

NATSTEEL LTD

Company registration No. : 196100107C

Second Quarter Financial Statements Announcement

The figures have not been audited

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

	Notes	<u>THE GROUP</u>					
		Quarter ended 30 June			Half year ended 30 June		
		2006 S\$'000	2005 S\$'000	Change %	2006 S\$'000	2005 S\$'000	Change %
<u>CONTINUING OPERATIONS</u>							
Sales		88,405	76,893	15	155,668	143,651	8
Cost of sales		(73,445)	(63,805)		(129,919)	(117,255)	
Gross profit		14,960	13,088	14	25,749	26,396	(2)
Other income		993	2,419		2,612	4,352	
Distribution costs		(3,357)	(3,494)		(6,478)	(6,528)	
Administrative expenses		(7,208)	(7,404)		(15,131)	(16,678)	
Other expenses		(2,023)	(2,032)		(5,163)	(4,372)	
Profit before investment income, interest income and finance costs	1	3,365	2,577	31	1,589	3,170	(50)
Investment income		-	240		-	240	
Interest income		1,354	2,854		2,349	5,648	
Finance costs		(1,101)	(709)		(2,216)	(1,412)	
Share of results of associated companies after taxation		16,256	14,254		24,107	25,310	
Profit before taxation and exceptional items		19,874	19,216	3	25,829	32,956	(22)
Exceptional items	2	65,862	(1,215)		67,588	31,812	
Profit before taxation		85,736	18,001	376	93,417	64,768	44
Taxation		(3,756)	(1,117)		(2,084)	(3,325)	
Profit after taxation from continuing operations		81,980	16,884	386	91,333	61,443	49
<u>DISCONTINUED OPERATIONS</u>							
Profit / (loss) from discontinued operations	3	202	(4,154)		(1,333)	(4,049)	
Loss on disposal of discontinued operations							
- Exceptional items		-	(8,891)		-	(13,925)	
		202	(13,045)		(1,333)	(17,974)	
Total profit for the period		82,182	3,839	n/m	90,000	43,469	107
Attributable to :							
Equity holders of the Company		83,027	3,761	n/m	91,142	41,298	121
Minority interests		(845)	78		(1,142)	2,171	
		82,182	3,839		90,000	43,469	
Earnings / (loss) per share attributable to the equity holders of the Company							
- from Continuing operations – Basic and fully diluted		22.17 cents	4.50 cents		24.76 cents	16.44 cents	
- from Discontinued operations – Basic and fully diluted		0.06 cents	(3.49) cents		(0.36) cents	(5.38) cents	

n/m: not meaningful

Comments on Income Statement

Continuing Operations

- a) Share of results of associated companies
Share of results of associated companies in 2Q 2006 includes the Group's share of associates' exceptional gain amounting to S\$4.6 mil.
- b) Other income and expenses
Other income and expenses should be read on a net basis as foreign exchange gain and loss are shown gross in separate lines. The increase in net expenses was mainly attributable to foreign exchange loss of S\$0.8 mil in 2Q 2006 as compared to a gain of S\$1.8 mil in the same period last year as a result of the weakening of the US\$, partially offset by higher gain on sale of property, plant and equipment and lower pre-operating expenses.
- c) Administrative expenses
Administrative expenses of S\$7.2 mil in 2Q 2006 and S\$15.1 mil in 1H 2006 reflect the consolidated administrative expenses of NATSTEEL Ltd and all its subsidiaries, including NSL Chemicals Ltd, NSL Oilchem Services Pte Ltd, NSL Engineering Pte Ltd, Eastern Pretech Pte Ltd, Eastern Pretech (Malaysia) Sdn Bhd and Parmarine Ltd.
- d) Interest income
Interest income was lower in 2Q 2006 as compared to the corresponding period last year due mainly to lower cash balance following the payment of special dividends amounting to S\$623.8 mil in the second half of 2005.
- e) Taxation
The taxation charge on profit for 2Q 2006 was lower than the amount that would arise by applying the Singapore statutory tax rate. This was mainly due to certain income not being subject to tax or are subject to concessionary tax rate under tax incentive.

