

News Release

ST Engineering Delivers Higher Revenue and Net Profit for 1Q2018 vs 1Q2017

FINANCIAL HIGHLIGHTS For the first quarter ended 31 March 2018			
	2018 1Q	2017 1Q (Restated)*	Growth %
Revenue (\$m)	1,647	1,511	9
Earnings before interest and tax (EBIT) (\$m)	122.1	112.6	8
Other income, net (\$m)	8.6	11.7	(26)
Finance costs, net (\$m)	(2.2)	(5.4)	(59)
Profit before tax (PBT) (\$m)	144.0	132.7	9
Profit attributable to shareholders (Net Profit) (\$m)	117.7	99.9	18
Earnings per share (cents)	3.78	3.21	18

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

- Order book of \$13.4b at end March 2018, of which about \$3.2b is expected to be delivered in the remaining months of 2018
- Commercial sales and defence sales constituted 63% or \$1.0b and 37% or \$0.6b respectively
- Cash and cash equivalents including funds under management totalled \$1.6b

N.B.: All currencies are in Singapore dollars

Singapore, 11 May 2018 - Singapore Technologies Engineering Ltd (ST Engineering) today reported that it achieved higher year-on-year revenue and net profit for its first quarter financial results for the period ended 31 March 2018 (1Q2018). Group revenue was 9% higher at \$1.65b compared to \$1.51b in the same period last year, and its Profit Attributable to Shareholders (Net Profit) improved 18% to \$117.7m from \$99.9m a year ago.

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At the business sector level, the Aerospace sector posted revenue of \$599m, up 9% from \$548m the year before. Its Net Profit was 6% higher at \$59.2m compared to \$56.1m a year ago. Revenue for the Electronics sector was \$605m, up 22% from \$496m and its Net Profit was \$40.3m, 23% higher compared to \$32.8m in the same period last year. Revenue for Land Systems sector was 3% higher at \$281m from \$273m the year before, and its Net Profit grew 34% to \$15.6m from \$11.6m a year ago. The Marine sector revenue declined 16% to \$150m from \$179m in the same period last year. Its Net Profit was \$8.7m, up 7% from \$8.1m a year ago mainly as a result of lower provision for doubtful debts and partly offset by a weak US shipbuilding performance.

“We started the year with healthy revenue growth and net profit. We also secured numerous contracts including Smart City projects in the past quarter. With a strong order book, the Group remains on track for steady growth,” said Vincent Chong, President & CEO, ST Engineering.

Commercial sales and defence sales in 1Q2018 constituted 63% or \$1.0b, and 37% or \$0.6b respectively of the Group’s revenue. Cash and cash equivalents including funds under management remained healthy at \$1.6b as at 31 March 2018.

Order book sustained by contract win momentum in 1Q2018

The Group ended 1Q2018 with an order book of \$13.4b, and it expects to deliver about \$3.2b in the remaining months of 2018.

The Aerospace sector announced \$510m worth of new orders for services ranging from airframe heavy maintenance support, cabin interior reconfiguration to contracts for EcoPower® engine wash services. The Electronics sector announced \$635m worth of contracts including many Smart City offerings like mobility solutions, satellite communications, public safety and security and deployment of IoT networks and smart sensors for urban management.

In addition to the contracts announced, the Land Systems sector also clinched orders for weapons and ammunition as well as for its road construction equipment and specialty vehicles from customers in Asia, Latin America and North America. The Marine sector’s operating environment remains challenging even as it secured various ship repair projects at its US and Singapore yards, and completed several rig repair and decommissioning works in the first quarter.

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 more than 100 countries. Its employees bring innovation and technology together to create smart engineering solutions for customers in the defence, government and commercial segments. Headquartered in Singapore, ST Engineering reported revenue of S\$6.62b in FY2017 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 and the SGX Sustainability Leaders Index. Please visit www.stengg.com for more information.

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FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2018
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SINGAPORE TECHNOLOGIES ENGINEERING LTD
UNAUDITED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2018
1 CONSOLIDATED INCOME STATEMENT FOR THE FIRST QUARTER ENDED 31 MARCH 2018

	GROUP		
	1Q2018	1Q2017	+ / (-)
	\$'000	\$'000 Restated	%
Revenue	1,646,564	1,510,517	9.0
Cost of sales	(1,320,657)	(1,197,383)	10.3
Gross profit	325,907	313,134	4.1
Distribution and selling expenses (refer to para 1.6)	(49,375)	(56,563)	(12.7)
Administrative expenses	(122,207)	(115,102)	6.2
Other operating expenses (refer to para 1.7)	(32,204)	(28,875)	11.5
Profit from operations	122,121	112,594	8.5
Other income	13,705	11,720	16.9
Other expenses	(5,076)	(38)	>500
Other income, net (refer to para 1.8)	8,629	11,682	(26.1)
Finance income	15,068	13,251	13.7
Finance costs	(17,261)	(18,616)	(7.3)
Finance costs, net	(2,193)	(5,365)	(59.1)
Share of results of associates and joint ventures, net of tax	15,424	13,751	12.2
Profit before taxation	143,981	132,662	8.5
Taxation	(23,949)	(26,234)	(8.7)
Profit for the period	120,032	106,428	12.8
Attributable to:			
Shareholders of the Company	117,695	99,892	17.8
Non-controlling interests	2,337	6,536	(64.2)
	120,032	106,428	12.8

