

REUNERT

Reunert Limited

(Incorporated in the Republic of South Africa)
(Registration number 1913/004355/06)
Share code: RLO ISIN: ZAE000057428
("Reunert")

THE INTRODUCTION OF BLACK ECONOMIC EMPOWERMENT ("BEE") PARTNERS INTO REUNERT ("THE BEE TRANSACTION") AND A PROPOSED SHARE OWNERSHIP SCHEME FOR SOUTHERN AFRICAN EMPLOYEES OF THE REUNERT GROUP ("THE EMPLOYEE TRANSACTION") ("THE PROPOSED TRANSACTIONS")

1. INTRODUCTION AND BACKGROUND

Investec Corporate Finance is authorised to announce, on behalf of the board of directors of Reunert ("the board"), that Reunert has concluded agreements to facilitate the acquisition by BEE partners of an effective 9.5% indirect shareholding in Reunert, valued at R1 112.4 million. This is based on a value per Reunert ordinary share of R66.81, being the volume weighted average price of a Reunert ordinary share for the period 1 August 2006 to 16 August 2006, being the period prior to the finalisation of the terms of the BEE transaction and prior to the declaration of the Reunert special dividend on 31 August 2006 ("the disposal value"), less 10%.

Reunert proposes to introduce the BEE partners through the sale by Reunert of the entire issued ordinary share capital of its wholly-owned subsidiary, Bargenel Investments Limited ("Bargenel"), to Retona Investment Holdings (Proprietary) Limited, to be renamed Rebatona Investment Holdings (Proprietary) Limited ("Rebatona"), a special purpose vehicle incorporated for purposes of the BEE transaction and whose entire issued ordinary share capital will be held by the BEE partners.

The BEE partners are:

- the Rebatona Educational Trust, a broad-based BEE trust created by Reunert for the purposes of benefiting black youth; and
- Cheryl Ann Carolus; Dolly Doreen Mokgatle; Noluthando Dorian Orleyn and Wendy Elizabeth Lucas-Bull ("the Peotona founding members"),

(collectively, "the BEE partners").

The issued ordinary share capital of Rebatona will be held by the BEE partners as follows:

The Rebatona Educational Trust	–	70.0%
Cheryl Ann Carolus	–	8.7%
Dolly Doreen Mokgatle	–	8.4%
Noluthando Dorian Orleyn	–	8.4%
Wendy Elizabeth Lucas-Bull	–	4.5%

The implementation of the BEE transaction is subject to the fulfilment of the conditions precedent set out in paragraph 7 below.

In addition to the BEE transaction, in order to encourage share ownership by employees of the Reunert Group, Reunert is proposing to issue up to a maximum of 600 000 new Reunert ordinary shares to the Reunert Staff Share Trust which will hold those shares for the southern African employees of the Reunert Group who do not currently participate in another employee share incentive scheme ("qualifying Reunert employees"). Each of the qualifying Reunert employees will acquire ownership of 100 of those new Reunert ordinary shares.

The employee transaction, if implemented, will result in the qualifying Reunert employees holding an effective 0.3% shareholding in Reunert (on the assumption that 600 000 new Reunert ordinary shares are allotted and issued to the Reunert Staff Share Trust), valued at approximately R46.4 million based on a Reunert share price of R77.50 per ordinary share at 15 November 2006.

2. RATIONALE

Reunert considers the BEE transaction at the Reunert level to be an essential element of its overall BEE strategy. Reunert is firmly committed to BEE in South Africa and views BEE as a value creating strategy, designed to create realistic, meaningful and enduring partnerships. Reunert recognises that broad-based BEE is in the long-term national interest of South Africa.

Reunert is also firmly committed to empowering its employees as well as the communities and families associated with its employees. The employee transaction is aimed at encouraging share ownership by the southern African employees of the Reunert Group, enabling those employees to share in the success of the Reunert Group.

