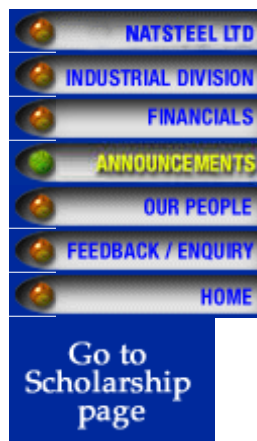




# ANNOUNCEMENTS

30 January 2002  
Announcement



## 1. Introduction

The Board of Directors of NatSteel Ltd (the "Company") wishes to announce that it has, together with Finlayson Investments Pte Ltd ("Finlayson"), entered into two conditional agreements (collectively, the "Agreements") with Gerdau Participacoes Ltda ("GPL") and Gerdau GTL Spain S.L. ("GTL") (collectively, "GD") as follows:-

(a) the Company and Finlayson granted GD a conditional call option (the "Call Option") to acquire the entire interest in NatSteel Brasil LTDA ("Brasil") held by the Company and Finlayson, comprising a total of 209,797,185 ordinary shares of Brazilian Real ("BRL") 1.00 each in the capital of Brasil (the "Sale Shares") for a total consideration of approximately BRL 508.9 million or US\$213.9 million (at the exchange rate of US\$1.00 = BRL2.379) (the "Sale Price"); and

(b) the Company and Finlayson received from GD a conditional offer (the "Offer") to acquire the Sale Shares at the Sale Price.

The final Sale Price which is payable in US\$ shall be determined based on the average daily exchange rate between the US\$ and the BRL as fixed by the Central Bank of Brazil from 7 January 2002 to 8 February 2002. For illustrative purposes only and based on the current exchange rate of US\$1.00 = S\$1.830, the Sale Price is approximately S\$ 391.4 million.

The Company owns a 66.8 per cent. stake in the capital of Brasil. Upon the exercise of the Call Option by GD or the acceptance of the Offer by the Company and Finlayson, the Company will receive an aggregate cash consideration, net of estimated expenses, of approximately S\$261.0 million, reflecting a gain of approximately S\$73.3 million.

## 2. Information on Brasil and Acominas

Brasil, a company established under the laws of the Federative Republic of Brazil, is presently 66.8 per cent. owned by the Company and 33.2 per cent. owned by Finlayson. Finlayson is a wholly-owned subsidiary of Temasek Capital (Private) Limited, which is in turn a wholly-owned

subsidiary of Temasek Holdings (Private) Ltd, a substantial shareholder of the Company.

Brasil is an investment holding subsidiary of the Company and its main purpose is to hold the NatSteel Group's (the "Group") interest in the capital of Acominas Gerais S.A. ("Acominas"), a steel manufacturer in Brazil. Brasil currently has a 24.79 per cent. equity interest in Acominas. Acominas is an integrated steel mill and producer of mainly semi-finished steel products such as billets and slabs, which are sold domestically and internationally to other steel mills for final processing.

### **3. Approvals**

The transaction contemplated under the Agreements constitutes a major transaction by the Company under the Listing Manual of the Singapore Exchange Securities Trading Limited. Accordingly, the Agreements are subject to, inter alia, the approval of the shareholders of the Company (the "Shareholders") at an extraordinary general meeting to be convened (the "EGM").

### **4. Terms of the Agreements**

The terms of the Agreements are as follows:-

(a) Subject to Shareholders' approval at the EGM, the Call Option may be exercised by GD during the period commencing from 10 May 2002 or the date which the Company obtains Shareholders' approval (whichever is earlier), and ending on 9 September 2002.

(b) Subject to Shareholders' approval at the EGM, the Offer will be valid for acceptance by the Company and Finlayson from 9 September 2002 to 11 September 2002.

The Call Option and the Offer are in respect of all (and not only part of) the Sale Shares held by the Company and Finlayson.

Upon the exercise of the Call Option by GD or the acceptance of the Offer by the Company and Finlayson, GD will own the entire issued and paid-up share capital of Brasil, which in turn holds a 24.79 per cent. stake in the capital of Acominas.

