

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 2001

	THE GROUP			THE COMPANY		
	<u>2001</u> \$'000	<u>2000</u> \$'000	<u>+ / (-)</u> %	<u>2001</u> \$'000	<u>2000</u> \$'000	<u>+ / (-)</u> %
TURNOVER	1,585,395	1,440,714	10.0	291,835	280,633	4.0
OPERATING PROFIT / (LOSS)	7,015	29,724	(76.4)	(33,627)	(35,878)	(6.3)
INVESTMENT INCOME	1,519	184	725.5	32,985	22,407	47.2
INTEREST INCOME	27,350	13,077	109.1	22,154	8,506	160.5
SHARE OF PROFITS OF ASSOCIATED COMPANIES	17,373	45,888	(62.1)	-	-	-
	53,257	88,873	(40.1)	21,512	(4,965)	n/m
INTEREST EXPENSE	(22,082)	(49,347)	(55.3)	(10,316)	(31,856)	(67.6)
PROFIT / (LOSS) BEFORE TAXATION AND EXCEPTIONAL ITEMS	31,175	39,526	(21.1)	11,196	(36,821)	n/m
EXCEPTIONAL ITEMS	(149,257)	910,090	n/m	(198,868)	954,917	n/m
(LOSS) / PROFIT BEFORE TAXATION	(118,082)	949,616	n/m	(187,672)	918,096	n/m
TAXATION (Note 2)	16,731	(12,495)	n/m	20,000	(1,870)	n/m
	(101,351)	937,121	n/m	(167,672)	916,226	n/m
MINORITY INTERESTS	(28,282)	(22,772)	24.2	-	-	-
(LOSS) / PROFIT AFTER TAXATION AND MINORITY INTERESTS (Attributable to shareholders)	(129,633)	914,349	n/m	(167,672)	916,226	n/m
DEPRECIATION AND AMORTISATION	87,611	86,507	1.3	16,073	19,963	(19.5)

Note 1: The comparative figures have been restated following the adoption of revised and new Singapore Statements of Accounting Standard in year 2001.

Note 2: The tax credit of S\$16.7 million for the year was due mainly to reversal of deferred tax corresponding to the Exceptional Items.

THE GROUP

31 December

2001 2000

a)	Earnings (cents) Per Share of \$0.50 each based on net profit after tax and minority interest:		
	(i) Based on existing issued share capital		
	- Excluding exceptional items	(0.10) cents	1.18 cents
	- Including exceptional items	(35.74) cents	253.42 cents
	(ii) On a fully diluted basis		
	- Excluding exceptional items	n/a	1.18 cents
	- Including exceptional items	n/a	253.33 cents
b)	Net Tangible Asset Backing (S\$) Per Share of \$0.50 each	S\$2.53	S\$3.77

	<u>THE GROUP</u>			<u>THE COMPANY</u>			
	<u>2001</u>	<u>2000</u>	<u>+ / (-)</u> %	<u>2001</u>	<u>2000</u>	<u>+ / (-)</u> %	
c)	Profit After Taxation (\$'000)						
i)	1st half year	(128,661)	22,637	n/m	(94,970)	(8,485)	n/m
ii)	2nd half year	27,310	914,484	(97.0)	(72,702)	924,711	n/m

Note: The profit figures reported for first half 2001 and the year 2000 comparative figures have been adjusted following the adoption of revised and new Singapore Statements of Accounting Standard in year 2001.

2) REVENUE AND (LOSS)/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 divisions of Steel, Industrial, Electronics, and Properties and Investments.

By Business Segments	<u>TURNOVER</u>		<u>(LOSS) / PROFIT BEFORE TAX (including contribution from associates)</u>	
	<u>2001</u> \$'000	<u>2000</u> \$'000	<u>2001</u> \$'000	<u>2000</u> \$'000
Steel	877,751	801,975	(146,977)	(10,505)
Industrial	298,882	294,465	(23,064)	(33,374)
Electronics	393,777	326,009	60,373	1,010,601
Properties and Investments	14,985	18,265	(8,414)	(17,106)
	----- 1,585,395 =====	----- 1,440,714 =====	----- (118,082) =====	----- 949,616 =====

By Geographical Segments

	2001			
	Singapore S\$'000	Asian and Asean Countries S\$'000	Other Countries S\$'000	Total S\$'000
Turnover	1,027,167	525,151	33,077	1,585,395
(Loss) / Profit before tax	(144,777)	32,554	(5,859)	(118,082)

	2000			
	Singapore S\$'000	Asian and Asean Countries S\$'000	Other Countries S\$'000	Total S\$'000
Turnover	970,006	454,705	16,003	1,440,714
Profit before tax	884,107	45,952	19,557	949,616

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

	GROUP	
	31.12.01 \$'000	31.12.00 \$'000
Group Borrowings		
Secured	97,696	48,176
Unsecured	312,971	905,318*
	-----	-----
	410,667	953,494
	=====	=====
Repayable in one year or less	273,285	892,051*
Repayable after one year	137,382	61,443
	-----	-----
	410,667	953,494
	=====	=====

* includes RCCPS of S\$256,483,000.