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		
	1Q2018 \$'000	1Q2017 \$'000 Restated	+ / (-) %
1.1 Profit from operations is arrived at after charging the following:			
Depreciation and amortisation	57,185	52,008	10.0
The higher depreciation and amortisation in 1Q2018 mainly came from Electronics and Land Systems sectors.			
Allowance for doubtful debts & bad debts written off, net	989	17,719	(94.4)
The lower allowance for doubtful debts in 1Q2018 was due mainly to lower allowance for doubtful debts from Aerospace and Marine sectors.			
Allowance for inventory obsolescence, net	10,625	6,803	56.2
The higher allowance for inventory obsolescence in 1Q2018 arose mainly from Land Systems sector.			
1.2 Finance costs, net comprises:			
Interest income	5,920	6,620	(10.6)
Foreign exchange gain, net	5,633	4,874	15.6
Fair value changes of financial instruments / hedged items	(2,863)	(6,070)	(52.8)
Loss on disposal of investments, net	(476)	(152)	213.2
Interest expenses	(10,407)	(10,645)	(2.2)
Others	-	8	(100.0)
	<u>(2,193)</u>	<u>(5,365)</u>	(59.1)
1.3 Profit for the period as a percentage of revenue	7.3%	7.0%	
1.4 Profit attributable to shareholders as a percentage of share capital and reserves at end of the period	5.1%	4.5%	
1.5 The Group's tax charge in 1Q2018 included adjustments for overprovision of both current tax and deferred tax of \$2.8 million and \$1.4 million respectively in respect of prior years. (1Q2017: Adjustments for underprovision of current tax of \$0.4 million and overprovision of deferred tax of \$2.1 million.)			
1.6 Lower distribution and selling expenses in 1Q2018 (by \$7.2 million) arose mainly from lower allowance for doubtful debts for Aerospace and Marine sectors, partially offset by higher expenses incurred for the biennial Singapore Airshow.			
1.7 In 1Q2018, higher other operating expenses (by \$3.3 million) was incurred mainly for research and development activities.			
1.8 The lower other income, net in 1Q2018 (by \$3.1 million) was mainly attributable to loss on liquidation of a subsidiary, partially offset by higher government grants.			
1.9 There was no disposal of property during the period.			

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

	GROUP		
	2018 \$'000	2017 \$'000 Restated	+ / (-) %
Revenue reported for first quarter	1,646,564	1,510,517	9.0
Profit for the period reported for first quarter	120,032	106,428	12.8

1(c) EARNINGS PER ORDINARY SHARE ("EPS")

	GROUP		
	1Q2018	1Q2017 Restated	FY2017 Restated
EPS based on profit attributable to shareholders:	Cents	Cents	Cents
(i) Based on weighted average number of ordinary shares on issue	3.78	3.21	16.13
(ii) On a fully diluted basis	3.76	3.21	16.05

2 BALANCE SHEETS

	GROUP		COMPANY	
	31-Mar-18	31-Dec-17	31-Mar-18	31-Dec-17
	\$'000	\$'000	\$'000	\$'000
		Restated		Restated
ASSETS				
Non-current assets				
Property, plant and equipment	1,700,033	1,719,396	10,792	9,661
Subsidiaries	-	-	1,312,640	1,277,232
Associates and joint ventures	460,128	448,387	17,657	17,657
Investments	343,061	360,346	-	-
Intangible assets	1,081,381	1,087,412	-	-
Long-term trade receivables	1,080	-	-	-
Deferred tax assets	65,134	74,028	2,200	2,200
Amounts due from related parties	4,806	4,806	346,151	344,514
Advances and other receivables	20,294	20,406	-	-
Derivative financial instruments	36,505	33,082	-	-
Employee benefits	246	243	-	-
	3,712,668	3,748,106	1,689,440	1,651,264
Current assets				
Contract assets	987,455	939,073	-	-
Inventories	1,057,718	1,082,356	-	-
Trade receivables	874,342	940,725	-	-
Amounts due from related parties	15,159	28,271	301,557	388,894
Advances and other receivables	306,408	286,524	16,765	12,923
Short-term investments	804	357	-	-
Bank balances and other liquid funds	1,304,282	999,003	957,402	596,494
	4,546,168	4,276,309	1,275,724	998,311
TOTAL ASSETS	8,258,836	8,024,415	2,965,164	2,649,575
EQUITY AND LIABILITIES				
Current liabilities				
Contract liabilities	1,332,417	1,258,247	-	-
Advance payments from customers	7,018	5,809	-	-
Trade payables and accruals	1,665,793	1,599,739	12,800	21,019
Amounts due to related parties	104,470	104,042	833,153	545,066
Provisions	252,157	260,146	-	-
Provision for taxation	162,918	134,686	1,000	1,000
Borrowings	154,753	221,642	36,963	-
Deferred Income	285	630	-	-
Employee benefits	2,467	2,491	-	-
	3,682,278	3,587,432	883,916	567,085
NET CURRENT ASSETS	863,890	688,877	391,808	431,226

