

First Half & Second Quarter 2018 Results

8 August 2018

Agenda

- Group Highlights
- Sector Performance
- Outlook
- Appendix
 - Aerospace
 - Electronics
 - Land Systems
 - Marine

Group Highlights

Group Highlights

All figures are denominated in \$m unless indicated otherwise

2Q2018

Revenue[#]

1,651

-3% y-o-y

EBIT

144.5

+15% y-o-y

PBT

150.4

+4% y-o-y

Net Profit

117.5

+10% y-o-y

1H2018

Revenue

3,298

+2% y-o-y

EBIT

266.6

+12% y-o-y

PBT

294.4

+6% y-o-y

Net Profit

235.2

+14% y-o-y

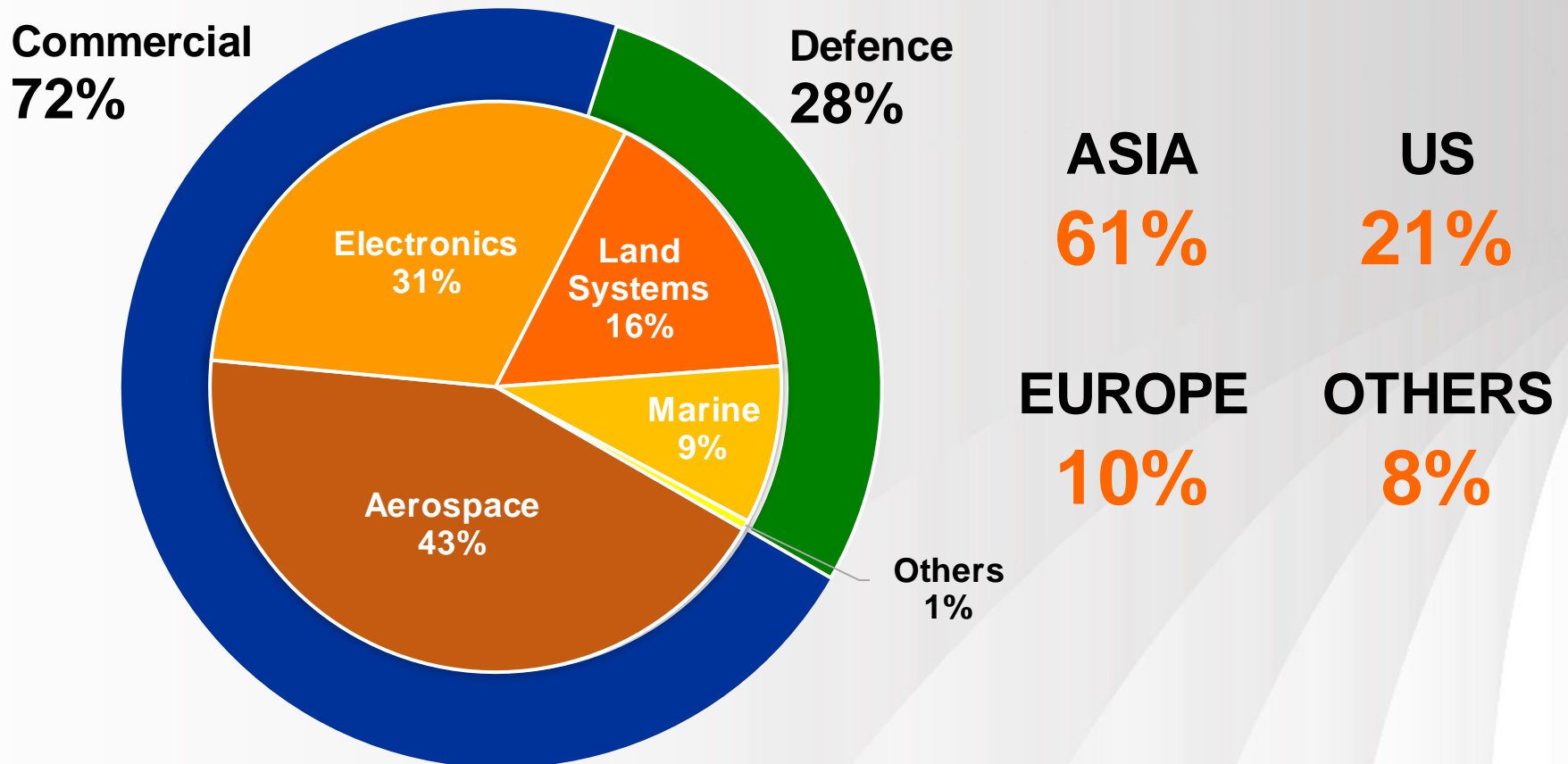
Order book as at 30 June 2018: \$13.4b;
about \$2.7b to be delivered in 2H2018

2Q2017 revenue included a one-time increase from modification of revenue recognition estimates for long-term contracts from milestone completion per customer acceptance to monthly work done.

Group Revenue Breakdown

2Q2018 Revenue
S\$1.65b

2Q2018 Revenue
by location of customers



Revenue

\$'m	2Q2018	2Q2017* (Restated)	Change	1H2018	1H2017* (Restated)	Change
Aerospace	713	639	+12%	1,311	1,187	+10%
Electronics	512	572 [#]	-10%	1,117	1,068	+5%
Land Systems	270	302	-11%	551	574	-4%
Marine	148	163	-9%	298	342	-13%
Others	8	31	-74%	21	47	-55%
Group	1,651	1,707	-3%	3,298	3,218	+2%

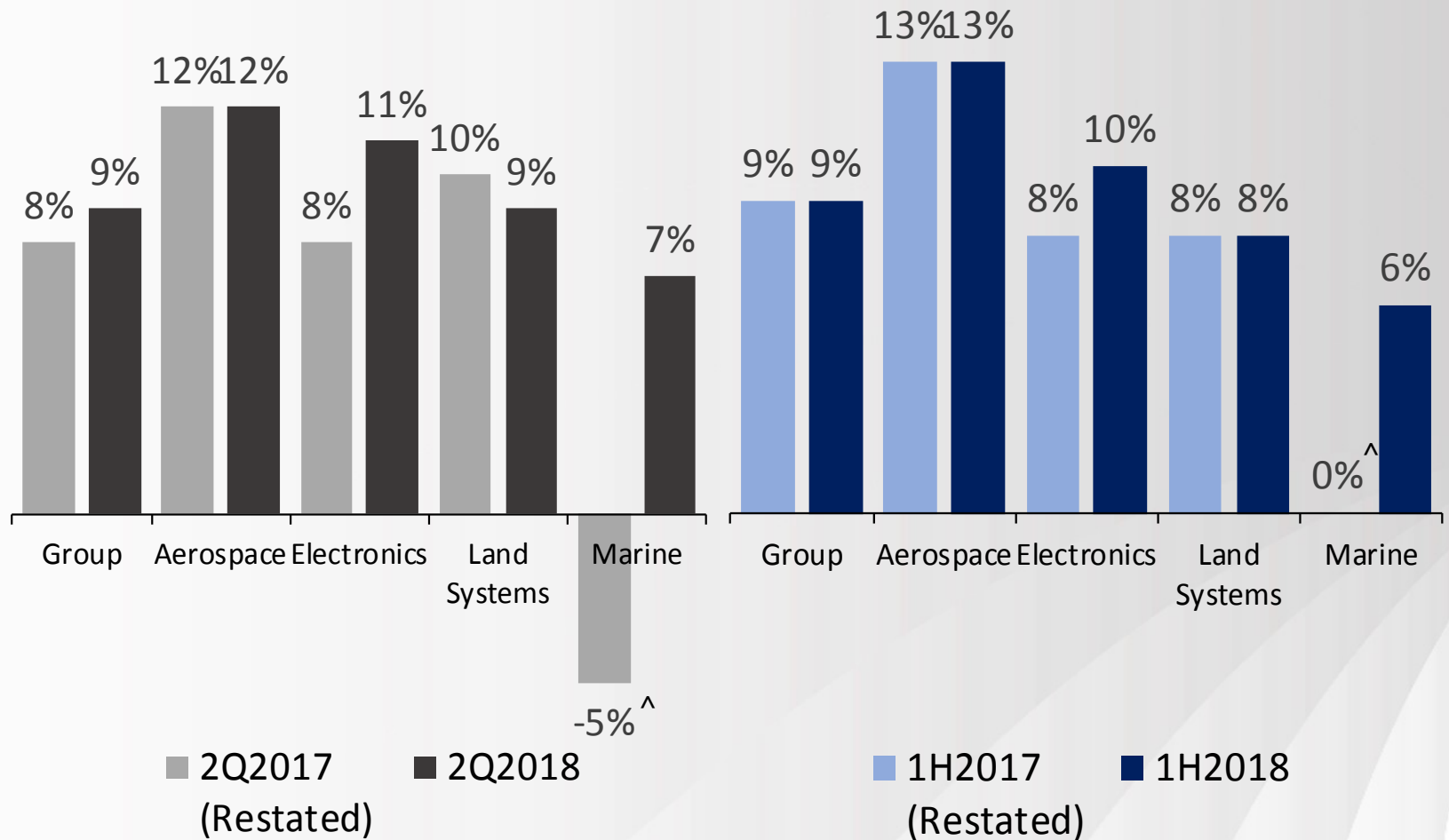
* Comparative figures were restated on adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) with effect from 1 January 2018.

