



ANNOUNCEMENTS

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NatSteel 1999 Profit Up 127% Despite Lower Turnover

Net profit rises to \$80m on slightly lower turnover of \$1.4b

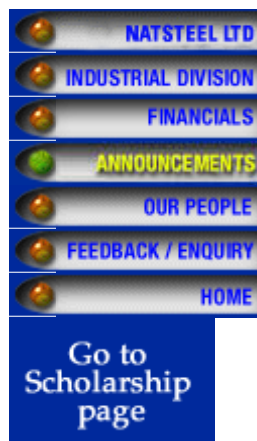
SINGAPORE, 22 March 2000 - Listed multi-industry manufacturing group NatSteel achieved a net profit of \$79.3m, an increase of 126.9% on a slightly lower turnover of \$1.4b. Attributable profit rose 90% to \$83.2m, after an extraordinary provision of \$57.1m was offset by extraordinary gains and write-back of \$61m. Earnings per share rose 97.2% to 21.5 cents.

"Our 1999 performance came on the back of a 203% and a 38% increase in contributions from the steel and electronics businesses, respectively," said Mr. Ang Kong Hua, President, NatSteel Ltd. "During the year, we also reduced our borrowings, which coupled with a lower interest rate environment, helped reduce interest expense by 53%."

For the coming year, NatSteel expects its construction-related businesses - steel and building materials - to remain under stress given the continued slowdown in construction activity and weak prices. The contributions from these businesses are expected to be significantly lower than 1999. The construction sector is expected to bottom out in the second half of this year and only pick up in 2001. With contracts awarded falling 32% in 1999, demand for key building materials, which typically lag by four to six quarters, is expected to slide in 2000. The Electronics division, however, is likely to continue performing well with global electronics contract manufacturing forecast to grow annually at an average 20% through 2003. The performance of Electronics is expected to partly mitigate the performance of the other two core businesses.

Mr. Ang said given the difficult construction sector outlook, there was a need for sustained and intense management efforts in the Construction Products and Steel businesses in the years ahead.

"We're mindful of the difference in market outlook between our construction-related core businesses and Electronics, which has resulted in a significant conglomerate discount on NatSteel's share price. The Group has been studying various alternatives to restructure its businesses for more focused management effectiveness as well as to achieve better market valuation of these two distinct groups of businesses,"



commented Mr. Ang. "The Directors hope to propose an appropriate solution to shareholders in the near future to address these issues."

"As a Group, it has been our strategic thrust to aggressively exploit technology to enhance all our businesses and to differentiate against competition. Last year we launched the first form of e-commerce application in the steel industry called the YESS system, which enables our customers to electronically plan, transact and monitor their material requirement, and overall better manage the construction cycle. We are extending this long-term differentiation strategy to the Construction Products business, which shares the same customer base," explained Mr. Ang.

"The emphasis in the coming year for the Group is to rapidly web enable these services."

The Steel Division

The Steel Division recorded a contribution of \$51m, an improvement of 203%, as the Singapore and overseas operations performed better. The Singapore operations were able to increase its contributions by 37% to \$45.4m, because of the full benefits of its restructuring which helped reduce conversion cost, and because of lower material cost and greater contribution from the downstream prefabricated steel businesses.

"The government's strong push towards productivity through prefabrication and our efforts to collaborate with and educate the market, are resulting in the wider market acceptance of prefabricated products, such as our cut-and-bend steel and wire mesh," said Mr. Ang. "Today, over 65% of our rebars in Singapore are prefabricated into cut-and-bend, while nearly all our wire rods go into making wire mesh."

The overseas mills collectively improved their performance, contributing \$5.6m compared to a loss of \$16.3m a year before. This came mainly from a 56% increase in contributions from the China mills, a \$4.8m contribution from Acominas, and a lower attributable loss of \$9.3m from Malaysian associate, Southern Steel.

In the coming year, there will likely be a margin squeeze in the Singapore steel operations due to higher scrap prices and need to entrench market share. Overseas contributions should improve with the continued profitability of Acominas and further reduced losses at Southern Steel. However, higher overseas contributions are not expected to compensate for the Singapore market conditions, and overall the contributions for

the Steel Division is expected to be lower in 2000.

The Industrial Division

The Industrial Division posted a loss of \$4.7m. Eastern Industries, the Construction Products group, was affected by poor demand and weak prices and recorded an attributable loss of \$1.3m. The Chemicals group contributed \$2.2m this year.

For the current year, the Industrial Division is expected to register significant losses as the Construction Products group will be impacted by the full effects of excessive competition and a sharp fall in selling prices. However, the Chemicals and Engineering groups should improve their performance in 2000.

The Electronics Division

Contribution from the Electronics Division rose 38% to \$80.9m, mainly from the stronger performance of NatSteel Broadway. Attributable earnings from NatSteel Broadway grew by 76%. Both the Group's listed contract manufacturers have continued expanding their supply chain capabilities, customer base and production capacities. They should grow healthily in line with the EMS industry.

The NatSteel Group

A multi-industry manufacturing group headquartered in Singapore, NatSteel is focused on three core businesses -- Steel, Industrial (comprising Construction Products, Chemicals and Engineering) and Electronics. Its Electronics division includes two listed contract manufacturers, NatSteel Electronics and NatSteel Broadway.

NatSteel recorded a 1998 turnover of S\$1.5b and a profit before tax of S\$83m. It has over 11,000 employees and operations in 15 countries. NatSteel was listed on the Stock Exchange of Singapore in 1964.

[↑ Top](#)

[Back](#)

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