

# News Release

## ST Engineering Delivers Higher Net Profit for 2Q2018 vs 2Q2017

<b>FINANCIAL HIGHLIGHTS</b>						
<b>For the second quarter ended</b>						
<b>30 June 2018</b>						
	<b>2018 2Q</b>	<b>2017 2Q (Restated)*</b>	<b>Growth %</b>	<b>2018 1H</b>	<b>2017 1H (Restated)*</b>	<b>Growth %</b>
Revenue (\$m)	1,651	1,707	(3)	3,298	3,218	2
Earnings before interest and tax (EBIT) (\$m)	144.5	125.3	15	266.6	237.8	12
Other income, net (\$m)	19.2	10.7	80	27.9	22.4	25
Finance costs, net (\$m)	(25.8)	(3.5)	NM	(28.0)	(8.9)	NM
- MTN early redemption	(15.3)	-	NM	(15.3)	-	NM
- Disposal of bond investments	(4.4)	0.1	NM	(4.9)	(0.1)	NM
- Others	(6.1)	(3.6)	69	(7.8)	(8.8)	(11)
Profit before tax (PBT) (\$m)	150.4	144.0	4	294.4	276.7	6
Profit attributable to shareholders (\$m)	117.5	106.8	10	235.2	206.7	14
Earnings per share (cents)	3.77	3.43	10	7.55	6.64	14

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 \$13.4b at end June 2018, of which about \$2.7b is expected to be delivered in the remaining months of 2018
- Commercial sales and defence sales constituted 72% or \$1.2b and 28% or \$0.5b respectively
- Economic value added for first half of 2018 was \$129.0m (1H2017: \$107.1m)
- Cash and cash equivalents including funds under management totalled \$1.2b

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

**Singapore, 8 August 2018** - Singapore Technologies Engineering Ltd (ST Engineering) today announced financial results for its second quarter ended 30 June 2018 (2Q2018). The Group ended the quarter with revenue of \$1.65b, down 3% year-on-year from \$1.71b in the absence of the one-time revenue increase for the Electronics sector in 2Q2017 from the modification of revenue recognition estimates<sup>1</sup>. Profit Attributable to Shareholders (Net Profit) for 2Q2018 grew 10% to \$117.5m from \$106.8m a year ago.

Following the Group's announcement in mid-June 2018 to redeem all of the outstanding US\$500,000,000 4.80% Notes due 2019<sup>2</sup>, it accrued the one-time interest cost of \$15.3m in 2Q2018. The Group expects the interest savings to exceed the one-time cost over the next twelve months.

At the business sector level compared to the same period last year, revenue for the Aerospace sector was \$713m, up 12% from \$639m and its Net Profit grew 26% to \$66.6m from \$52.9m. Revenue for the Electronics sector was 10% down from \$572m to \$512m due to the absence of the one-time revenue increase in 2Q2017<sup>1</sup>, and its Net Profit was up 22% to \$46.7m from \$38.2m. Revenue for the Land Systems sector was \$270m, down 11% from \$302m mainly due to timing of project deliveries, and its Net Profit of \$20.4m was 3% lower compared to \$21.1m. The Marine sector posted revenue of \$148m, down 9% from \$163m and its Net Profit was \$9.2m, compared to a net loss of \$1.4m in 2Q2017.

---

<sup>1</sup> The modification of revenue recognition estimates in 2Q2017 was for long-term contracts from milestone completion per customer acceptance to monthly work done.

<sup>2</sup> The Notes were issued under its US\$1.2b Multicurrency Medium Term Note Programme, and the early redemption was completed on 16 July 2018.

Commercial sales and defence sales accounted for 72% and 28% of the Group's 2Q2018 revenue respectively. Order book remained strong at \$13.4b, and the Group expects to deliver \$2.7b of orders in the rest of 2018. Cash and cash equivalents including funds under management as at 30 June 2018 was \$1.2b.

### **Six Months Results: 1H2018 versus 1H2017**

Group revenue for the first half of 2018 (1H2018) was \$3.30b compared to \$3.22b in the same period last year, and 1H2018 Net Profit was \$235.2m, up 14% year-on-year from \$206.7m.

The Aerospace sector posted revenue of \$1.31b, up 10% from \$1.19b and Net Profit grew 15% to \$125.7m from \$109.0m. Revenue for the Electronics sector was \$1.12b, up 5% from \$1.07b and its Net Profit was 23% higher at \$87.0m from \$71.0m. Revenue for the Land Systems sector fell 4% to \$551m from \$574m but its Net Profit rose 10% to \$36.0m from \$32.7m due to favourable sales mix. While revenue for the Marine sector was \$298m, 13% lower than \$342m, its Net Profit improved 168% to \$17.9m from \$6.7m mainly due to lower allowance for doubtful debts.

*“Our Aerospace and Electronics sectors delivered strong 2Q2018 earnings. Our order book remained robust at \$13.4b, contributed by new orders including those in the Smart City spaces. On the whole, we are tracking well on our strategy of strengthening our core as well as actively pursuing growth opportunities in defence exports and Smart City projects.”*

**Vincent Chong, President & CEO, ST Engineering**

### **Interim Dividend**

The Board has approved to maintaining the interim dividend at 5.0 cents per ordinary share, similar to the interim dividend payouts in the last three years. Shareholders will receive the payment on 28 August 2018.

### **New Orders in 2Q2018**

The Group announced new contracts worth about \$1.27b in the second quarter. Of these, \$510m was from the Aerospace sector for services ranging from heavy maintenance to engine wash and aircraft interior reconfiguration including a heavy maintenance contract to support a cargo airline in servicing its Boeing 767-300s, and a contract to perform cabin reconfiguration for part of Air Canada's A330-300 fleet. The Electronics secured about \$764m worth of new contracts, mainly for its Smart City solutions in mobility, satellite communications, Internet of Things, public safety & security and cybersecurity, as well as defence solutions.

In addition to these new contracts, the Land Systems sector secured orders for its weapons and munitions from customers in Asia, Europe and Middle East, as well as for its Road Construction Equipment and Specialty Vehicles from customers in Asia, Latin America and North America. The Marine sector secured ship repair projects in Singapore and the US.

\*\*\*

**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 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, SGX ESG Transparency Index and SGX ESG Leaders Index.

