

Details on how the business of the Sector is managed and its related performance are set out below. This information is given on a voluntary basis and from the perspective of the Sector management, as its disclosure is not required by law or regulation.

Electronics

“Higher Profit in 2Q2013”

FINANCIAL HIGHLIGHTS For the quarter ended 30 June 2013					
	2013 2Q	2012 2Q	Growth %	2013 1Q	Growth %
Revenue (\$m)	362	362	-	433	(16)
Earnings before interest and tax (EBIT) (\$m)	42.9	41.8	3	32.5	32
Other income, net (\$m)	0.1	0.6	(83)	1.3	(91)
Finance income/(costs), net (\$m)	4.6	(0.4)	>500	(0.2)	>500
Profit before tax (PBT) (\$m)	47.3	41.8	13	33.3	42
Profit attributable to shareholders (\$m)	37.1	31.3	18	29.1	28

- Economic Value Added for the first half of 2013 was \$42.0 million

“In 2Q2013, the Electronics sector secured various contracts in rail electronics, satcoms & communication systems. ST Electronics is well-positioned, with our full suite of solutions, to address the market demand in urban transit and high-bandwidth, high-performance satellite communication systems.”

Lee Fook Sun, President

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

Electronics

Electronics sector unaudited results for the second quarter ended 30 June 2013

	2Q2013 \$'000	2Q2012 \$'000	+ / (-) %
1. (a) Revenue	362,175	361,928	0.1
(b) Cost of sales	(239,533)	(239,920)	(0.2)
(c) Gross Profit	<u>122,642</u>	<u>122,008</u>	0.5
(d) Distribution and selling expenses	(21,589)	(23,546)	(8.3)
(e) Administrative expenses	(38,048)	(36,214)	5.1
(f) Other operating expenses	(20,130)	(20,475)	(1.7)
(g) Profit from operations	<u>42,875</u>	<u>41,773</u>	2.6
(h) Other income, net	112	646	(82.7)
(i) Finance income	5,744	1,075	434.3
(j) Finance costs	(1,145)	(1,451)	(21.1)
(k) Finance income/(costs), net	<u>4,599</u>	<u>(376)</u>	>(500)
(l) Share of results of associates and jointly controlled entities	(329)	(203)	62.1
(m) Profit before taxation	<u>47,257</u>	<u>41,840</u>	12.9
(n) Taxation	(9,163)	(9,668)	(5.2)
(o) Profit for the period	<u>38,094</u>	<u>32,172</u>	18.4
Attributable to:			
(p) Shareholders of the Company	37,080	31,331	18.3
(q) Non-controlling interests	1,014	841	20.6
	<u>38,094</u>	<u>32,172</u>	18.4
2. (a) Profit from operations is arrived at after charging/(crediting) the following:			
Depreciation and amortisation	7,248	6,754	7.3
Allowance/(write-back of allowance) for doubtful debts & bad debts written off, net	(803)	550	(246.0)
Allowance/(write-back of allowance) for inventory obsolescence, net	742	446	66.4
(b) Finance income/(costs), net comprises:			
Interest income	927	1,075	(13.8)
Foreign exchange gain/(loss), net	396	(311)	(227.3)
Gain on disposal of investments	4,421	-	NM
Interest expenses	(1,145)	(1,140)	0.4
	<u>4,599</u>	<u>(376)</u>	>(500)

Electronics

	2Q2013 \$'000	2Q2012 \$'000	+ / (-) %
3. (a) Profit for the period [1(o) above] as a percentage of revenue	10.5%	8.9%	
(b) Profit attributable to shareholders [1(p) above] as a percentage of share capital and reserves at end of period	12.2%	11.3%	
4. (a) Revenue reported for first quarter	433,102	460,877	(6.0)
(b) Profit for the period reported for first quarter	29,292	28,287	3.6
(c) Revenue reported for second quarter	362,175	361,928	0.1
(d) Profit for the period reported for second quarter	38,094	32,172	18.4
(e) Revenue reported for first half year	795,277	822,805	(3.3)
(f) Profit for the period reported for first half year	67,386	60,459	11.5
5. (a) There was an underprovision of current tax of \$6,000 and overprovision of deferred tax of \$13,000 in respect of prior years (2Q2012: There was an overprovision of current tax of \$43,000 and underprovision of deferred tax of \$501,000 in respect of prior years).			
(b) There was no disposal of property during the second quarter.			

6. Business Group Information

By Business Group

	Revenue			Profit before Taxation		
	2013 \$'000	2012 \$'000	+ / (-) %	2013 \$'000	2012 \$'000	+ / (-) %
Second Quarter						
Large-Scale Systems Group	74,944	73,156	2.4	13,455	7,158	88.0
Communication & Sensor Systems Group	193,534	201,271	(3.8)	19,872	22,385	(11.2)
Software Systems Group	93,697	87,501	7.1	13,930	12,297	13.3
Total	<u>362,175</u>	<u>361,928</u>	0.1	<u>47,257</u>	<u>41,840</u>	12.9
First Half Year						
Large-Scale Systems Group	195,643	199,419	(1.9)	26,115	19,349	35.0
Communication & Sensor Systems Group	379,967	402,873	(5.7)	28,612	35,077	(18.4)
Software Systems Group	219,667	220,513	(0.4)	25,805	21,141	22.1
Total	<u>795,277</u>	<u>822,805</u>	(3.3)	<u>80,532</u>	<u>75,567</u>	6.6