Note 1 – Profit before investment income, interest income and finance costs from Continuing operations is arrived at after (charging) / crediting the following items:

	THE GROUP			
	Quarter ended 30 June		Half year ended 30 June	
	2006	2005	2006	2005
	S\$'000	S\$'000	S\$'000	S\$'000
Amortisation of intangible assets	(120)	(124)	(234)	(259)
Depreciation of property, plant and equipment	(4,715)	(4,482)	(9,432)	(8,952)
Property, plant and equipment written off	(4)	-	(4)	(3)
Net foreign exchange (loss) / gain	(758)	1,778	(2,488)	1,592
Net write-down of inventories to net realisable value	(58)	-	(10)	-
Net write back for impairment of trade receivables	258	226	584	481
Net gain on sale of property, plant and equipment	706	84	1,266	514
Amortisation of deferred income	377	224	810	416

Note 2 – Exceptional items comprise the following:

	THE GROUP			
	Quarter ended 30 June		Half year ended 30 June	
	2006	2005	2006	2005
	S\$'000	S\$'000	S\$'000	S\$'000
Net gain on disposal of				
- associated companies	2,031	-	2,448	-
- investment properties	362	-	362	-
- available-for-sale financial assets	41,171	388	41,473	584
Gain on debt restructuring of a subsidiary	27,230	-	27,230	-
Loss on dilution of interest in a subsidiary	-	-	-	(505)
Recovery of investment in promissory note previously written off	-	-	-	33,331
Net write back / (provision made) for impairment of receivables from associated companies	6	(22)	412	227
Impairment of property, plant and equipment	(5,800)	-	(5,800)	-
Net provision (made) / write back for diminution in value of investments and investment properties	-	(1,399)	25	(1,399)
Impairment of available-for-sale financial assets	(28)	(154)	(33)	(589)
Write back of provision for losses no longer required	-	-	597	-
Gain from transfer of land lease	967	-	967	151
Others	(77)	(28)	(93)	12
Net gain / (loss)	65,862	(1,215)	67,588	31,812

Note 3 – Discontinued Operations

The Group's investment in Changzhou Wujin NSL Company Limited ("Wujin") has been classified as disposal group held for sale since 1Q 2005 following the completion of the disposal of the Group's steel businesses. Accordingly, the assets and liabilities related to Wujin are presented separately on the balance sheet as disposal group held for sale and its results are presented separately on the income statement as "discontinued operations".

An analysis of the results of discontinued operations (disposal group held for sale and steel businesses disposed in February 2005) is as follows:

	Quarter ended 30 June		Half year ended 30 June	
	2006	2005	2006	2005
	S\$'000	S\$'000	S\$'000	S\$'000
Revenue	31,747	10,984	36,811	214,792
Net expenses	(31,164)	(16,036)	(37,805)	(220,313)
Profit / (loss) before taxation of discontinued operations	583	(5,052)	(994)	(5,521)
Taxation	(381)	898	(339)	1,472
Profit / (loss) after taxation from discontinued operations	202	(4,154)	(1,333)	(4,049)
Loss on disposal of discontinued operations	-	(8,891)	-	(13,925)

The impact of the discontinued operations on the cash flows of the Group is as follows:

	Quarter ended 30 June		Half year ended 30 June	
	2006	2005	2006	2005
	S\$'000	S\$'000	S\$'000	S\$'000
Net cash generated from / (used in):				
Operating activities	7,193	(3,196)	2,537	(44,062)
Investing activities	(5)	13	(131)	(419)
Financing activities	-	(130)	(6)	35,934
Total cash flows	7,188	(3,313)	2,400	(8,547)

The details of assets and liabilities of the disposal group classified as held for sale are as follows:

	30.06.06	31.12.05
	S\$'000	S\$'000
Assets		
Property, plant and equipment	18,556	20,655
Deferred tax assets	328	687
Current assets	45,475	45,435
Total assets	64,359	66,777
Liabilities		
Trade and other payables	(3,797)	(2,991)
	60,562	63,786