For further enquiries, please contact:

Lina Poa

Head, Corporate Communications & Investor Relations

Email: [linapoa@stengg.com](mailto:linapoa@stengg.com) Tel: (65) 6722 1883

**FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2018**
**TABLE OF CONTENTS**

<u>Paragraph</u>	<u>Description</u>	<u>Page</u>
	<b>FINANCIAL STATEMENTS AND RELATED ANNOUNCEMENT</b>	<b>1 – 25</b>
1	CONSOLIDATED INCOME STATEMENT	1 – 3
2	BALANCE SHEETS	4 – 6
3	CONSOLIDATED STATEMENT OF CASH FLOWS	7 – 9
4	CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	9
5	STATEMENT OF CHANGES IN EQUITY	10 – 14
6	AUDIT	14
7	AUDITORS' REPORT	14
8	ACCOUNTING POLICIES	14
9	CHANGES IN ACCOUNTING POLICIES	15
10	REVIEW OF GROUP PERFORMANCE	16 – 17
11	VARIANCE FROM PROSPECTS STATEMENT	18
12	PROSPECTS	18
13	DIVIDENDS	19
14	BUSINESS SEGMENTAL INFORMATION	20 – 23
15	ECONOMIC VALUE ADDED (EVA)	23
16	INTERESTED PERSON TRANSACTIONS	24
17	CONFIRMATION BY THE BOARD	24
18	CONFIRMATION OF DIRECTORS AND EXECUTIVE OFFICERS' UNDERTAKINGS PURSUANT TO LISTING RULE 720(1)	25

**SINGAPORE TECHNOLOGIES ENGINEERING LTD**  
**UNAUDITED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2018**
**1 CONSOLIDATED INCOME STATEMENT FOR THE SECOND QUARTER ENDED 30 JUNE 2018**

	<b>GROUP</b>					
	<b>2Q2018</b>	<b>2Q2017</b>	<b>+ / (-)</b>	<b>1H2018</b>	<b>1H2017</b>	<b>+ / (-)</b>
	\$'000	\$'000	%	\$'000	\$'000	%
		(Restated)			(Restated)	
<b>Revenue</b>	<b>1,651,126</b>	<b>1,707,011</b>	<b>(3.3)</b>	<b>3,297,690</b>	<b>3,217,528</b>	<b>2.5</b>
Cost of sales	(1,301,209)	(1,390,749)	(6.4)	(2,621,866)	(2,588,132)	1.3
<b>Gross profit</b>	<b>349,917</b>	<b>316,262</b>	<b>10.6</b>	<b>675,824</b>	<b>629,396</b>	<b>7.4</b>
Distribution and selling expenses (refer to para 1.6)	(46,388)	(38,717)	19.8	(95,763)	(95,280)	0.5
Administrative expenses	(127,559)	(125,757)	1.4	(249,766)	(240,859)	3.7
Other operating expenses (refer to para 1.7)	(31,453)	(26,537)	18.5	(63,657)	(55,412)	14.9
<b>Profit from operations</b>	<b>144,517</b>	<b>125,251</b>	<b>15.4</b>	<b>266,638</b>	<b>237,845</b>	<b>12.1</b>
Other income	19,221	10,672	80.1	32,926	22,354	47.3
Other expenses	-	-	NM	(5,076)	-	NM
Other income, net (refer to para 1.8)	19,221	10,672	80.1	27,850	22,354	24.6
Finance income	16,826	9,273	81.5	24,502	22,035	11.2
Finance costs	(42,633)	(12,802)	233.0	(52,502)	(30,929)	69.8
Finance costs, net	(25,807)	(3,529)	>500	(28,000)	(8,894)	214.8
Share of results of associates and joint ventures, net of tax	12,470	11,646	7.1	27,894	25,397	9.8
<b>Profit before taxation</b>	<b>150,401</b>	<b>144,040</b>	<b>4.4</b>	<b>294,382</b>	<b>276,702</b>	<b>6.4</b>
Taxation	(29,277)	(29,139)	0.5	(53,226)	(55,373)	(3.9)
<b>Profit for the period</b>	<b>121,124</b>	<b>114,901</b>	<b>5.4</b>	<b>241,156</b>	<b>221,329</b>	<b>9.0</b>
Attributable to:						
<b>Shareholders of the Company</b>	<b>117,498</b>	<b>106,794</b>	<b>10.0</b>	<b>235,193</b>	<b>206,686</b>	<b>13.8</b>
Non-controlling interests	3,626	8,107	(55.3)	5,963	14,643	(59.3)
	<b>121,124</b>	<b>114,901</b>	<b>5.4</b>	<b>241,156</b>	<b>221,329</b>	<b>9.0</b>

NM: *Not Meaningful*

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**

	<b>GROUP</b>					
	<b>2Q2018</b>	<b>2Q2017</b>	<b>+ / (-)</b>	<b>1H2018</b>	<b>1H2017</b>	<b>+ / (-)</b>
	\$'000	\$'000	%	\$'000	\$'000	%
		(Restated)			(Restated)	
1.1 Profit from operations is arrived at after charging the following:						
Depreciation and amortisation	58,245	51,753	12.5	115,430	103,761	11.2
The higher depreciation and amortisation in 2Q2018 was contributed by all sectors mainly from acquisitions and capital expenditures in 2H2017.						
(Write-back)/allowance for doubtful debts & bad debts	(2,579)	(206)	>500	(1,590)	17,513	NM
The higher write-back of doubtful debts in 2Q2018 was due mainly to collections received by Aerospace, Electronics and Land Systems sectors.						
Allowance for inventory obsolescence, net	10,882	3,765	189.0	21,507	10,568	103.5
The higher allowance for inventory obsolescence in 2Q2018 came mainly from the Aerospace sector.						
1.2 Finance costs, net comprises:						
Interest income	7,969	6,493	22.7	13,889	13,113	5.9
Foreign exchange (loss)/gain, net	(12,162)	1,827	NM	(6,529)	6,701	NM
Fair value changes of financial instruments / hedged items	8,522	(1,272)	NM	5,659	(7,342)	NM
(Loss)/gains on disposal of investments, net	(4,406)	65	NM	(4,882)	(87)	>500
Impairment loss on investment	-	(251)	(100.0)	-	(251)	(100.0)
Interest expenses	(25,731)	(10,453)	146.2	(36,138)	(21,098)	71.3
Others	1	62	(98.4)	1	70	(98.6)
	<u>(25,807)</u>	<u>(3,529)</u>	>500	<u>(28,000)</u>	<u>(8,894)</u>	214.8
The higher interest expense in 2Q2018 was due mainly to the one-time interest cost accrued for the early redemption of the Group's outstanding Notes issued under the Multicurrency Medium Term Note Programme.						
1.3 Profit for the period as a percentage of revenue	7.3%	6.7%		7.3%	6.9%	
1.4 Profit attributable to shareholders as a percentage of share capital and reserves at end of the period	5.5%	5.1%		10.9%	9.9%	
1.5 The Group's tax charge in 2Q2018 included adjustments for underprovision of both current tax and deferred tax of \$1.2 million and \$0.1 million respectively in respect of prior years. (2Q2017: Adjustments for overprovision of \$0.1 million and \$0.6 million for current tax and deferred tax respectively.)						
1.6 Higher distribution and selling expenses in 2Q2018 (by \$7.7 million) arose mainly from higher staff related and business development expenses.						
1.7 In 2Q2018, higher other operating expenses (by \$4.9 million) was incurred mainly for research and development activities.						
1.8 The higher other income, net in 2Q2018 (by \$8.5 million) was mainly attributable to gain on divestment of an associate.						
1.9 There was no disposal of property during the period.						