2 BALANCE SHEETS (cont'd)

	GROUP		COMPANY	
	31-Mar-18 \$'000	31-Dec-17 \$'000 Restated	31-Mar-18 \$'000	31-Dec-17 \$'000 Restated
Non-current liabilities				
Contract liabilities	594,710	521,787	-	-
Trade payables and accruals	87,657	131,843	9,646	7,608
Deferred tax liabilities	198,026	205,200	-	-
Borrowings	886,123	894,422	-	-
Deferred income	76,532	69,156	-	-
Employee benefits	105,067	102,669	-	-
Derivative financial instruments	16,673	15,553	-	-
Amounts due to related parties	-	17	656,107	667,594
	1,964,788	1,940,647	665,753	675,202
TOTAL LIABILITIES	5,647,066	5,528,079	1,549,669	1,242,287
NET ASSETS	2,611,770	2,496,336	1,415,495	1,407,288
Share capital and reserves				
Share capital	895,926	895,926	895,926	895,926
Treasury shares	(7,231)	(22,870)	(7,231)	(22,870)
Capital reserves	118,230	119,782	2,251	3,807
Other reserves	(83,593)	(67,480)	48,547	61,151
Retained earnings	1,403,657	1,289,653	476,002	469,274
	2,326,989	2,215,011	1,415,495	1,407,288
Non-controlling interests	284,781	281,325	-	-
	2,611,770	2,496,336	1,415,495	1,407,288
TOTAL EQUITY AND LIABILITIES	8,258,836	8,024,415	2,965,164	2,649,575

2(a) ANALYSIS OF BALANCE SHEETS

Compared to 31 December 2017, the increase in the Group's total assets was mainly attributable to increased bank balances and other liquid funds from higher cash generated from operations. The increase in total liabilities was mainly attributable to increases in both current and non-current contract liabilities.

2(b) BORROWINGS

	GROUP		COMPANY	
	As at 31-Mar-18 \$'000	As at 31-Dec-17 \$'000	As at 31-Mar-18 \$'000	As at 31-Dec-17 \$'000
<u>Amount repayable within one year</u>				
Secured	22,028	33,460	-	-
Unsecured	132,725	188,182	36,963	-
	<u>154,753</u>	<u>221,642</u>	<u>36,963</u>	<u>-</u>
<u>Amount repayable after one year</u>				
Secured	67,702	46,779	-	-
Unsecured	818,421	847,643	-	-
	<u>886,123</u>	<u>894,422</u>	<u>-</u>	<u>-</u>
Total	<u>1,040,876</u>	<u>1,116,064</u>	<u>36,963</u>	<u>-</u>

2(c) NET ASSET VALUE

	GROUP		
	1Q2018	1Q2017 Restated	FY2017 Restated
	Cents	Cents	Cents
Net asset value per ordinary share at end of the financial period/year	74.57	71.91	71.09

	COMPANY		
	1Q2018	1Q2017	FY2017
	Cents	Cents	Cents
Net asset value per ordinary share at end of the financial period/year	45.36	45.22	45.17

3 CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FIRST QUARTER ENDED 31 MARCH 2018

	GROUP	
	1Q2018	1Q2017
	\$'000	\$'000
		Restated
Cash flows from operating activities		
Profit before taxation	143,981	132,662
Adjustments:		
Share of results of associates and joint ventures, net of tax	(15,424)	(13,751)
Share-based payment expense	1,479	(2,229)
Depreciation charge	47,101	45,412
Property, plant and equipment written off	186	46
Amortisation of other intangible assets	10,084	6,596
Write-back of impairment loss on other intangible assets	(3)	-
(Gain)/loss on disposal of property, plant and equipment	(108)	38
Loss on disposal of investments, net	476	152
Loss on disposal of an associate	324	-
Loss on disposal of a subsidiary	4,752	-
Changes in fair value of financial instruments and hedged items	2,863	6,070
Changes in fair value of financial instruments held for trading	-	(6)
Interest expense	10,407	10,645
Interest income	(5,920)	(6,620)
Impairment of property, plant and equipment	-	429
Dividends from investments	-	(2)
Amortisation of deferred income	(16)	(15)
Operating profit before working capital changes	<u>200,182</u>	<u>179,427</u>
Changes in:		
Inventories	27,122	(23,978)
Contract assets	(48,382)	73,200
Trade receivables	57,190	166,395
Advance payments to suppliers	(4,040)	16,556
Other receivables, deposits and prepayments	(14,037)	39,378
Amount due from holding company and related corporations balances	12,737	1,772
Amount due to holding company and related corporations balances	1,599	2,352
Amount due from associates	8,509	2,858
Amount due from joint ventures	(5,286)	(3,703)
Contract liabilities	147,093	92,404
Trade payables	68,716	(66,240)
Advance payments from customers	665	(1,278)
Other payables, accruals and provisions	(19,829)	(64,943)
Loans to staff and third parties	(5)	(49)
Deferred income	7,392	(6,636)
Foreign currency translation of foreign operations	(1,381)	(2,533)
Cash generated from operations	<u>438,245</u>	<u>404,982</u>
Interest received	6,526	8,408
Income tax paid	<u>(14,053)</u>	<u>(13,856)</u>
Net cash from operating activities	<u>430,718</u>	<u>399,534</u>