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

	THE GROUP		THE COMPANY	
	30.06.06 S\$'000	31.12.05 S\$'000	30.06.06 S\$'000	31.12.05 S\$'000
Share Capital	193,839	186,779	193,839	186,779
Share Premium	-	6,881	-	6,881
Reserves	331,416	231,232	107,551	112,164
Shareholders' Equity	525,255	424,892	301,390	305,824
Minority Interests	25,150	26,477	-	-
Total Equity	550,405	451,369	301,390	305,824
Current Assets				
Inventories	53,405	49,236	-	-
Receivables and prepayments	83,114	76,773	105,897	111,931
Tax recoverable	8,350	8,505	6,725	6,725
Available-for-sale financial assets	4,540	9,586	-	3,000
Cash and bank balances	241,341	158,939	88,360	90,024
Derivative financial instruments	57	277	-	119
	390,807	303,316	200,982	211,799
Assets directly associated with the disposal group classified as held for sale	64,359	66,777	-	-
	455,166	370,093	200,982	211,799
Non Current Assets				
Property, plant and equipment	139,714	148,285	742	806
Investment properties	4,301	10,264	-	-
Subsidiaries	-	-	45,456	45,456
Associated companies	118,446	115,651	-	-
Available-for-sale financial assets	32,175	50,911	13,341	15,207
Long term receivables	7,455	8,797	73,669	86,370
Intangible assets	9,834	9,610	-	-
Deferred tax assets	1,562	2,505	-	-
Other non current assets	589	597	-	-
	314,076	346,620	133,208	147,839
Total Assets	769,242	716,713	334,190	359,638
Current Liabilities				
Amounts due to bankers	(48,342)	(71,737)	(13,400)	(37,000)
Trade and other payables	(80,282)	(76,221)	(10,053)	(8,321)
Provision for other liabilities and charges	(12,937)	(12,436)	-	-
Taxation	(9,542)	(8,103)	(2,307)	(1,479)
Derivative financial instruments	(29)	-	-	-
	(151,132)	(168,497)	(25,760)	(46,800)
Liabilities directly associated with the disposal group classified as held for sale	(3,797)	(2,991)	-	-
	(154,929)	(171,488)	(25,760)	(46,800)
Non Current Liabilities				
Provision for retirement benefits	(629)	(597)	(214)	(188)
Deferred tax liabilities	(23,759)	(25,614)	(6,826)	(6,826)
Unsecured notes	-	(12,206)	-	-
Long term loans	(30,270)	(28,300)	-	-
Deferred income	(6,777)	(22,303)	-	-
Other non current liabilities	(2,473)	(4,836)	-	-
	(63,908)	(93,856)	(7,040)	(7,014)
Total Liabilities	(218,837)	(265,344)	(32,800)	(53,814)
	550,405	451,369	301,390	305,824

1(b)(ii) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand

As at 30 June 2006		As at 31 December 2005	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
7,190	41,450	3,146	68,715

Amount repayable after one year

As at 30 June 2006		As at 31 December 2005	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
29,465	1,246	28,436	12,206

Details of any collateral

Included in the Group's property, plant and equipment are property, plant and equipment of subsidiaries of net book value of S\$46,045,000 (31 December 2005: S\$45,544,000) charged by way of debentures to banks for overdraft and term loan facilities granted.

