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

"Comparable PBT"

| FINANCIAL HIGHLIGHTS<br>For the first quarter ended<br>31 March 2014 | | | |
|---|---|---|---|
| | **2014<br>1Q** | **2013<br>1Q** | **Growth<br>%** |
| Revenue ($m) | 375 | 433 | (13) |
| Earnings before interest and tax (EBIT) ($m) | 29.2 | 32.5 | (10) |
| Other income, net ($m) | 3.7 | 1.3 | 192 |
| Finance costs, net ($m) | (0.7) | (0.2) | (195) |
| Profit before tax (PBT) ($m) | 32.3 | 33.3 | (3) |
| Profit attributable to shareholders ($m) | 28.6 | 29.1 | (2) |

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)*

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## Electronics sector unaudited results for the first quarter ended 31 March 2014

| | | 1Q2014 $'000 | 1Q2013 $'000 | + / (-) % |
|---|---|---|---|---|
| 1. (a) | **Revenue** | **375,214** | **433,102** | **(13.4)** |
| (b) | Cost of sales | (267,387) | (321,092) | (16.7) |
| (c) | **Gross Profit** | **107,827** | **112,010** | **(3.7)** |
| (d) | Distribution and selling expenses | (22,093) | (20,025) | 10.3 |
| (e) | Administrative expenses | (34,461) | (40,244) | (14.4) |
| (f) | Other operating expenses | (22,114) | (19,241) | 14.9 |
| (g) | **Profit from operations** | **29,159** | **32,500** | **(10.3)** |
| (h) | Other income | 3,691 | 1,261 | 192.7 |
| (i) | Other expenses | (7) | - | NM |
| (j) | Other income, net | 3,684 | 1,261 | 192.1 |
| (k) | Finance income | 921 | 918 | 0.3 |
| (l) | Finance costs | (1,570) | (1,138) | 38.0 |
| (m) | Finance costs, net | (649) | (220) | 195.0 |
| (n) | Share of results of associates and jointly controlled entities, net of tax | 111 | (266) | (141.7) |
| (o) | **Profit before taxation** | **32,305** | **33,275** | **(2.9)** |
| (p) | Taxation | (3,148) | (3,983) | (21.0) |
| (q) | **Profit for the period** | **29,157** | **29,292** | **(0.5)** |
| | Attributable to: | | | |
| (r) | **Shareholders of the Company** | **28,616** | **29,075** | **(1.6)** |
| (s) | Non-controlling interests | 541 | 217 | **149.3** |
| | | **29,157** | **29,292** | **(0.5)** |

* NM - Not Meaningful

| | | | | |
|---|---|---|---|---|
| 2. (a) | Profit from operations is arrived at after charging/(crediting) the following: | | | |
| | Depreciation and amortisation | 8,445 | 6,606 | 27.8 |
| | Write-back of allowance for doubtful debts & bad debts written off, net | (456) | (141) | 223.4 |
| | Allowance for inventory obsolescence, net | 197 | 189 | 4.2 |
| (b) | Finance costs, net comprises: | | | |
| | Interest income | 921 | 684 | 34.6 |
| | Foreign exchange gain/(loss), net | (256) | 30 | >(500) |
| | Fair value changes of financial instruments / hedged items | - | 204 | (100.0) |
| | Interest expenses | (1,314) | (1,138) | 15.5 |
| | | (649) | (220) | 195.0 |

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| | | 1Q2014 $'000 | 1Q2013 $'000 | + / (-) % |
|---|---|---|---|---|
| 3. (a) | Profit for the period [1(q) above] as a percentage of revenue | 7.8% | 6.8% | |
| (b) | Profit attributable to shareholders [1(r) above] as a percentage of share capital and reserves at end of period | 8.6% | 9.5% | |
| 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) |

5. (a) There was overprovision of current tax and deferred tax of $1,311,000 and $76,000 respectively in respect of prior years (1Q2013: There was overprovision of current tax and deferred tax of $1,451,000 and $23,000 respectively in respect of prior years).

(b) There was no disposal of property during the period.

