

News Release

ST Engineering Reports Higher Profits in 2Q2016 Vs 2Q2015

FINANCIAL HIGHLIGHTS						
For the second quarter ended						
30 June 2016						
	2016 2Q	2015 2Q	Growth %	2016 1H	2015 1H	Growth %
Revenue (\$m)	1,623	1,545	5	3,250	3,056	6
Earnings before interest and tax (EBIT) (\$m)	137.2	150.4	(9)	234.3	260.4	(10)
Other income, net (\$m)	24.6	5.4	356	46.7	26.2	78
Finance costs, net (\$m)	(3.9)	(11.5)	66	(15.3)	(3.0)	(418)
Profit before tax (PBT) (\$m)	170.3	158.5	7	300.7	309.0	(3)
Profit attributable to shareholders (\$m)	127.3	125.0	2	237.5	255.0	(7)
Earnings per share (cents)	4.10	4.01	2	7.65	8.19	(7)

- Commercial sales constituted 65% or \$1.1 billion of 2Q2016 revenue
- Order book of \$11.6 billion at end June 2016, of which about \$2.5 billion is expected to be delivered in the remaining months of 2016
- Cash and cash equivalents including funds under management totalled \$1.3 billion
- Advance payments from customers totalled \$1.6 billion
- Economic value added for first half of 2016 was \$152.4 million (1H2015: \$173.4 million)

N.B.: All currencies are in Singapore dollars

Singapore, 12 August 2016 – Singapore Technologies Engineering Ltd (ST Engineering) today announced financial results for its second quarter ended 30 June 2016 (2Q2016). The Group ended the quarter with revenue of \$1.62b, compared to \$1.55b in the same period last year. Profit before tax (PBT) was \$170.3m, up 7% from \$158.5m posted in the same period last year. Year-on-year profit attributable to shareholders (Net profit) was comparable at \$127.3m.

Contribution by its new subsidiary, Elbe Flugzeugwerke, boosted 2Q2016 revenue for the Aerospace sector to \$619m, up 20% from \$515m a year ago in the same period. 2Q2016 PBT at \$74.2m for the Aerospace sector was comparable against the same period last year. Revenue for 2Q2016 for the Electronics sector was \$445m, up 8% from \$413m, and PBT for 2Q2016 was \$51.2m, up 10% from \$46.6m a year ago. While 2Q2016 revenue for the Land Systems sector was down 11% at \$283m, from \$317m, it posted 71% increase in PBT for 2Q2016 to \$27.8m from \$16.3m as a result of a gain on divestment of its speciality vehicle business in China. The Marine sector posted comparable revenue of \$248m for 2Q2016, with quarterly PBT of \$20.4m, down 31% from \$29.6m a year ago due to weak performance of shipbuilding and higher operating expenses.

Six Months Results: 1H2016 versus 1H2015

On a half-yearly basis (1H2016), the Group posted higher revenue of \$3.25b, up 6% compared to \$3.06b a year ago. PBT was comparable at \$300.7m and Net Profit was \$237.5m, 7% lower compared to \$255.0m a year ago.

At the business sectors, revenue for the Aerospace sector grew 24% to \$1.24b from \$1.0b, and its PBT was comparable at \$149.3m. Revenue for the Electronics sector grew 17% to \$902m from \$769m, and its PBT was \$90.8m, up 11% from \$81.5m. Revenue for the Land Systems dropped 15% to \$567m from \$663m, but its PBT increased 21% to \$39.4m from \$32.5m. The Marine sector saw a drop in both its revenue and PBT, with revenue down 14% to \$461m from \$534m, and PBT down 55% to \$23.8m from \$53.0m.

“For 2Q2016, Group Revenue and PBT came in at \$1,623m and \$170.3m respectively. There was an increase of \$78m in Group Revenue and \$11.8m in PBT over the corresponding quarter in 2015. For 1H2016, Group Revenue was higher than that in 1H2015. The PBT for 1H2016 was comparable to that in 1H2015. The Group completed its divestment of Guizhou Jonyang Kinetics Co., Ltd in the quarter, as part of Land Systems sector's continuous review of its specialty vehicle business in China.

The Group continued to secure new orders and ended the quarter with a healthy order book of \$11.6b. The Group's cash and cash equivalents, including funds under management, stand at \$1.3b.

Barring unforeseen circumstances, the Group expects FY2016 Revenue to be higher, but PBT to be lower compared to FY2015. The global economic outlook remains challenging with industry headwinds facing the marine business, the slow-down in the China economy, and negative business sentiment that is prevalent in Europe and other parts of the world.”

***~Tan Pheng Hock
President & CEO, ST Engineering***

Commercial sales accounted for 65% or \$1.1b of Group's 2Q2016 revenue. Order book stood at \$11.6b, compared to \$11.5b as at end March 2016. The Group expects to deliver \$2.5b of orders in the remaining months of 2016.

Interim Dividend

The interim ordinary dividend of 5.0 cents per ordinary share, as approved by the Board will be paid out to shareholders on 30 August 2016.

New Contracts in 2Q2016

In 2Q2016, the Group announced about \$1.42b worth of new contracts, comprising \$770m for the Aerospace sector and \$650m for the Electronics sector. Contracts for the Aerospace sector were for projects ranging from airframe maintenance and cabin interiors, to engine wash, and component repair and overhaul. New contracts for the Electronics sector included projects for Rail Electronics & Intelligent Transportation, Satellite & Broadband Communications, as well as Advanced Electronics & Information Communications Technologies solutions. Projects secured included an overseas rail electronics project, a facility upgrade for a new Air Traffic Control Tower at Maun Airport in

Botswana, and the maintenance and support of a large public security project in the Greater China region.

ST Engineering (Singapore Technologies Engineering Ltd) is an integrated engineering group providing solutions and services in the aerospace, electronics, land systems and marine sectors. Headquartered in Singapore, the Group reported revenue of \$6.34b in FY2015 and 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. ST Engineering has about 23,000 employees worldwide, and over 100 subsidiaries and associated companies in 46 cities across 24 countries. Please visit www.stengg.com for more information.

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FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2016
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**SINGAPORE TECHNOLOGIES ENGINEERING LTD
UNAUDITED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2016**
1 CONSOLIDATED INCOME STATEMENT FOR THE SECOND QUARTER ENDED 30 JUNE 2016

	GROUP					
	2Q2016	2Q2015	+ / (-)	1H2016	1H2015	+ / (-)
	\$'000	\$'000	%	\$'000	\$'000	%
Revenue	1,623,339	1,545,072	5.1	3,250,407	3,056,462	6.3
Cost of sales	(1,293,594)	(1,212,140)	6.7	(2,628,464)	(2,431,071)	8.1
Gross profit	329,745	332,932	(1.0)	621,943	625,391	(0.6)
Distribution and selling expenses	(43,188)	(41,904)	3.1	(92,125)	(79,768)	15.5
Administrative expenses (refer to para 1.6)	(122,734)	(108,842)	12.8	(239,648)	(221,825)	8.0
Other operating expenses (refer to para 1.7)	(26,650)	(31,807)	(16.2)	(55,874)	(63,354)	(11.8)
Profit from operations	137,173	150,379	(8.8)	234,296	260,444	(10.0)
Other income (refer to para 1.8)	24,570	5,382	356.5	46,671	26,154	78.4
Other expenses	(15)	-	NM	(15)	-	NM
Other income, net	24,555	5,382	356.2	46,656	26,154	78.4
Finance income	3,802	8,252	(53.9)	19,330	22,963	(15.8)
Finance costs	(7,670)	(19,735)	(61.1)	(34,649)	(25,923)	33.7
Finance costs, net	(3,868)	(11,483)	(66.3)	(15,319)	(2,960)	417.5
Share of results of associates and joint ventures, net of tax	12,444	14,226	(12.5)	35,047	25,385	38.1
Profit before taxation	170,304	158,504	7.4	300,680	309,023	(2.7)
Taxation	(37,293)	(33,955)	9.8	(56,925)	(52,995)	7.4
Profit for the period	133,011	124,549	6.8	243,755	256,028	(4.8)
Attributable to:						
Shareholders of the Company	127,258	124,985	1.8	237,456	254,956	(6.9)
Non-controlling interests	5,753	(436)	(>500)	6,299	1,072	487.6
	133,011	124,549	6.8	243,755	256,028	(4.8)