2Q2017 revenue included a one-time increase from modification of revenue recognition estimates for long-term contracts from milestone completion per customer acceptance to monthly work done.

Profit before Tax (PBT)

\$'m	2Q2018	2Q2017 (Restated)	Change	1H2018	1H2017 (Restated)	Change
Aerospace	87.7	79.1	+11%	164.0	157.2	+4%
Electronics	58.0	46.2	+26%	106.4	83.4	+28%
Land Systems	24.6	29.3	-16%	41.7	45.6	-9%
Marine	10.1	(8.1)	NM	19.3	0.9	>500%
Others	(30.0)	(2.5)	NM	(37.0)	(10.4)	NM
Group	150.4	144.0	+4%	294.4	276.7	+6%

PBT Margins

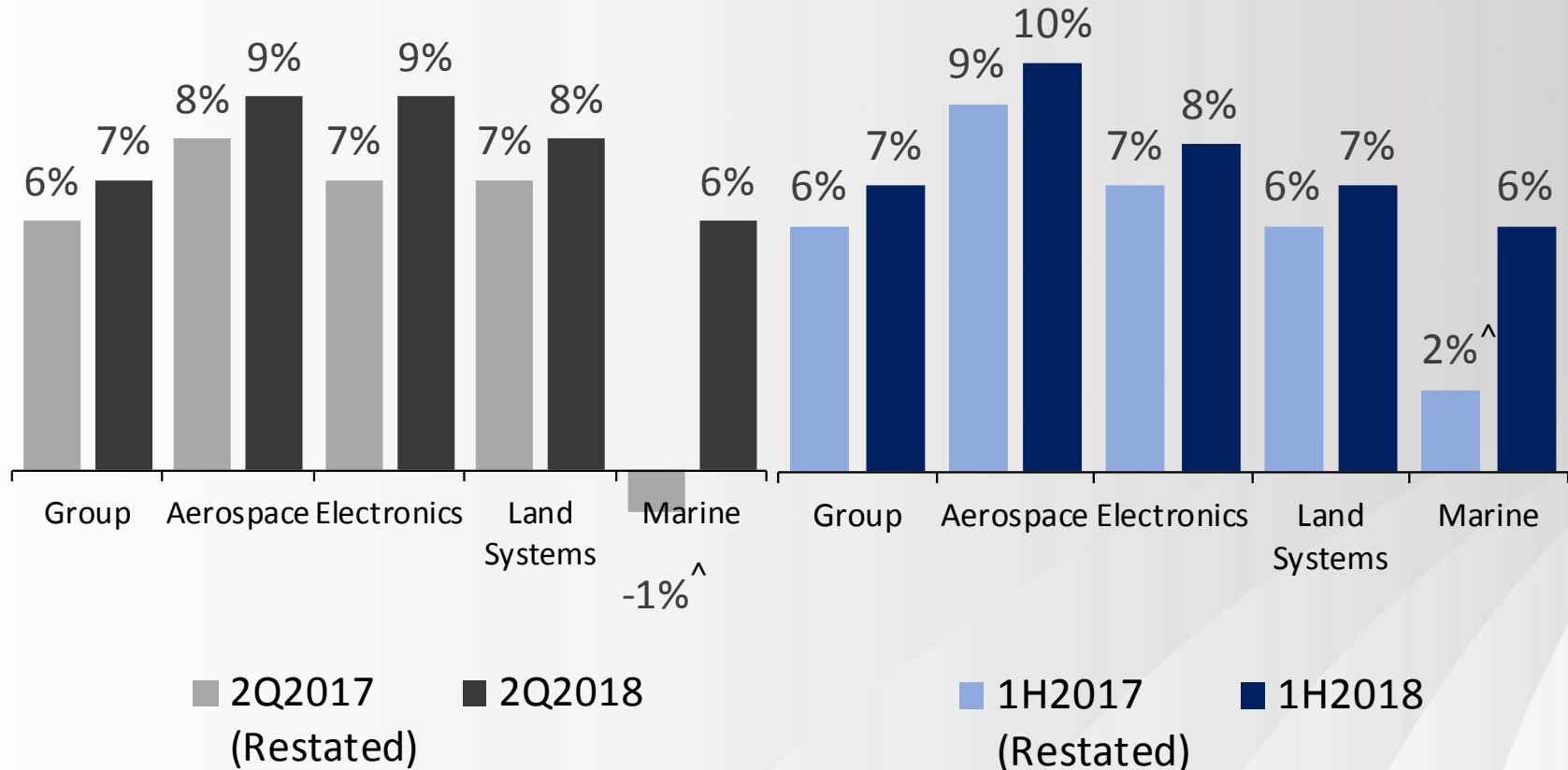


[^] Poor performance arising from weak industry conditions and US operations.

Group Net Profit

\$'m	2Q2018	2Q2017 (Restated)	Change	1H2018	1H2017 (Restated)	Change
Aerospace	66.6	52.9	+26%	125.7	109.0	+15%
Electronics	46.7	38.2	+22%	87.0	71.0	+23%
Land Systems	20.4	21.1	-3%	36.0	32.7	+10%
Marine	9.2	(1.4)	<i>NM</i>	17.9	6.7	+168%
Others	(25.4)	(4.0)	<i>NM</i>	(31.4)	(12.7)	<i>NM</i>
Group	117.5	106.8	+10%	235.2	206.7	+14%

Net Profit Margins



[^] Poor performance arising from weak industry conditions and US operations.