- 4) In the opinion of the Directors, no item, transaction or event of a material and unusual nature has arisen which would substantially affect the results of the Company and of the Group between the date up to which this report refers and the date on which this report is issued.
- 5) The results contain no pre-acquisition profits of subsidiaries and there is no material tax adjustment for under or over-provisions in respect of prior years.
- 6) On 19 May 2001, pursuant to Section 73 of the Companies Act, Chapter 50 of Singapore, the Company effected a capital reduction by utilising a sum of S\$315.7 million from the share premium account. This sum of S\$315.7 million was applied towards the payment of S\$0.87 in cash for each issued ordinary share in the Company held by shareholders of the Company as at 5:00 p.m. on 18 May 2001.

On 2 April 2001, the Company's 3% Redeemable Convertible Cumulative Preference Shares ("RCCPS") were redeemed at a redemption amount of US\$1,201.69 for each RCCPS, or a total of US\$150.2 million (S\$273.2 million).

7) REVIEW OF THE PERFORMANCE OF THE COMPANY AND ITS PRINCIPAL SUBSIDIARIES

7(a) Proforma Profit and Loss Account excluding exceptional items

	<u>THE GROUP</u>		
	<u>2001</u> S\$'000	<u>2000</u> S\$'000	<u>%</u> <u>Change</u>
Turnover	1,585,395	1,440,714	10.0
Profit before tax (excluding exceptional items)	31,175	39,526	(21.1)
Profit after tax, before minority interests (excluding exceptional items)	27,906	27,031	3.2
Earnings before interest, taxation, depreciation and amortisation (excluding exceptional items)	113,518	162,303	(30.1)

7(b) Exceptional Items

Exceptional items are items of income and expense which are outside the normal activities of the Group, and are of such size, nature or incidence that their disclosure is relevant to explain the performance of the Group. Exceptional items comprise the following:

	<u>THE GROUP</u>	
	<u>2001</u> S\$'000	<u>2000</u> S\$'000
Gain on disposal of investments		
- NatSteel Electronics Ltd	-	951,761
- Others	21,051	5,642
Writeback of provision for diminution in value of investments	8,943	2,379
	29,994	959,782
Loss on disposal of investments	-	(8,906)
Provision for diminution in value of investments	(46,643)	(30,202)
Restructuring and other rationalisation costs	(132,608)	-
Costs related to early redemption of Redeemable Convertible Cumulative Preference Shares	-	(10,584)
	(179,251)	(49,692)
	(149,257)	910,090

For the year under review, the Group achieved a 10% increase in turnover to \$1.58 billion reflecting revenue increases by the overseas steel units and electronics businesses. The Group's profit before tax and exceptional items of \$31.2 million as against \$39.5 million in 2000 represents a 21.1% decline. The loss after exceptional items of \$129.6 million for the year was primarily due to the substantial restructuring charge of \$109 million incurred for the Singapore steel operations.

Steel Division

Turnover

(\$ million)	FY 2001	FY 2000	Change	
Total turnover	877.8	802.0	75.8	9.4%

Attributable Profit before Tax (PBT)

Total Steel	FY 2001				FY 2000			Change %
PBT (\$ mil)	Operating PBT	Excep'l Items	Restruc'g Charges	Total	Operating PBT	Excep'l Items	Total	
Sing Steel	(28.1)	(11.7)	(109.0)	(148.8)	(26.2)	(13.8)	(40.0)	(272.0)
Overseas	6.8	-	(5.0)	1.8	29.5	-	29.5	(93.9)
Total PBT	(21.3)	(11.7)	(114.0)	(147.0)	3.3	(13.8)	(10.5)	n/m

The Steel Division recorded an operating loss of \$21.3 million for 2001 as compared to \$3.3 million operating profit last year. Full year losses at Singapore Steel totalled \$28.1 million, due to reduced deliveries and depressed selling prices. Restructuring charges announced in July 2001 amounting to \$109 million were to downsize and re-position the Singapore steel operations. Another \$16.7 million of Exceptional Items were provisions incurred mainly in respect of other Steel Division investments. Some of the benefits of this streamlining and repositioning exercise has started to benefit the second half performance through reduction in labour and depreciation costs and higher operating efficiency. As a result, the rate of losses at Singapore Steel for the second half has reduced.

Overseas Steel contributed \$6.8 million in operational pre-tax profits. This represented a \$22.7 million decline compared to last year. The decline was substantially due to Acominas, whose performance was adversely affected by weak selling prices and foreign exchange provisions on its dollar denominated borrowings. On the other hand, the Group's China and Vietnam mills increased its profitability by 13%.

