

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

“Lower Profits”

FINANCIAL HIGHLIGHTS For the year ended 31 December 2014			
	2014 FY	2013 FY	Growth %
Revenue (\$m)	2,071	2,088	(1)
Earnings before interest and tax (EBIT) (\$m)	261.5	291.8	(10)
Other income, net (\$m)	2.0	7.1	(72)
Finance income/(costs), net (\$m)	(12.8)	(4.1)	(210)
Profit before tax (PBT) (\$m)	283.0	319.4	(11)
Profit attributable to shareholders (\$m)	220.1	259.2	(15)
Economic value added (EVA) (\$m)	162.1	217.1	(25)

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

““We managed to sustain our operating performance in 2014, in spite of a challenging business environment in Europe.”

Lim Serh Ghee, President

Singapore Technologies Engineering Ltd

ST Engineering Hub, 1 Ang Mo Kio Electronics Park Road #07-01, Singapore 567710

T: (65) 6722 1818 F: (65) 6720 2293

www.stengg.com

(Regn. No.: 199706274H)

Aerospace

Aerospace sector audited results for the year ended 31 December 2014:

	FY2014 \$'000	FY2013 \$'000	+ / (-) %
1. (a) Revenue	2,071,464	2,088,105	(0.8)
(b) Cost of sales	(1,664,645)	(1,659,131)	0.3
(c) Gross Profit	406,819	428,974	(5.2)
(d) Distribution and selling expenses	(10,892)	(3,072)	254.6
(e) Administrative expenses	(113,731)	(116,936)	(2.7)
(f) Other operating expenses	(20,725)	(17,138)	20.9
(g) Profit from operations	261,471	291,828	(10.4)
(h) Other income	7,059	9,884	(28.6)
(i) Other expenses	(5,035)	(2,738)	83.9
(j) Other income/(expenses), net	2,024	7,146	(71.7)
(k) Finance income	11,894	14,528	(18.1)
(l) Finance costs	(24,670)	(18,645)	32.3
(m) Finance income/(costs), net	(12,776)	(4,117)	210.3
(n) Share of results of associates and joint ventures, net of tax	32,280	24,585	31.3
(o) Profit before taxation	282,999	319,442	(11.4)
(p) Taxation	(53,892)	(53,589)	0.6
(q) Profit for the year	229,107	265,853	(13.8)
Attributable to:			
(r) Shareholders of the Company	220,144	259,214	(15.1)
(s) Non-controlling interests	8,963	6,639	35.0
	229,107	265,853	(13.8)
* NM - Not Meaningful			
2. (a) Profit from operations is arrived at after charging/(crediting) the following:			
Depreciation and amortisation	60,166	50,194	19.9
Allowance/(write-back of allowance) for doubtful debts & bad debts written off, net	2,318	(3,293)	(170.4)
Allowance for inventory obsolescence, net	51,864	6,636	>500
Impairment loss on goodwill	1,186	-	NM
(b) Finance income/(costs), net comprises:			
Interest income	4,431	2,636	68.1
Foreign exchange gain, net	3,519	7,375	(52.3)
Fair value changes of financial instruments/hedged items	(3,811)	2,932	(230.0)
Gain on disposal of investments, net	-	26	(100.0)
Interest expenses	(16,917)	(17,087)	(1.0)
Others	2	1	100.0
	(12,776)	(4,117)	210.3

Aerospace

	FY2014 \$'000	FY2013 \$'000	+ / (-) %
3. (a) Profit for the year [1(q) above] as a percentage of revenue	11.1%	12.7%	
(b) Profit attributable to shareholders [1(r) above] as a percentage of share capital and reserves at end of year	29.2%	48.0%	
4. (a) Revenue reported for first half year	1,042,104	986,573	5.6
(b) Profit for the period reported for first half year	120,391	128,673	(6.4)
(c) Revenue reported for second half year	1,029,360	1,101,532	(6.6)
(d) Profit for the period reported for second half year	108,716	137,180	(20.7)
5. (a) There was an adjustment of \$3,269,000 for overprovision of current tax and underprovision of \$2,208,000 for deferred tax in respect of prior years. (FY2013 : There was an adjustment of \$13,176,000 for overprovision of current tax and underprovision of \$6,154,000 for deferred tax in respect of prior years.)			
(b) There was no disposal of property during the year.			

6. Business Group Information

By Business Group

Fourth Quarter vs Third Quarter (unaudited)

	4Q2014 \$'000	3Q2014 \$'000	+ / (-) %	4Q2014 \$'000	3Q2014 \$'000	+ / (-) %
Aircraft Maintenance & Modification	287,207	243,881	17.8	64,882	41,374	56.8
Component/Engine Repair & Overhaul	166,155	143,622	15.7	(17,228)	2,403	(816.9)
Engineering & Material Services	102,799	85,696	20.0	24,219	19,777	22.5
Total	<u>556,161</u>	<u>473,199</u>	17.5	<u>71,873</u>	<u>63,554</u>	13.1