2Q2018 Sector Performance

Aerospace

2Q2018 vs 2Q2017 (Restated)

Revenue **\$713m** ▲ **\$74m or 12%**

- Higher revenue from CERO business group
- Partially offset by
- Lower contribution from AMM and EMS business groups

PBT **\$87.7m** ▲ **\$8.6m or 11%**
(PBT margin: 12%)

- Gain on disposal of an associate
 - Higher share of profits from associates and joint ventures
- Partially offset by
- Higher operating expenses

Net Profit **\$66.6m** ▲ **\$13.7m or 26%**
(Net Profit margin: 9%)

- In line with the increase in PBT
- Share of lower profits to NCI

Electronics

2Q2018 vs 2Q2017 (Restated)

Revenue **\$512m** ▼ **\$60m or 10%**

- 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
- SSG business group reported lower revenue.

Partially offset by

- Higher underlying revenue from LSG and CSG business groups.

PBT **\$58.0m** ▲ **\$11.8m or 26%**

(PBT margin: 11%)

- Higher gross profit driven by favourable sales mix
- Lower operating expenses

Net Profit **\$46.7m** ▲ **\$8.5m or 22%**

(Net Profit margin: 9%)

- In line with the increase in PBT
- Partially offset by
- Higher tax expenses

Land Systems

2Q2018 vs 2Q2017 (Restated)

Revenue	\$270m	▼ \$32m or 11%	<ul style="list-style-type: none">• Lower revenue from Auto and M&W business groups Partially offset by <ul style="list-style-type: none">• Higher revenue from S&T business group
PBT	\$24.6m <i>(PBT margin: 9%)</i>	▼ \$4.7m or 16%	<ul style="list-style-type: none">• Higher operating expenses• Share of lower profits from associates and joint ventures Partially offset by <ul style="list-style-type: none">• Higher gross profit from favourable sales mix
Net Profit	\$20.4m <i>(Net Profit margin: 8%)</i>	▼ \$0.7m or 3%	<ul style="list-style-type: none">• In line with the decrease in PBT Partially offset by <ul style="list-style-type: none">• Lower tax expenses

Marine

2Q2018 vs 2Q2017 (Restated)

Revenue **\$148m** ▼ **\$15m or 9%**

- Lower revenue from Shiprepair and Engineering business groups
Partially offset by
- Higher revenue from Shipbuilding business group

PBT **\$10.1m** ▲ **\$18.2m**
(PBT margin: 7%)

- Improved performance from both local and US operations

Net Profit **\$9.2m** ▲ **\$10.6m**
(Net Profit margin: 6%)

- In line with the increase in PBT
Partially offset by
- Higher tax expenses

Outlook

President & CEO's Message

“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

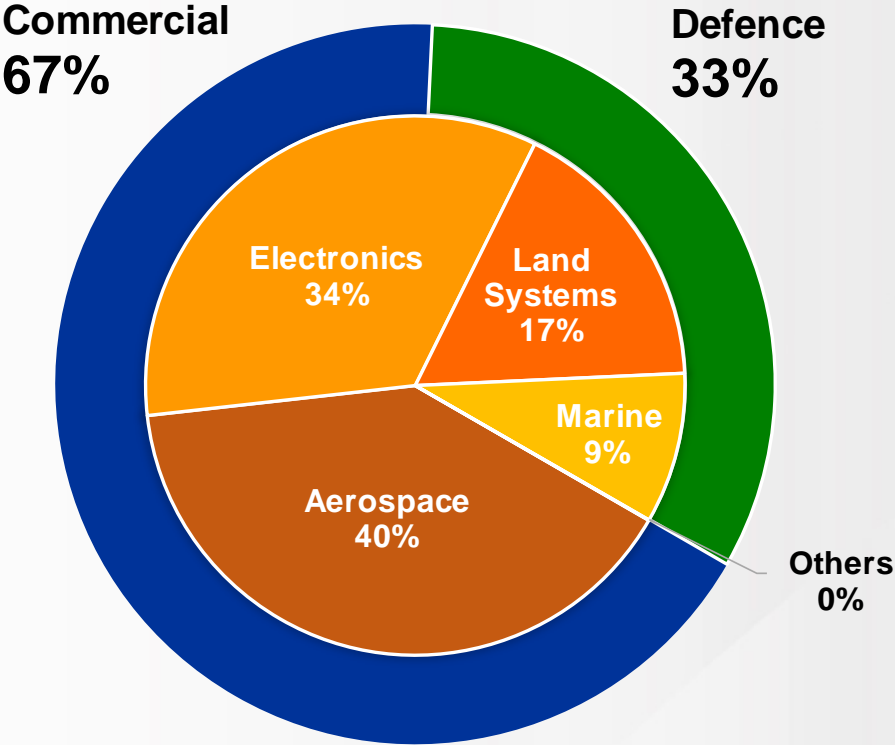
Thank You

Appendix

Group Revenue Breakdown

1H2018 Revenue
S\$3.30b

1H2018 Revenue
by location of customers



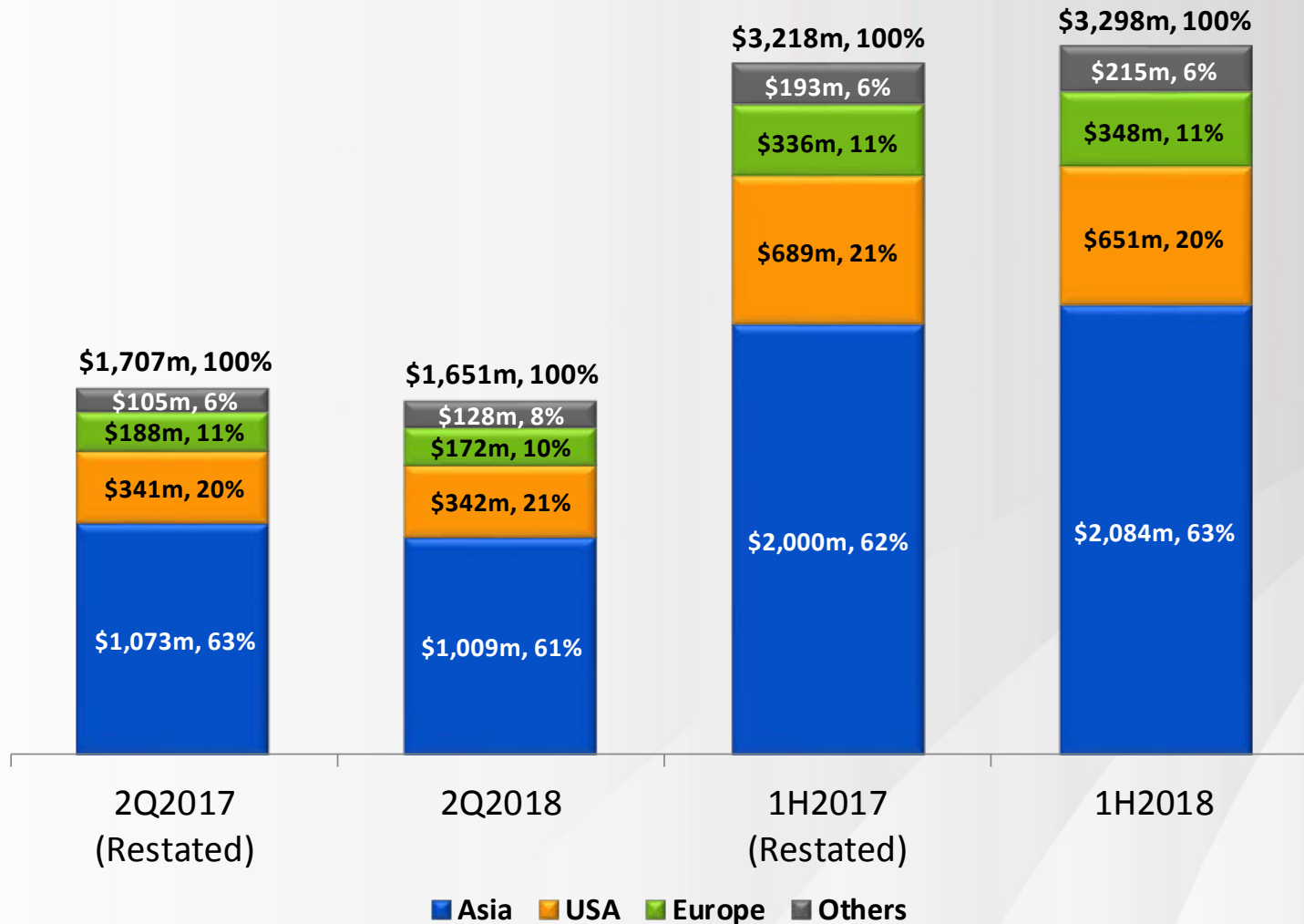
ASIA
63%

US
20%

EUROPE
11%

OTHERS
6%

Group Revenue by geography (by location of customers)



