



**Electronics**

**"Continued Growth at Mid Year"**

<b>FINANCIAL HIGHLIGHTS</b> For the second quarter ended 30 June 2006			
	<b>2006 2Q</b>	<b>2005 2Q</b>	<b>Growth %</b>
Turnover (\$m)	213	154	38
Investment, interest and other income (\$m)	9.8	3.9	153
Earnings before interest and tax (EBIT) (\$m)	16.9	13.1	29
Profit before tax (\$m)	25.4	17.5	45
Profit attributable to shareholders (\$m)	19.5	13.2	48

- Economic Value Added for first half of 2006 was \$28.1 million

*"The Electronics sector continued to perform well at mid year. In the second quarter, we signed a contract with SingTel to deliver integrated solutions to support the roll out of high speed maritime satellite communication services. By integrating offerings from 'Agilis' and 'iDirect' brands, we are now able to offer enhanced solutions to our customers.*

*In the area of homeland security, we have signed a Regional Cooperation Agreement on Combating Piracy & Armed Robbery Against Ships in Asia (ReCAAP) to develop an Information Network System for the Maritime Port Authority.*

*We continue to see growth opportunities in the Asia Pacific and the Gulf States, not only in satellite communication systems, but also for e-Government solutions, digital animation projects and infrastructural electronics systems, as these regions progress in their economic expansion."*

*Seah Moon Ming, President*

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

## Electronics

### Electronics sector unaudited results for the second quarter ended 30 June 2006 :

	2Q2006 \$'000	2Q2005 \$'000	+ / (-) %
1. (a) Turnover	213,403	154,425	38.2
(b) Cost of sales	(148,920)	(120,367)	23.7
(c) <b>Gross Profit</b>	<b>64,483</b>	<b>34,058</b>	<b>89.3</b>
(d) Other operating income	9,739	3,448	182.5
(e) Distribution and selling expenses	(13,635)	(5,767)	136.4
(f) Administrative expenses	(23,565)	(11,456)	105.7
(g) Other operating expenses	(10,383)	(3,723)	178.9
(h) <b>Profit from continuing operations before taxation, other income and financial expenses</b>	<b>26,639</b>	<b>16,560</b>	<b>60.9</b>
(i) Other income, net	23	406	(94.3)
(j) Financial expenses	(2,446)	(103)	NM
	<u>24,216</u>	<u>16,863</u>	43.6
(k) Share of results of associated companies and joint ventures	1,225	643	90.5
(l) <b>Profit from continuing operations before taxation</b>	<b>25,441</b>	<b>17,506</b>	<b>45.3</b>
(m) Taxation	(5,681)	(3,970)	43.1
(n) <b>Profit from continuing operations after taxation</b>	<b>19,760</b>	<b>13,536</b>	<b>46.0</b>
Attributable to:			
(o) <b>Shareholders of the Company</b>	<b>19,536</b>	<b>13,248</b>	<b>47.5</b>
(p) Minority interests	224	288	(22.2)
	<u>19,760</u>	<u>13,536</u>	46.0
* NM - Not Meaningful			
2. (a) Profit from continuing operations is arrived at after charging/(crediting) the following :			
Depreciation and amortisation	4,897	2,080	135.4
Allowance / (write-back of allowance) for doubtful debts & bad debts written off, net	(2,285)	(1,010)	126.2
Allowance / (write-back of allowance) for stock obsolescence, net	(474)	531	(189.3)
Impairment / (write-back of impairment) in value of investments	7,181	-	NM
(b) Other operating income comprises :			
Investment income	8,067	2,503	222.3
Interest income	1,516	708	114.1
Others	156	237	(34.2)
	<u>9,739</u>	<u>3,448</u>	182.5
(c) Other income comprises :			
Foreign exchange gain / (loss), net	(180)	188	(195.7)
Rental income	77	112	(31.3)
Others	126	106	18.9
	<u>23</u>	<u>406</u>	(94.3)