6. **Business Group Information**

| | Revenue | | | Profit before Taxation | | |
|---|---|---|---|---|---|---|
| | 1Q2014 $'000 | 1Q2013 $'000 | + / (-) % | 1Q2014 $'000 | 1Q2013 $'000 | + / (-) % |
| ***By Business Group*** | | | | | | |
| Large-Scale Systems Group | 112,263 | 120,699 | (7.0) | 14,774 | 12,660 | 16.7 |
| Communication & Sensor Systems Group | 157,378 | 186,433 | (15.6) | 5,103 | 8,740 | (41.6) |
| Software Systems Group | 105,573 | 125,970 | (16.2) | 12,428 | 11,875 | 4.7 |
| Total | 375,214 | 433,102 | (13.4) | 32,305 | 33,275 | (2.9) |
| ***By Geographical Areas*** | | | | | | |
| Asia | 301,916 | 331,429 | (8.9) | | | |
| USA | 22,086 | 31,011 | (28.8) | | | |
| Europe | 25,221 | 42,887 | (41.2) | | | |
| Others | 25,991 | 27,775 | (6.4) | | | |
| Total | 375,214 | 433,102 | (13.4) | | | |
| ***By Country of Incorporation*** | | | | | | |
| Asia | 313,773 | 344,650 | (9.0) | | | |
| USA | 48,777 | 80,014 | (39.0) | | | |
| Europe | 3,712 | 2,362 | 57.2 | | | |
| Others | 8,952 | 6,076 | 47.3 | | | |
| Total | 375,214 | 433,102 | (13.4) | | | |

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## 7. Review of Performance

### (a) Revenue

1Q2014 vs 1Q2013

| 1Q2014 | 1Q2013 | Growth | |
|---|---|---|---|
| $375m | $433m | ($58m) | (13%) |

Revenue of $375 million recorded in 1Q2014 was lower than that of 1Q2013 by 13% or $58 million. All three business groups recorded lower sales. Both **Large-Scale Systems Group's (LSG) and Software Systems Group's (SSG)** sales were lower mainly due to lower value project milestone completions. Sales for **Communication & Sensor Systems Group (CSG)** were lower mainly due to decreased sales of satellite communication products.

### (b) Profitability

1Q2014 vs 1Q2013

| 1Q2014 | 1Q2013 | Growth | |
|---|---|---|---|
| $32.3m | $33.3m | ($1.0m) | (3%) |

The profit before tax of $32.3 million for 1Q2014 was comparable to that of 1Q2013. At the business group level, the decrease in profit from **CSG** was partially offset by **LSG**. **LSG** recorded higher profit mainly due to favourable sales mix. **CSG's** profit was lower mainly due to lower contribution from satellite communication product sales. Despite lower sales and higher operating expenses, **SSG** recorded comparable profit mainly due to favourable sales mix and higher other income.

## 8. Prospects

1H2014

Barring unforeseen circumstances, 1H2014 revenue is expected to be comparable while PBT is expected to be lower compared to 1H2013.

## 9. Balance Sheet

| | 31-Mar-14 $'000 | 31-Dec-13 $'000 |
|---|---|---|
| Property, plant and equipment | 174,957 | 170,244 |
| Associates and jointly controlled entities | 840 | 729 |
| Investments | 632 | 632 |
| Intangible assets | 279,596 | 282,861 |
| Deferred tax assets | 30,427 | 31,159 |
| Non-current assets | 486,452 | 485,625 |
| Current assets | 1,268,016 | 1,247,896 |
| **Total assets** | **1,754,468** | **1,733,521** |
| Current liabilities | 1,101,364 | 1,081,005 |
| Non-current liabilities | 439,446 | 457,767 |
| **Total liabilities** | **1,540,810** | **1,538,772** |
| Share capital and reserves | 201,124 | 182,754 |
| Non-controlling interests | 12,534 | 11,995 |
| **Total equity and liabilities** | **1,754,468** | **1,733,521** |
| **Net current assets** | **166,652** | **166,891** |

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**10. Statement of Cash Flows for the first quarter ended 31 March 2014**

| | 1Q2014 $'000 | 1Q2013 $'000 |
|---|---|---|
| Net cash from operating activities | **13,765** | **151,997** |
| Net cash used in investing activities | **(10,929)** | **(21,491)** |
| Proceeds from sale of property, plant and equipment | 2 | 6 |
| Purchase of property, plant and equipment | (10,793) | (20,332) |
| Acquisition of other intangible assets | (138) | (1,165) |
| Net cash from/(used in) financing activities | **13,281** | **(9,632)** |
| Repayment of related parties loans | (411) | (6,930) |
| Proceeds from related party loan | 23,542 | - |
| Loans to related parties | - | (2,957) |
| Repayment of loans by related parties | - | 1,229 |
| Repayment of lease obligations | (5) | (8) |
| Dividend paid to shareholder | (8,617) | - |
| Interest paid | (1,228) | (1,198) |
| Deposits pledged | - | 232 |
| Net increase in cash and cash equivalents | **16,117** | **120,874** |
| Cash and cash equivalents at beginning of the period | 476,383 | 396,312 |
| Exchange difference on cash and cash equivalents at beginning of the period | (684) | 868 |
| Cash and cash equivalents at end of the period | **491,816** | **518,054** |

Media Contact:
Magdalen Loh
AVP / Head, Corporate Communications
Tel: (65) 64131788
Fax: (65) 64848840
Email: lohlmm@stee.stengg.com