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.

Land Systems

"Lower profits"

FINANCIAL HIGHLIGHTS For the first quarter ended 31 March 2016			
	2016 1Q	**2015 1Q**	**Growth %**
Revenue ($m)	286	347	(18)
Earnings before interest and tax (EBIT) ($m)	5.9	8.5	(30)
Other income, net ($m)	5.3	5.3	0
Finance costs, net ($m)	(3.2)	(1.3)	(146)
Profit before tax (PBT) ($m)	11.6	16.2	(29)
Profit attributable to shareholders ($m)	10.6	15.5	(32)

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

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Land Systems sector unaudited results for the first quarter ended 31 March 2016:

			1Q2016 $'000	1Q2015 $'000	+ / (-) %
1.	(a)	**Revenue**	**285,657**	**347,103**	**(17.7)**
	(b)	Cost of sales	(234,493)	(289,183)	(18.9)
	(c)	**Gross Profit**	**51,164**	**57,920**	**(11.7)**
	(d)	Distribution and selling expenses	(14,160)	(13,207)	7.2
	(e)	Administrative expenses	(24,760)	(24,353)	1.7
	(f)	Other operating expenses	(6,341)	(11,884)	(46.6)
	(g)	**Profit from operations**	**5,903**	**8,476**	**(30.4)**
	(h)	Other income	6,650	5,774	15.2
	(i)	Other expenses	(1,307)	(400)	226.8
	(j)	Other income, net	5,343	5,374	(0.6)
	(k)	Finance income	2,244	2,347	(4.4)
	(l)	Finance costs	(5,459)	(3,656)	49.3
	(m)	Finance costs, net	(3,215)	(1,309)	145.6
	(n)	Share of results of associates and joint ventures, net of tax	3,551	3,678	(3.5)
	(o)	**Profit before taxation**	**11,582**	**16,219**	**(28.6)**
	(p)	Taxation	(3,589)	(1,864)	92.5
	(q)	**Profit for the period**	**7,993**	**14,355**	**(44.3)**
		Attributable to:			
	(r)	**Shareholders of the Company**	**10,552**	**15,484**	**(31.9)**
	(s)	Non-controlling interests	(2,559)	(1,129)	126.7
			7,993	**14,355**	**(44.3)**
2.	(a)	Profit from operations is arrived at after charging the following:			
		Depreciation and amortisation	9,373	9,461	(0.9)
		Allowance for doubtful debts & bad debts written off, net	1,114	1,083	2.9
		Allowance for inventory obsolescence, net	4,255	7,857	(45.8)
	(b)	Finance costs, net comprises			
		Interest income	490	728	(32.7)
		Foreign exchange gain/(loss), net	(1,175)	889	(232.2)
		Fair value changes of financial instruments / hedged items	136	12	>500
		Gain on disposal of investments	3	-	NM
		Interest expenses	(2,669)	(2,938)	(9.2)
			(3,215)	(1,309)	145.6

* NM - Not Meaningful

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		1Q2016 $'000	1Q2015 $'000	+ / (-) %
3. (a)	Profit for the period [1(q) above] as a percentage of revenue	2.8%	4.1%	
(b)	Profit attributable to shareholders [1(r) above] as a percentage of share capital and reserves at end of period	2.9%	4.1%	
4. (a)	Revenue reported for first quarter	285,657	347,103	(17.7)
(b)	Profit for the period reported for first quarter	7,993	14,355	(44.3)

5. (a) There were over-provisions of current tax and deferred tax of $2,000 and $5,000 respectively in respect of prior years. (1Q2015: There was an under-provision of current tax of $17,000 and over-provision of deferred tax of $17,000 in respect of prior year.)

