



Electronics

“Strong Performance”

FINANCIAL HIGHLIGHTS For the year ended 31 December 2006			
	2006	2005	Growth %
Turnover (\$m)	966	712	36
Investment, interest and other income (\$m)	17.8	6.7	164
Earnings before interest and tax (EBIT) (\$m)	91.1	72.4	26
Profit before tax (\$m)	104.6	76.0	38
Profit attributable to shareholders (\$m)	76.3	58.0	32
Economic Value Added (EVA) (\$m)	67.3	47.4	42

“The Electronics sector performed strongly in 2006, achieving higher revenue and profit.

During the year, the Sector continued to secure new international orders, including major MRT contracts in Beijing and Guangzhou. We are integrating iDirect into our satellite communication business and 2006 saw the introduction of a ST Electronics' maritime satellite solution in Asia for SingTel that incorporates iDirect's hub and remote equipment. Towards the year end, the Electronics sector also completed the acquisition of MAK Technologies, a US-based company in simulation software technologies.

In the coming year, we remain focused on realising the synergies from our acquisitions and securing more international contracts in China, US, India and the Middle East. Satcoms, digital media and e-Government solutions and managed services will present strong growth opportunities for the Electronics sector, both in Singapore and internationally.”

Seah Moon Ming, President

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



Electronics

Electronics sector audited results for the year ended 31 December 2006 :

	FY2006 \$'000	FY2005 \$'000	+ / (-) %
1. (a) Turnover	965,757	712,223	35.6
(b) Cost of sales	(664,529)	(553,354)	20.1
(c) Gross Profit	301,228	158,869	89.6
(d) Other operating income	17,674	5,522	220.1
(e) Distribution and selling expenses	(69,034)	(28,592)	141.4
(f) Administrative expenses	(103,265)	(40,986)	152.0
(g) Other operating expenses	(37,847)	(16,908)	123.8
(h) Profit from continuing operations before taxation, other income and financial expenses	108,756	77,905	39.6
(i) Other income, net	99	1,210	(91.8)
(j) Financial expenses	(8,879)	(1,495)	493.9
	99,976	77,620	28.8
(k) Share of results of associated companies and joint ventures	4,674	(1,598)	(392.5)
(l) Profit from continuing operations before taxation	104,650	76,022	37.7
(m) Taxation	(26,515)	(16,110)	64.6
(n) Profit from continuing operations after taxation	78,135	59,912	30.4
Attributable to:			
(o) Shareholders of the Company	76,318	58,008	31.6
(p) Minority interests	1,817	1,904	(4.6)
	78,135	59,912	30.4
2. (a) Profit from continuing operations is arrived at after charging/(crediting) the following :			
Depreciation and amortisation	15,520	8,781	76.7
Allowance / (write-back of allowance) for doubtful debts & bad debts written off, net	5,019	(1,390)	(461.1)
Allowance / (write-back of allowance) for stock obsolescence, net	1,636	(1,303)	(225.6)
Impairment / (write-back of impairment) in value of investments, net	15,187	966	NM
(b) Other operating income comprises :			
Investment income	11,930	3,154	278.2
Interest income	5,107	2,506	103.8
Others	637	(138)	(561.6)
	17,674	5,522	220.1
(c) Other income comprises :			
Foreign exchange gain / (loss), net	(726)	321	(326.2)
Rental income	277	432	(35.9)
Others	548	457	19.9
	99	1,210	(91.8)

* NM - Not Meaningful



Electronics

	FY2006 \$'000	FY2005 \$'000	+ / (-) %
3. (a) Profit from continuing operations after taxation [1(n) above] as a percentage of turnover	8.1%	8.4%	
(b) Profit attributable to shareholders [1(o) above] as a percentage of share capital and reserves at end of year	32.8%	23.3%	
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 second half year	533,814	406,616	31.3
(d) Profit from continuing operations after taxation reported for second half year	45,960	36,400	26.3
5. (a) There was a net adjustment of \$4,569,000 for over provision of current and deferred tax in respect of prior years. (FY2005 : \$3,366,000)			
(b) There was no disposal of property during the year.			

6. Business Group Information

By Business Group

Fourth Quarter vs Third Quarter (unaudited)

	Turnover			Profit before Taxation		
	4Q2006 \$'000	3Q2006 \$'000	+ / (-) %	4Q2006 \$'000	3Q2006 \$'000	+ / (-) %
Large-Scale Systems Group	81,168	49,418	64.2	5,389	1,719	213.5
Communication & Sensor Systems Group	138,565	114,958	20.5	13,450	16,708	(19.5)
Software Systems Group	87,110	62,595	39.2	11,058	11,400	(3.0)
Total	<u>306,843</u>	<u>226,971</u>	35.2	<u>29,897</u>	<u>29,827</u>	0.2

Full Year Ended 31 December

	Turnover			Profit before Taxation		
	FY2006 \$'000	FY2005 \$'000	+ / (-) %	FY2006 \$'000	FY2005 \$'000	+ / (-) %
Large-Scale Systems Group	211,610	205,928	2.8	4,534	6,265	(27.6)
Communication & Sensor Systems Group	475,811	283,784	67.7	58,227	30,044	93.8
Software Systems Group	278,336	222,511	25.1	41,889	39,713	5.5
Total	<u>965,757</u>	<u>712,223</u>	35.6	<u>104,650</u>	<u>76,022</u>	37.7

	Turnover		
	FY2006 \$'000	FY2005 \$'000	+ / (-) %
Asia	766,202	684,611	11.9
USA	199,151	23,580	744.6
Europe	-	-	NM
Others	404	4,032	(90.0)
Total	<u>965,757</u>	<u>712,223</u>	35.6

