

NSL LTD.

(Incorporated in Singapore)
Company Registration No. 196100107C

ANNOUNCEMENT

PROPOSED SHARE SWAP BY NSL ENGINEERING HOLDINGS PTE. LTD. OF ITS APPROXIMATELY 33.33 PER CENT. INTEREST IN PEINER SMAG LIFTING TECHNOLOGIES GMBH FOR APPROXIMATELY 30 PER CENT. INTEREST IN SALZGITTER MASCHINENBAU AG

1. INTRODUCTION

1.1 Proposed Share Swap. The Board of Directors (the “**Board**”) of NSL Ltd. (the “**Company**”) wishes to announce that the Company’s direct wholly-owned subsidiary, NSL Engineering Holdings Pte. Ltd. (“**NSL Engineering**”), has, on 12 February 2018 (Central European Time), entered into a contribution agreement (the “**Contribution Agreement**”) with Salzgitter Maschinenbau AG (“**SMAG**”), pursuant to which NSL Engineering has agreed to contribute and assign to SMAG all of its 500,000 shares in the capital of Peiner SMAG Lifting Technologies GmbH (“**PSLT**”), representing one-third of the total issued share capital of PSLT (the “**PSLT Disposal Shares**”), in consideration for the issue by SMAG of 2,314,286 new shares in the issued share capital of SMAG, representing approximately 30 per cent. of the enlarged issued share capital of SMAG (the “**SMAG Consideration Shares**”), to NSL Engineering (the disposal of the PSLT Disposal Shares in exchange for the SMAG Consideration Shares, the “**Proposed Share Swap**”).

1.2 Completion. Completion of the Proposed Share Swap (“**Completion**”) is subject to and conditional upon the satisfaction of various conditions precedent (“**Conditions**”). Following Completion, NSL Engineering will cease to be a shareholder of PSLT, and instead will hold, approximately, a 30 per cent. interest in SMAG. As SMAG already holds two-thirds of the issued share capital of PSLT, PSLT will become a wholly-owned subsidiary of SMAG on Completion.

2. INFORMATION ON PSLT AND SMAG

2.1 PSLT. PSLT is a limited liability company organised under the laws of the Federal Republic of Germany, having its corporate seat in Salzgitter-Bad and recorded in the commercial register of the local court of Braunschweig under HRB 204558.

PSLT was established by SMAG by way of hive-down for new formation according to Sections 123 para. 3 no. 2,124 et seq., 135 et seq., 138, 141 et seq. German Transformation Act based on a hive-down plan dated 27 January 2014. As at the date of this Announcement, SMAG holds 1,000,000 issued shares in the capital of PSLT, representing two-thirds of the total issued share capital of PSLT, and NSL Engineering holds the remaining one-third of the total issued share capital of PSLT.

By itself or through its subsidiaries, PSLT is engaged in the business of grabs and spreaders, and manufactures bulk and container lifting accessories.

- 2.2 SMAG.** SMAG is a stock corporation organised under the laws of the Federal Republic of Germany, having its corporate seat in Salzgitter-Bad and recorded in the commercial register of the local court of Braunschweig under HRB 201389.

SMAG is the holding company of a German group of mechanical engineering companies with factories in Germany, China, India and Slovakia where grabs for loading and unloading seagoing cargo vessels, completely equipped driver cabins, automated drilling technology for the open-pit and underground mining industry, special-purpose vehicles for the process industry as well as mechanic and hydraulic telescopic antenna masts are developed and manufactured.

Based on the unaudited consolidated financial statements of SMAG group for the nine-month period ended 30 September 2017 ("**9M2017**"), SMAG group recorded a net profit before income tax, non-controlling interests and exceptional items of approximately S\$1.4 million for 9M2017.

- 2.3 Net Asset Value.** Based on the unaudited consolidated financial statements of the Company and its subsidiaries (collectively, the "**Group**") for 9M2017, the attributable net asset value ("**NAV**") of the PSLT Disposal Shares is approximately S\$45.6 million.

- 2.4 Net Loss and Estimated Gain on Disposal.** Based on the unaudited consolidated financial statements of the Group for 9M2017, the net loss before income tax, non-controlling interests and exceptional items attributable to the PSLT Disposal Shares is approximately S\$0.3 million for 9M2017.

