

Electronics

“Better Results Despite Difficult Year”

FINANCIAL HIGHLIGHTS For the year ended 31 December 2003			
	2003	2002	Growth %
Turnover (\$m)	621	579	7
Investment, interest and other income (\$m)	2.0	5.6	(65)
Earnings before interest and tax (EBIT) (\$m)	59.9	52.0	15
Profit before tax (\$m)	61.4	56.7	8
Profit attributable to shareholders before EI (\$m)	48.0	42.8	12
Economic Value Added (EVA) (\$m)	39.3	20.2	95

*“The Electronics sector expects to maintain its growth in 2004.
Our order book remains strong.*

*Our market development efforts in Asia Pacific and Latin America,
together with our strategic investments will strengthen our business
and help sustain long term growth.”*

Seah Moon Ming, President

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

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Electronics sector audited results for the year ended 31 December 2003 :

	FY2003 \$'000	FY2002 \$'000	+ / (-) %
1. (a) Turnover	621,100	579,376	7.2
(b) Cost of Sales	(479,151)	(453,996)	5.5
(c) Gross Profit	141,949	125,380	13.2
(d) Other operating income	106	4,288	(97.5)
(e) Distribution and selling expenses	(25,397)	(21,952)	15.7
(f) Administration expenses	(32,728)	(29,494)	11.0
(g) Other operating expenses	(23,844)	(21,927)	8.7
(h) Profit from operations	60,086	56,295	6.7
(i) Other income, net	1,879	1,322	42.1
(j) Financial expenses	(48)	(5)	860.0
(k) Exceptional Item	-	-	-
	<u>61,917</u>	<u>57,612</u>	7.5
(l) Share of results of associated companies and joint ventures	(269)	(840)	(68.0)
(m) Amortisation of goodwill on acquisition of associated companies	(258)	(73)	253.4
(n) Profit before taxation	61,390	56,699	8.3
(o) Taxation	(15,137)	(14,816)	2.2
(p) Profit after taxation	46,253	41,883	10.4
(q) Minority Interests	1,765	917	92.5
(r) Net profit for the year	48,018	42,800	12.2
2. (a) Profit from operations is arrived at after charging/(crediting) the following :			
Depreciation and amortisation *	8,411	8,351	0.7
Provision / (write-back) of provision for doubtful debts & bad debts written off, net	552	(1,179)	(146.8)
Provision / (write-back) of provision for stock obsolescence, net	391	338	15.7
Provision / (write-back) of provision for impairment in value of investments	4,046	-	NM
* Exclude amortisation of associated companies and joint venture			
(b) Other Operating Income and Other Income, net, comprises :			
Investment income	(2,530)	187	NM
Interest income	2,614	4,101	(36.3)
Foreign exchange gain / (loss), net	385	(76)	(606.6)
Other income, net	1,516	1,398	8.4
	<u>1,985</u>	<u>5,610</u>	
NM - Not Meaningful			
3. (a) Operating Profit [1(p) above] as a percentage of Turnover	7.4%	7.2%	
(b) Operating Profit [1(r) above] as a percentage of Issued Capital and Reserves at end of year	44.5%	40.7%	

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	FY2003 \$'000	FY2002 \$'000	+ / (-) %
4. (a) Sales reported for first half year	286,725	270,821	5.9
(b) Operating profit after tax before deducting minority interests reported for first half year	19,116	18,793	1.7
(c) Sales reported for second half year	334,375	308,555	8.4
(d) Operating profit after tax before deducting minority interests reported for second half year	27,137	23,090	17.5
5. (a) There was an adjustment for over provision of tax amounting to \$1,345,000 in respect of prior years.			
(b) There was no disposal of property during the year.			
(c) There was no extraordinary item during the year.			

6. Business Grouping Information

By Business Group

Fourth Quarter vs Third Quarter (unaudited)

	Turnover			Profit before Tax		
	4Q2003 \$'000	3Q2003 \$'000	+ / (-) %	4Q2003 \$'000	3Q2003 \$'000	+ / (-) %
Large-Scale Systems Group	58,706	52,104	12.7	1,916	1,520	26.1
Communication & Sensor Systems Group	64,253	56,027	14.7	9,099	6,932	31.3
Software Systems Group	53,141	50,144	6.0	7,817	7,437	5.1
Total	<u>176,100</u>	<u>158,275</u>	11.3	<u>18,832</u>	<u>15,889</u>	18.5

Full Year Ended 31 December

	Turnover			Profit before Tax		
	FY2003 \$'000	FY2002 \$'000	+ / (-) %	FY2003 \$'000	FY2002 \$'000	+ / (-) %
Large-Scale Systems Group	185,459	184,467	0.5	4,103	5,679	(27.8)
Communication & Sensor Systems Group	230,136	219,655	4.8	27,053	24,390	10.9
Software Systems Group	205,505	175,254	17.3	30,234	26,630	13.5
Total	<u>621,100</u>	<u>579,376</u>	7.2	<u>61,390</u>	<u>56,699</u>	8.3

	Turnover		
	FY2003 \$'000	FY2002 \$'000	+ / (-) %
Asia	614,948	572,384	7.4
USA	1,066	6,632	(83.9)
Europe	-	-	-
Others	5,086	360	1,312.8
Total	<u>621,100</u>	<u>579,376</u>	7.2

