ST Engineering

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 Revenue and Net Profit"

FINANCIAL HIGHLIGHTS For the year ended 31 December 2015			
	2015 FY	**2014 FY**	**Growth %**
Revenue ($m)	1,743	1,614	8
Earnings before interest and tax (EBIT) ($m)	178.7	174.4	2
Other income, net ($m)	14.7	10.4	41
Finance costs, net ($m)	(2.4)	(1.3)	(92)
Profit before tax (PBT) ($m)	191.0	184.0	4
Profit attributable to shareholders ($m)	163.0	152.1	7
Economic value added (EVA) ($m)	132.8	118.7	12

"The Electronics Sector closed the year with higher revenue and net profit.

It has been a year filled with exciting milestones. We successfully launched TeLEOS-1 and played a key role in the completion of the Downtown Line Stage 2 project. We also successfully delivered the National Cyber Security Operation Centres for key Government Agencies.

We will continue to develop new technologies and solutions to address the needs of our customers"

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 2015

			FY2015 $'000	FY2014 $'000	+ / (-) %
1.	(a)	**Revenue**	**1,743,174**	**1,614,079**	**8.0**
	(b)	Cost of sales	(1,222,376)	(1,125,260)	8.6
	(c)	**Gross Profit**	**520,798**	**488,819**	**6.5**
	(d)	Distribution and selling expenses	(90,657)	(82,982)	9.2
	(e)	Administrative expenses	(162,649)	(153,706)	5.8
	(f)	Other operating expenses	(88,793)	(77,760)	14.2
	(g)	**Profit from operations**	**178,699**	**174,371**	**2.5**
	(h)	Other income	14,654	10,402	40.9
	(i)	Other expenses	-	(6)	(100.0)
	(j)	Other income, net	14,654	10,396	41.0
	(k)	Finance income	3,683	4,867	(24.3)
	(l)	Finance costs	(6,122)	(6,136)	(0.2)
	(m)	Finance costs, net	(2,439)	(1,269)	92.2
	(n)	Share of results of associates and joint ventures, net of tax	38	470	(91.9)
	(o)	**Profit before taxation**	**190,952**	**183,968**	**3.8**
	(p)	Taxation	(27,191)	(30,614)	(11.2)
	(q)	**Profit for the year**	**163,761**	**153,354**	**6.8**
		Attributable to:			
	(r)	**Shareholder of the Company**	**163,000**	**152,143**	**7.1**
	(s)	Non-controlling interests	761	1,211	(37.2)
			163,761	**153,354**	**6.8**
2.	(a)	Profit from operations is arrived at after charging/(crediting) the following:			
		Depreciation and amortisation	39,871	38,362	3.9
		Allowance/(write-back of allowance) for doubtful debts & bad debts written off, net	2,009	(2,226)	(190.3)
		Allowance for inventory obsolescence, net	915	3,045	(70.0)
	(b)	Finance costs, net comprises:			
		Interest income	3,366	4,867	(30.8)
		Foreign exchange gain/(loss), net	311	(287)	(208.4)
		Gain on disposal of an investment	6	-	NM
		Impairment losses on investments	-	(638)	(100.0)
		Interest expenses	(6,122)	(5,211)	17.5
			(2,439)	(1,269)	92.2

* NM - Not Meaningful

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			FY2015 $'000	FY2014 $'000	+ / (-) %
3.	(a)	Profit for the year [1(q) above] as a percentage of revenue	9.4%	9.5%	
	(b)	Profit attributable to shareholders [1(r) above] as a percentage of share capital and reserves at end of year	46.8%	47.1%	
4.	(a)	Revenue reported for first half year	784,530	763,414	2.8
	(b)	Profit for the period reported for first half year	69,544	68,616	1.4
	(c)	Revenue reported for second half year	958,644	850,665	12.7
	(d)	Profit for the period reported for second half year	94,217	84,738	11.2

5. (a) There was overprovision of current tax and deferred tax of $7,080,000 and $1,319,000 respectively in respect of prior years (FY2014: There was overprovision of current tax and deferred tax of $1,989,000 and $2,875,000 respectively in respect of prior years).

(b) 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		
	4Q2015 $'000	**3Q2015** $'000	**+ / (-)** %	**4Q2015** $'000	**3Q2015** $'000	**+ / (-)** %
Large-Scale Systems Group	93,231	102,454	(9.0)	4,193	9,071	(53.8)
Communication & Sensor Systems Group	270,914	191,865	41.2	32,379	18,962	70.8
Software Systems Group	155,856	144,324	8.0	23,582	21,300	10.7
Total	520,001	438,643	18.5	60,154	49,333	21.9

