

Financial Year 2017 Results Briefing

23 February 2018



Higher Profits in FY2017 vs FY2016

Agenda

- ▶ **Financial Highlights (FY2017 vs FY2016)**
- ▶ President & CEO's Message
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 - ▶ 4Q2017 vs 4Q2016
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 - ▶ Electronics
 - ▶ Land Systems
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Financial Highlights

for the year ended 31 December 2017

\$'m	FY2017	FY2016		Change	
Revenue	6,619	6,684	▼	65	1%
Earnings before interest & tax (EBIT)	553.3	471.1	▲	82.2	17%
Other income, net	38.7	67.8	▼	29.1	43%
Finance costs, net	(18.0)	(12.0)	▼	6.0	50%
Profit before tax (PBT)	623.3	590.6	▲	32.7	6%
Profit attributable to shareholders (Net Profit)	511.9	484.5	▲	27.4	6%

Financial Highlights

for the year ended 31 December 2017

- ▶ \$13.2b strong order book; about \$3.8b to be delivered in FY2018 (end Dec 2016: \$11.6b)
- ▶ Commercial sales and defence sales constituted 65% or \$4.3b and 35% or \$2.3b respectively (FY2016 commercial and defence sales: 65% and 35%)
- ▶ EBITDA of \$770.3m (FY2016: \$718.4m) and EBIT of \$553.3m (FY2016: \$471.1m) were higher by 7% and 17% respectively.
- ▶ CCE including funds under management of \$1.3b (end Dec 2016: \$1.4b)
- ▶ EVA for FY2017 at \$321.6m (FY2016: \$252.4m)

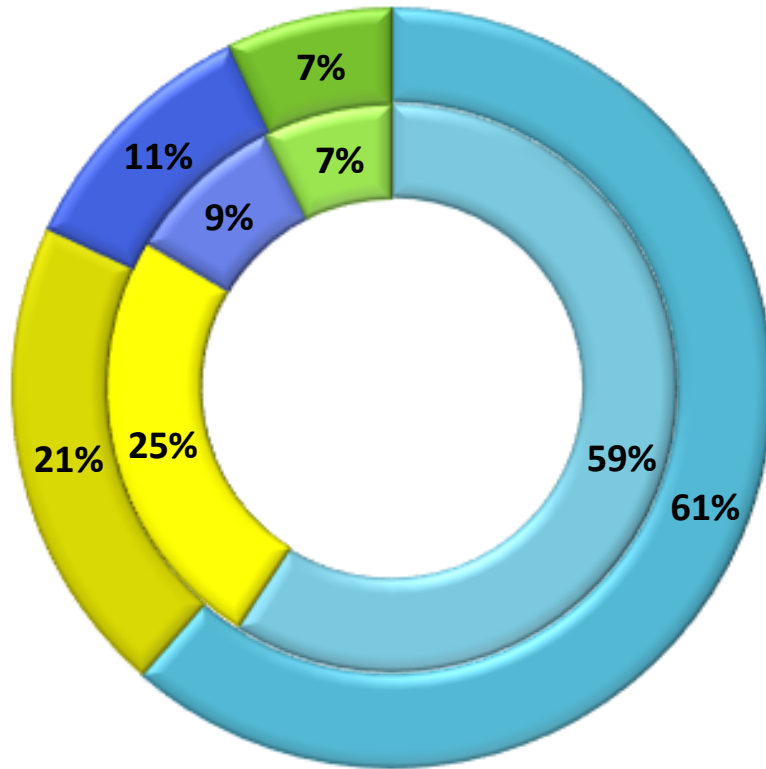
Group Revenue by sector

Comparable revenue							
\$'m	FY2017	%	FY2016	%	Change		
Aerospace	2,535	38	2,484	37	▲	51	2%
Electronics	2,108	32	1,885	28	▲	223	12%
Land Systems	1,244	19	1,390*	21	▼	146	11%
Marine	637	10	841	13	▼	204	24%
Others	95	1	84*	1	▲	11	13%
Group	6,619	100	6,684	100	▼	65	1%

*Comparative figures restated pursuant to the transfer of ST Synthesis from Others to Land Systems sector with effect from 1 January 2017

Group Revenue

Breakdown by location of customers (by geography)



Locality	FY2016		FY2017	
	\$m	%	\$m	%
Asia	3,951	59	4,066	61
USA	1,632	25	1,360	21
Europe	610	9	726	11
Others	491	7	467	7
Total	6,684	100	6,619	100

Group PBT by sector

Higher PBT by \$32.7m or 6%

\$'m	FY2017	%	FY2016	%	Change		
Aerospace	317.8	51	300.3	51	▲	17.5	6%
Electronics	212.3	34	207.8	35	▲	4.5	2%
Land Systems	85.0	14	38.8*	6	▲	46.2	119%
Marine	22.4	3	75.1	13	▼	52.7	70%
Others	(14.2)	(2)	(31.4)*	(5)	▲	17.2	NM
Group	623.3	100	590.6	100	▲	32.7	6%

NM: Not Meaningful

*Comparative figures restated pursuant to the transfer of ST Synthesis from Others to Land Systems sector with effect from 1 January 2017

PBT Margin by sector

	FY2017	FY2016
Aerospace	13%	12%
Electronics	10%	11%
Land Systems	7%	3%*
Marine	4%	9%
Group	9%	9%

One-off charge incurred for China Specialty Vehicle business

*Comparative figures restated pursuant to the transfer of ST Synthesis from Others to Land Systems sector with effect from 1 January 2017

Group Net Profit by sector

Higher Net Profit by \$27.4m or 6%

\$'m	FY2017	%	FY2016	%	Change	
Aerospace	244.1	48	234.4	48	▲	9.7 4%
Electronics	178.8	35	174.5	36	▲	4.3 2%
Land Systems	87.4	17	25.5*	5	▲	61.9 243%
Marine	27.0	5	67.8	14	▼	40.8 60%
Others	(25.4)	(5)	(17.7)*	(3)	▼	7.7 NM
Group	511.9	100	484.5	100	▲	27.4 6%

Includes favourable impact from remeasurement of deferred tax balances due to US tax reform

NM: Not Meaningful

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Aerospace

FY2017 vs FY2016

Revenue \$2,535m ▲ \$51m or 2%

- Higher revenue from CERO and EMS
- Partially offset by
- Lower revenue from AMM

PBT \$317.8m ▲ \$17.5m or 6%

- Higher gross profit from higher revenue and favourable sales mix
 - Lower operating expenses
- Partially offset by
- Lower other income

Electronics

FY2017 vs FY2016

Revenue \$2,108m ▲ \$223m or 12%

- Higher project revenue recognition from all three business groups
- Higher sales of satellite communication products

PBT \$212.3m ▲ \$4.5m or 2%

- Higher gross profit in line with higher revenue
- Partially offset by
- Unfavourable sales mix and higher operating expenses
 - Lower other income

Land Systems

FY2017 vs FY2016*

Revenue \$1,244m ▼ \$146m or 11%

- Lower revenue from Auto and M&W
- S&T reported comparable revenue

PBT \$85.0m ▲ \$46.2m or 119%

- Absence of prior year's impairment of asset carrying values and the provision for closure costs for the China Specialty Vehicle business

*Comparative figures restated pursuant to the transfer of ST Synthesis from Others to Land Systems sector with effect from 1 January 2017

Marine

FY2017 vs FY2016

Revenue \$637m ▼ \$204m or 24%

- Lower revenue from all three business groups

PBT \$22.4m ▼ \$52.7m or 70%

- Poor performance due to weak industry conditions and US operations

Statement of Cash Flows

\$m	FY2017	FY2016
Net cash from/(used in):		
Operating activities	764	759
Investing activities	(246)	(267)
Financing activities	(390)	(535)
Net increase/(decrease) in CCE *	128	(43)
CCE at beginning of the year	904	944
Exchange difference	(34)	3
CCE at end of the year	998	904
Add: Funds under management	351	500
Total CCE & Funds under management	1,349	1,404

* CCE – Cash & Cash Equivalents

Balance Sheet

\$ m	31-Dec-17	31-Dec-16
Property, plant and equipment	1,719	1,670
Associates & joint ventures	448	406
Investments	360	322
Intangible assets	1,088	1,020
Other non-current assets	134	134
Non-current assets	3,749	3,552
Current assets	4,724	4,813
Total assets	8,473	8,365
Current liabilities	3,901	3,801
Non-current liabilities	2,051	2,120
Total liabilities	5,952	5,921
Share capital and reserves	2,240	2,182
Non-controlling interests	281	262
Total equity and liabilities	8,473	8,365
Net current assets	823	1,012

Net Assets:
\$2.52b

Net Assets:
\$2.44b

Agenda

- ▶ Financial Highlights (FY2017 vs FY2016)
- ▶ **President & CEO's Message**
- ▶ Appendix
 - ▶ 4Q2017 vs 4Q2016
 - ▶ Aerospace
 - ▶ Electronics
 - ▶ Land Systems
 - ▶ Marine

President & CEO's Message

“In FY2017, profits were higher than and revenue was comparable to FY2016. We started 2018 with a strong order book of \$13.2b, providing us with steady revenue pipeline for the next few years.

