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.

Aerospace

"Comparable Profits"

FINANCIAL HIGHLIGHTS For the year ended 31 December 2015			
	2015 FY	**2014 FY**	**Growth %**
Revenue ($m)	2,096	2,071	1
Earnings before interest and tax (EBIT) ($m)	222.0	261.5	(15)
Other income, net ($m)	23.3	2.0	> 500
Finance income/(costs), net ($m)	6.4	(12.8)	150
Profit before tax (PBT) ($m)	290.6	283.0	3
Profit attributable to shareholders ($m)	226.7	220.1	3
Economic value added (EVA) ($m)	173.7	162.1	7

"The Aerospace sector remained resilient in 2015 and achieved comparable profits despite headwinds. We continue to position ourselves as a total aviation support provider and invest to enhance service offerings to add value to customers globally."

Lim Serh Ghee, President

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

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Aerospace sector audited results for the year ended 31 December 2015:

			FY2015 $'000	FY2014 $'000	+ / (-) %
1.	(a)	**Revenue**	**2,095,614**	**2,071,464**	**1.2**
	(b)	Cost of sales	(1,732,054)	(1,664,645)	4.0
	(c)	**Gross Profit**	**363,560**	**406,819**	**(10.6)**
	(d)	Distribution and selling expenses	(8,355)	(10,892)	(23.3)
	(e)	Administrative expenses	(114,536)	(113,731)	0.7
	(f)	Other operating expenses	(18,656)	(20,725)	(10.0)
	(g)	**Profit from operations**	**222,013**	**261,471**	**(15.1)**
	(h)	Other income	23,856	7,059	238.0
	(i)	Other expenses	(578)	(5,035)	(88.5)
	(j)	Other income/(expenses), net	23,278	2,024	>500
	(k)	Finance income	25,596	11,894	115.2
	(l)	Finance costs	(19,157)	(24,670)	(22.3)
	(m)	Finance income/(costs), net	6,439	(12,776)	(150.4)
	(n)	Share of results of associates and joint ventures, net of tax	38,870	32,280	20.4
	(o)	**Profit before taxation**	**290,600**	**282,999**	**2.7**
	(p)	Taxation	(56,900)	(53,892)	5.6
	(q)	**Profit for the year**	**233,700**	**229,107**	**2.0**
		Attributable to:			
	(r)	**Shareholders of the Company**	**226,720**	**220,144**	**3.0**
	(s)	Non-controlling interests	6,980	8,963	(22.1)
			233,700	**229,107**	**2.0**

2.	(a)	Profit from operations is arrived at after charging/(crediting) the following:			
		Depreciation and amortisation	71,470	60,166	18.8
		Allowance for doubtful debts & bad debts written off, net	1,871	2,318	(19.3)
		Allowance for inventory obsolescence, net	29,522	51,864	(43.1)
		Impairment losses / write-off of intangible assets	143	1,186	(87.9)
	(b)	Finance income/(costs), net comprises:			
		Interest income	3,054	4,431	(31.1)
		Foreign exchange gain	11,670	3,519	231.6
		Fair value changes of financial instruments/hedged items	56	(3,811)	(101.5)
		Interest expenses	(8,344)	(16,917)	(50.7)
		Others	3	2	50.0
			6,439	(12,776)	(150.4)

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			FY2015 $'000	FY2014 $'000	+ / (-) %
3.	(a)	Profit for the year [1(q) above] as a percentage of revenue	11.2%	11.1%	
	(b)	Profit attributable to shareholders [1(r) above] as a percentage of share capital and reserves at end of year	29.2%	29.2%	
4.	(a)	Revenue reported for first half year	1,007,557	1,042,104	(3.3)
	(b)	Profit for the period reported for first half year	117,095	120,391	(2.7)
	(c)	Revenue reported for second half year	1,088,057	1,029,360	5.7
	(d)	Profit for the period reported for second half year	116,605	108,716	7.3

5. (a) There was an adjustment of $9,028,000 for overprovision of current tax and $12,875,000 for underprovision of deferred tax in respect of prior years.

(FY2014: There was an adjustment of $3,269,000 for overprovision of current tax and $2,208,000 for underprovision of deferred tax 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	**+ / (-)** %
Aircraft Maintenance & Modification	282,192	227,916	23.8	55,740	33,615	65.8
Component/Engine Repair & Overhaul	174,279	191,614	(9.0)	14,009	16,640	(15.8)
Engineering & Material Services	124,144	87,912	41.2	15,524	12,998	19.4
Total	580,615	507,442	14.4	85,273	63,253	34.8

