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.

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"Comparable Profits"

FINANCIAL HIGHLIGHTS For the third quarter ended 30 September 2016			
	2016 3Q	**2015 3Q**	**Growth %**
Revenue ($m)	566	507	11
Earnings before interest and tax (EBIT) ($m)	51.6	50.4	2
Other income/(costs), net ($m)	3.0	1.4	119
Finance income/(costs), net ($m)	1.4	2.7	(47)
Profit before tax (PBT) ($m)	65.1	63.3	3
Profit attributable to shareholders ($m)	48.6	51.4	(5)

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

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Aerospace sector unaudited results for the third quarter ended 30 September 2016

			3Q2016 $'000	3Q2015 $'000	+ / (-) %
1.	(a)	**Revenue**	**565,754**	**507,442**	**11.5**
	(b)	Cost of sales	(471,686)	(421,299)	12.0
	(c)	**Gross Profit**	**94,068**	**86,143**	**9.2**
	(d)	Distribution and selling expenses	(3,020)	(3,627)	(16.7)
	(e)	Administrative expenses	(28,814)	(27,573)	4.5
	(f)	Other operating expenses	(10,669)	(4,507)	136.7
	(g)	**Profit from operations**	**51,565**	**50,436**	**2.2**
	(h)	Other income	4,036	1,391	190.2
	(i)	Other expenses	(994)	-	NM
	(j)	Other income/(expenses), net	3,042	1,391	118.7
	(k)	Finance income	2,912	8,643	(66.3)
	(l)	Finance costs	(1,479)	(5,964)	(75.2)
	(m)	Finance income/(costs), net	1,433	2,679	(46.5)
	(n)	Share of results of associates and joint ventures, net of tax	9,113	8,747	4.2
	(o)	**Profit before taxation**	**65,153**	**63,253**	**3.0**
	(p)	Taxation	(13,063)	(11,587)	12.7
	(q)	**Profit for the period**	**52,090**	**51,666**	**0.8**
		Attributable to:			
	(r)	**Shareholders of the Company**	**48,564**	**51,378**	**(5.5)**
	(s)	Non-controlling interests	3,526	288	>500
			52,090	**51,666**	**0.8**

* NM - Not Meaningful

2.	(a)	Profit from operations is arrived at after charging/(crediting) the following:			
		Depreciation and amortisation	28,302	19,142	47.9
		Allowance/(write-back of allowance) for doubtful debts & bad debts written off, net	1,223	2,093	(41.6)
		Allowance/(write-back of allowance) for stock obsolescence, net	11,644	4,210	176.6
	(b)	Finance income/(costs), net comprises:			
		Interest income	1,594	671	137.6
		Foreign exchange gain/(loss), net	1,834	4,064	(54.9)
		Fair value changes of financial instruments / hedged items	(107)	(86)	24.4
		Interest expenses	(1,890)	(1,971)	(4.1)
		Others	2	1	100.0
			1,433	2,679	(46.5)

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		3Q2016 $'000	3Q2015 $'000	+ / (-) %
3.	(a) Profit for the period [1(q) above] as a percentage of revenue	9.2%	10.2%	
	(b) Profit attributable to shareholders [1(r) above] as a percentage of share capital and reserves at end of period	5.7%	6.6%	

		2016 $'000	2015 $'000	+ / (-) %
4.	(a) Revenue reported for first half year	1,244,119	1,007,557	23.5
	(b) Profit for the period reported for first half year	117,857	117,095	0.7
	(c) Revenue reported for third quarter	565,754	507,442	11.5
	(d) Profit for the period reported for third quarter	52,090	51,666	0.8
	(e) Revenue reported for first nine months	1,809,873	1,514,999	19.5
	(f) Profit for the period reported for first nine months	169,947	168,761	0.7

5. (a) There was an adjustment of $21,000 for underprovision of current tax and $1,304,000 for overprovision of deferred tax in respect of prior years. (3Q2015:There was an adjustment of $696,000 for overprovision of current tax and overprovision of $28,000 for deferred tax 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		
	2016 $'000	**2015** $'000	**+ / (-)** %	**2016** $'000	**2015** $'000	**+ / (-)** %
Third Quarter						
Aircraft Maintenance & Modification	247,188	227,916	8.5	39,063	33,615	16.2
Component/Engine Repair & Overhaul	131,058	191,614	(31.6)	9,826	16,640	(40.9)
Engineering & Material Services	187,508	87,912	113.3	16,264	12,998	25.1
Total	565,754	507,442	11.5	65,153	63,253	3.0
Nine Months Ended 30 September						
Aircraft Maintenance & Modification	791,859	762,893	3.8	130,596	116,705	11.9
Component/Engine Repair & Overhaul	449,470	478,252	(6.0)	33,792	45,803	(26.2)
Engineering & Material Services	568,544	273,854	107.6	50,103	42,819	17.0
Total	1,809,873	1,514,999	19.5	214,491	205,327	4.5