We will continue to strengthen our core businesses, drawing upon the strengths of each sector to offer innovative technologies in the areas of defence and smart city solutions (including, among others, cybersecurity, public security services, urban transportation and robotics) to our customers around the world. We expect that our performance will strengthen over the next few years. Growth will come from the Aerospace sector as its A330 and A320 passenger-to-freighter conversion programmes gain momentum, and from the more expansive smart city offerings emanating from the Electronics and Land Systems sectors in Singapore and overseas. Industry conditions for the Marine sector are likely to remain weak in 2018, but we will continue to focus on strengthening our operational efficiency.”

~ Vincent Chong, President & CEO, ST Engineering

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4Q2017 vs 4Q2016

Financial Highlights

for the fourth quarter ended 31 December 2017

\$'m	4Q2017	4Q2016	Change		
Revenue	1,702	1,820	▼	118	6%
Earnings before interest & tax (EBIT)	159.8	154.8	▲	5.0	3%
Other income, net	7.1	10.4	▼	3.3	32%
Finance (costs)/income, net	(6.3)	2.7	▼	9.0	NM
Profit before tax (PBT)	173.5	183.3	▼	9.8	5%
Profit attributable to shareholders (Net Profit)	168.5	170.4	▼	1.9	1%

NM: Not Meaningful

Group Revenue by sector

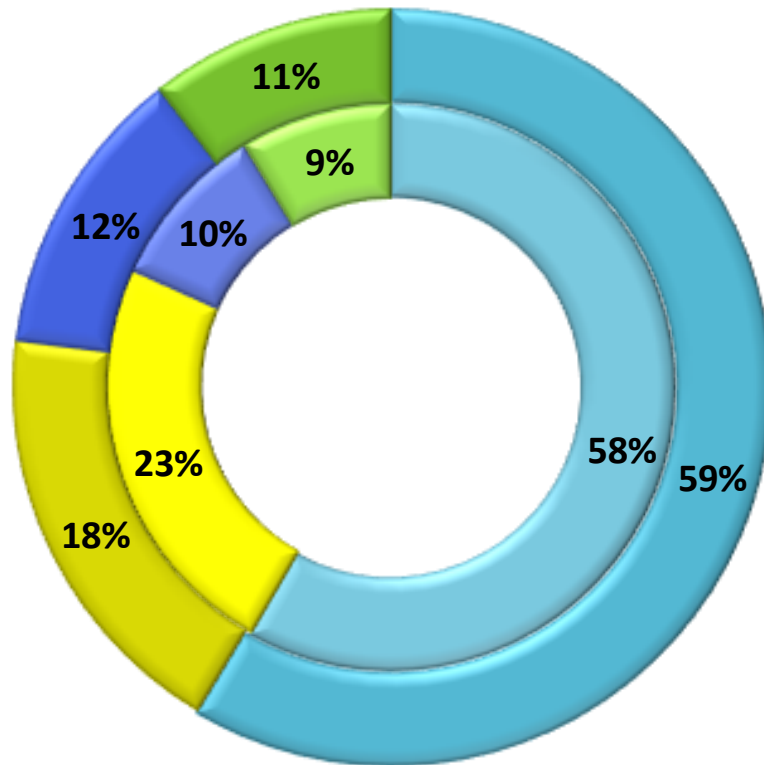
Lower revenue by \$118m or 6%

\$'m	4Q2017	%	4Q2016	%	Change		
Aerospace	740	44	680	37	▲	60	9%
Electronics	468	27	517	29	▼	49	9%
Land Systems	338	20	426*	23	▼	88	21%
Marine	131	8	168	9	▼	37	22%
Others	25	1	29*	2	▼	4	14%
Group	1,702	100	1,820	100	▼	118	6%

*Comparative figures restated pursuant to the transfer of ST Synthesis from Others to Land Systems sector with effect from 1 January 2017

Group Revenue

Breakdown by location of customers (by geography)



Locality	4Q2016		4Q2017	
	\$m	%	\$m	%
Asia	1,060	58	997	59
USA	428	23	313	18
Europe	174	10	213	12
Others	158	9	179	11
Total	1,820	100	1,702	100

Group PBT by sector

Comparable PBT							
\$'m	4Q2017	%	4Q2016	%	Change		
Aerospace	94.5	55	85.8	47	▲	8.7	10%
Electronics	63.0	36	64.2	35	▼	1.2	2%
Land Systems	24.4	14	26.8*	14	▼	2.4	9%
Marine	0.4	-	12.6	7	▼	12.2	97%
Others	(8.8)	(5)	(6.1)*	(3)	▼	2.7	NM
Group	173.5	100	183.3	100	▼	9.8	5%

NM: *Not Meaningful*

* Comparative figures restated pursuant to the transfer of ST Synthesis from Others to Land Systems sector with effect from 1 January 2017

Group Net Profit by sector

Comparable Net Profit							
\$'m	4Q2017	%	4Q2016	%		Change	
Aerospace	86.4	51	75.8	44	▲	10.6	14%
Electronics	55.7	33	54.6	32	▲	1.1	2%
Land Systems	42.6	25	27.1*	16	▲	15.5	57%
Marine	0.7	1	13.4	8	▼	12.7	95%
Others	(16.9)	(10)	(0.5)*	-	▼	16.4	NM
Group	168.5	100	170.4	100	▼	1.9	1%

Includes favourable impact from remeasurement of deferred tax balances due to US tax reform