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

	GROUP					
	2Q2016	2Q2015	+ / (-)	1H2016	1H2015	+ / (-)
	\$'000	\$'000	%	\$'000	\$'000	%
1.1 Profit from operations is arrived at after charging the following:						
Depreciation and amortisation	56,031	45,439	23.3	111,665	89,851	24.3
The higher depreciation and amortisation in 2Q2016 came mainly from Aerospace sector due to acquisition of new subsidiaries, Elbe Flugzeugwerke GmbH ("EFW"), Keystone Holdings (Global) Pte Ltd ("Keystone") and Singapore Precision Repair and Overhaul Pte Ltd ("SPRO").						
Allowance/(write back) for doubtful debts & bad debts written off, net	3,163	468	>500	3,596	(640)	>500
The higher allowance for doubtful debts in 2Q2016 came largely from Electronics and Marine sectors.						
Allowance for inventory obsolescence, net	10,139	9,799	3.5	22,417	22,767	(1.5)
The higher allowance for inventory obsolescence in 2Q2016 came from higher allowance for rotables in Aerospace sector, partially offset by lower allowance in Land Systems sector.						
1.2 Finance costs, net comprises:						
Interest income	6,335	5,743	10.3	13,683	11,301	21.1
Foreign exchange (loss)/gain, net	(2,742)	(1,355)	102.4	2,001	3,090	(35.2)
Fair value changes of financial instruments / hedged items	2,623	(6,416)	(140.9)	(9,876)	1,668	<-500
Gain on disposal of investments, net	912	166	449.4	1,459	172	>500
Interest expenses	(10,904)	(9,592)	13.7	(22,480)	(19,132)	17.5
Others	(92)	(29)	217.2	(106)	(59)	79.7
	<u>(3,868)</u>	<u>(11,483)</u>	<u>(66.3)</u>	<u>(15,319)</u>	<u>(2,960)</u>	<u>417.5</u>
The favourable fair value changes in 2Q2016 was mainly due to appreciating USD/SGD vis-a-vis depreciating USD/SGD in 2Q2015.						
1.3 Profit for the period as a percentage of revenue	8.2%	8.1%		7.5%	8.4%	
1.4 Profit attributable to shareholders as a percentage of share capital and reserves at end of the period	6.3%	6.3%		11.8%	12.8%	
1.5 The Group's tax charge in 2Q2016 included adjustments for underprovision of current tax and overprovision of deferred tax of \$5.2 million and \$4.4 million respectively in respect of prior years. (2Q2015: Adjustments for underprovision of current tax and overprovision of deferred tax of \$0.8 million and \$1.4 million respectively.)						
1.6 The higher administrative expenses in 2Q2016 (by \$13.9 million) arose mainly from acquisition of a new subsidiaries in Aerospace sector and higher staff related costs.						
1.7 Lower other operating expenses in 2Q2016 (by \$5.2 million) arose mainly from absence of impairment of goodwill in Land Systems sector and lower R&D expenses.						
1.8 The higher 2Q2016 other income (by \$19.2 million) arose mainly from gain on divestment of subsidiary in Land Systems sector and higher government grant.						

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

	GROUP		
	2016 \$'000	2015 \$'000	+ / (-) %
Revenue reported for first quarter	1,627,068	1,511,390	7.7
Profit for the period reported for first quarter	110,744	131,479	(15.8)
Revenue reported for second quarter	1,623,339	1,545,072	5.1
Profit for the period reported for second quarter	133,011	124,549	6.8
Revenue reported for first half year	3,250,407	3,056,462	6.3
Profit for the period reported for first half year	243,755	256,028	(4.8)

1(c) EARNINGS PER ORDINARY SHARE (EPS)

	GROUP				
	2Q2016	2Q2015	1H2016	1H2015	FY2015
EPS based on profit attributable to shareholders:	Cents	Cents	Cents	Cents	Cents
(i) Based on weighted average number of ordinary shares on issue	4.10	4.01	7.65	8.19	17.05
(ii) On a fully diluted basis	4.10	4.01	7.65	8.18	17.04

2 BALANCE SHEETS

	GROUP		COMPANY	
	30-Jun-16	31-Dec-15	30-Jun-16	31-Dec-15
	\$'000	\$'000	\$'000	\$'000
ASSETS				
Non-current assets				
Property, plant and equipment	1,711,024	1,708,779	3,536	3,997
Subsidiaries	-	-	1,270,222	1,194,799
Associates and joint ventures	370,564	461,560	17,657	17,657
Investments	300,740	328,684	-	-
Intangible assets	968,429	736,970	-	-
Long-term receivables	5,931	5,340	-	-
Finance lease receivables	-	523	-	-
Deferred tax assets	105,719	105,551	4,700	4,700
Amounts due from related parties	4,806	4,806	299,857	355,028
Derivative financial instruments	24,912	25,790	-	-
	3,492,125	3,378,003	1,595,972	1,576,181
Current assets				
Inventories and work-in-progress	1,977,135	1,943,004	-	-
Trade receivables	1,254,698	1,319,714	-	-
Amounts due from related parties	26,960	56,582	330,796	470,376
Advances and other receivables	381,215	333,811	2,493	5,299
Long-term receivables	2,614	354	-	-
Finance lease receivables	893	3,173	-	-
Short-term investments	172,374	182,969	-	-
Bank balances and other liquid funds	801,266	951,494	36,945	82,091
	4,617,155	4,791,101	370,234	557,766
TOTAL ASSETS	8,109,280	8,169,104	1,966,206	2,133,947
EQUITY AND LIABILITIES				
Current liabilities				
Advance payments from customers	931,932	871,246	-	-
Trade payables and accruals	1,609,704	1,702,649	21,243	20,619
Amounts due to related parties	28,991	20,553	2,153	1,742
Provisions	232,376	257,524	-	-
Progress billings in excess of work-in-progress	653,220	568,575	-	-
Provision for taxation	124,269	124,628	3,604	5,528
Employee benefits	2,319	-	-	-
Short-term bank loans	49,448	65,647	-	-
Long-term bank loans	10,198	106,531	-	-
Lease obligations	680	730	-	-
Other loans	1,662	1,778	-	-
	3,644,799	3,719,861	27,000	27,889
NET CURRENT ASSETS	972,356	1,071,240	343,234	529,877

2 BALANCE SHEETS (cont'd)

	GROUP		COMPANY	
	30-Jun-16	31-Dec-15	30-Jun-16	31-Dec-15
	\$'000	\$'000	\$'000	\$'000
Non-current liabilities				
Advance payments from customers	641,415	700,908	-	-
Trade payables and accruals	139,781	229,535	9,900	11,538
Deferred tax liabilities	239,442	134,815	-	-
Employee benefits	71,640	-	-	-
Bonds	672,415	705,567	-	-
Long-term bank loans	293,050	293,962	-	-
Lease obligations	17,222	18,706	-	-
Other loans	214	310	-	-
Deferred income	79,203	92,052	-	-
Other long-term payables	700	700	-	-
Derivative financial instruments	23,940	11,615	-	-
Amounts due to related parties	-	146	652,077	644,274
	2,179,022	2,188,316	661,977	655,812
TOTAL LIABILITIES	5,823,821	5,908,177	688,977	683,701
NET ASSETS	2,285,459	2,260,927	1,277,229	1,450,246
Share capital and reserves				
Share capital	895,926	895,926	895,926	895,926
Treasury shares	(52,209)	(66,870)	(52,209)	(66,870)
Capital reserves	112,803	113,277	(3,172)	(3,073)
Other reserves	(125,838)	(65,495)	56,536	72,512
Retained earnings	1,185,548	1,255,214	380,148	551,751
	2,016,230	2,132,052	1,277,229	1,450,246
Non-controlling interests	269,229	128,875	-	-
	2,285,459	2,260,927	1,277,229	1,450,246
TOTAL EQUITY AND LIABILITIES	8,109,280	8,169,104	1,966,206	2,133,947

2(a) ANALYSIS OF BALANCE SHEETS

Compared to 31 December 2015, the Group's Balance Sheets reported marginal increase in net assets after payment of \$311 million for FY2015 final dividend and repayment of \$94 million of bank loans. The increase in net assets was mainly attributable to a new subsidiary, EFW, as well as acquisition of property, plant and equipment of \$90 million, partially offset by divestment of a subsidiary, Guizhou Jonyang Kinetics Co., Ltd ("GJK") in May 2016.

The increase in intangible assets of \$232 million was due mainly to the acquisition of EFW. Increase in property, plant and equipment was due mainly to acquisition and construction of hangar, warehouses and buildings, in addition to acquisition of an aircraft for aircraft leasing business.

