

# NATSTEEL LTD

## Full Year Financial Statement Announcement

The figures have not been audited

### PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

**1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year**

		THE GROUP					
Notes		4Q 2004 S\$'000	4Q 2003 S\$'000	Change %	FY 2004 S\$'000	FY 2003 S\$'000	Change %
	<b>Sales</b>	<b>527,381</b>	<b>443,885</b>	<b>19%</b>	<b>2,073,987</b>	<b>1,717,735</b>	<b>21%</b>
	Cost of sales	(487,590)	(403,778)		(1,914,188)	(1,567,709)	
	<b>Gross profit</b>	<b>39,791</b>	<b>40,107</b>	<b>(1%)</b>	<b>159,799</b>	<b>150,026</b>	<b>7%</b>
	Other operating income	5,138	7,510		13,456	18,046	
	Distribution costs	(7,225)	(7,434)		(29,180)	(29,634)	
	Administrative expenses	(21,848)	(19,775)		(72,139)	(74,254)	
	Other operating expenses	(2,484)	(7,383)		(16,440)	(19,370)	
	<b>Profit from operations</b>	<b>13,372</b>	<b>13,025</b>	<b>3%</b>	<b>55,496</b>	<b>44,814</b>	<b>24%</b>
	Investment income	3,759	2,344		4,159	4,639	
	Interest income	1,905	1,680		7,797	8,662	
	Finance costs	(1,760)	(1,525)		(6,210)	(7,753)	
	Share of results of associated companies	12,559	10,290		51,623	37,820	
	<b>Profit before taxation and exceptional items</b>	<b>29,835</b>	<b>25,814</b>	<b>16%</b>	<b>112,865</b>	<b>88,182</b>	<b>28%</b>
	Exceptional items	19,412	(7,578)		36,449	8,789	
	<b>Profit before taxation</b>	<b>49,247</b>	<b>18,236</b>	<b>170%</b>	<b>149,314</b>	<b>96,971</b>	<b>54%</b>
	Taxation	(6,881)	3,879		(16,910)	(10,655)	
	<b>Profit after taxation</b>	<b>42,366</b>	<b>22,115</b>		<b>132,404</b>	<b>86,316</b>	
	Minority interests	(2,147)	(1,071)		(10,029)	(6,122)	
	<b>Net profit for the period</b>	<b>40,219</b>	<b>21,044</b>	<b>91%</b>	<b>122,375</b>	<b>80,194</b>	<b>53%</b>

## Comments on Income Statement

a) Finance costs

The lower finance costs in 2004 were mainly due to lower borrowings of the Group for year 2004 as compared to the previous year.

b) Share of results of associated companies

The increase was mainly due to stronger contributions from the Group's operations in Malaysia and Thailand.

c) Taxation

The taxation charge on profit for year 2004 was lower than the amount that would arise by applying the Singapore statutory tax rate. This was mainly due to certain income that were not subject to tax and a decrease in net deferred tax liability of the Group resulting from the reduction in the corporate tax rate from 22% to 20%.

**Note 1** – Profit from operations is arrived at after (charging) / crediting the following items:

Amortisation of intangible assets	(215)	(1,658)	(512)	(7,002)
Depreciation of property, plant and equipment	(8,436)	(10,556)	(40,323)	(45,478)
Property, plant and equipment written off	(246)	(259)	(943)	(1,694)
Net foreign exchange (loss) / gain	(4,486)	1,906	(8,541)	4,441
Net (provision) made / write back for				
- stock obsolescence	751	(1,859)	(731)	(1,941)
- doubtful debts	(911)	(2,929)	(3,083)	(7,351)
Net gain / (loss) on sale of property, plant and equipment	592	(87)	1,202	1,240
Amortisation of deferred income	220	161	834	855

<b>THE GROUP</b>			
<b>4Q 2004</b>	<b>4Q 2003</b>	<b>FY 2004</b>	<b>FY 2003</b>
<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
(215)	(1,658)	(512)	(7,002)
(8,436)	(10,556)	(40,323)	(45,478)
(246)	(259)	(943)	(1,694)
(4,486)	1,906	(8,541)	4,441
751	(1,859)	(731)	(1,941)
(911)	(2,929)	(3,083)	(7,351)
592	(87)	1,202	1,240
220	161	834	855