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

	<b>GROUP</b>		
	<b>2018</b> \$'000	<b>2017</b> \$'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
Revenue reported for second quarter	1,651,126	1,707,011	(3.3)
Profit for the period reported for second quarter	121,124	114,901	5.4
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

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

	<b>GROUP</b>				
	<b>2Q2018</b>	<b>2Q2017</b> (Restated)	<b>1H2018</b>	<b>1H2017</b> (Restated)	<b>FY2017</b> (Restated)
EPS based on profit attributable to shareholders:	Cents	Cents	Cents	Cents	Cents
(i) Based on weighted average number of ordinary shares on issue	3.77	3.43	7.55	6.64	16.13
(ii) On a fully diluted basis	3.75	3.43	7.50	6.64	16.05



**2 BALANCE SHEETS**

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>30-Jun-18</b>	<b>31-Dec-17</b>	<b>30-Jun-18</b>	<b>31-Dec-17</b>
	\$'000	\$'000	\$'000	\$'000
		(Restated)		(Restated)
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	1,620,817	1,719,396	12,826	9,661
Subsidiaries	-	-	1,316,773	1,277,232
Associates and joint ventures	449,687	448,387	17,657	17,657
Investments	55,946	360,346	-	-
Intangible assets	1,116,815	1,087,412	-	-
Long-term trade receivables	1,059	-	-	-
Deferred tax assets	72,047	74,028	2,200	2,200
Amounts due from related parties	4,806	4,806	355,542	344,514
Advances and other receivables	20,732	20,406	-	-
Derivative financial instruments	13,447	33,082	-	-
Employee benefits	241	243	-	-
	<b>3,355,597</b>	<b>3,748,106</b>	<b>1,704,998</b>	<b>1,651,264</b>
<b>Current assets</b>				
Contract assets	1,162,874	939,073	-	-
Inventories	1,167,741	1,082,356	-	-
Trade receivables	826,333	940,725	-	-
Amounts due from related parties	12,197	28,271	171,223	388,894
Advances and other receivables	367,929	286,524	15,732	12,923
Short-term investments	451	357	-	-
Bank balances and other liquid funds	1,167,361	999,003	600,221	596,494
	<b>4,704,886</b>	<b>4,276,309</b>	<b>787,176</b>	<b>998,311</b>
<b>TOTAL ASSETS</b>	<b>8,060,483</b>	<b>8,024,415</b>	<b>2,492,174</b>	<b>2,649,575</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Current liabilities</b>				
Contract liabilities	1,304,954	1,258,247	-	-
Advance payments from customers	9,374	5,809	-	-
Trade payables and accruals	1,733,757	1,599,739	16,913	21,019
Amounts due to related parties	97,604	104,042	541,295	545,066
Provisions	209,789	260,146	-	-
Provision for taxation	137,469	134,686	1,000	1,000
Borrowings	763,874	221,642	18,928	-
Deferred Income	592	630	-	-
Employee benefits	3,072	2,491	-	-
	<b>4,260,485</b>	<b>3,587,432</b>	<b>578,136</b>	<b>567,085</b>
<b>NET CURRENT ASSETS</b>	<b>444,401</b>	<b>688,877</b>	<b>209,040</b>	<b>431,226</b>

**2 BALANCE SHEETS (cont'd)**

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>30-Jun-18</b>	<b>31-Dec-17</b>	<b>30-Jun-18</b>	<b>31-Dec-17</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
		(Restated)		(Restated)
<b>Non-current liabilities</b>				
Contract liabilities	672,177	521,787	-	-
Trade payables and accruals	86,413	131,843	9,646	7,608
Deferred tax liabilities	192,926	205,200	-	-
Borrowings	255,167	894,422	-	-
Deferred income	47,450	69,156	-	-
Employee benefits	104,419	102,669	-	-
Derivative financial instruments	13,080	15,553	-	-
Amounts due to related parties	-	17	683,309	667,594
	<b>1,371,632</b>	<b>1,940,647</b>	<b>692,955</b>	<b>675,202</b>
<b>TOTAL LIABILITIES</b>	<b>5,632,117</b>	<b>5,528,079</b>	<b>1,271,091</b>	<b>1,242,287</b>
<b>NET ASSETS</b>	<b>2,428,366</b>	<b>2,496,336</b>	<b>1,221,083</b>	<b>1,407,288</b>
<b>Share capital and reserves</b>				
Share capital	895,926	895,926	895,926	895,926
Treasury shares	(7,474)	(22,870)	(7,474)	(22,870)
Capital reserves	118,237	119,782	2,258	3,807
Other reserves	(67,145)	(67,480)	53,642	61,151
Retained earnings	1,210,087	1,289,653	276,731	469,274
	<b>2,149,631</b>	<b>2,215,011</b>	<b>1,221,083</b>	<b>1,407,288</b>
Non-controlling interests	278,735	281,325	-	-
	<b>2,428,366</b>	<b>2,496,336</b>	<b>1,221,083</b>	<b>1,407,288</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>8,060,483</b>	<b>8,024,415</b>	<b>2,492,174</b>	<b>2,649,575</b>

**2(a) ANALYSIS OF BALANCE SHEETS**

Compared to 31 December 2017, the Group's total assets increased mainly from cash and contract assets generated from the operations in the first half. The increase in current liabilities was mainly attributable to the reclassification of the Group's outstanding Notes issued under the Multicurrency Medium Term Notes Programme from non-current liabilities to current liabilities for the early redemption on 16 July 2018.

**2(b) BORROWINGS**

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>As at 30-Jun-18 \$'000</b>	<b>As at 31-Dec-17 \$'000</b>	<b>As at 30-Jun-18 \$'000</b>	<b>As at 31-Dec-17 \$'000</b>
<b><u>Amount repayable within one year</u></b>				
Secured	13,621	33,460	-	-
Unsecured	<u>750,253</u>	<u>188,182</u>	<u>18,928</u>	<u>-</u>
	<u>763,874</u>	<u>221,642</u>	<u>18,928</u>	<u>-</u>
<b><u>Amount repayable after one year</u></b>				
Secured	83,604	46,779	-	-
Unsecured	<u>171,563</u>	<u>847,643</u>	<u>-</u>	<u>-</u>
	<u>255,167</u>	<u>894,422</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<u>1,019,041</u>	<u>1,116,064</u>	<u>18,928</u>	<u>-</u>

**2(c) NET ASSET VALUE**

	<b>GROUP</b>		
	<b>2Q2018</b>	<b>2Q2017 (Restated)</b>	<b>FY2017 (Restated)</b>
	Cents	Cents	Cents
Net asset value per ordinary share at end of the financial period/year	68.89	67.00	71.09

	<b>COMPANY</b>		
	<b>2Q2018</b>	<b>2Q2017</b>	<b>FY2017</b>
	Cents	Cents	Cents
Net asset value per ordinary share at end of the financial period/year	39.13	39.81	45.17

