

News Release

ST Engineering Delivers Higher Revenue for FY2018 vs FY2017 One-off Charges Impacted Results

FINANCIAL HIGHLIGHTS For the year ended 31 December 2018			
	2018 FY	2017 FY (Restated)*	Growth %
Revenue (\$m)	6,698	6,521	3
Earnings before interest and tax (EBIT) (\$m)	570.3	542.8	5
Other income, net (\$m)	35.0	38.7	(10)
Finance costs, net (\$m)	(33.6)	(19.0)	(76)
Profit before tax (PBT) (\$m)	620.7	611.8	1
Profit attributable to shareholders (Net Profit) (\$m)	494.2	502.6	(2)
Earnings per share (cents)	15.85	16.13	(2)
Economic value added (EVA) (\$m)	306.0	303.8	1
Return on equity (%)	22.0	22.7	NM
Dividend per share (cents)	15.0	15.0	-
<ul style="list-style-type: none"> • Final • Interim 	10.0 5.0	10.0 5.0	

NM: Not Meaningful

* Comparative figures were restated on the adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) with effect from 1 January 2018

- Order book of \$13.2b at end December 2018, of which about \$4.9b is expected to be delivered in 2019
- Commercial sales and defence sales constituted 69% or \$4.6b and 31% or \$2.1b respectively
- Cash and cash equivalents of \$0.4b

N.B.: All currencies are in Singapore dollars

Singapore, 21 February 2019 - Singapore Technologies Engineering Ltd (ST Engineering) today reported its full year financial results for the year ended 31 December 2018 (FY2018), with a 3% year-on-year (y-o-y) increase in revenue to \$6.70b. Profit before tax (PBT) grew 1% to \$620.7m compared to the prior year, and Profit Attributable to Shareholders (Net Profit) dropped 2% y-o-y to \$494.2m. Excluding one-off charges¹ of \$37m before tax, PBT would have been 7% higher y-o-y at \$657.3m, and Net Profit would have been 9% up y-o-y at \$526.8m if prior year's one-off favourable U.S. tax adjustment of \$20m was excluded as well.

At the business sector level, revenue for the Aerospace sector increased 4% to \$2.65b from a year ago and Net Profit was flat y-o-y at \$244.6m due to the transaction cost of its proposed MRAS acquisition partially offset by net divestment gains. Revenue for the Electronics sector was 7% higher y-o-y at \$2.14b, and its Net Profit was up 10% y-o-y at \$186.5m. The Land Systems sector's revenue increased 3% y-o-y to \$1.28b but its Net Profit dropped 39% y-o-y to \$52.9m due to the absence of prior year's favourable U.S. tax adjustments, the divestment impact of its road construction business in India and full impairment charges for its road construction business and automotive MRO business in Brazil. At the Marine sector, while revenue dropped 10% y-o-y to \$574m mainly due to lower revenue recognition from its U.S. business, its Net Profit grew 67% to \$45.2m mainly due to better performance of its Singapore operations. Revenue for "Others" was down by \$42m and Net Loss increased by \$9.6m from a year ago to \$52m and \$35m respectively mainly impacted by lower sales and losses in Miltope, its ruggedised computer business, and one-time costs incurred for early redemption of MTN.

¹ FY2018 one-off charges related to portfolio rationalisation, transaction cost of the proposed MRA Systems (MRAS) acquisition and the redemption of US\$500,000,000 4.80% Notes (MTN).

“The Group delivered a resilient set of results and maintained the momentum for new contracts. Excluding one-off charges mainly incurred to rationalise our portfolio, the underlying operating performance of our business sectors remained strong.

We continue to invest in growth initiatives and capabilities including data analytics and cybersecurity to drive long-term sustainable growth, backed by a healthy level of order book that provides revenue visibility for the next few years.”

Vincent Chong, President & CEO, ST Engineering

In 2018, commercial sales accounted for 69% or \$4.6b of Group revenue while defence sales attributed the remaining 31% or \$2.1b to the Group’s revenue.

As at 31 December 2018, the Group held \$0.4b worth of cash and cash equivalents.

4Q2018 versus 4Q2017

In the fourth quarter ended 31 December 2018 (4Q2018), the Group’s revenue was 5% higher y-o-y at \$1.77b, PBT dropped 7% y-o-y to \$160.5m and Net Profit was down 26% to \$124.5m from a year ago. Excluding one-off charges² of \$25m before tax, PBT would have been 7% higher y-o-y at \$185.6m, and Net Profit would have been 1% up y-o-y at \$149.1m if prior year’s one-off favourable U.S. tax adjustment of \$20m was excluded as well.

Compared to the same period last year, revenue for the Aerospace sector was down 13% at \$647m mainly due to lower project milestone completion for existing Airbus passenger-to-freighter conversions. Net Profit was 27% lower y-o-y at \$63.5m due to loss from disposal of business entities and MRAS acquisition-related expenses. Revenue for the Electronics sector was \$536m, up 16% from \$461m a year ago and its Net Profit was \$44.1m, down 20% versus same period last year due to less favourable sales mix. The Land Systems sector’s revenue increased 29% y-o-y to \$435m due to higher project deliveries and it turned in a Net Loss of

² 4Q2018 one-off charges related to portfolio rationalisation and the transaction cost of the MRAS acquisition.

\$0.7m from Net Profit of \$42.6m a year ago due to one-off charges of about \$20m related to portfolio rationalisation and the absence of favourable U.S. tax adjustments. Revenue for the Marine sector was 6% higher at \$139m, and its Net Profit improved from \$0.7m a year ago to \$14.5m.

Dividend payout and dividend yield

The Board of Directors proposes a Final Dividend of 10.0 cents per share. Together with the Interim Dividend of 5.0 cents per share distributed in August 2018, shareholders will receive a total dividend of 15.0 cents per share for FY2018. This translates to a dividend yield of 4.4%, computed using the average closing share price of the last trading day of 2018 and 2017.

2018 order wins and order book

The Group ended the year with an order book of \$13.2b, of which \$4.9b is expected to be delivered in 2019.

For 2018, new contracts announced amounted to about \$5.24b, comprising \$2.06b for the Aerospace sector, \$2.19b for the Electronics sector and \$991m for the Marine sector (including options for five newbuilds). Its Land Systems sector also secured new contracts for its weapons and munitions as well as the supply of 20 electric buses and 111 two-door double-deck Euro 6 diesel buses to Singapore's Land Transport Authority.

ST Engineering is a global technology, defence and engineering group specialising in the aerospace, electronics, land systems and marine sectors. The Group employs about 22,000 people across offices in Asia, the Americas, Europe and the Middle East, serving customers in the defence, government and commercial segments in more than 100 countries. With more than 500 smart city projects across 70 cities in its track record, the Group continues to help transform cities through its suite of Smart Mobility, Smart Security and Smart Environment solutions. Headquartered in Singapore, ST Engineering reported revenue of \$6.7b in FY2018 and it ranks among the largest companies listed on the Singapore Exchange. It is a component stock of the FTSE Straits Times Index, MSCI Singapore, SGX ESG Transparency Index and SGX ESG Leaders Index.

