



## Electronics

“Higher Profit Compared to 3Q2005”

<b>FINANCIAL HIGHLIGHTS</b> For the third quarter ended 30 September 2006			
	<b>2006 3Q</b>	<b>2005 3Q</b>	<b>Growth %</b>
Turnover (\$m)	227	158	43
Investment, interest and other income (\$m)	8.1	1.7	385
Earnings before interest and tax (EBIT) (\$m)	22.4	17.7	26
Profit before tax (\$m)	29.8	18.0	66
Profit attributable to shareholders (\$m)	21.3	13.8	54

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



**Electronics**

**Electronics sector unaudited results for the third quarter ended 30 September 2006 :**

	3Q2006 \$'000	3Q2005 \$'000	+ / (-) %
1. (a) Turnover	226,971	158,317	43.4
(b) Cost of sales	(147,327)	(121,706)	21.1
(c) <b>Gross Profit</b>	<b>79,644</b>	<b>36,611</b>	<b>117.5</b>
(d) Other operating income	8,018	1,602	400.5
(e) Distribution and selling expenses	(19,161)	(7,271)	163.5
(f) Administrative expenses	(26,735)	(7,091)	277.0
(g) Other operating expenses	(11,331)	(4,505)	151.5
(h) <b>Profit from continuing operations before taxation, other income and financial expenses</b>	<b>30,435</b>	<b>19,346</b>	<b>57.3</b>
(i) Other income, net	112	75	49.3
(j) Financial expenses	(2,241)	(97)	NM
	<b>28,306</b>	<b>19,324</b>	<b>46.5</b>
(k) Share of results of associated companies and joint ventures	1,521	(1,320)	(215.2)
(l) <b>Profit from continuing operations before taxation</b>	<b>29,827</b>	<b>18,004</b>	<b>65.7</b>
(m) Taxation	(7,682)	(3,797)	102.3
(n) <b>Profit from continuing operations after taxation</b>	<b>22,145</b>	<b>14,207</b>	<b>55.9</b>
Attributable to:			
(o) Shareholders of the Company	21,308	13,847	53.9
(p) Minority interests	837	360	132.5
	<b>22,145</b>	<b>14,207</b>	<b>55.9</b>
* NM - Not Meaningful			
2. (a) Profit from continuing operations is arrived at after charging/(crediting) the following :			
Depreciation and amortisation	3,411	2,080	64.0
Allowance / (write-back of allowance) for doubtful debts & bad debts written off, net	2,068	434	376.5
Allowance / (write-back of allowance) for stock obsolescence, net	2,470	(264)	NM
Impairment / (write-back of impairment) in value of investments	3,128	-	NM
(b) Other operating income comprises :			
Investment income	6,489	916	608.4
Interest income	1,337	652	105.1
Others	192	34	464.7
	<b>8,018</b>	<b>1,602</b>	<b>400.5</b>
(c) Other income net comprises :			
Foreign exchange gain / (loss), net	(30)	(129)	(76.7)
Rental income	62	73	(15.1)
Others	80	131	(38.9)
	<b>112</b>	<b>75</b>	<b>49.3</b>

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	3Q2006 \$'000	3Q2005 \$'000	+ / (-) %
3. (a) Profit from continuing operations after taxation [1(n) above] as a percentage of Turnover	9.8%	9.0%	
(b) Profit attributable to shareholders [1(o) above] as a percentage of Share Capital and Reserves at end of period	6.5%	9.3%	
4. (a) Turnover reported for first half year	431,943	305,607	41.3
(b) Profit from continuing operations after taxation reported for first half year	32,175	23,512	36.8
(c) Turnover reported for third quarter	226,971	158,317	43.4
(d) Profit from continuing operations after taxation reported for third quarter	22,145	14,207	55.9
(e) Turnover reported for first nine months	658,914	463,924	42.0
(f) Profit from continuing operations after taxation reported for first nine months	54,320	37,719	44.0
5. (a) There was an adjustment for over provision of tax amounting to S\$716,000 in respect of prior years. (3Q2005 - S\$991,000)			
(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>Third Quarter</b>						
Large-Scale Systems Group	49,418	48,043	2.9	1,719	1,375	25.0
Communication & Sensor Systems Group	114,958	53,364	115.4	16,708	5,494	204.1
Software Systems Group	62,595	56,910	10.0	11,400	11,135	2.4
<b>Total</b>	<u>226,971</u>	<u>158,317</u>	43.4	<u>29,827</u>	<u>18,004</u>	65.7
<b>Nine Months Ended 30 September</b>						
Large-Scale Systems Group	130,442	140,865	(7.4)	(855)	1,008	(184.8)
Communication & Sensor Systems Group	337,246	170,674	97.6	44,777	19,098	134.5
Software Systems Group	191,226	152,385	25.5	30,831	29,187	5.6
<b>Total</b>	<u>658,914</u>	<u>463,924</u>	42.0	<u>74,753</u>	<u>49,293</u>	51.7

