

Barloworld Limited
(Incorporated in the Republic of South Africa)
(Registration number 1918/000095/06)
(Income Tax Registration number 9000/051/71/5)
(Share code: BAW)
(JSE ISIN: ZAE000026639)
(Share code: BAWP)
(Bond issuer code: BIBAW)
(JSE ISIN: ZAE000026647)
(Namibian Stock Exchange share code: BWL)
("Barloworld" or the "Company" or the "Group")

Update on the acquisition of Wagner Asia Equipment LLC

1. Background

Shareholders are referred to the announcement released by the Company on SENS on 3 February 2020, detailing the proposed acquisition of Wagner Asia.

Barloworld Mongolia Limited ("**Purchaser**"), an indirect wholly-owned subsidiary of Barloworld, entered into an agreement ("**Agreement**") dated 31 January 2020 with Wagner Asia Group Limited (the "**Seller**") and Wagner International LLC (acting as the Seller's guarantor) (together, the "**Parties**"), to purchase 100% of the issued share capital of Wagner Asia Equipment LLC ("**Wagner Asia Equipment**") and 49% of the issued share capital of SGMS LLC (collectively, the "**Target Companies**"), for an estimated cash consideration of USD216.8m (ZAR3.620bn¹) ("**Purchase Consideration**") which is to be funded from existing offshore cash and debt facilities ("**Proposed Transaction**").

2. Update on the Proposed Transaction and closing

The Parties remain committed to closing the Proposed Transaction and have re-negotiated certain aspects of the Proposed Transaction, including but not limited to the structure of the Purchase Consideration (see paragraph 3 below), which amendments have been captured in an addendum to the Agreement ("**Addendum**") dated 17 July 2020.

Barloworld believes that the Wagner Asia Equipment business has strong long-term fundamentals and will be a good fit within its current portfolio.

The Parties anticipate the closing date to be 1 September 2020 ("**Closing Date**").

3. Purchase Consideration

As noted in paragraph 1 above, the original Purchase Consideration was estimated to be USD216.8m (ZAR3.695bn¹) payable on the Closing Date.

The Addendum to the Agreement stipulates that the Purchase Consideration will now be the sum of:

- i. USD45m (ZAR0.751bn¹), for goodwill and intangible assets; and
- ii. the aggregate value of the net assets of the Target Companies as at 31 August 2020, currently estimated to be USD135m (ZAR2.524bn¹) ("**Net Asset Value**"); and
- iii. a further potential "Earn-Out Payment" not exceeding USD30m (ZAR0.501bn¹) that becomes payable by the Purchaser to the Seller over a maximum 4-year period subject to certain pre-agreed performance criteria.

¹Converted at the ZAR/USD exchange rate of 16.700 on 16 July 2020, on Bloomberg, being the closing exchange rate on the business day before the date of this announcement

The Purchase Consideration will now be payable as follows:

- I. an estimated amount of USD180m (ZAR3.006bn¹) payable on the Closing Date; and
- II. the remaining “Earn-Out Payment” of USD30m (ZAR0.501bn¹) payable over a maximum 4-year period (as set out above).

The Net Asset Value will be subject to adjustments based on agreed valuation principles. The adjustments to the Net Asset Value will result in either an upward or downward revision in the Purchase Consideration, and this will be paid by the Seller or the Purchaser (as the case may be). The adjustments relate, *inter alia*, to accounts receivable, inventory, work in progress, fixed assets and deferred tax, which shall be determined at regular intervals, over a period commencing on the effective date, which is expected to be on or about 1 September 2020 (“**Effective Date**”), and ending 24 months thereafter. These adjustments consider a full stock count on the Effective Date, together with a physical inspection of asset categories.

4. Conditions Precedent

The Proposed Transaction was subject to a number of conditions precedent, all of which have been fulfilled and/or waived, save for the following condition: The conclusion of various agreements with Caterpillar Inc. (or an associated entity) in respect to the appointment as a Cat dealer with the Service Territory of Mongolia which condition is expected to be fulfilled prior to the Effective Date.

Johannesburg
17 July 2020

Equity and Debt Sponsor:
Nedbank Corporate and Investment Banking, a division of Nedbank Limited

Legal Advisor:
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