



Electronics

“Modest Growth at Mid-Year”

FINANCIAL HIGHLIGHTS For the second quarter ended 30 June 2003			
	2003 2Q	2002 2Q	Growth %
Turnover (\$m)	153	132	16
Investment, interest and other income (\$m)	2.0	1.4	45
Earnings before interest and tax (EBIT) (\$m)	12.6	13.2	(5)
Profit before tax (\$m)	14.7	14.2	3
Profit attributable to shareholders before EI (\$m)	11.3	10.6	7

- Economic Value Added for first half of 2003 is \$12.2 million

*“The Electronics sector registered modest growth in 1H2003.
We expect to sustain the overall performance for the full year.*

*We will continue to pursue new business and investment opportunities
in Greater China, Latin America, Korea and Australia.”*

Seah Moon Ming, President

N.B.: All currencies are in Singapore dollars.



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Electronics sector unaudited results for the second quarter ended 30 June 2003 :

	2003 \$'000 2Q	2002 \$'000 2Q	+ / (-) %
1. (a) Turnover	152,934	131,604	16.2
(b) Cost of Sales	(117,754)	(100,576)	17.1
(c) Gross Profit	35,180	31,028	13.4
(d) Other operating income	1,399	1,058	32.2
(e) Distribution and selling expenses	(6,394)	(4,854)	31.7
(f) Administration expenses	(9,830)	(7,016)	40.1
(g) Other operating expenses	(6,365)	(5,902)	7.8
(h) Profit from operations	13,990	14,314	(2.3)
(i) Other income, net	616	280	120.0
(j) Financial expenses	(10)	(2)	400.0
(k) Exceptional Item	-	-	-
	<u>14,596</u>	<u>14,592</u>	0.0
(l) Share of results of associated companies and joint ventures	165	(344)	148.0
(m) Amortisation of goodwill on acquisition of associated companies	(67)	(44)	52.3
(n) Profit before taxation	14,694	14,204	3.4
(o) Taxation	(3,649)	(3,878)	(5.9)
(p) Profit after taxation	11,045	10,326	7.0
(q) Minority Interests	295	274	7.7
(r) Net profit for the period	11,340	10,600	7.0
* NM - Not Meaningful			
2. (a) Investment income	759	-	NM
(b) Other income including interest income	1,256	1,388	(9.5)
(c) Depreciation and amortisation	(2,112)	(2,308)	(8.5)
(d) (Provision) / write-back of provision for doubtful debts & bad debts written off, net	53	439	(87.9)
(e) (Provision) / write-back of provision for stock obsolescence, net	150	111	35.1
(f) (Provision) / write-back of provision for impairment in value of investments	62	-	NM
(g) Foreign exchange gain / (loss), net	201	(62)	(424.2)
3. (a) Operating Profit [1(p) above] as a percentage of Turnover	7.2%	7.8%	
(b) Operating Profit [1(r) above] as a percentage of Issued Capital and Reserves at end of period	10.8%	8.7%	

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	2003 \$'000	2002 \$'000	+ / (-) %
4. (a) Sales reported for first quarter	133,791	139,217	(3.9)
(b) Operating profit after tax before deducting minority interests reported for first quarter	8,071	8,467	(4.7)
(c) Sales reported for second quarter	152,934	131,604	16.2
(d) Operating profit after tax before deducting minority interests reported for second quarter	11,045	10,326	7.0
(e) Sales reported for first half year	286,725	270,821	5.9
(f) Operating profit after tax before deducting minority interests reported for first half year	19,116	18,793	1.7
5. (a) There was no adjustment for over or under provision of current and deferred tax in respect of prior years.			
(b) There was no disposal of property during the period.			
(c) There was no extraordinary item during the period.			

6. Business Grouping Information

	Turnover			Profit before Tax		
	2003 \$'000	2002 \$'000	+ / (-) %	2003 \$'000	2002 \$'000	+ / (-) %
<u>By Business Group</u>						
Second Quarter						
Large-Scale Systems Group	38,409	34,503	11.3	403	867	(53.5)
Communication & Sensor Systems Group	57,867	52,890	9.4	5,887	5,600	5.1
Software Systems Group	56,658	44,211	28.2	8,404	7,737	8.6
Total	<u>152,934</u>	<u>131,604</u>	16.2	<u>14,694</u>	<u>14,204</u>	3.4

Six Months Ended 30 June

Large-Scale Systems Group	74,649	89,764	(16.8)	667	3,305	(79.8)
Communication & Sensor Systems Group	109,856	104,977	4.6	11,022	10,554	4.4
Software Systems Group	102,220	76,080	34.4	14,980	12,216	22.6
Total	<u>286,725</u>	<u>270,821</u>	5.9	<u>26,669</u>	<u>26,075</u>	2.3

	Turnover		
	2Q2003 \$'000	2Q2002 \$'000	+ / (-) %
<u>By Country of Incorporation</u>			
Asia	151,544	130,652	16.0
USA	120	952	(87.4)
Europe	-	-	-
Others	1,270	-	NM
Total	<u>152,934</u>	<u>131,604</u>	16.2

By Geographical Areas

Asia	143,563	124,102	15.7
USA	834	1,796	(53.6)
Europe	3,518	1,127	212.2
Others	5,019	4,579	9.6
Total	<u>152,934</u>	<u>131,604</u>	16.2

