
MICROmega HOLDINGS LIMITED

Incorporated in the Republic of South Africa
(Registration number: 1998/003821/06)
Share code: MMG ISIN: ZAE000034435
("MICROmega" or "the Company")

DISPOSAL OF NOSA GROUP AND WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT

1. INTRODUCTION

The Board of directors of MICROmega ("the Board") is pleased to advise shareholders that MICROmega, through its wholly-owned subsidiaries, NOSA Investment Holdings Proprietary Limited ("NIH") and NOSA Proprietary Limited ("NOSA"), has entered into sale of shares and sale of Intellectual Property agreements ("Agreements") with First Carlyle Growth V ("Carlyle"), through its wholly-owned subsidiaries, Main Street 1544 Proprietary Limited, Main Street 1550 Proprietary Limited and CSSAF NOSA Holdings ("the Purchasers"), to dispose of all of the shares held by NIH and NOSA in each of the companies comprising the "NOSA Group" ("the Disposal"). The NOSA Group is the second largest business division in MICROmega in terms of assets and profitability. The Disposal constitutes a Category 1 transaction in terms of the Listings Requirements of the JSE Limited ("JSE Listings Requirements").

The "NOSA Group" collectively refers to: Action Training Academy Proprietary Limited, Aspirata Auditing Testing and Certification Proprietary Limited, Empowerisk Proprietary Limited, MICROmega Publications Proprietary Limited, National Quality Assurance Proprietary Limited, NOSA Agricultural Services Proprietary Limited, NOSA Auditing and Inspection Services Proprietary Limited, NOSA Logistics Proprietary Limited, NOSA Proprietary Limited, Riskworks Proprietary Limited and NOSA Global Holdings Limited.

The Disposal will be implemented on the "Closing Date", being the first day of the month following the month in which the last outstanding suspensive condition to the Disposal, as set out in paragraph 3 below ("Suspensive Conditions"), is fulfilled or waived, as the case may be, unless the last such Suspensive Condition is fulfilled or waived, as the case may be, after the 15th calendar day of the month, in which case the Closing Date will be the first day of the second month thereafter, or if such day is not a business day, the immediately succeeding business day. The effective date of the Disposal will be the day immediately prior to the Closing Date.

2. THE DISPOSAL**2.1 Nature of the business of the NOSA Group**

The NOSA Group provides occupational health, safety and environmental risk management services and solutions and is the exclusive provider of both the NOSA Five Star Grading System and SAMTRAC™. The NOSA Group was formed in 1951 by the South African Government to reduce injuries and fatalities in the workplace. The business was acquired and restructured by MICROmega in 2005, with a strong focus on creating a national service provider that met the growing demand for occupational health and safety services. The NOSA Group offers over 50 safety, health, environmental and quality training courses, including the industry leader SAMTRAC™.

2.2 Rationale for the Disposal

The rationale for the Disposal is as follows:

- 2.2.1 Following the acquisition of the NOSA Group over a decade ago, MICROmega has seen the business grow substantially from being a loss-making operation at acquisition to generating after tax profits of R68.8 million for the financial year ended 31 March 2017. In order to maintain the historical growth levels, it has become a business imperative to focus on new products, services and markets, both locally and internationally. At a strategic level, the capital investment required to service growth in these areas does not form part of the MICROmega long-term capital allocation plan. A large, well-capitalised organisation is ideally positioned to make such investment and thereby ensure that the NOSA Group is able to expand its operations and thereby resume the historical growth levels.

- 2.2.2 For some time now, the value of MICROOmega's underlying businesses has substantially exceeded its market capitalisation. There is no indication that this will change in the foreseeable future and it is therefore incumbent on the Board to look for opportunities to consider disposal if such sales can provide greater value to shareholders- by way of distributed dividends from the sale proceeds- than the prevailing price of the share. The Disposal is well priced to deliver such value for shareholders.
- 2.2.3 The minority shareholders in the NOSA Group have expressed confidence in Carlyle's future plans for the NOSA Group by retaining their shareholdings in the underlying subsidiaries.

2.3 Purchase Price

The maximum consideration payable by the Purchasers is an amount of R747.8 million.

The initial purchase price, which is subject to adjustment as set out below, is R597.8 million ("**Purchase Price**") and will be settled in cash on the Closing Date subject to a retention in Escrow of R60 million against the earn out referred to in 2.3.1.1.1 below:

2.3.1 Earn out

2.3.1.1 The Purchase Price is subject to adjustment based on the consolidated earnings before interest, tax, depreciation and amortisation of the NOSA Group for the financial year ending 31 March 2018 ("**2018 EBITDA**") as follows:

2.3.1.1.1. A release from Escrow of up to R60 million if the 2018 EBITDA is more than R90 million but less than R100 million, calculated on a straight line, pro-rata basis between 2018 EBITDA of R90 million (no adjustment) and 2018 EBITDA of R100 million (R60 million Purchase Price increase);

2.3.1.1.2. no further adjustment if the 2018 EBITDA is between R100 million and R110 million; and

2.3.1.1.3. an additional upwards adjustment of up to R150 million if the 2018 EBITDA is more than R110 million, calculated on a pro-rata basis between 2018 EBITDA of R110 million (no adjustment) and 2018 EBITDA of R129.3 million (R150 million Purchase Price increase).