Balance Sheet

\$'m	30 Jun 2018	31 Dec 2017 (Restated)
Property, Plant & Equipment	1,621	1,719
Intangible Assets	1,117	1,087
Other non-current assets	618	942
Current assets	4,704	4,276
Total assets	8,060	8,024
Current liabilities	4,260	3,587
Non-current liabilities	1,372	1,941
Total liabilities	5,632	5,528
Share capital and reserves	2,149	2,215
Non-controlling interests	279	281
Total equity and liabilities	8,060	8,024
Net current assets	444	689

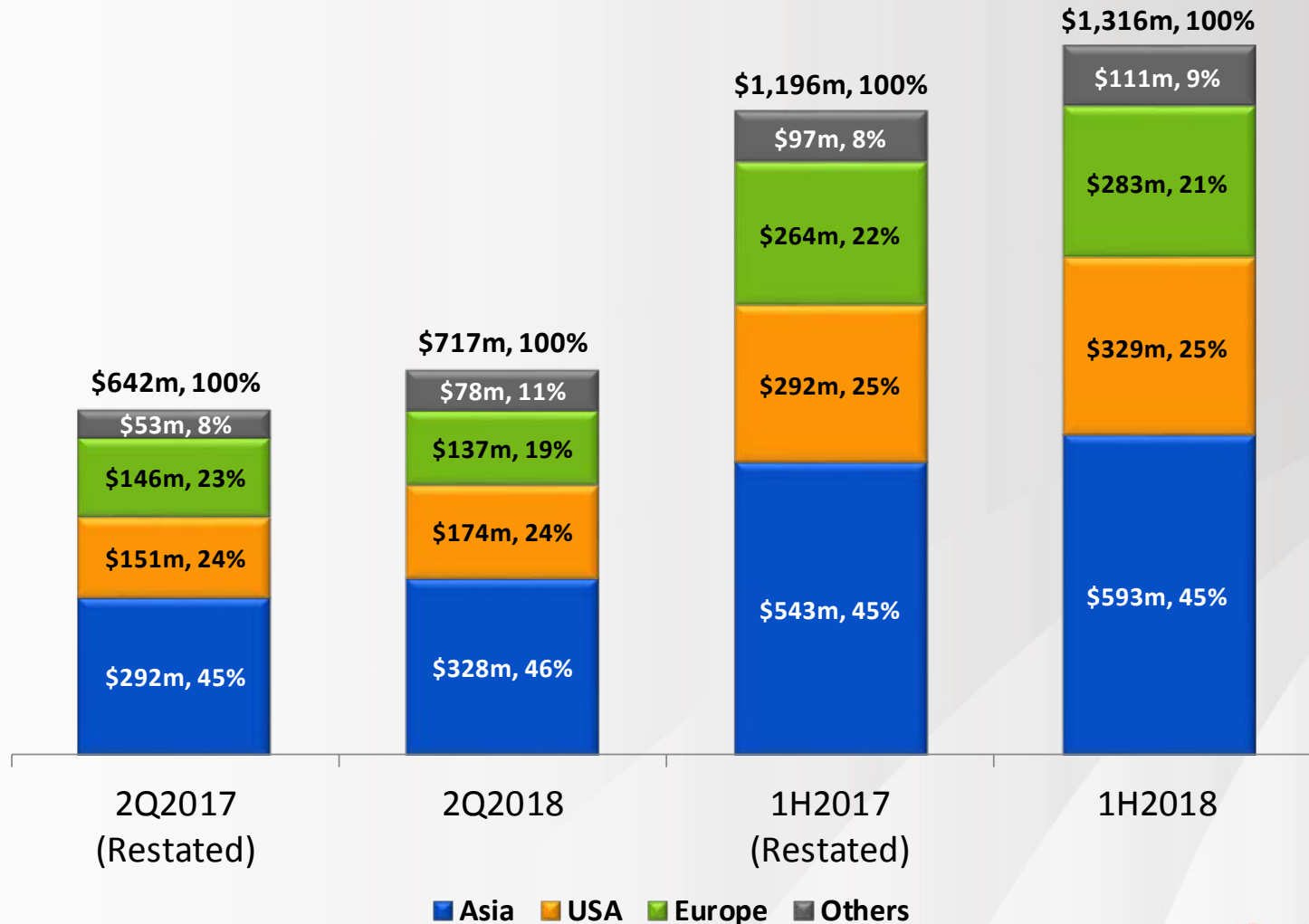
Statement of Cash Flows

\$'m	2Q2018	2Q2017 (Restated)	1H2018	1H2017 (Restated)
Net cash from/(used in)				
Operating activities	(39)	(51)	392	348
Investing activities	264	(97)	220	(112)
Financing activities	(371)	(313)	(449)	(315)
Net (decrease)/increase in CCE *	(146)	(461)	163	(79)
CCE at beginning of the period	1,303	1,272	998	904
Exchange difference	9	(7)	5	(21)
CCE at end of the period	1,166	804	1,166	804
Add: Funds under management	46	448	46	448
Total CCE & Funds under management	1,212	1,252	1,212	1,252