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018
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SINGAPORE TECHNOLOGIES ENGINEERING LTD
AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018
1 CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

	GROUP		
	FY2018	FY2017	+ / (-)
	\$'000	\$'000	%
		(Restated)	
Revenue	6,697,928	6,521,063	2.7
Cost of sales	(5,292,389)	(5,208,278)	1.6
Gross profit	1,405,539	1,312,785	7.1
Distribution and selling expenses (refer to para 1.6)	(200,180)	(169,488)	18.1
Administrative expenses (refer to para 1.7)	(509,874)	(474,045)	7.6
Other operating expenses	(125,227)	(126,404)	(0.9)
Profit from operations	570,258	542,848	5.0
Other income	55,391	39,944	38.7
Other expenses	(20,405)	(1,278)	>500
Other income, net (refer to para 1.8)	34,986	38,666	(9.5)
Finance income	22,357	38,650	(42.2)
Finance costs	(55,909)	(57,682)	(3.1)
Finance costs, net (refer to para 1.2)	(33,552)	(19,032)	76.3
Share of results of associates and joint ventures, net of tax	49,056	49,332	(0.6)
Profit before taxation	620,748	611,814	1.5
Taxation	(104,326)	(85,721)	21.7
Profit for the year	516,422	526,093	(1.8)
Attributable to:			
Shareholders of the Company	494,241	502,632	(1.7)
Non-controlling interests	22,181	23,461	(5.5)
	516,422	526,093	(1.8)

Comparative figures were restated on adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) with effect from 1 January 2018.

1(a) BREAKDOWN AND EXPLANATORY NOTES TO CONSOLIDATED INCOME STATEMENT

	GROUP		
	FY2018 \$'000	FY2017 \$'000 (Restated)	+ / (-) %
1.1 Profit from operations is arrived at after charging the following:			
Depreciation and amortisation	244,045	216,959	12.5
The higher depreciation and amortisation in FY2018 was contributed by all sectors.			
Impairment loss on trade receivables and contract assets	7,405	15,515	(52.3)
The lower impairment loss in FY2018 was due mainly to lower impairment loss recognised by Aerospace and Marine sectors, partially offset by higher impairment loss recognised by Electronics sector.			
Allowance for inventory obsolescence, net	56,432	35,012	61.2
The higher allowance for inventory obsolescence in FY2018 was due mainly from higher allowances made by Aerospace and Land Systems sectors.			
1.2 Finance costs, net comprises:			
Interest income	17,906	24,618	(27.3)
Foreign exchange gain, net	3,895	12,025	(67.6)
Fair value changes of financial instruments / hedged items	(5,280)	(13,166)	(59.9)
(Loss)/gain on disposal of investments, net	(5,173)	540	NM
Impairment loss on investment	-	(447)	(100.0)
Interest expenses	(44,900)	(42,609)	5.4
Others	-	7	(100.0)
	<u>(33,552)</u>	<u>(19,032)</u>	76.3
NM - Not Meaningful			
1.3 Profit for the year as a percentage of revenue	7.7%	8.1%	
1.4 Profit attributable to shareholders as a percentage of share capital and reserves at end of the year	22.0%	22.7%	
The Group's FY2018 profits were impacted by one-off charges ¹ . Excluding the one-off charges and absence of prior year's one-off favourable U.S. tax adjustment, profit attributable to shareholders would have been 9% higher year-on-year at \$526.8m.			
1.5 The Group's tax charge in FY2018 included adjustments for overprovision of current tax and deferred tax of \$8.5 million and \$2.4 million respectively in respect of prior years. (FY2017: Adjustments for overprovision of \$8.9 million for current tax and \$31.3 million for deferred tax, including \$20.3 million from effect of change in tax rates.)			
1.6 Higher distribution and selling expenses in FY2018 (by \$30.7 million) arose mainly from higher staff related and business development expenses.			
1.7 The higher administrative expenses (by \$35.8 million) was due mainly to higher professional fees and staff related expenses in FY2018.			
1.8 The lower other income, net (by \$3.7 million) was mainly attributable to net divestment loss arising from portfolio rationalisation in FY2018.			
1.9 There was no disposal of property during the year.			

¹ One-off charges related to portfolio rationalisation, transaction costs of the proposed MRA Systems acquisition and MTN redemption related costs.

1(b) BREAKDOWN OF REVENUE AND PROFIT FOR THE PERIOD

	GROUP		
	2018 \$'000	2017 \$'000 (Restated)	+ / (-) %
Revenue reported for first half year	3,297,690	3,217,528	2.5
Profit for the period reported for first half year	241,156	221,329	9.0
Revenue reported for second half year	3,400,238	3,303,535	2.9
Profit for the period reported for second half year	275,266	304,764	(9.7)

1(c) EARNINGS PER ORDINARY SHARE (EPS)

	GROUP	
	FY2018	FY2017 (Restated)
EPS based on profit attributable to shareholders:	Cents	Cents
(i) Based on weighted average number of ordinary shares on issue	15.85	16.13
(ii) On a fully diluted basis	15.76	16.05

2 BALANCE SHEETS

	GROUP			COMPANY		
	31-Dec-18	31-Dec-17	01-Jan-17	31-Dec-18	31-Dec-17	01-Jan-17
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
		(Restated)	(Restated)		(Restated)	(Restated)
ASSETS						
Non-current assets						
Property, plant and equipment	1,742,742	1,719,396	1,670,132	18,129	9,661	3,251
Subsidiaries	-	-	-	1,328,153	1,277,232	1,277,609
Associates and joint ventures	455,703	448,387	405,530	17,657	17,657	17,657
Investments	16,392	360,346	322,051	-	-	-
Intangible assets	1,151,238	1,087,412	1,019,585	-	-	-
Long-term trade receivables	1,172	-	1,894	-	-	-
Deferred tax assets	72,136	74,028	92,528	365	2,200	4,813
Amounts due from related parties	4,806	4,806	4,806	-	344,514	507,257
Advances and other receivables	20,074	20,406	2,534	-	-	-
Derivative financial instruments	11,483	33,082	32,967	-	-	-
Employee benefits	-	243	151	-	-	-
	3,475,746	3,748,106	3,552,178	1,364,304	1,651,264	1,810,587
Current assets						
Contract assets	1,070,396	939,073	968,608	-	-	-
Inventories	1,183,510	1,082,356	1,067,365	-	-	-
Trade receivables	1,137,816	940,725	1,063,514	-	-	-
Amounts due from related parties	35,392	28,271	24,618	46,382	388,894	199,634
Advances and other receivables	253,961	286,524	336,306	9,170	12,923	2,084
Short-term investments	422	357	188,890	-	-	-
Bank balances and other liquid funds	415,780	999,003	904,890	273,456	596,494	588,862
	4,097,277	4,276,309	4,554,191	329,008	998,311	790,580
TOTAL ASSETS	7,573,023	8,024,415	8,106,369	1,693,312	2,649,575	2,601,167
EQUITY AND LIABILITIES						
Current liabilities						
Contract liabilities	1,324,093	1,258,247	1,369,532	-	-	-
Deposits from customers	4,219	5,809	10,990	-	-	-
Trade payables and accruals	1,829,758	1,599,739	1,734,763	21,337	21,019	24,148
Amounts due to related parties	85,445	104,042	28,390	210,275	545,066	504,827
Provisions	212,935	260,146	280,766	-	-	-
Provision for taxation	163,232	134,686	131,317	4,518	1,000	-
Borrowings	225,416	221,642	87,427	-	-	-
Deferred Income	3,761	630	-	-	-	-
Employee benefits	2,401	2,491	1,916	-	-	-
	3,851,260	3,587,432	3,645,101	236,130	567,085	528,975
NET CURRENT ASSETS	246,017	688,877	909,090	92,878	431,226	261,605