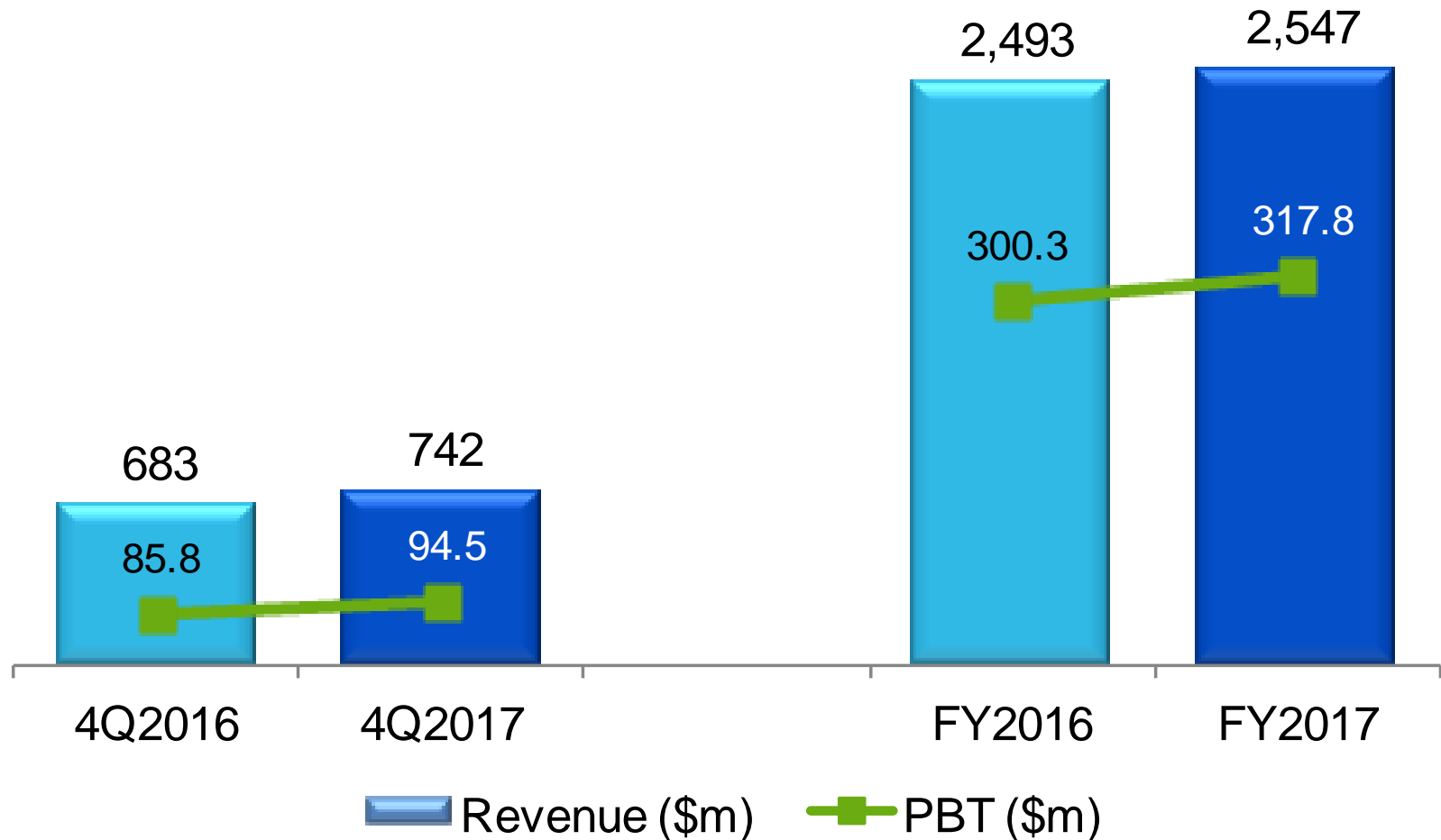
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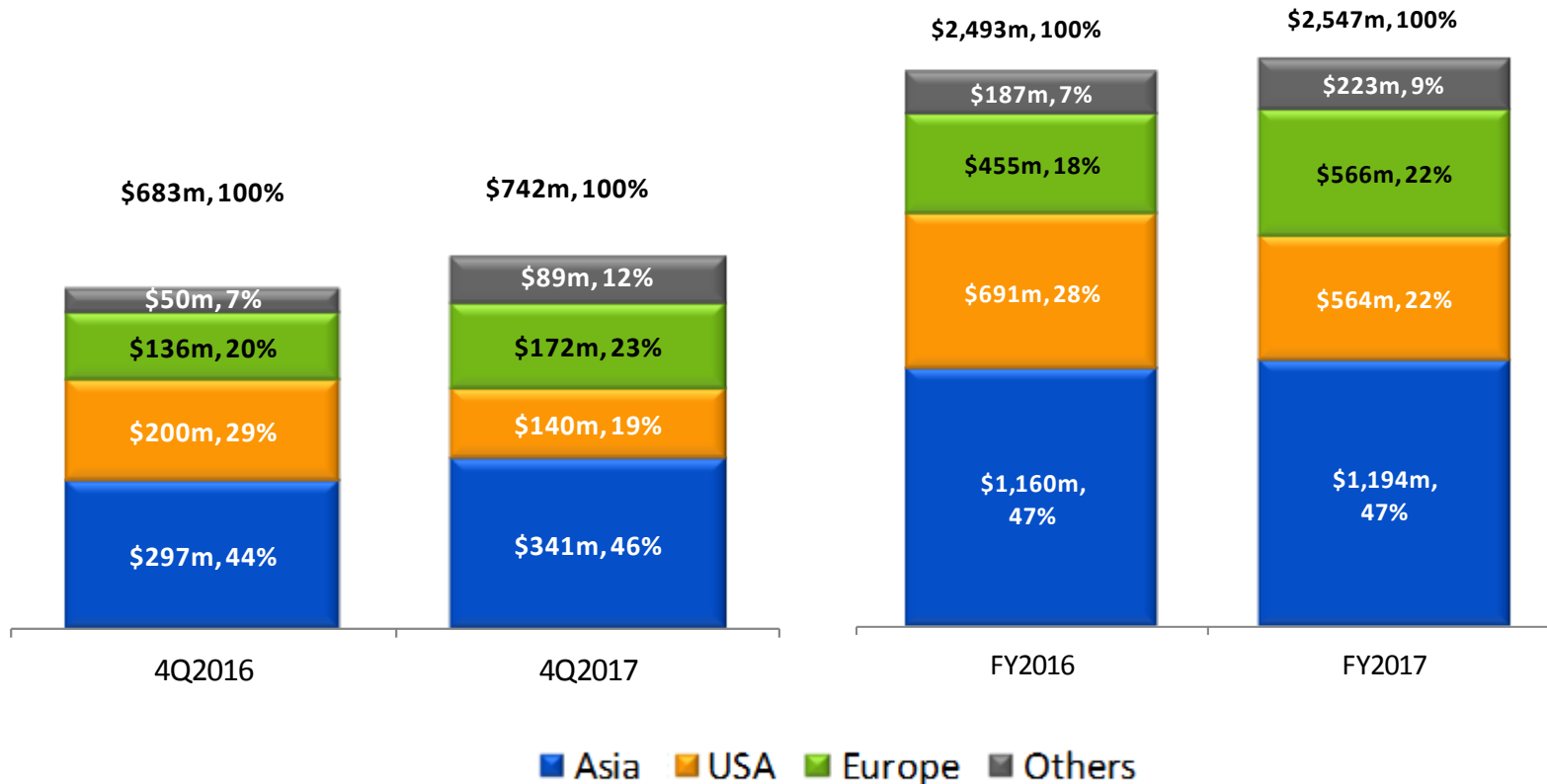
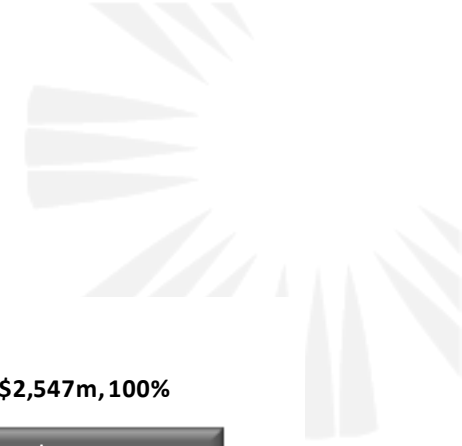
Aerospace

Aerospace Revenue and PBT



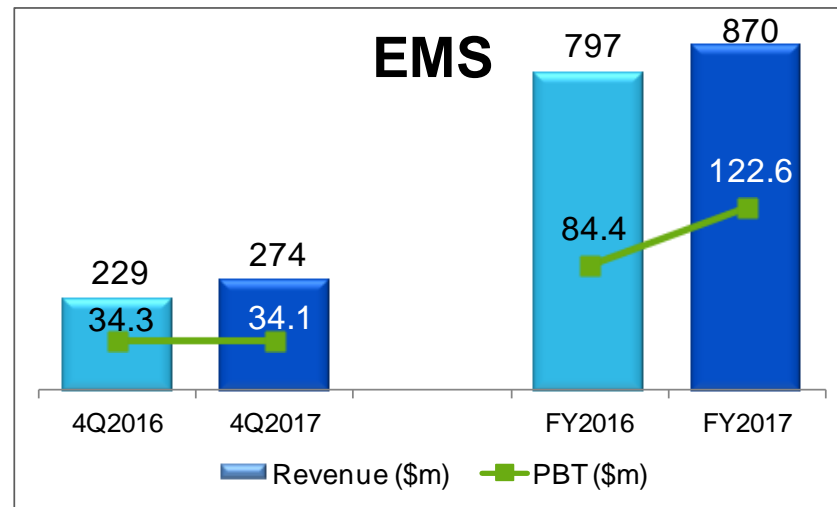
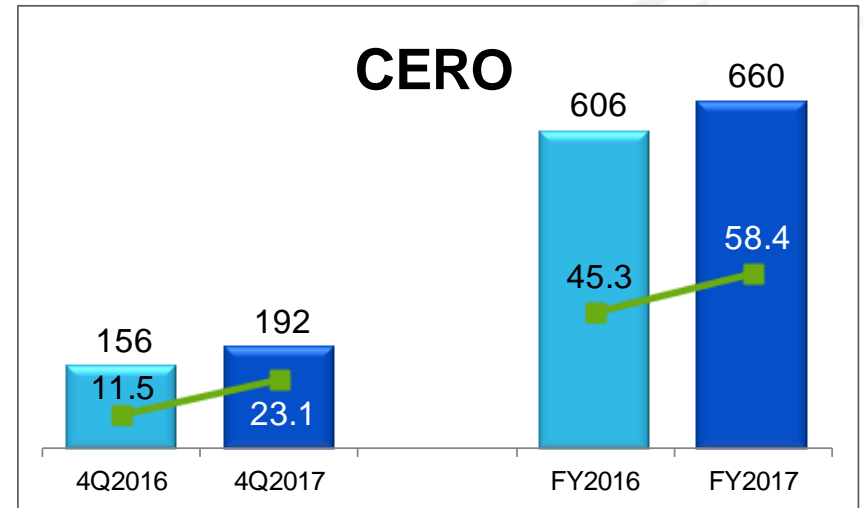
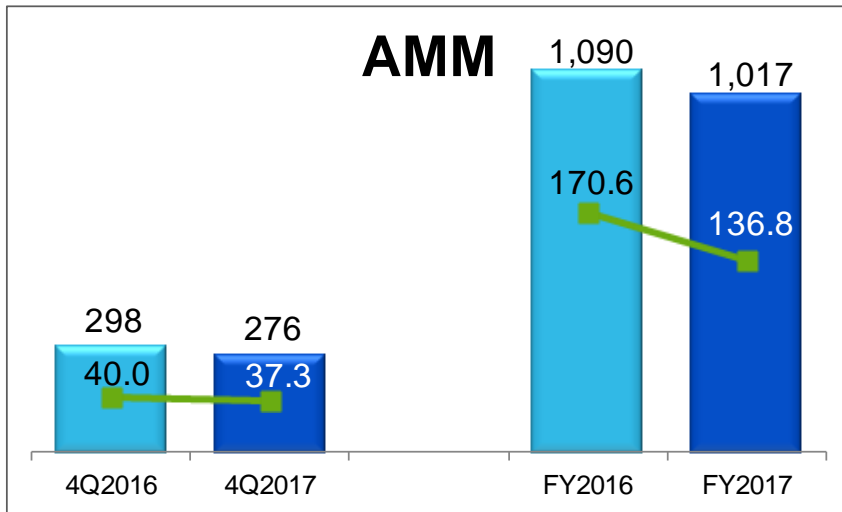
Note: Revenue includes inter-segment sales

