

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

“Higher Revenue”

FINANCIAL HIGHLIGHTS			
For the second quarter ended			
30 June 2016			
	2016 2Q	2015 2Q	Growth %
Revenue (\$m)	620	517	20
Earnings before interest and tax (EBIT) (\$m)	62.4	61.0	2
Other income, net (\$m)	5.2	1.0	410
Finance income/(costs), net (\$m)	(2.9)	(0.9)	(221)
Profit before tax (PBT) (\$m)	74.1	70.6	5
Profit attributable to shareholders (\$m)	52.0	56.7	(8)

- Economic Value Added for the first half of 2016 was \$66.3 million

“The Sector continues to operate in a volatile landscape subdued by weak global economic conditions. We remain focused on our long-term investments, productivity improvement programmes, at the same time, leveraging technologies which includes data analytics, to maintain competitiveness.

Our passenger-to-freighter conversions strategy is making good progress, with the award of the launch contract from DHL Express for the A330-300P2F programme at the start of 2H2016.”

Lim Serh Ghee, President

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

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Aerospace sector unaudited results for the second quarter ended 30 June 2016

	2Q2016 \$'000	2Q2015 \$'000	+ / (-) %
1. (a) Revenue	620,316	516,708	20.1
(b) Cost of sales	(518,091)	(420,722)	23.1
(c) Gross Profit	102,225	95,986	6.5
(d) Distribution and selling expenses	(2,701)	(1,615)	67.2
(e) Administrative expenses	(30,009)	(28,638)	4.8
(f) Other operating expenses	(7,079)	(4,714)	50.2
(g) Profit from operations	62,436	61,019	2.3
(h) Other income	6,365	1,121	467.8
(i) Other expenses	(1,213)	(110)	>500
(j) Other income/(expenses), net	5,152	1,011	409.6
(k) Finance income	113	2,786	(95.9)
(l) Finance costs	(2,994)	(3,684)	(18.7)
(m) Finance (costs)/income, net	(2,881)	(898)	220.8
(n) Share of results of associates and joint ventures, net of tax	9,461	9,458	0.0
(o) Profit before taxation	74,168	70,590	5.1
(p) Taxation	(17,394)	(12,982)	34.0
(q) Profit for the period	56,774	57,608	(1.4)
Attributable to:			
(r) Shareholders of the Company	52,029	56,715	(8.3)
(s) Non-controlling interests	4,745	893	431.4
	56,774	57,608	(1.4)
* NM - Not Meaningful			
2. (a) Profit from operations is arrived at after charging/(crediting) the following:			
Depreciation and amortisation	26,441	16,924	56.2
(Write-back of allowance)/allowance for doubtful debts & bad debts written off, net	(179)	(478)	(62.6)
Allowance for stock obsolescence, net	12,735	2,127	498.7
(b) Finance income/(costs), net comprises:			
Interest income	915	679	34.8
Foreign exchange (loss)/gain, net	(737)	309	(338.5)
Fair value changes of financial instruments / hedged items	(29)	54	(153.7)
Interest expenses	(3,031)	(1,940)	56.2
Others	1	-	NM
	(2,881)	(898)	220.8

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	2Q2016 \$'000	2Q2015 \$'000	+ / (-) %
3. (a) Profit for the period [1(q) above] as a percentage of revenue	9.2%	11.1%	
(b) Profit attributable to shareholders [1(r) above] as a percentage of share capital and reserves at end of period	6.3%	8.0%	
	2016 \$'000	2015 \$'000	+ / (-) %
4. (a) Revenue reported for first quarter	623,803	490,849	27.1
(b) Profit for the period reported for first quarter	61,083	59,487	2.7
(c) Revenue reported for second quarter	620,316	516,708	20.1
(d) Profit for the period reported for second quarter	56,774	57,608	(1.4)
(e) Revenue reported for first half year	1,244,119	1,007,557	23.5
(f) Profit for the period reported for first half year	117,857	117,095	0.7
5. (a) There were adjustments of \$3,460,000 underprovision and \$3,368,000 overprovision of current and deferred tax respectively in respect of prior years. (2Q2015: There was an overprovision of \$85,000 and \$322,000 for current and deferred tax respectively in respect of prior years).			
(b) There was no disposal of property during the second quarter.			

