

Masteel

MALAYSIA STEEL WORKS (KL) BHD

PRESS RELEASE

Masteel makes firm turnaround with RM32.5 million net profit in FY2021

- *Buoyed by recovery in selling prices of steel products in local and international markets*
- *Favourable prospect remains intact; conflict in Eastern Europe not expected to have any impact on earnings*

Petaling Jaya, Malaysia, 25 February 2022 - Integrated steel manufacturer **Malaysia Steel Works (KL) Bhd** (Masteel; the Group; 马来西亚钢厂（吉隆坡）有限公司; Bloomberg: MSW MK; Reuters: MSWK.KL) made a firm turnaround with net profit of RM32.5 million in the financial year ended 31 December 2021 (FY2021) from net loss of RM14.7 million a year ago, buoyed by the recovery in selling prices of steel products in local and international markets.

FY2021 revenue improved 14.2% to RM1.6 billion from RM1.4 billion a year ago, bolstered by the Malaysian market where sales rose 15.8% to RM1.4 billion from RM1.3 billion previously on stronger demand from the construction sector. Export sales remained stable at RM136.1 million in FY2021, versus RM137.3 million a year ago.

Masteel Managing Director and CEO Dato' Sri Tai Hean Leng remained upbeat on the Group's prospects, particularly as the stronger demand for steel from the accelerated pace of economic activities globally were expected to overshadow the impact of uptrending raw material prices. Moreover, the ongoing conflict in Eastern Europe is not expected to have any impact on the Group's earnings.

Prices of iron ore, a primary raw material for blast furnace-based steel making which is a bellwether for steel demand, rose from a low of USD85 per metric tonne (MT) in November 2021 to more than USD150 per MT on 11 February 2022, before settling at USD143 per MT in the fourth week of February 2022. At the same time, price of metallurgical coal, which constitute approximately 40% of blast furnace cost of production has remained high year to date.

"This strong turnaround, is made even more significant against the backdrop of the disruptive Movement Control Orders in FY2021, and showcases our resilience. We are also reaping the benefits of the timely upgrading of our steel making facilities.

Although prices of raw materials are increasing, the greater force of external demand is widely expected to eclipse the high-cost environment. North Asia's commencement of the civil construction period in the spring, together with the lifting of restrictions of steel mill activities in China, are already prompting a strong rebound in domestic and international steel prices.

With our large capacity and reliable delivery network, we are confident of capturing this demand wave."

Dato' Sri Tai Hean Leng (“拿督斯里戴贤龙”),
Managing Director and CEO of Malaysia Steel Works (KL) Bhd

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Masteel's optimism was also in light of Malaysia's forecasted Gross Domestic Product (GDP) growth of between 5.5% to 6.5% in 2022, supported by the Government's commitment to execute its development agenda to drive economic recovery, uphold the reopening of economic and social sectors, and meet increased external demand from major trading partners.

Of particular note, the Government had earmarked RM75.6 billion in allocations for development expenditure in Budget 2022, where the focus would be on rolling out projects related to transport, trade and industry as well as energy and public utilities subsectors.

Commenting on prospects, Dato' Sri Tai said: "We intend to maximise our new steel making facilities, which has substantial capacity to meet the anticipated uplift in industry demand. Overall, despite short-term volatilities such as the Omicron wave and labour shortage, Masteel is expected to continue delivering satisfactory performance in FY2022."

About Masteel

Malaysia Steel Works (KL) Bhd, listed on the Main Market of Bursa Malaysia Securities Berhad, is one of the top five integrated steel companies in Malaysia. It is involved in the manufacturing of high-tensile deformed steel bars, mild steel round bars and steel billets.

It has 68 domestic dealers and exports its steel products to Australia, New Zealand, Papua New Guinea, Indonesia, Singapore, Vietnam, Philippines and China.

Issued for and on behalf of MALAYSIA STEEL WORKS (KL) BHD by Aquilas Advisory (Malaysia) Sdn Bhd. For media enquiries, please contact:

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