Aerospace Revenue by geography (by location of customers)



Note: Revenue includes inter-segment sales

Aerospace Revenue and PBT by business group



Note: Revenue includes inter-segment sales

Aerospace – FY2017 in Review



- ▶ Record contract win of \$2.8b, including:
 - ▶ 4 additional firm orders with options for 10 more A330-300P2F conversions from DHL Express
 - ▶ A launch customer for in-house designed aircraft seats for two A320 aircraft
 - ▶ Multi-year agreements including Boeing 787 component and airframe heavy maintenance support for Gulf Air and Air Canada respectively, and CFM56-7B engine support for European and Asian airlines

Aerospace – FY2017 in Review

- ▶ Steady progress in new growth areas
 - ▶ Redelivered the first of eight A330-300 converted freighters to DHL Express
 - ▶ Completed VIP refurbishment and maintenance services for our first wide-body aircraft and a Boeing Business Jet
 - ▶ Added two aircraft for aircraft leasing, bringing total fleet to four aircraft
 - ▶ Achieved new milestones for Aircraft seats business - received EASA's European Technical Standards Order Authorisation and AS9100 Quality Management System certification from DNV GL
 - ▶ Incorporated AERIA as a subsidiary with independent FAA repair certification for VIP completion and refurbishment
- ▶ Capacity expansion
 - ▶ Added new hangars in Guangzhou, China and Dresden, Germany
 - ▶ Expanded its VIP Completion facility and added Boeing 787 airframe maintenance capabilities in the US

Aerospace – Outlook for FY2018

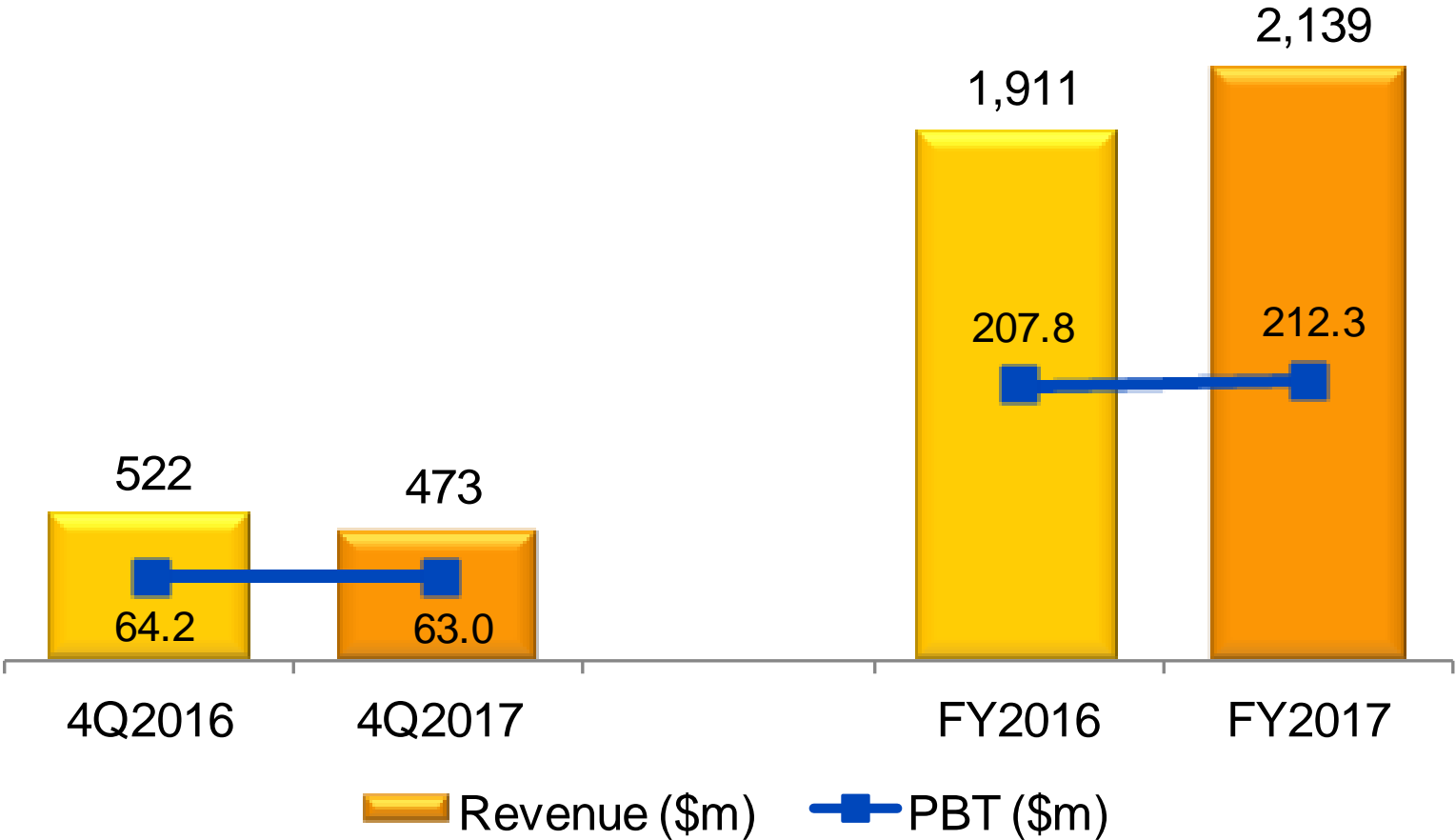


- ▶ Pursue launch customer for A320/A321 P2F conversions
- ▶ Secure new contracts for UAV services, new cabin interiors integration and VIP completion programme
- ▶ Grow aircraft leasing fleet, focusing on mid- to end-life aircraft
- ▶ Enhance capacity in strategic aviation hubs, e.g. addition of a new facility in Pensacola, US
- ▶ Develop unmanned freighter solutions



