

News Release

ST Engineering Reports Comparable Revenue and PBT for 1Q2017

FINANCIAL HIGHLIGHTS For the first quarter ended 31 March 2017			
	2017 1Q	2016 1Q	Growth %
Revenue (\$m)	1,539	1,627	(5)
Earnings before interest and tax (EBIT) (\$m)	116.7	97.2	20
Other income, net (\$m)	11.7	22.1	(47)
Finance costs, net (\$m)	(5.1)	(11.5)	56
Profit before tax (PBT) (\$m)	137.0	130.4	5
Profit attributable to shareholders (\$m)	103.4	110.2	(6)
Earnings per share (cents)	3.33	3.53	(6)

- Commercial sales constituted 68% or \$1.0b of revenue
- Order book of \$13.3b at end March 2017, of which about \$3.0b is expected to be delivered in the remaining months of 2017
- Cash and cash equivalents including funds under management totalled \$1.7b
- Advance payments from customers totalled \$1.6b

N.B.: All currencies are in Singapore dollars

Singapore, 12 May 2017 - Singapore Technologies Engineering Ltd (ST Engineering) today announced that it registered comparable revenue and PBT for its first quarter ended 31 March 2017 (1Q2017) over the same period last year.

Group revenue was \$1.54b compared to \$1.63b the year before as its Aerospace, Land Systems and Marine sectors posted lower revenue. Quarterly Profit before tax (PBT) was \$137.0m, up 5% compared to \$130.4m recorded in 1Q2016, and Profit attributable to shareholders (Net profit) at \$103.4m was 6% lower against \$110.2m for the same period last year.

At the business sector level compared to the same period last year, revenue for the Aerospace sector was 12% lower at \$549m versus \$622m and its PBT was comparable at \$78.1m. Revenue for the Electronics sector was up 14% to \$523m from \$457m and its PBT was comparable at \$41.7m. Revenue and PBT for the Land Systems sector came in lower with a 14% drop in revenue to \$273m from \$316m, and an 11% drop in PBT to \$16.2m from \$18.3m. Revenue for the Marine sector at \$179m was 16% lower versus \$213m while its PBT was 165% higher at \$9.0m from \$3.4m.

“For the first quarter of 2017, the Group reported year-on-year comparable Revenue and PBT.

We continued to secure orders in 1Q2017 and concluded the quarter with a strong order book of \$13.3b. Cash and cash equivalents including funds under management remain at a healthy level of \$1.7b.

Amidst global uncertainties, the Group adopts a cautious position at this time and maintains its outlook that FY2017 Revenue will be comparable to, and PBT will be higher than that of FY2016. We will provide an update at mid-year.”

Vincent Chong, President & CEO, ST Engineering

Commercial business accounted for 68% or \$1.0b of the Group's 1Q2017 revenue. The Group ended the first quarter with an order book of \$13.3b, of which it expects to deliver \$3.0b of orders in the remaining months of 2017.

1Q2017 New Wins

In the first quarter, the Group announced about \$1.57b worth of new contracts, which included several multi-year renewal agreements for the Aerospace sector. The Aerospace sector's new wins of \$1.1b cover performance-based logistics operation and support for military aircraft, several components repair and overhaul agreements, and contracts for EcoPower® engine wash services. The Electronics sector announced contracts worth \$464m for Rail Electronics & Intelligent Transportation, Satellite & Broadband Communications, as well as Advanced Electronics & Information Communications Technologies solutions.

In addition to the announced contracts, the Land Systems sector secured supply contracts for 40mm munitions from customers in Asia and the Middle East, as well as orders for its Road Construction Equipment and Specialty Vehicles from customers around the world. At the Marine sector, its US yard was one of the five recipients for a 12-month contract to work on a Heavy Polar Icebreaker Design and Analysis for the US Coast Guard.

ST Engineering is an integrated defence and engineering group specialising in the aerospace, electronics, land systems and marine sectors. It has global presence with offices in Asia, the Americas, Europe and the Middle East and employs about 22,000 employees. Across the globe, its employees bring innovation and technology together to create smart engineering solutions for its customers in the defence, government and commercial segments. Headquartered in Singapore, ST Engineering reported revenue of S\$6.68b in FY2016 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 2017
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SINGAPORE TECHNOLOGIES ENGINEERING LTD
UNAUDITED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2017
1 CONSOLIDATED INCOME STATEMENT FOR THE FIRST QUARTER ENDED 31 MARCH 2017