Industrial Division

Turnover

(\$ million)	FY 2001	FY 2000	Change	
Total turnover	298.9	294.5	4.4	1.5%

Attributable Profit before Tax (PBT)

Industrial	FY 2001				FY 2000			Change %
PBT (\$ mil)	Operating PBT	Excep'l Items	Restruc'g Charges	Total	Operating PBT	Excep'l Items	Total	
Construction	(0.4)	(3.1)	(12.7)	(16.2)	(14.7)	(8.2)	(22.9)	29.3
Chemicals	2.7	(3.2)	-	(0.5)	(1.8)	(0.3)	(2.1)	76.2
Engineering	(4.1)	(0.3)	(2.0)	(6.4)	(8.3)	-	(8.3)	22.9
Total PBT	(1.8)	(6.6)	(14.7)	(23.1)	(24.8)	(8.5)	(33.3)	30.6

The Industrial Division comprise three core businesses – the Construction Products group which is the largest, the Chemicals group and the Engineering group. The Industrial Division reduced its operational losses from \$24.8 million in 2000 to \$1.8 million this year. All three businesses contributed to the improvement.

The Construction Products group posted a modest operational loss of \$0.4 million for 2001 as against a \$14.7 million operational loss last year. The improved performance resulted from strong contribution by the precast business in the second half and from the cessation of losses in businesses that were rationalised or sold during the year. The \$15.8 million exceptional charge was mainly to provide for the group's exposure to its loss-making bricks operations.

The Chemicals group recorded an operational profit of \$2.7 million as compared to a loss of \$1.8 million for 2000. An exceptional charge of \$3.2 million was incurred mainly for the writedown of fixed assets. Improved performances came from the group's petrochemical interests in Thailand and lower losses at the oil sludge processing unit. Losses for the Engineering group halved to \$4.1 million following steps to rationalise its businesses.

Electronics Division

Turnover

(\$ million)	FY 2001	FY 2000	Change	
Total turnover	393.8	326.0	67.8	20.8%

Attributable Profit before Tax (PBT)

Electronics PBT (\$ mil)	FY 2001				FY 2000			Change %
	Operating PBT	Excep'l Items	Restruc'g Charges	Total	Operating PBT	Excep'l Items	Total	
Total PBT	42.1	18.3	-	60.4	54.9	955.7	1,010.6	(94.0)

The Electronics Division recorded an operational profit of \$42.1 million. NatSteel Broadway reported 26.5% lower earnings due to price pressures and lower capacity utilisation. BJ experienced weaker customer offtake in the second half. The exceptional gain of \$18.3 million arose from the sale of an investment.

8) COMMENTARY ON CURRENT YEAR PROSPECTS

Steel Division

Although steel demand is likely to remain weak during 2002, the restructuring and streamlining measures taken since July 2001 has enabled the Singapore Steel operations to serve a smaller domestic market more effectively and competitively. The positive effects of lower costs and higher efficiency are expected to increasingly improve operating margins during the course of the year.

Contributions from the regional mills have steadily increased over the years. The recent acquisition of Siam Industrial Wire Company Limited will add to the overall profitability. Together with the Group's existing wire products businesses in China and Malaysia, medium term synergy can be derived through common procurement and marketing practices. In the short term, the three China mills expect to maintain their performance. As demand for steel products in China is expected to increase steadily, the Group is considering opportunities to expand production and to embark on new steel projects.

Overall, the Steel Division is expected to return to profitability in 2002.

Industrial Division

The Chemicals and Engineering groups are expected to improve on their 2001 performance. However, business conditions for the Construction Products group are expected to remain weak. The performance of Eastern Pretech's precast business with its strong design and engineering content will depend on its prospective supply to various major projects awaiting tender. The Cement and Concrete markets remain oversupplied. Overall, the Industrial Division will incur lower losses.

Electronics Division

With an extended customer base and further cost reduction, NatSteel Broadway's performance is expected to improve. BJ should maintain its performance.

The Group

The Directors believe that over the medium term the growth prospects for the Group's core businesses will improve. For 2002, the Directors expect Group performance to be better.

9) DIVIDENDS

The directors recommend that a final dividend of 6% less income tax of 24.5% be paid amounting to S\$8,219,000.

