



# LNM Holdings N.V.

Member of THE LNM GROUP

LNM Holdings N.V.

(Registration number: 65443)

## FIRM INTENTION ANNOUNCEMENT LNM TO MAKE A CASH OFFER TO ACQUIRE UP TO 12.19 PER CENT OF ISCOR LIMITED AT R30.00 PER SHARE

### 1. INTRODUCTION

HSBC Investment Services (Africa) (Pty) Ltd ("HSBC") is authorised to announce that LNM Holdings N.V. ("LNM") intends to make an offer to all shareholders of Iscor Limited ("Iscor" or the "Company"), other than LNM or its nominees, to acquire up to 12.19 per cent of the issued share capital of Iscor which equates to 18.7 per cent of each minority shareholder's holding, for a cash consideration of R30.00 per Iscor share (the "Offer").

The Offer price represents a premium of approximately:

- 38.2 per cent to the closing market price of R21.70 on 2 December 2002, the last trading day prior to this announcement;
- 27.0 per cent to the volume weighted average closing price over the 30 trading days prior to 2 December 2002, of R23.62 per share; and
- 18.6 per cent to the closing market price of R25.30 on 24 October 2002, Iscor's all time high closing share price post unbundling.

The Offer will be subject to the satisfaction or waiver as applicable of the conditions referred to in paragraph 5.2 of this announcement.

### 2. INFORMATION ON LNM

Established in 1976, the LNM Group is the second largest steel maker in the world. The LNM Group operates major steel making plants in ten countries and is a major supplier to the automotive industry and the appliance industry in the European Union and North America. The LNM Group is also the most globally diversified steel business in the world and this global presence gives it substantial purchasing and marketing flexibility.

The LNM Group has a history of participating in the acquisition of businesses and thereafter improving their operating performance. An efficient operator at the lower end of the global cost curve, the LNM Group possesses significant turnaround expertise. Since 1989, the LNM Group has made ten acquisitions in nine different countries: Algeria, Canada, France, Germany, Kazakhstan, Mexico, Romania, Trinidad and the United States of America, and has successfully improved the operating performance of each acquired entity. In addition, LNM is in the process of acquiring a controlling interest in Nova Hut in the Czech Republic, which is expected to be completed during December 2002. LNM Holdings N.V. is a wholly-owned member of the LNM Group.

### 3. BACKGROUND TO THE OFFER

On 22 November 2001, as part of the restructuring of Iscor's steel operations, Iscor entered into a Business Assistance Agreement (the "Business Assistance Agreement") with LNM. The terms of the Business Assistance Agreement were approved by Iscor shareholders in general meeting on 15 January 2002.

The purpose of the Business Assistance Agreement is to allow Iscor to benefit from LNM's international experience and proven operating track record through the receipt of certain business, marketing, purchasing and technical assistance from LNM. LNM also undertook to invest at least US\$75 million in Iscor shares before 31 March 2003. Subsequently, in order to satisfy the requirement under the Business Assistance Agreement to acquire Iscor shares and to ensure a worthwhile economic interest in the Company, LNM has made a series of acquisitions of Iscor shares and now owns 34.81 per cent of the issued share capital of Iscor. These acquisitions have been fully disclosed to the Company.

In addition, under the terms of the Business Assistance Agreement, LNM is entitled to receive remuneration in the form of Iscor shares, credited as fully paid ("Remuneration Shares"), up to a maximum of ten per cent of the issued share capital of the Company, subject to Iscor achieving specified threshold cost savings levels. The Company's 2002 annual report states that the achievement of these cost savings would outweigh any dilution effect that may occur through LNM increasing its shareholding in the Company through the issue of Remuneration Shares. At the end of the term of the Business Assistance Agreement, LNM and Iscor are committed to enter into good faith negotiations to extend the term of that agreement, which would then be subject to approval by Iscor's shareholders.

### 4. RATIONALE FOR THE OFFER

LNM considers that its strategic association with Iscor is a key factor in the current and future success of Iscor. Iscor's 2002 annual report states that the strategic association ensures Iscor's participation in the benefits of consolidation in the international steel industry by providing Iscor with technology sharing, market access, procurement leverage, productivity benchmarking and skills transfer.

The association between Iscor and LNM is designed to enhance the earnings of the Company for the benefit of all Iscor shareholders. LNM considers that the success of the strategic association may be demonstrated through the performance of the Iscor share price since LNM's association with the Company commenced. As at 2 December 2002, being the last trading day prior to the publication of this announcement, Iscor shares were trading on the JSE Securities Exchange South Africa lists at a price of R21.70 per share. This represents an increase for Iscor shareholders of 266.6 per cent over the price of R5.92 per share as at the close of business on 26 November 2001, the first day that Iscor traded as a focused steel producer post unbundling. This was four days after LNM entered into the Business Assistance Agreement with Iscor on 22 November 2001.