Based on the Group's carrying value in PSLT as of 30 September 2017, the estimated gain on disposal pursuant to the Proposed Share Swap is approximately S\$0.3 million.¹

3. PRINCIPAL TERMS OF THE PROPOSED SHARE SWAP

- 3.1 Proposed Share Swap.** Pursuant to the terms of the Contribution Agreement, subject to the fulfilment and/or waiver of the Conditions, NSL Engineering has agreed to contribute and assign all the PSLT Disposal Shares, including the right to receive dividends in respect of the PSLT Disposal Shares with effect from 1 October 2017 onwards and all net profits for the financial year ended 31 December 2017, including all non-distributed profits from previous financial years, to SMAG.

- 3.2 Consideration.** In consideration for the contribution and assignment of the PSLT Disposal Shares, SMAG shall issue to NSL Engineering, the SMAG Consideration Shares, which will include the right to receive dividends in respect of the SMAG Consideration Shares from 1 October 2017 onwards, at an issue price of EUR1.00 per SMAG Consideration Share. To the extent that the value of the contribution of the PSLT Disposal Shares exceeds the total amount at which the SMAG Consideration Shares are issued, the difference shall be allocated to the capital reserves of SMAG.

¹ The estimated gain on disposal is derived by subtracting the Group's carrying value in PSLT, accumulated translation reserves and estimated transaction costs from the consideration for the contribution and assignment of the PSLT Disposal Shares, being the value of the SMAG Consideration Shares.

The basis for the Proposed Share Swap was determined and agreed between NSL Engineering and SMAG on a willing buyer and willing seller basis, taking into account:

- (i) the estimated sustainable earnings before interest, tax, depreciation and amortisation of PSLT and SMAG for the financial years of 2018, 2019 and 2020; and
- (ii) the respective net cash and debt positions of PSLT and SMAG as at 30 September 2017 based on the unaudited consolidated financial results of the PSLT group and SMAG group for 9M2017.

3.3 Conditions. Completion is subject to and conditional upon the fulfilment and/or waiver of the following Conditions:

- (i) SMAG having completed its internal share-buyback exercise and redemption to effect a reduction in its share capital from EUR6.00 million to EUR5.40 million and having provided the relevant documents to NSL Engineering evidencing such capital reduction;
- (ii) the supervisory board of SMAG and the shareholders of the Company having approved the Proposed Share Swap in writing;
- (iii) SMAG having applied at the local court of Braunschweig for the nomination of an auditor for the contribution in kind and having asked the local court to nominate Deloitte GmbH Wirtschaftsprüfungsgesellschaft as auditor for the contribution in kind;
- (iv) the local court of Braunschweig having nominated an auditor for the audit of the contribution of kind, the auditor having conducted the audit in respect of the increase in share capital of SMAG by EUR2,314,286 by way of an issuance of the SMAG Consideration Shares (the “**Capital Increase**”) as required by law, such audit not having resulted in any adverse findings in respect of the Capital Increase, and the report of the auditor being made available to SMAG in the signed original;
- (v) the notarised extraordinary general meeting of SMAG having approved the Capital Increase and having resolved on the cancellation of the existing authorised capital and a revision to the articles of association of SMAG (the “**Articles Amendment**”) to provide for an enlargement of the supervisory board of SMAG. Subject to the registration of the Articles Amendment, the following persons shall be appointed to the supervisory board of SMAG: (a) Low Chin Nam; (b) Rudy Halim; and (c) Bernd Hermann;
- (vi) SMAG having confirmed to NSL Engineering in writing that (a) the management board of SMAG has not utilised its existing authorisation to increase the share capital of SMAG and issued up to 2,000,000 new shares prior to the Articles Amendment and (b) the management board of SMAG has not agreed upon the establishment of a new authorised capital and the corresponding amendment(s) to the articles of association of SMAG;
- (vii) SMAG having confirmed to NSL Engineering in writing that the management board of SMAG has not, since 1 October 2017, issued or allotted any shares, debentures

and/or securities to any person or transferred or granted to any person the right (whether conditional or otherwise) to call for the issue, allotment or transfer of any shares, debentures or securities (including any options or rights of pre-emption or conversion) and has not entered into any agreement or arrangement for the foregoing except for the Capital Increase; and

- (viii) SMAG and NSL Engineering as shareholders of PSLT having convened a notarised shareholders' meeting of PSLT to resolve on the deletion of Article 10(1) of the articles of association of PSLT in relation to a lock-in period in respect of any assignment or transfer of PSLT shares and the amendment of the articles of association of PSLT having been filed with the German Commercial Register and registered in the Commercial Register of PSLT.

Each of NSL Engineering and SMAG has agreed to use its best efforts to procure that each of the Conditions applicable to it or which is its respective responsibility, is satisfied as soon as practicable after the date of the Contribution Agreement and that there is no occurrence that would prevent the Conditions from being satisfied, as the case may be.