	GROUP		
	1Q2017	1Q2016	+ / (-)
	\$'000	\$'000	%
Revenue	1,539,189	1,627,068	(5.4)
Cost of sales	(1,221,975)	(1,334,870)	(8.5)
Gross profit	317,214	292,198	8.6
Distribution and selling expenses	(56,563)	(48,937)	15.6
Administrative expenses	(115,102)	(116,914)	(1.5)
Other operating expenses	(28,875)	(29,224)	(1.2)
Profit from operations	116,674	97,123	20.1
Other income (refer to para 1.5)	11,720	22,101	(47.0)
Other expenses	(38)	-	NM
Other income, net	11,682	22,101	(47.1)
Finance income	13,195	15,528	(15.0)
Finance costs	(18,289)	(26,979)	(32.2)
Finance costs, net	(5,094)	(11,451)	(55.5)
Share of results of associates and joint ventures, net of tax	13,751	22,603	(39.2)
Profit before taxation	137,013	130,376	5.1
Taxation	(27,028)	(19,632)	37.7
Profit for the period	109,985	110,744	(0.7)
Attributable to:			
Shareholders of the Company	103,449	110,198	(6.1)
Non-controlling interests	6,536	546	>500
	109,985	110,744	(0.7)

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

	GROUP		
	1Q2017	1Q2016	+ / (-)
	\$'000	\$'000	%
1.1 Profit from operations is arrived at after charging the following:			
Depreciation and amortisation	52,008	55,634	(6.5)
The lower depreciation and amortisation in 1Q2017 came mainly from Aerospace and Land Systems sectors and Miltope, partially offset by higher depreciation and amortisation from Electronics sector.			
Allowance for doubtful debts & bad debts written off, net	17,719	433	>500
The higher allowance for doubtful debts in 1Q2017 was due mainly from Aerospace and Marine sectors and this has resulted in higher distribution and selling expenses.			
Allowance for inventory obsolescence, net	6,803	12,278	(44.6)
The lower allowance for inventory obsolescence in 1Q2017 came mainly from Land Systems sector.			
1.2 Finance costs, net comprises:			
Interest income	6,564	7,348	(10.7)
Foreign exchange gain, net	4,874	4,743	2.8
Fair value changes of financial instruments / hedged items	(6,070)	(12,499)	(51.4)
(Loss)/Gain on disposal of investments, net	(152)	547	(127.8)
Interest expenses	(10,318)	(11,576)	(10.9)
Others	8	(14)	(157.1)
	<u>(5,094)</u>	<u>(11,451)</u>	(55.5)
1.3 Profit for the period as a percentage of revenue	7.1%	6.8%	
1.4 Profit attributable to shareholders as a percentage of share capital and reserves at end of the period	4.6%	5.0%	
1.5 The lower 1Q2017 other income (by \$10.4 million) arose mainly from lower wage credit.			
1.6 The Group's tax charge in 1Q2017 included adjustments for underprovision of current tax and overprovision of deferred tax of \$0.4 million and \$2.1 million respectively in respect of prior years. (1Q2016: Adjustments for overprovision of current tax and deferred tax of \$0.2 million and \$1.2 million respectively.)			
1.7 There was no disposal of property during the period.			

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

	GROUP		
	2017 \$'000	2016 \$'000	+ / (-) %
Revenue reported for first quarter	1,539,189	1,627,068	(5.4)
Profit for the period reported for first quarter	109,985	110,744	(0.7)

1(c) EARNINGS PER ORDINARY SHARE (EPS)

	GROUP		
	1Q2017	1Q2016	FY2016
EPS based on profit attributable to shareholders:	Cents	Cents	Cents
(i) Based on weighted average number of ordinary shares on issue	3.33	3.53	15.60
(ii) On a fully diluted basis	3.33	3.53	15.60

2 BALANCE SHEETS

	GROUP		COMPANY	
	31-Mar-17	31-Dec-16	31-Mar-17	31-Dec-16
	\$'000	\$'000	\$'000	\$'000
ASSETS				
Non-current assets				
Property, plant and equipment	1,659,940	1,670,132	3,414	3,251
Subsidiaries	-	-	1,262,538	1,277,609
Associates and joint ventures	390,284	405,530	17,657	17,657
Investments	466,884	322,051	-	-
Intangible assets	998,501	1,019,585	-	-
Long-term trade receivables	972	1,894	-	-
Deferred tax assets	90,402	92,528	4,813	4,813
Amounts due from related parties	4,806	4,806	469,957	507,257
Advances and other receivables	2,549	2,534	-	-
Derivative financial instruments	24,967	32,967	-	-
Employee Benefits	148	151	-	-
	3,639,453	3,552,178	1,758,379	1,810,587
Current assets				
Inventories and work-in-progress	1,851,946	1,898,278	-	-
Trade receivables	1,258,879	1,457,982	-	-
Amounts due from related parties	17,616	24,618	211,679	199,634
Advances and other receivables	292,994	338,217	3,181	2,084
Short-term investments	10,719	188,890	-	-
Bank balances and other liquid funds	1,273,009	904,890	959,077	588,862
	4,705,163	4,812,875	1,173,937	790,580
TOTAL ASSETS	8,344,616	8,365,053	2,932,316	2,601,167
EQUITY AND LIABILITIES				
Current liabilities				
Advance payments from customers	898,926	932,515	-	-
Trade payables and accruals	1,576,805	1,722,488	22,896	24,148
Amounts due to related parties	30,581	28,449	826,343	504,827
Provisions	267,924	274,662	-	-
Progress billings in excess of work-in-progress	619,785	620,331	-	-
Provision for taxation	142,469	133,227	-	-
Borrowings	127,083	87,427	-	-
Employee benefits	1,903	1,916	-	-
	3,665,476	3,801,015	849,239	528,975
NET CURRENT ASSETS	1,039,687	1,011,860	324,698	261,605