3 CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FIRST QUARTER ENDED 31 MARCH 2018 (cont'd)

	GROUP	
	1Q2018	1Q2017
	\$'000	\$'000 Restated
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	621	430
Proceeds from sale and maturity of investments	27,400	129,372
Dividends from associates and a joint venture	5,956	21,990
Dividends from investments	-	2
Purchase of property, plant and equipment	(44,730)	(56,737)
Investment in an associate	(3,000)	-
Purchase of investments	(18,332)	(97,496)
Additions to other intangible assets	(12,096)	(12,013)
Net cash used in investing activities	(44,181)	(14,452)
Cash flows from financing activities		
Proceeds from bank loans	28,921	4,848
Proceeds from a loan from a joint venture	-	8,000
Repayment of bank loans	(85,972)	(10,304)
Repayment of other loans	(142)	(54)
Repayment of lease obligations	(162)	(187)
Repayment of loan to a joint venture	(4,000)	-
Proceeds from share options exercised with issuance of treasury shares	-	13,904
Capital contribution from non-controlling interests of subsidiaries	432	397
Dividends paid to non-controlling interests	(605)	-
Interest paid	(15,931)	(19,321)
Deposit discharged	2	2
Net cash used in financing activities	(77,457)	(2,715)
Net increase in cash and cash equivalents	309,080	382,367
Cash and cash equivalents at beginning of the period	997,614	903,632
Exchange difference on cash and cash equivalents at beginning of the period	(3,799)	(14,245)
Cash and cash equivalents at end of the period	1,302,895	1,271,754

3(a) ANALYSIS OF CONSOLIDATED STATEMENT OF CASH FLOWS

The Group ended the quarter with cash and cash equivalents (“CCE”) of \$1,303 million, \$31 million higher than the same quarter last year. The Group generated net cash of \$431 million from its operating activities compared to \$400 million in 1Q2017. The increase in net cash from operating activities was due to improved operating profits.

Net cash used in investing activities of \$44 million in 1Q2018 was invested in property, plant and equipment by Aerospace (\$24 million), Electronics (\$12 million), Land Systems (\$6 million) and Marine (\$1 million) sectors, and additions to intangible assets (\$12 million), partially offset by net proceeds from sale of investments (\$9 million).

Net cash used in financing activities of \$77 million in 1Q2018 was used to repay loans (\$61 million) and interest due (\$16 million).

4 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FIRST QUARTER ENDED 31 MARCH 2018

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

	GROUP		
	1Q2018	1Q2017	+ / (-)
	\$'000	\$'000	%
		Restated	
Profit for the period	120,032	106,428	12.8
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
Net fair value changes on available-for-sale financial assets	(4,377)	5,412	(180.9)
Realisation of fair value reserve on sale of available-for-sale financial assets	(12)	-	NM
Net fair value changes on cash flow hedges	3,798	12,999	(70.8)
Share of net fair value changes on cash flow hedges of a joint venture and an associate	199	83	139.8
Foreign currency translation differences	(6,061)	(47,504)	(87.2)
Share of foreign currency translation differences of associates and joint ventures	(602)	(7,090)	(91.5)
Reclassification of foreign currency translation reserve to profit or loss arising from disposal of foreign entities	4,752	-	NM
Other comprehensive income for the period, net of tax	(2,303)	(36,100)	(93.6)
Total comprehensive income for the period, net of tax	117,729	70,328	67.4
Total comprehensive income attributable to:			
Shareholders of the Company	114,042	62,476	82.5
Non-controlling interests	3,687	7,852	(53.0)
	117,729	70,328	67.4

