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 in 3Q2015"

FINANCIAL HIGHLIGHTS For the third quarter ended 30 September 2015			
	2015 3Q	**2014 3Q**	**Growth %**
Revenue ($m)	439	360	22
Earnings before interest and tax (EBIT) ($m)	47.3	45.5	4
Other income, net ($m)	2.3	1.8	30
Finance costs, net ($m)	(0.5)	(0.4)	(50)
Profit before tax (PBT) ($m)	49.3	47.0	5
Profit attributable to shareholders ($m)	39.6	36.9	7

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

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Electronics sector unaudited results for the third quarter ended 30 September 2015

			3Q2015 $'000	3Q2014 $'000	+ / (-) %
1.	(a)	**Revenue**	**438,643**	**360,598**	**21.6**
	(b)	Cost of sales	(302,160)	(237,502)	27.2
	(c)	**Gross Profit**	**136,483**	**123,096**	**10.9**
	(d)	Distribution and selling expenses	(21,603)	(20,259)	6.6
	(e)	Administrative expenses	(45,098)	(38,101)	18.4
	(f)	Other operating expenses	(22,480)	(19,225)	16.9
	(g)	**Profit from operations**	**47,302**	**45,511**	**3.9**
	(h)	Other income	2,307	1,772	30.2
	(i)	Other expenses	-	(1)	(100.0)
	(j)	Other income, net	2,307	1,771	30.3
	(k)	Finance income	1,010	1,518	(33.5)
	(l)	Finance costs	(1,545)	(1,875)	(17.6)
	(m)	Finance costs, net	(535)	(357)	49.9
	(n)	Share of results of associates and joint ventures, net of tax	259	87	197.7
	(o)	**Profit before taxation**	**49,333**	**47,012**	**4.9**
	(p)	Taxation	(9,785)	(10,234)	(4.4)
	(q)	**Profit for the period**	**39,548**	**36,778**	**7.5**
		Attributable to:			
	(r)	**Shareholders of the Company**	**39,560**	**36,916**	**7.2**
	(s)	Non-controlling interests	(12)	(138)	(91.3)
			39,548	**36,778**	**7.5**

2.	(a)	Profit from operations is arrived at after charging/(crediting) the following:			
		Depreciation and amortisation	10,336	9,020	14.6
		Allowance for doubtful debts & bad debts written off, net	517	44	>500
		Allowance for stock obsolescence, net	381	499	(23.6)
	(b)	Finance costs, net comprises:			
		Interest income	677	1,459	(53.6)
		Foreign exchange gain, net	333	59	464.4
		Impairment loss on an investment	-	(632)	(100.0)
		Interest expenses	(1,545)	(1,243)	24.3
			(535)	(357)	49.9

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			3Q2015 $'000	3Q2014 $'000	+ / (-) %
3.	(a)	Profit for the period [1(q) above] as a percentage of revenue	9.0%	10.2%	
	(b)	Profit attributable to shareholders [1(r) above] as a percentage of share capital and reserves at end of period	10.3%	10.3%	
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 third quarter	438,643	360,598	21.6
	(d)	Profit for the period reported for third quarter	39,548	36,778	7.5
	(e)	Revenue reported for first nine months	1,223,173	1,124,012	8.8
	(f)	Profit for the period reported for first nine months	109,092	105,394	3.5

5. (a) There was an overprovision of current tax of $963,000 and an underprovision of deferred tax of $37,000 in respect of prior years (3Q2014: There was an underprovision of current tax of $1,065,000 and an overprovision of deferred tax of $849,000 in respect of prior years).

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

6. Business Group Information

By Business Group

	Revenue			Profit before Taxation		
	2015 $'000	**2014** $'000	**+ / (-)** %	**2015** $'000	**2014** $'000	**+ / (-)** %
Third Quarter						
Large-Scale Systems Group	102,454	83,927	22.1	9,071	9,335	(2.8)
Communication & Sensor Systems Group	191,865	164,971	16.3	18,962	18,851	0.6
Software Systems Group	144,324	111,700	29.2	21,300	18,826	13.1
Total	438,643	360,598	21.6	49,333	47,012	4.9
Nine Months Ended 30 September						
Large-Scale Systems Group	303,507	283,199	7.2	35,133	33,266	5.6
Communication & Sensor Systems Group	543,974	522,434	4.1	42,825	44,488	(3.7)
Software Systems Group	375,692	318,379	18.0	52,840	49,776	6.2
Total	1,223,173	1,124,012	8.8	130,798	127,530	2.6