2 BALANCE SHEETS (cont'd)

	GROUP		COMPANY	
	31-Mar-17	31-Dec-16	31-Mar-17	31-Dec-16
	\$'000	\$'000	\$'000	\$'000
Non-current liabilities				
Advance payments from customers	724,800	590,828	-	-
Trade payables and accruals	123,661	137,763	9,348	8,997
Deferred tax liabilities	220,726	216,592	-	-
Borrowings	913,626	992,848	-	-
Employee benefits	84,328	85,200	-	-
Deferred income	69,523	77,159	-	-
Derivative financial instruments	10,220	19,435	-	-
Amounts due to related parties	2,140	17	664,466	676,417
	2,149,024	2,119,842	673,814	685,414
TOTAL LIABILITIES	5,814,500	5,920,857	1,523,053	1,214,389
NET ASSETS	2,530,116	2,444,196	1,409,263	1,386,778
Share capital and reserves				
Share capital	895,926	895,926	895,926	895,926
Treasury shares	(20,085)	(44,081)	(20,085)	(44,081)
Capital reserves	115,859	113,184	(116)	(2,791)
Other reserves	(108,946)	(56,653)	50,235	65,231
Retained earnings	1,377,245	1,273,886	483,303	472,493
	2,259,999	2,182,262	1,409,263	1,386,778
Non-controlling interests	270,117	261,934	-	-
	2,530,116	2,444,196	1,409,263	1,386,778
TOTAL EQUITY AND LIABILITIES	8,344,616	8,365,053	2,932,316	2,601,167

2(a) ANALYSIS OF BALANCE SHEETS

Compared to 31 December 2016, the increase in Group's net assets was due mainly to increase in bank balances and other liquid funds from higher advance payments from customers and receipts from trade receivables, partially offset by payments to trade creditors.

In the quarter, bonds as short term investments were reinvested, resulting in increase in investment as non-current asset.

2(b) GROUP BORROWINGS

	As at 31-Mar-17 \$'000	As at 31-Dec-16 \$'000
<u>Amount repayable within one year</u>		
Secured	31,437	29,611
Unsecured	95,646	57,816
	<u>127,083</u>	<u>87,427</u>
<u>Amount repayable after one year</u>		
Secured	33,985	75,960
Unsecured	879,641	916,888
	<u>913,626</u>	<u>992,848</u>
 Total	 <u>1,040,709</u>	 <u>1,080,275</u>

2(c) NET ASSET VALUE

	GROUP		
	1Q2017	1Q2016	FY2016
	Cents	Cents	Cents
Net asset value per ordinary share at end of the financial period/year	72.52	71.30	70.20

	COMPANY		
	1Q2017	1Q2016	FY2016
	Cents	Cents	Cents
Net asset value per ordinary share at end of the financial period/year	45.22	46.52	44.61

3 CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FIRST QUARTER ENDED 31 MARCH 2017

	GROUP	
	1Q2017	1Q2016
	\$'000	\$'000
Cash flows from operating activities		
Profit before taxation	137,013	130,376
Adjustments:		
Share of results of associates and joint ventures, net of tax	(13,751)	(22,603)
Share-based payment expense	(2,229)	(6,579)
Depreciation charge	45,412	47,735
Property, plant and equipment written off	46	35
Amortisation of other intangible assets	6,596	7,899
Gain/(Loss) on disposal of property, plant and equipment	38	(219)
Gain/(Loss) on disposal of investments	152	(547)
Changes in fair value of financial instruments and hedged items	(6,070)	12,499
Changes in fair value of financial instruments held for trading	(6)	15
Interest expenses	10,318	11,576
Interest income	(6,564)	(7,348)
Impairment of property, plant and equipment	429	-
Dividends from investments	(2)	(1)
Amortisation of deferred income	(15)	(267)
Operating profit before working capital changes	<u>171,367</u>	<u>172,571</u>
Changes in:		
Inventories and work-in-progress	29,648	(15,170)
Progress billings in excess of work-in-progress	233	63,064
Trade receivables	179,575	39,175
Advance payments to suppliers	16,556	11,878
Other receivables, deposits and prepayments	40,292	6,928
Amount due from holding company and related corporations balances	1,772	5,728
Amount due to holding company and related corporations balances	2,352	(915)
Amount due from associates	2,858	2,198
Amount due from joint ventures	(3,725)	(6,267)
Trade payables	(63,347)	(34,855)
Advance payments from customers	105,022	8,522
Other payables, accruals and provisions	(67,418)	(129,686)
Loans to staff and third parties	(49)	(2,827)
Deferred income	(7,621)	1,583
Foreign currency translation of foreign operations	(2,533)	2,826
Cash generated from operations	<u>404,982</u>	<u>124,753</u>
Interest received	8,408	7,383
Income tax paid	(13,856)	(11,540)
Net cash from operating activities	<u>399,534</u>	<u>120,596</u>