**3 CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SECOND QUARTER ENDED 30 JUNE 2018**

	<b>GROUP</b>			
	<b>2Q2018</b>	<b>2Q2017</b>	<b>1H2018</b>	<b>1H2017</b>
	\$'000	\$'000	\$'000	\$'000
		(Restated)		(Restated)
<b>Cash flows from operating activities</b>				
Profit before taxation	150,401	144,040	294,382	276,702
Adjustments:				
Share of results of associates and joint ventures, net of tax	(12,470)	(11,646)	(27,894)	(25,397)
Share-based payment expense	5,970	5,921	7,449	3,692
Depreciation charge	48,067	43,902	95,168	89,314
Property, plant and equipment written off	95	139	281	185
Amortisation of other intangible assets	10,178	7,851	20,262	14,447
Write-back of impairment loss on other intangible assets	-	-	(3)	-
Gain on disposal of property, plant and equipment	(2,103)	(520)	(2,211)	(116)
Loss/(gain) on disposal of investments, net	4,406	(65)	4,882	87
Gain on disposal of associates	(8,984)	-	(8,660)	-
Loss on disposal of subsidiaries	-	-	4,752	-
Changes in fair value of financial instruments and hedged items	(8,523)	1,272	(5,660)	7,342
Changes in fair value of financial instruments held for trading	-	(59)	-	(65)
Interest expense	25,731	10,453	36,138	21,098
Interest income	(7,969)	(6,493)	(13,889)	(13,113)
Impairment of property, plant and equipment	-	-	-	63
Impairment of investments	-	251	-	251
Dividends from investments	-	(3)	-	(5)
Amortisation of deferred income	(17)	(15)	(33)	(30)
Operating profit before working capital changes	<u>204,782</u>	<u>195,028</u>	<u>404,964</u>	<u>374,455</u>
Changes in:				
Inventories	(72,285)	20,232	(45,163)	(3,746)
Contract assets	(175,419)	(81,721)	(223,801)	(8,521)
Trade receivables	59,474	(28,980)	116,664	137,415
Advance payments to suppliers	26,861	6,683	22,821	23,239
Other receivables, deposits and prepayments	(99,435)	(22,790)	(113,472)	16,588
Amount due from holding company and related corporations balances	685	(2,280)	13,422	(508)
Amount due to holding company and related corporations balances	(646)	1,723	953	4,075
Amount due from associates	(3,490)	(2,343)	5,019	515
Amount due from joint ventures	1,373	(16,132)	(3,913)	(19,835)
Contract liabilities	51,523	(65,645)	198,616	26,759
Trade payables	55,077	(20,214)	123,793	(86,454)
Advance payments from customers	2,900	(2,018)	3,565	(3,296)
Other payables, accruals and provisions	(41,043)	5,413	(60,872)	(58,545)
Loans to staff and third parties	(2,554)	(2,248)	(2,559)	(2,297)
Deferred income	(14,754)	5,564	(7,362)	(2,057)
Foreign currency translation of foreign operations	534	(2,904)	(847)	(5,437)
Cash generated from operations	<u>(6,417)</u>	<u>(12,632)</u>	<u>431,828</u>	<u>392,350</u>
Interest received	12,950	7,248	19,476	15,656
Income tax paid	<u>(45,018)</u>	<u>(45,443)</u>	<u>(59,071)</u>	<u>(59,299)</u>
<b>Net cash (used in)/from operating activities</b>	<b><u>(38,485)</u></b>	<b><u>(50,827)</u></b>	<b><u>392,233</u></b>	<b><u>348,707</u></b>

**3 CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SECOND QUARTER ENDED 30 JUNE 2018 (cont'd)**

	<b>GROUP</b>			
	<b>2Q2018</b>	<b>2Q2017</b>	<b>1H2018</b>	<b>1H2017</b>
	\$'000	\$'000 (Restated)	\$'000	\$'000 (Restated)
<b>Cash flows from investing activities</b>				
Proceeds from sale of property, plant and equipment	5,456	898	6,077	1,328
Proceeds from disposal of an associate	14,246	-	14,246	-
Proceeds from sale and maturity of investments	301,784	44,915	329,184	174,287
Proceeds from unwinding of cross currency interest rate swaps	13,210	-	13,210	-
Dividends from associates and a joint venture	33,292	14,868	39,248	36,858
Dividends from investments	-	3	-	5
Purchase of property, plant and equipment	(50,245)	(61,371)	(94,975)	(118,108)
Purchase of investments	(15,752)	(26,620)	(34,084)	(124,116)
Investment in associates and joint ventures	(11,680)	(60,175)	(14,680)	(60,175)
Additions to other intangible assets	(26,241)	(18,234)	(38,337)	(30,247)
Disposal of subsidiaries, net of cash disposed	-	8,324	-	8,324
<b>Net cash from/(used in) investing activities</b>	<b>264,070</b>	<b>(97,392)</b>	<b>219,889</b>	<b>(111,844)</b>
<b>Cash flows from financing activities</b>				
Proceeds from bank loans	21,521	26,974	50,442	31,822
Proceeds from a loan from a joint venture	10,925	12,463	10,925	20,463
Repayment of bank loans	(75,478)	(28,558)	(161,450)	(38,862)
Repayment of other loans	(6)	(42)	(148)	(96)
Repayment of lease obligations	(190)	(154)	(352)	(341)
Repayment of loan to a joint venture	(12,853)	(5,000)	(16,853)	(5,000)
Proceeds from share options exercised with issuance of treasury shares	-	2,835	-	16,739
Purchase of treasury shares	(1,107)	-	(1,107)	-
Capital contribution from non-controlling interests of subsidiaries	-	-	432	397
Dividends paid to shareholders of the Company	(312,036)	(311,645)	(312,036)	(311,645)
Dividends paid to non-controlling interests	(1,506)	(7,713)	(2,111)	(7,713)
Interest paid	(475)	(1,936)	(16,406)	(21,257)
Deposit (pledged)/discharged	(15)	(1)	(13)	1
<b>Net cash used in financing activities</b>	<b>(371,220)</b>	<b>(312,777)</b>	<b>(448,677)</b>	<b>(315,492)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(145,635)</b>	<b>(460,996)</b>	<b>163,445</b>	<b>(78,629)</b>
Cash and cash equivalents at beginning of the period	1,302,895	1,271,754	997,614	903,632
Exchange difference on cash and cash equivalents at beginning of the period	8,729	(7,126)	4,930	(21,371)
<b>Cash and cash equivalents at end of the period</b>	<b>1,165,989</b>	<b>803,632</b>	<b>1,165,989</b>	<b>803,632</b>

**3(a) ANALYSIS OF CONSOLIDATED STATEMENT OF CASH FLOWS**

The Group ended the quarter with cash and cash equivalents (CCE) of \$1,166 million, \$362 million higher than the same quarter last year. The Group utilised net cash of \$38 million in its operating activities compared to \$51 million in 2Q2017.

Net cash from investing activities of \$264 million in 2Q2018 arose mainly from net proceeds from sale of investments (\$286 million), proceeds from divestment of an associate (\$14 million) and proceeds from unwinding of cross currency interest rate swaps (\$13 million). The proceeds were partially invested in property, plant and equipment by Aerospace (\$27 million), Electronics (\$10 million), Land Systems (\$8 million) and Marine (\$3 million) sectors, and additions to intangible assets (\$26 million).

Net cash used in financing activities of \$371 million in 2Q2018 was mainly attributable to the payment of FY2017 final dividend (\$312 million) and repayment of loans (\$56 million).

