Market Topco and Morrisons in relation to the CD&R Offer dated 19 August 2021
<b>"Court"</b>	the High Court of Justice in England and Wales

<b>"Court Meeting"</b>	the meeting of Scheme Shareholders to be convened at the direction of the Court pursuant to Part 26 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>"Court Order"</b>	the order of the Court sanctioning the Scheme under Part 26 of the Companies Act
<b>"Daily Official List"</b>	means 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>	<ul style="list-style-type: none"> <li>(a) information disclosed by, or on behalf of, Morrisons in the 2020/21 Morrisons Annual Report or in this announcement;</li> <li>(b) fairly disclosed in writing prior to the date of this announcement by or on behalf of Morrisons to Bidco or CD&amp;R (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 CD&amp;R Offer or via email;</li> <li>(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</li> <li>(d) fairly disclosed during any management presentation in connection with the CD&amp;R Offer which was attended by Morrisons and any of Bidco or CD&amp;R (or their respective officers, employees, agents or advisers in their capacity as such)</li> </ul>
<b>"Disclosure Guidance and Transparency Rules"</b>	the disclosure guidance and transparency rules made by the FCA, as amended from time to time
<b>"Effective"</b>	in the context of the CD&R Offer: (i) if the CD&R Offer is implemented by way of the Scheme, the Scheme having become effective pursuant to its terms; or (ii) if the CD&R Offer is implemented by way of a Takeover Offer, the Takeover Offer having been declared or having become unconditional in all respects in accordance with the requirements of the Takeover Code
<b>"Effective Date"</b>	the date on which the CD&R Offer becomes Effective

<b>"ESG"</b>	Environmental, Social and Governance
<b>"Excluded Shares"</b>	<p>any Morrisons Shares:</p> <p>(a) registered in the name of, or beneficially owned by Bidco, any member of the Bidco Group or their respective nominees;</p> <p>(b) registered in the name of, or beneficially owned by, funds managed by CD&amp;R or any of their subsidiary undertakings or their respective nominees; or</p> <p>(c) Treasury Shares</p>
<b>"FCA"</b>	the Financial Conduct Authority of the United Kingdom or its successor from time to time
<b>"Fortress 2.7 Announcement"</b>	the announcement by Morrisons and Fortress Bidco on 3 July 2021, pursuant to Rule 2.7 of the Takeover Code, of an agreement of the terms of an acquisition of the entire issued and to be issued ordinary share capital of Morrisons by Fortress Bidco, intended to be implemented by way of a scheme of arrangement under Part 26 of the Companies Act
<b>"Fortress Bidco"</b>	Oppidum Bidco Limited
<b>"Fortress Court Meeting"</b>	the meeting of Morrisons Shareholders convened by order of the Court under section 899 of the Companies Act for the purpose of considering and, if thought fit, approving the scheme to implement the Fortress Increased Offer (with or without amendment) scheduled to be held on 16 August 2021 and subsequently adjourned until 27 August 2021 (and any further adjournment or postponement thereof)
<b>"Fortress General Meeting"</b>	the general meeting of Morrisons Shareholders to be convened in connection with the Scheme, to consider, and if thought fit, approve a special resolution in relation to the Scheme, scheduled to be held on 16 August 2021 and subsequently adjourned until 27 August 2021 (and any further adjournment or postponement thereof)
<b>"Fortress Increased Offer"</b>	272 pence for each Morrisons Share (being the sum total of (i) 270 pence for each Morrisons Share and (ii) a proposed special dividend of 2 pence for each Morrisons Share), as announced on 6 August 2021
<b>"Fortress Increased Offer Announcement"</b>	the announcement by Morrisons and Fortress Bidco on 6 August 2021, pursuant to Rule 2.7 of the Takeover Code, of the Fortress Increased Offer for the entire issued and to be issued ordinary share capital of Morrisons by Fortress Bidco, intended to be implemented by way of a scheme of arrangement under Part 26 of the Companies Act

<b>"Fortress Offer"</b>	254 pence for each Morrisons Share (being the sum total of (i) 252 pence for each Morrisons Share and (ii) a proposed special dividend of 2 pence for each Morrisons Share), as announced on 3 July 2021
<b>"Fortress Shareholder Meetings"</b>	the Fortress Court Meeting and the Fortress General Meeting
<b>"FSMA"</b>	the UK Financial Services and Markets Act 2000 (as amended from time to time)
<b>"General Meeting"</b>	the general meeting of Morrisons Shareholders to be convened to consider and if thought fit pass, inter alia, the Resolution in relation to the Scheme and the CD&R Offer, including any adjournments thereof
<b>"Goldman Sachs"</b>	Goldman Sachs International
<b>"Initial Enforcement Order"</b>	an order made under section 72, or an order made or adopted (as the case may be) under paragraph 2 of Schedule 7 of the Enterprise Act 2002 (as amended from time to time)
<b>"J.P. Morgan Cazenove"</b>	J.P. Morgan Securities plc, which conducts its UK investment banking business as J.P. Morgan Cazenove
<b>"Jefferies"</b>	Jefferies International Limited
<b>"Listing Rules"</b>	the listing rules, made by the FCA under Part 6 FSMA, as amended from time to time
<b>"London Stock Exchange"</b>	the London Stock Exchange plc or its successor
<b>"Long Stop Date"</b>	2 April 2022 (or such later date as may be agreed between Bidco and Morrisons and the Panel and the Court may allow)
<b>"Market Topco"</b>	Market Topco Limited, a private limited company incorporated in England and Wales with registered number 13537349 whose registered office is at C/O Alter Domus (UK) Limited, 18 St Swithin's Lane, London, United Kingdom, EC4N 8AD
<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 whose registered office is at Hilmore House, Gain Lane, Bradford, West Yorkshire, BD3 7DL
<b>"Morrisons Board" or "Morrisons Directors"</b>	the directors of Morrisons as at the date of this announcement
<b>"Morrisons Employee Benefit Trust"</b>	the Morrisons Employee Benefit Trust

