

# NATSTEEL LTD

Company registration No. : 196100107C

## Third 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	<b>THE GROUP</b>					
		Quarter ended 30 September			9 months ended 30 September		
		2006	2005	Change	2006	2005	Change
		S\$'000	S\$'000	%	S\$'000	S\$'000	%
<b><u>CONTINUING OPERATIONS</u></b>							
<b>Sales</b>		<b>83,829</b>	<b>77,608</b>	8	<b>239,497</b>	<b>221,259</b>	8
Cost of sales		(69,639)	(62,135)		(199,558)	(179,390)	
<b>Gross profit</b>		<b>14,190</b>	<b>15,473</b>	(8)	<b>39,939</b>	<b>41,869</b>	(5)
Other income		1,169	1,764		3,781	6,116	
Distribution costs		(3,375)	(3,069)		(9,853)	(9,597)	
Administrative expenses		(8,727)	(7,509)		(23,858)	(24,187)	
Other expenses		(1,917)	(1,738)		(7,080)	(6,110)	
<b>Profit before investment income, interest income and finance costs</b>	1	<b>1,340</b>	<b>4,921</b>	(73)	<b>2,929</b>	<b>8,091</b>	(64)
Investment income		-	120		-	360	
Interest income		1,905	2,931		4,254	8,579	
Finance costs		(968)	(736)		(3,184)	(2,148)	
Share of results of associated companies after taxation		13,325	16,351		37,432	41,661	
<b>Profit before taxation and exceptional items</b>		<b>15,602</b>	<b>23,587</b>	(34)	<b>41,431</b>	<b>56,543</b>	(27)
Exceptional items	2	4,223	2,003		71,811	33,815	
<b>Profit before taxation</b>		<b>19,825</b>	<b>25,590</b>	(23)	<b>113,242</b>	<b>90,358</b>	25
Taxation		2,940	(2,700)		856	(6,025)	
<b>Profit after taxation from continuing operations</b>		<b>22,765</b>	<b>22,890</b>	(1)	<b>114,098</b>	<b>84,333</b>	35
<b><u>DISCONTINUED OPERATIONS</u></b>							
Loss from discontinued operations	3	(1,601)	(2,475)		(2,934)	(6,524)	
Gain / (loss) on disposal of discontinued operations							
- Exceptional items		-	339		-	(13,586)	
		(1,601)	(2,136)		(2,934)	(20,110)	
<b>Total profit for the period</b>		<b>21,164</b>	<b>20,754</b>	2	<b>111,164</b>	<b>64,223</b>	73
<b>Attributable to :</b>							
Equity holders of the Company		21,232	20,591	3	112,374	61,889	82
Minority interests		(68)	163		(1,210)	2,334	
		<b>21,164</b>	<b>20,754</b>		<b>111,164</b>	<b>64,223</b>	
<b>Earnings / (loss) per share attributable to the equity holders of the Company</b>							
- from Continuing operations – Basic and fully diluted		6.11 cents	6.08 cents		30.87 cents	22.53 cents	
- from Discontinued operations – Basic and fully diluted		(0.43) cent	(0.57) cent		(0.79) cent	(5.96) cents	

## Comments on Income Statement

### **Continuing Operations**

- a) Share of results of associated companies  
The lower share of results of associated companies in 3Q 2006 was due mainly to the non-recurring impact of a S\$3.8 mil gain in 3Q 2005 contributed by Tropical Resorts Ltd, a 30% owned associated company.
- b) Other income  
The lower other income in 3Q 2006 was due to lower gain from disposal of fixed assets.
- c) Administrative expenses  
76% of the administrative expenses was incurred by the subsidiaries of NATSTEEL Ltd. The higher administrative expenses in 3Q 2006 was due mainly to start up expenses incurred by the Group's newly commissioned lime kiln in China and higher doubtful debts provision.
- d) Other expenses  
The higher other expenses in 3Q 2006 was due to pre-operating expenses of the Construction Products division's marketing and promotional initiatives in Guangdong.
- e) Interest income  
Interest income was lower in 3Q 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.
- f) Taxation  
The taxation on profit for 3Q 2006 was lower than the amount that would arise by applying the Singapore statutory tax rate mainly due to:
- i) Reversal of deferred tax liabilities of S\$4.8 mil no longer required.
  - ii) 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:

	<b>THE GROUP</b>			
	<b>Quarter ended 30 September</b>		<b>9 months ended 30 September</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
Amortisation of intangible assets	(124)	(89)	(358)	(348)
Depreciation of property, plant and equipment	(4,274)	(4,014)	(13,706)	(12,966)
Property, plant and equipment written off	(4)	-	(8)	(3)
Net foreign exchange (loss) / gain	(119)	397	(2,607)	1,989
Net reversal of write down of inventories to net realisable value	31	-	21	-
Net (provision) / write back for impairment of trade receivables	(476)	(91)	108	390
Net gain on sale of property, plant and equipment	598	958	1,864	1,472
Amortisation of deferred income	774	363	1,584	779

**Note 2** – Exceptional items comprise the following:

	<b>THE GROUP</b>			
	<b>Quarter ended 30 September</b>		<b>9 months ended 30 September</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
Net gain on disposal of				
- associated companies	-	1,527	2,448	1,527
- investment properties	-	-	362	-
- available-for-sale financial assets	3,351	522	44,824	1,106
Gain on debt restructuring of a subsidiary	(11)	-	27,219	-
Loss on dilution of interest in a subsidiary	-	-	-	(505)
Recovery of investment in promissory note previously written off	-	-	-	33,331
Net write back of impairment of receivables from associated companies	398	46	810	273
Write back of impairment of associated company	45	-	45	-
Impairment of property, plant and equipment	(1,017)	-	(6,817)	-
Net provision write back / (made) for diminution in value of investments and investment properties	-	-	25	(1,399)
Impairment of available-for-sale financial assets	(122)	(94)	(155)	(683)
Write back of provision for losses no longer required	-	-	597	-
Gain from transfer of land lease	-	-	967	151
Recovery of receivables of steel businesses	1,600	-	1,667	-
Others	(21)	2	(181)	14
<b>Net gain</b>	<b>4,223</b>	<b>2,003</b>	<b>71,811</b>	<b>33,815</b>

### 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 September		9 months ended 30 September	
	2006	2005	2006	2005
	S\$'000	S\$'000	S\$'000	S\$'000
Revenue	9,287	19,681	46,098	234,473
Net expenses	(11,062)	(21,709)	(48,867)	(242,022)
Loss before taxation of discontinued operations	(1,775)	(2,028)	(2,769)	(7,549)
Taxation	174	(447)	(165)	1,025
<b>Loss after taxation from discontinued operations</b>	<b>(1,601)</b>	<b>(2,475)</b>	<b>(2,934)</b>	<b>(6,524)</b>
<b>Gain / (loss) on disposal of discontinued operations</b>	<b>-</b>	<b>339</b>	<b>-</b>	<b>(13,586)</b>

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

	Quarter ended 30 September		9 months ended 30 September	
	2006	2005	2006	2005
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Net cash (used in) / generated from:</b>				
Operating activities	(5,022)	6,770	(2,485)	(37,292)
Investing activities	54	(11)	(77)	(430)
Financing activities	-	-	(6)	35,934
<b>Total cash flows</b>	<b>(4,968)</b>	<b>6,759</b>	<b>(2,568)</b>	<b>(1,788)</b>

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

	30.09.06	31.12.05
	S\$'000	S\$'000
<b>Assets</b>		
Property, plant and equipment	17,948	20,655
Deferred tax assets	505	687
Current assets	44,237	45,435
Total assets	62,690	66,777
<b>Liabilities</b>		
Trade and other payables	(3,346)	(2,991)
	<b>59,344</b>	<b>63,786</b>