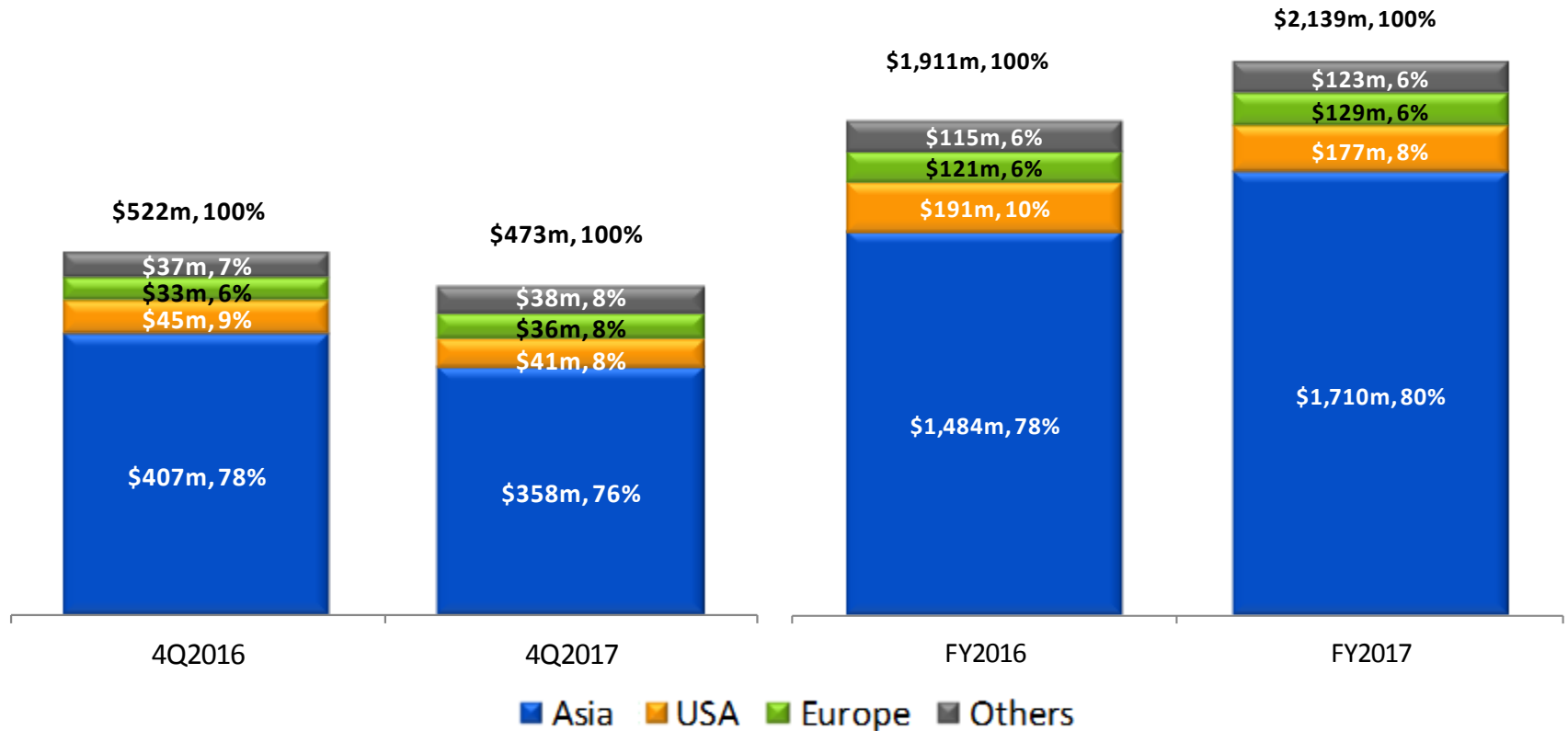
Electronics

Electronics Revenue and PBT



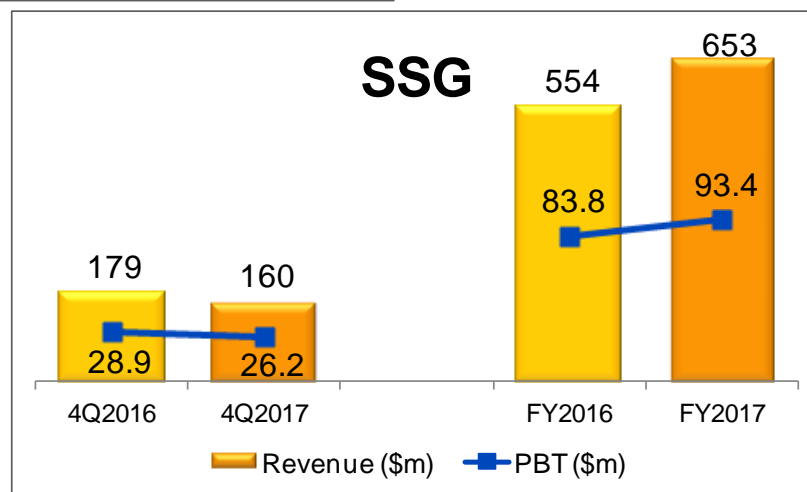
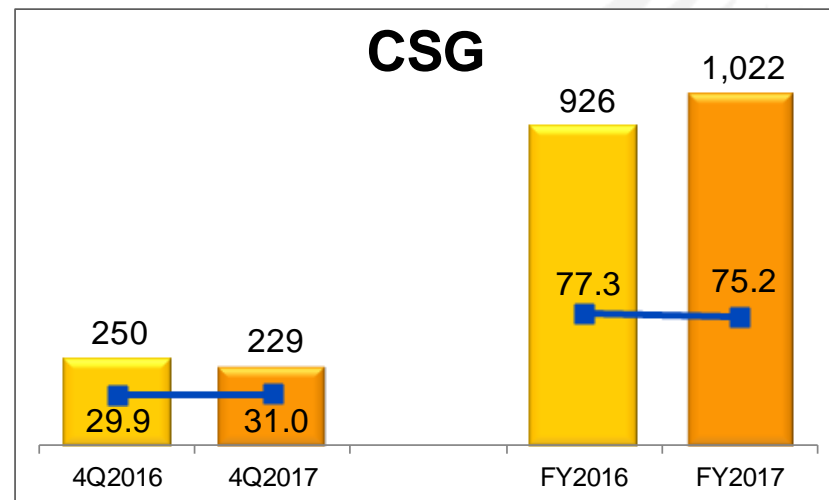
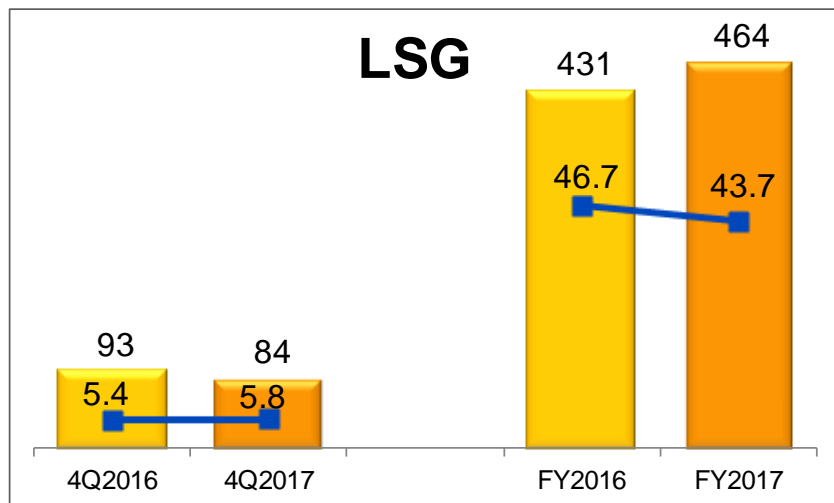
Note: Revenue includes inter-segment sales

Electronics Revenue by geography (by location of customers)



Note: Revenue includes inter-segment sales

Electronics Revenue and PBT by business group



Note: Revenue includes inter-segment sales

Electronics - FY2017 In Review

- ▶ Secured about \$2.3b new contracts, including:
 - ▶ Delivery of Communications Systems, Automatic Fare Collection System, Platform Screen Doors, Communications and Control System, Supervisory Control and Data Acquisition and Passenger Information System for various rail electronics projects in Singapore, Malaysia, Thailand and the US
 - ▶ Supply of satellite & broadband communications products in Somalia, Mexico and Russia
 - ▶ Supply of smart sensor network system to enhance smart city management in China, Europe, India and the US
 - ▶ A comprehensive electronics system for commercial complex in China and other Advanced Electronics and ICT solutions

Electronics - FY2017 In Review

- ▶ Enhanced smart city offerings
 - ▶ Acquired 51% equity interest in SP Telecommunications Pte Ltd to provide ICT solutions for government and enterprise customers
 - ▶ Set up office in Riyadh, Saudi Arabia and injected capital to Thailand subsidiary to grow rail electronics business
 - ▶ Launched Black Computer L100, the first-of-its kind cyber security solution in the industry at GovWare 2017
 - ▶ Augmented cyber security offerings with MOU signed with IBM and Siemplify and CISCO
 - ▶ Signed MOU with CAAS and GomSpace, Alpha Ori, Seven Sky LLC and collaborated with Saab Digital Air Traffic Solutions AB to develop intelligent aviation and maritime solutions regionally