2(b) GROUP BORROWINGS

	As at 30-Jun-16 \$'000	As at 31-Dec-15 \$'000
<u>Amount repayable within one year</u>		
Secured	19,103	25,592
Unsecured	42,885	149,094
	<u>61,988</u>	<u>174,686</u>
<u>Amount repayable after one year</u>		
Secured	135,285	97,959
Unsecured	847,616	920,586
	<u>982,901</u>	<u>1,018,545</u>
Total	<u>1,044,889</u>	<u>1,193,231</u>

2(c) NET ASSET VALUE

	GROUP		
	2Q2016	2Q2015	FY2015
	Cents	Cents	Cents
Net asset value per ordinary share at end of the financial period/year	64.91	63.83	68.74

	COMPANY		
	2Q2016	2Q2015	FY2015
	Cents	Cents	Cents
Net asset value per ordinary share at end of the financial period/year	41.12	42.43	46.76

3 CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SECOND QUARTER ENDED 30 JUNE 2016

	GROUP			
	2Q2016	2Q2015	1H2016	1H2015
	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities				
Profit before taxation	170,304	158,504	300,680	309,023
Adjustments:				
Share of results of associates and joint ventures, net	(12,444)	(14,226)	(35,047)	(25,385)
Depreciation charge	49,014	41,768	96,749	82,626
Property, plant and equipment written off	53	26	88	4,595
Writeback impairment of property, plant and equipment	-	(25)	-	(25)
Gain on disposal of property, plant and equipment	(713)	(128)	(932)	(248)
Gain on disposal of investments	(912)	(166)	(1,459)	(172)
Remeasurement gain on fair value of pre-existing interest in acquiree	(1,333)	-	(1,333)	-
Gain on disposal of an associate	(731)	-	(731)	-
Gain on disposal of subsidiaries	(10,389)	-	(10,389)	-
Impairment losses on goodwill	-	4,000	-	4,000
Writeback on progressive payments to contractor	-	(283)	-	(283)
Share-based payment expense	4,919	6,772	(1,660)	5,796
Changes in fair value of financial instruments and hedged items	(2,623)	6,416	9,876	(1,668)
Changes in fair value of financial instruments held for trading	93	29	108	60
Interest expenses	10,904	9,592	22,480	19,132
Interest income	(6,335)	(5,743)	(13,683)	(11,301)
Dividends from investments	(1)	-	(2)	(1)
Amortisation of deferred income	(218)	-	(485)	-
Amortisation of other intangible assets	7,017	3,671	14,916	7,225
Operating profit before working capital changes	206,605	210,207	379,176	393,374
Changes in:				
Inventories and work-in-progress	(24,835)	(104,649)	(40,005)	(140,313)
Progress billings in excess of work-in-progress	17,046	(153,880)	80,110	(103,701)
Trade receivables	23,716	(9,170)	62,891	171,861
Advance payments to suppliers	(23,964)	58,027	(12,086)	51,905
Other receivables, deposits and prepayments	(38,347)	13,225	(31,419)	26,447
Amount due from holding company and related corporations balances	9,595	14,618	15,323	25,692
Amount due to holding company and related corporations balances	(548)	757	(1,463)	(1,869)
Amount due from associates	22,215	(4,824)	24,413	(1,794)
Amount due from joint ventures	10,908	(3,505)	4,641	(5,853)
Trade payables	8,482	30,076	(26,373)	35,600
Advance payments from customers	(32,697)	(67,666)	(24,175)	(56,938)
Other payables, accruals and provisions	63,535	(4,614)	(66,151)	(116,301)
Loans to staff and third parties	(1,677)	5,613	(4,504)	5,349
Deferred income	(11,935)	(54)	(10,352)	3,581
Foreign currency translation of foreign operations	(5,385)	6,061	(2,598)	1,649
Cash generated from operations	222,714	(9,778)	347,428	288,689
Interest received	6,235	6,098	13,618	14,973
Income tax paid	(45,573)	(67,241)	(57,113)	(72,048)
Net cash from/(used in) operating activities	183,376	(70,921)	303,933	231,614

3 CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SECOND QUARTER ENDED 30 JUNE 2016 (cont'd)

	GROUP			
	2Q2016	2Q2015	1H2016	1H2015
	\$'000	\$'000	\$'000	\$'000
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment	2,051	197	2,425	1,476
Proceeds from sale and maturity of investments	78,462	31,659	169,490	48,915
Proceeds from disposal of an associate	731	-	731	-
Repayment of loan by a joint venture	-	-	-	272
Dividends from associates and joint ventures	9,331	8,826	25,928	26,752
Dividends from investments	1	-	2	1
Purchase of property, plant and equipment	(32,890)	(32,784)	(87,587)	(80,233)
Purchase of investments	(40,385)	(157,617)	(128,088)	(192,805)
Investment in an associate	(34,776)	-	(34,776)	-
Acquisition of other intangible assets	(4,270)	(2,412)	(18,512)	(14,375)
Acquisition of controlling interests in subsidiary, net of cash acquired	-	-	9,127	-
Disposal of a subsidiary, net of cash disposed	18,615	-	18,615	-
Net cash used in investing activities	(3,130)	(152,131)	(42,645)	(209,997)
Cash flows from financing activities				
Capital contribution from non-controlling interests of subsidiary	1	588	448	639
Return of capital to non-controlling interests of subsidiary	(1,178)	-	(1,178)	-
Repayment of other loans	(39)	(45)	(78)	(79)
Repayment of bank loans	(115,021)	(27,838)	(144,436)	(212,541)
Repayment of lease obligations	(148)	(251)	(632)	(620)
Repayment of loan to a joint venture	(7,000)	-	(7,000)	-
Proceeds from issue of shares	-	-	-	5,355
Proceeds from share options exercised with issue of treasury shares	2,741	3,796	3,383	4,154
Purchase of treasury shares	-	(1,931)	(2,838)	(59,571)
Proceeds from bank loans	21,060	24,700	87,710	233,393
Proceeds from other loans	-	3	-	3
Proceeds from a loan from a joint venture	1,000	-	2,000	-
Acquisition of non-controlling interests in subsidiary	-	(3,000)	(167)	(3,000)
Dividends paid to shareholders of the Company	(310,518)	(342,085)	(310,518)	(342,085)
Dividends paid to non-controlling interests	(676)	(2,531)	(676)	(2,531)
Interest paid	(2,037)	(175)	(21,248)	(16,649)
Deposit discharged	4,684	(1,007)	6,063	784
Net cash used in financing activities	(407,131)	(349,776)	(389,167)	(392,748)
Net decrease in cash and cash equivalents	(226,885)	(572,828)	(127,879)	(371,131)
Cash and cash equivalents at beginning of the period	1,029,431	1,671,284	944,119	1,462,612
Exchange difference on cash and cash equivalents at beginning of the period	(2,592)	(6,505)	(16,286)	470
Cash and cash equivalents at end of the period	799,954	1,091,951	799,954	1,091,951

3(a) ANALYSIS OF CONSOLIDATED STATEMENT OF CASH FLOWS

The Group's cash and cash equivalents ("CCE") at the end of 2Q2016 was \$800 million, a decrease of \$227 million in the quarter, mainly attributable to the following:

Net cash from operating activities of \$183 million in 2Q2016 was due mainly to profits and favourable working capital movements.

The Group's net cash used in investing activities of \$3 million in 2Q2016 was due mainly to additional investment into an associate, ST Aerospace (Guangzhou) Aviation Services Company Limited, (\$35 million), partially offset by proceeds from divestment of GJK (\$19 million) and dividends from associates and joint venture (\$9 million).

The Group's net cash used in financing activities of \$407 million for 2Q2016 was mainly attributable to repayment of bank loans in 2Q2016 (\$94 million) and payment of FY2015 final dividend (\$311 million).

4 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SECOND QUARTER ENDED 30 JUNE 2016

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

	GROUP					
	2Q2016	2Q2015	+ / (-)	1H2016	1H2015	+ / (-)
	\$'000	\$'000	%	\$'000	\$'000	%
Profit for the period	133,011	124,549	6.8	243,755	256,028	(4.8)
Other comprehensive income						
Items that are or may be reclassified subsequently to profit or loss						
Net fair value changes on available-for-sale financial assets	910	498	82.7	7,853	148	>500
Net fair value changes on cash flow hedges	(6,225)	20,079	(131.0)	8,683	(13,914)	(162.4)
Share of net fair value changes on cash flow hedges of an associate	-	4,283	(100.0)	11,368	(3,785)	(400.3)
Foreign currency translation differences	(9,746)	(18,295)	(46.7)	(61,531)	2,621	<-500
Share of foreign currency translation differences of associates and joint ventures	(5,385)	(3,319)	62.2	(2,010)	642	<-500
Reclassification of foreign currency translation reserve to profit or loss arising from disposal of foreign entities	(3,533)	-	NM	(3,533)	-	NM
Other comprehensive income for the period, net of tax	(23,979)	3,246	<-500	(39,170)	(14,288)	174.1
Total comprehensive income for the period, net of tax	109,032	127,795	(14.7)	204,585	241,740	(15.4)
Total comprehensive income attributable to:						
Shareholders of the Company	106,122	128,567	(17.5)	197,106	239,229	(17.6)
Non-controlling interests	2,910	(772)	(476.9)	7,479	2,511	197.8
	109,032	127,795	(14.7)	204,585	241,740	(15.4)