3 CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FIRST QUARTER ENDED 31 MARCH 2017 (cont'd)

	GROUP	
	1Q2017	1Q2016
	\$'000	\$'000
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	430	374
Proceeds from sale and maturity of investments	129,372	91,028
Dividends from associates	21,990	16,597
Dividends from investments	2	1
Purchase of property, plant and equipment	(56,737)	(54,697)
Purchase of investments	(97,496)	(87,703)
Additions to other intangible assets	(12,013)	(14,242)
Acquisition of controlling interests in subsidiaries, net of cash acquired	-	9,127
Net cash used in investing activities	(14,452)	(39,515)
Cash flows from financing activities		
Proceeds from bank loans	4,848	66,650
Proceeds from a loan from a joint venture	8,000	1,000
Repayment of bank loans	(10,304)	(29,415)
Repayment of other loans	(54)	(39)
Repayment of lease obligations	(187)	(484)
Proceeds from share options exercised with issuance of treasury shares	13,904	642
Purchase of treasury shares	-	(2,838)
Capital contribution from non-controlling interests of subsidiaries	397	447
Acquisition of non-controlling interests in a subsidiary	-	(167)
Interest paid	(19,321)	(19,211)
Deposit discharged	2	1,379
Net cash (used in)/from financing activities	(2,715)	17,964
Net increase in cash and cash equivalents	382,367	99,045
Cash and cash equivalents at beginning of the period	903,632	944,119
Exchange difference on cash and cash equivalents at beginning of the period	(14,245)	(13,733)
Cash and cash equivalents at end of the period	1,271,754	1,029,431

3(a) ANALYSIS OF CONSOLIDATED STATEMENT OF CASH FLOWS

The Group ended the quarter with cash and cash equivalents ("CCE") of \$1,272 million. The Group generated net cash of \$400 million from its operating activities in 1Q2017 compared to \$121 million in 1Q2016. The increase was due to favourable working capital with lower trade receivables and increase in advances from customers, partially offset by lower trade payables and accruals.

Net cash used in investing activities of \$15 million in 1Q2017 was primarily for investment in property, plant and equipment by Aerospace (\$29 million), Electronics (\$19 million) and Land Systems (\$7 million) sectors.

Net cash used in financing activities of \$3 million in 1Q2017 was mainly attributable to payment of interest to bondholders.

4 **CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FIRST QUARTER ENDED 31 MARCH 2017**

The Statement of Comprehensive Income included as part of the results announcement is in compliance with the Singapore Financial Reporting Standards (FRS).

	GROUP		
	1Q2017	1Q2016	+ / (-)
	\$'000	\$'000	%
Profit for the period	109,985	110,744	(0.7)
Items that are or may be reclassified subsequently to profit or loss			
Net fair value changes on available-for-sale financial assets	5,412	6,943	(22.1)
Net fair value changes on cash flow hedges	12,999	14,908	(12.8)
Share of net fair value changes on cash flow hedges of an associate	83	-	NM
Reclassification of cash flow hedge reserve arising from disposal of an associate	-	11,368	(100.0)
Foreign currency translation differences	(47,541)	(51,785)	(8.2)
Share of foreign currency translation differences of associates and joint ventures	(7,090)	3,375	(310.1)
Other comprehensive loss for the period, net of tax	(36,137)	(15,191)	137.9
Total comprehensive income for the period, net of tax	73,848	95,553	(22.7)
Total comprehensive income attributable to:			
Shareholders of the Company	65,996	90,984	(27.5)
Non-controlling interests	7,852	4,569	71.9
	73,848	95,553	(22.7)