**4 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SECOND QUARTER ENDED 30 JUNE 2018**

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

	<b>GROUP</b>					
	<b>2Q2018</b>	<b>2Q2017</b>	<b>+ / (-)</b>	<b>1H2018</b>	<b>1H2017</b>	<b>+ / (-)</b>
	\$'000	\$'000	%	\$'000	\$'000	%
		(Restated)			(Restated)	
Profit for the period	121,124	114,901	5.4	241,156	221,329	9.0
<b>Other comprehensive income</b>						
<b>Items that are or may be reclassified subsequently to profit or loss</b>						
Net fair value changes on available-for-sale financial assets	-	2,663	(100.0)	-	8,075	(100.0)
Net fair value changes on financial assets at fair value through other comprehensive income	2,005	-	NM	(2,384)	-	NM
Net fair value changes on cash flow hedges	(21,835)	34,772	NM	(18,037)	47,771	NM
Share of net fair value changes on cash flow hedges of a joint venture and an associate	(231)	(97)	138.1	(32)	(14)	128.6
Foreign currency translation differences	18,980	17,029	11.5	12,919	(30,475)	NM
Share of foreign currency translation differences of associates and joint ventures	4,194	(668)	NM	3,592	(7,758)	NM
Reclassification of foreign currency translation reserve to profit or loss arising from disposal of foreign entities	1,042	851	22.4	5,794	851	>500
Other comprehensive income for the period, net of tax	4,155	54,550	(92.4)	1,852	18,450	(90.0)
<b>Total comprehensive income for the period, net of tax</b>	<b>125,279</b>	<b>169,451</b>	<b>(26.1)</b>	<b>243,008</b>	<b>239,779</b>	<b>1.3</b>
<b>Total comprehensive income attributable to:</b>						
Shareholders of the Company	129,840	150,978	(14.0)	243,882	213,454	14.3
Non-controlling interests	(4,561)	18,473	NM	(874)	26,325	NM
	<b>125,279</b>	<b>169,451</b>	<b>(26.1)</b>	<b>243,008</b>	<b>239,779</b>	<b>1.3</b>

**5 STATEMENT OF CHANGES IN EQUITY FOR THE SECOND QUARTER ENDED 30 JUNE 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
<b>Balance at 1.4.2017 as previously reported</b>	<b>895,926</b>	<b>(20,085)</b>	<b>115,859</b>	<b>(108,946)</b>	<b>1,377,245</b>	<b>2,259,999</b>	<b>270,117</b>	<b>2,530,116</b>
Impact of change in accounting policy	-	-	-	(40)	(19,264)	(19,304)	-	(19,304)
<b>Restated balance at 1.4.2017</b>	<b>895,926</b>	<b>(20,085)</b>	<b>115,859</b>	<b>(108,986)</b>	<b>1,357,981</b>	<b>2,240,695</b>	<b>270,117</b>	<b>2,510,812</b>
<b>Total comprehensive income for the period</b>								
Restated Profit for the period	-	-	-	-	106,794	106,794	8,107	114,901
<b>Other comprehensive income</b>								
Net fair value changes on available-for-sale financial assets	-	-	-	2,663	-	2,663	-	2,663
Net fair value changes on cash flow hedges	-	-	-	27,387	-	27,387	7,385	34,772
Share of net fair value changes on cash flow hedges of an associate	-	-	-	(97)	-	(97)	-	(97)
Foreign currency translation differences	-	-	-	14,048	-	14,048	2,981	17,029
Share of foreign currency translation differences of associates and joint ventures	-	-	-	(668)	-	(668)	-	(668)
Reclassification of foreign currency translation reserve to profit or loss arising from disposal of foreign entities	-	-	-	851	-	851	-	851
<i>Restated other comprehensive income for the period, net of tax</i>	-	-	-	44,184	-	44,184	10,366	54,550
<b>Restated Total comprehensive income for the period, net of tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>44,184</b>	<b>106,794</b>	<b>150,978</b>	<b>18,473</b>	<b>169,451</b>
<b>Transactions with owners of the Company, recognised directly in equity</b>								
<b>Contributions by and distributions to owners of the Company</b>								
Cost of share-based payment	-	-	-	5,901	-	5,901	20	5,921
Treasury shares reissued pursuant to share plans	-	4,218	1,142	(2,527)	-	2,833	2	2,835
Dividends paid	-	-	-	-	(311,645)	(311,645)	-	(311,645)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(7,713)	(7,713)
<i>Total contributions by and distributions to owners of the Company</i>	-	4,218	1,142	3,374	(311,645)	(302,911)	(7,691)	(310,602)
<b>Total transactions with owners of the Company</b>	<b>-</b>	<b>4,218</b>	<b>1,142</b>	<b>3,374</b>	<b>(311,645)</b>	<b>(302,911)</b>	<b>(7,691)</b>	<b>(310,602)</b>
<b>Restated balance as at 30.06.2017</b>	<b>895,926</b>	<b>(15,867)</b>	<b>117,001</b>	<b>(61,428)</b>	<b>1,153,130</b>	<b>2,088,762</b>	<b>280,899</b>	<b>2,369,661</b>

**5 STATEMENT OF CHANGES IN EQUITY FOR THE SECOND QUARTER ENDED 30 JUNE 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
<b>Balance at 1.4.2018</b>	<b>895,926</b>	<b>(7,231)</b>	<b>118,230</b>	<b>(83,593)</b>	<b>1,403,657</b>	<b>2,326,989</b>	<b>284,781</b>	<b>2,611,770</b>
<b>Total comprehensive income for the period</b>								
Profit for the period	-	-	-	-	117,498	117,498	3,626	121,124
<b>Other comprehensive income</b>								
Net fair value changes on financial assets at fair value through other comprehensive income	-	-	-	2,005	-	2,005	-	2,005
Net fair value changes on cash flow hedges	-	-	-	(14,393)	-	(14,393)	(7,442)	(21,835)
Share of net fair value changes on cash flow hedges of a joint venture	-	-	-	(231)	-	(231)	-	(231)
Foreign currency translation differences	-	-	-	19,725	-	19,725	(745)	18,980
Share of foreign currency translation differences of associates and joint ventures	-	-	-	4,194	-	4,194	-	4,194
Reclassification of foreign currency translation reserve to profit or loss arising from disposal of foreign entities	-	-	-	1,042	-	1,042	-	1,042
<i>Other comprehensive income for the period, net of tax</i>	-	-	-	12,342	-	12,342	(8,187)	4,155
<b>Total comprehensive income for the period, net of tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,342</b>	<b>117,498</b>	<b>129,840</b>	<b>(4,561)</b>	<b>125,279</b>
<b>Transactions with owners of the Company, recognised directly in equity</b>								
<b>Contributions by and distributions to owners of the Company</b>								
Cost of share-based payment	-	-	-	5,949	-	5,949	21	5,970
Purchase of treasury shares	-	(1,107)	-	-	-	(1,107)	-	(1,107)
Treasury shares reissued pursuant to share plans	-	864	7	(875)	-	(4)	-	(4)
Dividends paid	-	-	-	-	(312,036)	(312,036)	-	(312,036)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(1,506)	(1,506)
<i>Total contributions by and distributions to owners of the Company</i>	-	(243)	7	5,074	(312,036)	(307,198)	(1,485)	(308,683)
<b>Changes in ownership interests in subsidiaries</b>								
<b>Total transactions with owners of the Company</b>	<b>-</b>	<b>(243)</b>	<b>7</b>	<b>5,074</b>	<b>(312,036)</b>	<b>(307,198)</b>	<b>(1,485)</b>	<b>(308,683)</b>
Transfer from retained earnings to statutory reserve	-	-	-	(968)	968	-	-	-
<b>At 30.06.2018</b>	<b>895,926</b>	<b>(7,474)</b>	<b>118,237</b>	<b>(67,145)</b>	<b>1,210,087</b>	<b>2,149,631</b>	<b>278,735</b>	<b>2,428,366</b>



