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

"Comparable net profit"

FINANCIAL HIGHLIGHTS For the third quarter ended 30 September 2015			
	2015 3Q	**2014 3Q**	**Growth %**
Revenue ($m)	321	358	(10)
Earnings before interest and tax (EBIT) ($m)	15.0	10.5	44
Other income, net ($m)	1.9	5.2	(65)
Finance costs, net ($m)	(1.6)	(1.5)	(3)
Profit before tax (PBT) ($m)	19.8	18.1	9
Profit attributable to shareholders ($m)	16.2	15.9	2

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

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Land Systems

Land Systems sector unaudited results for the third quarter ended 30 September 2015

			3Q2015 $'000	3Q2014 $'000	+ / (-) %
1.	(a)	**Revenue**	**320,860**	**358,355**	**(10.5)**
	(b)	Cost of sales	(249,282)	(291,522)	(14.5)
	(c)	**Gross Profit**	**71,578**	**66,833**	**7.1**
	(d)	Distribution and selling expenses	(19,148)	(16,957)	12.9
	(e)	Administrative expenses	(27,104)	(23,304)	16.3
	(f)	Other operating expenses	(10,281)	(16,094)	(36.1)
	(g)	**Profit from operations**	**15,045**	**10,478**	**43.6**
	(h)	Other income	2,274	5,631	(59.6)
	(i)	Other expenses	(444)	(390)	13.8
	(j)	Other income, net	1,830	5,241	(65.1)
	(k)	Finance income	1,895	1,620	17.0
	(l)	Finance costs	(3,489)	(3,166)	10.2
	(m)	Finance costs, net	(1,594)	(1,546)	3.1
	(n)	Share of results of associates and joint ventures, net of tax	4,478	3,924	14.1
	(o)	**Profit before taxation**	**19,759**	**18,097**	**9.2**
	(p)	Taxation	(4,625)	(4,153)	11.4
	(q)	**Profit for the period**	**15,134**	**13,944**	**8.5**
		Attributable to:			
	(r)	**Shareholders of the Company**	**16,220**	**15,873**	**2.2**
	(s)	Non-controlling interests	(1,086)	(1,929)	(43.7)
			15,134	**13,944**	**8.5**

2.	(a)	Profit from operations is arrived at after charging/(crediting) the following:			
		Depreciation and amortisation	8,642	8,934	(3.3)
		Allowance for doubtful debts & bad debts written off, net	4,151	5,446	(23.8)
		Allowance for stock obsolescence, net	2,220	8,794	(74.8)
		Impairment losses on intangible assets	-	6,292	(100.0)
	(b)	Finance costs, net comprises:			
		Interest income	466	577	(19.2)
		Foreign exchange gain, net	519	894	(41.9)
		Fair value changes of financial instruments / hedged items	(9)	(329)	(97.3)
		Interest expenses	(2,570)	(2,688)	(4.4)
			(1,594)	(1,546)	3.1

			3Q2015 $'000	3Q2014 $'000	+ / (-) %
3.	(a)	Profit for the period [1(q) above] as a percentage of revenue	4.7%	3.9%	
	(b)	Profit attributable to shareholders [1(r) above] as a percentage of share capital and reserves at end of period	4.0%	4.0%	
4.	(a)	Revenue reported for first half year	665,709	622,926	6.9
	(b)	Profit for the period reported for first half year	24,019	31,413	(23.5)
	(c)	Revenue reported for third quarter	320,860	358,355	(10.5)
	(d)	Profit for the period reported for third quarter	15,134	13,944	8.5
	(e)	Revenue reported for first nine months	986,569	981,281	0.5
	(f)	Profit for the period reported for first nine months	39,153	45,357	(13.7)

5. (a) There was an over-provision of current tax of $512,000 and under-provision of deferred tax of $18,000 in respect of prior years. (3Q2014: There was an over-provision of current tax of $1,000 and under-provision of deferred tax of $9,000 in respect of prior year).