2 BALANCE SHEETS (cont'd)

	GROUP			COMPANY		
	31-Dec-18	31-Dec-17	01-Jan-17	31-Dec-18	31-Dec-17	01-Jan-17
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
		(Restated)	(Restated)		(Restated)	(Restated)
Non-current liabilities						
Contract liabilities	495,453	521,787	505,492	-	-	-
Trade payables and accruals	80,345	131,843	137,763	8,706	7,608	8,997
Amounts due to related parties	-	17	17	964	667,594	676,417
Deferred tax liabilities	170,726	205,200	216,592	-	-	-
Borrowings	270,363	894,422	992,848	-	-	-
Deferred income	42,405	69,156	75,445	-	-	-
Employee benefits	108,016	102,669	85,200	-	-	-
Derivative financial instruments	19,842	15,553	19,435	-	-	-
	1,187,150	1,940,647	2,032,792	9,670	675,202	685,414
TOTAL LIABILITIES	5,038,410	5,528,079	5,677,893	245,800	1,242,287	1,214,389
NET ASSETS	2,534,613	2,496,336	2,428,476	1,447,512	1,407,288	1,386,778
Share capital and reserves						
Share capital	895,926	895,926	895,926	895,926	895,926	895,926
Treasury shares	(9,030)	(22,870)	(44,081)	(9,030)	(22,870)	(44,081)
Capital reserves	118,174	119,782	113,184	2,199	3,807	(2,791)
Other reserves	(72,054)	(67,480)	(56,666)	65,054	61,151	65,231
Retained earnings	1,313,361	1,289,653	1,258,179	493,363	469,274	472,493
Equity attributable to owners of the Company	2,246,377	2,215,011	2,166,542	1,447,512	1,407,288	1,386,778
Non-controlling interests	288,236	281,325	261,934	-	-	-
	2,534,613	2,496,336	2,428,476	1,447,512	1,407,288	1,386,778
TOTAL EQUITY AND LIABILITIES	7,573,023	8,024,415	8,106,369	1,693,312	2,649,575	2,601,167

2(a) ANALYSIS OF BALANCE SHEETS

Compared to 31 December 2017, the Group's total assets and total liabilities decreased due mainly to utilisation of funds for the redemption of the Group's outstanding Notes issued under the Multicurrency Medium Term Notes Programme to the bond holders (MTN redemption) on 16 July 2018.

2(b) BORROWINGS

	GROUP	
	As at 31-Dec-18 \$'000	As at 31-Dec-17 \$'000
<u>Amount repayable within one year</u>		
Secured	18,185	33,460
Unsecured	207,231	188,182
	<u>225,416</u>	<u>221,642</u>
<u>Amount repayable after one year</u>		
Secured	77,341	46,779
Unsecured	193,022	847,643
	<u>270,363</u>	<u>894,422</u>
Total	<u>495,779</u>	<u>1,116,064</u>

2(c) NET ASSET VALUE

	GROUP	
	FY2018	FY2017 (Restated)
	Cents	Cents
Net asset value per ordinary share at end of the financial year	72.00	71.09

	COMPANY	
	FY2018	FY2017 (Restated)
	Cents	Cents
Net asset value per ordinary share at end of the financial year	46.40	45.17

3 CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

	GROUP	
	FY2018	FY2017
	\$'000	\$'000
		(Restated)
Cash flows from operating activities		
Profit before taxation	620,748	611,814
Adjustments:		
Share of results of associates and joint ventures, net of tax	(49,056)	(49,332)
Share-based payment expense	20,490	14,561
Depreciation charge	194,714	183,616
Property, plant and equipment written off	982	431
Amortisation of other intangible assets	49,331	33,343
Gain on disposal of property, plant and equipment	(2,000)	(241)
Gain on disposal of intangible assets	(41)	-
Loss/(gain) on disposal of investments, net	5,173	(540)
(Gain)/loss on disposal of associates	(12,426)	1
Loss on disposal of subsidiaries	20,081	1,277
Changes in fair value of financial instruments and hedged items	5,280	13,166
Interest expense	44,900	42,609
Interest income	(17,906)	(24,618)
Impairment of property, plant and equipment	81	63
Impairment of other intangible assets	1,861	11
Impairment of investments	-	447
Dividends from investments	-	(7)
Amortisation of deferred income	(144)	(61)
Operating profit before working capital changes	<u>882,068</u>	<u>826,540</u>
Changes in:		
Inventories	(60,784)	(28,157)
Contract assets	(134,319)	10,877
Trade receivables	(200,106)	113,169
Advance payments to suppliers	20,616	42,042
Other receivables, deposits and prepayments	(11,903)	(140)
Amount due from holding company and related corporations balances	9,474	(9,286)
Amount due to holding company and related corporations balances	1,677	230
Amount due from associates	(431)	9,077
Amount due from joint ventures	(3,777)	55,122
Contract liabilities	36,026	(82,006)
Trade payables	163,941	(117,424)
Deposits from customers	(1,590)	(5,967)
Other payables, accruals and provisions	28,604	21,074
Loans to staff and third parties	542	-
Deferred income	(11,459)	(7,942)
Foreign currency translation of foreign operations	(2,435)	1,171
Cash generated from operations	<u>716,144</u>	<u>828,380</u>
Interest received	22,510	26,948
Income tax paid	(99,161)	(91,666)
Net cash from operating activities	<u>639,493</u>	<u>763,662</u>

