

News Release

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 Net Profit”

FINANCIAL HIGHLIGHTS For the second quarter ended 30 June 2014			
	2014 2Q	2013 2Q	Growth %
Revenue (\$m)	388	362	7
Earnings before interest and tax (EBIT) (\$m)	47.1	42.9	10
Other income, net (\$m)	1.6	0.1	>500
Finance income/(costs), net (\$m)	(0.5)	4.6	(110)
Profit before tax (PBT) (\$m)	48.2	47.3	2
Profit attributable to shareholders (\$m)	39.2	37.1	6

- Economic Value Added for the first half of 2014 was \$55.8 million

“The Electronics sector has performed well in 2Q2014. We continue to develop innovative solutions that help our customers meet the expectations of today’s dynamic and demanding business environment. We continue to develop international markets in South America and the Asia Pacific region.”

Lee Fook Sun, President

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

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Electronics sector unaudited results for the second quarter ended 30 June 2014

	2Q2014	2Q2013	+ / (-)
	\$'000	\$'000	%
1. (a) Revenue	388,200	362,175	7.2
(b) Cost of sales	(259,005)	(239,533)	8.1
(c) Gross Profit	129,195	122,642	5.3
(d) Distribution and selling expenses	(22,363)	(21,589)	3.6
(e) Administrative expenses	(40,454)	(38,048)	6.3
(f) Other operating expenses	(19,256)	(20,130)	(4.3)
(g) Profit from operations	47,122	42,875	9.9
(h) Other income	1,563	114	>500
(i) Other expenses	(5)	(2)	150.0
(j) Other income, net	1,558	112	>500
(k) Finance income	1,259	5,744	(78.1)
(l) Finance costs	(1,716)	(1,145)	49.9
(m) Finance income/(costs), net	(457)	4,599	(109.9)
(n) Share of results of associates and jointly controlled entities, net of tax	(10)	(324)	(96.9)
(o) Profit before taxation	48,213	47,262	2.0
(p) Taxation	(8,754)	(9,168)	(4.5)
(q) Profit for the period	39,459	38,094	3.6
Attributable to:			
(r) Shareholders of the Company	39,234	37,080	5.8
(s) Non-controlling interests	225	1,014	(77.8)
	39,459	38,094	3.6
2. (a) Profit from operations is arrived at after charging/(crediting) the following:			
Depreciation and amortisation	8,993	7,248	24.1
Write-back of allowance for doubtful debts & bad debts written off, net	(116)	(803)	(85.6)
Allowance for stock obsolescence, net	261	742	(64.8)
(b) Finance income/(costs), net comprises:			
Interest income	1,259	927	35.8
Foreign exchange gain/(loss), net	(473)	396	(219.4)
Gain on disposal of an investment	-	4,421	(100.0)
Interest expenses	(1,243)	(1,145)	8.6
	(457)	4,599	(109.9)

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	2Q2014	2Q2013	+ / (-)
	\$'000	\$'000	%
3. (a) Profit for the period [1(q) above] as a percentage of revenue	10.2%	10.5%	
(b) Profit attributable to shareholders [1(r) above] as a percentage of share capital and reserves at end of period	12.3%	12.2%	
4. (a) Revenue reported for first quarter	375,214	433,102	(13.4)
(b) Profit for the period reported for first quarter	29,157	29,292	(0.5)
(c) Revenue reported for second quarter	388,200	362,175	7.2
(d) Profit for the period reported for second quarter	39,459	38,094	3.6
(e) Revenue reported for first half year	763,414	795,277	(4.0)
(f) Profit for the period reported for first half year	68,616	67,386	1.8
5. (a) There was overprovision of current tax and deferred tax of \$815,000 and \$528,000 respectively in respect of prior years (2Q2013: There was an underprovision of current tax of \$6,000 and overprovision of deferred tax of \$13,000 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		+ / (-) %
	2014 \$'000	2013 \$'000		2014 \$'000	2013 \$'000	
Second Quarter						
Large-Scale Systems Group	87,009	74,944	16.1	9,157	13,460	(32.0)
Communication & Sensor Systems Group	200,085	193,534	3.4	20,534	19,872	3.3
Software Systems Group	101,106	93,697	7.9	18,522	13,930	33.0
Total	<u>388,200</u>	<u>362,175</u>	7.2	<u>48,213</u>	<u>47,262</u>	2.0
First Half Year						
Large-Scale Systems Group	199,272	195,643	1.9	23,931	26,120	(8.4)
Communication & Sensor Systems Group	357,463	379,967	(5.9)	25,637	28,612	(10.4)
Software Systems Group	206,679	219,667	(5.9)	30,950	25,805	19.9
Total	<u>763,414</u>	<u>795,277</u>	(4.0)	<u>80,518</u>	<u>80,537</u>	-

