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 profit before tax"

FINANCIAL HIGHLIGHTS For the first quarter ended 31 March 2015			
	2015 1Q	**2014 1Q**	**Growth %**
Revenue ($m)	347	326	6
Earnings before interest and tax (EBIT) ($m)	8.5	14.8	(43)
Other income, net ($m)	5.3	4.6	15
Finance costs, net ($m)	(1.3)	(3.9)	66
Profit before tax (PBT) ($m)	16.2	18.8	(14)
Profit attributable to shareholders ($m)	15.5	16.6	(7)

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

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Land Systems sector unaudited results for the first quarter ended 31 March 2015

			1Q2015 $'000	1Q2014 $'000	+ / (-) %
1.	(a)	**Revenue**	**347,103**	**326,411**	**6.3**
	(b)	Cost of sales	(289,183)	(256,982)	12.5
	(c)	**Gross Profit**	**57,920**	**69,429**	**(16.6)**
	(d)	Distribution and selling expenses	(13,207)	(19,266)	(31.4)
	(e)	Administrative expenses	(24,353)	(26,718)	(8.9)
	(f)	Other operating expenses	(11,884)	(8,689)	36.8
	(g)	**Profit from operations**	**8,476**	**14,756**	**(42.6)**
	(h)	Other income	5,774	5,055	14.2
	(i)	Other expenses	(400)	(399)	0.3
	(j)	Other income, net	5,374	4,656	15.4
	(k)	Finance income	2,347	961	144.2
	(l)	Finance costs	(3,656)	(4,863)	(24.8)
	(m)	Finance costs, net	(1,309)	(3,902)	(66.5)
	(n)	Share of results of associates and joint ventures, net of tax	3,678	3,313	11.0
	(o)	**Profit before taxation**	**16,219**	**18,823**	**(13.8)**
	(p)	Taxation	(1,864)	(4,778)	(61.0)
	(q)	**Profit for the period**	**14,355**	**14,045**	**2.2**
		Attributable to:			
	(r)	**Shareholders of the Company**	**15,484**	**16,581**	**(6.6)**
	(s)	Non-controlling interests	(1,129)	(2,536)	(55.5)
			14,355	**14,045**	**2.2**

2.	(a)	Profit from operations is arrived at after charging the following:			
		Depreciation and amortisation	9,461	9,064	4.4
		Allowance for doubtful debts & bad debts written off, net	1,083	2,027	(46.6)
		Allowance for inventory obsolescence, net	7,857	6,312	24.5
	(b)	Finance costs, net comprises:			
		Interest income	728	707	3.0
		Foreign exchange gain/(loss), net	889	(1,589)	(155.9)
		Fair value changes of financial instruments/hedged items	12	(368)	(103.3)
		Interest expenses	(2,938)	(2,652)	10.8
			(1,309)	(3,902)	(66.5)

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			1Q2015 $'000	1Q2014 $'000	+ / (-) %
3.	(a)	Profit for the period [1(q) above] as a percentage of revenue	4.1%	4.3%	
	(b)	Profit attributable to shareholders [1(r) above] as a percentage of share capital and reserves at end of period	4.1%	3.9%	
4.	(a)	Revenue reported for first quarter	347,103	326,411	6.3
	(b)	Profit for the period reported for first quarter	14,355	14,045	2.2

5. (a) 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. (1Q2014: There was an over-provision of current tax of $6,000 in respect of prior years).

(b) There was a disposal of property due to factory relocation in 1Q2015. Arising from government compensation for the relocation, there was no profit and loss impact.

6. Business Group Information

	Revenue			Profit before Taxation		
	1Q2015 $'000	**1Q2014** $'000	**+ / (-)** %	**1Q2015** $'000	**1Q2014** $'000	**+ / (-)** %
By Business Group						
Automotive	276,278	247,333	11.7	829	13	>500
Munitions & Weapon	48,348	59,614	(18.9)	7,358	13,516	(45.6)
Services, Trading & Others	22,477	19,464	15.5	8,032	5,294	51.7
Total	347,103	326,411	6.3	16,219	18,823	(13.8)