The Sale Price was arrived at on a willing buyer-willing seller basis.

### **5. Rationale for the Agreements** The GD group of companies

is in the process of completing the acquisition of a 17.67 per cent. equity stake in Acominas from another party for a consideration of approximately BRL426.55 million. Upon the completion of this acquisition, the GD group will raise its equity stake in Acominas to 54.13 per cent., giving it a controlling stake in Acominas. The Company's investment in Acominas will become a minority stake compared to the 54.13 per cent. that GD will own. As a minority shareholder in Acominas, the Company will have little influence over the future business strategy of Acominas. Furthermore, as Acominas is not listed on any stock exchange, it would be difficult in the future to realise the value of the Company's minority interest in Acominas.

The transaction contemplated under the Agreements is expected to raise net proceeds of approximately S\$261.0 million and the Group will realise a gain of approximately S\$73.3 million.

The Directors are of the view that the Sale Price and the terms of the Agreements are attractive, taking into account, among others, the fact that the GD group has now secured majority control of Acominas and the gain that the Group will realise upon completion of the proposed transaction.

#### **6. Use of Proceeds**

In the event that the Agreements are approved by Shareholders and either one of the Agreements proceeds to completion, the Company intends to apply the net proceeds, expected to be received in the second half of 2002, towards the repayment of its existing bank borrowings and the development of its core business activities including the steel business.

**7. Financial Effects** Assuming that the Agreements are approved by Shareholders and either one of the Agreements proceeds to completion, the proforma financial effects of the proposed transaction on the share capital, earnings and net tangible assets ("NTA") of the Company are set out below. For illustrative purposes, the proforma effects of the income earned on the proceeds from the proposed transaction have not been included in the calculations below.

#### **Share Capital**

The proposed transaction will not have any impact on the issued and paid-up share capital of the Company. Earnings

(a) Assuming that the proposed transaction had been

**completed on 1 January 2000 and based on the Group's audited consolidated financial statements for the financial year ended 31 December 2000, the proforma financial effects on the consolidated earnings of the Group are as follows:-**

	<b>Before proposed transaction</b>	<b>After proposed transaction</b>
Profit after tax and minority interests (S\$'000)	949,652	1,005,520
Earnings per share (cents)	258.92	274.41

**(b) Assuming that the proposed transaction had been completed on 1 January 2001 and based on the Group's unaudited consolidated financial statements for the six months ended 30 June 2001, the proforma financial effects on the consolidated earnings of the Group are as follows:-**

	<b>Before proposed transaction</b>	<b>After proposed transaction</b>
Loss after tax and minority interests (S\$'000)	(123,181)	(53,054)
Loss per share (cents)	(33.97)	(14.63)

#### **NTA**

**(a) Assuming that the proposed transaction had been completed on 1 January 2000 and based on the Group's audited consolidated financial statements as at 31 December 2000, the proforma financial effects on the consolidated NTA of the Group are as follows:-**

<b>As at 31 December 2000</b>	<b>Before proposed transaction</b>	<b>After proposed transaction</b>
NTA (S\$'000)	1,621,565	1,653,536
NTA per share (S\$)	4.48	4.56

**b) Assuming that the proposed transaction had been completed on 1 January 2001 and based on the Group's unaudited consolidated financial statements as at 30 June 2001, the proforma financial effects on the consolidated NTA of the Group are as follows:-**

<b>As at 30 June 2001</b>	<b>Before proposed transaction</b>	<b>After proposed transaction</b>
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NTA (S\$'000)	906,392	983,675
NTA per share (S\$)	2.50	2.71

## **8. Interests of Directors and Substantial Shareholders**

**Save as disclosed in paragraph 4 above, none of the Directors or substantial Shareholders of the Company has any interest, direct or indirect, in the transaction contemplated under The Agreements.**

## **9. General**

**A circular to Shareholders will be despatched in due course to provide details on, inter alia, the Agreements and to seek Shareholders' approval for the aforesaid matters at the EGM.**

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