THE BEE TRANSACTION

3. PRINCIPLES OF THE BEE TRANSACTION

In structuring the BEE transaction, Reunert developed the following set of key objectives aimed at ensuring sustainable, broad-based BEE:

- the BEE transaction will benefit a broad base of previously disadvantaged persons;
- full economic benefits and voting rights are transferred from the inception of the BEE transaction;
- the Peotona founding members will be locked in as indirect Reunert shareholders (through their indirect shareholding in Bargenel) for at least 11 years from the effective date of the BEE transaction;
- the Rebatona Educational Trust will not be entitled to encumber or dispose of any of its shares in Rebatona without Reunert's prior written consent; and
- the BEE transaction is transparent with an acceptable upfront economic cost to existing shareholders and limited dilution to shareholders – the overall cost of the transaction equates to approximately 3.1% of Reunert's market capitalisation at 15 November 2006, based on the disposal value per Reunert ordinary share, less 10%.

4. PARTICIPANTS IN THE BEE TRANSACTION

The board took great care in selecting its BEE partners. A number of key factors were considered by the board, including: the standing of the Peotona founding members; the ability of the Peotona founding members to add value for all Reunert shareholders; and the need of the board to ensure that the benefit of empowerment will be spread for the benefit of a broad base of previously disadvantaged individuals.

4.1 The Peotona founding members

Cheryl Ann Carolus

The funding required for the implementation of the BEE transaction will be obtained from Reunert on the following bases:

- Reunert will subscribe for the preference shares in Bargenel;
- the term of the preference shares will be 11 years, or such longer term as Reunert on written notice to Bargenel may allow, provided that the longest term which Reunert may allow will be 15 years. The preference shares may however be redeemed earlier on the occurrence of certain default events as set out in the terms of the preference shares;
- preference dividends will be declared on each date on which the right to any dividend or other distribution or payment of any kind declared or made by Reunert accrues to Bargenel by virtue of its holding of Reunert ordinary shares and will be paid when such dividend, declaration or payment becomes due and payable to Bargenel;
- the preference dividends are calculated from 1 February 2007 on the initial issue price of the preference shares at the rate equal to the prime rate multiplied by (1 less the corporate tax rate, expressed as a decimal), nominal annual compounded monthly; and
- there will be no equity participation by Reunert in Rebatona.

All dividends, distributions and payments received by Bargenel in respect of the Reunert ordinary shares held by it will be used to pay the preference dividends and to redeem the preference shares.

The terms of the preference shares contain various conditions of default and covenants, which are usual for funding of this nature.

7. CONDITIONS PRECEDENT TO THE BEE TRANSACTION

The BEE transaction is subject to the fulfilment or deemed fulfilment, by 30 June 2007 or by such later date as the parties to the relationship agreement may agree in writing, of, *inter alia*, the following conditions precedent:

- the re-organisation of Bargenel's share capital;
- the adoption of a new memorandum and articles of association by each of Bargenel and Rebatona;
- the allotment and issue by Bargenel to Reunert of the preference shares and the special preference share;
- the implementation of the specific share repurchase;
- the allotment and issue by Rebatona to Reunert of the special preference share; and
- that all and any approvals required in terms of the Competition Act for the implementation of the BEE transaction are duly given or deemed to be duly given in accordance with the requirements of that Act.

Certain of the conditions precedent may be waived by Reunert and, if so waived, will be deemed to have been fulfilled.

8. NOMINATION TO THE BOARD

Following the implementation of the BEE transaction it is proposed that Noluthando Dorian Orleyn be recommended for appointment to the board.

THE EMPLOYEE TRANSACTION

9. TERMS OF THE EMPLOYEE TRANSACTION

Reunert will issue 100 new Reunert ordinary shares per qualifying Reunert employee to the Reunert Staff Share Trust. There are approximately 6 000 qualifying Reunert employees of which approximately 67% are black persons. The ordinary shares issued to the Reunert Staff Share Trust will be registered in the name of the Reunert Staff Share Trust and be held by it for the qualifying Reunert employees.

