

# ANALYST

## NATSTEEL LTD (Incorporated in the Republic of Singapore)

To : All Shareholders

The Board of Directors of NatSteel Ltd wishes to announce the following :-

### 1) UNAUDITED RESULTS FOR THE YEAR ENDED 31 December 2000

	<u>THE GROUP</u>			<u>THE COMPANY</u>		
	<u>2000</u> \$'000	<u>1999</u> \$'000	<u>+ / (-)</u> %	<u>2000</u> \$'000	<u>1999</u> \$'000	<u>+ / (-)</u> %
<b>TURNOVER</b>	<b>1,440,714</b> =====	<b>1,401,460</b> =====	<b>2.8</b>	<b>280,633</b> =====	<b>320,950</b> =====	<b>(12.6)</b>
DISPOSAL / PROVISIONS	920,674 =====	3,899 =====	n/m	965,501 =====	3,686 =====	n/m
<b>OPERATING PROFIT</b>	<b>959,763</b>	<b>121,305</b>	<b>691.2</b>	<b>938,905</b>	<b>29,023</b>	<b>n/m</b>
INVESTMENT & INTEREST INCOME	13,261	8,637	53.5	30,913	18,102	70.8
FINANCE COSTS	(33,893)	(27,915)	21.4	(16,402)	(14,458)	13.4
SHARE OF RESULTS OF ASSOCIATED COMPANIES	45,888 -----	32,538 -----	41.0	- -----	- -----	-
<b>PROFIT BEFORE TAXATION</b>	<b>985,019</b>	<b>134,565</b>	<b>632.0</b>	<b>953,416</b>	<b>32,667</b>	<b>n/m</b>
TAXATION	( 12,495)* -----	( 27,072) -----	(53.8)	( 1,870) -----	( 8,584) -----	(78.2)
<b>PROFIT AFTER TAXATION</b>	<b>972,524</b>	<b>107,493</b>	<b>804.7</b>	<b>951,546</b>	<b>24,083</b>	<b>n/m</b>
MINORITY INTERESTS	( 22,872) -----	( 24,339) -----	(6.0)	- -----	- -----	-
<b>PROFIT ATTRIBUTABLE TO SHAREHOLDERS</b>	<b>949,652</b> =====	<b>83,154</b> =====	<b>n/m</b>	<b>951,546</b> =====	<b>24,083</b> =====	<b>n/m</b>
<b>DEPRECIATION AND AMORTISATION</b>	<b>96,375</b>	<b>93,635</b>	<b>2.9</b>	<b>19,963</b>	<b>17,220</b>	<b>15.9</b>

\* The lower effective tax of 1.27% was due mainly to non-taxability of gain on disposal of NatSteel Electronics Limited and higher contributions from companies within the Group that operate in lower tax jurisdictions and utilisation of available tax losses.

**THE GROUP**

31 December

	<u>2000</u>	<u>1999</u>	<u>+ / (-)</u> %
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a) Earnings (cents) Per Share of \$0.50 each based on net profit after tax and minority interest and preference shares dividends assuming RCCPS are redeemed

- Basic	258.9cts	19.2cts	n/m
- Fully diluted	258.8cts	19.2cts	n/m

b) Net Tangible Asset Backing (S\$) Per Share of \$0.50 each

	S\$4.48	S\$2.64	69.7
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**THE GROUP**

**THE COMPANY**

	<u>2000</u>	<u>1999</u>	<u>+ / (-)</u> %	<u>2000</u>	<u>1999</u>	<u>+ / (-)</u> %
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c) Profit After Taxation (\$'000)

i) 1st half year	38,547	51,386	(25.0)	7,425	23,259	(68.1)
ii) 2nd half year	933,977	56,107	n/m	944,121	824	n/m

**2) REVENUE AND PROFIT BEFORE TAX BY BUSINESS SEGMENTS**

The Group operates mainly in the manufacturing of and trading in iron and steel products, other building products and services, specialty chemicals and environment chemicals and services, engineering services, electronics, properties and investments. These activities are grouped under the four business segments of Steel, Industrial, Electronics, and Properties and Investments.