	Revenue		
	2Q2014 \$'000	2Q2013 \$'000	
<u>By Geographical Areas</u>			
Asia	308,594	260,025	18.7
USA	31,950	38,168	(16.3)
Europe	20,771	29,365	(29.3)
Others	26,885	34,617	(22.3)
Total	<u>388,200</u>	<u>362,175</u>	7.2

By Country of Incorporation

Asia	317,227	278,683	13.8
USA	58,902	73,604	(20.0)
Europe	4,509	3,245	39.0
Others	7,562	6,643	13.8
Total	<u>388,200</u>	<u>362,175</u>	7.2

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7. Review of Performance

(a) Revenue

2Q2014 vs 2Q2013

2Q2014	2Q2013	Growth	
\$388m	\$362m	\$26m	7%

Revenue of \$388 million recorded in 2Q2014 was higher than that of 2Q2013 by 7% or \$26 million. The increase in sales was contributed by **Large-Scale Systems Group (LSG) and Software Systems Group (SSG)**. LSG recorded higher sales mainly due to milestone completions of the Land Transport Authority's Downtown Line project and the Bangkok MRT project. Sales for **SSG** were higher mainly due to milestone completions of simulator projects. **Communication & Sensor Systems Group's (CSG)** sales were comparable to that of 2Q2013.

(b) Profitability

2Q2014 vs 2Q2013

2Q2014	2Q2013	Growth	
\$48.2m	\$47.3m	\$0.9m	2%

The profit before tax of \$48.2 million for 2Q2014 was comparable to that of 2Q2013. At the business group level, the increase in profit recorded by **SSG** was offset by lower profit from **LSG**. Despite higher sales, **LSG** recorded lower profit mainly due to less favourable sales mix and 2Q2013 result included the gain on the disposal of an investment. **SSG** recorded higher profit mainly due to increased sales and favourable sales mix, partially offset by higher operating expenses. **CSG's** profit was comparable to that of 2Q2013.

8. Prospects

2H2014

Barring unforeseen circumstances, revenue and profit before tax for 2H2014 are expected to be higher compared to 1H2014.

9. Balance Sheet

	30-Jun-14	31-Dec-13
	\$'000	\$'000
Property, plant and equipment	177,802	170,244
Associates and jointly controlled entities	830	729
Investments	632	632
Intangible assets	280,552	282,861
Deferred tax assets	29,322	31,159
Non-current assets	489,138	485,625
Current assets	1,208,223	1,247,896
Total assets	1,697,361	1,733,521
Current liabilities	1,057,559	1,081,005
Non-current liabilities	440,422	457,767
Total liabilities	1,497,981	1,538,772
Share capital and reserves	187,871	182,754
Non-controlling interests	11,509	11,995
Total equity and liabilities	1,697,361	1,733,521
Net current assets	150,664	166,891

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10. Statement of Cash Flows for the second quarter ended 30 June 2014

	2Q2014 \$'000	2Q2013 \$'000
Net cash from/(used in) operating activities	37,269	(28,561)
Net cash used in investing activities	(14,891)	(4,807)
Proceeds from sale of property, plant and equipment	126	18
Proceeds from sale of a quoted investment	-	12,842
Purchase of property, plant and equipment	(10,946)	(17,667)
Acquisition of other intangible assets	(4,071)	-
Net cash used in financing activities	(189,411)	(42,461)
Proceeds from a related party loans	8,092	-
Repayment of a related party loans	(3,684)	(406)
Repayment of loans by related parties	-	4,666
Loans to related parties	(140,000)	(1,114)
Repayment of lease obligations	(1)	(8)
Dividend paid to shareholder	(52,000)	(45,000)
Dividend paid to non-controlling interests	(1,249)	(360)
Interest paid	(205)	(27)
Deposits pledged	(364)	(212)
Net decrease in cash and cash equivalents	(167,033)	(75,829)
Cash and cash equivalents at beginning of period	491,816	518,054
Exchange difference on cash and cash equivalents	(556)	1,782
Cash and cash equivalents at end of period	<u>324,227</u>	<u>444,007</u>

11. Economic Value Added (EVA)

EVA for 1H2014 was \$55.8 million, an increase of \$15.5 million or 38% over 1H2013. The weighted average cost of capital was 5.6% for 2014 (2013: 5.2%).

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