**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	
	30.09.06 S\$'000	31.12.05 S\$'000	30.09.06 S\$'000	31.12.05 S\$'000
Share Capital	193,839	186,779	193,839	186,779
Share Premium	-	6,881	-	6,881
Reserves	241,159	231,232	23,963	112,164
Shareholders' Equity	434,998	424,892	217,802	305,824
Minority Interests	24,628	26,477	-	-
Total Equity	459,626	451,369	217,802	305,824
<b>Current Assets</b>				
Inventories	49,563	49,236	-	-
Receivables and prepayments	87,084	76,773	107,197	111,931
Tax recoverable	12,823	8,505	11,128	6,725
Available-for-sale financial assets	-	9,586	-	3,000
Cash and bank balances	229,878	158,939	92,498	90,024
Derivative financial instruments	-	277	-	119
	379,348	303,316	210,823	211,799
Assets directly associated with the disposal group classified as held for sale	62,690	66,777	-	-
	442,038	370,093	210,823	211,799
<b>Non Current Assets</b>				
Property, plant and equipment	137,355	148,285	686	806
Investment properties	4,301	10,264	-	-
Subsidiaries	-	-	45,456	45,456
Associated companies	130,463	115,651	-	-
Available-for-sale financial assets	31,108	50,911	13,082	15,207
Long term receivables	9,249	8,797	72,989	86,370
Intangible assets	9,753	9,610	-	-
Deferred tax assets	1,577	2,505	-	-
Other non current assets	586	597	-	-
	324,392	346,620	132,213	147,839
<b>Total Assets</b>	766,430	716,713	343,036	359,638
<b>Current Liabilities</b>				
Amounts due to bankers	(32,866)	(71,737)	-	(37,000)
Trade and other payables	(77,884)	(76,221)	(8,774)	(8,321)
Provision for other liabilities and charges	(12,152)	(12,436)	-	-
Taxation	(13,435)	(8,103)	(5,751)	(1,479)
Proposed dividend	(108,332)	-	(108,332)	-
Derivative financial instruments	(131)	-	-	-
	(244,800)	(168,497)	(122,857)	(46,800)
Liabilities directly associated with the disposal group classified as held for sale	(3,346)	(2,991)	-	-
	(248,146)	(171,488)	(122,857)	(46,800)
<b>Non Current Liabilities</b>				
Provision for retirement benefits	(645)	(597)	(227)	(188)
Deferred tax liabilities	(19,467)	(25,614)	(2,150)	(6,826)
Unsecured notes	-	(12,206)	-	-
Long term loans	(30,866)	(28,300)	-	-
Deferred income	(6,633)	(22,303)	-	-
Other non current liabilities	(1,047)	(4,836)	-	-
	(58,658)	(93,856)	(2,377)	(7,014)
<b>Total Liabilities</b>	(306,804)	(265,344)	(125,234)	(53,814)
	459,626	451,369	217,802	305,824

### Comments on Balance Sheet

- a) The interim special dividend for financial year 2006 of 29 cents per share (exempt – one-tier) amounting to S\$108.3 mil paid on 23 October 2006 was deducted from the revenue reserve of the Company and of the Group as at 30 September 2006.

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

#### **Amount repayable in one year or less, or on demand**

<b>As at 30 September 2006</b>		<b>As at 31 December 2005</b>	
<b>Secured S\$'000</b>	<b>Unsecured S\$'000</b>	<b>Secured S\$'000</b>	<b>Unsecured S\$'000</b>
6,984	26,445	3,146	68,715

#### **Amount repayable after one year**

<b>As at 30 September 2006</b>		<b>As at 31 December 2005</b>	
<b>Secured S\$'000</b>	<b>Unsecured S\$'000</b>	<b>Secured S\$'000</b>	<b>Unsecured S\$'000</b>
29,302	2,211	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\$45,659,000 (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**