NM: *Not Meaningful*

5 STATEMENT OF CHANGES IN EQUITY FOR THE FIRST QUARTER ENDED 31 MARCH 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
Balance at 1.1.2017 as previously reported	895,926	(44,081)	113,184	(56,653)	1,273,886	2,182,262	261,934	2,444,196
Impact of change in accounting policy	-	-	-	(77)	(15,707)	(15,784)	-	(15,784)
Restated balance at 1.1.2017	895,926	(44,081)	113,184	(56,730)	1,258,179	2,166,478	261,934	2,428,412
Total comprehensive income for the period								
Restated Profit for the period	-	-	-	-	99,892	99,892	6,536	106,428
Other comprehensive income								
Net fair value changes on available-for-sale financial assets	-	-	-	5,412	-	5,412	-	5,412
Net fair value changes on cash flow hedges	-	-	-	9,376	-	9,376	3,623	12,999
Share of net fair value changes on cash flow hedges of an associate	-	-	-	83	-	83	-	83
Foreign currency translation differences	-	-	-	(45,197)	-	(45,197)	(2,307)	(47,504)
Share of foreign currency translation differences of associates and joint ventures	-	-	-	(7,090)	-	(7,090)	-	(7,090)
<i>Restated other comprehensive income for the period, net of tax</i>	-	-	-	(37,416)	-	(37,416)	1,316	(36,100)
Restated Total comprehensive income for the period, net of tax	-	-	-	(37,416)	99,892	62,476	7,852	70,328
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
Cost of share-based payment	-	-	-	(2,221)	-	(2,221)	(8)	(2,229)
Treasury shares reissued pursuant to share plans	-	23,996	2,675	(12,709)	-	13,962	(58)	13,904
<i>Total contributions by and distributions to owners of the Company</i>	-	23,996	2,675	(14,930)	-	11,741	331	12,072
Total transactions with owners of the Company	-	23,996	2,675	(14,930)	-	11,741	331	12,072
Transfer from retained earnings to statutory reserve	-	-	-	90	(90)	-	-	-
Restated balance as at 31.03.2017	895,926	(20,085)	115,859	(108,986)	1,357,981	2,240,695	270,117	2,510,812

5 STATEMENT OF CHANGES IN EQUITY FOR THE FIRST QUARTER ENDED 31 MARCH 2018 (cont'd)

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
Balance at 1.1.2018 as previously reported	895,926	(22,870)	119,782	(67,480)	1,289,653	2,215,011	281,325	2,496,336
Impact of change in accounting policy	-	-	-	-	(3,597)	(3,597)	(609)	(4,206)
Restated 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 period								
Profit for the period	-	-	-	-	117,695	117,695	2,337	120,032
Other comprehensive income								
Net fair value changes on available-for-sale financial assets	-	-	-	(4,377)	-	(4,377)	-	(4,377)
Realisation of fair value reserve on sale of available-for-sale financial assets	-	-	-	(12)	-	(12)	-	(12)
Net fair value changes on cash flow hedges	-	-	-	3,122	-	3,122	676	3,798
Share of net fair value changes on cash flow hedges of a joint venture	-	-	-	199	-	199	-	199
Foreign currency translation differences	-	-	-	(6,735)	-	(6,735)	674	(6,061)
Share of foreign currency translation differences of associates and joint ventures	-	-	-	(602)	-	(602)	-	(602)
Reclassification of foreign currency translation reserve to profit or loss arising from disposal of foreign entities	-	-	-	4,752	-	4,752	-	4,752
<i>Other comprehensive income for the period, net of tax</i>	-	-	-	(3,653)	-	(3,653)	1,350	(2,303)
Total comprehensive income for the period, net of tax	-	-	-	(3,653)	117,695	114,042	3,687	117,729
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	-	-	-	1,469	-	1,469	10	1,479
Treasury shares reissued pursuant to share plans	-	15,639	(1,552)	(14,023)	-	64	(64)	-
<i>Total contributions by and distributions to owners of the Company</i>	-	15,639	(1,552)	(12,554)	-	1,533	378	1,911
Changes in ownership interests in subsidiaries								
Total transactions with owners of the Company	-	15,639	(1,552)	(12,554)	-	1,533	378	1,911
Transfer from retained earnings to statutory reserve	-	-	-	94	(94)	-	-	-
At 31.03.2018	895,926	(7,231)	118,230	(83,593)	1,403,657	2,326,989	284,781	2,611,770

5 STATEMENT OF CHANGES IN EQUITY FOR THE FIRST QUARTER ENDED 31 MARCH 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 period						
Profit for the period	-	-	-	-	10,810	10,810
Total comprehensive income for the period	-	-	-	-	10,810	10,810
Transactions with owners of the Company, recognised directly in equity						
Contributions by and distributions to owners of the Company						
Cost of share-based payment	-	-	-	(2,229)	-	(2,229)
Treasury shares reissued pursuant to share plans	-	23,996	2,675	(12,767)	-	13,904
<i>Total contributions by and distributions to owners of the Company</i>	-	23,996	2,675	(14,996)	-	11,675
At 31.03.2017	895,926	(20,085)	(116)	50,235	483,303	1,409,263
At 1.1.2018	895,926	(22,870)	3,807	61,151	469,274	1,407,288
Total comprehensive income for the period						
Profit for the period	-	-	-	-	6,728	6,728
Total comprehensive income for the period	-	-	-	-	6,728	6,728
Transactions with owners of the Company, recognised directly in equity						
Contributions by and distributions to owners of the Company						
Cost of share-based payment	-	-	-	1,479	-	1,479
Treasury shares reissued pursuant to share plans	-	15,639	(1,556)	(14,083)	-	-
<i>Total contributions by and distributions to owners of the Company</i>	-	15,639	(1,556)	(12,604)	-	1,479
At 31.03.2018	895,926	(7,231)	2,251	48,547	476,002	1,415,495

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

As at 31 March 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 2,141,437 were held by the Company as treasury shares (31 December 2017: 6,772,773).

