

ESOR LIMITED

(Incorporated in the Republic of South Africa)

(Registration number: 1994/000732/06)

JSE code: ESR

ISIN: ZAE000184669

("Esor")

ACQUISITION OF TUBOSEAL SERVICES PROPRIETARY LIMITED ("TUBOSEAL SERVICES") AND THE BUSINESS ASSETS AND OPERATIONS FROM TUBOSEAL PROPRIETARY LIMITED ("TUBOSEAL")**1. INTRODUCTION**

Esor hereby advises its shareholders that it has acquired through Esor Construction (Pty) Ltd, a 100% held subsidiary, and in separate transactions, a 100% interest in Tuboseal Services from Mr Jean-Louis Frey for a consideration of R15 million, and the business assets and operations of Tuboseal for a consideration of R18.25 million, (together "Tuboseal Group") (the "Transactions"). The binding agreements were entered into on 6 October 2016 with the effective date of the transaction being 1 September 2016. Esor will also be responsible for settling the balance of R3 million owing on certain assets acquired as part of the Transactions.

The consideration will be settled by means of a cash payment of R17,45 million on 7 October 2016 and the balance on 31 October 2016.

As at 29 February 2016 (the "Last Reporting Date"), the value of net assets acquired and net profit after tax were as follows:

	Net Asset Value	Net Profit After Tax
Tuboseal Services	R13 435 160	R2 856 167
Tuboseal	R6 119 167	R5 707 508
Total	R19 554 327	R8 563 675

2. NATURE OF THE BUSINESS OF TUBOSEAL GROUP

Established in 1987, Tuboseal Group has developed into the foremost pipeline rehabilitation company in Cape Town, South Africa. As a frontrunner in the pursuit of world class trenchless technologies in local municipalities and industries, Tuboseal Group has played an instrumental part in ensuring credibility, acceptance and success of trenchless rehabilitation methods in South Africa.

The rehabilitation methods offered are all geared towards minimising disruption to the immediate environment, traffic, the public and commercial activities.

3. RATIONALE FOR THE TRANSACTION

The Transaction:

- expands Esor's existing product offering and provides vertical integration in the maintenance of infrastructure;
- offers attractive margins that can only be achieved in niche businesses;
- provides a platform for Esor to grow its geographic footprint with a presence in the Western Cape; and
- provides an opportunity to participate in the expected growth of infrastructure maintenance contracts and expansion of the products across Southern Africa.

4. CONDITIONS PRECEDENT TO THE TRANSACTIONS

All conditions precedent to the Transactions have been fulfilled.

5. CATEGORISATION OF THE TRANSACTION

The Transactions have been categorised as a Category 2 acquisition in terms of the Listings Requirements of the JSE. It is therefore not subject to the approval of Esor's shareholders and accordingly no circular to Esor shareholders is required. None of the parties are related to Esor.

6. MEMORANDUM OF INCORPORATION

Esor undertakes that the memorandum of incorporation of Tuboseal Services will conform to Schedule 10 of the JSE Listings Requirements, as required.

Germiston
10 October 2016

Sponsor
Vunani Corporate Finance