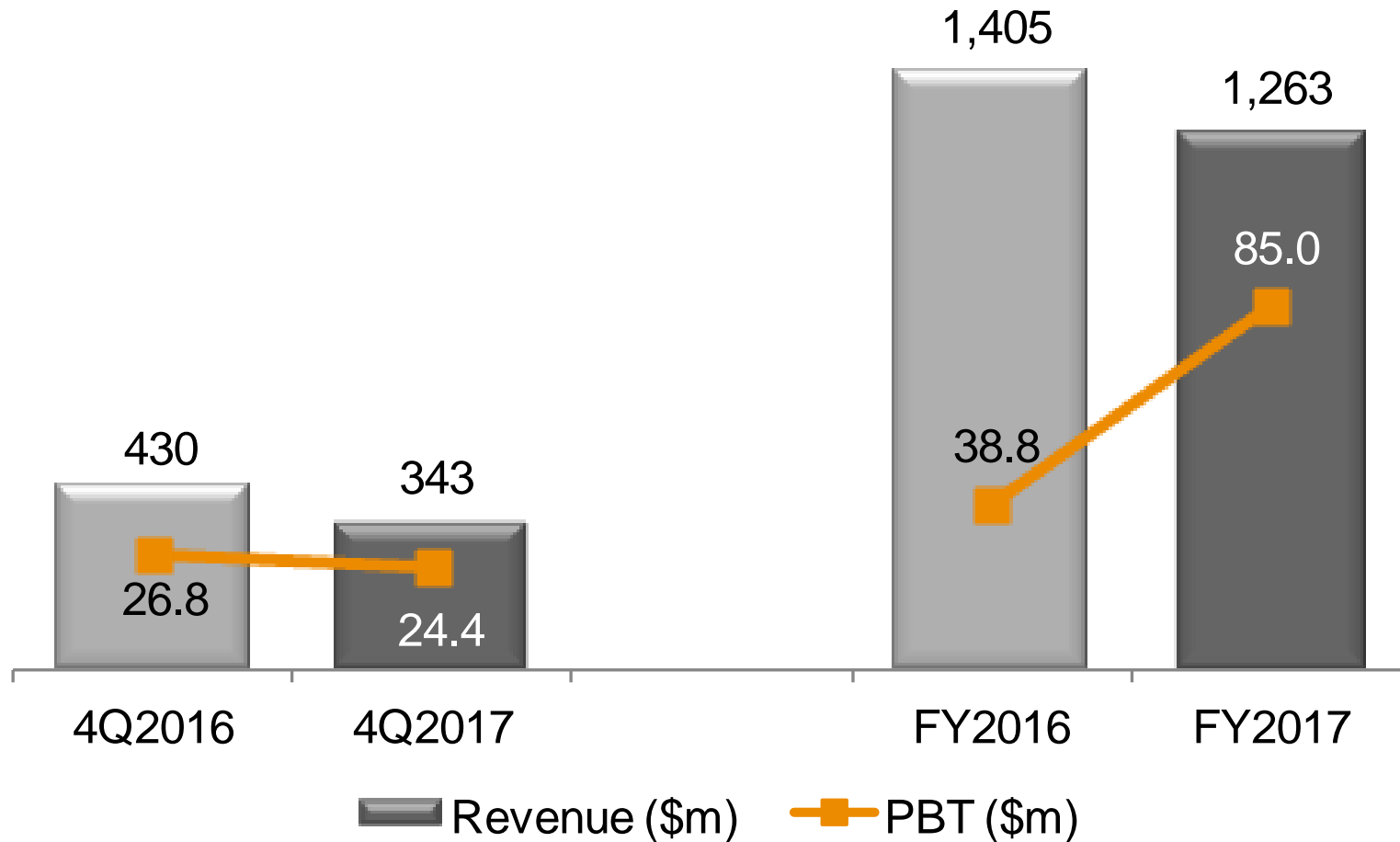
Electronics – Outlook for FY2018

- ▶ Deliver secured smart transportation, satellite communication and software system related contracts on schedule
- ▶ Pursue smart city related contracts in and outside of Singapore



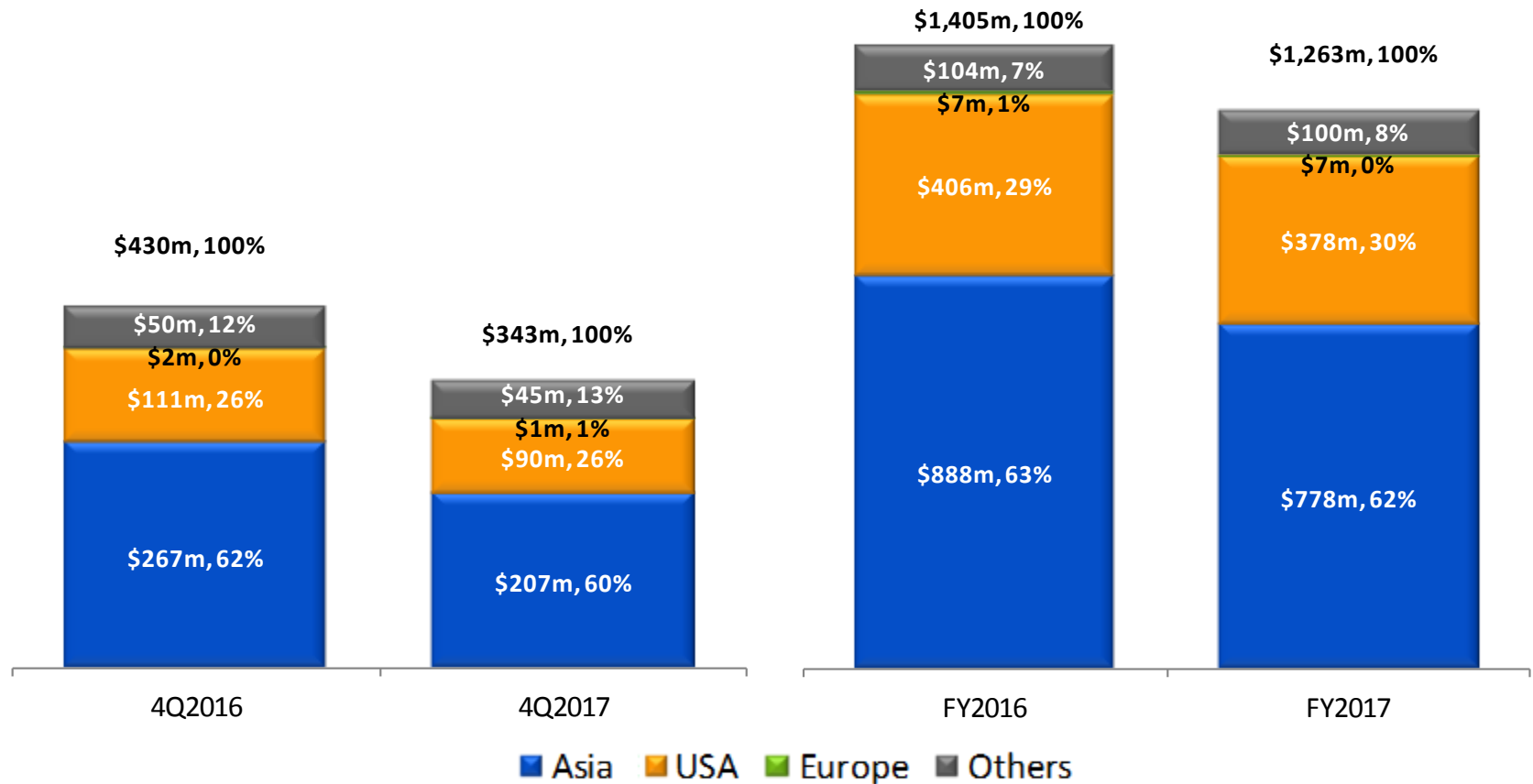
Land Systems

Land Systems Revenue and PBT



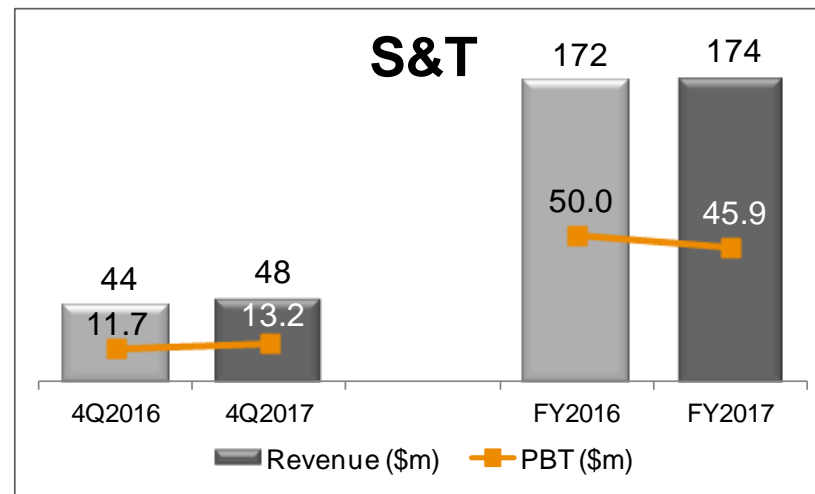
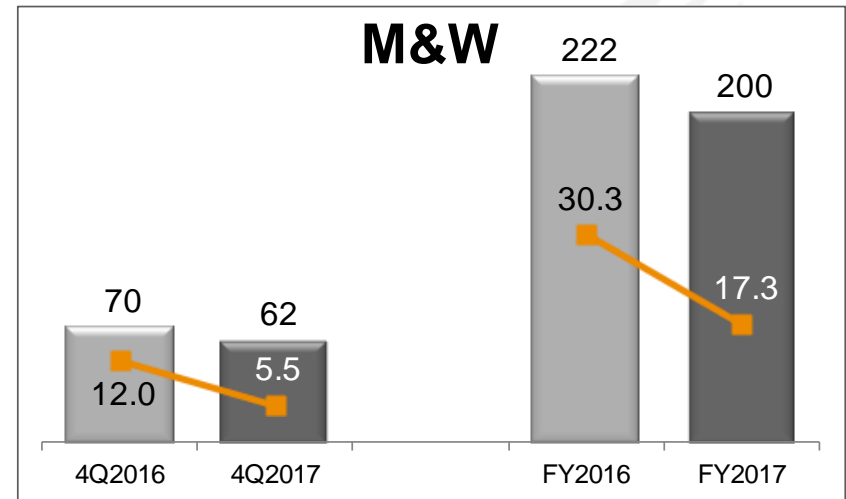
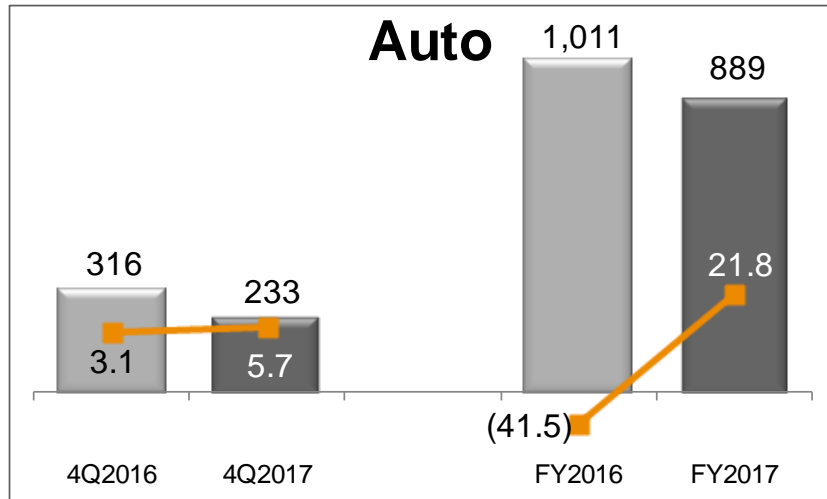
Note: Revenue includes inter-segment sales

