

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”

FINANCIAL HIGHLIGHTS For the second quarter ended 30 June 2015			
	2015 2Q	2014 2Q	Growth %
Revenue (\$m)	319	297	7
Earnings before interest and tax (EBIT) (\$m)	14.6	16.3	(11)
Other income, net (\$m)	1.1	1.3	(17)
Finance costs, net (\$m)	(3.2)	(1.7)	(86)
Profit before tax (PBT) (\$m)	16.3	18.2	(11)
Profit attributable to shareholders (\$m)	11.3	19.1	(41)

- Economic Value Added for the first half of 2015 was \$9.6 million

“For 1H2015, we recorded higher sales due to higher deliverables in key defence programmes but lower profit due to unfavourable product mix, higher provisions and higher research and development expenses. We will continue to pursue new orders especially in defence exports while concurrently improving our operational excellence.”

Ravinder Singh, President

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

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Land Systems sector unaudited results for the second quarter ended 30 June 2015

	2Q2015 \$'000	2Q2014 \$'000	+ / (-) %
1. (a) Revenue	318,606	296,515	7.5
(b) Cost of sales	(249,085)	(225,938)	10.2
(c) Gross Profit	69,521	70,577	(1.5)
(d) Distribution and selling expenses	(15,571)	(16,657)	(6.5)
(e) Administrative expenses	(24,893)	(26,466)	(5.9)
(f) Other operating expenses	(14,455)	(11,134)	29.8
(g) Profit from operations	14,602	16,320	(10.5)
(h) Other income, net	1,561	1,703	(8.3)
(i) Other expenses	(445)	(361)	23.3
(j) Other income, net	1,116	1,342	(16.8)
(k) Finance income	1,152	976	18.0
(l) Finance costs	(4,335)	(2,684)	61.5
(m) Finance costs, net	(3,183)	(1,708)	86.4
(n) Share of results of associates and joint ventures, net of tax	3,752	2,280	64.6
(o) Profit before taxation	16,287	18,234	(10.7)
(p) Taxation	(6,623)	(866)	>500
(q) Profit for the period	9,664	17,368	(44.4)
Attributable to:			
(r) Shareholders of the Company	11,345	19,092	(40.6)
(s) Non-controlling interests	(1,681)	(1,724)	(2.5)
	9,664	17,368	(44.4)
2. (a) Profit from operations is arrived at after charging/(crediting) the following:			
Depreciation and amortisation	9,470	9,106	4.0
Allowance for doubtful debts & bad debts written off, net	2,102	3,100	(32.2)
Allowance for stock obsolescence, net	6,562	995	>500
Impairment losses of intangible assets	4,000	-	NM
(b) Finance costs, net comprises:			
Interest income	661	727	(9.1)
Foreign exchange loss, net	(1,465)	(249)	488.4
Fair value changes of financial instruments / hedged items	32	148	(78.4)
Gain on disposal of investments, net	-	1	(100.0)
Interest expenses	(2,411)	(2,335)	3.3
	(3,183)	(1,708)	86.4

* NM - Not Meaningful

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	2Q2015 \$'000	2Q2014 \$'000	+ / (-) %
3. (a) Profit for the period [1(q) above] as a percentage of revenue	3.0%	5.9%	
(b) Profit attributable to shareholders [1(r) above] as a percentage of share capital and reserves at end of period	3.1%	4.9%	
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
(c) Revenue reported for second quarter	318,606	296,515	7.5
(d) Profit for the period reported for second quarter	9,664	17,368	(44.4)
(e) Revenue reported for first half year	665,709	622,926	6.9
(f) Profit for the period reported for first half year	24,019	31,413	(23.5)
5. (a) There was an under-provision of current tax of \$145,000 in respect of prior years. (2Q2014: There were over-provisions of current and deferred tax of \$2,365,000 and \$975,000 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		+ / (-) %
	2Q2015 \$'000	2Q2014 \$'000		2Q2015 \$'000	2Q2014 \$'000	
Second Quarter						
Automotive	268,397	218,083	23.1	6,337	2,073	205.7
Munitions & Weapon	35,715	56,371	(36.6)	3,172	6,027	(47.4)
Services, Trading & Others	14,494	22,061	(34.3)	6,778	10,134	(33.1)
Total	<u>318,606</u>	<u>296,515</u>	7.5	<u>16,287</u>	<u>18,234</u>	(10.7)
First Half Year						
Automotive	544,675	465,416	17.0	7,166	2,086	243.5
Munitions & Weapon	84,063	115,985	(27.5)	10,530	19,543	(46.1)
Services, Trading & Others	36,971	41,525	(11.0)	14,810	15,428	(4.0)
Total	<u>665,709</u>	<u>622,926</u>	6.9	<u>32,506</u>	<u>37,057</u>	(12.3)