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

	THE GROUP			
	Quarter ended 30 June		Half year ended 30 June	
	2006	2005	2006	2005
	S\$'000	S\$'000	S\$'000	S\$'000
Cash flows from operating activities				
Profit after tax for the period	82,182	3,839	90,000	43,469
Non-cash and reclassified items	(73,882)	(1,080)	(80,241)	(32,232)
Working capital changes	(525)	(2,637)	(1,746)	(31,541)
Income taxes paid	(193)	(4,661)	(1,337)	(4,787)
Dividends received from associated company	-	14,481	33,396	14,481
Other operating cash flow	-	-	-	(58)
Net cash generated from / (used in) operating activities	7,582	9,942	40,072	(10,668)
Cash flows from investing activities				
Proceeds from disposal of property, plant and equipment	1,912	152	2,743	887
Proceeds from sale / recovery of available-for-sale financial assets, investment properties and other non current assets	75,404	1,227	83,325	34,647
Proceeds from disposal of steel businesses, net of cash disposed of	-	(1,438)	-	257,426
Proceeds from disposal of associated companies	736	-	1,201	-
Purchases of property, plant and equipment	(5,289)	(6,198)	(9,239)	(12,103)
Purchases of available-for-sale financial assets	(1,114)	(650)	(2,391)	(2,802)
Acquisition of additional interest in subsidiary company	-	-	-	(3,663)
Acquisition of additional interest in associated company	-	-	(5,147)	-
Acquisition of new interest in associated company	(3,918)	-	(3,918)	-
Interest received	1,350	2,564	2,646	6,288
Amount due from associated companies	-	(309)	406	3,638
Net cash generated from / (used in) investing activities	69,081	(4,652)	69,626	284,318
Cash flows from financing activities				
Amounts due to bankers	(8,114)	(6,202)	(21,804)	28,510
Interest paid	(788)	(635)	(1,910)	(1,882)
Dividends paid to shareholders	-	(37,356)	-	(37,356)
Dividends and other distributions paid to minority interests	-	(19)	-	(81)
Contribution from minority interests	-	(42)	-	896
Other financing cash flow	(867)	59	(818)	(185)
Net cash used in financing activities	(9,769)	(44,195)	(24,532)	(10,098)
Net increase / (decrease) in cash and cash equivalents	66,894	(38,905)	85,166	263,552
Cash and cash equivalents at beginning of period	192,036	642,088	174,243	339,711
Effects of exchange rate changes on cash and cash equivalents	(264)	243	(743)	163
Cash and cash equivalents at end of period*	258,666	603,426	258,666	603,426

* comprise cash and bank balances net of bank overdrafts

Disposal of steel businesses

The attributable net assets and proceeds from disposal of the steel businesses during the period were as follows:

	THE GROUP			
	Quarter ended 30 June		Half year ended 30 June	
	2006	2005	2006	2005
	S\$'000	S\$'000	S\$'000	S\$'000
Property, plant and equipment	-	-	-	142,221
Associated companies	-	-	-	56,316
Long term receivables	-	-	-	673
Intangible assets	-	-	-	90
Deferred tax assets	-	-	-	2,388
Other non current assets	-	-	-	15
Inventories	-	-	-	182,720
Receivables and prepayments	-	-	-	252,779
Cash and bank balances	-	-	-	45,388
Amount due to bankers	-	-	-	(119,450)
Trade and other payables	-	-	-	(90,341)
Taxation	-	-	-	(4,110)
Provision for retirement benefits	-	-	-	(4,079)
Deferred tax liabilities	-	-	-	(1,462)
Other non current liabilities	-	-	-	(313)
	-	-	-	462,835
Minority interests	-	-	-	(27,472)
Attributable net assets disposed	-	-	-	435,363
Goodwill released upon disposal of interest in subsidiaries	-	-	-	14,210
Translation reserve released upon disposal of subsidiaries	-	-	-	18,863
Loss on disposal of subsidiaries	-	(8,891)	-	(13,925)
Total consideration, net of transaction costs	-	(8,891)	-	454,511
Cash and bank balances of the subsidiaries disposed	-	-	-	(45,388)
Consideration receivable at end of period	-	8,891	-	(156,411)
Transaction costs paid in previous year	-	-	-	1,329
Transaction costs payable at end of period	-	(1,438)	-	3,385
Net cash flow on disposal of subsidiaries	-	(1,438)	-	257,426