The new Reunert ordinary shares will be issued at their par value in terms of a specific issue of shares. The subscription price of the ordinary shares will be borne by the relevant employer company of the qualifying Reunert employees.

The new Reunert ordinary shares subscribed for by the Reunert Staff Share Trust will be held by the Reunert Staff Share Trust on behalf of the qualifying Reunert employees until the expiry of a five-year holding period, which period can be reduced in certain non-fault circumstances such as death or incapacity of a qualifying Reunert employee. The qualifying Reunert employees will receive full economic and voting rights on the new Reunert ordinary shares from the issue date.

The qualifying Reunert employees will, collectively, own 0.3% of the Reunert ordinary shares in issue subsequent to the implementation of the employee transaction (on the assumption that 600 000 new Reunert ordinary shares are allotted and issued to the Reunert Staff Share Trust).

The employee transaction will not be implemented unless the conditions to which the BEE transaction is subject are fulfilled or deemed to be fulfilled.

10. PRO FORMA FINANCIAL EFFECTS OF THE PROPOSED TRANSACTIONS

10.1 Economic cost to the Reunert ordinary shareholders

The economic cost of the proposed transactions to Reunert ordinary shareholders amounts to approximately R471 million. This is based on the disposal value per Reunert ordinary share of R66.81, taking into consideration the upfront discount of 10% on that value for purposes of calculating the cost of the BEE transaction and on the Reunert share price of R77.50 as at 15 November 2006 for the purposes of calculating the cost of the employee transaction, which equates to 3.1% of Reunert's market capitalisation on 15 November 2006.

10.2 Pro forma financial effects of the proposed transactions

The unaudited *pro forma* financial effects, for which the board is responsible, are presented for illustrative purposes only and may not give a fair reflection of the financial position and results of operations post the implementation of the

standing of the Peotona founding members, the ability of the Peotona founding members to add value to the Reunert shareholders; and the need of the board to ensure that the benefit of empowerment will be spread for the benefit of a broad base of previously disadvantaged individuals.

4.1 The Peotona founding members

Cheryl Ann Carolus

Ms Carolus has in-depth knowledge of Government policy having occupied the positions of the African National Congress' overall policy co-ordinator for South Africa's first democratic elections in 1994 and Deputy Secretary General of the African National Congress. Ms Carolus was the South African High Commissioner to London and chief executive officer of SA Tourism. Furthermore Ms Carolus has a history of working closely with communities for programmes such as the Love Life Trust's HIV/AIDS programme. Her board roles include: Chairman of South African National Parks Board, member of the International Marketing Council of South Africa, Mpumalanga Premier's Advisory Council and Chairman of SoulCity Health Institute.

Dolly Doreen Mokgatle

Ms Mokgatle is the former chief executive officer of Spoornet and former managing director of Transmission, a division of Eskom Holdings Limited. She has a strong human rights and corporate law background. She is the current chairman of the Electricity Distribution Industry Holdings Company (EDI) and deputy chairman of the National Electricity Regulator of South Africa (NERSA).

Noluthando Dorian Orleyn

Ms Orleyn was a director of Routledge Modise Moss Morris. She is the former national director of the Commission for Conciliation Mediation and Arbitration ("CCMA") and was regional director of the Legal Resources Centre and National Director of the Independent Mediation Service of South Africa. Currently she is a mediator and arbitrator for the CCMA and Tokiso Dispute Settlement, an adjudicator for the Financial Sector Charter and a member of the Competition Tribunal. Her board roles include: the South African Reserve Bank and chairman of the Johannesburg Roads Agency.

Wendy Elizabeth Lucas-Bull

Ms Lucas-Bull is the former chief executive officer of FirstRand Retail (which included First National Bank, WesBank, Outsurance and FirstLink). Prior to that she was an executive director of Rand Merchant Bank and an international partner of Andersen Consulting. She has extensive experience in the development of public/private partnerships through her role as the founding chairman of Business Against Crime and now founding chairman of Partners for Housing. Her board roles include: Eskom, where she chairs the finance committee and the Development Bank of Southern Africa. She is actively involved with South African Women in Dialogue and global sustainable development and poverty elimination groups.