**Note 2** – Exceptional items comprise the following:

Net (loss) / gain on disposal of investments	(779)	7,690	384	13,304
Net (provision) made / write back for diminution in value of investments	(2,605)	(3,617)	14,184	6,547
Recovery on disposal of property, plant and equipment previously written off	25	-	115	213
Waiver of loans by minority shareholders	-	2,846	-	2,846
Reversal of impairment / impairment (charge) of property, plant and equipment	1,274	(5,926)	1,110	(5,926)
Impairment of goodwill of associated companies previously adjusted to retained earnings	-	(7,147)	-	(7,147)
Share of associated company's				
- gain on debt restructuring	11,567	-	11,567	-
- negative goodwill recognised in income statement	8,942	-	8,942	-
Others	988	(1,424)	147	(1,048)
Net gain / (loss)	19,412	(7,578)	36,449	8,789

<b>THE GROUP</b>			
<b>4Q 2004</b>	<b>4Q 2003</b>	<b>FY 2004</b>	<b>FY 2003</b>
<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
(779)	7,690	384	13,304
(2,605)	(3,617)	14,184	6,547
25	-	115	213
-	2,846	-	2,846
1,274	(5,926)	1,110	(5,926)
-	(7,147)	-	(7,147)
11,567	-	11,567	-
8,942	-	8,942	-
988	(1,424)	147	(1,048)
19,412	(7,578)	36,449	8,789

**1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year**

	<b>THE GROUP</b>		<b>THE COMPANY</b>	
	<b>31.12.04</b>	<b>31.12.03</b>	<b>31.12.04</b>	<b>31.12.03</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Share Capital	186,779	186,779	186,779	186,779
Share Premium	6,881	6,881	6,881	6,881
Reserves	776,442	689,023	711,699	624,633
Shareholders' Funds	970,102	882,683	905,359	818,293
Deferred Income	12,692	13,089	-	-
Minority Interests	50,863	28,014	-	-
	<b>1,033,657</b>	<b>923,786</b>	<b>905,359</b>	<b>818,293</b>
<b>Current Assets</b>				
Inventories	207,816	166,817	-	56,020
Receivables and prepayments	332,968	337,768	481,500	187,551
Cash and bank balances	341,390	356,553	254,035	265,447
	<b>882,174</b>	<b>861,138</b>	<b>735,535</b>	<b>509,018</b>
<b>Non Current Assets</b>				
Property, plant and equipment	307,546	332,248	117	80,754
Investment properties	11,929	12,538	-	-
Subsidiaries	-	-	134,658	164,619
Associated companies	145,301	94,057	19,180	56,793
Long term investments	56,859	59,986	16,568	17,816
Long term receivables	14,963	23,704	90,938	74,939
Intangible assets	21,171	19,075	-	-
Deferred tax assets	7,975	7,788	-	-
	<b>565,744</b>	<b>549,396</b>	<b>261,461</b>	<b>394,921</b>
<b>Total Assets</b>	<b>1,447,918</b>	<b>1,410,534</b>	<b>996,996</b>	<b>903,939</b>
<b>Current Liabilities</b>				
Amounts due to bankers	(131,036)	(157,842)	(1,545)	(4,156)
Trade and other payables	(167,298)	(203,715)	(56,972)	(42,410)
Taxation	(16,846)	(13,853)	(5,912)	(1,312)
	<b>(315,180)</b>	<b>(375,410)</b>	<b>(64,429)</b>	<b>(47,878)</b>
<b>Non Current Liabilities</b>				
Provision for retirement benefits	(4,863)	(5,993)	(176)	(5,255)
Deferred tax liabilities	(28,336)	(31,154)	(8,656)	(13,702)
Other unsecured notes	(27,706)	(27,706)	-	-
Long term loans	(27,464)	(32,857)	-	-
Other non current liabilities	(10,712)	(13,628)	(18,376)	(18,811)
	<b>(99,081)</b>	<b>(111,338)</b>	<b>(27,208)</b>	<b>(37,768)</b>
<b>Total Liabilities</b>	<b>(414,261)</b>	<b>(486,748)</b>	<b>(91,637)</b>	<b>(85,646)</b>
	<b>1,033,657</b>	<b>923,786</b>	<b>905,359</b>	<b>818,293</b>

## Comments on Balance sheet

### a) Minority interests

During the financial period, a subsidiary's bank loans were restructured which resulted in partial repayment and conversion into redeemable non cumulative preference shares ("RPS") of S\$1 each. The RPS have been accounted for as minority interests in the consolidated balance sheet.

