

## 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

#### “Better Performance in 2Q2016”

<b>FINANCIAL HIGHLIGHTS</b> For the second quarter ended 30 June 2016			
	<b>2016 2Q</b>	<b>2015 2Q</b>	<b>Growth %</b>
Revenue (\$m)	450	421	7
Earnings before interest and tax (EBIT) (\$m)	47.9	45.1	6
Other income, net (\$m)	4.0	2.7	48
Finance costs, net (\$m)	(0.8)	(0.9)	17
Profit before tax (PBT) (\$m)	51.2	46.6	10
Profit attributable to shareholders (\$m)	41.7	38.0	10

- Economic Value Added for the first half of 2016 was \$59.0 million

*“The Electronics sector achieved better results in 2Q2016. Through team effort, coupled with strong technology offerings, we have secured a total of \$1.16b of new orders in the first half of 2016. These project wins will enhance our track record and improve our competitive edge for future opportunities.”*

*Lee Fook Sun, President*

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

#### **Singapore Technologies Engineering Ltd**

ST Engineering Hub, 1 Ang Mo Kio Electronics Park Road #07-01, Singapore 567710

T: (65) 6722 1818 F: (65) 6720 2293

www.stengg.com

(Regn. No.: 199706274H)

## Electronics

### Electronics sector unaudited results for the second quarter ended 30 June 2016

	2Q2016 \$'000	2Q2015 \$'000	+ / (-) %
<b>1. (a) Revenue</b>	<b>450,305</b>	<b>420,855</b>	<b>7.0</b>
(b) Cost of sales	(313,946)	(297,999)	5.4
<b>(c) Gross Profit</b>	<b>136,359</b>	<b>122,856</b>	<b>11.0</b>
(d) Distribution and selling expenses	(23,670)	(20,905)	13.2
(e) Administrative expenses	(42,805)	(36,729)	16.5
(f) Other operating expenses	(21,982)	(20,081)	9.5
<b>(g) Profit from operations</b>	<b>47,902</b>	<b>45,141</b>	<b>6.1</b>
(h) Other income	4,042	2,714	48.9
(i) Other expenses	(15)	-	NM
(j) Other income, net	4,027	2,714	48.4
(k) Finance income	1,056	836	26.3
(l) Finance costs	(1,835)	(1,779)	3.1
<b>(m) Finance costs, net</b>	<b>(779)</b>	<b>(943)</b>	<b>(17.4)</b>
(n) Share of results of associates and joint ventures, net of tax	75	(357)	(121.0)
<b>(o) Profit before taxation</b>	<b>51,225</b>	<b>46,555</b>	<b>10.0</b>
(p) Taxation	(9,526)	(8,228)	15.8
<b>(q) Profit for the period</b>	<b>41,699</b>	<b>38,327</b>	<b>8.8</b>
Attributable to:			
(r) <b>Shareholder of the Company</b>	<b>41,654</b>	<b>37,975</b>	<b>9.7</b>
(s) Non-controlling interests	45	352	(87.2)
	<b>41,699</b>	<b>38,327</b>	<b>8.8</b>
<b>2. (a) Profit from operations is arrived at after charging/(crediting) the following:</b>			
Depreciation and amortisation	9,836	9,885	(0.5)
Allowance/(write-back of allowance) for doubtful debts & bad debts written off, net	800	(923)	(186.7)
Allowance for inventory obsolescence, net	114	71	60.6
<b>(b) Finance costs, net comprises:</b>			
Interest income	624	836	(25.4)
Foreign exchange gain/(loss), net	428	(359)	(219.2)
Gain on disposal of an investment	4	-	NM
Interest expenses	(1,835)	(1,420)	29.2
	<b>(779)</b>	<b>(943)</b>	<b>(17.4)</b>

\* NM - Not Meaningful

## Electronics

	2Q2016 \$'000	2Q2015 \$'000	+ / (-) %
3. (a) Profit for the period [1(q) above] as a percentage of revenue	9.3%	9.1%	
(b) Profit attributable to shareholders [1(r) above] as a percentage of share capital and reserves at end of period	11.4%	11.2%	
	<b>2016</b> \$'000	<b>2015</b> \$'000	<b>+ / (-)</b> %
4. (a) Revenue reported for first quarter	464,273	363,675	27.7
(b) Profit for the period reported for first quarter	33,072	31,217	5.9
(c) Revenue reported for second quarter	450,305	420,855	7.0
(d) Profit for the period reported for second quarter	41,699	38,327	8.8
(e) Revenue reported for first half year	914,578	784,530	16.6
(f) Profit for the period reported for first half year	74,771	69,544	7.5
5. (a) There was an underprovision of current tax of \$334,000 and an overprovision of deferred tax of \$1,079,000 in respect of prior years (2Q2015: There was an underprovision of current tax of \$711,000 and an overprovision of deferred tax of \$1,100,000 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		
	2016 \$'000	2015 \$'000	+ / (-) %	2016 \$'000	2015 \$'000	+ / (-) %
<b>Second Quarter</b>						
Large-Scale Systems Group	107,618	95,054	13.2	13,664	12,672	7.8
Communication & Sensor Systems Group	224,940	193,220	16.4	18,614	13,999	33.0
Software Systems Group	117,747	132,581	(11.2)	18,947	19,884	(4.7)
Total	<u>450,305</u>	<u>420,855</u>	7.0	<u>51,225</u>	<u>46,555</u>	10.0