By Geographical Areas

Asia	569,756	547,896	4.0
USA	3,507	9,595	(63.4)
Europe	13,566	8,729	55.4
Others	34,271	13,156	160.5
Total	<u>621,100</u>	<u>579,376</u>	7.2

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7. Review of Performance

(a) Turnover

FY2003 vs FY2002

FY2003	FY2002	Growth	
\$621m	\$579m	\$42m	7%

The turnover of \$621 million recorded in FY2003 was higher than that in FY2002 by 7% or \$42 million. The increase was mainly contributed by **Software Systems Group (SSG)** with several milestone completions of the Hong Kong Fire Services project, aircraft simulator projects and a Command and Control Systems project. **Communication & Sensor Systems Group (CSG)** also achieved higher sales with the milestone completion of a Ministry of Home Affairs' Communication Network project and the delivery of communication and VSAT equipment. Sales for **Large-Scale Systems Group (LSG)** was comparable with the previous year.

4Q2003 vs 3Q2003 (unaudited)

4Q2003	3Q2003	Growth	
\$176m	\$158m	\$18m	11%

The turnover of \$176 million recorded in 4Q2003 was higher than that in 3Q2003 by 11% or \$18 million. The increase was contributed by all three business groups due to higher value in project milestone completions, the supply and delivery of Multi-channel Multi-point Distribution System (MMDS) product to a Latin American country and communication equipment sold.

(b) Profitability

FY2003 vs FY2002

FY2003	FY2002	Growth	
\$61.4m	\$56.7m	\$4.7m	8%

The profit before tax of \$61.4 million for FY2003 was higher than that in FY2002 by 8% or \$4.7 million. At the business group level, the increase in profit for **SSG** was due to higher sales. **CSG's** profit was higher due to higher sales and better operational efficiency. **LSG** recorded lower profit mainly due to the loss incurred by an overseas subsidiary.

4Q2003 vs 3Q2003 (unaudited)

4Q2003	3Q2003	Growth	
\$18.8m	\$15.9m	\$2.9m	19%

The profit before tax of \$18.8 million for 4Q2003 was higher than that in 3Q2003 by 19% or \$2.9 million. The increase was contributed by all three business groups due mainly to higher sales as compared with the previous quarter.

8. Prospects

1Q2004

In 1Q2004, the Electronics sector expects several milestone completions. Under **LSG**, these include the completion of milestones in Land Transport Authority's Circle Line project and the supply of MMDS product to a Latin American country. Under **CSG**, we expect the delivery of radio communication and VSAT equipment. Under **SSG**, the completion of milestones in the Hong Kong Fire Services project and simulator projects is expected. However, the total value of these milestone completions is expected to be less than that of 4Q2003.

Accordingly, the Sector expects lower turnover and profit before tax in 1Q2004 as compared to 4Q2003.

FY2004

For FY2004, other than the sales recognition from projects mentioned for 1Q2004 above, expected major sales for the full year include sales recognition from a command and control systems project and a communication network project, as well as the Manila LRT project.

Overall, we expect the turnover and profit before tax for FY2004 to be higher than that of FY2003.

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9. Balance Sheet

	31 Dec 2003	31 Dec 2002
	\$'000	\$'000
Fixed Assets	25,162	25,429
Associated companies and joint ventures	10,213	4,708
Long-term investments	22,120	18,688
Intangible assets	7,988	5,153
Loans receivable, non-current	17	58
Deferred tax assets	10,064	10,339
Current assets	517,019	633,169
Less: Current liabilities	(412,394)	(524,680)
Net current assets	104,625	108,489
	180,189	172,864
Less: Non-current liabilities	(67,226)	(65,760)
	<u>112,963</u>	<u>107,104</u>
Share capital and reserves	107,882	105,121
Minority interests	5,081	1,983
	<u>112,963</u>	<u>107,104</u>

10. Cash Flow Statement for the year ended 31 December 2003

	FY2003	FY2002
	\$'000	\$'000
Cash flow from operating activities	(36,297)	80,672
Cash flow from investing activities	(19,892)	(23,724)
Proceeds from sale of fixed assets	25	86
Proceeds from sale of investment	116	-
Investment in associated companies	(6,598)	(4,081)
Dividends from investments	1,516	-
Dividend from associated company	119	-
Purchase of fixed assets	(7,426)	(7,066)
Purchase of investments	(7,304)	(9,119)
Acquisition of a subsidiary	(390)	(4,439)
Capital contribution from minority shareholder	50	895
Cash flow from financing activities	(45,648)	(40,265)
Dividends paid to shareholder	(45,600)	(40,260)
Interest paid	(48)	(5)
Net increase / (decrease) in cash and cash equivalents	(101,837)	16,683
Cash and cash equivalents at beginning of year	308,793	292,718
Exchange difference on cash and cash equivalents at beginning of the year	895	(608)
Cash and cash equivalents at end of the year	<u>207,851</u>	<u>308,793</u>

Cash outflow from operating activities in FY 2003 was mainly due to decrease in customers' advances and other working capital movements.

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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 year compared with the audited financial statements as at 31 December 2002.

12. Economic Value Added (EVA)

EVA for FY2003 was \$39.3 million, an increase of \$19.1 million or 95% over FY2002. The weighted average cost of capital was 6.5% for 2003 (2002 : 9.3%).

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