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

	Attributable to equity holders of the Company							Minority Interests	Total Equity	
	Share Capital S\$'000	Share Premium S\$'000	Revenue Reserve S\$'000	Translation Reserve S\$'000	Capital Reserve S\$'000	Revaluation Reserve S\$'000	Other Reserves S\$'000	Total S\$'000	S\$'000	S\$'000
THE GROUP										
Balance as at 1 January 2006	186,779	6,881	172,519	7,432	17,993	1,946	31,342	424,892	26,477	451,369
Exchange differences arising on consolidation	-	-	-	(124)	-	-	-	(124)	(72)	(196)
Available-for-sale financial assets										
- Fair value gains taken to equity	-	-	-	-	-	-	3,413	3,413	-	3,413
- Fair value reserve transferred to income statement on sale	-	-	-	-	-	-	(227)	(227)	-	(227)
- Fair value reserve transferred to income statement on impairment	-	-	-	-	-	-	5	5	-	5
Net (losses) / gains recognised directly in equity	-	-	-	(124)	-	-	3,191	3,067	(72)	2,995
Profit / (loss) for the period	-	-	8,115	-	-	-	-	8,115	(297)	7,818
Total recognised gains / (losses) for the period	-	-	8,115	(124)	-	-	3,191	11,182	(369)	10,813
Transfer of share premium and capital redemption reserve to share capital	7,060	(6,881)	-	-	-	-	(179)	-	-	-
Reserve released upon disposal of an associated company	-	-	-	48	-	-	-	48	-	48
Balance as at 31 March 2006	193,839	-	180,634	7,356	17,993	1,946	34,354	436,122	26,108	462,230
Exchange differences arising on consolidation	-	-	-	(1,059)	-	-	-	(1,059)	(113)	(1,172)
Available-for-sale financial assets										
- Fair value gains taken to equity	-	-	-	-	-	-	5,116	5,116	-	5,116
- Fair value reserve transferred to income statement on sale	-	-	-	-	-	-	2,210	2,210	-	2,210
- Fair value reserve transferred to income statement on impairment	-	-	-	-	-	-	28	28	-	28
Net (losses) / gains recognised directly in equity	-	-	-	(1,059)	-	-	7,354	6,295	(113)	6,182
Profit / (loss) for the period	-	-	83,027	-	-	-	-	83,027	(845)	82,182
Total recognised gains / (losses) for the period	-	-	83,027	(1,059)	-	-	7,354	89,322	(958)	88,364
Translation reserve released upon striking off of a subsidiary	-	-	-	(189)	-	-	-	(189)	-	(189)
Balance as at 30 June 2006	193,839	-	263,661	6,108	17,993	1,946	41,708	525,255	25,150	550,405

	Attributable to equity holders of the Company							Minority	Total Equity	
	Share Capital S\$'000	Share Premium S\$'000	Revenue Reserve S\$'000	Translation Reserve S\$'000	Capital Reserve S\$'000	Revaluation Reserve S\$'000	Other Reserves S\$'000	Total S\$'000	S\$'000	S\$'000
THE GROUP										
Balance as at 1 January 2005										
- As previously reported	186,779	6,881	745,561	(12,580)	15,533	3,115	24,813	970,102	50,863	1,020,965
- Effect of adopting FRS 39	-	-	10,185	-	-	-	12,053	22,238	-	22,238
- As restated	186,779	6,881	755,746	(12,580)	15,533	3,115	36,866	992,340	50,863	1,043,203
Exchange differences arising on consolidation	-	-	-	868	-	-	-	868	354	1,222
Reserves released upon disposal of subsidiaries and associated companies	-	-	1,169	-	-	(1,169)	-	-	-	-
Available-for-sale financial assets										
- Fair value losses taken to equity	-	-	-	-	-	-	(893)	(893)	-	(893)
- Fair value reserve transferred to income statement on impairment	-	-	-	-	-	-	435	435	-	435
Net gains / (losses) recognised directly in equity	-	-	1,169	868	-	(1,169)	(458)	410	354	764
Profit for the period	-	-	37,537	-	-	-	-	37,537	2,093	39,630
Total recognised gains / (losses) for the period	-	-	38,706	868	-	(1,169)	(458)	37,947	2,447	40,394
Dividends paid to minority interests of a subsidiary	-	-	-	-	-	-	-	-	(62)	(62)
Reserve released upon disposal of subsidiaries and associated companies	-	-	2,137	18,863	2,460	-	(4,597)	18,863	-	18,863
Changes in group structure	-	-	-	-	-	-	-	-	(26,803)	(26,803)
Balance as at 31 March 2005	186,779	6,881	796,589	7,151	17,993	1,946	31,811	1,049,150	26,445	1,075,595
Exchange differences arising on consolidation	-	-	-	(274)	-	-	-	(274)	129	(145)
Available-for-sale financial assets										
- Fair value losses taken to equity	-	-	-	-	-	-	(5,873)	(5,873)	-	(5,873)
- Fair value reserve transferred to income statement on disposal	-	-	-	-	-	-	(550)	(550)	-	(550)
- Fair value reserve transferred to income statement on impairment	-	-	-	-	-	-	154	154	-	154
Net (losses) / gains recognised directly in equity	-	-	-	(274)	-	-	(6,269)	(6,543)	129	(6,414)
Profit for the period	-	-	3,761	-	-	-	-	3,761	78	3,839
Total recognised gains / (losses) for the period	-	-	3,761	(274)	-	-	(6,269)	(2,782)	207	(2,575)
Dividend paid	-	-	(37,356)	-	-	-	-	(37,356)	-	(37,356)
Dividends paid to minority interests of a subsidiary	-	-	-	-	-	-	-	-	(19)	(19)
Exchange differences released upon striking off of a subsidiary	-	-	-	29	-	-	-	29	-	29
Changes in group structure	-	-	-	-	-	-	-	-	(42)	(42)
Balance as at 30 June 2005	186,779	6,881	762,994	6,906	17,993	1,946	25,542	1,009,041	26,591	1,035,632