3 CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018 (cont'd)

	GROUP	
	FY2018	FY2017
	\$'000	\$'000 (Restated)
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	4,097	1,994
Proceeds from disposal of associates and return of capital from a joint venture	27,682	-
Proceeds from sale and maturity of investments	375,098	315,838
Proceeds from unwinding of cross currency interest rate swaps	13,210	-
Proceeds from sale of intangible assets	64	-
Dividends from associates and joint ventures	61,081	81,029
Dividends from investments	-	7
Purchase of property, plant and equipment	(336,102)	(272,561)
Purchase of investments	(40,920)	(171,433)
Investment in associates and joint ventures	(34,305)	(85,784)
Loan to a joint venture	(19,806)	-
Additions to other intangible assets	(115,408)	(73,271)
Acquisition of controlling interests in subsidiaries, net of cash acquired	-	(50,005)
Disposal of subsidiaries, net of cash disposed	138	8,324
Net cash used in investing activities	(65,171)	(245,862)
Cash flows from financing activities		
Proceeds from bank loans	307,901	171,412
Proceeds from loan from non-controlling interests of a subsidiary	-	5,152
Proceeds from a loan from a joint venture	17,925	36,463
Repayment of bank loans	(247,134)	(65,702)
Repayment of other loans	(148)	(137)
Repayment of lease obligations	(2,513)	(784)
Repayment of loan to a joint venture	(30,805)	(19,607)
Redemption of medium term notes	(681,100)	-
Proceeds from share options exercised with issuance of treasury shares	-	24,916
Purchase of treasury shares	(4,354)	(15,748)
Capital contribution from non-controlling interests of subsidiaries	432	397
Return of capital to non-controlling interests of a subsidiary	-	(43)
Acquisition of non-controlling interests in a subsidiary	-	(223)
Dividends paid to shareholders of the Company	(468,004)	(467,641)
Dividends paid to non-controlling interests	(4,200)	(16,010)
Interest paid	(49,416)	(41,824)
Deposits discharged/(pledged)	9	(131)
Net cash used in financing activities	(1,161,407)	(389,510)
Net (decrease)/increase in cash and cash equivalents	(587,085)	128,290
Cash and cash equivalents at beginning of the year	997,614	903,632
Exchange difference on cash and cash equivalents at beginning of the year	3,871	(34,308)
Cash and cash equivalents at end of the year	414,400	997,614

3(a) ANALYSIS OF CONSOLIDATED STATEMENT OF CASH FLOWS (cont'd)

The Group ended the year with cash and cash equivalents (CCE) of \$414 million, \$583 million lower than FY2017. In FY2018, the Group generated net cash of \$639 million from its operating activities as compared to \$764 million in FY2017. The decrease in net cash from operating activities was due to increase in trade receivables and contract assets for the Group's on-going operations and projects, partially offset by higher operating profits generated in FY2018 and higher trade payables.

Net cash used in investing activities of \$65 million in FY2018 arose mainly from the Group's investment in property, plant and equipment by Aerospace (\$221 million), Electronics (\$54 million), Land Systems (\$37 million), Marine (\$10 million) sectors and Others (\$14 million), and additions to intangible assets (\$115 million), partially offset by proceeds from sale of investments (\$375 million).

Net cash used in financing activities of \$1,161 million in FY2018 was mainly attributable to the MTN redemption (\$681 million) and payment of FY2017 final dividend and FY2018 interim dividend (\$468 million).

4 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

The Statement of Comprehensive Income included as part of the results announcement is in compliance with the SFRS(I).

	GROUP		
	FY2018	FY2017	+ / (-)
	\$'000	\$'000	%
		(Restated)	
Profit for the year	516,422	526,093	(1.8)
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Defined benefit plan remeasurements	201	(6,109)	NM
Equity investments at FVOCI - net change in fair value	80	-	NM
	281	(6,109)	NM
Items that are or may be reclassified subsequently to profit or loss			
Net fair value changes on available-for-sale financial assets	-	8,670	(100.0)
Debt investments at FVOCI - reclassified to income statement	(2,343)	-	NM
Net fair value changes of cash flow hedges reclassified to income statement	2	1,598	NM
Effective portion of changes in fair value of cash flow hedges	(35,110)	54,514	NM
Share of net fair value changes of cash flow hedges of joint ventures	505	(127)	NM
Foreign currency translation differences	302	(47,326)	NM
Share of foreign currency translation differences of associates and joint ventures	(213)	(11,102)	(98.1)
Reserves released on disposal of subsidiaries	13,714	2,161	>500
	(23,143)	8,388	NM
Other comprehensive (loss)/income for the year, net of tax	(22,862)	2,279	NM
Total comprehensive income for the year, net of tax	493,560	528,372	(6.6)
Total comprehensive income attributable to:			
Shareholders of the Company	482,888	492,980	(2.0)
Non-controlling interests	10,672	35,392	(69.8)
	493,560	528,372	(6.6)

5 STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

Group	Share capital \$'000	Treasury Shares \$'000	Capital reserves \$'000	Other reserves \$'000	Retained earnings \$'000	Total \$'000	Non-controlling interests \$'000	Total equity \$'000
At 1.1.2017	895,926	(44,081)	113,184	(56,666)	1,258,179	2,166,542	261,934	2,428,476
Total comprehensive income for the year								
Profit for the year	-	-	-	-	502,632	502,632	23,461	526,093
Other comprehensive income								
Net fair value changes on available-for-sale financial assets	-	-	-	8,670	-	8,670	-	8,670
Net fair value changes on cash flow hedges reclassified to income statement	-	-	-	1,598	-	1,598	-	1,598
Effective portion of changes in fair value of cash flow hedges	-	-	-	40,521	-	40,521	13,993	54,514
Share of net fair value changes on cash flow hedges of joint ventures	-	-	-	(127)	-	(127)	-	(127)
Foreign currency translation differences	-	-	-	(47,929)	-	(47,929)	603	(47,326)
Share of foreign currency translation differences of associates and joint ventures	-	-	-	(11,102)	-	(11,102)	-	(11,102)
Reserves released on disposal of subsidiaries	-	-	-	2,144	-	2,144	17	2,161
Defined benefit plan remeasurements	-	-	-	-	(3,427)	(3,427)	(2,682)	(6,109)
<i>Other comprehensive income for the year, net of tax</i>	-	-	-	(6,225)	(3,427)	(9,652)	11,931	2,279
Total comprehensive income for the year, net of tax	-	-	-	(6,225)	499,205	492,980	35,392	528,372
Transactions with owners of the Company, recognised directly in equity								
Contributions by and distributions to owners of the Company								
Capital contribution by non-controlling interests	-	-	-	-	-	-	397	397
Return of capital to non-controlling interests	-	-	-	-	-	-	(43)	(43)
Cost of share-based payment	-	-	-	14,509	-	14,509	52	14,561
Purchase of treasury shares	-	(15,748)	-	-	-	(15,748)	-	(15,748)
Treasury shares reissued pursuant to share plans	-	36,959	6,598	(18,599)	-	24,958	(42)	24,916
Dividends paid	-	-	-	-	(467,641)	(467,641)	-	(467,641)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(16,615)	(16,615)
<i>Total contributions by and distributions to owners of the Company</i>	-	21,211	6,598	(4,090)	(467,641)	(443,922)	(16,251)	(460,173)
Changes in ownership interests in subsidiaries								
Acquisition of non-controlling interests in a subsidiary without a change in control	-	-	-	(589)	-	(589)	250	(339)
Total transactions with owners of the Company	-	21,211	6,598	(4,679)	(467,641)	(444,511)	(16,001)	(460,512)
Transfer from retained earnings to statutory reserve	-	-	-	90	(90)	-	-	-
At 31.12.2017	895,926	(22,870)	119,782	(67,480)	1,289,653	2,215,011	281,325	2,496,336

