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

"Steady Performance"

FINANCIAL HIGHLIGHTS For the quarter ended 31 March 2014			
	2014 1Q	**2013 1Q**	**Growth %**
Revenue ($m)	503	479	5
Earnings before interest and tax (EBIT) ($m)	66.5	61.8	8
Other income, net ($m)	3.6	4.1	(12)
Finance income/(costs), net ($m)	(5.2)	(0.3)	< -500
Profit before tax (PBT) ($m)	74.7	72.4	3
Profit attributable to shareholders ($m)	60.5	60.5	-

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

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Aerospace sector unaudited results for the first quarter ended 31 March 2014

		1Q2014 $'000	1Q2013 $'000	+ / (-) %
1. (a)	**Revenue**	**502,804**	**478,891**	**5.0**
(b)	Cost of sales	(397,065)	(379,765)	4.6
(c)	**Gross Profit**	**105,739**	**99,126**	**6.7**
(d)	Distribution and selling expenses	(4,007)	(1,549)	158.7
(e)	Administrative expenses	(30,142)	(31,377)	(3.9)
(f)	Other operating expenses	(5,121)	(4,400)	16.4
(g)	**Profit from operations**	**66,469**	**61,800**	**7.6**
(h)	Other income	3,613	4,147	(12.9)
(i)	Other expenses	(16)	(67)	(76.1)
(j)	Other income, net	3,597	4,080	(11.8)
(k)	Finance income	2,612	3,505	(25.5)
(l)	Finance costs	(7,763)	(3,826)	102.9
(m)	Finance costs, net	(5,151)	(321)	>500.0
(n)	Share of results of associates and jointly controlled entities, net of tax	9,766	6,812	43.4
(o)	**Profit before taxation**	**74,681**	**72,371**	**3.2**
(p)	Taxation	(11,861)	(10,746)	10.4
(q)	**Profit for the period**	**62,820**	**61,625**	**1.9**
	Attributable to:			
(r)	**Shareholders of the Company**	**60,472**	**60,497**	**(0.0)**
(s)	Non-controlling interests	2,348	1,128	**108.2**
		62,820	**61,625**	**1.9**

2. (a)	Profit from operations is arrived at after charging/(crediting) the following:			
	Depreciation and amortisation	14,937	13,602	9.8
	Allowance for doubtful debts & bad debts written off, net	323	69	368.1
	Allowance for inventory obsolescence, net	2,298	1,014	126.6
(b)	Finance costs, net comprises			
	Interest income	899	602	49.3
	Foreign exchange gain, net	1,015	2,202	(53.9)
	Fair value changes of financial instruments / hedged items	(1,797)	630	(385.2)
	Interest expenses	(5,318)	(3,787)	40.4
	Others	50	32	56.3
		(5,151)	(321)	>500.0

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		1Q2014 $'000	1Q2013 $'000	+ / (-) %
3. (a)	Profit for the period [1(q) above] as a percentage of revenue	12.5%	12.9%	
(b)	Profit attributable to shareholders [1(r) above] as a percentage of share capital and reserves at end of period	7.5%	10.7%	
4. (a)	Revenue reported for first quarter	502,804	478,891	5.0
(b)	Profit for the period reported for first quarter	62,820	61,625	1.9

5. (a) There was an adjustment of $861,000 and $23,000 for overprovision of current tax and deferred tax respectively in respect of prior years. (1Q2013 : There was an adjustment of $2,204,000 for overprovision of current tax 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						
Aircraft Maintenance & Modification	280,962	274,415	2.4	52,833	46,984	12.4
Component/Engine Repair & Overhaul	146,469	148,550	(1.4)	12,674	15,691	(19.2)
Engineering & Material Services	75,373	55,926	34.8	9,174	9,696	(5.4)
Total	502,804	478,891	5.0	74,681	72,371	3.2
By Geographical Areas						
Asia	256,714	228,896	12.2			
USA	191,378	167,168	14.5			
Europe	22,988	55,458	(58.5)			
Others	31,724	27,369	15.9			
Total	502,804	478,891	5.0			
By Country of Incorporation						
Asia	382,278	316,776	20.7			
USA	105,612	110,786	(4.7)			
Europe	14,528	50,857	(71.4)			
Others	386	472	(18.2)			
Total	502,804	478,891	5.0			

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7. Review of Performance

(a) Revenue

1Q2014 vs 1Q2013

1Q2014	1Q2013	Growth	
$503m	$479m	$24m	5%

Revenue for 1Q2014 was $24 million higher compared to that of 1Q2013. This was due mainly to more project milestone completions and higher revenue from Maintenance-by-the-Hour (MBH)™ programmes in the **Engineering & Material Services (EMS)** business group.

(b) Profitability

1Q2014 vs 1Q2013

1Q2014	1Q2013	Growth	
$74.7m	$72.4m	$2.3m	3%

The current quarter's PBT of $74.7 million was comparable to 1Q2013 PBT of $72.4 million. This was a result of higher gross profit because of favourable sales mix and higher contributions from associates, reduced partially by the biennial airshow expenses and higher finance costs.

8. Prospects

1H2014

Barring unforeseen circumstances, revenue for 1H2014 is expected to be higher compared to 1H2013, whilst profit before tax is expected to be comparable to 1H2013.

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9. Balance Sheet

	31-Mar-14 $'000	31-Dec-13 $'000
Property, plant and equipment	656,130	679,552
Associates and jointly controlled entities	327,180	328,017
Investments	43	43
Intangible assets	118,157	108,546
Long-term receivables, non-current	14,778	14,900
Deferred tax assets	17,648	17,778
Derivative financial instruments, non-current	23	-
Non-current assets	1,133,959	1,148,836
Current assets	1,619,409	1,600,632
Total assets	**2,753,368**	**2,749,468**
Current liabilities	1,252,192	1,519,751
Non-current liabilities	703,652	703,080
Total liabilities	**1,955,844**	**2,222,831**
Share capital and reserves	721,770	453,316
Non-controlling interests	75,754	73,321
Total equity and liabilities	**2,753,368**	**2,749,468**
Net current assets	**367,217**	**80,881**

The increase in share capital and reserves was due mainly to a capital injection of $216 million by the immediate holding company for the repayment of the Company's bank loans.

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

	1Q2014 $'000	1Q2013 $'000
Net cash from operating activities	**22,357**	**61,972**
Net cash from/(used in) investing activities	**(19,689)**	**(53,206)**
Proceeds from sale of property, plant and equipment	472	5,347
Dividends from associates	6,529	5,754
Purchase of property, plant and equipment	(14,666)	(19,503)
Investment in associates	-	(7,632)
Investment in a joint venture	-	(5,819)
Acquisition of intangible assets	(12,024)	(31,353)
Net cash from/(used in) financing activities	**(511)**	**3,460**
Capital contribution from non-controlling interests of subsidiaries	-	15,645
Capital contribution from immediate holding company	216,000	-
Repayment of loan to immediate holding company	-	(21,000)
(Repayment of)/proceeds from inter-company loans, net	46,546	8,591
Proceeds from long term bank loans	-	3,998
Repayment of short term bank loans	(257,857)	-
Repayment of lease obligations	(93)	(10)
Interest paid	(5,107)	(3,764)
Net increase in cash and cash equivalents	**2,157**	**12,226**
Cash and cash equivalents at beginning of the period	382,022	305,124
Exchange difference on cash and cash equivalents at beginning of the period	(2,334)	(167)
Cash and cash equivalents at end of the period	**381,845**	**317,183**

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