ST Engineering

NewsRelease

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

"Steady Growth in 2011"

FINANCIAL HIGHLIGHTS For the year ended 31 December 2011			
	2011 FY	**2010 FY**	**Growth %**
Revenue ($m)	1,517	1,428	6
Earnings before interest and tax (EBIT) ($m)	145.6	130.3	12
Other income, net ($m)	1.8	5.9	(69)
Finance costs, net ($m)	(5.5)	(8.5)	36
Profit before tax (PBT) ($m)	136.9	127.6	7
Profit attributable to shareholders ($m)	108.8	100.7	8
Economic value added (EVA) ($m)	88.7	80.9	10

"The Electronics sector secured several key contracts with new customers and products in 2011. These include satellite communication solution for Inmarsat's Global Xpress, Automatic Fare Collection Systems for the Bangkok Mass Transit System Silom Line Extension and Wuxi Metro Line 1 in China, National Authentication Framework Project in Singapore and the Perimeter Intrusion Detection System for the Changi Airport Group.

The Electronics sector remains focused on achieving growth by developing new capabilities and new markets."

Lee Fook Sun, President

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

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Electronics sector audited results for the year ended 31 December 2011:

			FY2011 $'000	FY2010 $'000	+ / (-) %
1.	(a)	**Revenue**	**1,516,975**	**1,428,467**	**6.2**
	(b)	Cost of sales	(1,075,059)	(1,013,473)	6.1
	(c)	**Gross Profit**	**441,916**	**414,994**	**6.5**
	(d)	Distribution and selling expenses	(83,182)	(88,901)	(6.4)
	(e)	Administrative expenses	(140,493)	(127,434)	10.2
	(f)	Other operating expenses	(72,654)	(68,337)	6.3
	(g)	**Profit from operations**	**145,587**	**130,322**	**11.7**
	(h)	Other income, net	1,821	5,915	(69.2)
	(i)	Finance income	1,396	1,359	2.7
	(j)	Finance costs	(6,880)	(9,916)	(30.6)
	(k)	Finance costs, net	(5,484)	(8,557)	(35.9)
	(l)	Share of results of associates and jointly controlled entities	(5,071)	(117)	>500
	(m)	**Profit before taxation**	**136,853**	**127,563**	**7.3**
	(n)	Taxation	(25,690)	(24,555)	4.6
	(o)	**Profit for the year**	**111,163**	**103,008**	**7.9**
		Attributable to:			
	(p)	**Shareholders of the Company**	**108,802**	**100,708**	**8.0**
	(q)	Non-controlling interests	2,361	2,300	**2.7**
			111,163	**103,008**	**7.9**

			FY2011 $'000	FY2010 $'000	+ / (-) %
2.	(a)	Profit from operations is arrived at after charging/(crediting) the following:			
		Depreciation and amortisation	23,949	22,626	5.8
		Allowance/(write-back of allowance) for doubtful debts & bad debts written off, net	2,303	3,555	(35.2)
		Allowance/(write-back of allowance) for stock obsolescence, net	(2,616)	3,437	(176.1)
		Impairment of intangible assets	6,090	7,226	(15.7)
	(b)	Finance income/(costs), net comprises			
		Interest income	1,396	1,129	23.6
		Foreign exchange gain/(loss), net	(225)	(2,434)	(90.8)
		Gain on disposal of investments	-	66	(100.0)
		Impairment/(write-back of impairment) in value of investments, net	-	(241)	(100.0)
		Interest expenses	(6,385)	(7,241)	(11.8)
		Others	(270)	164	(264.6)
			(5,484)	(8,557)	(35.9)

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		FY2011 $'000	FY2010 $'000	+ / (-) %
3. (a)	Profit for the year [1(o) above] as a percentage of revenue	7.3%	7.2%	
(b)	Profit attributable to shareholders [1(p) above] as a percentage of share capital and reserves at end of the year	41.4%	42.5%	
4. (a)	Revenue reported for first half year	784,433	693,719	13.1
(b)	Profit for the period reported for first half year	54,773	50,199	9.1
(c)	Revenue reported for second half year	732,542	734,748	(0.3)
(d)	Profit for the period reported for second half year	56,390	52,809	6.8

5. (a) There was an overprovision of current tax of $4,763,000 and underprovision of deferred tax of $816,000 in respect of prior years (FY2010: There was an overprovision of current tax of $1,285,000 and underprovision of deferred tax of $194,000 in respect of prior years).