**5 STATEMENT OF CHANGES IN EQUITY FOR THE SECOND QUARTER ENDED 30 JUNE 2018 (cont'd)**

Company	Share capital \$'000	Treasury Shares \$'000	Capital reserve \$'000	Share-based payment reserve \$'000	Retained earnings \$'000	Total equity \$'000
<b>At 01.04.2017</b>	<b>895,926</b>	<b>(20,085)</b>	<b>(116)</b>	<b>50,235</b>	<b>483,303</b>	<b>1,409,263</b>
<b>Total comprehensive income for the period</b>						
Profit for the period	-	-	-	-	134,712	134,712
Total comprehensive income for the period	-	-	-	-	134,712	134,712
<b>Transactions with owners of the Company, recognised directly in equity</b>						
<b>Contributions by and distributions to owners of the Company</b>						
Cost of share-based payment	-	-	-	5,921	-	5,921
Treasury shares reissued pursuant to share plans	-	4,218	1,142	(2,525)	-	2,835
Dividends paid	-	-	-	-	(311,645)	(311,645)
<i>Total contributions by and distributions to owners of the Company</i>	-	4,218	1,142	3,396	(311,645)	(302,889)
<b>At 30.06.2017</b>	<b>895,926</b>	<b>(15,867)</b>	<b>1,026</b>	<b>53,631</b>	<b>306,370</b>	<b>1,241,086</b>
<b>At 01.04.2018</b>	<b>895,926</b>	<b>(7,231)</b>	<b>2,251</b>	<b>48,547</b>	<b>476,002</b>	<b>1,415,495</b>
<b>Total comprehensive income for the period</b>						
Profit for the period	-	-	-	-	112,765	112,765
Total comprehensive income for the period	-	-	-	-	112,765	112,765
<b>Transactions with owners of the Company, recognised directly in equity</b>						
<b>Contributions by and distributions to owners of the Company</b>						
Cost of share-based payment	-	-	-	5,970	-	5,970
Purchase of treasury shares	-	(1,107)	-	-	-	(1,107)
Treasury shares reissued pursuant to share plans	-	864	7	(875)	-	(4)
Dividends paid	-	-	-	-	(312,036)	(312,036)
<i>Total contributions by and distributions to owners of the Company</i>	-	(243)	7	5,095	(312,036)	(307,177)
<b>At 30.06.2018</b>	<b>895,926</b>	<b>(7,474)</b>	<b>2,258</b>	<b>53,642</b>	<b>276,731</b>	<b>1,221,083</b>

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

As at 30 June 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 2,206,956 were held by the Company as treasury shares (31 December 2017: 6,772,773).

	<b>Number of Shares</b>
	<b>2Q2018</b>
As at beginning and end of the quarter (including treasury shares)	3,122,495,197
<b>As at end of the quarter (excluding treasury shares)</b>	<b>3,120,288,241</b>
<b>As at 31 December 2017 (excluding treasury shares)</b>	<b>3,115,722,424</b>

Singapore Technologies Engineering Share Option Plan (ESOP)

As at 30 June 2018, there was no outstanding balance of unexercised options of unissued ordinary shares under the terminated ESOP (30 June 2017: 4,056,240). All options have expired as of 31 December 2017.

Singapore Technologies Engineering Performance Share Plan 2010 (PSP 2010)

As at 30 June 2018, the total number of contingent shares granted conditionally but not released was 4,840,058 (30 June 2017: 5,281,590). Based on the achievement factor, the actual release of the awards could range from zero to a maximum of 8,228,098 (30 June 2017: 8,978,703) ordinary shares of the Company.

Singapore Technologies Engineering Restricted Share Plan 2010 (RSP 2010)

As at 30 June 2018, the total number of contingent shares granted conditionally but not released was 5,701,889 (30 June 2017: up to a maximum of 7,958,654).

As at 30 June 2018, the total number of unvested awards was 6,845,069 (30 June 2017: 5,429,553) ordinary shares of the Company.

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

Treasury Shares

During the quarter, the Company purchased 321,400 ordinary shares by way of open market acquisitions, all of which were held by the Company as treasury shares (30 June 2017: Nil).

During the quarter, 255,881 treasury shares were utilised pursuant to the RSP 2010. In the prior year quarter, 1,328,960 treasury shares were utilised pursuant to the ESOP and RSP 2010.

As at 30 June 2018, the number of treasury shares held by the Company represented 0.07% (30 June 2017: 0.16%) of the total number of issued shares (excluding treasury shares).

<b><u>Group and Company</u></b>	<b><u>Number of Shares for the Quarter ended 30.06.2018</u></b>
As at beginning of the quarter	2,141,437
Purchase of treasury shares	321,400
Treasury shares transferred on vesting of RSP 2010	(255,881)
<b>As at end of the quarter</b>	<b><u>2,206,956</u></b>

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

#### 2Q2018 vs 2Q2017

\$m	2Q2018	2Q2017 (Restated)	Increase/(Decrease)	
Aerospace	713	639	74	12%
Electronics	512	572	(60)	(10%)
Land Systems	270	302	(32)	(11%)
Marine	148	163	(15)	(9%)
Others	8	31	(23)	(74%)
<b>Total</b>	<b>1,651</b>	<b>1,707</b>	<b>(56)</b>	<b>(3%)</b>

The Group's revenue of \$1,651 million was 3% or \$56 million lower than 2Q2017. Aerospace sector's better performance was more than offset by declines across all other sectors and "Others".

In 2Q2018, Aerospace sector's revenue increased to \$713 million, an increase of 12% or \$74 million as compared to 2Q2017. The improved performance was contributed by **Component/Engine Repair and Overhaul** business group, partially offset by lower contribution from **Aircraft Maintenance & Modification** and **Engineering & Material Services** business groups.

Electronics sector's revenue of \$512 million decreased 10% or \$60 million as compared to 2Q2017, due to the absence of a one-time increase in 2Q2017 from the modification of revenue recognition estimates for long-term contracts from milestone completion per customer acceptance to monthly work done, partly offset by higher underlying revenue from **Large-Scale Systems Group** and **Communication & Sensor Systems Group**. **Software Systems Group** reported lower revenue.

2Q2018 revenue for Land Systems sector declined by 11% or \$32 million to \$270 million on the back of lower project revenue recognition from **Automotive** and lower sales from **Munitions & Weapon** business groups. The decrease was partially offset by higher sales from **Services, Trading and Others** business group.

Revenue for Marine sector in 2Q2018 came in at \$148 million, 9% or \$15 million lower than 2Q2017. The decrease in revenue was mainly attributable to **Shiprepair** and **Engineering** business groups, partially offset by better performance from **Shipbuilding** business group.

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

**10 REVIEW OF GROUP PERFORMANCE** (cont'd)

**10(b) Profitability**
2Q2018 vs 2Q2017

\$m	<b>2Q2018</b>	<b>2Q2017</b> (Restated)	<b>Increase/(Decrease)</b>	
Aerospace	66.6	52.9	13.7	26%
Electronics	46.7	38.2	8.5	22%
Land Systems	20.4	21.1	(0.7)	(3%)
Marine	9.2	(1.4)	10.6	NM
Others	(25.4)	(4.0)	(21.4)	NM
<b>Total</b>	<b>117.5</b>	<b>106.8</b>	<b>10.7</b>	<b>10%</b>

In 2Q2018, the Group's profit attributable to shareholders (Net Profit) grew by 10% or \$10.7 million to \$117.5 million. All sectors except Land Systems sector and "Others" contributed to the increase.