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

6. Business Group Information

By Business Group

	Revenue			Profit before Taxation		
	2015 $'000	**2014** $'000	**+ / (-)** %	**2015** $'000	**2014** $'000	**+ / (-)** %
Third Quarter						
Automotive	271,269	273,319	(0.8)	9,534	3,041	213.5
Munitions & Weapon	36,034	64,936	(44.5)	2,069	7,857	(73.7)
Services, Trading & Others	13,557	20,100	(32.6)	8,156	7,199	13.3
Total	320,860	358,355	(10.5)	19,759	18,097	9.2
Nine Months Ended 30 September						
Automotive	815,944	738,735	10.5	16,700	5,127	225.7
Munitions & Weapon	120,097	180,921	(33.6)	12,599	27,400	(54.0)
Services, Trading & Others	50,528	61,625	(18.0)	22,966	22,627	1.5
Total	986,569	981,281	0.5	52,265	55,154	(5.2)

	Revenue		
	3Q2015 $'000	**3Q2014** $'000	
By Geographical Areas			
Asia	215,303	266,144	(19.1)
USA	88,803	60,964	45.7
Europe	3,959	5,574	(29.0)
Others	12,795	25,673	(50.2)
Total	320,860	358,355	(10.5)
By Country of Incorporation			
Asia	226,371	287,022	(21.1)
USA	90,098	63,937	40.9
Europe	-	-	-
Others	4,391	7,396	(40.6)
Total	320,860	358,355	(10.5)

ST Engineering

7. Review of Performance

(a) Revenue

3Q2015 vs 3Q2014

3Q2015	3Q2014	Growth	
$321m	$358m	($37m)	(10%)

3Q2015 revenue compared to 3Q2014 decreased by 10% or $37 million to $321 million. This was due mainly to lower revenue from **Munitions & Weapon (M&W)** business group.

(b) Profitability

3Q2015 vs 3Q2014

3Q2015	3Q2014	Growth	
$19.8m	$18.1m	$1.7m	9%

3Q2015 profit before tax (PBT) of $19.8 million was higher than 3Q2014 PBT by 9% or $1.7 million. This was due to higher profits of the **Automotive (Auto)** and **Services, Trading & Others (S&T)** business groups, partially offset by lower profits of the **M&W** business group. The **Auto** business group's higher profits were due mainly to lower allowance for inventory obsolescence and absence of goodwill impairment which impacted 3Q2014, partially offset by higher selling, administrative and research and development expenses as well as absence of gain on disposal of a joint venture which aided 3Q2014. The **S&T** business group's higher profits were due mainly to favourable product mix and share of higher profit of an associate. The **M&W** business group had lower profits mainly from lower revenue.

8. Prospects

FY2015

Barring unforeseen circumstances, revenue and PBT for FY2015 are expected to be comparable to FY2014.

9. Balance Sheet

	30-Sep-15 $'000	**31-Dec-14** $'000
Property, plant and equipment	361,251	372,275
Associates and joint ventures	117,082	112,750
Investments	226	378
Intangible assets	212,503	205,335
Amounts due from related parties, non-current	6,098	5,650
Finance lease receivables, non-current	811	973
Long-term receivables, non-current	-	13
Deferred tax assets	22,695	18,028
Derivative financial instruments	2,599	1,196
Non-current assets	723,265	716,598
Current assets	1,328,509	1,487,167
Total assets	**2,051,774**	**2,203,765**
Current liabilities	887,555	965,063
Non-current liabilities	860,292	966,263
Total liabilities	**1,747,847**	**1,931,326**
Share capital and reserves	258,064	223,060
Non-controlling interests	45,863	49,379
Total equity and liabilities	**2,051,774**	**2,203,765**
Net current assets	**440,954**	**522,104**

10. Statement of Cash Flows for the third quarter ended 30 September 2015

	3Q2015 $'000	3Q2014 $'000
Net cash used in operating activities	**(20,914)**	**(59,515)**
Net cash used in investing activities	**(4,378)**	**(18,666)**
Proceeds from sale of property, plant and equipment	104	929
Proceeds from disposal of a subsidiary	-	2
Dividends from associated companies	-	118
Purchase of property, plant and equipment	(4,482)	(19,715)
Net cash from / (used in) financing activities	**41,010**	**(15,924)**
Interest paid	(2,561)	(2,688)
Repayment of short-term related party loans	(7,129)	(1,703)
Proceeds from short-term related party loans	10,000	-
Repayment of loan by a related company	20,000	-
Repayment of short-term immediate holding company loans	-	(10,000)
Proceeds from short-term immediate holding company loans	24,100	-
Repayment of short-term loans	(40)	(151)
Repayment of short-term bank loans	(9,524)	(9,731)
Proceeds from short-term bank loans	9,524	8,802
Dividends paid to non-controlling interests	(642)	(106)
Capital contribution from non-controlling interests	-	84
Acquisition of non-controlling interests in subsidiary	-	(194)
Deposits pledged	(2,718)	(237)
Net increase / (decrease) in cash and cash equivalents	**15,718**	**(94,105)**
Cash and cash equivalents at beginning of the period	179,594	277,100
Exchange difference on cash and cash equivalents at beginning of the period	1,344	814
Cash and cash equivalents at end of the period	**196,656**	**183,809**

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