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

6. Business Group Information

	Revenue			Profit before Taxation		
	1Q2016 $'000	**1Q2015** $'000	**+ / (-)** %	**1Q2016** $'000	**1Q2015** $'000	**+ / (-)** %
By Business Group						
Automotive	231,964	276,278	(16.0)	(935)	829	(212.8)
Munitions & Weapon	39,347	48,348	(18.6)	5,139	7,358	(30.2)
Services, Trading & Others	14,346	22,477	(36.2)	7,378	8,032	(8.1)
Total	285,657	347,103	(17.7)	11,582	16,219	(28.6)
By Geographical Areas						
Asia	182,064	263,407	(30.9)			
USA	90,520	66,075	37.0			
Europe	2,009	6,665	(69.9)			
Others	11,064	10,956	1.0			
Total	285,657	347,103	(17.7)			
By Country of Incorporation						
Asia	185,856	274,341	(32.3)			
USA	92,895	68,124	36.4			
Europe	-	-	-			
Others	6,906	4,638	48.9			
Total	285,657	347,103	(17.7)			

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7. Review of Performance

(a) Revenue

1Q2016 vs 1Q2015

1Q2016	1Q2015	Growth	
$286m	$347m	($61m)	(18%)

1Q2016 revenue compared to 1Q2015 decreased by 18% or $61 million to $286 million. This was due to lower revenue from all three business groups.

(b) Profitability

1Q2016 vs 1Q2015

1Q2016	1Q2015	Growth	
$11.6m	$16.2m	($4.6m)	(29%)

1Q2016 profit before tax (PBT) of $11.6 million was lower than 1Q2015 PBT by 29% or $4.6 million. This was due mainly to lower profits of the **Munitions & Weapon (M&W)** and **Automotive (Auto)** business groups. The **M&W** business group's lower profits were due mainly to lower revenue and unfavourable product mix, partially offset by lower operating expenses. The **Auto** business group had lower profits mainly from lower revenue and unfavourable variance in foreign exchange difference.

8. Prospects

1H2016

Barring unforeseen circumstances, 1H2016 revenue and PBT are expected to be lower compared to 1H2015.

9. Balance Sheet

	31-Mar-16 $'000	**31-Dec-15** $'000
Property, plant and equipment	341,838	354,677
Associates and joint ventures	116,538	121,781
Investments	111	189
Intangible assets	198,952	208,201
Finance lease receivables, non-current	276	523
Deferred tax assets	25,308	25,993
Amounts due from related parties, non-current	5,777	6,049
Derivative financial instruments, non-current	873	1,138
Non-current assets	689,673	718,551
Current assets	1,193,350	1,258,310
Total assets	**1,883,023**	**1,976,861**
Current liabilities	886,653	942,164
Non-current liabilities	736,990	771,307
Total liabilities	**1,623,643**	**1,713,471**
Share capital and reserves	219,758	221,847
Non-controlling interests	39,622	41,543
Total equity and liabilities	**1,883,023**	**1,976,861**
Net current assets	**306,697**	**316,146**

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10. Statement of Cash Flows for the first quarter ended 31 March 2016

	1Q2016 $'000	1Q2015 $'000
Net cash (used in) / from operating activities	**(2,305)**	**70,481**
Net cash from investing activities	**6,185**	**407**
Proceeds from sale of property, plant and equipment	30	8
Proceeds from disposal of quoted equity investment	3	-
Repayment of short-term loan by joint venture	-	272
Dividends from associates	8,743	7,546
Purchase of property, plant and equipment	(2,522)	(7,419)
Purchase of intangible assets	(69)	-
Net cash used in financing activities	**(22,081)**	**(77,852)**
Interest paid	(2,629)	(2,938)
Repayment of short-term related party loans	-	(50,000)
Proceeds from short-term related party loans	581	2,752
Short-term loan to a related corporation	-	(6,880)
Repayment of short-term immediate holding company loans	(15,000)	(31,400)
Repayment of long-term related party loans	(2,701)	-
Repayment of short-term loans	(39)	(34)
Repayment of short-term bank loans	(10,287)	(4,434)
Proceeds from short-term bank loans	6,786	13,287
Capital contribution from non-controlling interests	-	51
Acquisition of non-controlling interests in a subsidiary	(167)	-
Deposits discharged	1,375	1,744
Net decrease in cash and cash equivalents	**(18,201)**	**(6,964)**
Cash and cash equivalents at beginning of the period	193,357	276,750
Exchange difference on cash and cash equivalents at beginning of the period	(1,619)	1,160
Cash and cash equivalents at end of the period	**173,537**	**270,946**

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