5 STATEMENT OF CHANGES IN EQUITY FOR THE SECOND QUARTER ENDED 30 JUNE 2016

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
At 1.4.2015	895,162	(46,585)	114,296	(127,907)	1,355,011	2,189,977	135,726	2,325,703
Total comprehensive income for the period								
Profit for the period	-	-	-	-	124,985	124,985	(436)	124,549
Other comprehensive income								
Net fair value changes on available-for-sale financial assets	-	-	-	498	-	498	-	498
Net fair value changes on cash flow hedges	-	-	-	18,698	-	18,698	1,381	20,079
Share of net fair value changes on cash flow hedges of an associate	-	-	-	4,283	-	4,283	-	4,283
Foreign currency translation differences	-	-	-	(16,578)	-	(16,578)	(1,717)	(18,295)
Share of foreign currency translation differences of associates and joint ventures	-	-	-	(3,319)	-	(3,319)	-	(3,319)
<i>Other comprehensive income for the period, net of tax</i>	-	-	-	3,582	-	3,582	(336)	3,246
Total comprehensive income for the period, net of tax	-	-	-	3,582	124,985	128,567	(772)	127,795
Transactions with owners of the Company, recognised directly in equity								
Contributions by and distributions to owners of the Company								
Issue of shares	764	-	-	(764)	-	-	-	-
Capital contribution by non-controlling interests	-	-	-	-	-	-	588	588
Cost of share-based payment	-	-	-	6,732	-	6,732	40	6,772
Purchase of treasury shares	-	(1,931)	-	-	-	(1,931)	-	(1,931)
Treasury shares reissued pursuant to share plans	-	5,984	(289)	(1,786)	-	3,909	(113)	3,796
Dividends paid	-	-	-	-	(342,085)	(342,085)	-	(342,085)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(2,531)	(2,531)
<i>Total contributions by and distributions to owners of the Company</i>	764	4,053	(289)	4,182	(342,085)	(333,375)	(2,016)	(335,391)
Changes in ownership interests in subsidiaries								
Acquisition of non-controlling interests in a subsidiary without a change in control	-	-	-	(225)	-	(225)	(2,775)	(3,000)
Total transactions with owners of the Company	764	4,053	(289)	3,957	(342,085)	(333,600)	(4,791)	(338,391)
At 30.6.2015	895,926	(42,532)	114,007	(120,368)	1,137,911	1,984,944	130,163	2,115,107

5 STATEMENT OF CHANGES IN EQUITY FOR THE SECOND QUARTER ENDED 30 JUNE 2016 (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
At 1.4.2016	895,926	(56,898)	112,917	(103,696)	1,365,412	2,213,661	285,045	2,498,706
Total comprehensive income for the period								
Profit for the period	-	-	-	-	127,258	127,258	5,753	133,011
Other comprehensive income								
Net fair value changes on available-for-sale financial assets	-	-	-	910	-	910	-	910
Net fair value changes on cash flow hedges	-	-	-	(6,176)	-	(6,176)	(49)	(6,225)
Foreign currency translation differences	-	-	-	(3,632)	-	(3,632)	(2,794)	(6,426)
Share of foreign currency translation differences of associates and joint ventures	-	-	-	(8,705)	-	(8,705)	-	(8,705)
Reclassification of foreign currency translation reserve to profit or loss arising from disposal of foreign entities	-	-	-	(3,533)	-	(3,533)	-	(3,533)
<i>Other comprehensive income for the period, net of tax</i>	-	-	-	(21,136)	-	(21,136)	(2,843)	(23,979)
Total comprehensive income for the period, net of tax	-	-	-	(21,136)	127,258	106,122	2,910	109,032
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	-	-	-	-	-	-	1	1
Return of capital to non-controlling interests	-	-	-	-	-	-	(1,178)	(1,178)
Cost of share-based payment	-	-	-	4,898	-	4,898	21	4,919
Purchase of treasury shares	-	(303)	-	-	-	(303)	-	(303)
Treasury shares reissued pursuant to share plans	-	4,992	261	(2,508)	-	2,745	(4)	2,741
Dividends paid	-	-	-	-	(310,518)	(310,518)	-	(310,518)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(676)	(676)
<i>Total contributions by and distributions to owners of the Company</i>	-	4,689	261	2,390	(310,518)	(303,178)	(1,836)	(305,014)
Changes in ownership interests in subsidiaries								
Disposal of subsidiary	-	-	(375)	(3,474)	3,474	(375)	(16,890)	(17,265)
Total transactions with owners of the Company	-	4,689	(114)	(1,084)	(307,044)	(303,553)	(18,726)	(322,279)
Transfer from retained earnings to statutory reserve	-	-	-	78	(78)	-	-	-
At 30.6.2016	895,926	(52,209)	112,803	(125,838)	1,185,548	2,016,230	269,229	2,285,459

5 STATEMENT OF CHANGES IN EQUITY FOR THE SECOND QUARTER ENDED 30 JUNE 2016 (cont'd)

Company	Share capital \$'000	Treasury Shares \$'000	Share-based payment reserve \$'000	Capital reserve \$'000	Retained earnings \$'000	Total equity \$'000
At 1.4.2015	895,162	(46,585)	58,309	(2,027)	567,510	1,472,369
Total comprehensive income for the period						
Profit for the period	-	-	-	-	180,487	180,487
Total comprehensive income for the period	-	-	-	-	180,487	180,487
Transactions with owners of the Company, recognised directly in equity						
Contributions by and distributions to owners of the Company						
Issue of shares	764	-	(764)	-	-	-
Cost of share-based payment	-	-	6,772	-	-	6,772
Dividends paid	-	-	-	-	(342,085)	(342,085)
Purchase of treasury shares	-	(1,931)	-	-	-	(1,931)
Treasury shares reissued pursuant to share plans	-	5,984	(1,879)	(309)	-	3,796
<i>Total contributions by and distributions to owners of the Company</i>	764	4,053	4,129	(309)	(342,085)	(333,448)
At 30.6.2015	895,926	(42,532)	62,438	(2,336)	405,912	1,319,408
At 1.4.2016	895,926	(56,898)	54,129	(3,433)	554,613	1,444,337
Total comprehensive income for the period						
Profit for the period	-	-	-	-	136,053	136,053
Total comprehensive income for the period	-	-	-	-	136,053	136,053
Transactions with owners of the Company, recognised directly in equity						
Contributions by and distributions to owners of the Company						
Cost of share-based payment	-	-	4,919	-	-	4,919
Dividends paid	-	-	-	-	(310,518)	(310,518)
Purchase of treasury shares	-	(303)	-	-	-	(303)
Treasury shares reissued pursuant to share plans	-	4,992	(2,512)	261	-	2,741
<i>Total contributions by and distributions to owners of the Company</i>	-	4,689	2,407	261	(310,518)	(303,161)
At 30.6.2016	895,926	(52,209)	56,536	(3,172)	380,148	1,277,229

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

As at 30 June 2016, the Company has an issued share capital of 3,122,495,197 ordinary shares (31 December 2015: 3,122,495,197 ordinary shares) of which 16,449,630 were held by the Company as treasury shares (31 December 2015: 20,966,968).

	Number of Shares for the Quarter ended 30.6.2016
As at beginning and end of the quarter (including treasury shares)	3,122,495,197
As at end of the quarter (excluding treasury shares)	3,106,045,567
As at 31 December 2015 (excluding treasury shares)	3,101,528,229

Singapore Technologies Engineering Share Option Plan (ESOP)

As at 30 June 2016, there were 12,838,285 (30 June 2015: 19,595,686) unexercised options of unissued ordinary shares under the terminated ESOP.

Singapore Technologies Engineering Performance Share Plan 2010 (PSP 2010)

As at 30 June 2016, the total number of contingent shares granted conditionally but not released was 4,962,740 (30 June 2015: 3,955,515). Based on the achievement factor, the actual release of the awards could range from zero to a maximum of 8,436,658 (30 June 2015: 6,724,375) ordinary shares of the Company.

Singapore Technologies Engineering Restricted Share Plan 2010 (RSP 2010)

As at 30 June 2016, the total number of contingent shares granted conditionally but not released was 5,313,533 (30 June 2015: 9,726,360). Based on the achievement factor, the actual release of the awards could range from zero to a maximum of 7,970,299 (30 June 2015: 14,539,040) ordinary shares.

As at 30 June 2016, the total number of awards released but not vested was 5,354,080 (30 June 2015: 3,027,632) ordinary shares of the Company.

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

Treasury Shares

During the quarter, the Company purchased 100,000 ordinary shares by way of open market acquisitions, all of which were held by the Company as treasury shares (30 June 2015: 588,500).

During the quarter, 1,572,197 treasury shares were utilised pursuant to the ESOP and RSP 2010 (30 June 2015: 1,762,715).

<u>Group and Company</u>	Number of shares for the quarter ended 30.6.2016
As at beginning of the quarter	17,921,827
Purchase of treasury shares	100,000
Treasury shares transferred on exercise of share options	(956,936)
Treasury shares transferred on vesting of RSP 2010	(615,261)
As at end of the quarter	16,449,630

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 2015 except for the adoption of FRS and INT FRS that are mandatory for financial year beginning on or after 1 January 2016. 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

2Q2016 vs 2Q2015

\$m	2Q2016	2Q2015	Growth	
Aerospace	619	515	104	20%
Electronics	445	413	32	8%
Land Systems	283	317	(34)	(11%)
Marine	248	254	(6)	(2%)
Others	28	46	(18)	(39%)
Total	1,623	1,545	78	5%

Group's revenue of \$1,623 million for 2Q2016 was comparable to that of 2Q2015. Higher revenue from Aerospace and Electronics sectors were partially offset by lower revenue from Land Systems sector and "Others". Marine sector reported comparable revenue.