10) SUMMARISED BALANCE SHEET

	THE GROUP		THE COMPANY	
	31.12.01 \$'000	31.12.00 \$'000	31.12.01 \$'000	31.12.00 \$'000
Non Current Assets				
Fixed Assets	585,698	751,405	100,352	195,851
Investment Properties	14,988	21,440	-	-
Subsidiary Companies	-	-	401,130	513,799
Associated Companies	355,043	390,533	96,896	130,921
Long Term Investments	49,537	63,196	19,070	23,450
Other Long Term Assets	13,236	35,956	1,536	2,966
Current Assets	828,447	1,899,559	382,473	1,388,713
Current Liabilities	(578,820)	(1,486,525)	(156,417)	(956,652)
Non Current Liabilities				
Deferred Taxation	(38,045)	(68,748)	(24,834)	(44,834)
Others	(156,896)	(81,695)	(58,488)	(9,971)
Net Assets	1,073,188	1,525,121	761,718	1,244,243
Financed by :				
Issued Capital	181,441	181,176	181,441	181,176
Share Premium	-	456,076	-	456,076
Capital Reserve	15,666	15,885	-	-
Capital Redemption Reserve	179	-	179	-
Revaluation Surplus Reserve	6,242	28,347	-	-
General Reserve	19,965	18,806	13,287	13,287
Revenue Reserve	698,511	667,929	566,811	593,704
Shareholders' Funds	922,004	1,368,219	761,718	1,244,243
Deferred Income	12,888	14,132	-	-
Minority Interests	138,296	142,770	-	-
	1,073,188	1,525,121	761,718	1,244,243

11) ADOPTION OF REVISED AND NEW SINGAPORE STATEMENTS OF ACCOUNTING STANDARD

The comparative figures for the previous financial year have been adjusted to take into account the requirements of the following revised and new Singapore Statements of Accounting Standard which the Group implemented in 2001:

SAS 10	Events after the Balance Sheet Date
SAS 17	Employee Benefits
SAS 22	Business Combinations
SAS 31	Provisions, Contingent Liabilities and Contingent Assets
SAS 32	Financial Instruments – Disclosure and Presentation
SAS 34	Intangible Assets
SAS 35	Discontinuing Operations
SAS 36	Impairment of Assets

SAS 32 – Financial Instruments : Disclosure and Presentation, effective for the year ended 31 December 2001, requires the Company as an issuer of a financial instrument to classify the instrument either as a liability or equity in accordance with the substance of the contractual arrangement on initial recognition. Following the adoption of SAS 32, the Redeemable Convertible Cumulative Preference Shares (“RCCPS”) are classified as financial liabilities. The dividends and the accretion of the redemption premium on these preference shares are recognised in the income statement as interest expense.

The RCCPS were redeemed by the Company on 2 April 2001. The cost relating to early redemption of RCCPS is charged to the Income Statement as an Exceptional Loss in 2000 when the early redemption was announced.

The comparative figures for the previous year have been restated to comply with the new SAS 32 which has the impact of reducing net profit before tax by S\$35.3 million. In the current financial year ended 31 December 2001, net profit before tax decreased by S\$16.7 million as a result of the adoption of SAS 32.

The net effect of the adoption of the above standards is as follows:

	Group S\$'000	Company S\$'000
<u>Effect on net profit, revenue reserve and earnings per share</u>		
Decrease in net profit before tax for the year ended 31 December 2000	35,403	35,320
Decrease in opening revenue reserve at 1 January 2000	219,121	216,916
Decrease in opening revenue reserve at 1 January 2001	258,492	256,304
Decrease in basic earnings per share for the year ended 31 December 2000	5.5 cents	n/a
<u>Effect on borrowings</u>		
Increase in borrowings due within one year at 31 December 2000	256,483	256,483

In addition, the effect of changes in accounting policy arising from the initial adoption of SAS 17 – Employee Benefits has been adjusted in the results for the financial year ended 31 December 2001. The change resulted in a decrease in net profit after taxation of the Company and of the Group for the financial year ended 31 December 2001 by S\$1.2 million and S\$2.8 million respectively.

12) **SIGNIFICANT SUBSEQUENT EVENTS**

Subsequent to the financial year-end, the Company announced the following:

- (a) On 2 January 2002, the Company announced the acquisition of a 71% stake in Siam Industrial Wire Company Limited (“SIW”) of Thailand for a consideration of S\$10.5 million. SIW manufactures, sells and distributes wire mesh, pre-stressed concrete wires and strands.

- (b) On 30 January 2002, the Company announced that it has, together with Finlayson Investments Pte Ltd (“Finlayson”) entered into two conditional agreements with Gerdau Participacoes Ltda and Gerdau GTL Spain S.L. The Company presently owns 66.8% of NatSteel Brasil Ltda and the remaining balance of 33.2% is held by Finlayson. On 18 March 2002, NatSteel shareholders approved the above transaction.

As stated in the circular to the shareholders dated 1 March 2002, the Company expects to receive proceeds, net of estimated expenses, of approximately S\$258.2 million, reflecting a gain of approximately S\$70.5 million, calculated based on the unaudited financial statements as at 30 June 2001.

BY ORDER OF THE BOARD

LIM SU-LING
COMPANY SECRETARY
SINGAPORE
20 MARCH 2002