Full Year Ended 31 December	**Revenue**			**Profit before Taxation**		
	FY2015 $'000	**FY2014** $'000	**+ / (-)** %	**FY2015** $'000	**FY2014** $'000	**+ / (-)** %
Aircraft Maintenance & Modification	1,045,085	1,107,694	(5.7)	172,445	209,240	(17.6)
Component/Engine Repair & Overhaul	652,531	609,933	7.0	59,812	5,684	>500
Engineering & Material Services	397,998	353,837	12.5	58,343	68,075	(14.3)
Total	2,095,614	2,071,464	1.2	290,600	282,999	2.7

	Revenue		
	FY2015 $'000	**FY2014** $'000	
By Geographical Areas			
Asia	1,184,914	1,131,052	4.8
USA	589,748	677,358	(12.9)
Europe	139,382	111,259	25.3
Others	181,570	151,795	19.6
Total	2,095,614	2,071,464	1.2
By Country of Incorporation			
Asia	1,579,225	1,553,998	1.6
USA	454,136	457,380	(0.7)
Europe	60,425	58,551	3.2
Others	1,828	1,535	19.1
Total	2,095,614	2,071,464	1.2

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7. Review of Performance

(a) Revenue

FY2015 vs FY2014

FY2015	FY2014	Growth	
$2,096m	$2,071m	$25m	1%

Revenue for FY2015 was $25 million higher compared to that of FY2014. This was due mainly to stronger US dollar, more Maintenance by the Hour (MBH™) programmes in the **Engineering & Materials Services (EMS)** business group and higher output in the engines division in the **Component/Engine Repair & Overhaul (CERO)** business group, partially reduced by lower revenue in the **Aircraft Maintenance & Modification (AMM)** business group.

(b) Profitability

FY2015 vs FY2014

FY2015	FY2014	Growth	
$290.6m	$283.0m	$7.6m	3%

The current year's profit before tax (PBT) of $290.6 million was higher than FY2014 PBT of $283.0 million by $7.6 million. This was a result of lower operating expenses, the recognition of negative goodwill arising from the acquisition of the remaining interest of an associate, lower interest expense, favourable foreign exchange impact and higher contributions from associates, partially reduced by lower gross profit. The lower gross profit was due to lower gross profit margin, lower airframe maintenance work during the summer months and provision for liquidated damages for 757 15-Pallet programme.

8. Prospects

FY2016

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

9. Balance Sheet

	31-Dec-15 $'000	**31-Dec-14** $'000
Property, plant and equipment	820,145	671,068
Associates and joint ventures	311,473	322,508
Investments	12	12
Intangible assets	141,239	126,958
Long-term receivables, non-current	64	1,534
Deferred tax assets	11,840	19,941
Derivative financial instruments, non-current	136	-
Non-current assets	1,284,909	1,142,021
Current assets	1,355,186	1,383,006
Total assets	**2,640,095**	**2,525,027**
Current liabilities	1,262,967	1,139,953
Non-current liabilities	611,257	639,407
Total liabilities	**1,874,224**	**1,779,360**
Share capital and reserves	686,310	668,421
Non-controlling interests	79,561	77,246
Total equity and liabilities	**2,640,095**	**2,525,027**
Net current assets	**92,219**	**243,053**

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

	FY2015 $'000	FY2014 $'000
Net cash from/(used in) operating activities	**350,010**	**257,966**
Net cash from/(used in) investing activities	**(175,280)**	**(60,123)**
Proceeds from sale of property, plant and equipment	1,175	2,318
Dividends from associates	34,291	27,125
Dividends from investments	3	2
Purchase of property, plant and equipment	(199,059)	(65,410)
Development of intangible assets	(7,455)	(10,240)
Loan to associates	-	(640)
Investment in joint ventures	-	(622)
Acquisition of intangible assets	-	(12,024)
Acquisition of a subsidiary	(4,235)	(632)
Net cash from/(used in) financing activities	**(190,682)**	**(330,753)**
Capital contribution from immediate holding company	-	216,000
Capital contribution from non-controlling interests	588	6,772
Proceeds from related corporation loans	77,596	290,224
Repayment of related corporation loans	(240,988)	(419,113)
Proceeds from/(repayment of) long term bank loans, net	72,562	(32,136)
Proceeds from/(repayment of) short term bank loans	436	(257,878)
Repayment of lease obligations	(546)	(371)
Dividend paid to shareholder	(81,764)	(107,299)
Dividend paid to non-controlling interests	(7,410)	(12,525)
Interest paid	(11,156)	(14,427)
Net increase/(decrease) in cash and cash equivalents	**(15,952)**	**(132,910)**
Cash and cash equivalents at beginning of the year	243,497	382,022
Exchange difference on cash and cash equivalents at beginning of the year	6,729	(5,615)
Cash and cash equivalents at end of the year	**234,274**	**243,497**

11. Economic Value Added (EVA)

EVA for FY2015 was $173.7 million, an increase of $11.6 million or 7% over FY2014. The weighted average cost of capital was 5.5% for 2015 (2014: 5.6%).

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