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.

Aerospace

"Comparable EBIT"

FINANCIAL HIGHLIGHTS For the second quarter ended 30 June 2014			
	2014 2Q	**2013 2Q**	**Growth %**
Revenue ($m)	539	508	6
Earnings before interest and tax (EBIT) ($m)	69.2	71.9	(4)
Other income, net ($m)	1.5	1.2	25
Finance income/(costs), net ($m)	(4.1)	(1.6)	(160)
Profit before tax (PBT) ($m)	72.9	80.3	(9)
Profit attributable to shareholders ($m)	55.4	65.4	(15)

- Economic Value Added for the first half of 2014 was $82.0 million

"The Sector continues to invest in new products and service offerings such as VIP completions, A330P2F as well as Boeing 787 component support."

Lim Serh Ghee, COO

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

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Aerospace sector unaudited results for the second quarter ended 30 June 2014

			2Q2014 $'000	2Q2013 $'000	+ / (-) %
1.	(a)	**Revenue**	**539,300**	**507,682**	**6.2**
	(b)	Cost of sales	(432,386)	(401,719)	7.6
	(c)	**Gross Profit**	**106,914**	**105,963**	**0.9**
	(d)	Distribution and selling expenses	(2,029)	(177)	>500
	(e)	Administrative expenses	(30,645)	(29,792)	2.9
	(f)	Other operating expenses	(5,031)	(4,072)	23.6
	(g)	**Profit from operations**	**69,209**	**71,922**	**(3.8)**
	(h)	Other income, net	1,486	1,187	25.2
	(i)	Other expenses	(1)	-	NM
	(j)	Other income/(expenses), net	1,485	1,187	25.1
	(k)	Finance income	438	2,656	(83.5)
	(l)	Finance costs	(4,563)	(4,243)	7.5
	(m)	Finance income/(costs), net	(4,125)	(1,587)	159.9
	(n)	Share of results of associates and jointly controlled entities, net of tax	6,322	8,834	(28.4)
	(o)	**Profit before taxation**	**72,891**	**80,356**	**(9.3)**
	(p)	Taxation	(15,320)	(13,308)	15.1
	(q)	**Profit for the period**	**57,571**	**67,048**	**(14.1)**
		Attributable to:			
	(r)	**Shareholders of the Company**	**55,392**	**65,389**	**(15.3)**
	(s)	Non-controlling interests	2,179	1,659	**31.3**
			57,571	**67,048**	**(14.1)**

* NM - Not Meaningful

2.	(a)	Profit from operations is arrived at after charging/(crediting) the following:			
		Depreciation and amortisation	14,639	10,023	46.1
		Allowance/(write-back of allowance) for doubtful debts & bad debts written off, net	201	(2,188)	(109.2)
		Allowance/(write-back of allowance) for stock obsolescence, net	3,137	(619)	<-500
	(b)	Finance income/(costs), net comprises:			
		Interest income	1,303	650	100.5
		Foreign exchange gain/(loss), net	(867)	1,109	(178.2)
		Fair value changes of financial instruments / hedged items	(155)	552	(128.1)
		Interest expenses	(4,407)	(3,898)	13.1
		Others	1	-	NM
			(4,125)	(1,587)	159.9

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			2Q2014 $'000	2Q2013 $'000	+ / (-) %
3.	(a)	Profit for the period [1(q) above] as a percentage of revenue	10.7%	13.2%	
	(b)	Profit attributable to shareholders [1(r) above] as a percentage of share capital and reserves at end of period	7.0%	11.2%	
4.	(a)	Revenue reported for first quarter	502,804	478,891	5.0
	(b)	Profit for the period reported for first quarter	62,820	61,625	1.9
	(c)	Revenue reported for second quarter	539,300	507,682	6.2
	(d)	Profit for the period reported for second quarter	57,571	67,048	(14.1)
	(e)	Revenue reported for first half year	1,042,104	986,573	5.6
	(f)	Profit for the period reported for first half year	120,391	128,673	(6.4)

5. (a) There was an underprovision of $8,000 of current tax and overprovision of $299,000 of deferred tax in respect of prior years. (2Q2013: There was an overprovision of current tax of $3,525,000 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		
	2014 $'000	**2013** $'000	**+ / (-)** %	**2014** $'000	**2013** $'000	**+ / (-)** %
Second Quarter						
Aircraft Maintenance & Modification	295,644	289,805	2.0	50,151	53,499	(6.3)
Component/Engine Repair & Overhaul	153,687	138,748	10.8	7,835	12,428	(37.0)
Engineering & Material Services	89,969	79,129	13.7	14,905	14,429	3.3
Total	539,300	507,682	6.2	72,891	80,356	(9.3)
First Half Year						
Aircraft Maintenance & Modification	576,606	564,220	2.2	102,984	100,483	2.5
Component/Engine Repair & Overhaul	300,156	287,298	4.5	20,509	28,119	(27.1)
Engineering & Material Services	165,342	135,055	22.4	24,079	24,125	(0.2)
Total	1,042,104	986,573	5.6	147,572	152,727	(3.4)