	<b>THE GROUP</b>			
	<b>Quarter ended 30 September 2006 S\$'000</b>	<b>2005 S\$'000</b>	<b>9 months ended 30 September 2006 S\$'000</b>	<b>2005 S\$'000</b>
<b>Cash flows from operating activities</b>				
Profit after tax for the period	21,164	20,754	111,164	64,223
Non-cash and reclassified items	(17,663)	(13,002)	(97,904)	(45,234)
Working capital changes	(3,278)	(14,995)	(5,024)	(46,536)
Income taxes paid	(1,943)	(2,101)	(3,280)	(6,888)
Dividends received from associated company	45	13,586	33,441	28,067
Other operating cash flow	-	-	-	(58)
<b>Net cash (used in) / generated from operating activities</b>	<b>(1,675)</b>	<b>4,242</b>	<b>38,397</b>	<b>(6,426)</b>
<b>Cash flows from investing activities</b>				
Proceeds from disposal of property, plant and equipment	1,606	934	4,349	1,821
Proceeds from sale / recovery of available-for-sale financial assets, investment properties and other non current assets	6,623	576	89,948	35,223
Proceeds from disposal of steel businesses, net of cash disposed of	-	153,761	-	411,187
Proceeds from disposal of associated companies	-	-	1,201	-
Purchases of property, plant and equipment	(3,980)	(8,939)	(13,219)	(21,042)
Purchases of available-for-sale financial assets	(119)	96	(2,510)	(2,706)
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)	-
Interest received	2,245	3,108	4,891	9,396
Amount due from associated companies	(2,809)	1,288	(2,403)	4,926
<b>Net cash generated from investing activities</b>	<b>3,566</b>	<b>150,824</b>	<b>73,192</b>	<b>435,142</b>
<b>Cash flows from financing activities</b>				
Amounts due to bankers	(14,886)	(2,336)	(36,690)	26,174
Interest paid	(1,480)	(902)	(3,390)	(2,784)
Dividends paid to shareholders	-	(224,135)	-	(261,491)
Dividends and other distributions paid to minority interests	(607)	-	(607)	(81)
Contribution from minority interests	140	-	140	896
Other financing cash flow	(1,656)	147	(2,474)	(38)
<b>Net cash used in financing activities</b>	<b>(18,489)</b>	<b>(227,226)</b>	<b>(43,021)</b>	<b>(237,324)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(16,598)</b>	<b>(72,160)</b>	<b>68,568</b>	<b>191,392</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>258,666</b>	<b>603,426</b>	<b>174,243</b>	<b>339,711</b>
<b>Effects of exchange rate changes on cash and cash equivalents</b>	<b>161</b>	<b>592</b>	<b>(582)</b>	<b>755</b>
<b>Cash and cash equivalents at end of period*</b>	<b>242,229</b>	<b>531,858</b>	<b>242,229</b>	<b>531,858</b>

\* 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:

	<b>THE GROUP</b>			
	<b>Quarter ended 30 September</b>		<b>9 months ended 30 September</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
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	-	339	-	(13,586)
Total consideration, net of transaction costs	-	339	-	454,850
Cash and bank balances of the subsidiaries disposed	-	-	-	(45,388)
Consideration receivable at end of period	-	156,411	-	-
Transaction costs paid in previous year	-	-	-	1,329
Transaction costs payable at end of period	-	(2,989)	-	396
Net cash flow on disposal of subsidiaries	-	153,761	-	411,187

**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
<b>THE GROUP</b>										
<b>Balance as at 1 January 2006</b>	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	-	-	-	(1,183)	-	-	-	(1,183)	(185)	(1,368)
Available-for-sale financial assets										
- Fair value gains taken to equity	-	-	-	-	-	-	8,529	8,529	-	8,529
- Fair value reserve transferred to income statement on sale	-	-	-	-	-	-	1,983	1,983	-	1,983
- Fair value reserve transferred to income statement on impairment	-	-	-	-	-	-	33	33	-	33
Net (losses) / gains recognised directly in equity	-	-	-	(1,183)	-	-	10,545	9,362	(185)	9,177
Profit / (loss) for the period	-	-	91,142	-	-	-	-	91,142	(1,142)	90,000
Total recognised gains / (losses) for the period	-	-	91,142	(1,183)	-	-	10,545	100,504	(1,327)	99,177
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
Translation reserve released upon striking off of a subsidiary	-	-	-	(189)	-	-	-	(189)	-	(189)
<b>Balance as at 30 June 2006</b>	<b>193,839</b>	<b>-</b>	<b>263,661</b>	<b>6,108</b>	<b>17,993</b>	<b>1,946</b>	<b>41,708</b>	<b>525,255</b>	<b>25,150</b>	<b>550,405</b>
Exchange differences arising on consolidation	-	-	-	589	-	-	-	589	13	602
Available-for-sale financial assets										
- Fair value losses taken to equity	-	-	-	-	-	-	(480)	(480)	-	(480)
- Fair value reserve transferred to income statement on sale	-	-	-	-	-	-	(3,388)	(3,388)	-	(3,388)
- Fair value reserve transferred to income statement on impairment	-	-	-	-	-	-	122	122	-	122
Net gains / (losses) recognised directly in equity	-	-	-	589	-	-	(3,746)	(3,157)	13	(3,144)
Profit / (loss) for the period	-	-	21,232	-	-	-	-	21,232	(68)	21,164
Total recognised gains / (losses) for the period	-	-	21,232	589	-	-	(3,746)	18,075	(55)	18,020
Dividend declared	-	-	(108,332)	-	-	-	-	(108,332)	-	(108,332)
Dividend paid to minority interests	-	-	-	-	-	-	-	-	(607)	(607)
Change in group structure	-	-	-	-	-	-	-	-	140	140
<b>Balance as at 30 September 2006</b>	<b>193,839</b>	<b>-</b>	<b>176,561</b>	<b>6,697</b>	<b>17,993</b>	<b>1,946</b>	<b>37,962</b>	<b>434,998</b>	<b>24,628</b>	<b>459,626</b>

