ESORFRANKI LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 1994/000732/06)
JSE code: ESR
ISIN: ZAE000133369
("Esorfranki" or "the Company")

DISPOSAL BY ESORFRANKI OF THE BUSINESS CARRIED ON BY ITS WHOLLY-OWNED SUBSIDIARY, ESORFRANKI CONSTRUCTION PROPRIETARY LIMITED AND CERTAIN OF ITS SUBSIDIARIES, UNDER THE NAME AND STYLE OF ESORFRANKI GEOTECHNICAL, TO KELLER HOLDINGS LIMITED, PROPOSED CHANGE OF NAME AND WITHDRAWAL OF THE CAUTIONARY ANNOUNCEMENT

THE TRANSACTION:

1. **INTRODUCTION**

Further to the cautionary announcements, dated 6 August 2013 and 20 September 2013, shareholders are advised that Esorfranki has entered into a Sale Agreement, dated 8 October 2013, between Keller Holdings Limited ("Keller"), Esorfranki Construction Proprietary Limited ("Esorfranki Construction"), Esor Africa Proprietary Limited and Business Venture Investments No 1592 ("Sale Agreement") in terms of which Keller Holdings ("the Purchaser") will acquire the business carried on by Esorfranki Geotechnical for a cash consideration of R500 million ("the Transaction").

2. **BACKGROUND INFORMATION**

2.1 **Information relating to Keller**

Keller is a limited liability company registered in England and Wales and a wholly-owned subsidiary of Keller Group plc whose securities are listed on the London Stock Exchange. The Keller Group is the world's largest independent ground engineering specialist, renowned for providing technically advanced and cost-effective foundation solutions. Its services are used across the construction sector in infrastructure, industrial, commercial, residential and environmental projects.

2.2 **Information relating to Esorfranki Geotechnical**

The sale of Esorfranki Geotechnical encompasses the sale of the business conducted by Esorfranki Construction ("the SA Business") as well as the sale of the shares of 10 of its subsidiaries ("the Sale Subsidiaries") and the sale of the business conducted by Esorfranki Construction in Angola and Frankipile Mauritius International Limited in the Indian Ocean Islands.

Esorfranki Geotechnical is the largest geotechnical contractor in South Africa and well-established in the Southern African region.

2.3 **Features of the Sale Agreement**

The Sale Agreement does not contain any warranties that are unusual in respect of a transaction of this nature.

In terms of the Sale Agreement, Esorfranki and Esorfranki Construction have agreed to change their respective names so as not to include the word "Franki" and have undertaken to rename and rebrand their remaining businesses to exclude this word in combination with any other name.

Both Esorfranki and Esorfranki Construction are subject to a 60 month restraint of trade in respect of any business services currently rendered by Esorfranki Construction – Geotechnical division and/or the Sale Subsidiaries as well as the supply of any goods or products by those entities which are similar to or sold in competition to the goods and products sold by the Purchaser excluding pipe, culvert and bridge jacking. These restraints apply to various territories as set out in the Sale Agreement.

3. EFFECTIVE DATE

The effective date of the Transaction will be the date which is 3 business days after the day on which the last of the conditions precedent (refer paragraph 6 below) are fulfilled or waived.

4. RATIONALE FOR THE TRANSACTION

The Geotechnical market in South Africa, and Esorfranki's share of that market, has been relatively flat over the last number of years. Esorfranki has been exploring ways to increase the market share as well as the geographical footprint and an association with the Keller Group, the world's largest independent ground engineering specialist, renowned for providing technically advanced and cost-effective foundation solutions, positions the Geotechnical business to grow and realise its true potential.

Given the opportunity and the purchase consideration, the board considered it to be in the best interest of shareholders to enter into the Sale Agreement.

Esorfranki's strategy is to maintain growth in the existing construction area of Pipelines, with further expansion into selective African countries where it will have a competitive advantage as well as the Developments division where it anticipates further growth in the social housing market in particular. The Civils division is being right-sized to take advantage of the anticipated Government Growth initiatives and is currently well-placed for work at Kusile Power Station and Integrated Housing projects.

5. PURCHASE CONSIDERATION

The purchase consideration is R500 million, payable in cash on the Effective Date.

The purchase consideration is subject to adjustments in terms of formulae contained in the Sale Agreement but which in aggregate will not exceed an additional payment of R150 million, payable based on the results of the 3-year period on which this contingent consideration payment is based.

6. CONDITIONS PRECEDENT

The Transaction is subject, *inter alia*, to:

- the approval thereof by Esorfranki shareholders; and
- the necessary approval being obtained from the Financial Services Commission of Mauritius.