By Country of Incorporation

By Geographical Areas

Asia	729,904	642,206	13.7
USA	205,886	32,878	526.2
Europe	7,123	6,329	12.5
Others	22,844	30,810	(25.9)
Total	<u>965,757</u>	<u>712,223</u>	35.6

* NM - Not Meaningful

Electronics

7. Review of Performance

(a) Turnover

FY2006 vs FY2005

FY2006	FY2005	Growth	
\$966m	\$712m	\$254m	36%

The turnover of \$966 million recorded in FY2006 was higher than that in FY2005 by 36% or \$254 million. The increase was contributed by all three business groups, with major contributions from **Communication & Sensor Systems Group (CSG)** with the sales of satellite communication products and electro-optics equipment. Sales for **Software Systems Group (SSG)** were higher with the delivery and installation of educational multimedia laboratory systems in Kazakhstan and the milestone completions of a command and control system project. **Large-Scale Systems Group's (LSG)** sales were higher with milestone completions of the Land Transport Authority's (LTA) Circle Line project and Taipei and Kaohsiung MRT projects.

4Q2006 vs 3Q2006

4Q2006	3Q2006	Growth	
\$307m	\$227m	\$80m	35%

The turnover of \$307 million recorded in 4Q2006 was higher than that in 3Q2006 by 35% or \$80 million. The increase was contributed by all three business groups. **LSG's** sales were higher with the milestone completions of the LTA's Circle Line project and Taipei and Kaohsiung MRT projects. **CSG** recorded higher sales with the sales of satellite communication products and the completion of milestones in a shipboard integrated communication system project. Sales for **SSG** were higher with the delivery and installation of educational multimedia laboratory systems in Kazakhstan and milestone completions of a data centre infrastructure upgrading project.

(b) Profitability

FY2006 vs FY2005

FY2006	FY2005	Growth	
\$104.6m	\$76.0m	\$28.6m	38%

The profit before tax of \$104.6 million for FY2006 was higher than that in FY2005 by 38% or \$28.6 million. The increase in profit was mainly contributed by **CSG's** higher sales and higher investment income. **SSG's** profit was higher mainly due to higher sales. **LSG** recorded a lower profit mainly due to higher loss incurred by an overseas subsidiary. Overall, the Group recorded higher investment and interest income in FY2006.

4Q2006 vs 3Q2006

4Q2006	3Q2006	Growth	
\$29.9m	\$29.8m	\$0.1m	-

The profit before tax of \$29.9 million for 4Q2006 was comparable with that in 3Q2006. At the business group level, the increase in profit was contributed by **LSG** mainly due to higher sales and better overall performance of overseas subsidiaries. **CSG's** profit was lower mainly due to lower investment income recorded for this quarter. **SSG's** profit was lower mainly due to lower margins in project milestones completed.

8. Prospect

FY2007

Barring unforeseen circumstances, the Sector expects to achieve higher turnover and profit before tax for FY2007 compared to FY2006.



Electronics

9. Balance Sheet

	31 Dec 2006 \$'000	31 Dec 2005 \$'000 (Restated)
Property, plant and equipment	39,365	35,754
Associated companies and joint ventures	61,573	63,727
Investments	8,299	45,663
Intangible assets	278,407	243,984
Long-term receivables	2,872	14,285
Deferred tax assets	25,487	28,771
Current assets	784,972	625,342
Less: Current liabilities	(720,915)	(588,545)
Net current assets	64,057	36,797
	480,060	468,981
Less: Non-current liabilities	(365,886)	(327,956)
	114,174	141,025
Share capital and reserves	103,619	137,282
Minority interests	10,555	3,743
	114,174	141,025

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

10. Cash Flow Statement for the year ended 31 December 2006

	FY2006 \$'000	FY2005 \$'000
Net cash from operating activities	34,760	3,042
Net cash used in investing activities	(19,998)	(269,921)
Proceeds from sale of property, plant and equipment	262	9
Proceed from convertible loan / promissory note redemption	-	4,872
Proceed from capital redemption of an associated company	170	238
Dividends from associated companies	2,025	732
Dividends from investments	378	1,999
Proceeds from sale of investments	29,264	1,813
Purchase of property, plant and equipment	(12,006)	(7,125)
Purchase of investments / convertible loan	(725)	(3,644)
Investment in associated companies / joint venture	(6,611)	(6,654)
Acquisition of subsidiaries	(32,615)	(261,143)
Dilution of interest in subsidiaries	-	(963)
Loan to an associated company	(140)	(55)
Net cash from financing activities	19,242	273,106
Capital contribution from minority shareholders of a subsidiary	-	133
Dividends paid to shareholder	(76,000)	(58,300)
Dividend paid to minority shareholders of a subsidiary	(889)	(1,075)
Interest paid	(4,449)	(435)
Proceeds from inter-company loans, net of repayment	98,040	327,437
Proceeds from bank loans, net of repayment	2,591	5,355
Repayment of lease obligations	(51)	(9)
Net increase in cash and cash equivalents	34,004	6,227
Cash and cash equivalents at beginning of year	106,809	101,400
Exchange difference on cash and cash equivalents	(3,307)	(818)
Cash and cash equivalents at end of year	137,506	106,809



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.

12. Economic Value Added (EVA)

EVA for FY2006 was \$67.3 million, an increase of \$19.9 million or 42% over FY2005. The weighted average cost of capital was 6.6% for 2006 (2005 : 6.1%).

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