Aerospace sector's 2Q2016 revenue of \$619 million was 20% or \$104 million higher than that of 2Q2015. Both **Component/Engine Repair and Overhaul**, and **Engineering & Material Services** business groups recorded higher revenue, partially offset by lower revenue from **Aircraft Maintenance & Modification** business group.

2Q2016 revenue of \$445 million for the Electronics sector was 8% or \$32 million higher than that of 2Q2015 arising from higher value project milestone completions from **Large-Scale Systems Group** and **Communication & Sensor Systems Group** and also increased sales of satellite communication products, partially offset by lower value project milestone completions in **Software Systems Group**.

Land Systems sector's revenue of \$283 million was 11% or \$34 million lower than that of 2Q2015 from **Automotive** business group due mainly to lower project deliveries and divestment of GJK in May 2016, partially offset by higher revenue from **Munitions & Weapon** and **Services, Trading and Others** business groups.

Revenue of Marine sector in 2Q2016 of \$248 million was comparable to 2Q2015.

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

10 REVIEW OF GROUP PERFORMANCE (cont'd)
10(b) Profitability
2Q2016 vs 2Q2015

\$m	2Q2016	2Q2015	Growth	
Aerospace	74.2	70.6	3.6	5%
Electronics	51.2	46.6	4.6	10%
Land Systems	27.8	16.3	11.5	71%
Marine	20.4	29.6	(9.2)	(31%)
Others	(3.3)	(4.6)	1.3	28%
Total	170.3	158.5	11.8	7%

Group's profit before tax (PBT) for 2Q2016 of \$170.3 million was higher than that of 2Q2015 by 7% or \$11.8 million. Higher PBT from the Electronics and Land Systems sectors were partially offset by lower PBT from Marine sector. Aerospace sector reported comparable PBT while "Others" recorded a lower loss.

Aerospace sector's PBT of \$74.2 million in 2Q2016 was comparable to that achieved in 2Q2015. This was due mainly to higher revenue of new subsidiaries and higher other income, partially offset by higher operating expenses.

PBT for Electronics sector in 2Q2016 of \$51.2 million was 10% or \$4.6 million higher than that posted in 2Q2015 due mainly to higher gross profit from favourable sales mix from satellite communication product sales and other income, partially offset by higher operating expenses.

Land Systems sector's 2Q2016 PBT of \$27.8 million was 71% or \$11.5 million higher than that for 2Q2015 as a result of a gain on the divestment of GJK, lower allowance for inventory obsolescence and absence of goodwill impairment.

PBT of Marine sector in 2Q2016 of \$20.4 million was 31% or \$9.2 million lower than that for 2Q2015 due mainly to lower revenue from weak performance of Shipbuilding and higher operating expenses.

PBT under "Others" for 2Q2016 was better than that for 2Q2015, due mainly to favourable fair value changes on cross currency interest rate swaps and forward contracts, improved performance from ST Synthesis, partially offset by lower contribution from Miltope.

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 second quarter ended 30 June 2016 to be false or misleading in any material respect.

12 **VARIANCE FROM PROSPECTS STATEMENT**

Compared to the Prospects Statement for the 1Q2016 results announced in May 2016; there are variances as highlighted below:

- (a) the Group forecasted PBT for 1H2016 to be lower than 1H2015. The Group is pleased to report that PBT for 1H2016 is comparable to 1H2015, due mainly to better performance from Electronics and Land Systems sectors;
- (b) Electronics sector forecasted PBT for 1H2016 to be comparable to 1H2015. The Sector reported higher PBT for 1H2016 due to higher revenue and other income partially offset by higher operating expenses; and
- (c) Land Systems sector forecasted PBT for 1H2016 to be lower than that of 1H2015. The Sector's recognition of the gain on the divestment of GJK resulted in higher 1H2016 PBT.

Other than the variances mentioned above, there are no other variances from the 1Q2016 Prospects Statement.

13 **PROSPECTS**

Group

Barring unforeseen circumstances, the Group expects 2H2016 Revenue to be higher, while PBT is expected to be lower than that of 1H2016. For FY2016, the Group expects Revenue to be higher, and PBT to be lower than that of FY2015.

Sectors

For Aerospace sector, Revenue for 2H2016 is expected to be higher, while PBT is expected to be lower than that of 1H2016.

For Electronics sector, both Revenue and PBT for 2H2016 are expected to be higher than that of 1H2016.

For Land Systems sector, Revenue for 2H2016 is expected to be comparable, while PBT is expected to be lower than that of 1H2016.

For Marine sector, Revenue for 2H2016 is expected to be lower, while PBT is expected to be higher than that of 1H2016.

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**

On 12 August 2016, the Directors approved an interim dividend of 5.0 cents per ordinary share for the financial year ending 31 December 2016.

The financial statements for the quarter ended, and as at 30 June 2016, 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 2016.

(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 23 August 2016 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 22 August 2016 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 22 August 2016 will be entitled to the interim dividend. The interim dividend will be paid on 30 August 2016.

15 BUSINESS SEGMENTAL INFORMATION
By Business Activity

	2Q2016						Group
	Aerospace	Electronics	Land Systems	Marine	Others	Elimination	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue							
External sales	619,149	444,785	282,583	247,884	28,938	-	1,623,339
Inter-segment sales	1,167	5,520	1,756	355	7,582	(16,380)	-
	<u>620,316</u>	<u>450,305</u>	<u>284,339</u>	<u>248,239</u>	<u>36,520</u>	<u>(16,380)</u>	<u>1,623,339</u>
Reportable segment profit from operations	62,436	47,902	14,276	17,021	(20,142)	15,680	137,173
Other income	6,365	4,042	13,503	2,658	156,586	(158,584)	24,570
Other expenses	(1,213)	(15)	(520)	(45)	-	1,778	(15)
Finance income	113	1,056	670	1,035	24,682	(23,754)	3,802
Finance costs	(2,994)	(1,835)	(3,592)	(192)	(22,081)	23,024	(7,670)
Share of results of associates and joint ventures, net of tax	9,461	75	3,501	(31)	-	(562)	12,444
Profit before taxation	<u>74,168</u>	<u>51,225</u>	<u>27,838</u>	<u>20,446</u>	<u>139,045</u>	<u>(142,418)</u>	<u>170,304</u>
Taxation	(17,394)	(9,526)	(6,852)	(3,733)	1,349	(1,137)	(37,293)
Non-controlling interests	(4,745)	(45)	(963)	-	-	-	(5,753)
Profit attributable to shareholders	<u>52,029</u>	<u>41,654</u>	<u>20,023</u>	<u>16,713</u>	<u>140,394</u>	<u>(143,555)</u>	<u>127,258</u>
Other assets	2,806,289	1,767,008	1,606,250	1,035,670	4,279,803	(3,756,304)	7,738,716
Associates and joint ventures	215,259	1,498	119,936	8,457	17,657	7,757	370,564
Segment assets	<u>3,021,548</u>	<u>1,768,506</u>	<u>1,726,186</u>	<u>1,044,127</u>	<u>4,297,460</u>	<u>(3,748,547)</u>	<u>8,109,280</u>
Segment liabilities	<u>2,050,815</u>	<u>1,526,990</u>	<u>1,472,630</u>	<u>887,573</u>	<u>2,245,789</u>	<u>(2,359,976)</u>	<u>5,823,821</u>
Capital expenditure ⁺	18,700	14,567	3,364	2,190	683	-	39,504
Depreciation and amortisation	26,441	9,836	9,049	7,100	3,615	(10)	56,031
Other non-cash expenses	34	1	18	-	-	-	53

⁺ Capital expenditure consists of additions of property, plant and equipment and intangible assets.