(b) During the year, the Sector engaged independent consultants to perform an industry and benchmarking study on the basis and estimates (the "obsolescence rates") used to determine allowance for inventory obsolescence. The study considered the industry practices of the Sector and compared the obsolescence rates against the industry peer companies. Based on the results obtained, the Sector revised the obsolescence rates to align more closely with the industry practices. The effect of this change resulted in a write-back of allowance for inventory obsolescence of $4,296,000 to the income statement.

(c) During the year, the Sector made an impairment in value of intangible asset of $6,090,000 to the income statement (FY2010: $7,226,000).

(d) There was no disposal of property during the year.

6. **Business Group Information**

By Business Group

Fourth Quarter vs Third Quarter (unaudited)	Revenue			Profit before Taxation		
	4Q2011 $'000	3Q2011 $'000	+ / (-) %	4Q2011 $'000	3Q2011 $'000	+ / (-) %
Large-Scale Systems Group	58,877	50,924	15.6	10,080	7,492	34.5
Communication & Sensor Systems Group	225,217	150,694	49.5	19,265	21,464	(10.2)
Software Systems Group	131,867	114,963	14.7	3,202	7,312	(56.2)
Total	415,961	316,581	31.4	32,547	36,268	(10.3)

Full Year Ended 31 December	Revenue			Profit before Taxation		
	FY2011 $'000	FY2010 $'000	+ / (-) %	FY2011 $'000	FY2010 $'000	+ / (-) %
Large-Scale Systems Group	295,619	279,700	5.7	33,926	21,146	60.4
Communication & Sensor Systems Group	755,146	714,414	5.7	72,871	72,344	0.7
Software Systems Group	466,210	434,353	7.3	30,056	34,073	(11.8)
Total	1,516,975	1,428,467	6.2	136,853	127,563	7.3

	Revenue		
	FY2011 $'000	FY2010 $'000	
By Geographical Areas			
Asia	1,179,251	1,095,235	7.7
USA	120,689	125,292	(3.7)
Europe	86,757	69,111	25.5
Others	130,278	138,829	(6.2)
Total	1,516,975	1,428,467	6.2
By Country of Incorporation			
Asia	1,238,460	1,157,326	7.0
USA	227,633	216,352	5.2
Europe	17,093	17,710	(3.5)
Others	33,789	37,079	(8.9)
Total	1,516,975	1,428,467	6.2

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7. Review of Performance

(a) Revenue

FY2011 vs FY2010

FY2011	FY2010	Growth	
$1,517m	$1,428m	$89m	6%

Revenue of $1,517 million recorded in FY2011 was higher than that in FY2010 by 6% or $89 million. All three business groups recorded higher sales. **Large-Scale Systems Group (LSG)** recorded higher sales mainly due to milestone completions of the Land Transport Authority's Circle Line project, the half height platform screen doors project and Bangkok automatic fare collection system projects. The increase in sales for **Communication & Sensor Systems Group (CSG)** was mainly due to sales of satellite communication products, milestone completions of an electronics system project and communication projects. **Software Systems Group's (SSG)** sales were higher mainly due to milestone completions of various software system projects.

4Q2011 vs 3Q2011

4Q2011	3Q2011	Growth	
$416m	$317m	$99m	31%

Revenue of $416 million recorded in 4Q2011 was higher than that in 3Q2011 by 31% or $99 million. All three business groups recorded higher sales. **LSG's** sales were higher mainly due to milestone completions of the Bangkok automatic fare collection system project. **CSG** recorded higher sales mainly due to milestone completions of communication projects, an electronics system project and sales of electro-optics equipment. Sales for **SSG** were higher mainly due to milestone completions of various software system projects.