By Geographical Areas

	Revenue		
	2Q2013 \$'000	2Q2012 \$'000	+ / (-) %
Asia	260,025	266,955	(2.6)
USA	38,168	42,865	(11.0)
Europe	29,365	17,802	65.0
Others	34,617	34,306	0.9
Total	<u>362,175</u>	<u>361,928</u>	0.1

By Country of Incorporation

Asia	278,683	280,976	(0.8)
USA	73,604	67,749	8.6
Europe	3,245	3,699	(12.3)
Others	6,643	9,504	(30.1)
Total	<u>362,175</u>	<u>361,928</u>	0.1

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7. Review of Performance

(a) Revenue

2Q2013 vs 2Q2012

2Q2013	2Q2012	Growth	
\$362m	\$362m	-	-

Revenue of \$362 million recorded in 2Q2013 was comparable to that in 2Q2012. Both **Large-Scale Systems Group's (LSG)** and **Communication & Sensor Systems Group's (CSG)** sales were comparable to 2Q2012. Sales for **Software Systems Group (SSG)** were higher mainly due to milestone completions of several software system projects.

2Q2013 vs 1Q2013

2Q2013	1Q2013	Growth	
\$362m	\$433m	(\$71m)	(16%)

Revenue of \$362 million recorded in 2Q2013 was lower than that in 1Q2013 by 16% or \$71 million. Both **LSG** and **SSG** recorded lower sales mainly due to lower value project milestone completions. **CSG's** sales were comparable to 1Q2013.

(b) Profitability

2Q2013 vs 2Q2012

2Q2013	2Q2012	Growth	
\$47.3m	\$41.8m	\$5.5m	13%

The profit before tax of \$47.3 million for 2Q2013 was higher than that in 2Q2012 by 13% or \$5.5 million. At the business group level, the increase in profit was contributed by **LSG** and **SSG**. **LSG** recorded higher profit mainly due to gain on the disposal of an investment and lower operating expenses. The increase in **SSG's** profit was mainly due to higher sales. **CSG** recorded lower profit mainly due to higher operating expenses.

2Q2013 vs 1Q2013

2Q2013	1Q2013	Growth	
\$47.3m	\$33.3m	\$14.0m	42%

The profit before tax of \$47.3 million for 2Q2013 was higher than that in 1Q2013 by 42% or \$14.0 million. All three business groups recorded higher profits. Despite lower sales, **LSG's** profit was higher mainly due to gain on the disposal of an investment and favourable sales mix. **CSG** recorded higher profit mainly due to better contribution from satellite communication product sales, increased sales and lower operating expenses. Despite lower sales and higher operating expenses, **SSG's** profit was higher mainly due to favourable sales mix.

8. Prospects

2H2013

Barring unforeseen circumstances, revenue and profit before tax for 2H2013 are expected to be higher compared to 1H2013.

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9. Balance Sheet

	30-Jun-13 \$'000	31-Dec-12 \$'000
Property, plant and equipment	147,222	104,672
Associates and jointly controlled entities	4,112	4,702
Investments	1,265	11,582
Intangible assets	285,869	279,932
Derivative financial instrument	5	15
Deferred tax assets	33,494	33,237
Non-current assets	471,967	434,140
Current assets	1,111,583	1,126,556
Total assets	1,583,550	1,560,696
Current liabilities	998,869	1,035,080
Non-current liabilities	401,191	372,975
Total liabilities	1,400,060	1,408,055
Share capital and reserves	172,699	142,723
Non-controlling interests	10,791	9,918
Total equity and liabilities	1,583,550	1,560,696
Net current assets	112,714	91,476

10. Statement of Cash Flows for the second quarter ended 30 June 2013

	2Q2013 \$'000	2Q2012 \$'000
Net cash used in operating activities	(28,561)	(31,951)
Net cash used in investing activities	(4,807)	(7,769)
Proceeds from sale of property, plant and equipment	18	4
Proceeds from sale of a quoted investment	12,842	-
Purchase of property, plant and equipment	(17,667)	(7,773)
Net cash used in financing activities	(42,461)	(51,411)
Repayment of related parties loans	(406)	(536)
Repayment of bank loans	-	(773)
Loans to related parties	(1,114)	(4,645)
Repayment of related parties loans	4,666	-
Repayment of lease obligations	(8)	(12)
Dividend paid to shareholder	(45,000)	(42,000)
Dividends paid to non-controlling interests	(360)	(3,392)
Interest paid	(27)	(53)
Deposits pledged	(212)	-
Net decrease in cash and cash equivalents	(75,829)	(91,131)
Cash and cash equivalents at beginning of period	518,054	517,369
Exchange difference on cash and cash equivalents	1,782	(416)
Cash and cash equivalents at end of period	444,007	425,822



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11. Economic Value Added (EVA)

EVA for 1H2013 was \$42.0 million, a decrease of \$12.2 million or 23% over 1H2012. The weighted average cost of capital was 5.2% for 2013 (2012: 5.3%).

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