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7. Review of Performance

(a) Turnover

2Q2003 vs 2Q2002

2Q2003	2Q2002	Growth	
\$153m	\$132m	\$21m	16%

The turnover of \$153 million recorded in 2Q2003 was higher than that in 2Q2002 by 16% or \$21 million. The increase was contributed by all three business groups. **Large-Scale Systems Group (LSG)** achieved higher sales with the supply of the Multichannel Multipoint Distribution System (MMDS) product to Mexico, and the milestone completion of the Land Transport Authority's (LTA) MRT/LRT projects. Sales for **Communication & Sensor Systems Group (CSG)** was higher with the delivery of communication equipment. In **Software Systems Group (SSG)**, major sales was recorded from the milestone completion of the Hong Kong Fire Services project, an aircraft simulator project and the delivery of a Command and Control System project.

2Q2003 vs 1Q2003

2Q2003	1Q2003	Growth	
\$153m	\$134m	\$19m	14%

All three business groups recorded higher sales as compared to the previous quarter mainly due to higher value in project milestone completion.

(b) Profitability

2Q2003 vs 2Q2002

2Q2003	2Q2002	Growth	
\$14.7m	\$14.2m	\$0.5m	3%

The profit before tax for 2Q2003 was \$14.7 million. This was slightly higher than that in 2Q2002 by 3% or \$0.5 million because the increase in gross profit was offset by increased operating expenses and start up cost of new subsidiaries. At business group level, the increase in profits for **SSG** and **CSG** due to higher sales was partly offset by increased operating expenses and start up cost of new subsidiaries. **LSG** recorded a lower profit mainly due to the loss incurred by an overseas subsidiary.

2Q2003 vs 1Q2003

2Q2003	1Q2003	Growth	
\$14.7m	\$12.0m	\$2.7m	23%

The profit before tax of \$14.7 million for 2Q2003 was higher than that in 1Q2003 by 23% or \$2.7 million. The increase was due to higher gross profit as a result of higher sales. At business group level, the increase in profits for **SSG** and **CSG** was due to higher sales. **LSG's** profit was slightly higher as compared with previous quarter.

8. Prospects

3Q2003

In 3Q2003, the Electronics sector expects various milestone completions. Under **LSG**, these include the Manila LRT project and the supply of MMDS product to Mexico. Under **CSG**, we expect the completion of milestones in the Ministry of Home Affairs (MHA)'s Communication Network Project and the supply of radio communication and VSAT equipment. Under **SSG**, milestone completions in the Hong Kong Fire Services project and an aircraft simulator project are expected.

The Sector expects higher turnover and profit before tax in 3Q2003 as compared to 2Q2003.

FY2003

For FY2003, in addition to sales recognition from projects mentioned for 3Q2003, we expect additional sales recognition from the LTA's MRT/LRT projects and the Shipboard Integrated Communications System project.

Overall, we expect the turnover and profit before tax of FY2003 to be higher than that of FY2002.

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9. Balance Sheet

	30 Jun 2003	31 Dec 2002
	\$'000	\$'000
Fixed Assets	25,167	25,429
Associated companies and joint ventures	9,605	4,708
Long-term investments	55,908	59,688
Intangible assets	7,467	5,153
Loans receivable, non-current	53	58
Deferred tax assets	10,359	10,339
Current assets	540,878	592,169
Less: Current liabilities	(462,951)	(524,680)
Net current assets	77,927	67,489
	186,486	172,864
Less: Non-current liabilities	(75,754)	(65,760)
	110,732	107,104
Share capital and reserves	105,443	105,121
Minority interests	5,289	1,983
	110,732	107,104

The increase in associated companies and joint ventures was due mainly to investment in PolarSat, Inc.

10. Cash Flow Statement for the quarter ended 30 June

	2003	2002
	\$'000	\$'000
Cash flow from operating activities	12,951	17,059
Cash flow from investing activities	(4,519)	(3,960)
Proceeds from sale of fixed assets	12	65
Proceeds from sale of investment	116	-
Dividends from investment	697	-
Investment in associated companies/joint ventures	(1,560)	(2,128)
Purchase of fixed assets	(1,714)	(2,015)
Purchase of investments	(2,070)	(182)
Capital contribution from minority shareholders	-	300
Cash flow from financing activities	(19,929)	(2)
Dividend paid	(19,919)	-
Interest paid	(10)	(2)
Net (decrease) / increase in cash and cash equivalents	(11,497)	13,097
Cash and cash equivalents at 1 April	294,331	318,383
Exchange difference on cash and cash equivalents	(464)	(47)
Cash and cash equivalents at 30 June	282,370	331,433

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11. Accounting Policies

The Sector has applied the same accounting policies and methods of computation in the financial statements for the current reporting period compared with the audited financial statements as at 31 December 2002.

12. Economic Value Added (EVA)

EVA for 1H2003 was \$12.2 million, an increase of \$4.0 million or 49% over 1H2002. The weighted average cost of capital was 6.5% for 2003 (2002 : 9.3%).

Press Contact:
Magdalen Loh
AVP / Head, Corporate Communications
Tel: (65) 64131788
Fax: (65) 64848840
Email: lohlm@stee.st.com.sg