5 STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018 (cont'd)

Group	Share capital	Treasury Shares	Capital reserves	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1.1.2018	895,926	(22,870)	119,782	(67,480)	1,289,653	2,215,011	281,325	2,496,336
Adjustment on initial application of SFRS(I) 9, net of tax	-	-	-	-	(3,597)	(3,597)	(609)	(4,206)
Adjusted balance at 1.1.2018	895,926	(22,870)	119,782	(67,480)	1,286,056	2,211,414	280,716	2,492,130
Total comprehensive income for the year								
Profit for the year	-	-	-	-	494,241	494,241	22,181	516,422
Other comprehensive income								
Net change in fair value - Equity investments at FVOCI	-	-	-	52	28	80	-	80
Reclassified to income statement - Debt investments at FVOCI	-	-	-	(2,343)	-	(2,343)	-	(2,343)
Net fair value changes on cash flow hedges	-	-	-	2	-	2	-	2
Effective portion of changes in fair value of cash flow hedges	-	-	-	(25,294)	-	(25,294)	(9,816)	(35,110)
Share of net fair value changes of cash flow hedges of joint ventures	-	-	-	505	-	505	-	505
Foreign currency translation differences	-	-	-	2,030	-	2,030	(1,728)	302
Share of foreign currency translation differences of associates and joint ventures	-	-	-	(213)	-	(213)	-	(213)
Reserves released on disposal of subsidiaries	-	-	-	13,714	-	13,714	-	13,714
Defined benefit plan remeasurements	-	-	-	-	166	166	35	201
<i>Other comprehensive loss for the year, net of tax</i>	-	-	-	(11,547)	194	(11,353)	(11,509)	(22,862)
Total comprehensive income for the year, net of tax	-	-	-	(11,547)	494,435	482,888	10,672	493,560
Hedging gains and losses and cost of hedging transferred to the cost of inventory	-	-	-	3,955	-	3,955	-	3,955
Transactions with owners of the Company, recognised directly in equity								
Contributions by and distributions to owners of the Company								
Capital contribution by non-controlling interests	-	-	-	-	-	-	432	432
Cost of share-based payment	-	-	-	20,415	-	20,415	75	20,490
Purchase of treasury shares	-	(4,354)	-	-	-	(4,354)	-	(4,354)
Treasury shares reissued pursuant to share plans	-	18,194	(1,608)	(16,523)	-	63	(64)	(1)
Dividends paid	-	-	-	-	(468,004)	(468,004)	-	(468,004)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(3,595)	(3,595)
<i>Total contributions by and distributions to owners of the Company</i>	-	13,840	(1,608)	3,892	(468,004)	(451,880)	(3,152)	(455,032)
Total transactions with owners of the Company	-	13,840	(1,608)	3,892	(468,004)	(451,880)	(3,152)	(455,032)
Transfer from retained earnings to statutory reserve	-	-	-	(874)	874	-	-	-
At 31.12.2018	895,926	(9,030)	118,174	(72,054)	1,313,361	2,246,377	288,236	2,534,613

5 STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018 (cont'd)

Company	Share capital \$'000	Treasury Shares \$'000	Capital reserve \$'000	Share-based payment reserve \$'000	Retained earnings \$'000	Total equity \$'000
At 1.1.2017	895,926	(44,081)	(2,791)	65,231	472,493	1,386,778
Total comprehensive income for the year						
Profit for the year	-	-	-	-	464,422	464,422
Total comprehensive income for the year	-	-	-	-	464,422	464,422
Transactions with owners of the Company, recognised directly in equity						
Contributions by and distributions to owners of the Company						
Cost of share-based payment	-	-	-	14,561	-	14,561
Purchase of treasury shares	-	(15,748)	-	-	-	(15,748)
Treasury shares reissued pursuant to share plans	-	36,959	6,598	(18,641)	-	24,916
Dividends paid	-	-	-	-	(467,641)	(467,641)
<i>Total contributions by and distributions to owners of the Company</i>	-	21,211	6,598	(4,080)	(467,641)	(443,912)
At 31.12.2017	895,926	(22,870)	3,807	61,151	469,274	1,407,288
At 1.1.2018	895,926	(22,870)	3,807	61,151	469,274	1,407,288
Total comprehensive income for the year						
Profit for the year	-	-	-	-	492,093	492,093
Total comprehensive income for the year	-	-	-	-	492,093	492,093
Transactions with owners of the Company, recognised directly in equity						
Contributions by and distributions to owners of the Company						
Cost of share-based payment	-	-	-	20,490	-	20,490
Purchase of treasury shares	-	(4,354)	-	-	-	(4,354)
Treasury shares reissued pursuant to share plans	-	18,194	(1,608)	(16,587)	-	(1)
Dividends paid	-	-	-	-	(468,004)	(468,004)
<i>Total contributions by and distributions to owners of the Company</i>	-	13,840	(1,608)	3,903	(468,004)	(451,869)
At 31.12.2018	895,926	(9,030)	2,199	65,054	493,363	1,447,512

5(a) CHANGES IN COMPANY'S SHARE CAPITAL
Issued and paid up capital

As at 31 December 2018, the Company has an issued share capital of 3,122,495,197 ordinary shares (31 December 2017: 3,122,495,197 ordinary shares) of which 2,701,198 were held by the Company as treasury shares (31 December 2017: 6,772,773).

	Number of Shares
	FY2018/4Q2018
As at beginning and end of the year/quarter (including treasury shares)	3,122,495,197
As at end of the year/quarter (excluding treasury shares)	3,119,793,999
As at 31 December 2017 (excluding treasury shares)	3,115,722,424

Singapore Technologies Engineering Performance Share Plan 2010 (PSP 2010)

As at 31 December 2018, the total number of contingent shares granted conditionally but not released was 4,818,034 (31 December 2017: 5,007,919). Based on the achievement factor, the actual release of the awards could range from zero to a maximum of 8,190,657 (31 December 2017: 8,513,462) ordinary shares of the Company.

Singapore Technologies Engineering Restricted Share Plan 2010 (RSP 2010)

As at 31 December 2018, the total number of contingent shares granted conditionally but not released was 6,098,824 (31 December 2017: up to a maximum of 7,107,340).

As at 31 December 2018, the total number of unvested awards was 6,402,463 (31 December 2017: 5,647,978) ordinary shares of the Company.

5(a) **CHANGES IN COMPANY'S SHARE CAPITAL** (cont'd)

Treasury Shares

During the year, the Company purchased 1,321,400 ordinary shares by way of open market acquisitions, all of which were held by the Company as treasury shares (31 December 2017: 4,500,000).

During the year, 5,392,975 treasury shares were utilised pursuant to the PSP 2010 and RSP 2010. In the prior year, 11,615,984 treasury shares were utilised pursuant to the Singapore Technologies Engineering Share Option Plan and RSP 2010.

As at 31 December 2018, the number of treasury shares held by the Company represented 0.09% (31 December 2017: 0.22%) of the total number of issued shares (excluding treasury shares).

<u>Group and Company</u>	Number of Shares for the Year ended 31.12.2018	Number of Shares for the Quarter ended 31.12.2018
As at beginning of the year/quarter	6,772,773	3,035,818
Purchase of treasury shares	1,321,400	-
Treasury shares transferred on vesting of PSP 2010	(842,788)	-
Treasury shares transferred on vesting of RSP 2010	(4,550,187)	(334,620)
As at end of the year/quarter	2,701,198	2,701,198

6 **AUDIT**

The figures have been audited by the Company's auditors.

