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 due to higher allowances and impairments"

FINANCIAL HIGHLIGHTS For the year ended 31 December 2014			
	2014 FY	**2013 FY**	**Growth %**
Revenue ($m)	1,405	1,485	(5)
Earnings before interest and tax (EBIT) ($m)	38.7	90.5	(57)
Other income, net ($m)	13.0	19.4	(34)
Finance costs, net ($m)	(8.5)	(6.3)	(35)
Profit before tax (PBT) ($m)	56.2	111.8	(50)
Profit attributable to shareholders ($m)	50.3	91.2	(45)
Economic value added (EVA) ($m)	5.0	61.2	(92)

"We achieved lower sales due to lower project deliveries and continued weakness in China operations. Lower PBT in 2014 was due to higher allowances for inventory obsolescence, asset impairments and higher research and development expenses.

In 2015, we will continue to innovate new solutions, pursue key defence programmes and work with partners to secure automotive drive solutions' contracts from commercial and defence customers."

Sew Chee Jhuen, President

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

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Land Systems

Land Systems sector audited results for the year ended 31 December 2014:

			FY2014 $'000	FY2013 $'000	+ / (-) %
1.	(a)	**Revenue**	**1,405,132**	**1,485,219**	**(5.4)**
	(b)	Cost of sales	(1,140,622)	(1,188,779)	(4.1)
	(c)	**Gross Profit**	**264,510**	**296,440**	**(10.8)**
	(d)	Distribution and selling expenses	(69,100)	(70,289)	(1.7)
	(e)	Administrative expenses	(106,692)	(100,077)	6.6
	(f)	Other operating expenses	(49,991)	(35,602)	40.4
	(g)	**Profit from operations**	**38,727**	**90,472**	**(57.2)**
	(h)	Other income	14,525	23,840	(39.1)
	(i)	Other expenses	(1,570)	(4,353)	(63.9)
	(j)	Other income, net	12,955	19,487	(33.5)
	(k)	Finance income	3,124	4,836	(35.4)
	(l)	Finance costs	(11,655)	(11,175)	4.3
	(m)	Finance costs, net	(8,531)	(6,339)	34.6
	(n)	Share of results of associates and joint ventures, net of tax	13,050	8,173	59.7
	(o)	**Profit before taxation**	**56,201**	**111,793**	**(49.7)**
	(p)	Taxation	(11,001)	(19,196)	(42.7)
	(q)	**Profit for the year**	**45,200**	**92,597**	**(51.2)**
		Attributable to:			
	(r)	**Shareholders of the Company**	**50,323**	**91,239**	**(44.8)**
	(s)	Non-controlling interests	(5,123)	1,358	(477.2)
			45,200	**92,597**	**(51.2)**

2.	(a)	Profit from operations is arrived at after charging/(crediting) the following:			
		Depreciation and amortisation	38,053	39,083	(2.6)
		Allowance for doubtful debts & bad debts written off, net	11,863	10,814	9.7
		Allowance for inventory obsolescence, net	45,529	17,944	153.7
		Impairment losses of intangible assets	12,853	877	>500
	(b)	Finance costs, net comprises:			
		Interest income	2,557	2,615	(2.2)
		Foreign exchange (loss)/gain, net	(736)	1,365	(153.9)
		Fair value changes of financial instruments/hedged items	(163)	280	(158.2)
		Gain/(loss) on disposal of investments, net	1	(12)	(108.3)
		Interest expenses	(10,190)	(10,587)	(3.7)
			(8,531)	(6,339)	34.6

ST Engineering

Land Systems

			FY2014 $'000	FY2013 $'000	+ / (-) %
3.	(a)	Profit for the year [1(q) above] as a percentage of revenue	3.2%	6.2%	
	(b)	Profit attributable to shareholders [1(r) above] as a percentage of share capital and reserves at end of year	13.6%	22.2%	
4.	(a)	Revenue reported for first half year	622,926	742,605	(16.1)
	(b)	Profit for the period reported for first half year	31,413	45,119	(30.4)
	(c)	Revenue reported for second half year	782,206	742,614	5.3
	(d)	Profit for the period reported for second half year	13,787	47,478	(71.0)

5. (a) There was an over-provision of current tax of $4,201,000 and under-provision of deferred tax of $175,000 in respect of prior years. (FY2013: There were over-provisions of current and deferred tax of $1,373,000 and $2,861,000 respectively, in respect of prior years).

(b) There was a disposal of property due to factory relocation during the year. Arising from government compensation for the relocation, there was no profit and loss impact.

6. Business Group Information

By Business Group

Fourth Quarter vs Third Quarter (unaudited)	**Revenue**			**Profit before Taxation**		
	4Q2014 $'000	**3Q2014** $'000	**+ / (-)** %	**4Q2014** $'000	**3Q2014** $'000	**+ / (-)** %
Automotive	326,600	273,319	20.6	(19,529) *	3,041	<-500
Munitions & Weapon	72,980	64,936	12.4	11,196	7,857	48.7
Services, Trading & Others	24,271	20,100	20.8	9,380	7,199	30.3
Total	423,851	358,355	19.1	1,047	18,097	(91.5)

* The **Automotive (Auto)** business group incurred a loss in 4Q2014 due mainly to higher allowance for inventory obsolescence, asset impairments including goodwill impairment, and weakness in China operations.