6. Business Group Information

By Business Group

	Revenue			Profit before Taxation		+ / (-) %
	2016 \$'000	2015 \$'000	+ / (-) %	2016 \$'000	2015 \$'000	
Second Quarter						
Aircraft Maintenance & Modification	266,662	292,432	(8.8)	46,786	42,229	10.8
Component/Engine Repair & Overhaul	152,424	136,444	11.7	10,730	15,731	(31.8)
Engineering & Material Services	201,230	87,832	129.1	16,652	12,630	31.8
Total	<u>620,316</u>	<u>516,708</u>	20.1	<u>74,168</u>	<u>70,590</u>	5.1
First Half Year						
Aircraft Maintenance & Modification	544,671	534,914	1.8	91,533	83,090	10.2
Component/Engine Repair & Overhaul	318,412	286,638	11.1	23,966	29,163	(17.8)
Engineering & Material Services	381,036	186,005	104.9	33,839	29,821	13.5
Total	<u>1,244,119</u>	<u>1,007,557</u>	23.5	<u>149,338</u>	<u>142,074</u>	5.1

By Geographical Areas

	Revenue		
	2Q2016 \$'000	2Q2015 \$'000	
Asia	288,228	287,404	0.3
USA	175,288	156,305	12.1
Europe	117,199	35,191	233.0
Others	39,601	37,808	4.7
Total	<u>620,316</u>	<u>516,708</u>	20.1

By Country of Incorporation

Asia	364,957	378,184	(3.5)
USA	130,379	123,628	5.5
Europe	124,521	14,506	>500
Others	459	390	17.7
Total	<u>620,316</u>	<u>516,708</u>	20.1

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7. Review of Performance

(a) Revenue

2Q2016 vs 2Q2015

2Q2016	2Q2015	Growth	
\$620m	\$517m	\$103m	20%

Revenue for 2Q2016 was \$103 million higher compared to that of 2Q2015. This was due to higher revenue in the Component/Engine Repair & Overhaul (CERO) and Engineering & Materials Services (EMS) business groups, reduced partially by lower revenue in the Aircraft Maintenance & Modification (AMM) business group. Included in the EMS business group was sales from Elbe Flugzeugwerke GmbH (EFW) which became a subsidiary effective January 2016.

(b) Profitability

2Q2016 vs 2Q2015

2Q2016	2Q2015	Growth	
\$74.1m	\$70.6m	\$3.5m	5%

The current quarter's PBT of \$74.1 million was higher compared to 2Q2015 PBT of \$70.6 million. This was a result of higher gross profit, in line with higher revenue, higher other income reduced partially by higher operating expenses, interest expense and unfavourable foreign exchange impact.

8. Prospects

2H2016

Barring unforeseen circumstances, 2H2016 revenue is expected to be higher compared to 1H2016, whilst profit before tax for 2H2016 is expected to be lower compared to 1H2016.

9. Balance Sheet

	30-Jun-16	31-Dec-15
	\$'000	\$'000
Property, plant and equipment	892,356	820,145
Associates and joint ventures	215,259	311,473
Investments	12	12
Intangible assets	399,452	141,239
Long-term receivables, non-current	2,329	64
Derivative financial instruments, non-current	153	136
Deferred tax assets	21,853	11,840
Non-current assets	1,531,414	1,284,909
Current assets	1,490,134	1,355,186
Total assets	3,021,548	2,640,095
Current liabilities	1,323,035	1,262,967
Non-current liabilities	727,780	611,257
Total liabilities	2,050,815	1,874,224
Share capital and reserves	730,578	686,310
Non-controlling interests	240,155	79,561
Total equity and liabilities	3,021,548	2,640,095
Net current assets	167,099	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 second quarter ended 30 June 2016

	2Q2016 \$'000	2Q2015 \$'000
Net cash from operating activities	118,525	6,565
Net cash used in investing activities	(40,223)	(5,619)
Proceeds from sale of property, plant and equipment	1,940	119
Dividends from associated companies	9,331	8,106
Dividends from investments	1	-
Purchase of property, plant and equipment	(15,569)	(13,844)
Acquisition of other intangible assets	(1,150)	-
Additional Investment in a joint venture	(34,776)	-
Net cash used in financing activities	(99,572)	(58,675)
Capital contribution from minority shareholders of a subsidiary	-	588
(Repayment of)/proceeds from short-term loans from related corporations, net	(71,450)	16,414
Proceeds from/(repayment of) long term bank loans, net	5,204	(6,504)
Proceeds from short term bank loans, net	8,911	-
Repayment of lease obligations	(148)	(80)
Dividend paid to shareholder	(39,045)	(65,990)
Dividend paid to non-controlling interests	(676)	(2,531)
Interest paid	(2,367)	(572)
Net decrease in cash and cash equivalents	(21,270)	(57,729)
Cash and cash equivalents at beginning of period	257,082	254,134
Exchange difference on cash and cash equivalents	(727)	(1,666)
Cash and cash equivalents at end of period	235,085	194,739

11. Economic Value Added (EVA)

EVA for 1H2016 was \$66.3 million, a decrease of \$20.5 million or 24% over 1H2015. The weighted average cost of capital was 5.6% for 2016 (2015: 5.5%).

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