## **1(b)(ii) Aggregate amount of the group's borrowings and debt securities**

### **Amount repayable in one year or less, or on demand**

<b>As at 31 December 2004</b>		<b>As at 31 December 2003</b>	
<b>Secured S\$'000</b>	<b>Unsecured S\$'000</b>	<b>Secured S\$'000</b>	<b>Unsecured S\$'000</b>
25,659	105,664	48,187	109,893

### **Amount repayable after one year**

<b>As at 31 December 2004</b>		<b>As at 31 December 2003</b>	
<b>Secured S\$'000</b>	<b>Unsecured S\$'000</b>	<b>Secured S\$'000</b>	<b>Unsecured S\$'000</b>
27,785	27,756	32,738	27,948

### **Details of any collaterals**

Included in the Group's property, plant and equipment are property, plant and equipment of subsidiaries of net book value of S\$62,519,000 (31 Dec 2003: S\$110,081,000) charged by way of debentures to banks for overdraft and term loan facilities granted.

**1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year**

	<b>THE GROUP</b>			
	<b>4Q 2004 S\$'000</b>	<b>4Q 2003 S\$'000</b>	<b>FY 2004 S\$'000</b>	<b>FY 2003 S\$'000</b>
<b>Cash flows from operating activities</b>				
Profit before taxation	49,247	18,236	149,314	96,971
Non-cash and reclassified items	(24,073)	10,122	(49,667)	5,528
Working capital changes	(4,841)	(20,473)	(72,780)	(16,719)
Income taxes paid	(3,363)	(1,677)	(12,246)	(12,716)
Payment of expenses relating to general offer and management buy-out	-	-	-	(8,127)
Dividends received from associated companies	4,834	33	15,472	28,017
Other operating cash flow	712	(744)	(1,091)	(1,513)
<b>Net cash generated from operating activities</b>	<b>22,516</b>	<b>5,497</b>	<b>29,002</b>	<b>91,441</b>
<b>Cash flows from investing activities</b>				
Proceeds from sale of property, plant and equipment	1,809	2,026	3,903	8,137
Proceeds from sale of long term investments / investment properties	2,393	8,258	20,603	13,056
Proceeds from sale of associated companies	432	40,396	432	40,396
Proceeds from sale of subsidiary	2,974	2,976	2,974	1,004
Acquisition of additional interest in subsidiaries	(560)	(2,052)	(655)	(15,059)
Acquisition of new subsidiary	(719)	-	(719)	-
Investment in associated companies	-	-	(1,088)	(17,662)
Purchase of property, plant and equipment	(8,574)	(6,038)	(19,600)	(15,468)
Purchase of long term investments and investment properties	(955)	(2,039)	(6,937)	(3,213)
Interest received	1,393	1,941	7,283	7,376
Decrease / (increase) in amount due from associated companies	2,212	2,321	(230)	(12,265)
<b>Net cash generated from investing activities</b>	<b>405</b>	<b>47,789</b>	<b>5,966</b>	<b>6,302</b>
<b>Cash flows from financing activities</b>				
Decrease in amounts due to bankers	(60,166)	(3,125)	(18,945)	(94,003)
Interest paid	(1,679)	(1,318)	(6,240)	(8,148)
Dividends paid	-	-	(29,885)	(373,558)
Dividends and other distributions paid to minority interests	(54)	(491)	(2,552)	(3,231)
Other financing cash flow	515	(4,029)	7,880	(2,789)
<b>Net cash used in financing activities</b>	<b>(61,384)</b>	<b>(8,963)</b>	<b>(49,742)</b>	<b>(481,729)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(38,463)</b>	<b>44,323</b>	<b>(14,774)</b>	<b>(383,986)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>378,174</b>	<b>310,162</b>	<b>354,485</b>	<b>738,471</b>
<b>Cash and cash equivalents at end of period*</b>	<b>339,711</b>	<b>354,485</b>	<b>339,711</b>	<b>354,485</b>

\* comprise cash and bank balances net of bank overdrafts

### Acquisition of new subsidiary

The attributable net assets and purchase consideration of the subsidiary acquired during the period were as follows:

	<b>THE GROUP</b>			
	<b>4Q 2004</b> <b>S\$'000</b>	<b>4Q 2003</b> <b>S\$'000</b>	<b>FY 2004</b> <b>S\$'000</b>	<b>FY 2003</b> <b>S\$'000</b>
Property, plant and equipment	2,871	-	2,871	-
Inventories	117	-	117	-
Receivables and prepayments	1,312	-	1,312	-
Cash and bank balances	231	-	231	-
Long term loans	(1,383)	-	(1,383)	-
Amount due to bankers	(752)	-	(752)	-
Trade and other payables	(1,356)	-	(1,356)	-
Taxation	(22)	-	(22)	-
Other non current liabilities	(90)	-	(90)	-
	928	-	928	-
Minority interests	(464)	-	(464)	-
	464	-	464	-
Goodwill on consolidation	486	-	486	-
Cost of shares purchased	950	-	950	-
Cash and balances of the subsidiary acquired	(231)	-	(231)	-
Net cash outflow on acquisition of subsidiary	719	-	719	-