	Number of Shares
	1Q2018
As at beginning and end of the quarter (including treasury shares)	3,122,495,197
As at end of the quarter (excluding treasury shares)	3,120,353,760
As at 31 December 2017 (excluding treasury shares)	3,115,722,424

Singapore Technologies Engineering Share Option Plan (ESOP)

As at 31 March 2018, there was no outstanding balance of unexercised options of unissued ordinary shares under the terminated ESOP (31 March 2017: 4,874,972). All options have expired as of 31 December 2017.

Singapore Technologies Engineering Performance Share Plan 2010 (PSP 2010)

As at 31 March 2018, the total number of contingent shares granted conditionally but not released was 4,882,392 (31 March 2017: 5,297,029). Based on the achievement factor, the actual release of the awards could range from zero to a maximum of 8,300,066 (31 March 2017: 9,004,949) ordinary shares of the Company.

Singapore Technologies Engineering Restricted Share Plan 2010 (RSP 2010)

As at 31 March 2018, the total number of contingent shares granted conditionally but not released was 5,264,379 (31 March 2017: up to a maximum of 8,011,406).

As at 31 March 2018, the total number of unvested awards was 6,983,439 (31 March 2017: 5,860,866) ordinary shares of the Company.

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

Treasury Shares

During the quarter and prior year quarter, the Company did not purchase any ordinary shares by way of open market acquisitions.

During the quarter, 4,631,336 treasury shares were utilised pursuant to the RSP 2010 and PSP 2010. In the prior year quarter, 7,560,471 treasury shares were utilised pursuant to the Singapore Technologies Engineering Share Option Plan (ESOP) and RSP 2010. All ESOP options have expired in 2017.

As at 31 March 2018, the number of treasury shares held by the Company represented 0.07% (31 March 2017: 0.20%) of the total number of issued shares (excluding treasury shares).

<u>Group and Company</u>	Number of Shares for the Quarter ended 31.03.2018
As at beginning of the year/quarter	6,772,773
Treasury shares transferred on vesting of RSP 2010	(3,788,548)
Treasury shares transferred on vesting of PSP 2010	(842,788)
As at end of the quarter	2,141,437

6 **AUDIT**

The figures have not been audited or reviewed by the Company's auditors.

7 **AUDITORS' REPORT**

Not applicable.

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

1Q2018 vs 1Q2017

\$m	1Q2018	1Q2017 Restated	Increase/(Decrease)	
Aerospace	599	548	51	9%
Electronics	605	496	109	22%
Land Systems	281	273	8	3%
Marine	150	179	(29)	(16%)
Others	12	15	(3)	(20%)
Total	1,647	1,511	136	9%

In 1Q2018, the Group delivered revenue of \$1,647 million, 9% or \$136 million higher than 1Q2017. All sectors except Marine sector and “Others” delivered better performance.

Aerospace sector’s revenue in 1Q2018 of \$599 million was 9% or \$51 million higher than 1Q2017. All business groups contributed to the improved performance, with notable increases from **Component/Engine Repair and Overhaul** and **Aircraft Maintenance & Modification** business groups.

In 1Q2018, Electronics sector delivered revenue of \$605 million, an increase of 22% or \$109 million compared to 1Q2017, from higher project revenue recognition from all three business groups.

Land Systems sector’s revenue of \$281 million was 3% or \$8 million higher than in 1Q2017, from higher project revenue recognition from **Automotive** business group. The increase was partially offset by lower sales from **Munitions & Weapon** and **Services, Trading and Others** business groups.

In 1Q2018, Marine sector revenue of \$150 million came in 16% or \$29 million lower than 1Q2017, with decreased revenue recognised for both **Shipbuilding** and **Shiprepair** business groups.

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

10 REVIEW OF GROUP PERFORMANCE (cont'd)

10(b) Profitability
1Q2018 vs 1Q2017

\$m	1Q2018	1Q2017 Restated	Increase/(Decrease)	
Aerospace	59.2	56.1	3.1	6%
Electronics	40.3	32.8	7.5	23%
Land Systems	15.6	11.6	4.0	34%
Marine	8.7	8.1	0.6	7%
Others	(6.1)	(8.7)	2.6	NM
Total	117.7	99.9	17.8	18%

In 1Q2018, the Group achieved profit attributable to shareholders (Net Profit) of \$117.7 million, 18% or \$17.8 million higher than 1Q2017. All sectors and "Others" contributed to the increase.

Aerospace sector contributed Net Profit of \$59.2 million, 6% or \$3.1m higher than that of 1Q2017. The improved performance was mainly attributable to higher gross profit in line with higher revenue and lower share of profits to non-controlling interests, partially offset by higher operating expenses and realised foreign currency translation loss on liquidation of subsidiaries.

In 1Q2018, Electronics sector delivered Net Profit of \$40.3 million, 23% or \$7.5 million higher than 1Q2017. The increase in Net Profit was largely driven by higher gross profit, in line with higher revenue, and increased other income, partially offset by share of higher loss from a joint venture and higher tax expenses.