<b>"Morrisons Group"</b>	Morrisons and its subsidiary undertakings and where the context permits, each of them
<b>"Morrisons Pension Schemes"</b>	the UK Pension Schemes and the Gibraltar Pension Scheme
<b>"Morrisons Share(s)"</b>	the existing unconditionally allotted or issued and fully paid ordinary shares of 10 pence each in the capital of Morrisons and any further shares which are unconditionally allotted or issued before the Scheme becomes Effective but excluding in both cases any such shares held or which become held in treasury
<b>"Morrisons Share Plans"</b>	the Morrisons Sharesave Scheme 2010; the Morrisons Sharesave Scheme 2020; the 2007 Morrisons Long Term Incentive Plan; the Morrisons 2017 Long Term Incentive Plan; the 2010 Morrisons Deferred Share Bonus Plan; and the 2020 Morrisons Deferred Share Bonus Plan
<b>"Morrisons Shareholder(s)"</b>	the registered holders of Morrisons Shares from time to time
<b>"Market Abuse Regulation"</b>	the Market Abuse Regulation (EU) (596/2014) (as it forms part of the laws of the UK by virtue of the European Union (Withdrawal) Act 2018 (as amended))
<b>"Mizuho"</b>	Mizuho International plc
<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>"Official List"</b>	the Official List of the FCA
<b>"Opening Position Disclosure"</b>	an announcement pursuant to Rule 8 of the Code containing details of interests or short positions in, or rights to subscribe for, any relevant securities of a party to the CD&R Offer
<b>"Overseas Shareholders"</b>	holders of Morrisons Shares who are resident in, ordinarily resident in, or citizens of, jurisdictions outside the United Kingdom
<b>"Panel"</b>	the Panel on Takeovers and Mergers of the United Kingdom
<b>"Phase 2 CMA Reference"</b>	a reference of the CD&R 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>"PRA"</b>	Prudential Regulation Authority or its successor from time to time
<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>"relevant securities"</b>	Morrisons Shares, other Morrisons share capital and any securities convertible into or exchangeable for, and rights to subscribe for, any of the foregoing
<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 Scheme is sent or made available to Morrisons Shareholders in that jurisdiction
<b>"Rothschild &amp; Co"</b>	N.M. Rothschild and Sons Limited
<b>"Scheme"</b>	the proposed scheme of arrangement under Part 26 of the Companies Act between Morrisons and the Scheme Shareholders, with or subject to any modification, addition or condition approved or imposed by the Court and agreed by Morrisons and Bidco
<b>"Scheme Court Hearing"</b>	the hearing of the Court to sanction the Scheme
<b>"Scheme Document"</b>	the document to be sent to Morrisons Shareholders and persons with information rights containing, amongst other things, the Scheme and notices of the Meetings and proxy forms in respect of the Meetings
<b>"Scheme Record Time"</b>	the time and date to be specified 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 Shareholder"</b>	a holder of Scheme Shares at any relevant date or time
<b>"Scheme Shares"</b>	all Morrisons Shares:  (a) in issue at the date of the Scheme Document;  (b) (if any) issued after the date of the Scheme Document but prior to the Voting Record Time; and  (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,
	but excluding any Excluded Shares
<b>"Shore Capital"</b>	Shore Capital Stockbrokers Limited
<b>"subsidiary", "subsidiary undertaking" and "undertaking"</b>	shall be construed in accordance with the Companies Act
<b>"Takeover Code"</b>	the City Code on Takeovers and Mergers issued by the Panel, as amended from time to time
<b>"Takeover Offer"</b>	subject to the consent of the Panel, should the CD&R Offer be implemented by way of a takeover offer as defined in Chapter 3 of Part 28 of the Companies Act, the offer to be made by or on behalf of Bidco to acquire the entire issued and to be issued share capital of Morrisons
<b>"Third Party"</b>	has the meaning given in paragraph 3(c) of Appendix 1 to this announcement
<b>"Treasury Shares"</b>	Morrisons Shares held as treasury shares as defined in section 724(5) of the Companies Act
<b>"UK" or "United Kingdom"</b>	United Kingdom of Great Britain and Northern Ireland
<b>"UK Pension Schemes"</b>	means 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 Exchange Act"</b>	the US Securities Exchange Act of 1934, as amended and the rules and regulations promulgated thereunder
<b>"Voting Record Time"</b>	the time and date to be specified in the Scheme Document by reference to which entitlement to vote on the Scheme will be determined
<b>"West Street Strategic Solutions"</b>	West Street Strategic Solutions Europe Fund I, SLP, West Street Strategic Solutions Fund I, L.P. (Delaware), West Street Strategic Solutions Offshore Fund I, L.P. (Cayman) and affiliated entities
<b>"Wider Bidco Group"</b>	Bidco, CD&R Fund XI and associated undertakings and any other body corporate, partnership, joint venture or person in which Bidco and such undertakings (aggregating their interests) have an interest of more than 20 per cent. of the voting or equity capital or the equivalent
<b>"Wider Morrisons Group"</b>	Morrisons and associated undertakings and any other body corporate, partnership, joint venture or person in which Morrisons and such undertakings (aggregating their interests) have



an interest of more than 20 per cent. of the  
voting or equity capital or the equivalent

All times referred to are London time unless otherwise stated.