* CCE - Cash & Cash Equivalents

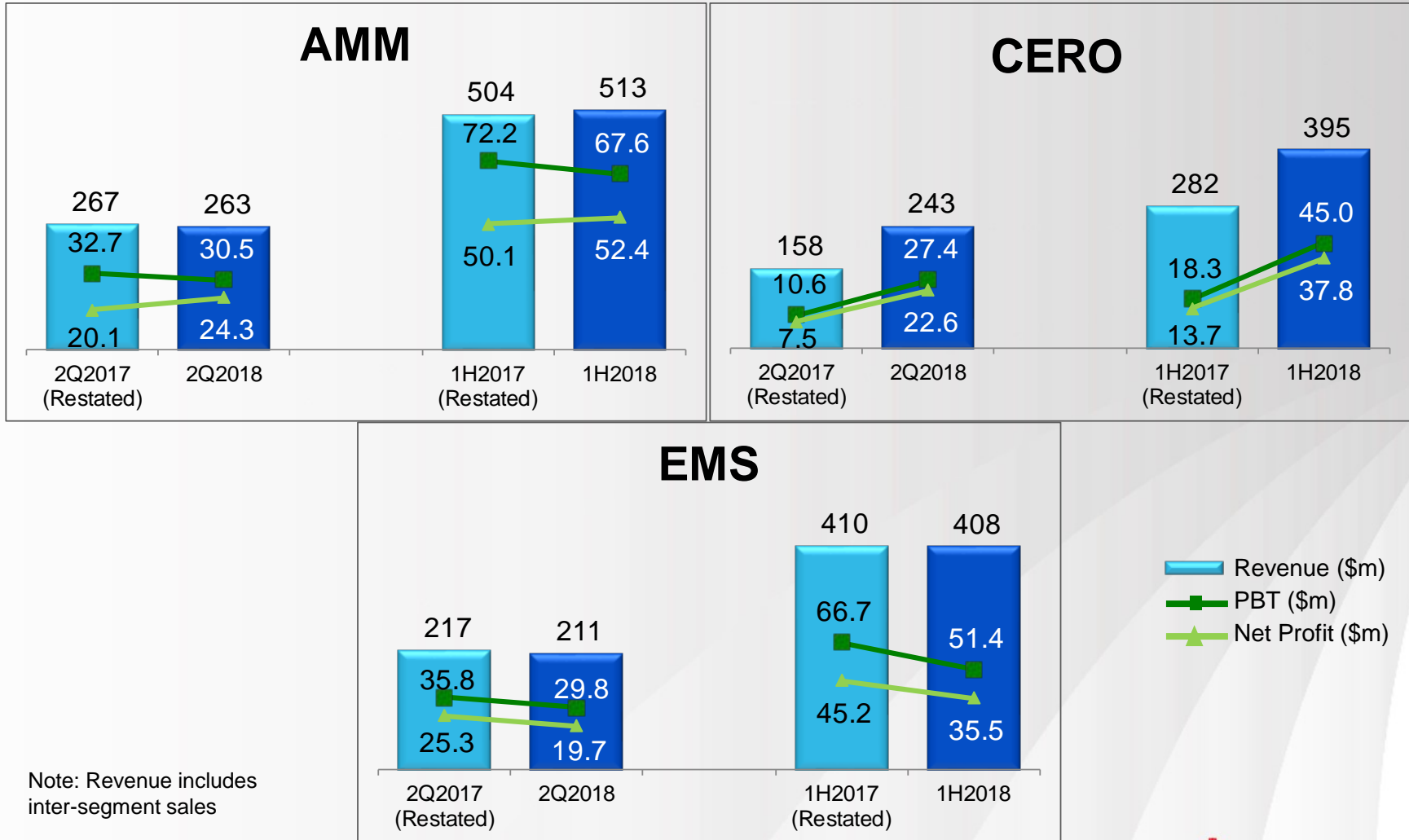
Aerospace

Aerospace Revenue by geography (by location of customers)



■ Asia
 ■ USA
 ■ Europe
 ■ Others

Aerospace Revenue, PBT and Net Profit by business group



Note: Revenue includes inter-segment sales

Aerospace – 2Q2018 in Review

- Secured \$510m worth of new contracts, including:
 - heavy maintenance contract to service a cargo airline's 767-300 fleet
 - cabin interior reconfiguration contract for part of Air Canada's A330-300 fleet
 - EcoPower[®] engine wash contracts in three new markets, i.e. Berlin, Milan and Geneva
 - 12-year maintenance support contract for its first Airbus Corporate Jet
 - several component Maintenance-By-The-Hour contracts with customers including Solaseed Air and Vietnam Airlines

Aerospace – 2Q2018 in Review

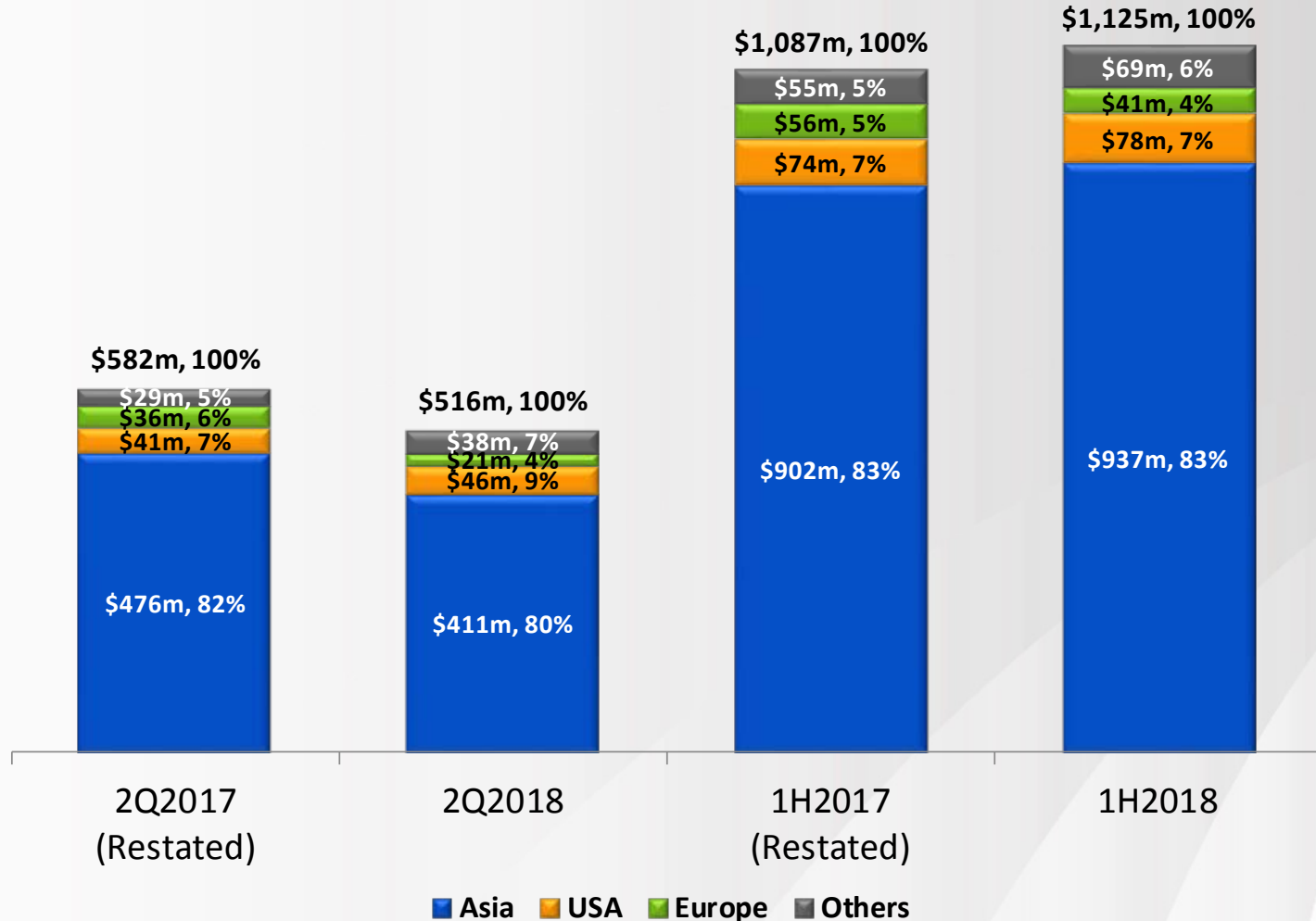
- Capacity expansions
 - new airframe facility in Pensacola, US with an annual capacity of 600,000 labour hours at steady state
 - second composite panel manufacturing plant in Kodersdorf, Germany that can produce 200,000 panels per annum, lifting overall production by about 50%
- International recognition at the Aviation 100 MRO Global Awards
 - Overall MRO of the Year
 - Industry Leader of the Year
 - MRO Management Team of the Year