4.2 The Rebatona Educational Trust

The Rebatona Educational Trust is a broad-based BEE trust created by Reunert to facilitate the empowerment and development of black youth.

The object of the Rebatona Educational Trust is to provide:

- further education and training to black youth in, *inter alia*, the subjects of Mathematics, Science, English and Accounting to assist black youth in entering tertiary education institutions in South Africa; and
- skills development to black youth with the view of empowering them to succeed in business.

Reunert will establish a BEE Committee to assist with the selection of the Rebatona Educational Trust's beneficiaries and to determine the extent of their respective benefits ("the BEE Committee"). The BEE Committee will identify the beneficiaries of the Rebatona Educational Trust on an annual basis.

5. MECHANICS OF THE BEE TRANSACTION

Bargenel currently holds 19 063 631 Reunert ordinary shares (approximately 9.8% of Reunert's ordinary issued share capital). Prior to implementing the BEE transaction Bargenel will be restructured as follows:

- Reunert will, in terms of section 85 of the Companies Act, 1973 ("the Companies Act"), repurchase 563 631 Reunert ordinary shares from Bargenel at the closing market price of a Reunert ordinary share on the JSE Limited on the trading day prior to the implementation of the repurchase ("the specific share repurchase"). The Reunert ordinary shares repurchased will be cancelled and returned to the status of authorised but unissued share capital;
- Bargenel will issue 1 112 405 'A' redeemable, cumulative preference shares to Reunert with a par value of R0.01 and a premium of R999.99 per share ("preference shares"), being, in total, an amount equal to R1 112,4 million based on the disposal value of R66.81 multiplied by 18 500 000, the number of Reunert ordinary shares to be held by Bargenel following the implementation of the specific share repurchase, less 10%; and
- existing reserves and inter-company loans within Bargenel will be transferred to Reunert (by way of a dividend), resulting in Bargenel holding only the 18 500 000 Reunert ordinary shares with a corresponding preference share liability, a non-distributable reserve, nominal share capital and a deferred tax liability.

Following the restructuring, Reunert will sell the entire ordinary issued share capital in Bargenel to Rebatona for a consideration of R100.

The sale of the entire ordinary issued share capital of Bargenel to Rebatona will give the BEE partners indirect control over Bargenel and as a result, indirect control over the 18 500 000 Reunert ordinary shares (approximately 9.5% of Reunert's ordinary issued share capital) held by Bargenel.

Bargenel will receive dividend income from its holding of Reunert ordinary shares which will be used to pay the preference dividends and to redeem the preference shares.

The Reunert ordinary shares held by Bargenel carry full voting rights and full rights to participate in dividends.

The relationship of Reunert and Rebatona as preference and ordinary shareholders of Bargenel, and the protection of the empowerment status of Rebatona and Bargenel following the implementation of the BEE transaction, will be regulated in a relationship agreement.

In order to further protect its rights, Reunert will subscribe for a special preference share in each of Bargenel and Rebatona ("the special preference share").

6. FACILITATION OF THE BEE TRANSACTION

Based on the disposal value of R66.81 per Reunert ordinary share, the 9.5% indirect shareholding in Reunert, to be acquired by the BEE partners, is valued at R1 236 million. An upfront discount of 10% on the disposal value per Reunert ordinary share will be provided, resulting in the total fundable portion of the BEE transaction amounting to R1 112.4 million.

share price of R7.50 as at 15 November 2006 for the purposes of calculating the cost of the employee transaction, which equates to 3.1% of Reunert's market capitalisation on 15 November 2006.

10.2 Pro forma financial effects of the proposed transactions

The unaudited *pro forma* financial effects, for which the board is responsible, are presented for illustrative purposes only and may not give a fair reflection of the financial position and results of operations post the implementation of the proposed transactions.