	Revenue		
	3Q2016 $'000	**3Q2015** $'000	
By Geographical Areas			
Asia	277,866	314,011	(11.5)
USA	151,728	116,503	30.2
Europe	95,547	36,158	164.2
Others	40,613	40,770	(0.4)
Total	565,754	507,442	11.5
By Country of Incorporation			
Asia	338,868	396,002	(14.4)
USA	124,522	94,539	31.7
Europe	101,870	16,582	>500
Others	494	319	54.9
Total	565,754	507,442	11.5

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7. Review of Performance

(a) Revenue

3Q2016 vs 3Q2015

3Q2016	3Q2015	Growth	
$566m	$507m	$59m	11%

Revenue for 3Q2016 was $59 million or 11% higher compared to that of 3Q2015. This was due to higher revenue in the **Aircraft Maintenance & Modification (AMM)** and **Engineering & Materials Services (EMS)** business groups, reduced partially by lower revenue in the **Component/Engine Repair & Overhaul (CERO)** business group. Included in the **EMS** business group was sales from Elbe Flugzeugwerke GmbH (EFW) which became a subsidiary effective January 2016.

(b) Profitability

3Q2016 vs 3Q2015

3Q2016	3Q2015	Growth	
$65.1m	$63.3m	$1.8m	3%

The current quarter's PBT of $65.1 million was comparable to 3Q2015 PBT of $63.3 million. This was a result of of higher gross profit, in line with higher revenue and higher other income reduced partially by higher operating expenses.

8. Prospects

FY2016

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

9. Balance Sheet

	30-Sep-16 $'000	**31-Dec-15** $'000
Property, plant and equipment	794,746	820,145
Associates and joint ventures	231,896	311,473
Investments	12	12
Intangible assets	418,742	141,239
Derivative financial instruments, non-current	202	136
Long-term receivables, non-current	2,375	64
Deferred tax assets	23,196	11,840
Non-current assets	1,471,169	1,284,909
Current assets	1,451,155	1,355,186
Total assets	**2,922,324**	**2,640,095**
Current liabilities	1,219,184	1,262,967
Non-current liabilities	691,557	611,257
Total liabilities	**1,910,741**	**1,874,224**
Share capital and reserves	765,589	686,310
Non-controlling interests	245,994	79,561
Total equity and liabilities	**2,922,324**	**2,640,095**
Net current assets	**231,971**	**92,219**

On 1 January 2016, the Sector acquired an additional 20% equity interest, increasing its shareholdings from 35% to 55% in EFW. This resulted in an increase in the Sector's net assets due to the consolidation of EFW's identifiable net assets stated at fair value.

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10. Statement of Cash Flows for the third quarter ended 30 September 2016

	3Q2016 $'000	3Q2015 $'000
Net cash from operating activities	**119,832**	**110,036**
Net cash used in investing activities	**(20,142)**	**(29,305)**
Proceeds from sale of property, plant and equipment	617	26
Proceeds from disposal of a subsidiary	13,921	-
Dividends from associates	7,436	10,156
Dividends from investments	2	1
Purchase of property, plant and equipment	(24,786)	(35,253)
Acquisition of a subsidiary, net of cash acquired	-	(4,235)
Acquisition of other intangible assets	(17,332)	-
Net cash used in financing activities	**(93,677)**	**(46,369)**
Repayment of short-term loans to related corporations, net	(134,397)	(45,052)
Proceeds from long term bank loans, net	5,264	-
Proceeds from short term bank loans	58,766	-
Repayment of lease obligations	(102)	(88)
Dividend paid to shareholder of the company	(20,000)	-
Dividend paid to non-controlling interests	(2,000)	-
Interest paid	(1,208)	(1,229)
Net increase in cash and cash equivalents	**6,013**	**34,362**
Cash and cash equivalents at beginning of period	235,085	194,739
Exchange difference on cash and cash equivalents	1,837	8,676
Cash and cash equivalents at end of period	**242,935**	**237,777**

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