Aerospace – Outlook for 2H2018

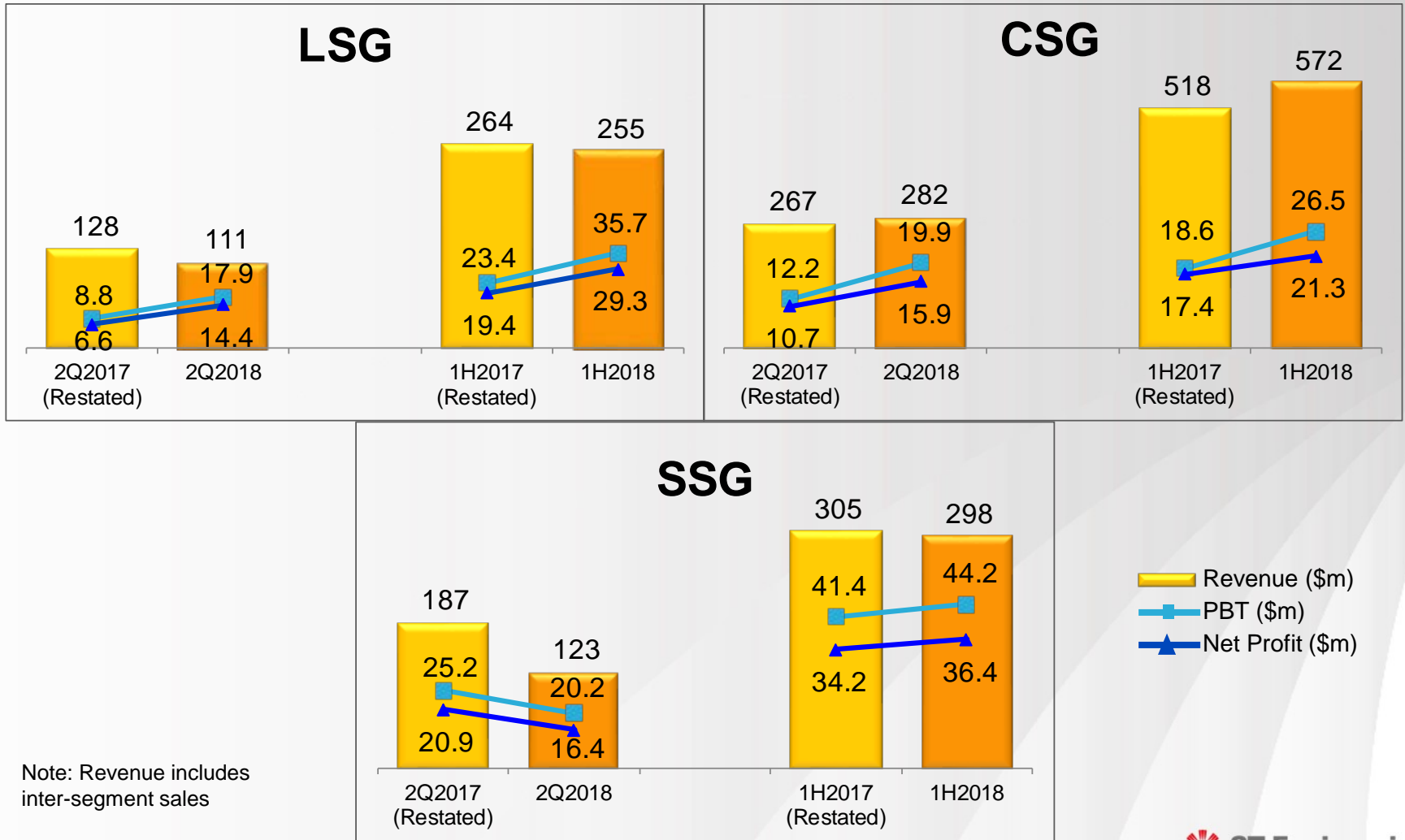
- Secure launch customer for A320 passenger-to-freighter conversion
- Develop UAV programme and commercialise DroNet
- Adopt smart technologies like additive manufacturing to differentiate through efficiency
- Grow aircraft leasing fleet, focusing on mid- to end-life aircraft

Electronics

Electronics Revenue by geography (by location of customers)



Electronics Revenue, PBT and Net Profit by business group



Note: Revenue includes inter-segment sales

Electronics – 2Q2018 in Review

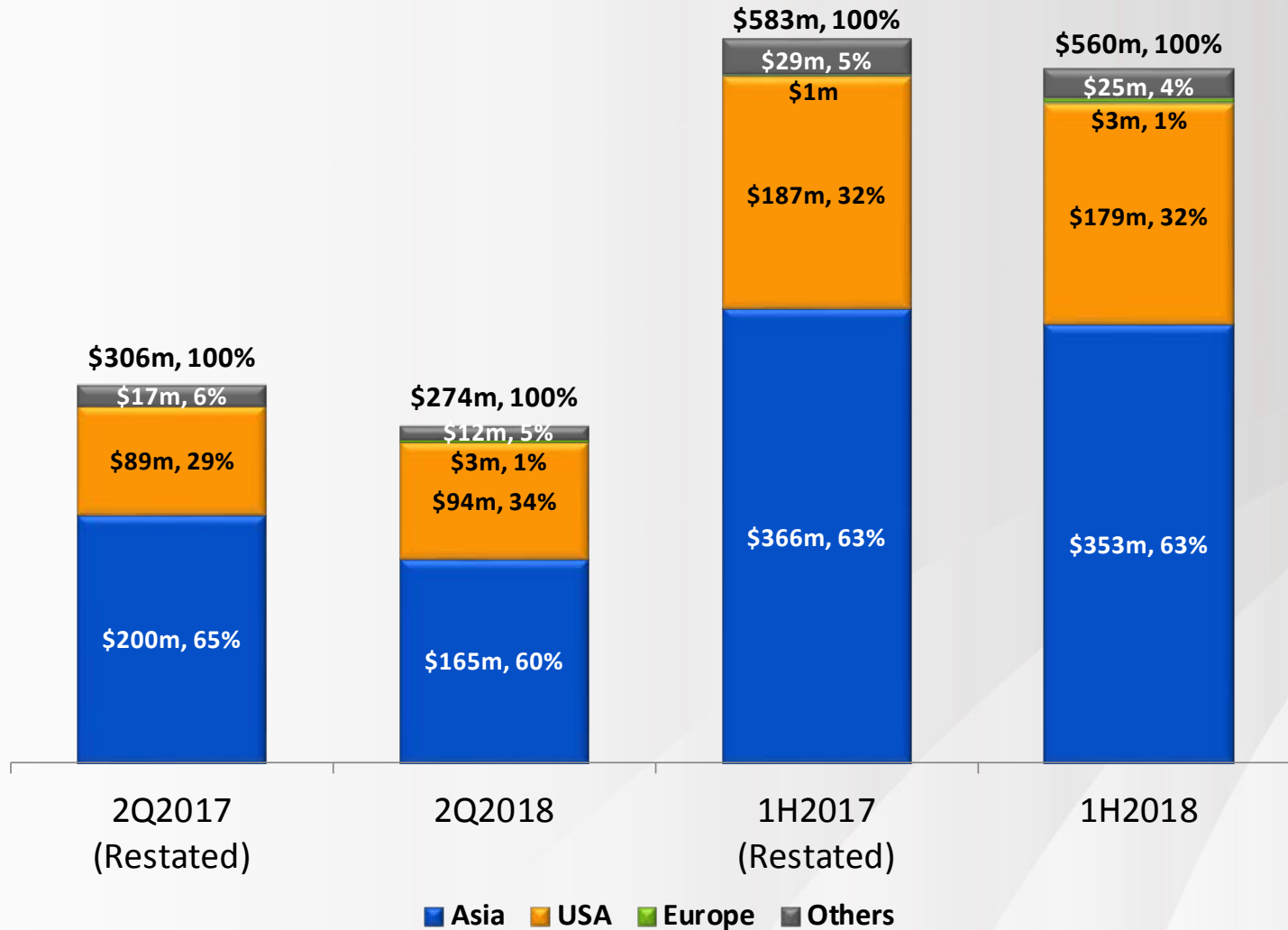
- Secured \$764m worth of new contracts, including:
 - rail electronics solutions for customers in Taipei, Wuhan and Singapore
 - first North Asia IoT-enabled smart street light pilot in Kowloon East, Hong Kong
 - integrated public safety and security, and cybersecurity solutions for commercial and defence customers
 - various contracts to supply satellite communication products and Cloud solutions
- Unveiled Singapore's first pay-per-use IoT-as-a-Service platform jointly developed with SP Group and SP Telecom