By Geographical Areas

	Revenue		
	2Q2015 \$'000	2Q2014 \$'000	
Asia	225,399	188,844	19.4
USA	77,931	71,684	8.7
Europe	4,270	6,700	(36.3)
Others	11,006	29,287	(62.4)
Total	<u>318,606</u>	<u>296,515</u>	7.5

By Country of Incorporation

Asia	233,759	219,320	6.6
USA	82,331	72,228	14.0
Europe	-	-	-
Others	2,516	4,967	(49.3)
Total	<u>318,606</u>	<u>296,515</u>	7.5

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7. Review of Performance

(a) Revenue

2Q2015 vs 2Q2014

2Q2015	2Q2014	Growth	
\$319m	\$297m	\$22m	7%

2Q2015 revenue compared to 2Q2014 increased by 7% or \$22 million to \$319 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)** and **Services, Trading and Others (S&T)** business groups.

(b) Profitability

2Q2015 vs 2Q2014

2Q2015	2Q2014	Growth	
\$16.3m	\$18.2m	(\$1.9m)	(11%)

2Q2015 profit before tax (PBT) of \$16.3 million was lower than 2Q2014 PBT by 11% or \$1.9 million. This was due mainly to lower profits of the **M&W** and **S&T** business groups, partially offset by higher profits of the **Auto** business group. The **M&W** and **S&T** business groups' lower profits were due mainly to lower revenue. The **Auto** business group had higher profits mainly from higher revenue and favourable product mix, partially offset by unfavourable variance in allowance for inventory obsolescence and goodwill impairment.

8. Prospects

2H2015

Barring unforeseen circumstances, revenue for 2H2015 is expected to be higher compared to 1H2015, while PBT is expected to be comparable.

9. Balance Sheet

	30-Jun-15 \$'000	31-Dec-14 \$'000
Property, plant and equipment	359,461	372,275
Associates and joint ventures	112,309	112,750
Investments	288	378
Intangible assets	202,594	205,335
Long-term receivables, non-current	-	13
Finance lease receivables, non-current	799	973
Deferred tax assets	24,577	18,028
Amounts due from related parties, non-current	5,760	5,650
Derivative financial instruments	3,708	1,196
Non-current assets	709,496	716,598
Current assets	1,302,162	1,487,167
Total assets	2,011,658	2,203,765
Current liabilities	865,568	965,063
Non-current liabilities	875,762	966,263
Total liabilities	1,741,330	1,931,326
Share capital and reserves	223,265	223,060
Non-controlling interests	47,063	49,379
Total equity and liabilities	2,011,658	2,203,765
Net current assets	436,594	522,104

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10. Statement of Cash Flows for the second quarter ended 30 June 2015

	2Q2015 \$'000	2Q2014 \$'000
Net cash (used in)/from operating activities	(30,848)	117,833
Net cash used in investing activities	(3,782)	(13,545)
Proceeds from sale of property, plant and equipment	59	35
Proceeds from disposal of quoted equity investment	-	1
Repayment of short-term loan by a joint venture	-	3,136
Purchase of property, plant and equipment	(3,841)	(16,717)
Net cash used in financing activities	(55,922)	(64,134)
Interest paid	(2,374)	(2,335)
Repayment of short-term related party loans	(1,576)	-
Proceeds from short-term related party loans	10,000	-
Short-term loan to a related party	(13,120)	-
Repayment of short-term immediate holding company loans	-	(7,000)
Proceeds from short-term immediate holding company loans	20,000	-
Repayment of long-term immediate holding company loans	(50,000)	-
Repayment of long-term loans	-	(35)
Proceeds from short-term loans	-	1
Repayment of short-term loans	(42)	-
Proceeds from long-term bank loan	-	19
Repayment of short-term bank loans	(9,214)	(4,824)
Proceeds from short-term bank loans	9,214	2,513
Dividends paid to shareholder	(17,800)	(51,800)
Dividends paid to non-controlling interests	-	(1,458)
Capital contribution from non-controlling interests	-	2,477
Deposits pledged	(1,010)	(1,692)
Net (decrease)/increase in cash and cash equivalents	(90,552)	40,154
Cash and cash equivalents at beginning of the period	270,946	237,627
Exchange difference on cash and cash equivalents	(800)	(681)
Cash and cash equivalents at end of period	179,594	277,100

11. Economic Value Added (EVA)

EVA for 1H2015 was \$9.6 million, a decrease of \$2.3 million or 19% over 1H2014. The weighted average cost of capital was 5.5% for 2015 (2014: 5.6%).

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