### Disposal of subsidiary

The attributable net assets and proceeds from sale of the subsidiary during the period were as follows:

	<b>THE GROUP</b>			
	<b>4Q 2004</b> <b>S\$'000</b>	<b>4Q 2003</b> <b>S\$'000</b>	<b>FY 2004</b> <b>S\$'000</b>	<b>FY 2003</b> <b>S\$'000</b>
Property, plant and equipment	-	-	-	143
Long term investments	-	-	-	144
Inventories	-	-	-	147
Receivables and prepayments	-	-	-	8,004
Cash and bank balances	-	-	-	1,972
Trade and other payables	-	-	-	(3,108)
	-	-	-	7,302
Minority interests	-	-	-	(1,029)
Attributable net assets disposed	-	-	-	6,273
Goodwill released upon disposal of subsidiary	-	-	-	1,314
Net loss on disposal of subsidiary	-	(24)	-	(1,637)
Total consideration	-	(24)	-	5,950
Consideration receivable at end of period *	-	3,000	-	(2,974)
Cash and bank balances of the subsidiary disposed	-	-	-	(1,972)
Net cash flow on disposal of subsidiary	-	2,976	-	1,004

\* Consideration receivable from sale of subsidiary of S\$2,974,000 at 31 December 2003 has been received in year 2004.

**1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year**

	Share Capital S\$'000	Share Premium S\$'000	Revenue Reserve S\$'000	Translation Reserve S\$'000	Capital Reserve S\$'000	Revaluation Reserve S\$'000	Other Reserves S\$'000	Total S\$'000
<b>THE GROUP</b>								
<b>Balance as at 1 January 2004</b>	186,779	6,881	653,676	(6,061)	15,666	3,115	22,627	882,683
Effect of adopting FRS 103	-	-	1,581	-	-	-	-	1,581
	186,779	6,881	655,257	(6,061)	15,666	3,115	22,627	884,264
Exchange differences arising on consolidation	-	-	-	(8,456)	-	-	-	(8,456)
Exchange differences released upon disposal of associated companies	-	-	-	1,734	-	-	-	1,734
Exchange differences and capital reserve released upon striking off of subsidiaries	-	-	-	203	(133)	-	-	70
Net losses not recognised in the income statement	-	-	-	(6,519)	(133)	-	-	(6,652)
Net profit for the year	-	-	122,375	-	-	-	-	122,375
Total recognised gains / (losses) for the year	-	-	122,375	(6,519)	(133)	-	-	115,723
Transfer to other reserves	-	-	(2,186)	-	-	-	2,186	-
Dividend paid	-	-	(29,885)	-	-	-	-	(29,885)
<b>Balance as at 31 December 2004</b>	186,779	6,881	745,561	(12,580)	15,533	3,115	24,813	970,102

<b>THE GROUP</b>	<b>Share Capital S\$'000</b>	<b>Share Premium S\$'000</b>	<b>Revenue Reserve S\$'000</b>	<b>Translation Reserve S\$'000</b>	<b>Capital Reserve S\$'000</b>	<b>Revaluation Reserve S\$'000</b>	<b>Other Reserves S\$'000</b>	<b>Total S\$'000</b>
<b>Balance as at 1 January 2003</b>	186,779	6,881	939,431	(5,940)	15,666	3,115	21,309	1,167,241
Exchange differences arising on consolidation	-	-	-	(706)	-	-	-	(706)
Impairment of goodwill of associated companies previously adjusted to retained earnings	-	-	7,147	-	-	-	-	7,147
Goodwill and exchange differences released upon disposal of interest in subsidiary and associated companies	-	-	1,780	585	-	-	-	2,365
Net gains / (losses) not recognised in the income statement	-	-	8,927	(121)	-	-	-	8,806
Net profit for the year	-	-	80,194	-	-	-	-	80,194
Total recognised gains / (losses) for the year	-	-	89,121	(121)	-	-	-	89,000
Transfer to other reserves	-	-	(1,318)	-	-	-	1,318	-
Dividends paid	-	-	(373,558)	-	-	-	-	(373,558)
<b>Balance as at 31 December 2003</b>	186,779	6,881	653,676	(6,061)	15,666	3,115	22,627	882,683