##### By Country of Incorporation

	Turnover		
	3Q2006 \$'000	3Q2005 \$'000	+ / (-) %
Asia	174,785	156,673	11.6
USA	52,186	553	NM
Europe	-	-	-
Others	-	1,091	(100.0)
<b>Total</b>	<u>226,971</u>	<u>158,317</u>	43.4

##### By Geographical Areas

	Turnover		
	3Q2006 \$'000	3Q2005 \$'000	+ / (-) %
Asia	166,988	144,962	15.2
USA	54,041	4,875	NM
Europe	1,852	765	142.1
Others	4,090	7,715	(47.0)
<b>Total</b>	<u>226,971</u>	<u>158,317</u>	43.4

\* NM - Not Meaningful



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### 7. Review of Performance

#### (a) Turnover

##### 3Q2006 vs 3Q2005

3Q2006	3Q2005	Growth	
\$227m	\$158m	\$69m	43%

The turnover of \$227 million recorded in 3Q2006 was higher than that in 3Q2005 by 43% or \$69 million. The increase was contributed by all three business groups, with major contribution from **Communication & Sensor Systems Group (CSG)** with the sales of satellite communication products. Sales for **Software Systems Group (SSG)** were higher with the milestone completion of a command and control system project. **Large-Scale Systems Group's (LSG)** sales were slightly higher with milestone completions of the Land Transport Authority's (LTA) Circle Line project and Taiwan MRT projects.

##### 3Q2006 vs 2Q2006

3Q2006	2Q2006	Growth	
\$227m	\$213m	\$14m	6%

The turnover of \$227 million recorded in 3Q2006 was higher than that in 2Q2006 by 6% or \$14 million. The increase was contributed by all three business groups, with major contribution from **SSG** with the milestone completion of a command and control system project. **CSG** recorded higher sales with the sales of satellite communication products and the milestone completion of a communication system project. Sales for **LSG** were higher with milestone completions of the LTA's Circle Line project and Taiwan MRT projects.

#### (b) Profitability

##### 3Q2006 vs 3Q2005

3Q2006	3Q2005	Growth	
\$29.8m	\$18.0m	\$11.8m	66%

The profit before tax of \$29.8 million for 3Q2006 was higher than that in 3Q2005 by 66% or \$11.8 million. All three business groups recorded higher profits. The increase in profit was mainly contributed by **CSG**, largely due to higher sales and higher investment income. **SSG's** profit was higher mainly due to higher sales. **LSG** recorded a higher profit mainly due to better overall performance of associated companies. Overall, the Group recorded a higher investment and interest income in 3Q2006.

##### 3Q2006 vs 2Q2006

3Q2006	2Q2006	Growth	
\$29.8m	\$25.4m	\$4.4m	17%

The profit before tax of \$29.8 million for 3Q2006 was higher than that in 2Q2006 by 17% or \$4.4 million. At the business group level, the main increase in profit was contributed by **SSG** largely due to higher sales and better margins in project milestones completed. **CSG's** profit was higher mainly due to higher sales. **LSG's** profit was comparable with the previous quarter.

### 8. Prospect

#### FY2006

Barring unforeseen circumstances, turnover and profit before tax for FY2006 are expected to be higher compared to FY2005.



# Singapore Technologies Engineering

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### 9. Balance Sheet

	30 Sep 2006 \$'000	31 Dec 2005 \$'000
Property, plant and equipment	38,504	35,754
Associated companies and joint ventures	63,835	63,727
Investments	9,550	45,663
Intangible assets	242,647	259,507
Long-term receivables	8,443	14,285
Deferred tax assets	24,414	13,248
Current assets	735,237	625,342
Less: Current liabilities	(639,510)	(588,545)
Net current assets	95,727	36,797
	481,120	468,981
Less: Non-current liabilities	(332,125)	(327,956)
	148,995	141,025
Share capital and reserves	140,628	137,282
Minority interests	8,367	3,743
	148,995	141,025

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

### 10. Cash Flow Statement for the third quarter ended 30 September 2006

	3Q2006 \$'000	3Q2005 \$'000
Net cash used in operating activities	(31,252)	(18,897)
Net cash from / (used in) investing activities	4,808	(2,530)
Proceeds from sale of property, plant and equipment	48	-
Proceed from convertible loan	85	-
Dividends from investments	677	1,041
Proceeds from sale of investments	7,344	-
Purchase of property, plant and equipment	(3,665)	(1,655)
Purchase of investments / convertible loan	(195)	(1,236)
Investment in an associated company	-	(680)
Acquisition of a subsidiary	514	-
Net cash from financing activities	6,727	13,809
Proceeds from bank loans, net of repayment	7,506	1,906
Proceed from inter-company loan	-	12,000
Interest paid	(767)	(97)
Repayment of lease obligation	(12)	-
Net decrease in cash and cash equivalents	(19,717)	(7,618)
Cash and cash equivalents at 1 July	152,101	137,775
Exchange difference on cash and cash equivalents	(201)	(280)
Cash and cash equivalents at 30 September	132,183	129,877



**Singapore Technologies  
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**Electronics**

**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.

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