5 STATEMENT OF CHANGES IN EQUITY FOR THE FIRST QUARTER ENDED 31 MARCH 2017

Group	Share capital	Treasury Shares	Capital reserves	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1.1.2016	895,926	(66,870)	113,277	(65,495)	1,255,214	2,132,052	128,875	2,260,927
Total comprehensive income for the period								
Profit for the period	-	-	-	-	110,198	110,198	546	110,744
Other comprehensive income								
Net fair value changes on available-for-sale financial assets	-	-	-	6,943	-	6,943	-	6,943
Net fair value changes on cash flow hedges	-	-	-	7,462	-	7,462	7,446	14,908
Reclassification of cash flow hedge reserve arising from disposal of an associate	-	-	-	11,368	-	11,368	-	11,368
Foreign currency translation differences	-	-	-	(48,362)	-	(48,362)	(3,423)	(51,785)
Share of foreign currency translation differences of associates and joint ventures	-	-	-	3,375	-	3,375	-	3,375
<i>Other comprehensive income for the period, net of tax</i>	-	-	-	(19,214)	-	(19,214)	4,023	(15,191)
Total comprehensive income for the period, net of tax	-	-	-	(19,214)	110,198	90,984	4,569	95,553
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	-	-	-	-	-	-	447	447
Cost of share-based payment	-	-	-	(6,539)	-	(6,539)	(40)	(6,579)
Purchase of treasury shares	-	(2,834)	-	-	-	(2,834)	-	(2,834)
Treasury shares reissued pursuant to share plans	-	12,806	(360)	(11,717)	-	729	(87)	642
<i>Total contributions by and distributions to owners of the Company</i>	-	9,972	(360)	(18,256)	-	(8,644)	320	(8,324)
Changes in ownership interests in subsidiaries								
Acquisition of non-controlling interests in a subsidiary without a change in control	-	-	-	(731)	-	(731)	564	(167)
Acquisition of subsidiaries with non-controlling interests	-	-	-	-	-	-	150,717	150,717
Total transactions with owners of the Company	-	9,972	(360)	(18,987)	-	(9,375)	151,601	142,226
At 31.03.2016	895,926	(56,898)	112,917	(103,696)	1,365,412	2,213,661	285,045	2,498,706

5 STATEMENT OF CHANGES IN EQUITY FOR THE FIRST QUARTER ENDED 31 MARCH 2017 (cont'd)

Group	Share capital	Treasury Shares	Capital reserves	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1.1.2017	895,926	(44,081)	113,184	(56,653)	1,273,886	2,182,262	261,934	2,444,196
Total comprehensive income for the period								
Profit for the period	-	-	-	-	103,449	103,449	6,536	109,985
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	-	-	-	(45,234)	-	(45,234)	(2,307)	(47,541)
Share of foreign currency translation differences of associates and joint ventures	-	-	-	(7,090)	-	(7,090)	-	(7,090)
<i>Other comprehensive income for the period, net of tax</i>	-	-	-	(37,453)	-	(37,453)	1,316	(36,137)
Total comprehensive income for the period, net of tax	-	-	-	(37,453)	103,449	65,996	7,852	73,848
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)	-	-	-
At 31.03.2017	895,926	(20,085)	115,859	(108,946)	1,377,245	2,259,999	270,117	2,530,116

5 STATEMENT OF CHANGES IN EQUITY FOR THE FIRST QUARTER ENDED 31 MARCH 2017 (cont'd)

Company	Share capital \$'000	Treasury Shares \$'000	Share-based payment reserve \$'000	Capital reserve \$'000	Retained earnings \$'000	Total equity \$'000
At 1.1.2016	895,926	(66,870)	72,512	(3,073)	551,751	1,450,246
Total comprehensive income for the period						
Profit for the period	-	-	-	-	2,862	2,862
Total comprehensive income for the period	-	-	-	-	2,862	2,862
Transactions with owners of the Company, recognised directly in equity						
Contributions by and distributions to owners of the Company						
Cost of share-based payment	-	-	(6,579)	-	-	(6,579)
Purchase of treasury shares	-	(2,834)	-	-	-	(2,834)
Treasury shares reissued pursuant to share plans	-	12,806	(11,804)	(360)	-	642
<i>Total contributions by and distributions to owners of the Company</i>	-	9,972	(18,383)	(360)	-	(8,771)
At 31.03.2016	895,926	(56,898)	54,129	(3,433)	554,613	1,444,337
At 1.1.2017	895,926	(44,081)	65,231	(2,791)	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	(12,767)	2,675	-	13,904
<i>Total contributions by and distributions to owners of the Company</i>	-	23,996	(14,996)	2,675	-	11,675
At 31.03.2017	895,926	(20,085)	50,235	(116)	483,303	1,409,263

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

As at 31 March 2017, the Company has an issued share capital of 3,122,495,197 ordinary shares (31 December 2016: 3,122,495,197 ordinary shares) of which 6,328,286 were held by the Company as treasury shares (31 December 2016: 13,888,757).

	Number of Shares for the Quarter ended 31.03.2017
As at beginning and end of the quarter (including treasury shares)	3,122,495,197
As at end of the quarter (excluding treasury shares)	3,116,166,911
As at 31 December 2016 (excluding treasury shares)	3,108,606,440

Singapore Technologies Engineering Share Option Plan (ESOP)

As at 31 March 2017, there were 4,874,972 (31 March 2016: 13,912,090) unexercised options of unissued ordinary shares under the terminated ESOP.