	Revenue		
	3Q2015 $'000	**3Q2014** $'000	
By Geographical Areas			
Asia	336,576	282,516	19.1
USA	40,306	27,926	44.3
Europe	23,682	17,214	37.6
Others	38,079	32,942	15.6
Total	438,643	360,598	21.6
By Country of Incorporation			
Asia	354,322	295,728	19.8
USA	67,921	52,675	28.9
Europe	5,906	4,016	47.1
Others	10,494	8,179	28.3
Total	438,643	360,598	21.6

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7. Review of Performance

(a) Revenue

3Q2015 vs 3Q2014

3Q2015	3Q2014	Growth	
$439m	$360m	$79m	22%

Revenue of $439 million recorded in 3Q2015 was higher than that of 3Q2014 by 22% or $79 million. All three business groups recorded higher sales. **Large-Scale Systems Group (LSG)** and **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.

(b) Profitability

3Q2015 vs 3Q2014

3Q2015	3Q2014	Growth	
$49.3m	$47.0m	$2.3m	5%

The profit before tax of $49.3 million for 3Q2015 was comparable to that of 3Q2014. Notwithstanding higher sales and better contribution from satellite communication product sales, the Sector recorded comparable profit as a result of less favourable sales mix and higher operating expenses.

8. Prospects

FY2015

Barring unforeseen circumstances, FY2015 revenue is expected to be higher while profit before tax is expected to be comparable to FY2014.

9. Balance Sheet

	30-Sep-15 $'000	**31-Dec-14** $'000
Property, plant and equipment	173,904	179,704
Associates and joint ventures	1,315	10,297
Investments	9,981	3,963
Intangible assets	345,953	304,545
Long-term receivables, non-current	588	187
Deferred tax assets	27,642	30,023
Derivative financial instruments, non-current	103	-
Non-current assets	559,486	528,719
Current assets	1,299,969	1,265,351
Total assets	**1,859,455**	**1,794,070**
Current liabilities	1,080,861	1,086,428
Non-current liabilities	519,787	510,536
Total liabilities	**1,600,648**	**1,596,964**
Share capital and reserves	251,560	191,847
Non-controlling interests	7,247	5,259
Total equity and liabilities	**1,859,455**	**1,794,070**
Net current assets	**219,108**	**178,923**

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10. Statement of Cash Flows for the third quarter ended 30 September 2015

	3Q2015 $'000	3Q2014 $'000
Net cash from/(used in) operating activities	**6,811**	**(1,303)**
Net cash from/(used in) investing activities	**7,369**	**(16,078)**
Proceed from sale of property, plant and equipment	23	1
Dividend from an associate	-	46
Purchase of property, plant and equipment	(4,407)	(7,795)
Acquisition of other intangible assets	(5,923)	(8,330)
Acquisition of controlling interests in a subsidiary, net of cash acquired	17,676	-
Net cash used in financing activities	**(14,889)**	**(1,399)**
Repayment of related parties loans	-	(10,129)
Proceeds from a related party loans	6,839	11,702
Loans to related parties	(33,000)	(15,000)
Repayment of loans by related parties	34,000	15,000
Repayment of a joint venture loan	-	(824)
Acquisition of non-controlling interests in subsidiaries	(4,600)	-
Dividend paid to shareholder	(16,600)	(1,249)
Interest paid	(445)	(1,238)
Deposits (pledged)/discharged	(1,083)	339
Net decrease in cash and cash equivalents	**(709)**	**(18,780)**
Cash and cash equivalents at beginning of period	242,911	324,227
Exchange difference on cash and cash equivalents	4,034	(314)
Cash and cash equivalents at end of period	**246,236** [1]	**305,133** [2]

[1] Cash and cash equivalents at the end of 3Q2015 was after deducting $69.0 million of short term net lending to a related party.

[2] Cash and cash equivalents at the end of 3Q2014 was after deducting $140.0 million of short term net lending to a related party.

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