Full Year Ended 31 December	Revenue			Profit before Taxation		
	FY2015 $'000	**FY2014** $'000	**+ / (-)** %	**FY2015** $'000	**FY2014** $'000	**+ / (-)** %
Large-Scale Systems Group	396,738	380,625	4.2	39,326	42,688	(7.9)
Communication & Sensor Systems Group	814,888	759,736	7.3	75,204	70,329	6.9
Software Systems Group	531,548	473,718	12.2	76,422	70,951	7.7
Total	1,743,174	1,614,079	8.0	190,952	183,968	3.8

	Revenue		
	FY2015 $'000	**FY2014** $'000	
By Geographical Areas			
Asia	1,336,315	1,271,829	5.1
USA	148,354	114,269	29.8
Europe	113,235	89,327	26.8
Others	145,270	138,654	4.8
Total	1,743,174	1,614,079	8.0
By Country of Incorporation			
Asia	1,407,747	1,341,814	4.9
USA	272,483	217,968	25.0
Europe	22,871	19,106	19.7
Others	40,073	35,191	13.9
Total	1,743,174	1,614,079	8.0

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7. Review of Performance

(a) Revenue

FY2015 vs FY2014

FY2015	FY2014	Growth	
$1,743m	$1,614m	$129m	8%

Revenue of $1,743 million recorded in FY2015 was higher than that of FY2014 by 8% or $129 million. **Software Systems Group (SSG)** recorded higher sales mainly due to higher value project milestone completions. **Communication & Sensor Systems Group's (CSG)** sales were higher mainly due to higher value project milestone completions and increased sales of satellite communication products. **Large-Scale Systems Group's (LSG)** sales were comparable to that of FY2014.

(b) Profitability

FY2015 vs FY2014

FY2015	FY2014	Growth	
$191.0m	$184.0m	$7.0m	4%

The profit before tax of $191.0 million for FY2015 was comparable to that of FY2014. Notwithstanding higher sales and higher other income, the Sector recorded comparable profit as a result of less favourable sales mix and higher operating expenses.

8. Prospects

FY2016

Barring unforeseen circumstances, FY2016 revenue is expected to be higher and profit before tax is expected to be comparable to FY2015.

9. Balance Sheet

	31-Dec-15 $'000	**31-Dec-14** $'000
Property, plant and equipment	185,192	179,704
Associates and joint ventures	1,397	10,297
Investments	9,902	3,963
Intangible assets	335,049	304,545
Long-term receivable, non-current	913	187
Deferred tax assets	29,726	30,023
Derivative financial instruments, non-current	40	-
Non-current assets	562,219	528,719
Current assets	1,299,812	1,265,351
Total assets	**1,862,031**	**1,794,070**
Current liabilities	1,114,278	1,086,428
Non-current liabilities	523,445	510,536
Total liabilities	**1,637,723**	**1,596,964**
Share capital and reserves	217,088	191,847
Non-controlling interests	7,220	5,259
Total equity and liabilities	**1,862,031**	**1,794,070**
Net current assets	**185,534**	**178,923**

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10. Statement of Cash Flows for the year ended 31 December 2015

	FY2015 $'000	FY2014 $'000
Net cash from operating activities	**65,846**	**88,193**
Net cash used in investing activities	**(33,151)**	**(99,367)**
Proceeds from sale of property, plant and equipment	50	65
Proceed from sale of an unquoted investment	6	-
Dividends from an associate and a joint venture	720	1,297
Purchase of property, plant and equipment	(32,154)	(42,574)
Investment in unquoted investments	(5,281)	(3,970)
Acquisition of other intangible assets	(14,168)	(18,854)
Acquisition of controlling interests in a subsidiary, net cash acquired	17,676	565
Deconsolidation of a subsidiary	-	(35,896)
Net cash used in financing activities	**(40,633)**	**(188,171)**
Repayment of a related party loans	(2,723)	(50,140)
Repayment of loans by related parties	163,000	93,000
Repayment of a joint venture loan	-	(824)
Repayment of lease obligations	-	(6)
Proceeds from related parties loans	46,155	89,009
Proceed of a loan from a joint venture	5,000	-
Loans to related parties	(83,000)	(173,000)
Acquisition of non-controlling interests in subsidiaries	(7,600)	-
Dividends paid to shareholder	(158,059)	(143,249)
Interest paid	(2,827)	(4,005)
Deposits (pledged)/discharged	(579)	1,044
Net decrease in cash and cash equivalents	**(7,938)**	**(199,345)**
Cash and cash equivalents at beginning of the year	276,893	476,383
Exchange difference on cash and cash equivalents at beginning of the year	1,266	(145)
Cash and cash equivalents at end of the year	**270,221**	**276,893** [1]

[1] Cash and cash equivalents at the end of FY2014 was after deducting $80.0 million of short term net lending to a related party.

11. Economic Value Added (EVA)

EVA for FY2015 was $132.8 million, an increase of $14.1 million or 12% over FY2014. The weighted average cost of capital was 5.5% for 2015 (2014: 5.6%).

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