Singapore Technologies Engineering Performance Share Plan 2010 (PSP 2010)

As at 31 March 2017, the total number of contingent shares granted conditionally but not released was 5,297,029 (31 March 2016: 4,982,398). Based on the achievement factor, the actual release of the awards could range from zero to a maximum of 9,004,949 (31 March 2016: 8,470,076) ordinary shares of the Company.

Singapore Technologies Engineering Restricted Share Plan 2010 (RSP 2010)

As at 31 March 2017, the total number of contingent shares granted conditionally but not released was 5,596,497 (31 March 2016: 5,370,242). Based on the achievement factor, the actual release of the awards could range from zero to a maximum of 8,011,406 (31 March 2016: 8,045,363) ordinary shares.

As at 31 March 2017, the total number of unvested awards was 5,860,866 (31 March 2016: 5,767,596) ordinary shares of the Company.

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

Treasury Shares

During the quarter, the Company did not purchase any ordinary shares by way of open market acquisitions (31 March 2016: 988,900).

During the quarter, 7,560,471 treasury shares were utilised pursuant to the ESOP and RSP 2010 (31 March 2016: 4,034,041).

<u>Group and Company</u>	Number of Shares for the Quarter ended 31.03.2017
As at beginning of the quarter	13,888,757
Treasury shares transferred on exercise of share options	(4,273,147)
Treasury shares transferred on vesting of RSP 2010	(3,287,324)
As at end of the quarter	6,328,286

6 **AUDIT**

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

7 **AUDITORS' REPORT**

Not applicable.

8 **ACCOUNTING POLICIES**

The Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period compared with the audited financial statements as at 31 December 2016 except for the adoption of FRS and INT FRS that are mandatory for financial year beginning on or after 1 January 2017. The adoption of these FRS and INT FRS has no significant impact on the financial statements.

9 **CHANGES IN ACCOUNTING POLICIES**

There are no changes to the accounting policies.

10 REVIEW OF GROUP PERFORMANCE

10(a) Revenue

1Q2017 vs 1Q2016

\$m	1Q2017	1Q2016 Restated*	Growth	
Aerospace	549	622	(73)	(12%)
Electronics	523	457	66	14%
Land Systems	273	316	(43)	(14%)
Marine	179	213	(34)	(16%)
Others	15	19	(4)	(21%)
Total	1,539	1,627	(88)	(5%)

Group's revenue of \$1,539 million for 1Q2017 was comparable to that of 1Q2016. Lower revenue was recorded by Aerospace, Land Systems and Marine sectors and "Others", while Electronics sector reported higher revenue.

Aerospace sector's 1Q2017 revenue of \$549 million was 12% or \$73 million lower than that of 1Q2016. **Aircraft Maintenance & Modification** and **Component/Engine Repair and Overhaul** business groups recorded lower revenue, partially offset by higher revenue from **Engineering & Materials Services** business group.

1Q2017 revenue of \$523 million for the Electronics sector was 14% or \$66 million higher than that of 1Q2016 arising from all three business groups. **Communication & Sensor Systems Group** recorded higher value project revenue recognition, partially offset by lower sales of satellite communication products.

Land Systems sector's revenue of \$273 million was 14% or \$43 million lower than that of 1Q2016 mainly from **Automotive** and **Munitions & Weapon** business groups.

Revenue of Marine sector in 1Q2017 of \$179 million was 16% or \$34 million lower due to lower revenue from all business groups.

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

* Pursuant to the transfer of ST Synthesis to Land Systems sector with effect from 1 January 2017 as part of the business rationalisation to provide a one stop integrated solution to Land Systems sector customers, comparative 1Q2016 figures in the income statement and segmental information were restated.

10 REVIEW OF GROUP PERFORMANCE (cont'd)
10(b) Profitability
1Q2017 vs 1Q2016

\$m	1Q2017	1Q2016 Restated*	Growth	
Aerospace	78.1	75.2	2.9	4%
Electronics	41.7	39.6	2.1	5%
Land Systems	16.2	18.3	(2.1)	(11%)
Marine	9.0	3.4	5.6	165%
Others	(8.0)	(6.1)	(1.9)	(31%)
Total	137.0	130.4	6.6	5%

Group's profit before tax (PBT) for 1Q2017 of \$137.0 million was comparable to that of 1Q2016. Higher PBT from Marine sector was partially offset by lower PBT from Land Systems sector as well as "Others". Aerospace and Electronics sectors reported comparable PBT.

Aerospace sector's PBT of \$78.1 million in 1Q2017 was comparable to that achieved in 1Q2016. This was due to favourable sales mix, partially offset by higher operating expenses and lower other income.