The table below sets out the unaudited *pro forma* effects of the proposed transactions based on the published reviewed results for Reunert for the year ended 30 September 2006. The *pro forma* financial information is the responsibility of the directors.

	Before the proposed transactions (cents)	After the proposed transactions (cents)	Change (%)
Per Reunert ordinary share			
Earnings per share ("EPS")			
Basic EPS	527.0	253.8	(51.8)
Headline EPS ("HEPS")	524.6	251.4	(52.1)
Fully diluted EPS			
Basic EPS	522.4	251.6	(51.8)
HEPS	520.0	249.3	(52.1)
Net asset value ("NAV")	953	955	0.2
Tangible NAV	761	763	0.3
Number of shares in issue (in millions of shares)	195.4	195.4	
Less: Treasury shares (in millions of shares)	(19.1)	(18.5)	
Net ordinary shares in issue (in millions of shares)	176.3	176.90	0.3
Weighted average number of shares in issue for EPS (in millions of shares)			
	175.1	175.7	0.3
Weighted average number of shares in issue for fully diluted EPS (in millions of shares)			
	176.6	177.2	0.3

The economic cost of the proposed transactions represents an upfront ± R438 million cost of the BEE transaction calculated using recognised financial risk pricing and valuation methodologies, based on the disposal value and the financing terms of the BEE transaction and ± R33 million cost of the shares issued to employees (based on value of Reunert ordinary shares issued to employees at 15 November 2006 less the tax saving associated therewith).

Notes:

- The EPS, HEPS and NAV per ordinary share "Before the proposed transactions" are based on the reviewed results for the year ended 30 September 2006.
- The EPS and HEPS "After the proposed transactions" are based on the following assumptions:
 - the proposed transactions were implemented on 1 October 2005; and
 - the weighted average number of ordinary shares in issue of 175.7 million (175.1 million weighted average ordinary shares in issue as per the reviewed results for the year ended 30 September 2006).
- The fully diluted EPS and HEPS "After the proposed transactions" are based on the following assumptions:
 - the proposed transactions were implemented on 1 October 2005; and
 - the diluted weighted average number of ordinary shares in issue of 177.2 million (176.6 million weighted average ordinary shares in issue as per the reviewed results for the year ended 30 September 2006).
- The NAV per ordinary share "After the proposed transactions" is based on the following assumptions:
 - the proposed transactions were implemented on 30 September 2006; and
 - the number of ordinary shares in issue of 176.9 million (176.3 million ordinary shares in issue as per the reviewed results for the year ended 30 September 2006).
- Bargenel continues to be consolidated into the Reunert Group.
- Total transaction costs of ±R6 million have been taken into consideration in the calculation of the *pro forma* financial effects.

11. SHAREHOLDER APPROVALS

The proposed transactions are also subject to the passing of the resolutions required for the specific share repurchase, the sale of the entire issued share capital of Bargenel to Rebatona and the specific issue of Reunert ordinary shares to the Reunert Staff Share Trust ("the Reunert resolutions") by the requisite majority of Reunert shareholders.

12. OPINIONS, RECOMMENDATIONS AND UNDERTAKINGS

The directors have considered the terms and conditions of the proposed transactions and are of the unanimous opinion that those terms and conditions are in the best interests of the Reunert ordinary shareholders. Accordingly, the board supports the proposed transactions and recommends that Reunert shareholders vote in favour of the Reunert resolutions. The directors who hold Reunert ordinary shares intend to vote in favour of the Reunert resolutions in respect of their shareholdings.

13. FURTHER DOCUMENTATION

A circular containing full details of the proposed transactions will be posted to Reunert shareholders mid-December 2006 together with the annual report for the year ended 30 September 2006 ("the Reunert annual report"). The resolutions to be proposed at the annual general meeting for the implementation of the proposed transactions will be contained in the notice of the annual general meeting included in the Reunert annual report.

Sandton
20 November 2006

Investment bank
and transaction sponsor

Sponsor

Attorneys

Reporting accountants

Legal advisors to
the Peotona founding members