If any of the Conditions is not fulfilled by 31 May 2018, the Contribution Agreement (save for certain surviving provisions) shall cease and terminate and none of NSL Engineering and SMAG shall have any claim against the other for costs, damages, compensation or otherwise, save for a claim by NSL Engineering or SMAG against the other arising from antecedent breaches of the terms of the Contribution Agreement. Save for the approval of the Proposed Share Swap by the supervisory board of SMAG set out in Condition in **paragraph 3.3(ii)** above, NSL Engineering may waive the fulfilment of any of the Conditions by written agreement to the extent the fulfilment of such Condition is not required by law for the implementation of the Proposed Share Swap.

3.4 Completion. Subject to the fulfilment (or waiver in accordance with the Contribution Agreement) of the Conditions, NSL Engineering and SMAG shall, *inter alia*, take the following actions on Completion:

- (i) NSL Engineering shall sign two originals of a subscription certificate in respect of the SMAG Consideration Shares (the “**Subscription Certificate**”);
- (ii) the management board of SMAG and the chairman of the supervisory board of SMAG shall sign, amongst others, the application for amendment of the articles of association of SMAG to add an original of the Subscription Certificate and a register of the subscriber list reflecting NSL Engineering as the subscriber of the SMAG Consideration Shares and the contributions made by NSL Engineering for the SMAG Consideration Shares; and
- (iii) the existing shareholders of SMAG and NSL Engineering shall enter into a shareholders' agreement to, *inter alia*, regulate their respective rights and obligations as future direct shareholders of SMAG.

Upon fulfilment of the Conditions and/or waiver of the same in accordance with the Contribution Agreement and delivery of evidence satisfactory to SMAG in accordance with the foregoing, NSL Engineering and SMAG will sign and execute a closing memorandum in two originals confirming that Completion has occurred. Subsequently, SMAG will instruct the

notary to submit the commercial register application in respect of the Capital Increase without delay to the Commercial Register at the District Court of Braunschweig. If the report of the auditor of the contribution in kind is not already provided, SMAG shall irrevocably instruct the notary to file the application for registration in respect of the Capital Increase without delay to the commercial register, as soon as the report has been sent by SMAG to the notary. In this case SMAG shall send the report without delay to the notary.

4. RATIONALE

The Proposed Share Swap will allow the Company to access a wider portfolio of European leading engineering companies in the business of underground mining, drilling and antenna mast. The Company is further of the view that the Proposed Share Swap will allow for greater synergies and value creation within the SMAG group companies (in which the Company will hold, approximately, a 30 per cent. interest following Completion).

5. PRO FORMA FINANCIAL EFFECTS

5.1 Bases and Assumptions. The pro forma financial effects of the Proposed Share Swap have been prepared based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2016 (“**FY2016**”) and the unaudited consolidated financial statements of the Group and the SMAG group for 9M2017 and are purely **for illustrative purposes only and do not reflect the future actual financial position of the Group following Completion**. The pro forma financial effects have also been prepared based on, *inter alia*, the following bases and assumptions:

- (i) the Proposed Share Swap had been effected on 31 December 2016 and 30 September 2017, being the end of the most recently completed financial year of the Group and 9M2017 respectively, for illustrating the financial effects on the consolidated net tangible assets (“**NTA**”) of the Group;
- (ii) the Proposed Share Swap had been effected on 1 January 2016 and 1 January 2017, being the beginning of the most recently completed financial year of the Group and 9M2017 respectively, for illustrating the financial effects on the consolidated earnings of the Group; and
- (i) the associated transaction costs are assumed to be S\$0.8 million.

5.2 NTA

- (i) **FY2016.** For illustrative purposes only and assuming that the Proposed Share Swap had been completed on 31 December 2016, the pro forma financial effects of the Proposed Share Swap on the consolidated NTA of the Group as at 31 December 2016 are as follows:

	Before the Proposed Share Swap	After the Proposed Share Swap
NTA (S\$ million)	663.4	664.1
No. of issued shares in the capital of the Company (“ NSL Shares ”)	373,558,237	373,558,237

NTA per NSL Share (S\$)	1.78	1.78
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- (ii) **9M2017.** For illustrative purposes only and assuming that the Proposed Share Swap had been completed on 30 September 2017, the pro forma financial effects of the Proposed Share Swap on the consolidated NTA of the Group as at 30 September 2017 are as follows:

	Before the Proposed Share Swap	After the Proposed Share Swap
NTA (S\$ million)	571.5	572.2
No. of NSL Shares	373,558,237	373,558,237
NTA per NSL Share (S\$)	1.53	1.53

5.3 Earnings per NSL Share

- (i) **FY2016.** For illustrative purposes only and assuming that the Proposed Share Swap had been completed on 1 January 2016, the pro forma financial effects of the Proposed Share Swap on the consolidated earnings of the Group for FY2016 are as follows:

	Before the Proposed Share Swap	After the Proposed Share Swap
Profit after tax and non-controlling interests (S\$ million)	131.4	131.0
No. of NSL Shares	373,558,237	373,558,237
Earnings per NSL Share (Singapore cents)	35.2	35.1

- (ii) **9M2017.** For illustrative purposes only and assuming that the Proposed Share Swap had been completed on 1 January 2017, the pro forma financial effects of the Proposed Share Swap on the consolidated earnings of the Group for 9M2017 are as follows:

	Before the Proposed Share Swap	After the Proposed Share Swap
Profit after tax and non-controlling interests (S\$ million)	0.9	1.9
No. of NSL Shares	373,558,237	373,558,237
Earnings per NSL Share (Singapore cents)	0.23	0.52

- 5.4 Share Capital.** The Proposed Share Swap will not have any impact on the issued and paid-up share capital of the Company.

6. RULE 1006 RELATIVE FIGURES

6.1 Rule 1006 Relative Figures. The relative figures for the Proposed Share Swap computed on the applicable bases set out in Rule 1006 of the Listing Manual (the “**Listing Manual**”) of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) are as follows:

Rule 1006	Bases	Proposed Share Swap (\$ million)	Group (\$ million)	Relative Figures (%)
(a)	NAV attributable to the PSLT Disposal Shares, compared with the Group's NAV ⁽¹⁾	45.6	585.8	7.8
(b)	Net profits / (losses) attributable to the PSLT Disposal Shares, compared with the Group's net profits ^{(1) (2)}	(0.3)	0.3	n/m ⁽⁵⁾
(c)	Consideration compared with the Company's market capitalisation ⁽³⁾	46.2 ⁽⁴⁾	515.1	9.0

Notes:

- (1) Based on the unaudited consolidated financial statements of the Group for 9M2017.
- (2) The term “**net profits**” means profit before income tax and non-controlling interests.
- (3) The Company's market capitalisation is based upon 373,558,237 NSL Shares as at 9 February 2018, excluding treasury shares, at a volume weighted average price of S\$1.3789 for each NSL Share.
- (4) Based on the fair value of the SMAG Consideration Shares to be issued to NSL Engineering, being the basis for the Proposed Share Swap as described in **paragraph 3.2** above.
- (5) “n/m” means not meaningful.

6.2 Discloseable Transaction. As the relative figure under each of Rule 1006(a) and Rule 1006(c) above exceeds five per cent. but is not more than 20 per cent., the Proposed Share Swap constitutes a discloseable transaction for the Company as defined in Chapter 10 of the Listing Manual.

Rule 1007 of the Listing Manual however provides that if any of the relative figures computed pursuant to Rule 1006 of the Listing Manual is a negative figure, Chapter 10 of the Listing Manual may be applicable to the transaction at the discretion of the SGX-ST and issuers should consult the SGX-ST. As the relative figure under Rule 1006(b) is a negative figure, the Company has consulted and sought the SGX-ST's confirmation that the requirement of shareholders' approval pursuant to Chapter 10 of the Listing Manual will not be applicable to the Proposed Share Swap.

Following such consultation with the SGX-ST, the SGX-ST has advised that:

- (i) the Proposed Share Swap does not constitute a major transaction under Chapter 10 of the Listing Manual and shareholders' approval is not required; and

- (ii) the Proposed Share Swap constitutes a discloseable transaction under Chapter 10 of the Listing Manual.

7. FURTHER INFORMATION

- 7.1 Directors' Service Contracts.** No person is proposed to be appointed as a director of the Company in connection with the Proposed Share Swap. Accordingly, no service contract is proposed to be entered into between the Company and any such person.
- 7.2 Interests of Directors and Controlling Shareholders.** None of the directors or controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Share Swap.
- 7.3 Documents Available for Inspection.** A copy of the Contribution Agreement is available for inspection during normal business hours at the registered office of the Company at 77 Robinson Road, #27-00, Robinson 77, Singapore 068896, for a period of three months commencing from the date of this Announcement.

By Order of the Board

Lim Su-Ling
Company Secretary
13 February 2018, Singapore