7. FINANCIAL EFFECTS OF THE TRANSACTION

The pro forma financial effects of the Transaction, for which the directors are responsible, are provided for illustrative purposes only to show the effect of the Transaction on earnings, headline earnings, diluted earnings and diluted headline earnings as if the Transaction had taken effect on 1 March 2012 and on net asset value and net tangible asset value per share as if the Transaction had taken effect on 28 February 2013. Because of their nature, the pro forma financial effects may not give a fair presentation of Esorfranki's financial position and performance subsequent to the Transaction. The pro forma financial effects of the Transaction are presented in a manner consistent with the format and accounting policies adopted by Esorfranki and and have been adjusted as described in the notes below:

	Audited Before the Transaction	**Pro forma After the Transaction**	**% Change**
Basic and diluted earnings per share (cents)	23.5	30.7	30.7%
Headline and diluted headline earnings per share (cents)	20.5	11.8	(42.4%)
Net asset value per share (cents)	280.3	298.0	6.3%
Tangible net asset value per share (cents)	205.2	246.3	20.0%
Weighted average and diluted average number of shares in issue (000's)	375 289	375 289	
Actual number of shares in issue (000's)	395 185	395 185	
Proposed special dividend per share (cents)			

	-	38.0	100%
Net asset value per share (cents) after proposed special dividend	280.3	260.0	(7.2%)
Tangible net asset value per share (cents) after proposed special dividend	205.2	208.3	1.5%

Notes:

1. The financial information set out in the "Before the Transaction" column has been extracted, without adjustment from the published, audited results of Esorfranki for the year ended 28 February 2013.

2. The "Pro forma After the Transaction" column incorporates the effects of the Transaction as follows:

   2.1 The profit on disposal has been calculated as the difference between the sale proceeds of R500 million and the carrying value of net assets sold. Proceeds have been adjusted for management's best estimate of the discounted contingent consideration of R59 million and further adjusted for debt and net working capital.

   2.2 Goodwill attributable to the acquisition of Franki will be impaired immediately following the Transaction.

   2.3 Cash proceeds of R500 million will be used for payment of transaction costs of R875 000, taxation of R60 million, settlement of debt, including the Domestic Medium Term Note Program Asset finance and overdrafts totalling R285 million and the proposed special dividend of R150 million.

   2.4 Finance costs have been reduced due to applying a portion of the proceeds of the sale consideration to the settlement of the Domestic Medium Term Note Program. This has been calculated based on the rates applicable to the different pricing supplements.

   2.5 The Taxation expense comprises the recoupment on disposal of South African, Angolan and Mauritian assets, interest saving and interest income and is taxed at tax rates in the jurisdiction where the gain is made. There is no taxation effect on the disposal of shares in foreign subsidiaries.

3. The basic earnings per share and basic headline earnings per share figures are calculated based on a weighted average number of 375 288 905 shares in issue at 28 February 2013.

4. The diluted earnings per share and diluted headline earnings per share figures are calculated based on a weighted average number of 375 288 905 shares in issue at 28 February 2013.
5. Net Asset Value per share and Tangible Net Asset Value per share are calculated based on 375 703 084 shares in issue at 28 February 2013.

8. APPLICATION OF THE SALE PROCEEDS

The net proceeds of the purchase consideration will be applied towards:

Repayment of the Domestic Medium Term Note Programme	R210 million
Repayment of secured borrowings relating to the Geotechnical business unit	R40 million
Taxation payable on the proceeds from the Transaction	R60 million
Proposed special dividend to shareholders	R150 million
Expansion of working capital for the remaining business units	R40 million

9. CLASSIFICATION OF THE TRANSACTION AND CIRCULAR TO SHAREHOLDERS

The Transaction is classified as a Category 1 disposal in terms of the Listing Requirements of the JSE Limited ("JSE"). Accordingly a circular prepared in terms of the Listings Requirements of the JSE, containing a notice of general meeting of shareholders, will be dispatched to shareholders on or about 22 October 2013.

THE CHANGE OF NAME:
In terms of the Sale Agreement, Esorfranki will in future not be able to use the name “Franki” and accordingly the directors propose that the company revert to its original listed name of Esor Limited. The salient dates relating to this change of name will be announced in due course.

WITHDRAWAL OF THE CAUTIONARY ANNOUNCEMENT:
Having regard to the information set out above, the cautionary announcement is hereby withdrawn.

Germiston
9 October 2013

Sponsor
Vunani Corporate Finance

Corporate Adviser
Reign Capital

Independent reporting accountants
KPMG Inc