Aerospace sector's Net Profit of \$66.6 million was 26% or \$13.7 million higher than that of 2Q2017. The better performance was largely attributable to the gain on divestment of an associate, Airbus Helicopters Southeast Asia Private Limited and share of higher profits from associates and joint ventures.

Net profit for Electronics sector rose by 22% or \$8.5 million to \$46.7 million in 2Q2018. The increase in Net Profit was largely driven by higher gross profit from favourable sales mix and lower operating expenses.

In 2Q2018, Land Systems sector's Net Profit decreased by \$0.7 million or 3% to \$20.4 million, driven by lower revenue, higher operating expenses and share of lower profits from associate and joint ventures, partially offset by favourable sales mix and lower tax expense.

Marine sector generated a Net Profit of \$9.2 million in 2Q2018 instead of a net loss in 2Q2017, largely driven by better performance from both local and US operations.

"Others" incurred higher losses in 2Q2018 due mainly to the one-time interest cost accrued for the early redemption of the Group's outstanding Notes issued under the Multicurrency Medium Term Note Programme and lower contribution from Miltope.

11 **VARIANCE FROM PROSPECTS STATEMENT**

No second quarter forecast was previously provided.

12 **PROSPECTS**

**Group**

The Aerospace and Electronics sectors delivered strong 2Q2018 earnings. The Group's order book remained robust at \$13.4b, contributed by new orders including those in the Smart City spaces. On the whole, the Group is tracking well on its strategy of strengthening the core as well as actively pursuing growth opportunities in defence exports and Smart City projects.

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**

On 7 August 2018, the Directors approved an interim dividend of 5.0 cents per ordinary share for the financial year ending 31 December 2018.

The financial statements for the quarter ended, and as at 30 June 2018, do not reflect this interim dividend. The dividend will be accounted for in shareholders' equity as an appropriation of Retained Earnings in the quarter ending 30 September 2018.

**(a) Current Financial Period Reported On**

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

Name of Dividend	Interim tax exempt (1-tier)
Dividend Type	Cash
Dividend Per Share	5.0 cents per ordinary share

**(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 (1-tier)
Dividend Type	Cash
Dividend Per Share	5.0 cents per ordinary share

**(c) Books Closure and Dividend Payment Dates**

NOTICE IS HEREBY GIVEN THAT The Register of Members and Share Transfer Books will be closed on 21 August 2018 for the preparation of dividend warrants. Duly completed transfers in respect of ordinary shares in the capital 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 20 August 2018 will be registered to determine members' entitlements to the interim dividend. Subject as aforesaid, members whose securities accounts with The Central Depository (Pte) Limited are credited with ordinary shares in the capital of the Company as at 5.00 p.m. on 20 August 2018 will be entitled to the interim dividend. The interim dividend will be paid on 28 August 2018.



**14 BUSINESS SEGMENTAL INFORMATION**
By Business Activity

	<b>2Q2018</b>						
	<b>Aerospace</b>	<b>Electronics</b>	<b>Land Systems</b>	<b>Marine</b>	<b>Others</b>	<b>Elimination</b>	<b>Group</b>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue							
External sales	712,622	512,107	269,522	148,034	8,841	-	1,651,126
Inter-segment sales	3,903	3,458	4,233	157	602	(12,353)	-
	<u>716,525</u>	<u>515,565</u>	<u>273,755</u>	<u>148,191</u>	<u>9,443</u>	<u>(12,353)</u>	<u>1,651,126</u>
Reportable segment profit from operations	63,309	56,596	21,768	8,908	(55,814)	49,750	144,517
Other income	14,781	3,191	1,972	1,244	178,180	(180,147)	19,221
Other expenses	(342)	(17)	(64)	(42)	(15)	480	-
Finance income	2,636	814	538	741	31,719	(19,622)	16,826
Finance costs	(3,935)	(2,050)	(1,658)	(1,033)	(66,824)	32,867	(42,633)
Share of results of associates and joint ventures, net of tax	11,288	(491)	2,055	269	-	(651)	12,470
Profit before taxation	87,737	58,043	24,611	10,087	87,246	(117,323)	150,401
Taxation	(17,404)	(11,353)	(4,340)	(831)	4,542	109	(29,277)
Non-controlling interests	(3,766)	(24)	164	-	-	-	(3,626)
Profit attributable to shareholders	<u>66,567</u>	<u>46,666</u>	<u>20,435</u>	<u>9,256</u>	<u>91,788</u>	<u>(117,214)</u>	<u>117,498</u>
Other assets	3,003,920	1,929,063	1,545,913	832,428	4,873,731	(4,574,259)	7,610,796
Associates and joint ventures	248,179	64,082	88,993	11,037	30,720	6,676	449,687
Segment assets	<u>3,252,099</u>	<u>1,993,145</u>	<u>1,634,906</u>	<u>843,465</u>	<u>4,904,451</u>	<u>(4,567,583)</u>	<u>8,060,483</u>
Segment liabilities	<u>2,253,300</u>	<u>1,613,760</u>	<u>1,271,887</u>	<u>758,827</u>	<u>2,851,628</u>	<u>(3,117,285)</u>	<u>5,632,117</u>
Capital expenditure	41,857	21,316	7,719	2,953	2,699	-	76,544
Depreciation and amortisation	26,456	13,644	9,134	7,418	1,603	(10)	58,245
Other non-cash expenses	82	-	13	-	-	-	95

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

	<b>2Q2017 (Restated)</b>						
	<b>Aerospace</b>	<b>Electronics</b>	<b>Land Systems</b>	<b>Marine</b>	<b>Others</b>	<b>Elimination</b>	<b>Group</b>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue							
External sales	639,316	572,086	301,644	162,641	31,324	-	1,707,011
Inter-segment sales	3,012	9,694	3,879	5	1,268	(17,858)	-
	<u>642,328</u>	<u>581,780</u>	<u>305,523</u>	<u>162,646</u>	<u>32,592</u>	<u>(17,858)</u>	<u>1,707,011</u>
Reportable segment profit from operations	69,259	45,646	24,107	(10,223)	(20,600)	17,062	125,251
Other income	4,040	2,637	3,831	1,783	155,068	(156,687)	10,672
Other expenses	(1,266)	(3)	(770)	(36)	(1)	2,076	-
Finance income	1,099	525	345	705	30,634	(24,035)	9,273
Finance costs	(2,809)	(2,055)	(1,278)	(638)	(25,541)	19,519	(12,802)
Share of results of associates and joint ventures, net of tax	8,735	(590)	3,112	294	-	95	11,646
Profit before taxation	<u>79,058</u>	<u>46,160</u>	<u>29,347</u>	<u>(8,115)</u>	<u>139,560</u>	<u>(141,970)</u>	<u>144,040</u>
Taxation	(18,864)	(7,829)	(7,551)	6,746	(1,154)	(487)	(29,139)
Non-controlling interests	<u>(7,287)</u>	<u>(128)</u>	<u>(692)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,107)</u>
Profit attributable to shareholders	<u>52,907</u>	<u>38,203</u>	<u>21,104</u>	<u>(1,369)</u>	<u>138,406</u>	<u>(142,457)</u>	<u>106,794</u>
Other assets	2,725,979	1,808,214	1,468,137	872,260	4,656,015	(4,179,509)	7,351,096
Associates and joint ventures	<u>236,724</u>	<u>56,492</u>	<u>123,926</u>	<u>8,654</u>	<u>17,657</u>	<u>3,019</u>	<u>446,472</u>
Segment assets	<u>2,962,703</u>	<u>1,864,706</u>	<u>1,592,063</u>	<u>880,914</u>	<u>4,673,672</u>	<u>(4,176,490)</u>	<u>7,797,568</u>
Segment liabilities	<u>1,961,257</u>	<u>1,549,018</u>	<u>1,316,098</u>	<u>744,945</u>	<u>2,627,699</u>	<u>(2,771,110)</u>	<u>5,427,907</u>
Capital expenditure	53,179	18,401	5,918	1,830	698	-	80,026
Depreciation and amortisation	24,756	11,804	7,484	6,847	872	(10)	51,753
Impairment losses	-	-	251	-	-	-	251
Other non-cash expenses	47	-	92	-	-	-	139