	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
<b>THE GROUP</b>										
<b>Balance as at 1 January 2005</b>										
- 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	-	-	-	594	-	-	-	594	483	1,077
Reserves released upon disposal of subsidiaries and associated companies	-	-	1,169	-	-	(1,169)	-	-	-	-
Available-for-sale financial assets										
- Fair value losses taken to equity	-	-	-	-	-	-	(6,766)	(6,766)	-	(6,766)
- Fair value reserve transferred to income statement on disposal	-	-	-	-	-	-	(550)	(550)	-	(550)
- Fair value reserve transferred to income statement on impairment	-	-	-	-	-	-	589	589	-	589
Net gains / (losses) recognised directly in equity	-	-	1,169	594	-	(1,169)	(6,727)	(6,133)	483	(5,650)
Profit for the period	-	-	41,298	-	-	-	-	41,298	2,171	43,469
Total recognised gains / (losses) for the period	-	-	42,467	594	-	(1,169)	(6,727)	35,165	2,654	37,819
Dividend paid	-	-	(37,356)	-	-	-	-	(37,356)	-	(37,356)
Dividends paid to minority interests of a subsidiary	-	-	-	-	-	-	-	-	(81)	(81)
Reserve released upon disposal of subsidiaries and associated companies	-	-	2,137	18,863	2,460	-	(4,597)	18,863	-	18,863
Exchange differences released upon striking off of a subsidiary	-	-	-	29	-	-	-	29	-	29
Changes in group structure	-	-	-	-	-	-	-	-	(26,845)	(26,845)
<b>Balance as at 30 June 2005</b>	<b>186,779</b>	<b>6,881</b>	<b>762,994</b>	<b>6,906</b>	<b>17,993</b>	<b>1,946</b>	<b>25,542</b>	<b>1,009,041</b>	<b>26,591</b>	<b>1,035,632</b>
Exchange differences arising on consolidation	-	-	-	3,245	-	-	-	3,245	69	3,314
Available-for-sale financial assets										
- Fair value gains taken to equity	-	-	-	-	-	-	2,959	2,959	-	2,959
- Fair value reserve transferred to income statement on disposal	-	-	-	-	-	-	(523)	(523)	-	(523)
- Fair value reserve transferred to income statement on impairment	-	-	-	-	-	-	94	94	-	94
Net gains recognised directly in equity	-	-	-	3,245	-	-	2,530	5,775	69	5,844
Profit for the period	-	-	20,591	-	-	-	-	20,591	163	20,754
Total recognised gains for the period	-	-	20,591	3,245	-	-	2,530	26,366	232	26,598
Dividend paid	-	-	(224,135)	-	-	-	-	(224,135)	-	(224,135)
<b>Balance as at 30 September 2005</b>	<b>186,779</b>	<b>6,881</b>	<b>559,450</b>	<b>10,151</b>	<b>17,993</b>	<b>1,946</b>	<b>28,072</b>	<b>811,272</b>	<b>26,823</b>	<b>838,095</b>