	Share Capital S\$'000	Share Premium S\$'000	Revenue Reserve S\$'000	Other Reserves S\$'000	Total S\$'000
<b>THE COMPANY</b>					
<b>Balance as at 1 January 2004</b>	186,779	6,881	611,167	13,466	818,293
Net gain and total recognised gain for the year	-	-	116,951	-	116,951
Dividend paid	-	-	(29,885)	-	(29,885)
<b>Balance as at 31 December 2004</b>	<b>186,779</b>	<b>6,881</b>	<b>698,233</b>	<b>13,466</b>	<b>905,359</b>
<b>Balance as at 1 January 2003</b>	186,779	6,881	620,334	13,466	827,460
Net gain and total recognised gain for the year	-	-	364,391	-	364,391
Dividends paid	-	-	(373,558)	-	(373,558)
<b>Balance as at 31 December 2003</b>	<b>186,779</b>	<b>6,881</b>	<b>611,167</b>	<b>13,466</b>	<b>818,293</b>

**1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year**

There have been no changes to the issued share capital of the company since 31 December 2003.  
There were no outstanding options as at 31 December 2004.

**2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice**

The figures have not been audited nor reviewed by the Group's auditors.

**3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter)**

Not applicable.

#### 4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

Except as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for current reporting period compared with the financial statements as at 31 December 2003.

#### 5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

On 1 July 2004, the Council on Corporate Disclosure and Governance issued Financial Reporting Standard ("FRS") 103 Business Combinations, revised FRS 36 Impairment of Assets and revised FRS 38 Intangible Assets. Accordingly, FRS 22 Business Combinations was withdrawn.

These standards are to be applied to the accounting for business combinations for annual periods beginning on or after 1 July 2004. However, early adoption of these standards is permitted and must be applied prospectively from the same date.

The early adoption of FRS 103, revised FRS 36 and revised FRS 38 resulted in a change in the accounting treatment for goodwill. FRS 103 requires goodwill acquired in a business combination to be measured at cost less any accumulated impairment losses. Goodwill shall no longer be amortised, instead, impairment is tested annually, or more frequently if events or changes in circumstances indicated that the goodwill might be impaired. Negative goodwill previously recognised shall be derecognised at the beginning of that period, with a corresponding adjustment to the opening balance of retained earnings. The replaced FRS 22 Business Combinations required acquired goodwill, including negative goodwill, to be systematically amortised over its useful life and included a rebuttable presumption that its useful life could not exceed twenty years from initial recognition.

The early adoption of FRS 103 resulted in an increase of S\$1.6 million in shareholders' funds as at 1 January 2004 and an increase of S\$15.9 million in the Group's net profit for FY 2004. The increase in net profit for the financial year arose from the cessation of goodwill amortisation of S\$5.6 million and negative goodwill recognised in income statement of S\$10.3 million.

#### 6. Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

##### THE GROUP

	4Q 2004	4Q 2003	FY 2004	FY 2003
(a) Based on the weighted average number of ordinary shares in issue (cents)				
- Excluding exceptional items	5.57	7.66	23.00	19.11
- Including exceptional items	10.77	5.63	32.76	21.47
(b) On fully diluted basis (cents)				
- Excluding exceptional items	n/a	n/a	n/a	n/a
- Including exceptional items	n/a	n/a	n/a	n/a

#### 7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year

	THE GROUP		THE COMPANY	
	30.12.04	31.12.03	30.12.04	31.12.03
Net asset* value per ordinary share (S\$)	2.60	2.36	2.42	2.19

\* Net asset refers to shareholders' funds

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on

	4Q 2004 S\$'000	4Q 2003 S\$'000	Change %	FY 2004 S\$'000	FY 2003 S\$'000	Change %
<b>Group Turnover</b>	527,381	443,885	19%	2,073,987	1,717,735	21%
<b>Group Profit Before Tax (excluding exceptional items)</b>	29,835	25,814	16%	112,865	88,182	28%
<b>Exceptional Items</b>	19,412	(7,578)	n/m	36,449	8,789	n/m
<b>Group Net Profit for the period</b>	40,219	21,044	91%	122,375	80,194	53%
<b>Group Earnings Before Interest, Taxation, Depreciation and Amortisation (excluding exceptional items)</b>	38,121	37,712	1%	151,279	138,898	9%

n/m : not meaningful

The Group achieved a 16% increase in pre-tax profit (excluding exceptional items) to \$29.8 mil in 4<sup>th</sup> quarter 2004 as compared to the same period last year. Powered by strong earnings growth at BST, the Group's petrochemical associate, the Industrial division recorded a 49% increase in profitability. The Steel division recorded flat earnings due to sluggish demand in some of its overseas markets.

For FY 2004, profit before tax (excluding exceptional items) increased 28% or \$24.7 mil to \$112.9 mil. The major contributors were the steel businesses ex-China, BST and the Group's Engineering businesses.