	Share Capital S\$'000	Share Premium S\$'000	Revenue Reserve S\$'000	Other Reserves S\$'000	Total S\$'000
THE COMPANY					
Balance as at 1 January 2006	186,779	6,881	92,749	19,415	305,824
Available-for-sale financial assets					
- Fair value loss taken to equity	-	-	-	(1,062)	(1,062)
- Fair value reserve transferred to income statement on impairment	-	-	-	5	5
Net losses recognised directly in equity	-	-	-	(1,057)	(1,057)
Loss for the period	-	-	(1,590)	-	(1,590)
Total recognised losses for the period	-	-	(1,590)	(1,057)	(2,647)
Transfer of share premium and capital redemption reserve to share capital	7,060	(6,881)	-	(179)	-
Balance as at 31 March 2006	193,839	-	91,159	18,179	303,177
Available-for-sale financial assets					
- Fair value loss taken to equity	-	-	-	(214)	(214)
Loss for the period	-	-	(1,573)	-	(1,573)
Total recognised losses for the period	-	-	(1,573)	(214)	(1,787)
Balance as at 30 June 2006	193,839	-	89,586	17,965	301,390
Balance as at 1 January 2005					
- As previously reported	186,779	6,881	698,233	13,466	905,359
- Effect of adopting FRS 39	-	-	1,433	3,473	4,906
- As restated	186,779	6,881	699,666	16,939	910,265
Available-for-sale financial assets					
- Fair value gain taken to equity	-	-	-	300	300
Profit for the period	-	-	15,562	-	15,562
Total recognised gains for the period	-	-	15,562	300	15,862
Balance as at 31 March 2005	186,779	6,881	715,228	17,239	926,127
Available-for-sale financial assets					
- Fair value loss taken to equity	-	-	-	(540)	(540)
- Fair value reserve transferred to income statement on impairment	-	-	-	19	19
Net losses recognised directly in equity	-	-	-	(521)	(521)
Loss for the period	-	-	(8,044)	-	(8,044)
Total recognised losses for the period	-	-	(8,044)	(521)	(8,565)
Dividend paid	-	-	(37,356)	-	(37,356)
Balance as at 30 June 2005	186,779	6,881	669,828	16,718	880,206

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year

There have been no changes to the issued share capital of the Company since 31 March 2006.
There were no outstanding options as at 30 June 2006 (30 June 2005: nil).

2. Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard)

The figures have not been audited nor reviewed by the Group's external auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

The Group has applied the same accounting policies and methods of computation in the financial statements for current reporting period compared with the financial statements as at 31 December 2005.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

Not applicable.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

THE GROUP (Aggregate)	Quarter ended 30 June		Half year ended 30 June	
	2006	2005	2006	2005
(a) Based on the weighted average number of ordinary shares in issue (cents)				
- Excluding exceptional items	4.59	3.71	6.31	6.27
- Including exceptional items	22.23	1.01	24.40	11.06
(b) On fully diluted basis (cents)				
- Excluding exceptional items	4.59	3.71	6.31	6.27
- Including exceptional items	22.23	1.01	24.40	11.06

The Group's earning per share from continuing and discontinued operations are disclosed separately in the income statement on page 1.