Electronics – Outlook for 2H2018

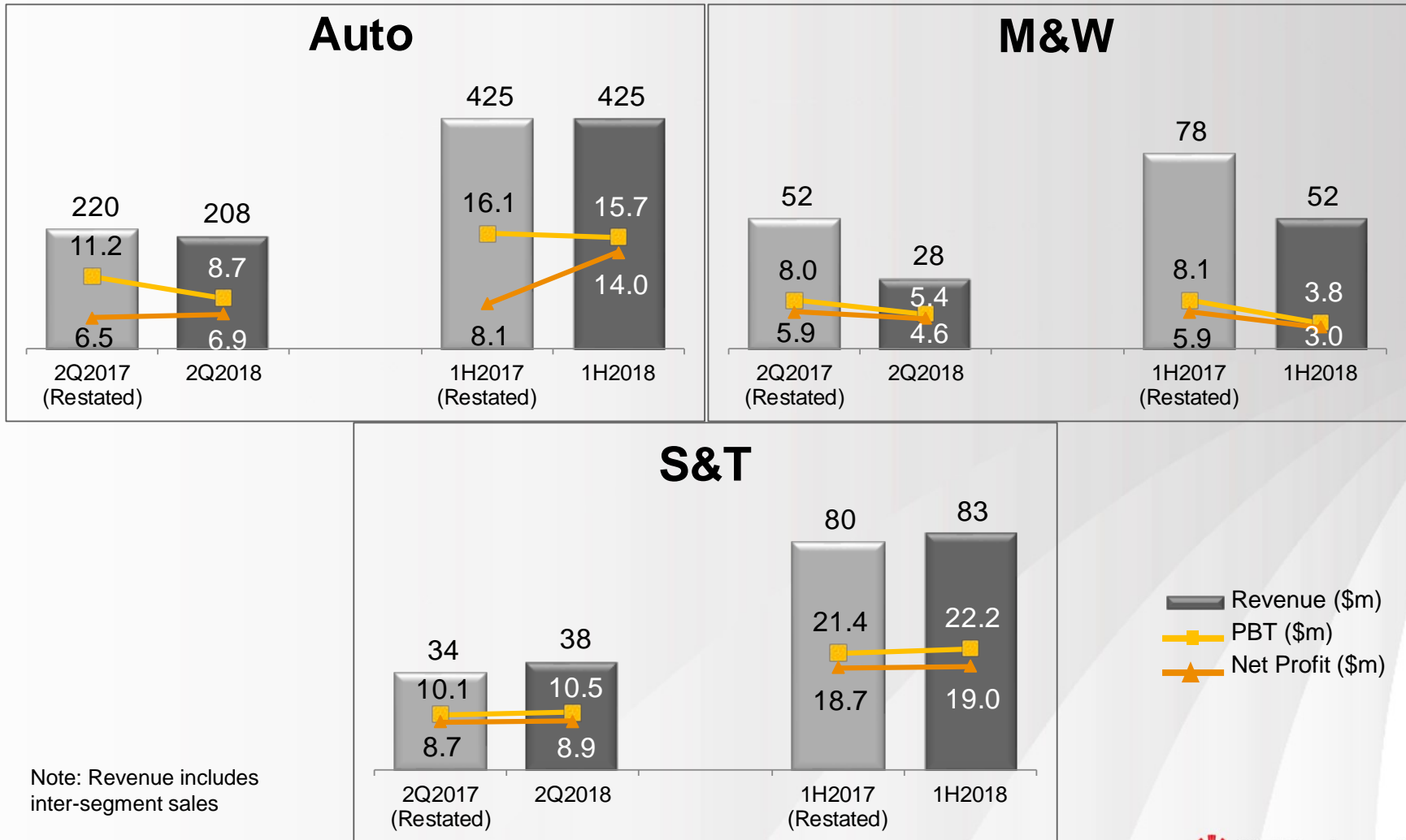
- Deliver smart mobility, satellite communications and software system related contracts on schedule
- Pursue smart city related contracts in and outside of Singapore

Land Systems

Land Systems Revenue by geography (by location of customers)



Land Systems Revenue, PBT and Net Profit by business group



Note: Revenue includes inter-segment sales

Land Systems – 2Q2018 in Review

- Secured new contracts, including:
 - weapons & munitions from customers in Asia Pacific and Europe
 - road construction equipment and specialty vehicles from customers in North America, Latin America and Asia
- Commenced on-road testing of on-demand autonomous shuttles along Tanjong Beach in Sentosa