Profits after tax and exceptional items for 4<sup>th</sup> quarter 2004 and FY 2004 were \$40.2 and \$122.4 mil respectively. Gains from BST debt restructuring exercise and resultant negative goodwill totalling \$20.5 mil were included in 4<sup>th</sup> quarter exceptional items of \$19.4 mil.

## Steel Division

### Turnover

(S\$ million)						
	4Q 2004	4Q 2003	Change	FY 2004	FY 2003	Change
Total turnover	458.0	379.5	21%	1,812.8	1,416.7	28%

### Attributable Profit before Tax (PBT)

Total Steel						
PBT (S\$ mil)	4Q 2004	4Q 2003	Change	FY 2004	FY 2003	Change
<b>Operating PBT</b>						
- Sing Steel	3.4	3.0	13%	10.2	8.2	24%
- Overseas	11.6	12.4	(6%)	59.6	38.6	54%
	15.0	15.4	(3%)	69.8	46.8	49%
<b>Exceptional items</b>						
- Sing Steel	0.5	(10.3)	n/m	0.3	(7.3)	n/m
- Overseas	-	(4.4)	n/m	0.9	(4.4)	n/m
	0.5	(14.7)	n/m	1.2	(11.7)	n/m
<b>Total</b>						
- Sing Steel	3.9	(7.3)	n/m	10.5	0.9	n/m
- Overseas	11.6	8.0	45%	60.5	34.2	77%
	15.5	0.7	n/m	71.0	35.1	102%

n/m: not meaningful

Higher turnover for this quarter and the full year was due to higher steel prices and trading of 3<sup>rd</sup> party products.

Steel earnings for 4<sup>th</sup> quarter of \$15.0 mil were flat as compared to the same period last year due to sluggish market demand and weaker prices in domestic Chinese and Malaysian markets. However FY 2004 steel earnings of \$69.8 mil was 49% higher than the prior year due to better operating margins achieved for the Singapore markets and its various overseas operations ex-China. Despite higher feed cost, Chinese steel demand and prices softened following macro-economic measures introduced by the local authorities since May 2004.

## Industrial Division

### Turnover

(S\$ million)						
	4Q 2004	4Q 2003	Change	FY 2004	FY 2003	Change
Total turnover	61.7	53.8	15%	223.5	249.4	(10%)

### Attributable Profit before Tax (PBT)

Total Industrial PBT (S\$ mil)	4Q 2004	4Q 2003	Change	FY 2004	FY 2003	Change
<b>Operating PBT</b>						
- Construction	0.3	1.5	(80%)	-	10.1	-
- Chemicals	12.5	7.4	69%	40.1	30.1	33%
- Engineering	1.7	0.8	113%	3.3	1.1	200%
	14.5	9.7	49%	43.4	41.3	5%
<b>Exceptional items</b>						
- Construction	(0.1)	1.0	n/m	(0.8)	0.7	n/m
- Chemicals	21.2	2.9	n/m	21.2	2.9	n/m
- Engineering	2.8	(0.9)	n/m	3.9	(1.0)	n/m
	23.9	3.0	n/m	24.3	2.6	n/m
<b>Total</b>						
- Construction	0.2	2.5	(92%)	(0.8)	10.8	n/m
- Chemicals	33.7	10.3	227%	61.3	33.0	86%
- Engineering	4.5	(0.1)	n/m	7.2	0.1	n/m
	38.4	12.7	202%	67.7	43.9	54%

n/m: not meaningful

The turnover of the Industrial division for the current period was buoyed by higher crane spreader deliveries. For the full year, lower contract value secured by the Constructions Products group's precast & mortars businesses contributed mainly to the 10% decline in this division's 2004 turnover.

The contributions of BST, the group's Thai petrochemical associate were 75% and 74% of the Industrial division's 4<sup>th</sup> quarter and FY 2004 earnings of \$14.5 mil and \$43.4 mil respectively.

Earnings of the Group's Engineering group grew 200% to \$3.3 mil this year. These businesses enjoyed steady demand for its crane spreaders and improving market conditions for its tower crane rental business. The breakeven performance this year of the Construction Products group was due to low contract volume and values.

**9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results**

Not applicable.

**10. A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months**

**(a) Competitive conditions of the industry**

The Group's remaining businesses comprise mainly its Chemicals, Construction and Engineering businesses.

The outlook for the Group's petrochemical business in Thailand remain positive. Demand for its petrochemical products in Thailand and the region remain strong.