7 **AUDITORS' REPORT**

See attached auditors' report.

8 **ACCOUNTING POLICIES**

Except as disclosed in paragraph 9 below regarding the adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) effective on 1 January 2018, the Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period as compared to the audited financial statements as at 31 December 2017.

9 **CHANGES IN ACCOUNTING POLICIES**

The Group has adopted the new financial reporting framework, SFRS(I), mandatory for Singapore-incorporated companies with equity instruments traded in a public market in Singapore for annual periods beginning on or after 1 January 2018. In adopting SFRS(I), the Group has applied the specific transition requirements in SFRS(I) 1 *First-time Adoption of International Financial Reporting Standards*.

In addition to the adoption of the new framework, the Group also concurrently applied the following new SFRS(I)s, amendments to and interpretations of SFRS(I) effective from the same date:

- SFRS(I) 15 *Revenue from Contracts with Customers* (Amendments to SFRS(I) 15 and Clarifications to SFRS(I) 15);
- SFRS(I) 9 *Financial Instruments*;
- *Classification and Measurement of Share-based Payment Transactions* (Amendments to SFRS(I) 2);
- *Transfers of Investment Property* (Amendments to SFRS(I) 1-40);
- *Deletion of short-term exemptions for first-time adopters* (Amendments to SFRS(I) 1);
- *Measuring an Associate or Joint Venture at Fair Value* (Amendments to SFRS(I) 1-28);
- *Applying SFRS(I) 9 Financial Instruments with SFRS(I) 4 Insurance Contracts* (Amendments to SFRS(I) 4); and
- SFRS(I) INT 22 *Foreign Currency Transactions and Advance Consideration*

The adoption of these SFRS(I)s, amendments to and interpretations of SFRS(I) did not have a material impact on the financial statements of the Group except for the adoption of SFRS(I) 15.

SFRS(I) 15

SFRS(I) 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. Under SFRS(I) 15, the Group is required to identify distinct performance obligations (PO) in bundled arrangements and account for each PO separately.

The Group is also required to estimate the amount of consideration to which it expects to be entitled and variable amounts are included in contract revenue to the extent that it is probable that there will be no significant reversal when the uncertainty is resolved.

For contracts that contain significant financing components, the Group adjusts the transaction price for the effects of the time value of money.

Following the presentation requirements in SFRS(I) 15, the Group has presented contract assets and contract liabilities separately and the comparative figures have been restated.

10 REVIEW OF GROUP PERFORMANCE

10(a) Revenue

FY2018 vs FY2017

\$m	FY2018	FY2017 (Restated)	Increase/(Decrease)	
Aerospace	2,647	2,535	112	4%
Electronics	2,143	2,011	132	7%
Land Systems	1,282	1,244	38	3%
Marine	574	637	(63)	(10%)
Others	52	94	(42)	(45%)
Total	6,698	6,521	177	3%

The Group ended the year with revenue of \$6,698 million, an increase of 3% or \$177 million over FY2017. Aerospace, Electronics and Land Systems sectors came in with higher revenue, partially offset by declines from Marine sector and “Others”.

In FY2018, Aerospace sector delivered revenue of \$2,647 million, an increase of 4% or \$112 million as compared to FY2017. The increase was mainly attributable to higher revenue contribution from **Aircraft Maintenance & Modification** and **Component/Engine Repair and Overhaul** business groups, partially offset by lower revenue from **Engineering & Material Services** business group.

Electronics sector came in with revenue of \$2,143 million, an increase of 7% or \$132 million as compared to FY2017, with higher revenue contribution from **Large-Scale Systems Group** and **Communication & Sensor Systems Group**, partially offset by lower revenue from **Software Systems Group**.

Land Systems sector’s FY2018 revenue increased by 3% or \$38 million to \$1,282 million. The increase was mainly attributable to higher revenue from **Automotive** and **Services, Trading and Others** business groups, partially offset by lower revenue from **Munitions & Weapon** business group.

Marine sector’s revenue of \$574 million was 10% or \$63 million lower than that of FY2017. The decrease in revenue was mainly attributable to **Shipbuilding** and **Shiprepair** business groups, partially offset by better performance from **Engineering** business group.

Lower revenue under “Others” was mainly attributable to lower sales from Miltope.

10 REVIEW OF GROUP PERFORMANCE (cont'd)

10(b) Profitability
FY2018 vs FY2017

\$m	FY2018	FY2017 (Restated)	Increase/(Decrease)	
Aerospace	244.6	244.8	(0.2)	(0%)
Electronics	186.5	168.8	17.7	10%
Land Systems	52.9	87.4	(34.5)	(39%)
Marine	45.2	27.0	18.2	67%
Others	(35.0)	(25.4)	(9.6)	NM
Total	494.2	502.6	(8.4)	(2%)

In FY2018, the Group's profit attributable to shareholders (Net Profit) of \$494.2 million was lower than FY2017 by 2% or \$8.4 million. The decrease was mainly arising from Land Systems sector and "Others", partially offset by higher contribution from Electronics and Marine sectors. Excluding one-off charges¹ of \$32.6 million (after tax) in FY2018 and absence of prior year's one-off favourable U.S. tax adjustment of \$20.3 million, Net Profit would have been 9% higher at \$526.8 million.

Aerospace sector's Net Profit of \$244.6 million in FY2018 was comparable to FY2017. Higher gross profit and net gain on divestments were offset by higher operating expenses largely from acquisition related expenses and higher tax expense.

In FY2018, Electronics sector achieved record Net Profit of \$186.5 million, an increase of 10% or \$17.7 million as compared to FY2017. The increase in Net Profit was largely due to higher gross profit, in line with higher revenue, and lower operating expenses, partially offset by share of losses from associates and joint ventures.

Land Systems sector's Net Profit for FY2018 decreased by \$34.5 million or 39% to \$52.9 million, largely driven by one-off charges due to portfolio rationalisation, and absence of prior year's one-off U.S. tax adjustment.

Marine sector's FY2018 Net Profit of \$45.2 million was 67% or \$18.2 million higher than FY2017 from higher gross profits and lower operating expenses, partially offset by higher tax expense.

"Others" incurred higher losses in FY2018 due mainly to MTN redemption related costs and lower contribution from Miltope.

¹ One-off charges are related to portfolio rationalisation, transaction costs of the proposed MRA Systems acquisition and MTN redemption related costs.

11 **VARIANCE FROM PROSPECTS STATEMENT**

No forecast was previously provided.

12 **PROSPECTS**

Group

The Group delivered a resilient set of results and maintained the momentum for new contracts. Excluding one-off charges mainly incurred to rationalise our portfolio, the underlying operating performance of our business sectors remained strong.

The Group continue to invest in growth initiatives and capabilities including data analytics and cybersecurity to drive long-term sustainable growth, backed by a healthy level of order book that provides revenue visibility for the next few years.