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

For Revenue and Net Profit of 2Q2018 vis-à-vis 2Q2017, please refer to paragraph 10.

	<b>Profit Before Tax</b>		
	<b>2Q2018</b>	<b>2Q2017</b>	<b>+ / (-)</b>
	\$'000	\$'000	%
		(Restated)	
Aerospace	87,737	79,058	11.0
Electronics	58,043	46,160	25.7
Land Systems	24,611	29,347	(16.1)
Marine	10,087	(8,115)	NM
Others	(30,077)	(2,410)	NM
<b>Group</b>	<b>150,401</b>	<b>144,040</b>	<b>4.4</b>

	<b>Revenue</b>			<b>Profit Before Tax</b>		
	<b>1H2018</b>	<b>1H2017</b>	<b>+ / (-)</b>	<b>1H2018</b>	<b>1H2017</b>	<b>+ / (-)</b>
	\$'000	\$'000	%	\$'000	\$'000	%
		(Restated)			(Restated)	
Aerospace	1,311,233	1,187,202	10.4	164,016	157,236	4.3
Electronics	1,116,575	1,067,932	4.6	106,380	83,436	27.5
Land Systems	550,718	574,302	(4.1)	41,650	45,590	(8.6)
Marine	297,956	341,868	(12.8)	19,333	902	>500
Others	21,208	46,224	(54.1)	(36,997)	(10,462)	NM
<b>Group</b>	<b>3,297,690</b>	<b>3,217,528</b>	<b>2.5</b>	<b>294,382</b>	<b>276,702</b>	<b>6.4</b>

	<b>Profit Attributable to Shareholders</b>		
	<b>1H2018</b>	<b>1H2017</b>	<b>+ / (-)</b>
	\$'000	\$'000	%
		(Restated)	
Aerospace	125,744	109,034	15.3
Electronics	86,977	70,992	22.5
Land Systems	36,023	32,719	10.1
Marine	17,946	6,708	167.5
Others	(31,497)	(12,767)	NM
<b>Group</b>	<b>235,193</b>	<b>206,686</b>	<b>13.8</b>

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

	Revenue				Revenue			
	2Q2018		2Q2017		1H2018		1H2017	
	\$'000	%	\$'000	%	\$'000	%	\$'000	%
			(Restated)				(Restated)	
Asia	1,008,825	61.1	1,072,668	62.8	2,084,420	63.2	2,000,127	62.2
USA	342,304	20.7	341,101	20.0	650,488	19.7	688,794	21.4
Europe	172,471	10.5	188,328	11.0	347,606	10.6	336,059	10.4
Others	127,526	7.7	104,914	6.2	215,176	6.5	192,548	6.0
<b>Total</b>	<b>1,651,126</b>	<b>100</b>	<b>1,707,011</b>	<b>100</b>	<b>3,297,690</b>	<b>100</b>	<b>3,217,528</b>	<b>100</b>

By Country of Incorporation

	Revenue				Revenue			
	2Q2018		2Q2017		1H2018		1H2017	
	\$'000	%	\$'000	%	\$'000	%	\$'000	%
			(Restated)				(Restated)	
Asia	1,205,824	73.0	1,258,269	73.7	2,439,411	74.0	2,314,095	71.9
USA	296,407	18.0	299,155	17.5	563,445	17.1	618,715	19.2
Europe	129,970	7.9	139,446	8.2	256,557	7.8	262,391	8.2
Others	18,925	1.1	10,141	0.6	38,277	1.1	22,327	0.7
<b>Total</b>	<b>1,651,126</b>	<b>100</b>	<b>1,707,011</b>	<b>100</b>	<b>3,297,690</b>	<b>100</b>	<b>3,217,528</b>	<b>100</b>

	Non-Current Assets <sup>+</sup>			
	1H2018		1H2017	
	\$'000	%	\$'000	%
			(Restated)	
Asia	1,677,382	51.3	2,169,794	60.2
USA	912,428	27.9	833,132	23.1
Europe	583,160	17.8	509,551	14.1
Others	96,892	3.0	91,965	2.6
<b>Total</b>	<b>3,269,862</b>	<b>100</b>	<b>3,604,442</b>	<b>100</b>

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

**15 ECONOMIC VALUE ADDED (EVA)**

EVA for 1H2018 was \$129.0 million, an increase of 20% or \$21.9 million over 1H2017. The weighted average cost of capital for 2018 was 5.7% (2017: 5.7%)

**16 INTERESTED PERSON TRANSACTIONS (unaudited)**

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

	<b>2Q2018</b>	<b>2Q2017</b>
	\$'000	\$'000
<b>Transactions for the Sale of Goods and Services</b>		
SembCorp Industries Ltd and its Associates	-	311
SATS Ltd. and its Associates	-	421
StarHub Ltd and its Associates	131	-
Singapore Airlines Limited and its Associates	249	222
Singapore Telecommunications Limited and its Associates	132	-
Temasek Holdings (Private) Limited and its Associates (non-listed)	3,035	9,485
	<u>3,547</u>	<u>10,439</u>
<b>Transactions for the Purchase of Goods and Services</b>		
SATS Ltd. and its Associates	981	754
SembCorp Industries Ltd and its Associates	2,700	-
Singapore Telecommunications Limited and its Associates	3,807	53
StarHub Ltd and its Associates	451	-
Temasek Holdings (Private) Limited and its Associates (non-listed)	3,287	3,198
	<u>11,226</u>	<u>4,005</u>
<b>Total Interested Person Transactions</b>	<u>14,773</u>	<u>14,444</u>

**17 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 second quarter ended 30 June 2018 to be false or misleading in any material respect.

18 **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  
8 August 2018

Media Contact:  
Lina Poa  
Head, Corporate Communications & Investor Relations  
Tel: (65) 6722 1883  
Fax: (65) 6720 2293  
Email: [linapoa@stengg.com](mailto:linapoa@stengg.com)