(b) Profitability

FY2011 vs FY2010

FY2011	FY2010	Growth	
$136.9m	$127.6m	$9.3m	7%

The profit before tax of $136.9 million for FY2011 was higher than that in FY2010 by 7% or $9.3 million. At the business group level, the increase in profit was contributed by **LSG** mainly due to higher sales, favourable sales mix and the write-back of the allowance for stock obsolescence, partially offset by higher operating expenses. **CSG** recorded comparable profit as the contribution from higher sales was offset by higher operating expenses. Despite the higher sales, **SSG's** profit was lower mainly due to loss incurred by an associated company.

4Q2011 vs 3Q2011

4Q2011	3Q2011	Growth	
$32.5m	$36.3m	($3.8m)	(10%)

The profit before tax of $32.5 million for 4Q2011 was lower than that in 3Q2011 by 10% or $3.8 million. At the business group level, the decrease in profit was recorded by **SSG** and **CSG**. **SSG's** profit was lower mainly due to less favourable sales mix and loss incurred by an associated company, partially offset by lower operating expenses. Despite the higher sales, **CSG** recorded lower profit mainly due to less favourable sales mix and higher operating expenses. **LSG** recorded higher profit mainly due to higher sales and favourable sales mix, partially offset by higher operating expenses.

8. Prospects

FY2012

Barring unforeseen circumstances, revenue and profit before tax for FY2012 are expected to be higher compared to FY2011.

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9. Balance Sheet

	31-Dec-11 $'000	31-Dec-10 $'000
Property, plant and equipment	79,393	60,862
Associates and jointly controlled entities	8,904	11,349
Investments	9,190	10,888
Intangible assets	314,354	327,463
Deferred tax assets	28,011	30,917
Non-current assets	439,852	441,479
Current assets	1,170,699	992,159
Total assets	**1,610,551**	**1,433,638**
Current liabilities	990,176	856,156
Non-current liabilities	475,975	455,829
Total liabilities	**1,466,151**	**1,311,985**
Share capital and reserves	131,912	105,637
Non-controlling interests	12,488	16,016
Total equity and liabilities	**1,610,551**	**1,433,638**
Net current assets	**180,523**	**136,003**

10. Statement of Cash Flows for the year ended 31 December 2011

	FY2011 $'000	FY2010 $'000
Net cash from operating activities	**273,966**	**189,387**
Net cash used in investing activities	**(35,363)**	**(19,886)**
Proceeds from sale of property, plant and equipment	44	2,260
Proceeds from sale of subsidiaries	73	1,218
Proceed from transfer of a subsidiary	-	1,623
Proceeds from sale of unquoted investments	-	686
Dividends from an associate	90	132
Purchase of property, plant and equipment	(36,100)	(21,355)
Additional investment in a jointly controlled entity	-	(206)
Acquisition of an associate	(2,400)	-
Acquisition of other intangible assets	(2,803)	(3,451)
Acquisition of controlling interests in subsidiaries	-	(793)
Reduction in cost of investment in a subsidiary	5,733	-
Net cash used in financing activities	**(117,843)**	**(157,142)**
Repayment of related parties loans	(4,542)	(78,759)
Proceeds from a related party loan	1,689	1,745
Repayment of bank loans	(11,297)	-
Proceeds from bank loans	1,014	1,824
Loans to related parties	(27,500)	(30,000)
Repayment of loans by related parties	25,500	30,000
Repayment of loan by an associate	-	241
Addition/(repayment) of lease obligations	14	(13)
Dividends paid to shareholder	(94,000)	(76,000)
Dividends paid to non-controlling interests	(956)	(949)
Acquisition of non-controlling interests in subsidiaries	(2,262)	(2,000)
Interest paid	(5,503)	(3,231)
Net increase in cash and cash equivalents	**120,760**	**12,359**
Cash and cash equivalents at beginning of the year	250,180	245,093
Exchange difference on cash and cash equivalents at beginning of the year	471	(7,272)
Cash and cash equivalents at end of the year	**371,411**	**250,180**

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11. Economic Value Added (EVA)

EVA for FY2011 was $88.7 million, an increase of $7.8 million or 10% over FY2010. The weighted average cost of capital was 5.9% for 2011 (2010: 5.7%).

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