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

	2Q2015						
	Aerospace	Electronics	Land Systems	Marine	Others	Elimination	Group
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue							
External sales	514,699	412,601	317,447	253,881	46,444	-	1,545,072
Inter-segment sales	2,009	8,254	1,159	12	6,423	(17,857)	-
	<u>516,708</u>	<u>420,855</u>	<u>318,606</u>	<u>253,893</u>	<u>52,867</u>	<u>(17,857)</u>	<u>1,545,072</u>
Reportable segment profit from operations	61,019	45,141	14,602	26,162	(12,821)	16,276	150,379
Other income	1,121	2,714	1,561	970	193,689	(194,673)	5,382
Other expenses	(110)	-	(445)	(33)	-	588	-
Finance income	2,786	836	1,152	1,224	8,903	(6,649)	8,252
Finance costs	(3,684)	(1,779)	(4,335)	(136)	(7,636)	(2,165)	(19,735)
Share of results of associates and joint ventures, net of tax	9,458	(357)	3,752	1,411	-	(38)	14,226
Profit before taxation	70,590	46,555	16,287	29,598	182,135	(186,661)	158,504
Taxation	(12,982)	(8,228)	(6,623)	(6,106)	1,970	(1,986)	(33,955)
Non-controlling interests	(893)	(352)	1,681	-	-	-	436
Profit attributable to shareholders	<u>56,715</u>	<u>37,975</u>	<u>11,345</u>	<u>23,492</u>	<u>184,105</u>	<u>(188,647)</u>	<u>124,985</u>
Other assets	2,226,759	1,722,231	1,899,349	1,010,064	4,400,723	(3,752,348)	7,506,778
Associates and joint ventures	321,373	9,274	112,309	10,618	17,657	2,611	473,842
Segment assets	<u>2,548,132</u>	<u>1,731,505</u>	<u>2,011,658</u>	<u>1,020,682</u>	<u>4,418,380</u>	<u>(3,749,737)</u>	<u>7,980,620</u>
Segment liabilities	<u>1,757,888</u>	<u>1,519,104</u>	<u>1,741,330</u>	<u>870,385</u>	<u>2,459,914</u>	<u>(2,483,108)</u>	<u>5,865,513</u>
Capital expenditure ⁺	14,486	8,038	3,841	8,985	488	-	35,838
Depreciation and amortisation	16,924	9,885	9,470	7,102	2,068	(10)	45,439
Impairment losses	-	-	3,692	-	-	-	3,692
Other non-cash expenses	17	2	5	-	2	-	26

⁺ Capital expenditure consists of additions of property, plant and equipment and intangible assets.

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

For Revenue and Profit Before Tax of 2Q2016 vis-à-vis 2Q2015, please refer to paragraph 10.

	Profit Attributable to Shareholders		
	2Q2016	2Q2015	+ / (-)
	\$'000	\$'000	%
Aerospace	52,029	56,715	(8.3)
Electronics	41,654	37,975	9.7
Land Systems	20,023	11,345	76.5
Marine	16,713	23,492	(28.9)
Others	<u>(3,161)</u>	<u>(4,542)</u>	<u>30.4</u>
Group	<u>127,258</u>	<u>124,985</u>	<u>1.8</u>

	Revenue			Profit Before Tax		
	1H2016	1H2015	+ / (-)	1H2016	1H2015	+ / (-)
	\$'000	\$'000	%	\$'000	\$'000	%
Aerospace	1,241,549	1,003,879	23.7	149,338	142,074	5.1
Electronics	902,048	769,093	17.3	90,814	81,465	11.5
Land Systems	566,841	663,449	(14.6)	39,420	32,506	21.3
Marine	461,366	533,379	(13.5)	23,825	52,988	(55.0)
Others	<u>78,603</u>	<u>86,662</u>	<u>(9.3)</u>	<u>(2,717)</u>	<u>(10)</u>	<u>>500</u>
Group	<u>3,250,407</u>	<u>3,056,462</u>	<u>6.3</u>	<u>300,680</u>	<u>309,023</u>	<u>(2.7)</u>

	Profit Attributable to Shareholders		
	1H2016	1H2015	+ / (-)
	\$'000	\$'000	%
Aerospace	109,981	113,985	(3.5)
Electronics	74,745	68,765	8.7
Land Systems	30,575	26,829	14.0
Marine	22,513	44,709	(49.6)
Others	<u>(358)</u>	<u>668</u>	<u>(153.6)</u>
Group	<u>237,456</u>	<u>254,956</u>	<u>(6.9)</u>

By Geographical Areas

	Revenue				Revenue			
	2Q2016		2Q2015		1H2016		1H2015	
	\$'000	%	\$'000	%	\$'000	%	\$'000	%
Asia	930,689	57.3	930,048	60.2	1,912,847	58.8	1,826,574	59.8
USA	422,859	26.0	406,854	26.3	805,707	24.8	740,060	24.2
Europe	151,971	9.4	70,831	4.6	302,558	9.3	160,411	5.2
Others	117,820	7.3	137,339	8.9	229,295	7.1	329,417	10.8
Total	1,623,339	100	1,545,072	100	3,250,407	100	3,056,462	100

By Country of Incorporation

	Revenue				Revenue			
	2Q2016		2Q2015		1H2016		1H2015	
	\$'000	%	\$'000	%	\$'000	%	\$'000	%
Asia	1,067,799	65.8	1,115,530	72.2	2,180,346	67.1	2,263,706	74.0
USA	411,223	25.3	399,621	25.9	791,449	24.3	729,466	23.9
Europe	129,008	8.0	18,461	1.2	250,433	7.7	36,114	1.2
Others	15,309	0.9	11,460	0.7	28,179	0.9	27,176	0.9
Total	1,623,339	100	1,545,072	100	3,250,407	100	3,056,462	100

	Non-Current Assets *			
	1H2016		1H2015	
	\$'000	%	\$'000	%
Asia	2,054,162	61.1	2,054,092	65.4
USA	827,853	24.6	811,119	25.8
Europe	384,963	11.5	180,254	5.7
Others	94,516	2.8	95,423	3.1
Total	3,361,494	100	3,140,888	100

* Non-current assets for the purpose of FRS 108 *Operating Segments* excludes derivative financial instruments 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

	2Q2016 \$'000	2Q2015 \$'000
Transactions for the Sale of Goods and Services		
CapitaLand Limited and its Associates	157	-
SembCorp Industries Ltd and its Associates	4,020	354
SembCorp Marine Ltd and its Associates	-	(178) *
Singapore Airlines Limited and its Associates	770	2,943
Singapore Telecommunications Limited and its Associates	2,142	-
SMRT Corporation Ltd and its Associates	-	7,442
Temasek Holdings (Private) Limited and its Associates (non-listed)	5,507	1,753
	<u>12,596</u>	<u>12,314</u>
Transactions for the Purchase of Goods and Services		
SATS Ltd. and its Associates	575	907
SembCorp Industries Ltd and its Associates	-	2,069
Singapore Telecommunications Limited and its Associates	598	-
Temasek Holdings (Private) Limited and its Associates (non-listed)	3,611	956
	<u>4,784</u>	<u>3,932</u>
Total Interested Person Transactions	<u>17,380</u>	<u>16,246</u>

* This relates to a credit note

17 ECONOMIC VALUE ADDED (EVA)

EVA for 1H2016 was \$152.4 million, a decrease of 12% or \$21.0 million over 1H2015. The weighted average cost of capital for 2016 was 5.6% (2015: 5.5%).

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

CHUA SU LI / KAREN NG KWEE LIAN
Company Secretaries
12 August 2016

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For more details on how the business of each Sector is managed and its related performance, please see the attached sections. The information is given on a voluntary basis and from the perspective of the Sector management, as its disclosure is not made pursuant to any law or regulation.

News Release

Details on how the business of the Sector is managed and its related performance are set out below. This information is given on a voluntary basis and from the perspective of the Sector management, as its disclosure is not required by law or regulation.

Aerospace

“Higher Revenue”

FINANCIAL HIGHLIGHTS			
For the second quarter ended			
30 June 2016			
	2016 2Q	2015 2Q	Growth %
Revenue (\$m)	620	517	20
Earnings before interest and tax (EBIT) (\$m)	62.4	61.0	2
Other income, net (\$m)	5.2	1.0	410
Finance income/(costs), net (\$m)	(2.9)	(0.9)	(221)
Profit before tax (PBT) (\$m)	74.1	70.6	5
Profit attributable to shareholders (\$m)	52.0	56.7	(8)

- Economic Value Added for the first half of 2016 was \$66.3 million

“The Sector continues to operate in a volatile landscape subdued by weak global economic conditions. We remain focused on our long-term investments, productivity improvement programmes, at the same time, leveraging technologies which includes data analytics, to maintain competitiveness.

Our passenger-to-freighter conversions strategy is making good progress, with the award of the launch contract from DHL Express for the A330-300P2F programme at the start of 2H2016.”