LNM, therefore, believes that its involvement and incentivisation as a long term strategic investor under the Business Assistance Agreement is beneficial to all Iscor shareholders. Given the current level of LNM's holding in Iscor, under Rule 8 of the Securities Regulation Code on Takeovers and Mergers (the "Code"), LNM would be obliged, upon receipt of Remuneration Shares, to extend a mandatory Offer at the same issue price it received its Remuneration Shares to the shareholders of Iscor to acquire all of their Iscor shares ("Mandatory Offer"), as it would hold more than 35 per cent of the issued share capital of Iscor.

Since the inception of its association with Iscor, LNM has discussed with Iscor management and the South African Government the options for its future participation in Iscor. LNM believes that it is currently in the best interests of Iscor's business and all Iscor shareholders that Iscor continues to be a South African listed entity with a sufficient free float of independent shareholders to maintain a liquid market in Iscor shares. LNM also believes that, Iscor shareholders should be offered the chance to sell a portion of their Iscor shares at a premium to the current share price. This will provide Iscor shareholders with the opportunity to crystallise a significant profit on their investment in the Company. Therefore, the Offer has been structured so as to allow Iscor shareholders, dependant on acceptances of the Offer, to realise the value of some or all of their Iscor shares at a significant premium to the current market price. LNM is offering to acquire up to 12.19 per cent of the outstanding shares

### 5.2 Conditions of the Offer

The Offer will be subject to the following conditions:

- 5.2.1 the unqualified public recommendation of the Offer by the board of directors of Iscor;
- 5.2.2 the requisite approval by Iscor shareholders (excluding LNM and its nominees) of the ordinary resolution to be proposed at a general meeting of the shareholders of the Company waiving the requirement to make a Mandatory Offer as a result of the acquisition pursuant to the Offer of such number of Iscor shares as shall constitute LNM and its nominee the holder of more than 35 per cent but less than 50 per cent of the issued share capital of Iscor;
- 5.2.3 the approval of the Security Regulations Panel ("the SRP") of the acquisition by LNM pursuant to the Offer of up to 12.19 per cent of Iscor's issued share capital and confirmation, subject to the fulfilment of the condition referred to in paragraph 5.2.2 above, the SRP will not require LNM to make a Mandatory Offer;
- 5.2.4 no action, proceedings, investigation or inquiry of any governmental or regulatory authority or court having been instituted or threatened which would prohibit or interfere with the Offer to an extent which is material to Iscor or require a divestiture of any material businesses or assets; and
- 5.2.5 LNM not becoming aware prior to the Offer being declared unconditional of any material adverse effect, with regard to Iscor's plant, property and equipment, and any adverse effect to Iscor's business profitability exceeding 50 per cent of current levels.

LNM has the right, in its sole discretion, to waive or amend, in whole or in part, any of the conditions referred to in paragraphs 5.2.1, 5.2.4 and 5.2.5 above.

The Offer will be subject to the terms and conditions set out in the Offer circular.

### 5.3 General meeting

LNM intends to requisition the directors of Iscor under Section 181 of the Companies Act, 1973 (Act 61 of 1973) to convene a general meeting of the shareholders of the Company to give Iscor shareholders (excluding LNM and its nominees) the opportunity to consider, and if deemed fit, to pass the resolution referred to in paragraph 5.2.2 above.

### 6. CASH CONFIRMATION

The SRP has received confirmation satisfactory to it that LNM has sufficient resources to honour its commitments under the Offer.

### 7. SPECIAL ARRANGEMENTS

Save for the Business Assistance Agreement, and except for the information provided in this announcement, no other agreements, arrangements or understandings (including any compensation arrangements) exist between LNM or any person acting in concert with it and any of the directors of Iscor or persons who were directors within the preceding 12 months or holders of Iscor shares or persons who were Iscor shareholders within the preceding 12 months having any connection with or dependence upon the Offer. Under the Business Assistance Agreement, LNM is entitled to appoint two representatives to the Iscor board. Mr Lakshmi N Mittal and Mr Aditya Mittal were appointed to the Iscor board on 16 January 2002. In addition, a third representative of LNM, Mr Sudhir Maheshwari was appointed to the Iscor board on 25 November 2002.

### 8. DOCUMENTATION

A circular, containing full details of the Offer and the actions to be taken by Iscor shareholders, will be posted within 30 days of the date hereof.