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	2Q2006 \$'000	2Q2005 \$'000	+ / (-) %
3. (a) Profit from continuing operations after taxation [1(n) above] as a percentage of Turnover	9.3%	8.8%	
(b) Profit attributable to shareholders [1(o) above] as a percentage of Share Capital and Reserves at end of period	14.6%	9.9%	
4. (a) Turnover reported for first quarter	218,540	151,182	44.6
(b) Profit from continuing operations after taxation reported for first quarter	12,415	9,976	24.4
(c) Turnover reported for second quarter	213,403	154,425	38.2
(d) Profit from continuing operations after taxation reported for second quarter	19,760	13,536	46.0
(e) Turnover reported for first half year	431,943	305,607	41.3
(f) Profit from continuing operations after taxation reported for first half year	32,175	23,512	36.8
5. (a) There was an adjustment for under provision of tax amounting to S\$83,000 in respect of prior years. (2Q2005 - Nil)			
(b) There was no disposal of property during the period.			

#### 6. Business Grouping Information

##### By Business Group

	Turnover			Profit before Taxation		
	2006 \$'000	2005 \$'000	+ / (-) %	2006 \$'000	2005 \$'000	+ / (-) %
<b>Second Quarter</b>						
Large-Scale Systems Group	46,936	49,393	(5.0)	1,739	321	441.7
Communication & Sensor Systems Group	111,911	60,009	86.5	16,379	6,926	136.5
Software Systems Group	54,556	45,023	21.2	7,323	10,259	(28.6)
Total	<u>213,403</u>	<u>154,425</u>	38.2	<u>25,441</u>	<u>17,506</u>	45.3
<b>First Half Year</b>						
Large-Scale Systems Group	81,024	92,822	(12.7)	(2,574)	(367)	601.4
Communication & Sensor Systems Group	222,288	117,310	89.5	28,069	13,604	106.3
Software Systems Group	128,631	95,475	34.7	19,431	18,052	7.6
Total	<u>431,943</u>	<u>305,607</u>	41.3	<u>44,926</u>	<u>31,289</u>	43.6

##### By Country of Incorporation

	Turnover		
	2Q2006 \$'000	2Q2005 \$'000	+ / (-) %
Asia	166,016	153,337	8.3
USA	47,295	423	NM
Europe	-	-	-
Others	92	665	(86.2)
Total	<u>213,403</u>	<u>154,425</u>	38.2

##### By Geographical Areas

	Turnover		
	2Q2006 \$'000	2Q2005 \$'000	+ / (-) %
Asia	160,399	146,204	9.7
USA	48,554	1,353	NM
Europe	802	1,342	(40.2)
Others	3,648	5,526	(34.0)
Total	<u>213,403</u>	<u>154,425</u>	38.2

\* NM - Not Meaningful



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### 7. Review of Performance

#### (a) Turnover

##### 2Q2006 vs 2Q2005

2Q2006	2Q2005	Growth	
\$213m	\$154m	\$59m	38%

The turnover of \$213 million recorded in 2Q2006 was higher than that in 2Q2005 by 38% or \$59 million. The increase was mainly contributed by **Communication & Sensor Systems Group (CSG)** with the sales of satellite communication products. Sales for **Software Systems Group (SSG)** were higher with the milestone completions of a command and control system project and simulator projects. **Large-Scale Systems Group's (LSG)** sales were lower as a result of lower value project milestones completed in 2Q2006.

##### 2Q2006 vs 1Q2006

2Q2006	1Q2006	Growth	
\$213m	\$219m	(\$6m)	(3%)

The turnover of \$213 million recorded in 2Q2006 was slightly lower than that in 1Q2006 by 3% or \$6 million. The decrease was from **SSG** as a result of lower value project milestone completions. **LSG** recorded higher sales with milestone completions in the Land Transport Authority's (LTA) Circle Line project. Sales for **CSG** were comparable with the previous quarter.