	<u>TURNOVER</u>		<u>PROFIT BEFORE TAX (including contribution from associates)</u>	
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
	\$'000	\$'000	\$'000	\$'000
<b>By Business Segments</b>				
Steel	801,976	793,860	24,898	68,857
Industrial	294,464	268,470	(33,374)	(18,849)
Electronics	326,009	285,306	1,010,601	84,094
Properties and Investments	18,265	53,824	(17,106)	463
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	1,440,714	1,401,460	985,019	134,565
	=====	=====	=====	=====

## By Geographical Segments

	Singapore S\$'000	Asian and Asean Countries S\$'000	Other Countries S\$'000	Total S\$'000
<u>2000</u>				
Turnover	970,006	454,705	16,003	1,440,714
Profit before tax	919,427	46,035	19,557	985,019
<u>1999</u>				
Turnover	991,638	405,147	4,675	1,401,460
Profit before tax	131,900	1,898	767	134,565

### 3) COMPARATIVE FIGURES OF THE GROUP'S BORROWINGS AND DEBT SECURITIES

	<u>G R O U P</u>	
	<u>31.12.00</u>	<u>30.06.00</u>
	\$'000	\$'000
<b>Group Borrowings</b>		
Secured	48,176	92,917
Unsecured	648,835	673,696
	-----	-----
	697,011	766,613
	=====	=====
Repayable in one year or less	635,568	698,913
Repayable after one year	61,443	67,700
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	697,011	766,613
	=====	=====

### 4) CHANGE IN ACCOUNTING POLICY FOR EXTRAORDINARY ITEMS

For the current financial year, in compliance with the revised Singapore Statement of Accounting Standard 8 (2000) "Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies", certain items previously classified as extraordinary items are now disclosed as part of the operating profit in the profit and loss accounts. Comparatives have been amended accordingly.

Had the accounting policy for extraordinary items not been changed, the effects on the financial statements for the financial year ended 31 December 2000 would have been as follows:

	<b>Group 2000 S\$'000</b>	<b>Company 2000 S\$'000</b>
Decrease in profit before taxation	920,674	965,501
Decrease in earnings per share (before extraordinary items)	255.2cts	

Had the new accounting policy for extraordinary items been adopted for the financial year ended 31 December 1999, the effects on the financial statements previously issued for that financial year are as follows :

	<b>Group 1999 S\$'000</b>	<b>Company 1999 S\$'000</b>
Increase in profit before taxation	3,899	3,686
Increase in earnings per share (before extraordinary items)	1.1cts	

## 5) **REVIEW OF THE PERFORMANCE OF THE COMPANY AND ITS PRINCIPAL SUBSIDIARIES**

In line with its announced strategy to unlock value for shareholders, the Group divested its 33% shareholding in NatSteel Electronics Ltd (NEL) at a 74% premium over the last transacted share price and at a 156% premium over the share price prior to market speculation of the divestment taking place. The net proceeds from the sale, after deducting expenses, was approximately \$1,125m. This divestment was a significant step in realizing the Group's stated objectives to maximize value to shareholders through unlocking the value of its constituent businesses and to focus management resources to drive the development and growth of the Group's core businesses. The Group has announced its intention to return about 50% of the net proceeds to shareholders. A special dividend of \$0.71 per share or a total of \$257.3m has been distributed to shareholders. A proposal to distribute the balance of approximately \$318.2m by way of a capital distribution of \$0.87 per share has been tabled for shareholders' approval. The two distributions will return a total of \$1.58 per share or approximately \$575.5m to shareholders.

In line with international accounting practice, the Group has brought forward the adoption of the Singapore Accounting Standards (SAS) 8 with effect from 2000. Under this reporting standard, the Group achieved a profit before tax of \$985.0m on a \$1,441m turnover. Compared with 1999, profit before tax increased by \$850.4m largely due to increased contributions from Electronics. Attributable profit was \$949.7m, resulting in an increase in earnings per share from 19.2cts per share to 258.9cts per share.