Land Systems – 2Q2018 in Review

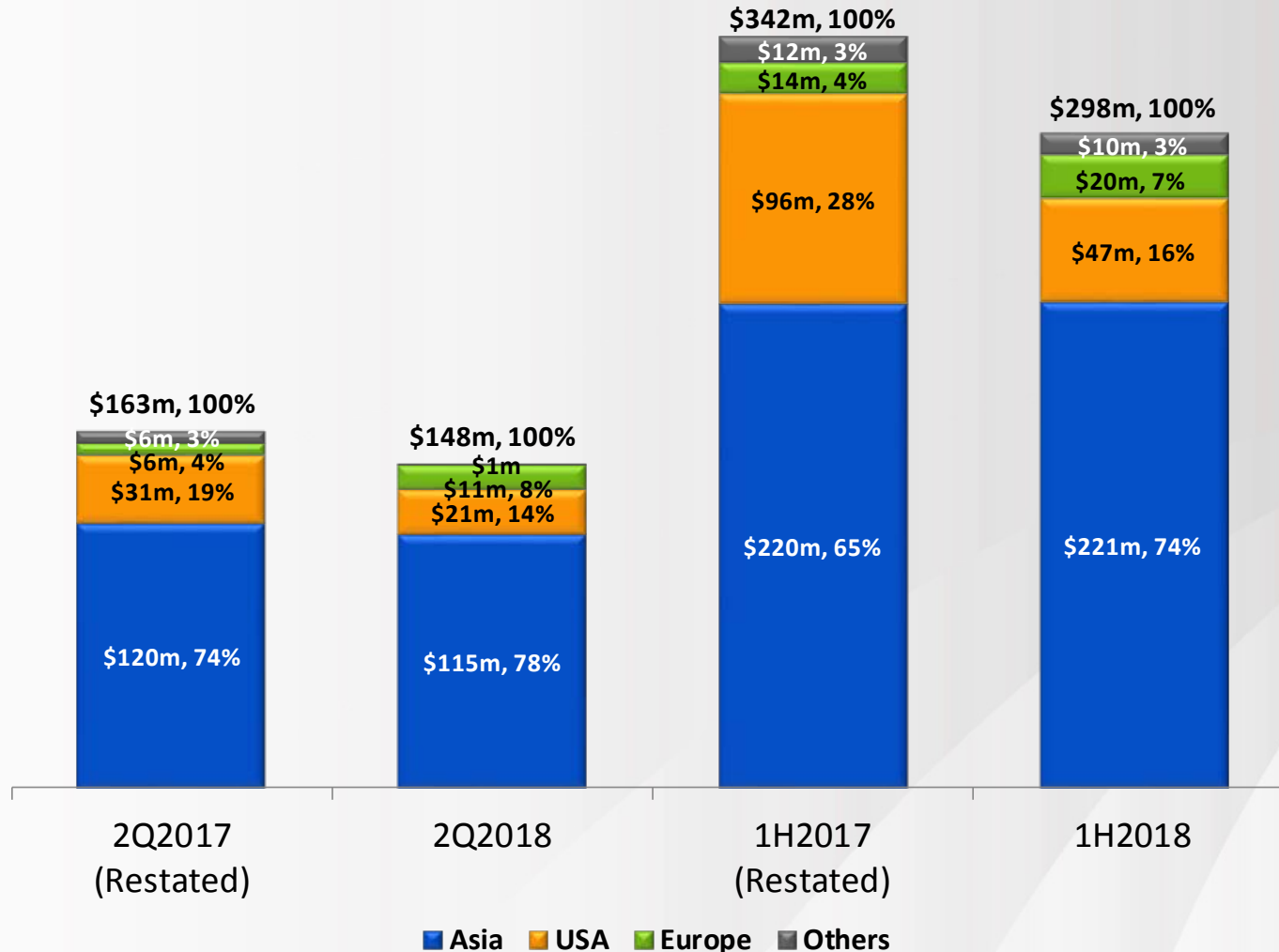
- Forged new partnerships with:
 - SafeRide Technologies to integrate cybersecurity software with our Connected Electric Vehicles and Autonomous Vehicle platforms
 - UK-based Hirtenberger Defence Systems to market 120mm mortar system in Europe

Land Systems – Outlook for 2H2018

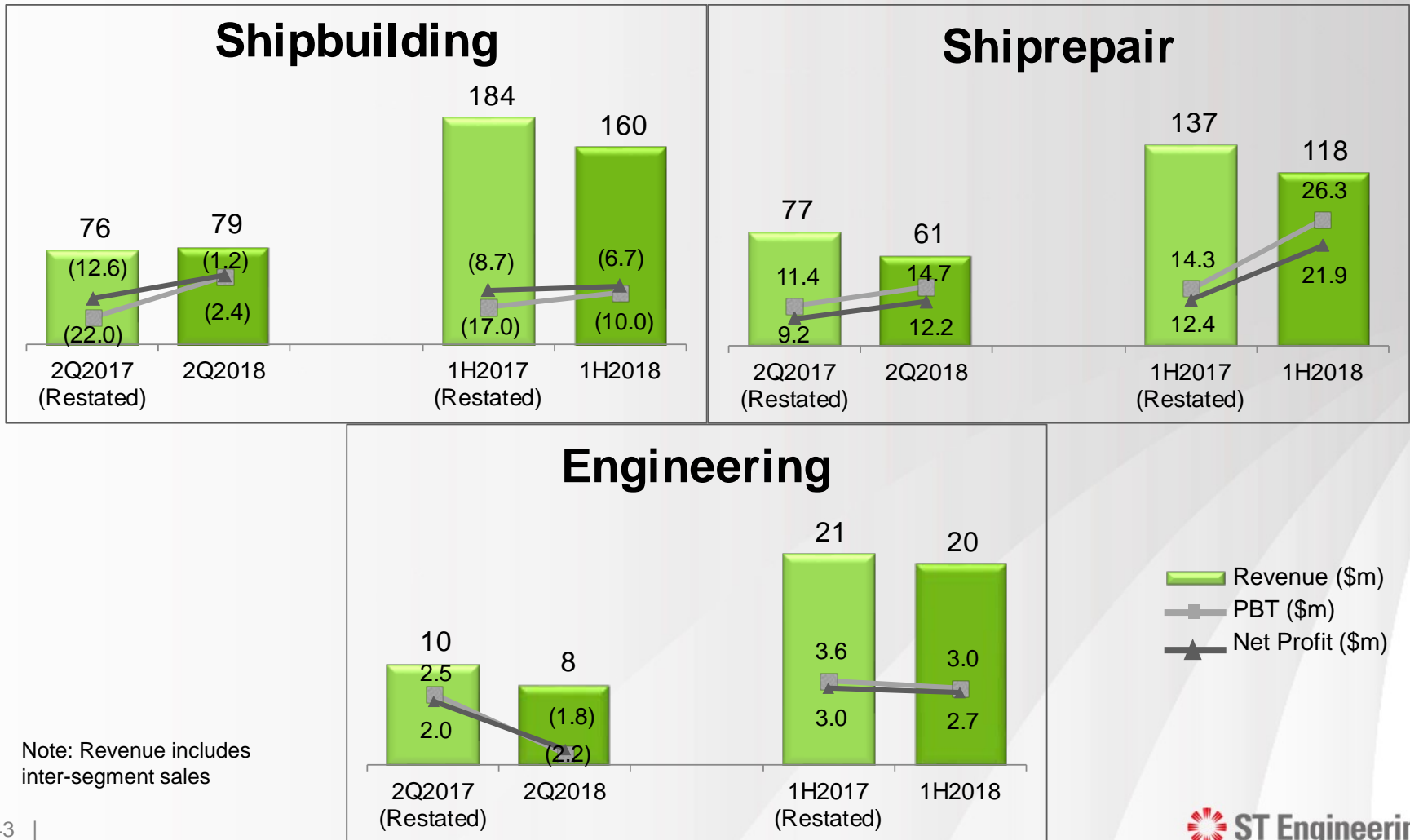
- Pursue and secure key defence and commercial programmes locally and overseas
- Accelerate the deployment of autonomous vehicles in Singapore

Marine

Marine Revenue by geography (by location of customers)



Marine Revenue, PBT and Net Profit by business group



Marine – 2Q2018 in Review

- Shipbuilding programmes on track:
 - Delivered fifth of eight-Littoral Mission Vessel (LMV) programme for Republic of Singapore Navy (RSN)
 - Launched Heavy Fire Vessel for Singapore's Ministry of Home Affairs
 - Keel-laid eighth LMV and ATB LNG Barge
- Completed numerous shiprepair projects and several rig repair and related fabrication works

Marine – 2Q2018 in Review

- Installed a new blast and paint facility in Pascagoula yard, US
- Made progress in Jurong Island Desalination Plant (JIDP) project
 - Formed a 40:60 joint venture company with Tuas Power Ltd to undertake O&M aspects
 - Formed a 40:60 Engineering Procurement and Construction consortium with Tuas Power Ltd that has since commenced preliminary design work on JIDP

Marine – Outlook for 2H2018

- Scheduled launch:
 - Seventh LMV for RSN
 - Heavy Rescue Vessel for SCDF
- Expected delivery:
 - Sixth LMV for RSN
 - LNG-powered Container Roll-on/Roll-off vessels to Crowley Maritime Corporation
 - Vehicle & passenger ferry for the Commonwealth of Virginia, Department of Transportation
 - ATB Tug
- Commence construction of Jurong Island Desalination Plant