Electronics sector's PBT of \$41.7 million in 1Q2017 was comparable to that achieved in 1Q2016. The higher revenue generated was partially offset by less favourable sales mix and lower other income.

Compared to 1Q2016, Land Systems sector's 1Q2017 PBT of \$16.2 million was 11% or \$2.1 million lower due mainly to lower revenue, partially offset by lower operating expenses.

PBT of Marine sector in 1Q2017 of \$9.0 million was 165% or \$5.6 million higher than that for 1Q2016 due mainly to better Shipbuilding performance from US operation partially offset by higher allowance for doubtful debts.

PBT under "Others" for 1Q2017 was \$1.9 million lower compared to 1Q2016 due mainly to absence of contribution from an associate, Experia Events Pte. Ltd., the organiser of Singapore Airshow 2016.

* Pursuant to the transfer of ST Synthesis to Land Systems sector with effect from 1 January 2017 as part of the business rationalisation to provide a one stop integrated solution to Land Systems sector customers, comparative 1Q2016 figures in the income statement and segmental information were restated.

11 **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 2017 to be false or misleading in any material respect.

12 **VARIANCE FROM PROSPECTS STATEMENT**

No first quarter forecast was previously provided.

13 **PROSPECTS**

Group

Barring unforeseen circumstances, the Group's Revenue and PBT for 1H2017 are expected to be comparable to 1H2016. For FY2017, the Group's Revenue is expected to be comparable to, while PBT is expected to be higher than that of FY2016.

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.

14 **DIVIDENDS**

No interim dividend for the period ended 31 March 2017 is recommended.

15 BUSINESS SEGMENTAL INFORMATION
By Business Activity

	1Q2017						Group \$'000
	Aerospace \$'000	Electronics \$'000	Land Systems \$'000	Marine \$'000	Others \$'000	Elimination \$'000	
Revenue							
External sales	549,254	523,150	272,658	179,227	14,900	-	1,539,189
Inter-segment sales	5,770	9,163	5,045	-	1,307	(21,285)	-
	<u>555,024</u>	<u>532,313</u>	<u>277,703</u>	<u>179,227</u>	<u>16,207</u>	<u>(21,285)</u>	<u>1,539,189</u>
Reportable segment profit from operations	63,078	39,320	11,687	7,726	(23,453)	18,316	116,674
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	3,700	415	689	492	45,579	(37,680)	13,195
Finance costs	(2,925)	(2,206)	(2,862)	(583)	(36,301)	26,588	(18,289)
Share of results of associates and joint ventures, net of tax	10,295	305	3,307	262	-	(418)	13,751
Profit before taxation	78,124	41,681	16,243	9,017	13,733	(21,785)	137,013
Taxation	(15,538)	(5,482)	(4,404)	(940)	1,570	(2,234)	(27,028)
Non-controlling interests	(6,541)	229	(224)	-	-	-	(6,536)
Profit attributable to shareholders	<u>56,045</u>	<u>36,428</u>	<u>11,615</u>	<u>8,077</u>	<u>15,303</u>	<u>(24,019)</u>	<u>103,449</u>
Other assets	2,756,185	2,056,908	1,611,718	968,441	5,250,924	(4,689,844)	7,954,332
Associates and joint ventures	238,274	1,870	120,644	8,915	17,657	2,924	390,284
Segment assets	<u>2,994,459</u>	<u>2,058,778</u>	<u>1,732,362</u>	<u>977,356</u>	<u>5,268,581</u>	<u>(4,686,920)</u>	<u>8,344,616</u>
Segment liabilities	<u>1,979,474</u>	<u>1,764,837</u>	<u>1,486,276</u>	<u>809,956</u>	<u>3,057,743</u>	<u>(3,283,786)</u>	<u>5,814,500</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

+ These relate to additions to or impairment of property, plant and equipment and intangible assets.