	Revenue		
	2Q2014 $'000	**2Q2013** $'000	
By Geographical Areas			
Asia	289,824	223,790	29.5
USA	180,596	208,540	(13.4)
Europe	19,063	40,296	(52.7)
Others	49,817	35,056	42.1
Total	539,300	507,682	6.2
By Country of Incorporation			
Asia	407,082	354,974	14.7
USA	117,484	127,919	(8.2)
Europe	14,449	24,489	(41.0)
Others	285	300	(5.0)
Total	539,300	507,682	6.2

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7. Review of Performance

(a) Revenue

2Q2014 vs 2Q2013

2Q2014	2Q2013	Growth	
$539m	$508m	$31m	6%

Revenue for 2Q2014 was $31 million or 6% higher compared to that of 2Q2013. This was due mainly to higher revenue in the **Component/Engine Repair & Overhaul (CERO)** business group, attributable to higher output from the engines division, partially offset by lower revenue from the components division as well as higher revenue from Maintenance-by-the-Hour (MBH)^{TM} programmes in the **Engineering & Material Services (EMS)** business group.

(b) Profitability

2Q2014 vs 2Q2013

2Q2014	2Q2013	Growth	
$72.9m	$80.3m	($7.4m)	(9%)

The current quarter's PBT of $72.9 million was lower compared to 2Q2013 PBT of $80.3 million. This was a result of higher operating expenses, unfavourable foreign exchange impact and lower contributions from associates.

8. Prospects

2H2014

Barring unforeseen circumstances, 2H2014 revenue is expected to be comparable, whilst PBT is expected to be higher compared to 1H2014.

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9. Balance Sheet

	30-Jun-14 $'000	31-Dec-13 $'000
Property, plant and equipment	654,569	679,552
Associates and jointly controlled entities	323,251	328,017
Investments	13	43
Intangible assets	116,870	108,546
Long-term receivables, non-current	11,511	14,900
Deferred tax assets	17,102	17,778
Derivative financial instruments, non-current	37	-
Non-current assets	1,123,353	1,148,836
Current assets	1,580,820	1,600,632
Total assets	**2,704,173**	**2,749,468**
Current liabilities	1,217,994	1,519,751
Non-current liabilities	703,609	703,080
Total liabilities	**1,921,603**	**2,222,831**
Share capital and reserves	705,302	453,316
Non-controlling interests	77,268	73,321
Total equity and liabilities	**2,704,173**	**2,749,468**
Net current assets	**362,826**	**80,881**

The increase in share capital and reserves was due mainly to a capital injection of $216 million by the immediate holding company for the repayment of the company's bank loans in the first quarter of 2014.

10. Statement of Cash Flows for the second quarter ended 30 June 2014

	2Q2014 $'000	2Q2013 $'000
Net cash from operating activities	**85,558**	**98,987**
Net cash from/(used in) investing activities	**(7,213)**	**(31,311)**
Proceeds from sale of property, plant and equipment	251	470
Dividends from associates	7,653	7,244
Dividends from investments	1	-
Purchase of property, plant and equipment	(14,110)	(21,284)
Acquisition of subsidiaries	(1,008)	-
Acquisition of intangible assets	-	(17,741)
Net cash from/(used in) financing activities	**(97,341)**	**(44,626)**
(Repayment of)/proceeds from short-term loans from related corporations, net	(26,264)	26,466
Proceeds from long term bank loans, net	-	3,092
Repayment of short term bank loans, net	(21)	(20)
Repayment of lease obligations	(95)	(32)
Dividend paid to shareholder of the Company	(66,433)	(69,523)
Dividend paid to non-controlling interests	(601)	(742)
Interest paid	(3,927)	(3,867)
Net (decrease)/increase in cash and cash equivalents	**(18,996)**	**23,050**
Cash and cash equivalents at beginning of period	381,845	317,183
Exchange difference on cash and cash equivalents	(1,845)	7,753
Cash and cash equivalents at end of period	**361,004**	**347,986**

11. Economic Value Added (EVA)

EVA for 1H2014 was $82.0 million, a decrease of $14.8 million or 15% over 1H2013. The weighted average cost of capital was 5.6% for 2014 (2013: 5.2%).

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