



AVUSA LIMITED  
(Incorporated in the Republic of South Africa)  
(Registration number 2008/002461/06)  
JSE share code: AVU ISIN: ZAE000115895  
("Avusa" or "the Company")

# THE PROPOSED ACQUISITION BY AVUSA OF THE ENTIRE ISSUED SHARE CAPITALS OF UNIVERSAL PRINT GROUP (PROPRIETARY) LIMITED ("UPG") AND HIRT & CARTER (PROPRIETARY) LIMITED ("H&C") FROM UHC COMMUNICATIONS (PROPRIETARY) LIMITED ("UHC" OR "THE SELLER")

## CAUTIONARY ANNOUNCEMENT

### 1. INTRODUCTION

Nedbank Capital, a division of Nedbank Limited, is authorised to announce that Avusa and UHC have signed a memorandum of understanding ("MoU"), dated 14 June 2010, approved by the boards of directors of Avusa and UHC, relating to the acquisition by Avusa (or its nominee/s) of the entire issued share capitals of UPG and H&C ("the UHC Business") from the Seller, as well as any claims that the Seller may have against UPG and H&C ("the Transaction").

This announcement contains the details of the Transaction as contained in the MoU. It is the intention of Avusa and the Seller to conclude formal agreements ("the Transaction Agreements"), which will contain terms and conditions normally found in transactions similar in nature to the Transaction, on or before 31 July 2010.

### 2. THE TRANSACTION

#### 2.1 Nature of business

The UHC Business is a privately owned diversified media business operating in the retail, liquor, beverage, fast moving consumer goods ("FMCG") supplier and manufacturer, financial, publication and related markets. It is involved in the development and implementation of retail marketing solutions and the execution of below-the-line and point-of-sale ("POS") solutions, as well as a range of other related services. The UHC Business has expertise in, *inter alia*, the following sectors of the markets in which it operates:

- 2.1.1 retail advertising production systems and related database development and management;
- 2.1.2 the production and execution of retail related advertising material;
- 2.1.3 design, production, execution and management of POS solutions;
- 2.1.4 printing of POS material, self-adhesive labels, catalogues and business forms; and
- 2.1.5 high volume printing of catalogues, magazines and directories.

#### 2.2 Rationale for the Transaction

The Transaction fulfils the Company's objectives to diversify revenue streams and to position Avusa for the conversion to digital. In addition, as the Seller is a BEE-controlled entity, and due to the lock-in described in paragraph 3.1.6 below, the Transaction will result in Avusa's BEE ownership points per the relevant BEE scorecard being significantly enhanced.

The key attributes of the UHC Business are:

- 2.2.1 exceptional intellectual capital resides within the UHC Business through the high level of strategic integration with the country's leading brands and retailers;
- 2.2.2 the UHC Business is a large operation with a strong, resilient revenue base, operating margins and cash flow;
- 2.2.3 the business is well positioned to grow from the evolution to complementary digital advertising and publishing;
- 2.2.4 it operates in markets least affected by economic cycles and by changing consumption patterns; and
- 2.2.5 the management team of the UHC Business have significant experience and expertise in the markets in which they operate.

#### 2.3 Terms of the Transaction

Avusa proposes to acquire the entire issued share capitals of UPG and H&C from the Seller following the fulfilment of the last of the suspensive conditions ("the Suspensive Conditions"), set out in paragraph 3 below, for a total consideration of ZAR925 000 000 ("the Purchase Consideration"), to be settled by Avusa, within five business days of the fulfilment or waiver of the last of the Suspensive Conditions, by the issue of 20 555 555 new Avusa shares ("the Consideration Shares") to the Seller at a price of 2 250 cents per Avusa share and a cash payment of ZAR462 500 000 ("the Cash Payment") to the Seller. The allotment and issue of the Consideration Shares will result in the Seller holding a 16.5% interest in Avusa.