Lim Serh Ghee, President

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

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(Regn. No.: 199706274H)

Aerospace

Aerospace sector unaudited results for the second quarter ended 30 June 2016

	2Q2016 \$'000	2Q2015 \$'000	+ / (-) %
1. (a) Revenue	620,316	516,708	20.1
(b) Cost of sales	(518,091)	(420,722)	23.1
(c) Gross Profit	102,225	95,986	6.5
(d) Distribution and selling expenses	(2,701)	(1,615)	67.2
(e) Administrative expenses	(30,009)	(28,638)	4.8
(f) Other operating expenses	(7,079)	(4,714)	50.2
(g) Profit from operations	62,436	61,019	2.3
(h) Other income	6,365	1,121	467.8
(i) Other expenses	(1,213)	(110)	>500
(j) Other income/(expenses), net	5,152	1,011	409.6
(k) Finance income	113	2,786	(95.9)
(l) Finance costs	(2,994)	(3,684)	(18.7)
(m) Finance (costs)/income, net	(2,881)	(898)	220.8
(n) Share of results of associates and joint ventures, net of tax	9,461	9,458	0.0
(o) Profit before taxation	74,168	70,590	5.1
(p) Taxation	(17,394)	(12,982)	34.0
(q) Profit for the period	56,774	57,608	(1.4)
Attributable to:			
(r) Shareholders of the Company	52,029	56,715	(8.3)
(s) Non-controlling interests	4,745	893	431.4
	56,774	57,608	(1.4)
* NM - Not Meaningful			
2. (a) Profit from operations is arrived at after charging/(crediting) the following:			
Depreciation and amortisation	26,441	16,924	56.2
(Write-back of allowance)/allowance for doubtful debts & bad debts written off, net	(179)	(478)	(62.6)
Allowance for stock obsolescence, net	12,735	2,127	498.7
(b) Finance income/(costs), net comprises:			
Interest income	915	679	34.8
Foreign exchange (loss)/gain, net	(737)	309	(338.5)
Fair value changes of financial instruments / hedged items	(29)	54	(153.7)
Interest expenses	(3,031)	(1,940)	56.2
Others	1	-	NM
	(2,881)	(898)	220.8

Aerospace

	2Q2016 \$'000	2Q2015 \$'000	+ / (-) %
3. (a) Profit for the period [1(q) above] as a percentage of revenue	9.2%	11.1%	
(b) Profit attributable to shareholders [1(r) above] as a percentage of share capital and reserves at end of period	6.3%	8.0%	
	2016 \$'000	2015 \$'000	+ / (-) %
4. (a) Revenue reported for first quarter	623,803	490,849	27.1
(b) Profit for the period reported for first quarter	61,083	59,487	2.7
(c) Revenue reported for second quarter	620,316	516,708	20.1
(d) Profit for the period reported for second quarter	56,774	57,608	(1.4)
(e) Revenue reported for first half year	1,244,119	1,007,557	23.5
(f) Profit for the period reported for first half year	117,857	117,095	0.7
5. (a) There were adjustments of \$3,460,000 underprovision and \$3,368,000 overprovision of current and deferred tax respectively in respect of prior years. (2Q2015: There was an overprovision of \$85,000 and \$322,000 for current and deferred tax respectively in respect of prior years).			
(b) There was no disposal of property during the second quarter.			

6. Business Group Information

By Business Group

	Revenue			Profit before Taxation		+ / (-) %
	2016 \$'000	2015 \$'000	+ / (-) %	2016 \$'000	2015 \$'000	
Second Quarter						
Aircraft Maintenance & Modification	266,662	292,432	(8.8)	46,786	42,229	10.8
Component/Engine Repair & Overhaul	152,424	136,444	11.7	10,730	15,731	(31.8)
Engineering & Material Services	201,230	87,832	129.1	16,652	12,630	31.8
Total	<u>620,316</u>	<u>516,708</u>	20.1	<u>74,168</u>	<u>70,590</u>	5.1
First Half Year						
Aircraft Maintenance & Modification	544,671	534,914	1.8	91,533	83,090	10.2
Component/Engine Repair & Overhaul	318,412	286,638	11.1	23,966	29,163	(17.8)
Engineering & Material Services	381,036	186,005	104.9	33,839	29,821	13.5
Total	<u>1,244,119</u>	<u>1,007,557</u>	23.5	<u>149,338</u>	<u>142,074</u>	5.1

By Geographical Areas

	Revenue		
	2Q2016 \$'000	2Q2015 \$'000	
Asia	288,228	287,404	0.3
USA	175,288	156,305	12.1
Europe	117,199	35,191	233.0
Others	39,601	37,808	4.7
Total	<u>620,316</u>	<u>516,708</u>	20.1

By Country of Incorporation

Asia	364,957	378,184	(3.5)
USA	130,379	123,628	5.5
Europe	124,521	14,506	>500
Others	459	390	17.7
Total	<u>620,316</u>	<u>516,708</u>	20.1

Aerospace

7. Review of Performance

(a) Revenue

2Q2016 vs 2Q2015

2Q2016	2Q2015	Growth	
\$620m	\$517m	\$103m	20%

Revenue for 2Q2016 was \$103 million higher compared to that of 2Q2015. This was due to higher revenue in the Component/Engine Repair & Overhaul (CERO) and Engineering & Materials Services (EMS) business groups, reduced partially by lower revenue in the Aircraft Maintenance & Modification (AMM) business group. Included in the EMS business group was sales from Elbe Flugzeugwerke GmbH (EFW) which became a subsidiary effective January 2016.

(b) Profitability

2Q2016 vs 2Q2015

2Q2016	2Q2015	Growth	
\$74.1m	\$70.6m	\$3.5m	5%

The current quarter's PBT of \$74.1 million was higher compared to 2Q2015 PBT of \$70.6 million. This was a result of higher gross profit, in line with higher revenue, higher other income reduced partially by higher operating expenses, interest expense and unfavourable foreign exchange impact.

8. Prospects

2H2016

Barring unforeseen circumstances, 2H2016 revenue is expected to be higher compared to 1H2016, whilst profit before tax for 2H2016 is expected to be lower compared to 1H2016.

9. Balance Sheet

	30-Jun-16 \$'000	31-Dec-15 \$'000
Property, plant and equipment	892,356	820,145
Associates and joint ventures	215,259	311,473
Investments	12	12
Intangible assets	399,452	141,239
Long-term receivables, non-current	2,329	64
Derivative financial instruments, non-current	153	136
Deferred tax assets	21,853	11,840
Non-current assets	1,531,414	1,284,909
Current assets	1,490,134	1,355,186
Total assets	3,021,548	2,640,095
Current liabilities	1,323,035	1,262,967
Non-current liabilities	727,780	611,257
Total liabilities	2,050,815	1,874,224
Share capital and reserves	730,578	686,310
Non-controlling interests	240,155	79,561
Total equity and liabilities	3,021,548	2,640,095
Net current assets	167,099	92,219

On 1 January 2016, the Sector acquired an additional 20% equity interest, increasing its shareholdings from 35% to 55% in EFW. This resulted in an increase in the Sector's net assets due to the consolidation of EFW's identifiable net assets stated at fair value.

Aerospace

10. Statement of Cash Flows for the second quarter ended 30 June 2016

	2Q2016 \$'000	2Q2015 \$'000
Net cash from operating activities	118,525	6,565
Net cash used in investing activities	(40,223)	(5,619)
Proceeds from sale of property, plant and equipment	1,940	119
Dividends from associated companies	9,331	8,106
Dividends from investments	1	-
Purchase of property, plant and equipment	(15,569)	(13,844)
Acquisition of other intangible assets	(1,150)	-
Additional Investment in a joint venture	(34,776)	-
Net cash used in financing activities	(99,572)	(58,675)
Capital contribution from minority shareholders of a subsidiary	-	588
(Repayment of)/proceeds from short-term loans from related corporations, net	(71,450)	16,414
Proceeds from/(repayment of) long term bank loans, net	5,204	(6,504)
Proceeds from short term bank loans, net	8,911	-
Repayment of lease obligations	(148)	(80)
Dividend paid to shareholder	(39,045)	(65,990)
Dividend paid to non-controlling interests	(676)	(2,531)
Interest paid	(2,367)	(572)
Net decrease in cash and cash equivalents	(21,270)	(57,729)
Cash and cash equivalents at beginning of period	257,082	254,134
Exchange difference on cash and cash equivalents	(727)	(1,666)
Cash and cash equivalents at end of period	235,085	194,739

11. Economic Value Added (EVA)

EVA for 1H2016 was \$66.3 million, a decrease of \$20.5 million or 24% over 1H2015. The weighted average cost of capital was 5.6% for 2016 (2015: 5.5%).

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News Release

Details on how the business of the Sector is managed and its related performance are set out below. This information is given on a voluntary basis and from the perspective of the Sector management, as its disclosure is not required by law or regulation.

Electronics

“Better Performance in 2Q2016”

FINANCIAL HIGHLIGHTS For the second quarter ended 30 June 2016			
	2016 2Q	2015 2Q	Growth %
Revenue (\$m)	450	421	7
Earnings before interest and tax (EBIT) (\$m)	47.9	45.1	6
Other income, net (\$m)	4.0	2.7	48
Finance costs, net (\$m)	(0.8)	(0.9)	17
Profit before tax (PBT) (\$m)	51.2	46.6	10
Profit attributable to shareholders (\$m)	41.7	38.0	10

- Economic Value Added for the first half of 2016 was \$59.0 million

“The Electronics sector achieved better results in 2Q2016. Through team effort, coupled with strong technology offerings, we have secured a total of \$1.16b of new orders in the first half of 2016. These project wins will enhance our track record and improve our competitive edge for future opportunities.”