7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year

	THE GROUP		THE COMPANY	
	30.06.06	31.12.05	30.06.06	31.12.05
Net asset* value per ordinary share (S\$)	1.41	1.14	0.81	0.82

* Net asset refers to shareholders' equity

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on

	THE GROUP					
	Quarter ended 30 June			Half year ended 30 June		
	2006 S\$'000	2005 S\$'000	Change %	2006 S\$'000	2005 S\$'000	Change %
CONTINUING OPERATIONS						
Group Turnover	88,405	76,893	15	155,668	143,651	8
Group Profit Before Tax (excluding exceptional items)	19,874	19,216	3	25,829	32,956	(22)
Exceptional Items	65,862	(1,215)	n/m	67,588	31,182	117
Group Profit for the period attributable to equity holders of the Company	82,825	16,806	393	92,475	61,417	51
Group Earnings Before Interest, Taxation, Depreciation and Amortisation (excluding exceptional items)	24,079	21,453	12	34,552	37,515	(8)

n/m: not meaningful

Group's turnover from continuing operations increased 15% to S\$88.4 mil in 2Q 2006 over the corresponding quarter last year. For 1H 2006, turnover increased 8% to S\$155.7 mil against S\$143.7 mil in 1H 2005.

Group's pre-tax profit for 2Q 2006 increased marginally by 3% to S\$19.9 mil due to higher profit contributions from the Engineering and the Construction Products divisions, offset by a loss incurred by the Group's non-core precision machining business supplying to the electronics sector. Pre-tax profit for 1H 2006 however decreased 22% to S\$25.8 mil from S\$33.0 mil in 1H 2005 due to the earlier reported weaker 1Q 2006 profit of S\$6.0 mil.

Group's exceptional gains for 2Q 2006 of S\$65.9 mil were due mainly to:

- S\$41.1 mil gain arising from the sale of a substantial portion of the Group's interest in Banyan Tree Holding Ltd ("BTH") in the public offering of BTH in June 2006,
- S\$27.2 mil accounting gain from the debt restructuring of Raffles Marina Ltd, a subsidiary of the Group, via a Scheme of Compromise and Arrangement pursuant to Section 211 of the Companies Act, Chapter 50, and
- offset by S\$5.8 mil impairment charge for the factories and plant assets of the Group's non-core precision machining business, which face continued uncertainties with end of life products and new product development by its major customers.

Below is the summary of the performance of the Group's three business divisions:

Turnover (S\$'mil)	Quarter ended 30 June			Half year ended 30 June		
	2006	2005	Change (%)	2006	2005	Change (%)
Chemicals Division	17.2	19.5	(12)	32.0	36.7	(13)
Construction Products Division	48.0	42.8	12	80.5	70.9	14
Engineering Division	17.0	8.2	107	29.0	22.9	27

Attributable profit before tax (S\$'mil)	Quarter ended 30 June			Half year ended 30 June		
	2006	2005	Change (%)	2006	2005	Change (%)
Operating PBT						
- Chemicals Division	13.3	16.6	(20)	21.2	29.6	(28)
- Construction Products Division	2.8	1.1	155	2.5	1.4	79
- Engineering Division	2.0	0.2	n/m	3.8	2.7	41
	18.1	17.9	1	27.5	33.7	(18)
Exceptional items						
- Chemicals Division	1.0	-	n/m	1.0	0.1	n/m
- Construction Products Division	-	(0.1)	n/m	-	(0.5)	n/m
- Engineering Division	2.0	-	n/m	2.0	-	n/m
	3.0	(0.1)	n/m	3.0	(0.4)	n/m
Total						
- Chemicals Division	14.3	16.6	(14)	22.2	29.7	(25)
- Construction Products Division	2.8	1.0	180	2.5	0.9	178
- Engineering Division	4.0	0.2	n/m	5.8	2.7	115
	21.1	17.8	19	30.5	33.3	(8)

Note: The Group's crane leasing and servicing business has been reclassified from Engineering division to Construction Products division. The comparative figures of 1H 2005 have been adjusted to conform with this change in presentation.