Land Systems Revenue by geography (by location of customers)



Note: Revenue includes inter-segment sales

Land Systems Revenue and PBT by business group



Note: Revenue includes inter-segment sales

Land Systems - FY2017 in Review

- ▶ Secured defence and commercial contracts including for 40mm munitions, Next Generation Armoured Fighting Vehicle, Road Construction Equipment and Specialty Vehicles
- ▶ Programmes delivered on schedule
 - ▶ Completed delivery of 16 Terrex 2 prototypes to US Marine Corps for the ACV1.1 programme
 - ▶ Completed delivery of 6 units of Next Generation Delivery Vehicles prototypes to United States Postal Service
 - ▶ Completed delivery of 3-door double-decker buses to Singapore's Land Transport Authority for road trials

Land Systems - FY2017 in Review



- ▶ Advancing in new growth areas
 - ▶ Signed teaming agreement with SAIC to develop prototypes for the US Army Mobile Protected Firepower programme
 - ▶ Completed acquisition of 100% interest in Aethon, Inc. and signed MOU with Starhub to deploy Aethon's TUG[®] smart autonomous mobile robots in three hotels in Singapore, expanding from existing deployment coverage of more than 140 hospitals in US
 - ▶ Launched Singapore Autonomous Vehicle Research Consortium with A*STAR, NUS, SUTD, NTU and SIT
 - ▶ Products developed won CAAS Aviation Challenge 1 & 2 in Singapore and the Rio Grande do Sul State Export Award
- ▶ Launched new Engine Remanufacturing Centre in Singapore
- ▶ Signed MOU with SBS Transit Ltd on rail maintenance and engineering capabilities to improve operational productivity and efficiency

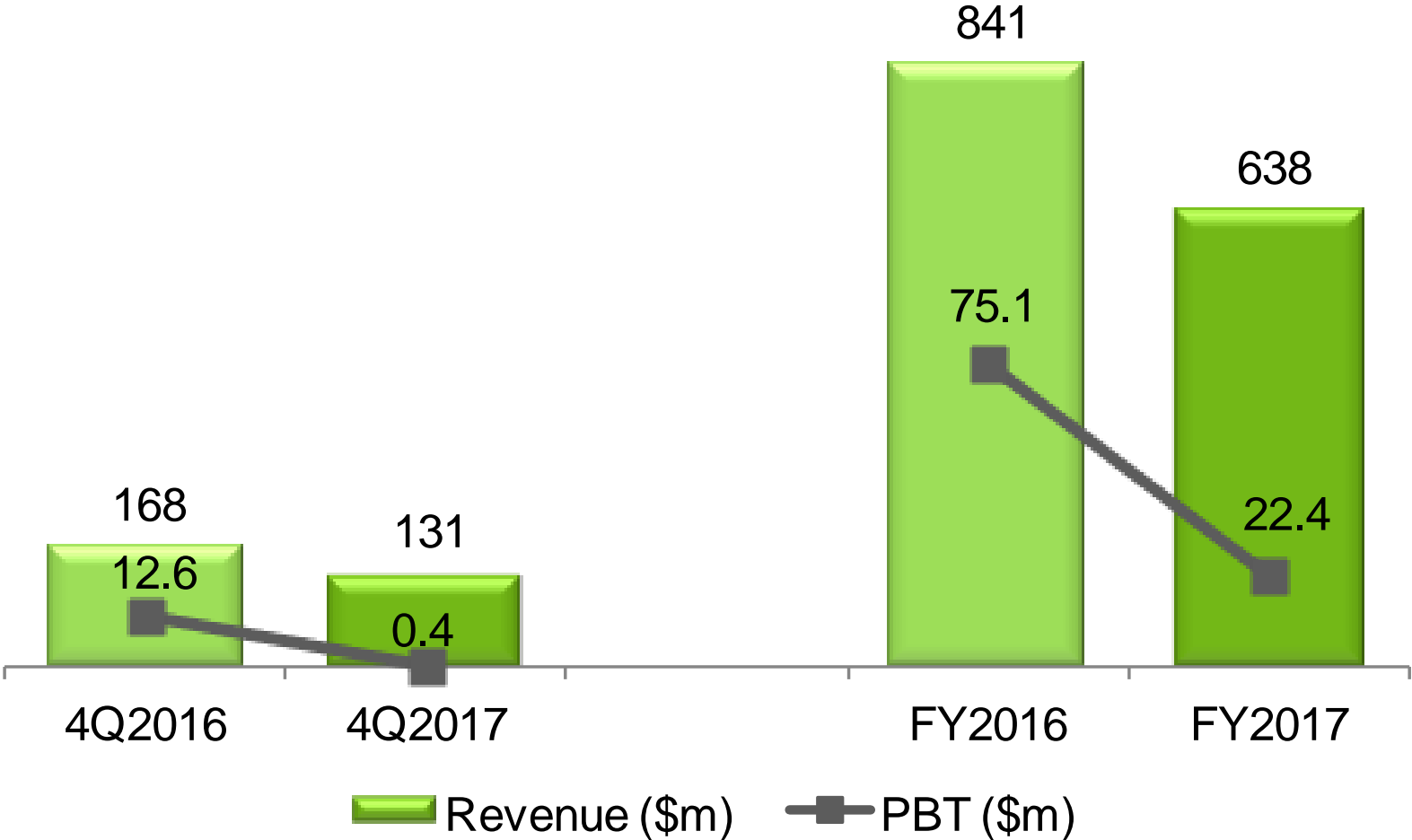
Land Systems – Outlook for FY2018

- ▶ Pursue and secure key defence and commercial programmes locally and overseas
- ▶ Deploy Aethon TUG robots to maximize efficiency and productivity of laundry supply chain in Singapore hotels
- ▶ Partner Singapore Land Transport Authority to develop autonomous buses for public road trials in Singapore