The Purchase Consideration is based on a forward price:earnings multiple of 7.28 times, determined with reference to the warranted combined net profit after tax for UPG and H&C for the year ending 30 June 2011 ("the Minimum PAT"). Should UPG and H&C declare audited net profits after tax, the sum of which is less than 90% of the Minimum PAT, the Purchase Consideration shall be reduced by the shortfall multiplied by the ratio that the Purchase Consideration bears to the Minimum PAT ("the Adjustment"). The Adjustment shall be effected by a reduction in the Cash Payment and shall be paid by the Seller to Avusa by no later than 30 September 2011, together with interest from the date of the Cash Payment until the date of payment of the Adjustment.

In the event that the last of the Suspensive Conditions is not fulfilled or waived, as the case may be, by 30 September 2010, Avusa shall, within five business days after the fulfilment or waiver, as the case may be, of the last of the Suspensive Conditions, make the Cash Payment together with interest thereon, from 1 October 2010 until the date of payment of the Cash Payment.

Avusa and the Seller shall identify UPG and H&C employees that are vital to the management of the UHC Business ("Key Employees") and the Key Employees shall enter into service agreements for a minimum two-year period and, where relevant, restraint of trade agreements for a period of two years following termination of employment.

The Seller shall be permitted to nominate two persons to the Avusa board of directors ("the Avusa Board").

#### 2.4 JSE Listings Requirements

The Transaction is classified as a Category 1 acquisition in terms of the Listings Requirements ("Listings Requirements") of the JSE Limited ("the JSE"), which requires a circular to be distributed to Avusa shareholders in compliance with paragraph 9.20(b) of the Listings Requirements, and the approval of the Transaction by Avusa shareholders. The circular setting out the details of the Transaction, and incorporating a notice of general meeting whereby approval from the requisite majority of Avusa shareholders will be sought, will be posted to Avusa shareholders in due course.

As a result of the Transaction, UPG and H&C will become subsidiary companies of Avusa, or its nominee/s, and in terms of the Listings Requirements their articles of association will be amended to conform to Schedule 10 of the Listings Requirements.

### 3. SUSPENSIVE CONDITIONS

The Transaction will be subject to the fulfilment or waiver, as the case may be, of the following suspensive conditions:

#### 3.1 on or before 30 September 2010:

- 3.1.1 Avusa's Board passing a resolution, approving or ratifying, as the case may be, the entry by Avusa into the Transaction Agreements;
- 3.1.2 the Seller's board of directors passing a resolution, approving or ratifying, as the case may be, the entry by the Seller into the Transaction Agreements;
- 3.1.3 Avusa's shareholders passing the necessary resolutions approving the Transaction;
- 3.1.4 the conclusion, to the satisfaction of Avusa, of a due diligence investigation in relation to UPG and H&C confirming, *inter alia*, the combined net cash position at 30 June 2010 and the combined net profit after tax for the year ending 30 June 2010;
- 3.1.5 the provision of an irrevocable undertaking by the Seller to not sell, cede or encumber the Consideration Shares for a period of three years from the date of implementation of the Transaction;
- 3.1.6 the Seller furnishing Avusa with, or procuring from the relevant parties, an irrevocable undertaking, that each of the shareholders of the Seller shall not:
  - 3.1.6.1 permit its respective shareholders to sell, cede or encumber any of their shares in the shareholders of the Seller;
  - 3.1.6.2 allot or issue any shares from its authorised share capital to any other person,for a period of three years from the date of implementation of the Transaction, without the prior written consent of Avusa;
- 3.1.7 the Key Employees concluding service agreements;

#### 3.2 on or before 31 December 2010:

- 3.2.1 approval by the relevant competition authority for the implementation of the Transaction, with no conditions attached or, in the instance of any conditions being attached, such conditions meeting with the approval of Avusa and the Seller;
- 3.2.2 any other regulatory approvals as may be necessary to implement the Transaction;

#### 3.3 within 10 business days of the fulfilment or waiver of the last of the Suspensive Conditions set out in 3.1 and 3.2, the JSE approving the listing of the Consideration Shares.

### 4. CAUTIONARY ANNOUNCEMENT

As the *pro forma* financial effects of the Transaction have not yet been announced, Avusa shareholders are advised that they are required to exercise caution when dealing in their Avusa shares.

Johannesburg  
14 June 2010

Investment bank, corporate adviser and sponsor to Avusa

Legal advisers to Avusa