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### FORWARD-LOOKING STATEMENTS

Statements in this announcement include "forward-looking statements" that express or imply expectations of future events or results. These include, without limitation, statements made in paragraphs 2, 3 and 4 (Rationale for the Offer) above. All forward-looking statements involve a number of risks, uncertainties and other factors, and LNM cannot give assurances that such statements will prove to be correct. Risks, uncertainties and other factors that could cause actual events or results to differ from those expressed or implied by the forward-looking statements include, without limitation, the satisfaction of closing conditions, the acceptance or rejection of any agreement by regulators, delays in the regulatory processes, changes in the economic or political situation in South Africa, the European Union, the United States of America and/or any other relevant jurisdiction, changes in the steel industry within any such country or area or worldwide and the performance of (and cost savings realised by) the Company. Given these and other uncertainties, you are cautioned not to place undue reliance on any of the forward-looking statements contained herein or otherwise. LNM does not undertake any obligation to release publicly any revisions to these forward-looking statements (which speak only as of the date hereof) to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events, except as may be required

shareholders, dependant on acceptances of the Offer, to realise the value of some or all of their Iscor shares at a significant premium to the current market price. LNM is offering to acquire up to 12.19 per cent of the outstanding shares in Iscor for R30.00 per share, a price significantly higher than, not only the price as at close of business on 2 December 2002, the last trading day prior to this announcement of R21.70 per share, but also the all time high closing share price post unbundling of R25.30 per share on 24 October 2002.

As a result of increasing its shareholding in Iscor, LNM expects to be in a position to transfer a greater level of technology, especially significant to South Africa's rapidly growing motor industry, to further enhance its purchasing and marketing co-ordination and further accelerate Iscor's transformation into a world class producer with global access.

The independence of the Iscor board, the maintenance of an arm's length business relationship between LNM and Iscor, and the corporate governance standards generally applicable to Iscor should not, in LNM's view, be adversely affected by the Offer.

Consequently, LNM encourages Iscor shareholders to vote in favour of the ordinary resolution to be proposed at the general meeting to waive the requirement to make a Mandatory Offer and to accept the Offer.

## 5. TERMS OF THE OFFER

### 5.1 The Offer consideration

The Offer will be for a cash consideration of R30.00 per Iscor share (subject to pro-rata as described below). This represents a premium of 38.2 per cent to the closing market price of R21.70 on 2 December 2002, the last trading day prior to this announcement, and a premium of 27.0 per cent to the volume weighted average closing price over the 30 trading days ended on 2 December 2002 of R23.62 per share.

Iscor shareholders will be entitled to tender up to their entire holding of Iscor shares. If acceptances in excess of 12.19 per cent of Iscor's issued share capital are received, LNM will purchase the maximum number of Iscor shares as shall constitute 12.19 per cent of Iscor's issued share capital which equates to 18.7 per cent of each minority shareholder's holding. The excess Iscor shares will be purchased on a pro rata basis, with the shares tendered by accepting Iscor shareholders scaled back proportionately (with downward adjustments to avoid purchases of fractional shares).

to release publicly any revisions to these forward-looking statements (which speak only as of the date hereof) to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events, except as may be required under the Code or applicable laws and regulations.

### NO PROFIT FORECASTS

Nothing in this announcement should be construed as a profit forecast or be interpreted to mean that the future earnings per share of Iscor will necessarily be greater than the historic published earnings per share of Iscor.

### ADDITIONAL INFORMATION

Shareholders of Iscor, holders of Iscor American depositary shares and holders of Iscor shares who are located in the United States of America or elsewhere are urged to carefully read the Offer circular regarding the proposed transaction when it becomes available, because it will contain important information.

### NO OFFER OF SECURITIES

This announcement does not constitute an offer or an invitation to purchase any securities.

### GENERAL

This announcement is published on behalf of LNM and is the sole responsibility of LNM.

HSBC is acting for LNM and no one else in connection with the Offer and will not be responsible to anyone other than LNM for providing the protections afforded to customers of HSBC, nor for providing advice in relation to the Offer.

White & Case LLP is acting for LNM and no one else in connection with the Offer and will not be responsible to anyone other than LNM for providing advice in relation to the Offer.

Copies of this announcement are not being made, and must not be, mailed, forwarded, transmitted or otherwise distributed or sent in or into Australia, Canada, Japan, the Republic of Ireland or any other jurisdiction in which it is illegal to make the Offer and persons receiving this announcement (including custodians, nominees and trustees) must not distribute, forward, mail, transmit or send it in or into or from Australia, Canada, Japan, the Republic of Ireland or any such other jurisdiction.

Financial advisers to LNM



Corporate law advisers to LNM

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