The rise in Electronics contributions came mainly from the gain on the NEL divestment. The Singapore Steel and Industrial businesses, on the other hand, were negatively impacted by the continued weak construction sector as anticipated in the June 2000 results announcement. Compared with 1999, the Singapore construction sector contracted 4.6% and demand for key construction materials dropped, on average, by 12% in 2000.

### **Steel Division**

<b>\$ million</b>	<b>2000</b>	<b>1999</b>	<b>Change %</b>
Turnover	802.0	793.9	1.0
PBT	24.9	68.9	(63.9)

Performance of the Steel Division declined because Singapore Steel registered a loss. This was because margins were severely squeezed by the twin effects of lower selling prices and higher scrap prices and electricity tariffs. Average selling prices declined by almost 8% while scrap and electricity prices increased by 19% and 40% respectively.

On the other hand, contributions from overseas operations increased by over four folds. This was mainly because of better performance of Acominas, China operations and Vietnam; and a \$7.8m reduction in attributable loss from Southern Steel.

## **Industrial Division**

<b>\$ million</b>	<b>2000</b>	<b>1999</b>	<b>Change %</b>
Turnover	294.5	268.5	9.7
PBT	(33.4)	(18.8)	77.7

The Industrial Division comprises three groups of businesses – the Construction products group which is the largest, the Chemicals group and the Engineering group.

The Construction Products group registered an attributable loss before tax of \$22.9m because of excessive competition and weak selling prices across all its products and services in a contracting Singapore market. The loss included a \$6.5m exchange loss for its Indonesian operations, a \$1.9m one-off royalty settlement and \$8.9m provisions for its asphalt and quarry operations. As part of its efforts to rationalize operations, the group divested its asphalt operations in Singapore and closed the operations of one of its Malaysian quarries which was not viable in the current market.

For the Chemicals group, its core lime business continued to perform well. However, it registered an overall attributable loss of \$2.1m for the year mainly because of exchange losses and an unprofitable downstream associate of its petrochemical investment in Thailand. The Engineering group closed the year with a \$8.4m loss mainly because of generally soft demand faced by its construction related businesses and a \$1.6m one-off charge to relocate the plant to a better location for its container crane spreader business.

## **Electronics Division**

<b>\$ million</b>	<b>2000</b>	<b>1999</b>	<b>Change %</b>
Turnover	326.0	285.3	14.3
PBT	1,010.6	84.1	n/m

Contributions from the Electronics Division rose by \$927m mainly from the gain on disposal of the NEL shares. Contributions from the operating activities of NatSteel Broadway, BJ and ECS also grew on the back of better performance .

## **6) COMMENTARY ON CURRENT YEAR PROSPECTS**

The Singapore construction sector output is expected to grow between 3% and 5% in 2001, reversing the negative growth trend since the second quarter of 1998. The Building and Construction Authority has forecast total contracts to be awarded in 2001 to reach \$15b, an increase of 32% over 2000. However, this increased level of contracts is expected to be felt in terms of demand for construction materials largely from year 2002. The markets for the overseas operations are also experiencing positive economic growth which will over time filter into the construction sector but, margins could continue to be under pressure. Performance of the Electronics businesses will track global electronics demand and outsourcing trends.

## **Steel Division**

For 2001, the overseas operations are expected to maintain their performance. For the Singapore operations, market conditions are expected to remain difficult. As such, the Group will pursue collaborative and consolidation opportunities to improve costs and operational efficiency and position itself for a pickup in construction activities. Overall, the performance of the Steel Division for the current year is expected to be lower than that of 2000.

## **Industrial Division**

For the Construction Products group, there are signs that demand and selling prices are bottoming out. The group will focus on rationalizing and consolidating its operations and is expected to significantly reduce its losses. Overall, the Industrial Division's losses will also reduce significantly.