	1Q2015 $'000	**1Q2014** $'000	
By Geographical Areas			
Asia	263,407	217,313	21.2
USA	66,075	62,109	6.4
Europe	6,665	5,071	31.4
Others	10,956	41,918	(73.9)
Total	347,103	326,411	6.3
By Country of Incorporation			
Asia	274,341	258,029	6.3
USA	68,124	64,671	5.3
Europe	-	-	-
Others	4,638	3,711	25.0
Total	347,103	326,411	6.3

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7. Review of Performance

(a) Revenue

1Q2015 vs 1Q2014

1Q2015	1Q2014	Growth	
$347m	$326m	$21m	6%

1Q2015 revenue compared to 1Q2014 increased by 6% or $21 million to $347 million. This was due to higher revenue from **Automotive (Auto)** business group attributable mainly to higher project deliveries, partially offset by lower revenue from **Munitions & Weapon (M&W)** business group.

(b) Profitability

1Q2015 vs 1Q2014

1Q2015	1Q2014	Growth	
$16.2m	$18.8m	($2.6m)	(14%)

1Q2015 profit before tax (PBT) of $16.2 million was lower than 1Q2014 PBT by 14% or $2.6 million. This was due mainly to lower profits of the **M&W** business group, partially offset by higher profits of the **Services, Trading and Others (S&T)** business group. 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 **S&T** business group had higher profits mainly from higher revenue, favourable product mix and share of higher profit of associate.

8. Prospects

1H2015

Barring unforeseen circumstances, revenue for 1H2015 is expected to be higher compared to 1H2014, while PBT is expected to be lower.

9. Balance Sheet

	31-Mar-15 $'000	**31-Dec-14** $'000
Property, plant and equipment	367,987	372,275
Associates and joint ventures	108,501	112,750
Investments	187	378
Intangible assets	211,217	205,335
Long-term receivables, non-current	4	13
Finance lease receivables, non-current	803	973
Deferred tax assets	26,986	18,028
Amounts due from related parties, non-current	5,885	5,650
Derivative financial instruments	4,160	1,196
Non-current assets	725,730	716,598
Current assets	1,385,808	1,487,167
Total assets	**2,111,538**	**2,203,765**
Current liabilities	876,690	965,063
Non-current liabilities	954,089	966,263
Total liabilities	**1,830,779**	**1,931,326**
Share capital and reserves	231,676	223,060
Non-controlling interests	49,083	49,379
Total equity and liabilities	**2,111,538**	**2,203,765**
Net current assets	**509,118**	**522,104**

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10. Statement of Cash Flows for the first quarter ended 31 March 2015

	1Q2015 $'000	1Q2014 $'000
Net cash from operating activities	**70,481**	**42,796**
Net cash used in investing activities	**(6,473)**	**(18,755)**
Proceeds from sale of property, plant and equipment	8	381
Short-term loan to a related company	(6,880)	-
Repayment of short-term loan by a joint venture	272	-
Dividends from associates	7,546	9,300
Purchase of property, plant and equipment	(7,419)	(28,436)
Net cash used in financing activities	**(70,972)**	**(30,392)**
Interest paid	(2,938)	(2,652)
Repayment of short-term related party loans	(50,000)	(893)
Proceeds from short-term related party loans	2,752	-
Repayment of short-term immediate holding company loans	(31,400)	(10,000)
Repayment of long-term loans	-	(38)
Repayment of short-term loans	(34)	-
Repayment of long-term bank loan	-	(46)
Proceeds from short-term bank loans	13,287	-
Repayment of short-term bank loans	(4,434)	(14,650)
Dividends paid to non-controlling interests	-	(2,040)
Capital contribution from non-controlling interests	51	-
Deposits discharged/ (pledged)	1,744	(73)
Net decrease in cash and cash equivalents	**(6,964)**	**(6,351)**
Cash and cash equivalents at beginning of the period	276,750	244,309
Exchange difference on cash and cash equivalents at beginning of the period	1,160	(331)
Cash and cash equivalents at end of the period	**270,946**	**237,627**

Media Contact:
Seng Woei Yuan
Head, Corporate Communications
Tel: (65) 6660 7449
Fax: (65) 6261 2338
Email: sengwy@stengg.com