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

	1Q2016						Group \$'000
	Aerospace \$'000	Electronics \$'000	Land Systems \$'000 (Restated)*	Marine \$'000	Others \$'000 (Restated)*	Elimination \$'000	
Revenue							
External sales	622,400	457,263	315,968	213,482	17,955	-	1,627,068
Inter-segment sales	1,403	7,010	2,898	34	2,531	(13,876)	-
	<u>623,803</u>	<u>464,273</u>	<u>318,866</u>	<u>213,516</u>	<u>20,486</u>	<u>(13,876)</u>	<u>1,627,068</u>
Reportable segment profit from operations	59,721	32,657	11,842	(39)	(19,696)	12,638	97,123
Other income	6,744	8,330	7,442	2,230	9,750	(12,395)	22,101
Other expenses	(622)	-	(1,307)	(20)	-	1,949	-
Finance income	2,587	703	2,277	1,128	41,161	(32,328)	15,528
Finance costs	(4,730)	(2,127)	(5,459)	(179)	(32,579)	18,095	(26,979)
Share of results of associates and joint ventures, net of tax	11,470	26	3,551	259	-	7,297	22,603
Profit before taxation	75,170	39,589	18,346	3,379	(1,364)	(4,744)	130,376
Taxation	(14,087)	(6,517)	(5,189)	2,414	3,787	(40)	(19,632)
Non-controlling interests	(3,131)	19	2,559	7	-	-	(546)
Profit attributable to shareholders	<u>57,952</u>	<u>33,091</u>	<u>15,716</u>	<u>5,800</u>	<u>2,423</u>	<u>(4,784)</u>	<u>110,198</u>
Other assets	2,919,352	1,830,843	1,812,831	1,031,776	4,460,783	(3,849,350)	8,206,235
Associates and joint ventures	185,633	1,423	116,538	8,488	17,657	8,320	338,059
Segment assets	<u>3,104,985</u>	<u>1,832,266</u>	<u>1,929,369</u>	<u>1,040,264</u>	<u>4,478,440</u>	<u>(3,841,030)</u>	<u>8,544,294</u>
Segment liabilities	<u>2,126,106</u>	<u>1,595,716</u>	<u>1,661,032</u>	<u>851,489</u>	<u>2,404,504</u>	<u>(2,593,259)</u>	<u>6,045,588</u>
Capital expenditure ⁺	92,286	8,599	2,710	1,461	131	-	105,187
Depreciation and amortisation	26,614	9,259	9,593	7,166	3,013	(11)	55,634
Other non-cash expenses	34	-	1	-	-	-	35

⁺ These relate to additions or impairment of property, plant and equipment and intangible assets.

* Pursuant to the transfer of ST Synthesis to Land Systems sector with effect from 1 January 2017 as part of the business rationalisation to provide a one stop integrated solution to Land Systems sector customers, comparative 1Q2016 figures in the income statement and segmental information were restated.

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

For Revenue and Profit Before Tax of 1Q2017 vis-à-vis 1Q2016, please refer to paragraph 10.

	Profit Attributable to Shareholders		
	1Q2017	1Q2016	+ / (-)
		Restated*	
	\$'000	\$'000	%
Aerospace	56,045	57,952	(3.3)
Electronics	36,428	33,091	10.1
Land Systems	11,615	15,716	(26.1)
Marine	8,077	5,800	39.3
Others	(8,716)	(2,361)	(269.2)
Group	103,449	110,198	(6.1)

By Geographical Areas

	Revenue			
	1Q2017		1Q2016	
	\$'000	%	\$'000	%
Asia	955,368	62.1	982,158	60.4
USA	347,693	22.6	382,848	23.5
Europe	148,494	9.6	150,587	9.3
Others	87,634	5.7	111,475	6.8
Total	1,539,189	100	1,627,068	100

By Country of Incorporation

	Revenue			
	1Q2017		1Q2016	
	\$'000	%	\$'000	%
Asia	1,084,498	70.4	1,112,547	68.4
USA	319,560	20.8	380,226	23.4
Europe	122,945	8.0	121,425	7.4
Others	12,186	0.8	12,870	0.8
Total	1,539,189	100	1,627,068	100

* Pursuant to the transfer of ST Synthesis to Land Systems sector with effect from 1 January 2017 as part of the business rationalisation to provide a one stop integrated solution to Land Systems sector customers, comparative 1Q2016 figures in the income statement and segmental information were restated.

15 BUSINESS SEGMENTAL INFORMATION (cont'd)
By Country of Incorporation (cont'd)

	Non-Current Assets +			
	1Q2017		1Q2016	
	\$'000	%	\$'000	%
Asia	2,129,064	60.4	2,106,794	61.6
USA	841,865	23.9	830,956	24.3
Europe	459,637	13.0	386,196	11.3
Others	93,370	2.7	94,591	2.8
Total	3,523,936	100	3,418,537	100

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

16 INTERESTED PERSON TRANSACTIONS (unaudited)

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

	1Q2017	1Q2016
	\$'000	\$'000
Transactions for the Sale of Goods and Services		
Temasek Holdings (Private) Limited and its Associates (non-listed)	5,247	1,235
	<u>5,247</u>	<u>1,235</u>
Transactions for the Purchase of Goods and Services		
SATS Ltd. and its Associates	713	887
SembCorp Industries Ltd and its Associates	-	260
Singapore Telecommunications Limited and its Associates	165	521
StarHub Ltd and its Associates	454	1,700
Temasek Holdings (Private) Limited and its Associates (non-listed)	2,391	2,054
	<u>3,723</u>	<u>5,422</u>
Total Interested Person Transactions	<u>8,970</u>	<u>6,657</u>

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

CHUA SU LI / KAREN NG KWEE LIAN

Company Secretaries

12 May 2017

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