	Share Capital S\$'000	Share Premium S\$'000	Revenue Reserve S\$'000	Other Reserves S\$'000	Total S\$'000
<b>THE COMPANY</b>					
<b>Balance as at 1 January 2006</b>	186,779	6,881	92,749	19,415	305,824
Available-for-sale financial assets					
- Fair value loss taken to equity	-	-	-	(1,276)	(1,276)
- Fair value reserve transferred to income statement on impairment	-	-	-	5	5
Net losses recognised directly in equity	-	-	-	(1,271)	(1,271)
Loss for the period	-	-	(3,163)	-	(3,163)
Total recognised losses for the period	-	-	(3,163)	(1,271)	(4,434)
Transfer of share premium and capital redemption reserve to share capital	7,060	(6,881)	-	(179)	-
<b>Balance as at 30 June 2006</b>	<b>193,839</b>	<b>-</b>	<b>89,586</b>	<b>17,965</b>	<b>301,390</b>
Available-for-sale financial assets					
- Fair value gain taken to equity	-	-	-	1,014	1,014
- Fair value reserve transferred to income statement on impairment	-	-	-	114	114
Net gains recognised directly in equity	-	-	-	1,128	1,128
Profit for the period	-	-	23,616	-	23,616
Total recognised gains for the period	-	-	23,616	1,128	24,744
Dividend declared	-	-	(108,332)	-	(108,332)
<b>Balance as at 30 September 2006</b>	<b>193,839</b>	<b>-</b>	<b>4,870</b>	<b>19,093</b>	<b>217,802</b>
<b>Balance as at 1 January 2005</b>					
- 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 loss taken to equity	-	-	-	(240)	(240)
- Fair value reserve transferred to income statement on impairment	-	-	-	19	19
Net losses recognised directly in equity	-	-	-	(221)	(221)
Profit for the period	-	-	7,518	-	7,518
Total recognised gains / (losses) for the period	-	-	7,518	(221)	7,297
Dividend paid	-	-	(37,356)	-	(37,356)
<b>Balance as at 30 June 2005</b>	<b>186,779</b>	<b>6,881</b>	<b>669,828</b>	<b>16,718</b>	<b>880,206</b>
Available-for-sale financial assets					
- Fair value gain taken to equity	-	-	-	1,253	1,253
Net gains recognised directly in equity	-	-	-	1,253	1,253
Profit for the period	-	-	15,331	-	15,331
Total recognised gains for the period	-	-	15,331	1,253	16,584
Dividend paid	-	-	(224,135)	-	(224,135)
<b>Balance as at 30 September 2005</b>	<b>186,779</b>	<b>6,881</b>	<b>461,024</b>	<b>17,971</b>	<b>672,655</b>

**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 30 June 2006.  
There were no outstanding options as at 30 September 2006 (30 September 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**

<b>THE GROUP (Aggregate)</b>	<b>Quarter ended 30 September</b>		<b>9 months ended 30 September</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
(a) Based on the weighted average number of ordinary shares in issue (cents)				
- Excluding exceptional items	4.55	4.89	10.86	11.15
- Including exceptional items	5.68	5.51	30.08	16.57
(b) On fully diluted basis (cents)				
- Excluding exceptional items	4.55	4.89	10.86	11.15
- Including exceptional items	5.68	5.51	30.08	16.57

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**

	<b>THE GROUP</b>		<b>THE COMPANY</b>	
	<b>30.09.06</b>	<b>31.12.05</b>	<b>30.09.06</b>	<b>31.12.05</b>
Net asset* value per ordinary share (S\$)	1.16	1.14	0.58	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**

<b><u>CONTINUING OPERATIONS</u></b>	<b>THE GROUP</b>					
	<b>Quarter ended 30 September</b>			<b>9 months ended 30 September</b>		
	<b>2006</b>	<b>2005</b>	<b>Change</b>	<b>2006</b>	<b>2005</b>	<b>Change</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>%</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>%</b>
<b>Group Turnover</b>	83,829	77,608	8	239,497	221,259	8
<b>Group Profit Before Tax (excluding exceptional items)</b>	15,602	23,587	(34)	41,431	56,543	(27)
<b>Exceptional Items</b>	4,223	2,003	111	71,811	33,815	112
<b>Group Profit for the period attributable to equity holders of the Company</b>	22,833	22,727	-	115,308	84,144	37
<b>Group Earnings Before Interest, Taxation, Depreciation and Amortisation (excluding exceptional items)</b>	18,289	25,132	(27)	52,841	62,647	(16)

Group's turnover from continuing operations increased 8% to S\$83.8 mil in 3Q 2006 over the corresponding quarter last year. For the nine months to 30 September 2006, turnover grew 8% to S\$239.5 mil. Increased turnover from both the Construction and Engineering divisions contributed to the higher turnover of the Group in 3Q 2006.