Chemicals Division

Profit before tax of the Chemicals division decreased to S\$13.3 mil for 2Q 2006 due mainly to lower profit contribution from BST. Reduced sales of the environmental chemicals business in Singapore and Malaysia contributed to the 12% decline in turnover of the Chemicals division in this quarter.

Construction Products Division

Turnover of the Construction Products division increased 12% to S\$48.0 mil in the current quarter mainly as a result of higher project volumes delivered by its operations in Finland and Malaysia. Pre-tax profit increased to S\$2.8 mil in 2Q 2006.

Engineering Division

Turnover of the Engineering division rose to S\$17 mil for 2Q 2006 on the back of increased delivery of its products out of additional capacity from the division's newly commissioned plant in Changshu, China. Pre-tax profit increased to \$2.0 mil in 2Q 2006 in tandem with higher turnover.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

Not applicable.

10. A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

Barring unforeseen circumstances, the Group's core businesses in environmental chemicals & services, construction products and engineering are expected to remain satisfactory. The Group's non-core precision machining business supplying to the electronics industries continues to be adversely affected by end of life products and uncertainties of its major customers' new products. Action has been taken to downsize its operations.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on? None

Name of Dividend
Dividend Type
Dividend amount per share
Tax Rate
Date paid

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? Yes

Name of Dividend	Interim special
Dividend Type	Cash
Dividend amount per share	S\$0.60
Dividend Rate	120% per ordinary share
Par value of shares	S\$0.50
Tax Rate	Exempt – one tier
Date paid	13 September 2005

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect

Not applicable.

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year

Not applicable.

14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments

Not applicable.

15. A breakdown of sales

Not applicable.

16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year

Total Annual Dividend (*Refer to Para 16 of Appendix 7.2 for the required details*) Not applicable.

	Latest Full Year (2006) S\$'000	Previous Full Year (2005) S\$'000
Ordinary		
Preference		
Total:		

BY ORDER OF THE BOARD

LIM Su-Ling
Company Secretary
14 August 2006

This release may contain forward-looking statements which may be identified by phrases that the Company or Management or Directors “expects”, “believes” “anticipates” “foresees” or “forecasts”. These forward-looking statements, if any, are based on current expectations and assumptions that are subject to risks and uncertainties. Actual performance, outcome or financial results post the date of this release may differ materially from those expressed in this release. Some factors that may affect the actual performance of the NATSTEEL Ltd and its group of companies may include, without limitation, political, economic, geographical, climatic and social conditions in the countries where the NATSTEEL Ltd and its group of companies, its customers or its suppliers operate; armed conflict or the effects of terrorist activities or war, acts of God, tsunami, earthquake, natural disasters, in any part of the world which may cause disruption in manufacture, supply (availability and costs) of raw or intermediate materials, power, water, fuel, crude oil, import, export, transportation network necessary for the acquisition and supply of goods and services or financial markets; currency fluctuations; volatility of financial markets; general industry conditions, interest rate trends, cost of borrowings and capital availability, intense competition from other companies and venues for the production, sale/distribution of goods and services of the NATSTEEL Ltd and its group of companies, changes in industry or market capacity or demands; obsolete inventory, market acceptance or rejection of new goods and services, continued market acceptance of existing goods and services of the NATSTEEL Ltd and its group of companies; risk of unanticipated increased costs of power, oil, fuel, crude oil or utilities to operate its various plants; continued ability of NATSTEEL Ltd and its group of companies to retain market size and competitiveness for its goods and services; the effect of changes to policies /regulations whether or not resulting in imposition or lifting of anti-dumping duties in countries which the NATSTEEL Ltd and its group of companies operate; unavailability of insurance, adverse results on litigation or debt recovery, implementation of operating cost structure that is aligned with revenue growth; SARS, bird flu, killer pig disease and their effects; civil unrest in Southern Thailand or any part of the world where NATSTEEL Ltd and its group of companies operate; any factor which may cause revenues and income to fall short of anticipated levels; ability to develop manufacture and market products and services in a rapidly changing environment; management retention and succession; changes in operating expenses, including employee wages, benefits and training, and governmental and public policy changes. This statement only relates to information available as at the date of release and you are cautioned to seek professional advice from your stock broker, solicitor, accountant or other professional adviser if you are in any doubt as to the meaning of anything herein.