Full Year Ended 31 December	**Revenue**			**Profit before Taxation**		
	FY2014 $'000	**FY2013** $'000	**+ / (-)** %	**FY2014** $'000	**FY2013** $'000	**+ / (-)** %
Automotive	1,065,335	1,190,385	(10.5)	(14,402)	57,562	(125.0)
Munitions & Weapon	253,901	190,101	33.6	38,596	24,466	57.8
Services, Trading & Others	85,896	104,733	(18.0)	32,007	29,765	7.5
Total	1,405,132	1,485,219	(5.4)	56,201	111,793	(49.7)

	Revenue		
	FY2014 $'000	**FY2013** $'000	
By Geographical Areas			
Asia	1,008,154	1,143,700	(11.9)
USA	248,950	239,408	4.0
Europe	22,333	16,200	37.9
Others	125,695	85,911	46.3
Total	1,405,132	1,485,219	(5.4)
By Country of Incorporation			
Asia	1,115,960	1,218,349	(8.4)
USA	263,577	251,438	4.8
Europe	-	-	-
Others	25,595	15,432	65.9
Total	1,405,132	1,485,219	(5.4)

Land Systems

7. Review of Performance

(a) Revenue

FY2014 vs FY2013

FY2014	FY2013	Growth	
$1,405m	$1,485m	($80m)	(5%)

Revenue for FY2014 of $1,405 million was lower than FY2013 by 5% or $80 million. This was due to lower revenue from **Auto** business group attributable mainly to lower project deliveries and specialty vehicles sales, partially offset by higher revenue from **Munitions & Weapon (M&W)** business group.

(b) Profitability

FY2014 vs FY2013

FY2014	FY2013	Growth	
$56.2m	$111.8m	($55.6m)	(50%)

FY2014 profit before tax (PBT) of $56.2 million was lower than FY2013 by 50% or $55.6 million. The lower PBT was due mainly to unfavourable results of the **Auto** business group, partially offset by higher profits of the **M&W** business group. The unfavourable results of the **Auto** business group were due mainly to lower revenue, higher allowance for inventory obsolescence, asset impairments including goodwill impairments and absence of gain on disposal of an investment property which aided FY2013. The **M&W** business group's higher profits were due mainly to higher revenue.

8. Prospects

FY2015

Barring unforeseen circumstances, revenue for FY2015 is expected to be comparable to FY2014, while PBT is expected to be higher.

9. Balance Sheet

	31-Dec-14 $'000	**31-Dec-13** $'000
Property, plant and equipment	372,275	330,063
Associates and joint ventures	112,750	110,972
Investments	378	349
Intangible assets	205,335	213,942
Long-term receivables, non-current	13	58
Finance lease receivables, non-current	973	2,679
Deferred tax assets	18,028	8,898
Amounts due from related parties, non-current	5,650	5,420
Derivative financial instruments, non-current	1,196	9,208
Non-current assets	716,598	681,589
Current assets	1,487,167	1,420,861
Total assets	**2,203,765**	**2,102,450**
Current liabilities	965,063	898,168
Non-current liabilities	966,263	880,972
Total liabilities	**1,931,326**	**1,779,140**
Share capital and reserves	223,060	265,486
Non-controlling interests	49,379	57,824
Total equity and liabilities	**2,203,765**	**2,102,450**
Net current assets	**522,104**	**522,693**

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Land Systems

10. Statement of Cash Flows for the year ended 31 December 2014

	FY2014 $'000	FY2013 $'000
Net cash generated from operating activities	**122,107**	**145,577**
Net cash used in investing activities	**(43,601)**	**(66,522)**
Proceeds from sale of property, plant and equipment	1,834	841
Proceeds from sale of an investment property	22,000	-
Proceeds from disposal of a subsidiary	2	-
Proceeds from disposal of quoted equity investment	1	82
Proceeds from disposal of a joint venture	3,280	-
Short-term loan to a joint venture	-	(3,136)
Repayment of short-term loan by joint ventures	3,887	-
Dividends from associates	9,418	7,440
Purchase of property, plant and equipment	(83,829)	(59,892)
Purchase of intangible assets	-	(1,980)
Acquisition of a subsidiary and business, net of cash acquired	-	(9,877)
Acquisition of non-controlling interests in subsidiary	(194)	-
Net cash used in financing activities	**(47,095)**	**(73,587)**
Interest paid	(10,190)	(10,587)
Repayment of short-term related party loans	(7,865)	(3,669)
Proceeds from short-term related party loans	20,000	8,152
Repayment of short-term immediate holding company loans	(47,000)	(21,272)
Proceeds from long-term immediate holding company loans	50,000	-
Repayment of long-term immediate holding company loans	-	(6,851)
Repayment of long-term related party loans	-	(2,976)
Repayment of long-term loans	-	(335)
Repayment of short-term loans	(369)	-
Proceeds from long-term bank loan	-	2,616
Proceeds from short-term bank loans	28,847	10,895
Repayment of short-term bank loans	(45,709)	(4,391)
Dividends paid to shareholder	(31,800)	(48,800)
Dividends paid to non-controlling interests	(5,666)	(5,365)
Capital contribution from non-controlling interests	2,596	7,116
Deposits discharged	61	1,880
Net increase in cash and cash equivalents	31,411	5,468
Cash and cash equivalents at beginning of the year	244,309	237,969
Exchange difference on cash and cash equivalents at beginning of the year	1,030	872
Cash and cash equivalents at end of the year	**276,750**	**244,309**

11. Economic Value Added (EVA)

EVA for FY2014 was $5.0 million, a decrease of $56.2 million or 92% over FY2013. The weighted average cost of capital was 5.6% for 2014 (2013: 5.2%).

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