For Construction Products group, it serves mainly the construction industry in Singapore, Malaysia and Hong Kong. Demand conditions for building materials in this region is expected to remain soft. The Group's crane spreader business, which supplies to regional port developments and those in China and India, expects to see further growth in demand.

**(b) Known factors or events that may significantly affect the group in the next reporting period and next 12 months**

(i) The Company's shareholders at its Extraordinary General Meeting on 15 December 2004 approved the sale of the Group's steel businesses to Tata Iron and Steel Company Limited ("Tata") at a Negotiated Enterprise Value ("NEV") of S\$486.4 mil. On 15 February 2005, the Company announced the completion of its proposed sale of its regional and Singapore steel businesses to Tata, save for its investment in Changzhou Wujin NatSteel Company Limited. The Company received S\$304.8 mil and will receive the remainder of the sale consideration after the determination of the Completion Adjustments, which is expected to be determined within three months from date of Completion, and after the Completion of the transfer of Changzhou Wujin NatSteel Company Limited.

(ii) The Group's wholly owned subsidiary, Everen Investments Pte Ltd ("Everen") had been pursuing in the past few years all avenues to secure the recoverability of its US\$22.95 mil promissory note from Thai Wah Plaza Ltd. This debt had been fully provided for in prior years. Some progress were made in 2004 which resulted in the receipt of US\$2.33 mil which were duly written back to the Group's Exceptional Items in 2004. Everen has taken active steps to secure the recovery of the balance outstanding.

## 11. Dividend

### **(a) Current Financial Period Reported On**

Any dividend declared for the current financial period reported on? Yes

Name of Dividend	Final
Dividend Type	Cash
Dividend amount per share	S\$0.10
Dividend Rate	20% per ordinary share
Par value of shares	S\$0.50
Tax Rate	-

The proposed dividend is based on the Company's operational results in 2004. Any special dividend arising from the sale of the Company's Steel assets will be considered after the Strategic Review Committee has made its recommendations to the Board.

### **(b) Corresponding Period of the Immediately Preceding Financial Year**

Any dividend declared for the corresponding period of the immediately preceding financial year? Yes

Name of Dividend	Final	Interim
Dividend Type	Cash	Cash
Dividend amount per share	S\$0.08	S\$0.45
Dividend Rate	16% per ordinary share	90% per ordinary share
Par value of shares	S\$0.50	S\$0.50
Tax Rate	-	-

### **(c) Date payable**

Subject to the requisite approvals from shareholders at the annual general meeting of the Company ("AGM") to be held on or about 28 April 2005, it is anticipated that the said final dividend will be paid on or about 1 June 2005 or such other date to be determined by the Directors.

### **(d) Books closure date**

To be announced after the said AGM on or about 28 April 2005.

## 12. If no dividend has been declared/recommended, a statement to that effect

Not applicable.

**PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT**  
**(This part is not applicable to Q1, Q2, Q3 or Half Year Results)**

**13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year**

Year 2004	Steel 2004 S\$'000	Industrial 2004 S\$'000	Electronics, Properties & Investments 2004 S\$'000	Eliminations 2004 S\$'000	Total Group 2004 S\$'000
<b>REVENUE</b>					
External sales	1,812,812	223,495	37,680	-	2,073,987
Inter-segment sales	1,088,562	43,261	481	(1,132,304)	-
Total revenue	2,901,374	266,756	38,161	(1,132,304)	2,073,987
<b>RESULT</b>					
Segment operating results	55,321	13,046	(2,312)		66,055
Unallocated corporate expenses					(10,559)
Profit from operations					55,496
Investment and interest income					11,956
Finance costs					(6,210)
Share of results of associated companies	19,462	32,161	-		51,623
Exceptional Items	1,257	24,263	10,929		36,449
Profit before taxation					149,314
Taxation					(16,910)
Minority interests					(10,029)
Net profit for the year					122,375
<b>OTHER INFORMATION</b>					
Segment assets	597,258	193,929	82,731		873,918
Investment in equity method associated companies	56,343	82,584	6,374		145,301
Unallocated corporate assets					428,699
					1,447,918
Segment liabilities	(98,223)	(53,296)	(15,779)		(167,298)
Unallocated corporate liabilities					(246,963)
					(414,261)
					1,033,657
Capital expenditure	11,288	7,705	607		19,600
Depreciation	(21,512)	(14,858)	(3,953)		(40,323)
Amortisation	(16)	(363)	701		322
Impairment reversal / (charge)	-	1,910	(800)		1,110