Land Systems sector's Net Profit of \$15.6 million was 34% or \$4.0 million higher than 1Q2017, driven by increased gross profit and higher other income, partially offset by higher operating expenses and share of lower profits from associates and a joint venture.

Marine sector's Net Profit of \$8.7 million in 1Q2018 was 7% or \$0.6 million higher than 1Q2017, largely driven by lower allowance for doubtful debts partly offset by weak industry conditions and US operations.

"Others" incurred lower losses in 1Q2018 due mainly to contributions from an associate, Experia Events Pte. Ltd., the organiser of biennial Singapore Airshow 2018.

11 **VARIANCE FROM PROSPECTS STATEMENT**

No first quarter forecast was previously provided.

12 **PROSPECTS**

Group

The Group started the year with healthy revenue growth and net profit. We also secured numerous contracts including Smart City projects in the past quarter. With a strong order book, the Group remains on track for steady growth.

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**

No interim dividend for the period ended 31 March 2018 is recommended.

14 BUSINESS SEGMENTAL INFORMATION
By Business Activity

	1Q2018						Group
	Aerospace	Electronics	Land Systems	Marine	Others	Elimination	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue							
External sales	598,611	604,468	281,196	149,922	12,367	-	1,646,564
Inter-segment sales	990	4,653	4,589	34	849	(11,115)	-
	<u>599,601</u>	<u>609,121</u>	<u>285,785</u>	<u>149,956</u>	<u>13,216</u>	<u>(11,115)</u>	<u>1,646,564</u>
Reportable segment profit from operations	69,360	46,650	11,251	7,820	(48,045)	35,085	122,121
Other income	3,806	6,324	4,886	1,593	42,693	(45,597)	13,705
Other expenses	(6,192)	(49)	(146)	(7)	(2)	1,320	(5,076)
Finance income	3,475	635	656	662	31,564	(21,924)	15,068
Finance costs	(4,432)	(1,924)	(1,609)	(1,081)	(24,149)	15,934	(17,261)
Share of results of associates and joint ventures, net of tax	10,262	(3,299)	2,001	259	-	6,201	15,424
Profit before taxation	<u>76,279</u>	<u>48,337</u>	<u>17,039</u>	<u>9,246</u>	<u>2,061</u>	<u>(8,981)</u>	<u>143,981</u>
Taxation	(14,945)	(7,849)	(1,448)	(556)	794	55	(23,949)
Non-controlling interests	<u>(2,157)</u>	<u>(177)</u>	<u>(3)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,337)</u>
Profit attributable to shareholders	<u>59,177</u>	<u>40,311</u>	<u>15,588</u>	<u>8,690</u>	<u>2,855</u>	<u>(8,926)</u>	<u>117,695</u>
Other assets	2,898,570	1,985,521	1,557,798	891,582	5,233,930	(4,768,693)	7,798,708
Associates and joint ventures	<u>251,844</u>	<u>51,423</u>	<u>110,303</u>	<u>10,745</u>	<u>28,486</u>	<u>7,327</u>	<u>460,128</u>
Segment assets	<u>3,150,414</u>	<u>2,036,944</u>	<u>1,668,101</u>	<u>902,327</u>	<u>5,262,416</u>	<u>(4,761,366)</u>	<u>8,258,836</u>
Segment liabilities	<u>2,128,403</u>	<u>1,718,729</u>	<u>1,330,069</u>	<u>778,282</u>	<u>3,005,430</u>	<u>(3,313,847)</u>	<u>5,647,066</u>
Capital expenditure	29,230	16,896	6,448	1,346	1,833	-	55,753
Depreciation and amortisation	26,208	13,167	9,038	7,348	1,435	(11)	57,185
Write-back of impairment loss	(3)	-	-	-	-	-	(3)
Other non-cash expenses	123	4	5	-	54	-	186