#### **First Half Year**

Large-Scale Systems Group	228,911	201,053	13.9	28,675	26,062	10.0
Communication & Sensor Systems Group	449,897	352,109	27.8	28,846	23,863	20.9
Software Systems Group	235,770	231,368	1.9	33,293	31,540	5.6
Total	<u>914,578</u>	<u>784,530</u>	16.6	<u>90,814</u>	<u>81,465</u>	11.5

#### By Geographical Areas

	Revenue		
	2Q2016 \$'000	2Q2015 \$'000	+ / (-) %
Asia	344,344	330,699	4.1
USA	45,290	34,978	29.5
Europe	29,036	23,021	26.1
Others	31,635	32,157	(1.6)
Total	<u>450,305</u>	<u>420,855</u>	7.0

#### By Country of Incorporation

Asia	354,953	347,666	2.1
USA	80,444	60,660	32.6
Europe	4,980	3,975	25.3
Others	9,928	8,554	16.1
Total	<u>450,305</u>	<u>420,855</u>	7.0

## Electronics

### 7. Review of Performance

#### (a) Revenue

2Q2016 vs 2Q2015

2Q2016	2Q2015	Growth	
\$450m	\$421m	\$29m	7%

Revenue of \$450 million recorded in 2Q2016 was higher than that of 2Q2015 by 7% or \$29 million. **Communication & Sensor Systems Group's (CSG)** sales were higher mainly due to increased sales of satellite communication products and higher value project milestone completions. **Large-Scale Systems Group (LSG)** recorded higher sales mainly due to higher value project milestone completions. **Software Systems Group (SSG)** recorded lower sales mainly due to lower value project milestone completions.

#### (b) Profitability

2Q2016 vs 2Q2015

2Q2016	2Q2015	Growth	
\$51.2m	\$46.6m	\$4.6m	10%

The profit before tax of \$51.2 million for 2Q2016 was higher than that of 2Q2015 by 10% or \$4.6 million. The Sector recorded higher profit mainly due to increased sales and higher other income, partially offset by higher operating expenses.

### 8. Prospects

2H2016

Barring unforeseen circumstances, revenue and profit before tax for 2H2016 are expected to be higher compared to 1H2016.

### 9. Balance Sheet

	30-Jun-16 \$'000	31-Dec-15 \$'000
Property, plant and equipment	183,074	185,192
Associates and joint venture	1,498	1,397
Investments	9,434	9,902
Intangible assets	324,152	335,049
Long-term receivable, non-current	897	913
Deferred tax assets	28,271	29,726
Derivative financial instruments, non-current	1,738	40
Non-current assets	549,064	562,219
Current assets	1,219,442	1,299,812
<b>Total assets</b>	<b>1,768,506</b>	<b>1,862,031</b>
Current liabilities	1,011,224	1,114,278
Non-current liabilities	515,766	523,445
<b>Total liabilities</b>	<b>1,526,990</b>	<b>1,637,723</b>
Share capital and reserves	234,330	217,088
Non-controlling interests	7,186	7,220
<b>Total equity and liabilities</b>	<b>1,768,506</b>	<b>1,862,031</b>
<b>Net current assets</b>	<b>208,218</b>	<b>185,534</b>

## Electronics

### 10. Statement of Cash Flows for the second quarter ended 30 June 2016

	2Q2016 \$'000	2Q2015 \$'000
Net cash from/(used in) operating activities	<b>21,198</b>	<b>(52,747)</b>
Net cash used in investing activities	<b>(13,387)</b>	<b>(12,589)</b>
Proceeds from sale of property, plant and equipment	1	10
Proceeds from sale of an associate company	731	-
Proceeds from sale of an unquoted investment	4	-
Dividends from an associate and a joint venture	-	720
Purchase of property, plant and equipment	(11,067)	(5,626)
Acquisition of other intangible assets	(3,056)	(2,412)
Investment in an unquoted investment	-	(5,281)
Net cash (used in)/from financing activities	<b>(82,835)</b>	<b>1,021</b>
Repayment of related parties loans	(38,000)	-
Repayment of loans by a related party	17,500	50,000
Repayment of a joint venture loans	(7,000)	-
Proceeds from a related party loans	-	7,424
Proceeds of a loan from a joint venture	1,000	-
Loans to a related party	(17,500)	-
Acquisition of non-controlling interests in a subsidiary	-	(3,000)
Dividend paid to shareholder	(38,000)	(53,000)
Interest paid	(834)	(406)
Deposits (pledged)/discharged	(1)	3
Net decrease in cash and cash equivalents	<b>(75,024)</b>	<b>(64,315)</b>
Cash and cash equivalents at beginning of period	279,528	308,619
Exchange difference on cash and cash equivalents	(1,325)	(1,393)
Cash and cash equivalents at end of period	<b>203,179</b>	<b>242,911</b> <sup>1</sup>

<sup>1</sup> Cash and cash equivalents at the end of 2Q2015 was after deducting \$70.0 million of short term net lending to a related party.

### 11. Economic Value Added (EVA)

EVA for 1H2016 was \$59.0 million, an increase of \$4.6 million or 8% over 1H2015. The weighted average cost of capital was 5.6% for 2016 (2015: 5.5%).

Media Contact:  
Michelle Choh  
AVP, Corporate Communications  
Tel: (65) 64131788  
Fax: (65) 64848840  
Email: choh.ssushien@stee.stengg.com