Full Year Ended 31 December

	Revenue			Profit before Taxation		
	FY2014 \$'000	FY2013 \$'000	+ / (-) %	FY2014 \$'000	FY2013 \$'000	+ / (-) %
Aircraft Maintenance & Modification	1,107,694	1,133,976	(2.3)	209,240	209,575	(0.2)
Component/Engine Repair & Overhaul	609,933	625,757	(2.5)	5,684	46,834	(87.9)
Engineering & Material Services	353,837	328,372	7.8	68,075	63,033	8.0
Total	<u>2,071,464</u>	<u>2,088,105</u>	(0.8)	<u>282,999</u>	<u>319,442</u>	(11.4)

	Revenue		
	FY2014 \$'000	FY2013 \$'000	
Asia	1,131,052	1,027,664	10.1
USA	677,358	720,287	(6.0)
Europe	111,259	178,364	(37.6)
Others	151,795	161,790	(6.2)
Total	<u>2,071,464</u>	<u>2,088,105</u>	(0.8)

By Geographical Areas

By Country of Incorporation

Asia	1,553,998	1,505,362	3.2
USA	457,380	464,472	(1.5)
Europe	58,551	116,904	(49.9)
Others	1,535	1,367	12.3
Total	<u>2,071,464</u>	<u>2,088,105</u>	(0.8)

Aerospace

7. Review of Performance

(a) Revenue

FY2014 vs FY2013

FY2014	FY2013	Growth	
\$2,071m	\$2,088m	(\$17m)	(1%)

Revenue for FY2014 was \$17 million lower compared to that of FY2013. This was due mainly to lower revenue in the **Aircraft Maintenance & Modification (AMM)** business group and the components division in the **Component/Engine Repair & Overhaul (CERO)** business group, partially offset by more Maintenance-by-the-Hour (MBH™) programmes in the **Engineering & Materials Services (EMS)** business group.

(b) Profitability

FY2014 vs FY2013

FY2014	FY2013	Growth	
\$283.0m	\$319.4m	(\$36.4m)	(11%)

The current year's profit before tax (PBT) of \$283.0 million was lower than FY2013 PBT of \$319.4 million by 11% or \$36.4 million. This was a result of the weaker performance from the European operations, restructuring costs and allowance for inventory obsolescence.

8. Prospects

FY2015

Barring unforeseen circumstances, revenue and profit before tax for FY2015 are expected to be comparable to FY2014.

9. Balance Sheet

	31-Dec-14 \$'000	31-Dec-13 \$'000
Property, plant and equipment	671,068	679,552
Associates and joint ventures	322,508	328,017
Investments	12	43
Intangible assets	126,958	108,546
Long-term receivables, non-current	1,534	14,900
Deferred tax assets	19,941	17,778
Non-current assets	1,142,021	1,148,836
Current assets	1,383,006	1,600,632
Total assets	2,525,027	2,749,468
Current liabilities	1,139,953	1,519,751
Non-current liabilities	639,407	703,080
Total liabilities	1,779,360	2,222,831
Share capital and reserves	668,421	453,316
Non-controlling interests	77,246	73,321
Total equity and liabilities	2,525,027	2,749,468
Net current assets	243,053	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.

Aerospace

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

	FY2014 \$'000	FY2013 \$'000
Net cash from operating activities	247,726	318,689
Net cash from/(used in) investing activities	(49,883)	(141,534)
Proceeds from sale of property, plant and equipment	2,318	8,833
Dividends from associates	27,125	25,771
Dividends from investments	2	1
Proceeds from sale and maturity of investments	-	27
Purchase of property, plant and equipment	(65,410)	(97,040)
Loan to associates	(640)	-
Investment in associates	-	(7,620)
Investment in a joint ventures	(622)	(9,385)
Acquisition of intangible assets	(12,024)	(62,121)
Acquisition of a subsidiary	(632)	-
Net cash from/(used in) financing activities	(330,753)	(108,786)
Capital contribution from immediate holding company	216,000	-
Capital contribution from non-controlling interests	6,772	15,645
Capital payment to non-controlling interests for share capital reduction	-	(1,354)
(Repayment)/Proceeds from long term bank loans	(32,136)	9,181
Repayment of short term bank loans	(257,878)	(20)
Proceeds from loans with related corporations	290,224	8,034
Repayment of loans with related corporations	(419,113)	(24,247)
Repayment of lease obligations	(371)	(394)
Dividend paid to shareholder of the Company	(107,299)	(92,366)
Dividend paid to non-controlling interests	(12,525)	(6,742)
Interest paid	(14,427)	(16,523)
Net (decrease)/increase in cash and cash equivalents	(132,910)	68,369
Cash and cash equivalents at beginning of the year	382,022	305,124
Exchange difference on cash and cash equivalents at beginning of the year	(5,615)	8,529
Cash and cash equivalents at end of the year	243,497	382,022

11. Economic Value Added (EVA)

EVA for FY2014 was \$162.1 million, a decrease of \$55.0 million or 25% over FY2013. The weighted average cost of capital was 5.6% for 2014 (2013: 5.2%).

Media Contact:
Belinda Ng
VP, Corporate Communications
Tel: (65) 6380 6176
Fax: (65) 6280 8213
Email: belindang@stengg.com