2.3.2 Minimum operating cash requirement

2.3.2.1 To the extent that the NOSA Group does not, collectively, have a minimum of R12 million in cash on hand at the Closing Date, the Purchase Price will be adjusted downwards on a Rand for Rand basis by the amount of such shortfall.

2.3.3 Net working capital and net debt adjustments

2.3.3.1 The Purchase Price is further subject to upwards or downwards adjustment on a Rand for Rand basis based on the surplus or shortfall between the net working capital and net debt of the NOSA Group on the Closing Date and the predetermined net working capital and net debt amounts respectively, stipulated in and calculated in accordance with the Agreements.

2.4 Application of the sale proceeds

The net proceeds of the Disposal will be mainly utilised to pay a cash dividend to shareholders, which is anticipated to be not less than R4.00 per share.

3. SUSPENSIVE CONDITIONS TO THE DISPOSAL

The Disposal is subject to the fulfilment of the following Suspensive Conditions on or before 15 March 2018 (or such date as is specified in relation to any Suspensive Condition):

- 3.1 the conclusion of Escrow arrangements with CitiBank, N.A., as Escrow agent, in accordance with the provisions of the Agreements;

- 3.2 the written consent of FirstRand Bank Limited, acting through its First National Bank division ("FNB") to the Disposal and FNB agreeing in writing to release the NOSA Group companies from any cross suretyships or other securities, which they have provided in favour of FNB for the debts of MICROmega and/or any MICROmega group company, with effect from the Closing Date, on terms and conditions satisfactory to Carlyle in its sole and absolute discretion. This Suspensive Condition must be fulfilled by 15 December 2017;
- 3.3 the implementation of an internal restructuring in accordance with the steps set out in the transaction structuring memorandum prepared by KPMG for MICROmega, to the satisfaction of Carlyle in its sole and absolute discretion. This Suspensive Condition must be fulfilled by 15 December 2017;
- 3.4 the approval of the requisite majority of shareholders of MICROmega and NIH in accordance with the Companies Act, 2008 (Act 71 of 2008), as amended and the JSE Listings Requirements;
- 3.5 the issue of clearance certificates of the merger constituted by the Disposal by the South African competition authorities;
- 3.6 to the extent necessary, the approval of the Disposal and any other transactions set out in the transaction structuring memorandum prepared by PricewaterhouseCoopers dated 12 October 2017 by the Financial Surveillance Department of the South African Reserve Bank. To the extent that such approval is subject to any condition, this Suspensive Condition will only be deemed to have been fulfilled if each of the parties adversely affected by such condition, acting reasonably and in good faith, agrees in writing to accept such condition within five business days of being notified of such conditional approval; and
- 3.7 the receipt of all requisite regulatory approvals or consents, including, without limitation, from the JSE, to the extent required.

Each of the Suspensive Conditions is stipulated for the mutual benefit of MICROmega, NIH and the Purchasers who may, by written agreement concluded between them on or before the date specified for its fulfilment, waive (in full or in part) (unless the Suspensive Condition is incapable of waiver), or extend the period for, the fulfilment of such Suspensive Condition.

4. NET ASSETS AND PROFITS OF THE NOSA GROUP

The value of the net assets of the NOSA Group as at 31 March 2017 was R344.1 million. The profit after tax attributable to the NOSA Group for the year ended 31 March 2017 was R68.8 million.

5. SHAREHOLDER UNDERTAKINGS

To date, irrevocable undertakings to vote in favour of the Disposal have been received from certain MICROmega shareholders holding in aggregate 88 353 937 MICROmega shares, representing 76.89% of the voting rights at the general meeting or any adjournment thereof. The following MICROmega shareholders have provided irrevocable undertakings to vote the stated number of MICROmega shares in favour of the Disposal:

Shareholder	Date of irrevocable undertaking	Shares subject to undertaking	Percentage holding (%)
Laird Investments (Pty) Limited	12 October 2017	72 634 683	63.21%
Kamberg Investment Holdings (Pty) Limited	12 October 2017	12 000 800	10.44%
Seratrix (Pty) Limited	12 October 2017	3 375 200	2.94%
Russell Bryan Dick	12 October 2017	343 254	0.30%
		88 353 937	76.89%

6. CATEGORISATION OF THE DISPOSAL AND FURTHER DOCUMENTATION

The Disposal constitutes a Category 1 transaction in terms of section 9.5(b) of the JSE Listings Requirements. Accordingly, a circular containing full details of the Disposal ("**Circular**"), including, *inter alia*, a notice to convene a general meeting of shareholders of MICROmega in order to consider and, if deemed fit to pass, with or without modification, the resolutions necessary to approve and implement the Disposal, will be distributed to shareholders of MICROmega in due course.

7. WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT

Following the release of this announcement, shareholders are advised that caution is no longer required when dealing in the Company's securities.

Johannesburg
13 October 2017

Corporate Adviser and Sponsor to MICROmega
Merchantec Capital

Legal and Competition Adviser to Carlyle
Webber Wentzel and Latham & Watkins

Financial and Tax Adviser to Carlyle
PricewaterhouseCoopers

Insurance and Risk Adviser to Carlyle
Marsh Limited