## **Electronics Division**

Although there is a global slowdown for electronics products, the level of electronics outsourcing requirements is nevertheless expected to grow. Contributions from the operating activities of the remaining Electronics Division are expected to be better in 2001.

## **The Group**

The Group will continuously review all its constituent businesses with the objectives to realize the fullest value commercially practicable for its shareholders and to further focus the Group on its core businesses. It will at the same time seek opportunities to strengthen and grow these businesses. However, these must be pursued in the appropriate market conditions and pricing to maximize value. For its 52% interest in NatSteel Broadway Ltd, it is not appropriate to pursue a divestment under the market conditions at this point of time.

Going forward for the Steel businesses, the Group will continue to seek opportunities to enhance the extensive and valuable downstream, marketing and distribution franchise it has already established. It will also increasingly seek to organize its network of steel operations as a global supply chain to maximize benefits from comparative advantages. For Singapore Steel, the Group is vigorously considering various strategies to address the squeeze on margins arising from increases in electricity tariffs, feed costs and competitive selling prices. For the Construction Products business, the focus will be to seek internal restructuring, consolidation and selective growth opportunities to position itself to meet market challenges.

For 2001, the Group expects profitability to be significantly lower than that of 2000. This is due to the divestment of its NEL stake in 2000 and the difficult market conditions facing the Singapore Steel and Construction Products businesses in the current year.

## **7) DIVIDENDS**

For this current financial year, the Company has declared and paid interim and special dividends totalling 75cts per ordinary share. In addition, the Company has proposed to pay a further 87cts to ordinary shareholders by way of a Capital Reduction. An EGM will be convened on 26 March 2001 to approve this proposal. Subject to the said EGM approval and after obtaining the High Court's sanction for the Proposed Capital Reduction, a total of \$1.62 would have been paid to ordinary shareholders. As such, the Directors do not recommend a final dividend for the financial year ending 31 December 2000.

8) **SUMMARISED BALANCE SHEET**

	<b>THE GROUP</b>		<b>THE COMPANY</b>	
	<b>31.12.00</b>	<b>31.12.99</b>	<b>31.12.00</b>	<b>31.12.99</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Non Current Assets</b>				
Fixed Assets	751,405	763,394	195,851	199,085
Investment Properties	21,440	27,339	-	-
Subsidiary Companies	-	-	513,799	660,780
Associated Companies	390,533	496,311	130,921	193,093
Long Term Investments	72,846	100,863	23,450	21,806
Other Long Term Assets	39,273	39,050	2,966	2,813
Current Assets	1,899,559	707,525	1,388,711	215,120
Current Liabilities	(1,230,042)	(880,380)	(700,167)	(427,506)
Deferred Income	(23,782)	(29,189)	-	-
<b>Non Current Liabilities</b>				
Deferred Taxation	(68,748)	(70,272)	(44,834)	(44,834)
Others	(81,695)	(80,862)	(9,971)	(6,718)
	<b>1,770,789</b>	<b>1,073,779</b>	<b>1,500,726</b>	<b>813,639</b>
<b>Financed by :</b>				
Issued Capital	181,355	179,004	181,355	179,004
Share Premium	456,076	448,135	456,076	448,135
Capital Reserve	15,885	15,885	-	-
Revaluation Surplus Reserve	28,347	28,347	-	-
General Reserve	18,806	15,913	13,287	13,287
Revenue Reserve	926,421	262,506	850,008	173,213
Shareholders' Funds	<b>1,626,890</b>	<b>949,790</b>	<b>1,500,726</b>	<b>813,639</b>
Minority Interests	143,899	123,989	-	-
	<b>1,770,789</b>	<b>1,073,779</b>	<b>1,500,726</b>	<b>813,639</b>

**BY ORDER OF THE BOARD**

LIM SU-LING

COMPANY SECRETARY

SINGAPORE

21st March 2001