<b>Year 2003</b>	<b>Steel 2003 S\$'000</b>	<b>Industrial 2003 S\$'000</b>	<b>Electronics, Properties &amp; Investments 2003 S\$'000</b>	<b>Eliminations 2003 S\$'000</b>	<b>Total Group 2003 S\$'000</b>
<b>REVENUE</b>					
External sales	1,416,728	249,388	51,619	-	1,717,735
Inter-segment sales	763,775	32,199	16	(795,990)	-
Total revenue	<u>2,180,503</u>	<u>281,587</u>	<u>51,635</u>	<u>(795,990)</u>	<u>1,717,735</u>
<b>RESULT</b>					
Segment operating results	35,929	19,178	(1,208)		53,899
Unallocated corporate expenses					<u>(9,085)</u>
Profit from operations					44,814
Investment and interest income					13,301
Finance costs					(7,753)
Share of results of associated companies	13,607	24,681	(468)		37,820
Exceptional Items	(11,681)	2,629	17,841		8,789
Profit before taxation					<u>96,971</u>
Taxation					(10,655)
Minority interests					(6,122)
Net profit for the year					<u>80,194</u>
<b>OTHER INFORMATION</b>					
Segment assets	611,038	184,061	70,175		865,274
Investment in equity method associated companies	46,971	38,781	8,305		94,057
Unallocated corporate assets					<u>451,203</u>
					<u>1,410,534</u>
Segment liabilities	(130,062)	(55,285)	(18,368)		(203,715)
Unallocated corporate liabilities					(283,033)
					<u>(486,748)</u>
					<u>923,786</u>
Capital expenditure	7,359	6,426	1,683		15,468
Depreciation	(25,483)	(15,610)	(4,385)		(45,478)
Amortisation	(4,993)	(1,829)	675		(6,147)
Impairment charge / write off	(5,926)	-	-		(5,926)

**14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments**

For discussion of material changes, please refer to paragraph 8.

**15. A breakdown of sales**

	<b>THE GROUP</b>		
	<b>2004</b>	<b>2003</b>	<b>Change</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>%</b>
Sales reported for first half year	1,014,799	852,416	19
Operating profit after tax before deducting minority interests reported for first half year	49,240	32,134	53
Sales reported for second half year	1,059,188	865,319	22
Operating profit after tax before deducting minority interests reported for second half year	83,164	54,182	53

**16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year**

Total Annual Dividend (*Refer to Para 16 of Appendix 7.2 for the required details*)

	<b>Latest Full Year (2004)</b>	<b>Previous Full Year (2003)</b>
	<b>S\$'000</b>	<b>S\$'000</b>
Ordinary	37,356	197,986
Preference	-	-
Total:	37,356	197,986

**BY ORDER OF THE BOARD**

LIM Su-Ling  
Company Secretary  
23 February 2005

This release may contain forward-looking statements which may be identified by phrases that the Company or Management or Directors “expects”, “believes” “anticipates” “foresees” or “forecasts”. These forward-looking statements, if any, are based on current expectations and assumptions that are subject to risks and uncertainties. Actual performance, outcome or financial results post the date of this release may differ materially from those expressed in this release. Some factors that may affect the actual performance of the NatSteel Group may include, without limitation, political economic and social conditions in the countries where the NatSteel Group, its customers or its suppliers operate; armed conflict or the effects of terrorist activities or war in any part of the world which may cause disruption in manufacture, supply (availability and costs) of raw or intermediate materials, power, water, fuel, crude oil, import, export, transportation network necessary for the acquisition and supply of goods and services or financial markets; currency fluctuations; volatility of financial markets; general industry conditions, interest rate trends, cost of borrowings and capital availability, intense competition from other companies and venues for the production, sale/distribution of goods and services of the NatSteel Group, changes in industry or market capacity or demands; obsolete inventory, market acceptance or rejection of new goods and services, continued market acceptance of existing goods and services of the NatSteel Group; risk of unanticipated increased costs of power, oil, fuel, crude oil or utilities to operate its various plants; continued ability of NatSteel to retain market size and competitiveness for its goods and services; the effect of changes to policies /regulations whether or not resulting in imposition or lifting of anti- dumping duties in countries which the NatSteel Group of companies operate; unavailability of insurance, adverse results on litigation or debt recovery, implementation of operating cost structure that is aligned with revenue growth; SARS, Bird flu and their effects; unrest in Southern Thailand; any factor which may cause revenues and income to fall short of anticipated levels; ability to develop manufacture and market products and services in a rapidly changing environment; management retention and succession; changes in operating expenses, including employee wages, benefits and training, and governmental and public policy changes. This statement only relates to information available as at the date of release and you are cautioned to seek professional advice from your stock broker, solicitor, accountant or other professional adviser if you are in any doubt as to the meaning of anything herein.