This release may contain forward-looking statements that involve risks and uncertainties. These forward-looking statements reflect the Company's current intentions, plans, expectations, assumptions and beliefs about future events. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from other companies and venues for the sale/distribution of goods and services, shifts in customer demands, customers and partners, changes in operating expenses, including employee wages, benefits and training, and governmental and public policy changes, as well as natural disasters which may negatively impact business activities of the ST Engineering group. You are cautioned not to place undue reliance on these forward-looking statements, which are based on current view of management on future events.

13 **DIVIDENDS**

The Directors are pleased to announce that a final dividend of 10.0 cents per share has been recommended for the year ended 31 December 2018. Together with the interim dividend of 5.0 cents per share paid on 28 August 2018, the total dividend for the year ended 31 December 2018 will be 15.0 cents per share and amounts to \$468 million. The recommended dividends take into consideration the Group's FY2018 profit after tax, present cash position, positive cash flow generated from operations and projected capital requirements. Payment of the final dividend is subject to the approval of the shareholders of the Company at the forthcoming Annual General Meeting.

13 DIVIDENDS (cont'd)

(a) Current Financial Period Reported On

Any dividend recommended for the current financial period reported on? Yes

Name of Dividend	Interim tax exempt (one-tier)	Final tax exempt (one-tier)	Total
Dividend Type	Cash	Cash	Cash
Dividend Per Share	5.0 cents per ordinary share	10.0 cents per ordinary share	15.0 cents per ordinary share
Annual Dividend	\$156.0m	\$312.0m	\$468.0m

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? Yes

Name of Dividend	Interim tax exempt (one-tier)	Final tax exempt (one-tier)	Total
Dividend Type	Cash	Cash	Cash
Dividend Per Share	5.0 cents per ordinary share	10.0 cents per ordinary share	15.0 cents per ordinary share
Annual Dividend	\$156.0m	\$312.0m	\$468.0m

(c) Books Closure and Dividend Payment Dates

NOTICE IS HEREBY GIVEN THAT the Register of Members and Share Transfer Books will be closed on 25 April 2019 for the preparation of dividend warrants. Duly completed transfers in respect of ordinary shares of the Company together with all relevant documents of title received by the Company's share registrar, M & C Services Private Limited, 112 Robinson Road #05-01 Singapore 068902 up to 5.00 p.m. on 24 April 2019 will be registered to determine members' entitlements to the proposed dividend, subject to approval of members to the proposed dividend at the Annual General Meeting to be convened on 18 April 2019. Subject as aforesaid, members whose securities accounts with The Central Depository (Pte) Limited are credited with ordinary shares of the Company as at 5.00 p.m. on 24 April 2019 will be entitled to the proposed dividend. The proposed dividend, if so approved by members, will be paid on 7 May 2019.

14 BUSINESS SEGMENTAL INFORMATION
By Business Activity

	FY2018						Group \$'000
	Aerospace \$'000	Electronics \$'000	Land Systems \$'000	Marine \$'000	Others \$'000	Elimination \$'000	
Revenue							
External sales	2,646,992	2,143,415	1,282,022	574,084	51,415	-	6,697,928
Inter-segment sales	7,127	23,118	20,787	270	4,244	(55,546)	-
	<u>2,654,119</u>	<u>2,166,533</u>	<u>1,302,809</u>	<u>574,354</u>	<u>55,659</u>	<u>(55,546)</u>	<u>6,697,928</u>
Reportable segment profit from operations	268,148	220,774	59,076	44,375	(22,115)	-	570,258
Other income	30,380	15,718	12,775	6,809	1,800	(12,091)	55,391
Other expenses	(13,281)	(53)	(12,071)	(276)	(81)	5,357	(20,405)
Finance income	8,773	2,533	1,375	3,072	6,604	-	22,357
Finance costs	(14,773)	(9,375)	(6,290)	(4,275)	(21,196)	-	(55,909)
Share of results of associates and joint ventures, net of tax	40,748	(4,905)	7,396	555	5,262	-	49,056
Profit before taxation	<u>319,995</u>	<u>224,692</u>	<u>62,261</u>	<u>50,260</u>	<u>(29,726)</u>	<u>(6,734)</u>	<u>620,748</u>
Taxation	(54,644)	(37,419)	(8,726)	(5,059)	1,522	-	(104,326)
Non-controlling interests	(20,724)	(782)	(675)	-	-	-	(22,181)
Profit attributable to shareholders	<u>244,627</u>	<u>186,491</u>	<u>52,860</u>	<u>45,201</u>	<u>(28,204)</u>	<u>(6,734)</u>	<u>494,241</u>
Other assets	3,104,811	2,174,291	1,626,420	800,078	4,191,077	(4,779,357)	7,117,320
Associates and joint ventures	248,906	62,749	92,206	4,099	47,743	-	455,703
Segment assets	<u>3,353,717</u>	<u>2,237,040</u>	<u>1,718,626</u>	<u>804,177</u>	<u>4,238,820</u>	<u>(4,779,357)</u>	<u>7,573,023</u>
Segment liabilities	<u>2,394,681</u>	<u>1,909,405</u>	<u>1,339,760</u>	<u>761,596</u>	<u>1,954,163</u>	<u>(3,321,195)</u>	<u>5,038,410</u>
Capital expenditure	299,766	88,857	37,879	10,309	13,367	-	450,178
Depreciation and amortisation	113,015	56,519	37,993	29,985	6,575	(42)	244,045
(Write-back of/ impairment loss	(11)	-	1,953	-	-	-	1,942
Other non-cash expenses	847	38	43	-	54	-	982

14 BUSINESS SEGMENTAL INFORMATION (cont'd)
By Business Activity

	FY2017 (Restated)						Group
	Aerospace	Electronics	Land Systems	Marine	Others	Elimination	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue							
External sales	2,534,923	2,010,985	1,243,511	637,444	94,200	-	6,521,063
Inter-segment sales	11,990	30,469	19,148	87	6,021	(67,715)	-
	<u>2,546,913</u>	<u>2,041,454</u>	<u>1,262,659</u>	<u>637,531</u>	<u>100,221</u>	<u>(67,715)</u>	<u>6,521,063</u>
Reportable segment profit from operations	272,267	194,846	70,231	14,795	(9,291)	-	542,848
Other income	13,793	14,911	11,230	7,122	5,241	(12,353)	39,944
Other expenses	(5,261)	(66)	(1,766)	(109)	(1)	5,925	(1,278)
Finance income	8,489	1,778	935	2,690	24,758	-	38,650
Finance costs	(11,994)	(8,989)	(6,820)	(3,196)	(26,683)	-	(57,682)
Share of results of associates and joint ventures, net of tax	41,171	(2,282)	11,229	1,106	(1,892)	-	49,332
Profit before taxation	318,465	200,198	85,039	22,408	(7,868)	(6,428)	611,814
Taxation	(51,453)	(31,433)	3,677	4,641	(11,153)	-	(85,721)
Non-controlling interests	(22,172)	7	(1,296)	-	-	-	(23,461)
Profit attributable to shareholders	<u>244,840</u>	<u>168,772</u>	<u>87,420</u>	<u>27,049</u>	<u>(19,021)</u>	<u>(6,428)</u>	<u>502,632</u>
Other assets	2,832,624	1,901,177	1,531,139	892,304	4,941,237	(4,522,453)	7,576,028
Associates and joint ventures	248,168	54,523	108,233	10,493	26,970	-	448,387
Segment assets	<u>3,080,792</u>	<u>1,955,700</u>	<u>1,639,372</u>	<u>902,797</u>	<u>4,968,207</u>	<u>(4,522,453)</u>	<u>8,024,415</u>
Segment liabilities	<u>2,121,057</u>	<u>1,666,909</u>	<u>1,315,362</u>	<u>783,949</u>	<u>2,753,370</u>	<u>(3,112,568)</u>	<u>5,528,079</u>
Capital expenditure	170,519	83,678	33,137	44,176	14,435	-	345,945
Depreciation and amortisation	103,537	47,810	32,503	28,875	4,276	(42)	216,959
Impairment losses	11	-	314	-	196	-	521
Other non-cash expenses	188	141	102	-	-	-	431