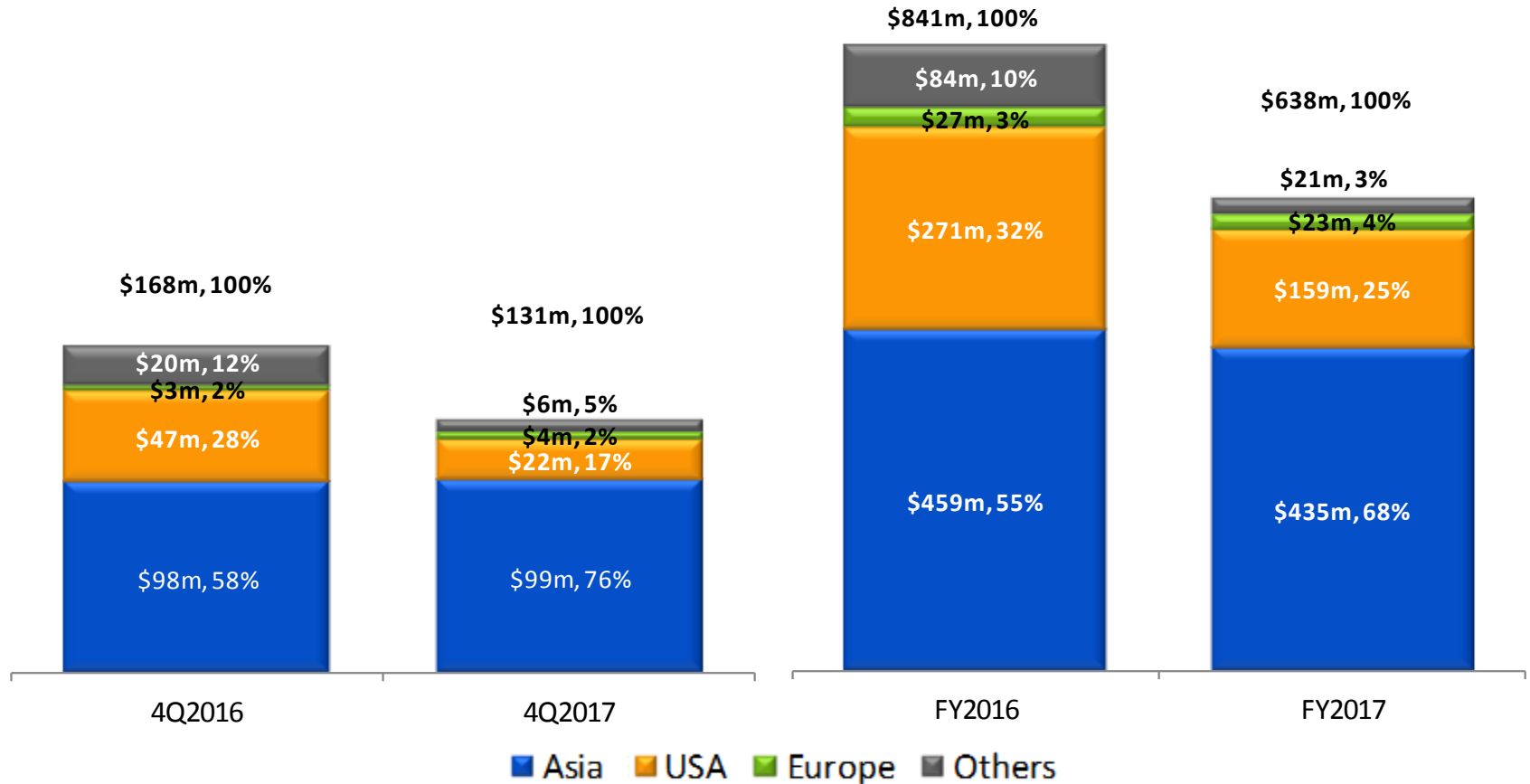
Marine

Marine Revenue and PBT



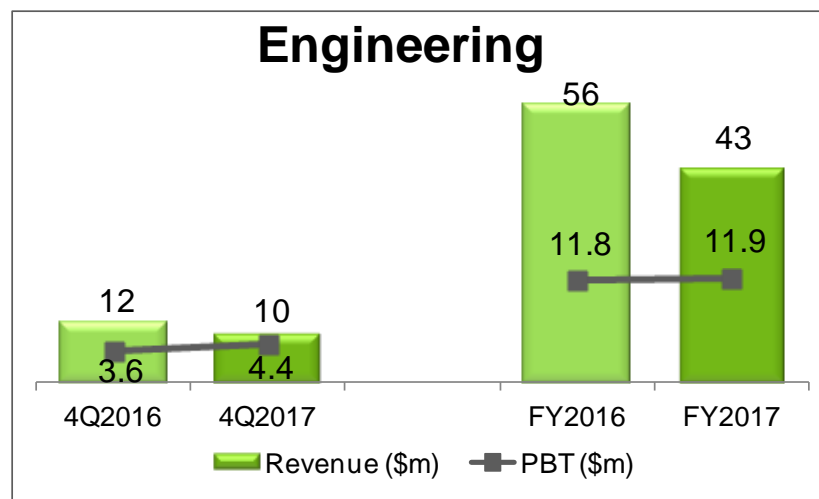
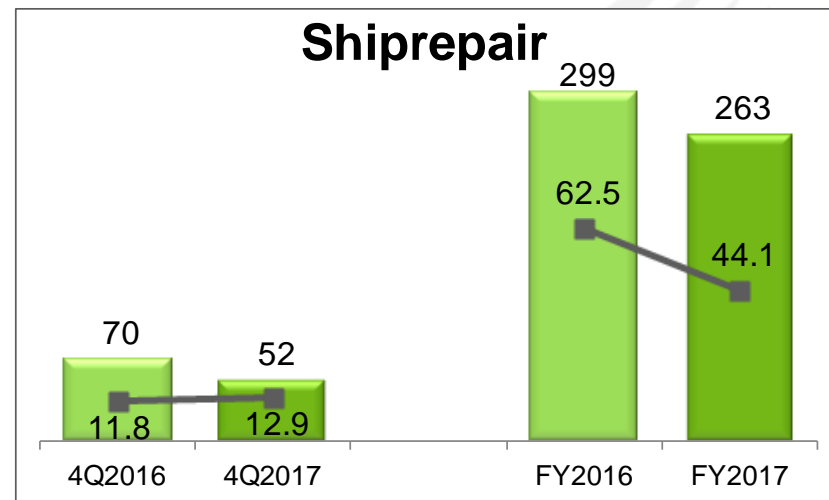
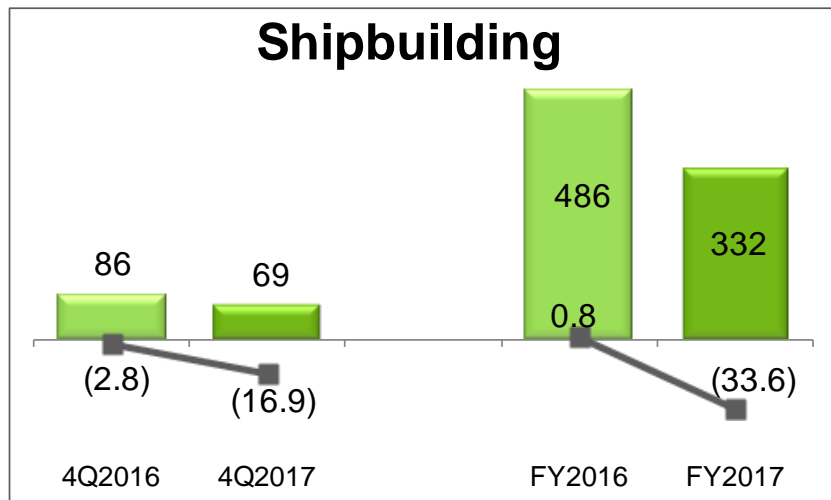
Note: Revenue includes inter-segment sales

Marine Revenue by geography (by location of customers)



Note: Revenue includes inter-segment sales

Marine Revenue and PBT by business group



Note: Revenue includes inter-segment sales

Marine - FY2017 in Review

- ▶ Secured contracts to construct one LNG Articulated Tug and Barge (ATB) unit, America's first offshore LNG ATB unit, for Quality Liquefied Natural Gas Transport, LLC and an ATB unit for Bouchard Transportation
- ▶ Acquired marine repair assets including a purpose-built facility of 94 acres in US for US\$25m (about S\$34m)
- ▶ Tuas Power-ST Marine consortium named as the preferred bidder to design, build, own and operate a seawater desalination plant in Jurong Island for a concessionary period of 25 years from 2020

Marine - FY2017 in Review

- ▶ Shipbuilding programme on track:
 - ▶ Delivered 3rd and 4th, launched 5th, keel laid 6th and 7th, and steel cut 8th of Littoral Mission Vessels (LMVs) for Republic of Singapore Navy (RSN)
 - ▶ Keel laid three para-military vessels including Heavy Fire Vessel for Singapore Civil Defence Force (SCDF)
 - ▶ Launched two LNG-powered Container Roll-on/Roll-off (ConRo) for Crowley Holdings Inc (Crowley)
 - ▶ Keel laid ATB Tug; steel cut LNG Bunkering ATB
- ▶ Completed numerous shiprepair projects and several rig decommissioning projects

Marine – Outlook for FY2018



- ▶ Scheduled launch:
 - ▶ 6th and 7th of eight LMVs for RSN
 - ▶ Heavy Marine Fire Vessels, Heavy Marine Rescue Vessel and Marine Rescue Vessel for SCDF
- ▶ Scheduled delivery:
 - ▶ 5th and 6th of eight LMVs for RSN
 - ▶ Two ConRos for Crowley
 - ▶ Vehicle & passenger ferry for the Commonwealth of Virginia, Department of Transportation
 - ▶ ATB Tug
- ▶ To complete heavy polar icebreaker design studies and analysis to US Coast Guards
- ▶ Start Engineering, Procurement and Construction aspects for Jurong Island Desalination Plant

Thank You