#### (b) Profitability

##### 2Q2006 vs 2Q2005

2Q2006	2Q2005	Growth	
\$25.4m	\$17.5m	\$7.9m	45%

The profit before tax of \$25.4 million for 2Q2006 was higher than that in 2Q2005 by 45% or \$7.9 million. The increase in profit was contributed by **CSG** mainly due to higher investment income. **LSG** recorded a higher profit mainly due to better margins in project milestones completed. **SSG's** profit was lower mainly due to lower margins in project milestones completed. Overall the Group recorded a higher investment and interest income in 2Q2006.

##### 2Q2006 vs 1Q2006

2Q2006	1Q2006	Growth	
\$25.4m	\$19.5m	\$5.9m	31%

The profit before tax of \$25.4 million for 2Q2006 was higher than that in 1Q2006 by 31% or \$5.9 million. At the business group level, the increase in profit was contributed by **CSG** and **LSG**. **CSG** recorded a higher profit mainly due to investment income. **LSG** improved its profitability mainly due to better margins in project milestones completed and lower operating loss incurred by an overseas subsidiary. **SSG's** profit was lower mainly due to lower sales. Higher investment & interest income recorded in 2Q2006 had contributed to the Group's overall higher profit.

### 8. Prospect

#### 2H2006

In 2H2006, the Electronics sector expects several project milestone completions. Under **LSG**, we expect the completion of milestones in LTA's Circle Line project and Taiwan MRT projects. Under **CSG**, we expect to recognise sales of satellite communication products and electro optics equipment, and the completion of milestones in the shipboard integrated communication system project. Under **SSG**, the completion of milestones in a command and control system project, Hong Kong Fire Service project and simulator projects are expected.

Barring unforeseen circumstances, the Electronics sector expects higher turnover and profit before tax in 2H2006 as compared to 1H2006.

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### 9. Balance Sheet

	30 Jun 2006 \$'000	31 Dec 2005 \$'000
Fixed Assets	37,833	35,754
Associated companies and joint ventures	63,463	63,727
Investments	10,830	45,663
Intangible assets	260,742	259,507
Long-term receivables	8,057	14,285
Deferred tax assets	25,573	13,248
Current assets	693,461	625,342
Less: Current liabilities	(625,124)	(588,545)
Net current assets	68,337	36,797
	474,835	468,981
Less: Non-current liabilities	(333,741)	(327,956)
	141,094	141,025
Share capital and reserves	133,621	137,282
Minority interests	7,473	3,743
	141,094	141,025

The decrease in Investments is mainly due to the sale of a quoted investment in 2Q2006.

### 10. Cash Flow Statement for the second quarter ended 30 June 2006

	2Q2006 \$'000	2Q2005 \$'000
Net cash from / (used in) operating activities	(40,720)	30,670
Net cash from investing activities	20,102	5,610
Proceeds from sale of fixed assets	1	-
Dividends from investments	1,440	1,299
Proceeds from sale of investments	21,812	1,813
Purchase of fixed assets	(2,968)	(1,380)
Purchase of investments	(43)	(31)
Proceed from convertible loan/promissory note redemption	-	4,872
Loan to an investee company	(140)	-
Net cash on dilution of interest in subsidiary	-	(963)
Net cash used in financing activities	(48,768)	(22,062)
Capital contribution from minority shareholders of a subsidiary	-	133
Repayment of inter-company loans	(13,121)	-
Proceeds from bank loans	-	1,122
Repayment of lease obligation	(18)	-
Repayment of short-term bank loans	(8,632)	-
Dividend paid to shareholder of the company	(25,866)	(23,214)
Interest paid	(1,131)	(103)
Net increase / (decrease) in cash and cash equivalents	(69,386)	14,218
Cash and cash equivalents at 1 April	221,917	123,555
Exchange difference on cash and cash equivalents	(430)	2
Cash and cash equivalents at 30 June	152,101	137,775



# Singapore Technologies Engineering

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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 2005.

### 12. Economic Value Added (EVA)

EVA for 1H2006 was \$28.1 million, an increase of \$8.5 million or 44% over 1H2005. The weighted average cost of capital was 6.6% for 2006 (2005 : 6.1%).

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