The Group recorded a pre-tax profit of S\$15.6 mil in 3Q 2006, a decrease of 34% over 3Q 2005. For the nine months to 30 September 2006, Group's pre-tax profit decreased 27% to S\$41.4 mil. The decrease in pre-tax profit in 3Q 2006 was mainly attributable to the non-recurring impact of a S\$3.8 mil gain in 3Q 2005 from Tropical Resorts Ltd, a 30% associated company. Lower operating performance by the Construction Products division and loss incurred by the Group's precision machining business also contributed to the lower pre-tax profit in the current quarter.

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

Turnover (S\$'mil)	Quarter ended 30 September			9 months ended 30 September		
	2006	2005	Change (%)	2006	2005	Change (%)
Chemicals Division	18.8	18.6	1	50.8	55.3	(8)
Construction Products Division	40.6	37.7	8	121.1	108.6	12
Engineering Division	18.6	11.9	56	47.6	34.8	37

Attributable profit before tax (S\$'mil)	Quarter ended 30 September			9 months ended 30 September		
	2006	2005	Change (%)	2006	2005	Change (%)
<b>Operating PBT</b>						
- Chemicals Division	14.6	14.7	(1)	35.8	44.3	(19)
- Construction Products Division	(0.1)	1.4	n/m	2.4	2.8	(14)
- Engineering Division	2.1	1.4	50	5.9	4.1	44
	16.6	17.5	(5)	44.1	51.2	(14)
<b>Exceptional items</b>						
- Chemicals Division	(1.0)	1.3	n/m	-	1.4	n/m
- Construction Products Division	-	-	-	-	(0.5)	n/m
- Engineering Division	-	-	-	2.0	-	n/m
	(1.0)	1.3	n/m	2.0	0.9	122
<b>Total</b>						
- Chemicals Division	13.6	16.0	(15)	35.8	45.7	(22)
- Construction Products Division	(0.1)	1.4	n/m	2.4	2.3	4
- Engineering Division	2.1	1.4	50	7.9	4.1	93
	15.6	18.8	(17)	46.1	52.1	(12)

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

### Chemicals Division

Turnover of the Chemicals division increased marginally by 1% to S\$18.8 mil in 3Q 2006 due mainly to higher sales recorded by the environmental services business which benefited from firmer prices for its recycled products. However, profit before tax decreased slightly to S\$14.6 mil due mainly to loss incurred by the division's environmental chemicals operations in China.

### Construction Products Division

Turnover of the Construction Products division grew 8% to S\$40.6 mil in 3Q 2006 mainly as a result of higher project volumes delivered by its Finnish unit. However, the division incurred a loss of S\$0.1 mil in 3Q 2006 due mainly to adverse performance by its Singapore and Hong Kong operations.

### Engineering Division

Turnover of the Engineering division increased 56% to S\$18.6 mil in 3Q 2006 as a result of increased delivery of its products. Pre-tax profit increased 50% from S\$1.4 mil to S\$2.1 mil.

## **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**

The operating performance of the Group's environmental chemicals business may be affected by raw material supply shortages together with teething problems in the newly commissioned plant in China.

**11. Dividend**

**(a) Current Financial Period Reported On**

Any dividend declared for the current financial period reported on? Yes

Name of Dividend	Interim special
Dividend Type	Cash
Dividend amount per share	S\$0.29 per ordinary share
Tax Rate	Exempt – one tier
Date paid	23 October 2006

**(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\$1.07
Dividend Rate	214% per ordinary share
Par value of shares	S\$0.50
Tax Rate	Exempt – one tier
Date paid	8 December 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:		

**CONFIRMATION BY THE BOARD**

The Board of Directors of the Company hereby confirm that, to the best of their knowledge, nothing has come to their attention which may render the unaudited consolidated financial results for the nine months ended 30 September 2006 to be false or misleading.

**BY ORDER OF THE BOARD**

LIM Su-Ling  
Company Secretary  
8 November 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; fluctuations in the price of raw materials, power, water, fuel, crude oil or demand for natural rubber; 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; coup d’etat, 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.