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

	1Q2017 (Restated)						
	Aerospace	Electronics	Land Systems	Marine	Others	Elimination	Group
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue							
External sales	547,886	495,846	272,658	179,227	14,900	-	1,510,517
Inter-segment sales	5,770	8,929	5,045	-	1,307	(21,051)	-
	<u>553,656</u>	<u>504,775</u>	<u>277,703</u>	<u>179,227</u>	<u>16,207</u>	<u>(21,051)</u>	<u>1,510,517</u>
Reportable segment							
profit from operations	63,373	34,945	11,687	7,726	(23,453)	18,316	112,594
Other income	5,295	3,863	3,742	1,198	27,908	(30,286)	11,720
Other expenses	(1,319)	(16)	(320)	(78)	-	1,695	(38)
Finance income	3,756	415	689	492	45,579	(37,680)	13,251
Finance costs	(3,222)	(2,236)	(2,862)	(583)	(36,301)	26,588	(18,616)
Share of results of							
associates and joint							
ventures, net of tax	10,295	305	3,307	262	-	(418)	13,751
Profit before taxation	78,178	37,276	16,243	9,017	13,733	(21,785)	132,662
Taxation	(15,510)	(4,716)	(4,404)	(940)	1,570	(2,234)	(26,234)
Non-controlling interests	(6,541)	229	(224)	-	-	-	(6,536)
Profit attributable to							
shareholders	<u>56,127</u>	<u>32,789</u>	<u>11,615</u>	<u>8,077</u>	<u>15,303</u>	<u>(24,019)</u>	<u>99,892</u>
Other assets	2,723,676	1,920,046	1,606,390	879,988	5,250,101	(4,690,219)	7,689,982
Associates and							
joint ventures	238,274	1,870	120,644	8,915	17,657	2,924	390,284
Segment assets	<u>2,961,950</u>	<u>1,921,916</u>	<u>1,727,034</u>	<u>888,903</u>	<u>5,267,758</u>	<u>(4,687,295)</u>	<u>8,080,266</u>
Segment liabilities	<u>1,953,004</u>	<u>1,641,240</u>	<u>1,480,970</u>	<u>721,503</u>	<u>3,056,920</u>	<u>(3,284,161)</u>	<u>5,569,476</u>
Capital expenditure	36,281	24,619	7,470	313	802	-	69,485
Depreciation and							
amortisation	25,798	10,323	7,716	6,860	1,322	(11)	52,008
Impairment losses	-	-	429	-	-	-	429
Other non-cash expenses	40	5	1	-	-	-	46

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

For Revenue and Net Profit of 1Q2018 vis-à-vis 1Q2017, please refer to paragraph 10.

	Profit Before Tax		
	1Q2018	1Q2017	+ / (-)
	\$'000	\$'000	%
		Restated	
Aerospace	76,279	78,178	(2.4)
Electronics	48,337	37,276	29.7
Land Systems	17,039	16,243	4.9
Marine	9,246	9,017	2.5
Others	(6,920)	(8,052)	NM
Group	<u>143,981</u>	<u>132,662</u>	<u>8.5</u>

By Geographical Areas

	Revenue			
	1Q2018		1Q2017	
	\$'000	%	\$'000	%
			Restated	
Asia	1,075,595	65.3	927,459	61.4
USA	308,184	18.7	347,693	23.0
Europe	175,135	10.7	147,731	9.8
Others	87,650	5.3	87,634	5.8
Total	<u>1,646,564</u>	<u>100</u>	<u>1,510,517</u>	<u>100</u>

By Country of Incorporation

	Revenue			
	1Q2018		1Q2017	
	\$'000	%	\$'000	%
			Restated	
Asia	1,233,587	74.9	1,055,826	69.9
USA	267,038	16.2	319,560	21.2
Europe	126,587	7.7	122,945	8.1
Others	19,352	1.2	12,186	0.8
Total	<u>1,646,564</u>	<u>100</u>	<u>1,510,517</u>	<u>100</u>

14 BUSINESS SEGMENTAL INFORMATION (cont'd)

	Non-Current Assets ⁺			
	1Q2018		1Q2017	
	\$'000	%	\$'000	%
			Restated	
Asia	2,050,099	56.8	2,129,064	60.4
USA	890,909	24.7	841,824	23.9
Europe	577,093	16.0	459,678	13.0
Others	92,682	2.5	93,370	2.7
Total	3,610,783	100	3,523,936	100

⁺ Non-current assets for the purpose of FRS 108 *Operating Segments* excludes derivative financial instruments, employee benefits and deferred tax assets.

15 INTERESTED PERSON TRANSACTIONS (unaudited)

Aggregate value of all transactions conducted under a shareholders mandate pursuant to Rule 920 of the SGX Listing Manual

	1Q2018	1Q2017
	\$'000	\$'000
Transactions for the Sale of Goods and Services		
SATS Ltd. and its Associates	597	-
Singapore Airlines Limited and its Associates	294	-
Singapore Telecommunications Limited and its Associates	448	-
Temasek Holdings (Private) Limited and its Associates (non-listed)	16,521	5,247
	17,860	5,247
Transactions for the Purchase of Goods and Services		
SATS Ltd. and its Associates	1,657	713
SembCorp Industries Ltd and its Associates	1,953	-
Singapore Telecommunications Limited and its Associates	579	165
StarHub Ltd and its Associates	-	454
Temasek Holdings (Private) Limited and its Associates (non-listed)	9,402	2,391
	13,591	3,723
Total Interested Person Transactions	31,451	8,970

16 **CONFIRMATION PURSUANT TO RULE 705(5) OF THE LISTING MANUAL**

The Board has confirmed that to the best of its knowledge, nothing has come to its attention which may render the unaudited interim financial results of the Group comprising the balance sheets (Group and Company), consolidated income statement, consolidated statement of comprehensive income, statement of changes in equity (Group and Company) and consolidated statement of cash flows and the accompanying notes for the first quarter ended 31 March 2018 to be false or misleading in any material respect.

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).

BY ORDER OF THE BOARD

KAREN NG KWEE LIAN
Company Secretary
11 May 2018

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