



## ANNOUNCEMENT REGARDING THE ACQUISITION OF THE BUSINESS OF DELKOR INVESTMENT HOLDINGS (PROPRIETARY) LIMITED

### 1. Introduction

Shareholders are advised that IST has entered into an agreement to acquire the business of Delkor Investment Holdings (Proprietary) Limited ("Delkor") (situated in Sandton, Johannesburg) from the shareholders of that company ("the acquisition"). The management team of Delkor, including the Chief Executive Officer and the Marketing Director, will be involved in the future operations.

### 2. Rationale for the acquisition and nature of business

This acquisition was targeted in line with a strategic goal set some time ago to acquire synergistic businesses, which have an established client base, a portfolio of leading edge products, a track record of profitable operations, and good future prospects.

Delkor specialises in the supply of mineral processing and liquid/solid separation equipment and has built up an excellent reputation since its inception in 1974 in the mining, metallurgical, sewage, wastepaper, pulp and paper, food and chemical industries on an international basis. The operations of Delkor will be merged with the business of IST Industrial which has an established footprint in the same markets.

### 3. Consideration for the acquisition

The consideration for the purchase of the business is R33 million, which will be funded through IST's cash reserves. Payment will be effected on the effective date, being when all suspensive conditions have been met. Net assets acquired in terms of this transaction attributable to Delkor amounted to R18 million at the effective date.

### 4. Financial effects of the acquisition

Based on the audited results of IST for the year ended 28 February 2003 and the unaudited results for the 6 months ended 31 August 2003, the *pro forma* financial effects of the acquisition are set out below. This *pro forma* financial information has been prepared for illustrative purposes only and because of its nature may not give a true picture of IST's financial position and results of operations, nor the effect and impact of the acquisition on IST going forward.

#### *Pro forma* financial effects of the acquisition on the results of IST for the year ended 28 February 2003

	Before the acquisition <sup>(1)</sup>	After the acquisition <sup>(2)</sup>	% Change
Basic earnings per share (cents)	18.6	24.4 <sup>(6) and (7)</sup>	31.2
Fully diluted earnings per share (cents)	15.1	19.8 <sup>(6) and (7)</sup>	31.1
Basic headline earnings per share (cents)	19.8	25.6 <sup>(6) and (7)</sup>	29.3
Fully diluted headline earnings per share (cents)	16.1	20.8 <sup>(6) and (7)</sup>	29.2
Net asset value per share (cents)	103.5	103.5 <sup>(5)</sup>	0.0
Net tangible asset value per share (cents)	101.5	87.6 <sup>(5)</sup>	(13.7)
Borrowings : total fixed assets	3%	3%	0.0
Weighted number of shares in issue (000)	119 584	119 584	0.0
Consolidated number of shares in issue (000)	119 584	119 584	0.0
Fully diluted number of shares in issue (000)	147 159	147 159	0.0

#### *Pro forma* financial effects of the acquisition on the results of IST for the 6 months ended 31 August 2003

	Before the acquisition <sup>(3)</sup>	After the acquisition <sup>(4)</sup>	% Change
Basic earnings per share (cents)	10.6	13.2 <sup>(6) and (7)</sup>	24.5
Fully diluted earnings per share (cents)	9.4	11.8 <sup>(6) and (7)</sup>	25.5
Basic headline earnings per share (cents)	10.2	12.9 <sup>(6) and (7)</sup>	26.5
Fully diluted headline earnings per share (cents)	9.1	11.4 <sup>(6) and (7)</sup>	25.3
Net asset value per share (cents)	103.4	103.4 <sup>(5)</sup>	0.0
Tangible net asset value per share (cents)	89.7	76.8 <sup>(5)</sup>	(14.4)
Borrowings : total fixed assets	3%	3%	0.0
Weighted number of shares in issue (000)	129 523	129 523	0.0
Consolidated number of shares in issue (000)	129 523	129 523	0.0
Fully diluted number of shares in issue (000)	145 864	145 864	0.0

#### Notes

- 1) Based on the published consolidated audited results of IST for the year ended 28 February 2003.
- 2) The effects on earnings per share and headline earnings per share are based on the assumption that the business was acquired and that settlement of the consideration took place on 1 March 2002.
- 3) Based on the published consolidated unaudited results of IST for the 6 months ended 31 August 2003.
- 4) The effects on earnings per share and headline earnings per share are based on the assumption that the business was acquired and that settlement of the consideration took place on 1 March 2003.
- 5) The effects on the net asset value per share and tangible net asset value per share are based on the assumption that the business was acquired and that settlement of the consideration took place on 28 February 2003 and 31 August 2003 respectively.
- 6) Earnings and headline earnings have been adjusted to include the income attributable from Delkor to IST. This amount was arrived at by including Delkor's audited net profit after tax for the year ended 31 May 2003 of R12 019 973, and by pro-rating it for a six-month period, in order to make it comparable to IST's most recent reporting periods.
- 7) Earnings and headline earnings have also been adjusted to take into account the decrease in interest income, calculated at an average after tax rate of 8.4% for the respective period, as a result of the consideration paid out of cash reserves.

### 5. Conditions precedent of the acquisition

Except for approval from the Competitions Commission all other conditions precedent of the acquisition have been fulfilled.

### 6. Categorisation of the acquisition

The acquisition of the business of Delkor Investment Holdings (Proprietary) Limited has been categorised as a category 3 transaction in terms of section 9.5 (a) of the JSE Listings Requirements.

### 7. Withdrawal of cautionary

IST hereby withdraws the cautionary statement issued on 4 August 2003.

Pretoria

28 October 2003

Investment bank and sponsor



Attorneys



Advisor to the vendor