14 BUSINESS SEGMENTAL INFORMATION (cont'd)
By Business Activity

	Revenue			Revenue		
	4Q2018	4Q2017	+/(-) %	FY2018	FY2017	+/(-) %
	\$'000	\$'000	%	\$'000	\$'000	%
		(Restated)			(Restated)	
Aerospace	647,132	740,101	(12.6)	2,646,992	2,534,923	4.4
Electronics	535,779	461,095	16.2	2,143,415	2,010,985	6.6
Land Systems	434,643	337,813	28.7	1,282,022	1,243,511	3.1
Marine	138,702	131,216	5.7	574,084	637,444	(9.9)
Others	17,772	23,936	(25.8)	51,415	94,200	(45.4)
Group	1,774,028	1,694,161	4.7	6,697,928	6,521,063	2.7

	Profit Before Tax			Profit Before Tax		
	4Q2018	4Q2017	+/(-) %	FY2018	FY2017	+/(-) %
	\$'000	\$'000	%	\$'000	\$'000	%
		(Restated)			(Restated)	
Aerospace	82,564	94,748	(12.9)	319,995	318,465	0.5
Electronics	51,513	62,133	(17.1)	224,692	200,198	12.2
Land Systems	2,578	24,380	(89.4)	62,261	85,039	(26.8)
Marine	16,001	380	>500	50,260	22,408	124.3
Others	7,889	(8,687)	NM	(36,460)	(14,296)	NM
Group	160,545	172,954	(7.2)	620,748	611,814	1.5

	Profit Attributable to Shareholders			Profit Attributable to Shareholders		
	4Q2018	4Q2017	+/(-) %	FY2018	FY2017	+/(-) %
	\$'000	\$'000	%	\$'000	\$'000	%
		(Restated)			(Restated)	
Aerospace	63,476	86,670	(26.8)	244,627	244,840	(0.1)
Electronics	44,052	55,017	(19.9)	186,491	168,772	10.5
Land Systems	(723)	42,552	NM	52,860	87,420	(39.5)
Marine	14,499	673	>500	45,201	27,049	67.1
Others	3,150	(16,789)	NM	(34,938)	(25,449)	NM
Group	124,454	168,123	(26.0)	494,241	502,632	(1.7)

14 BUSINESS SEGMENTAL INFORMATION (cont'd)
By Geographical Areas

	Revenue			
	FY2018		FY2017	
	\$'000	%	\$'000	%
			(Restated)	
Asia	4,157,711	62.0	4,004,663	61.4
U.S.	1,324,508	19.8	1,359,722	20.8
Europe	746,853	11.2	689,263	10.6
Others	468,856	7.0	467,415	7.2
Total	6,697,928	100	6,521,063	100

By Country of Incorporation

	Revenue			
	FY2018		FY2017	
	\$'000	%	\$'000	%
			(Restated)	
Asia	4,884,431	72.9	4,692,400	71.9
U.S.	1,198,872	17.9	1,219,072	18.7
Europe	540,575	8.1	552,621	8.5
Others	74,050	1.1	56,970	0.9
Total	6,697,928	100	6,521,063	100

	Non-Current Assets ⁺			
	FY2018		FY2017	
	\$'000	%	\$'000	%
			(Restated)	
Asia	1,622,510	47.8	2,079,542	57.1
U.S.	921,086	27.2	907,205	24.9
Europe	752,059	22.2	559,755	15.4
Others	96,472	2.8	94,251	2.6
Total	3,392,127	100	3,640,753	100

⁺ Non-current assets for the purpose of SFRS(I) 8 *Operating Segments* excludes derivative financial instruments, employee benefits and deferred tax assets.

15 ECONOMIC VALUE ADDED (EVA)

EVA for FY2018 was \$306.0 million, an increase of 1% or \$2.2 million over FY2017. The weighted average cost of capital for 2018 was 5.7% (2017: 5.7%).

16 INTERESTED PERSON TRANSACTIONS (unaudited)

	Aggregate value of all transactions excluding transactions conducted under a shareholders mandate pursuant to Rule 920 of the SGX		Aggregate value of all transactions conducted under a shareholders mandate pursuant to Rule 920 of the SGX Listing Manual	
	FY2018	FY2017	FY2018	FY2017
	\$'000	\$'000	\$'000	\$'000
Transactions for the Sale of Goods and Services				
SATS Ltd. and its Associates	-	-	7,562	857
SembCorp Industries Ltd and its Associates	-	-	4,549	2,548
Singapore Airlines Limited and its Associates	-	-	1,397	222
SIA Engineering Company Limited and its Associates	-	-	-	102
Singapore Telecommunications Limited and its Associates	-	-	1,534	414
StarHub Ltd and its Associates	-	-	668	-
Temasek Holdings (Private) Limited and its Associates (non-listed)	-	-	36,177	23,262
	-	-	51,887	27,405
Transactions for the Purchase of Goods and Services				
Mapletree Industrial Trust	-	-	417	1,068
SATS Ltd. and its Associates	-	-	3,617	3,353
SembCorp Industries Ltd and its Associates	-	-	12,726	-
Singapore Telecommunications Limited and its Associates	-	-	6,728	3,268
StarHub Ltd and its Associates	-	-	2,601	1,114
Temasek Holdings (Private) Limited and its Associates (non-listed)	-	55,326	30,499	9,905
	-	55,326	56,588	18,708
Total Interested Person Transactions	-	55,326	108,475	46,113

17 CONFIRMATION OF DIRECTORS AND EXECUTIVE OFFICERS' UNDERTAKINGS PURSUANT TO LISTING RULE 720(1)

The Company has procured undertakings from all its directors and executive officers in compliance with Listing Rule 720(1).

18 **REPORT OF PERSONS OCCUPYING MANAGERIAL POSITIONS WHO ARE RELATED TO A DIRECTOR, CHIEF EXECUTIVE OFFICER OR SUBSTANTIAL SHAREHOLDER**

Pursuant to Rule 704(13) of the SGX Listing Manual, as at 31 December 2018, no person occupying a managerial position in the Company or any of its principal subsidiaries is related to a Director or chief executive officer or substantial shareholder of the Company.

BY ORDER OF THE BOARD

KAREN NG KWEE LIAN
Company Secretary
21 February 2019

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