Lee Fook Sun, President

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

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Electronics

Electronics sector unaudited results for the second quarter ended 30 June 2016

	2Q2016	2Q2015	+ / (-)
	\$'000	\$'000	%
1. (a) Revenue	450,305	420,855	7.0
(b) Cost of sales	(313,946)	(297,999)	5.4
(c) Gross Profit	136,359	122,856	11.0
(d) Distribution and selling expenses	(23,670)	(20,905)	13.2
(e) Administrative expenses	(42,805)	(36,729)	16.5
(f) Other operating expenses	(21,982)	(20,081)	9.5
(g) Profit from operations	47,902	45,141	6.1
(h) Other income	4,042	2,714	48.9
(i) Other expenses	(15)	-	NM
(j) Other income, net	4,027	2,714	48.4
(k) Finance income	1,056	836	26.3
(l) Finance costs	(1,835)	(1,779)	3.1
(m) Finance costs, net	(779)	(943)	(17.4)
(n) Share of results of associates and joint ventures, net of tax	75	(357)	(121.0)
(o) Profit before taxation	51,225	46,555	10.0
(p) Taxation	(9,526)	(8,228)	15.8
(q) Profit for the period	41,699	38,327	8.8
Attributable to:			
(r) Shareholder of the Company	41,654	37,975	9.7
(s) Non-controlling interests	45	352	(87.2)
	41,699	38,327	8.8
2. (a) Profit from operations is arrived at after charging/(crediting) the following:			
Depreciation and amortisation	9,836	9,885	(0.5)
Allowance/(write-back of allowance) for doubtful debts & bad debts written off, net	800	(923)	(186.7)
Allowance for inventory obsolescence, net	114	71	60.6
(b) Finance costs, net comprises:			
Interest income	624	836	(25.4)
Foreign exchange gain/(loss), net	428	(359)	(219.2)
Gain on disposal of an investment	4	-	NM
Interest expenses	(1,835)	(1,420)	29.2
	(779)	(943)	(17.4)

* NM - Not Meaningful

Electronics

	2Q2016 \$'000	2Q2015 \$'000	+ / (-) %
3. (a) Profit for the period [1(q) above] as a percentage of revenue	9.3%	9.1%	
(b) Profit attributable to shareholders [1(r) above] as a percentage of share capital and reserves at end of period	11.4%	11.2%	
	2016 \$'000	2015 \$'000	+ / (-) %
4. (a) Revenue reported for first quarter	464,273	363,675	27.7
(b) Profit for the period reported for first quarter	33,072	31,217	5.9
(c) Revenue reported for second quarter	450,305	420,855	7.0
(d) Profit for the period reported for second quarter	41,699	38,327	8.8
(e) Revenue reported for first half year	914,578	784,530	16.6
(f) Profit for the period reported for first half year	74,771	69,544	7.5
5. (a) There was an underprovision of current tax of \$334,000 and an overprovision of deferred tax of \$1,079,000 in respect of prior years (2Q2015: There was an underprovision of current tax of \$711,000 and an overprovision of deferred tax of \$1,100,000 in respect of prior years).			
(b) There was no disposal of property during the second quarter.			

6. Business Group Information

By Business Group

	Revenue			Profit before Taxation		
	2016 \$'000	2015 \$'000	+ / (-) %	2016 \$'000	2015 \$'000	+ / (-) %
Second Quarter						
Large-Scale Systems Group	107,618	95,054	13.2	13,664	12,672	7.8
Communication & Sensor Systems Group	224,940	193,220	16.4	18,614	13,999	33.0
Software Systems Group	117,747	132,581	(11.2)	18,947	19,884	(4.7)
Total	<u>450,305</u>	<u>420,855</u>	7.0	<u>51,225</u>	<u>46,555</u>	10.0
First Half Year						
Large-Scale Systems Group	228,911	201,053	13.9	28,675	26,062	10.0
Communication & Sensor Systems Group	449,897	352,109	27.8	28,846	23,863	20.9
Software Systems Group	235,770	231,368	1.9	33,293	31,540	5.6
Total	<u>914,578</u>	<u>784,530</u>	16.6	<u>90,814</u>	<u>81,465</u>	11.5

	Revenue		
	2Q2016 \$'000	2Q2015 \$'000	+ / (-) %
<u>By Geographical Areas</u>			
Asia	344,344	330,699	4.1
USA	45,290	34,978	29.5
Europe	29,036	23,021	26.1
Others	31,635	32,157	(1.6)
Total	<u>450,305</u>	<u>420,855</u>	7.0

By Country of Incorporation

Asia	354,953	347,666	2.1
USA	80,444	60,660	32.6
Europe	4,980	3,975	25.3
Others	9,928	8,554	16.1
Total	<u>450,305</u>	<u>420,855</u>	7.0

Electronics

7. Review of Performance

(a) Revenue

2Q2016 vs 2Q2015

2Q2016	2Q2015	Growth	
\$450m	\$421m	\$29m	7%

Revenue of \$450 million recorded in 2Q2016 was higher than that of 2Q2015 by 7% or \$29 million. **Communication & Sensor Systems Group's (CSG)** sales were higher mainly due to increased sales of satellite communication products and higher value project milestone completions. **Large-Scale Systems Group (LSG)** recorded higher sales mainly due to higher value project milestone completions. **Software Systems Group (SSG)** recorded lower sales mainly due to lower value project milestone completions.

(b) Profitability

2Q2016 vs 2Q2015

2Q2016	2Q2015	Growth	
\$51.2m	\$46.6m	\$4.6m	10%

The profit before tax of \$51.2 million for 2Q2016 was higher than that of 2Q2015 by 10% or \$4.6 million. The Sector recorded higher profit mainly due to increased sales and higher other income, partially offset by higher operating expenses.

8. Prospects

2H2016

Barring unforeseen circumstances, revenue and profit before tax for 2H2016 are expected to be higher compared to 1H2016.

9. Balance Sheet

	30-Jun-16 \$'000	31-Dec-15 \$'000
Property, plant and equipment	183,074	185,192
Associates and joint venture	1,498	1,397
Investments	9,434	9,902
Intangible assets	324,152	335,049
Long-term receivable, non-current	897	913
Deferred tax assets	28,271	29,726
Derivative financial instruments, non-current	1,738	40
Non-current assets	549,064	562,219
Current assets	1,219,442	1,299,812
Total assets	1,768,506	1,862,031
Current liabilities	1,011,224	1,114,278
Non-current liabilities	515,766	523,445
Total liabilities	1,526,990	1,637,723
Share capital and reserves	234,330	217,088
Non-controlling interests	7,186	7,220
Total equity and liabilities	1,768,506	1,862,031
Net current assets	208,218	185,534

Electronics

10. Statement of Cash Flows for the second quarter ended 30 June 2016

	2Q2016 \$'000	2Q2015 \$'000
Net cash from/(used in) operating activities	21,198	(52,747)
Net cash used in investing activities	(13,387)	(12,589)
Proceeds from sale of property, plant and equipment	1	10
Proceeds from sale of an associate company	731	-
Proceeds from sale of an unquoted investment	4	-
Dividends from an associate and a joint venture	-	720
Purchase of property, plant and equipment	(11,067)	(5,626)
Acquisition of other intangible assets	(3,056)	(2,412)
Investment in an unquoted investment	-	(5,281)
Net cash (used in)/from financing activities	(82,835)	1,021
Repayment of related parties loans	(38,000)	-
Repayment of loans by a related party	17,500	50,000
Repayment of a joint venture loans	(7,000)	-
Proceeds from a related party loans	-	7,424
Proceeds of a loan from a joint venture	1,000	-
Loans to a related party	(17,500)	-
Acquisition of non-controlling interests in a subsidiary	-	(3,000)
Dividend paid to shareholder	(38,000)	(53,000)
Interest paid	(834)	(406)
Deposits (pledged)/discharged	(1)	3
Net decrease in cash and cash equivalents	(75,024)	(64,315)
Cash and cash equivalents at beginning of period	279,528	308,619
Exchange difference on cash and cash equivalents	(1,325)	(1,393)
Cash and cash equivalents at end of period	203,179	242,911 ¹

¹ Cash and cash equivalents at the end of 2Q2015 was after deducting \$70.0 million of short term net lending to a related party.

11. Economic Value Added (EVA)

EVA for 1H2016 was \$59.0 million, an increase of \$4.6 million or 8% over 1H2015. The weighted average cost of capital was 5.6% for 2016 (2015: 5.5%).

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News Release

Details on how the business of the Sector is managed and its related performance are set out below. This information is given on a voluntary basis and from the perspective of the Sector management, as its disclosure is not required by law or regulation.

Land Systems

“Higher profits”

FINANCIAL HIGHLIGHTS For the second quarter ended 30 June 2016			
	2016 2Q	2015 2Q	Growth %
Revenue (\$m)	284	319	(11)
Earnings before interest and tax (EBIT) (\$m)	14.3	14.6	(2)
Other income, net (\$m)	13.0	1.1	>500
Finance costs, net (\$m)	(2.9)	(3.2)	8
Profit before tax (PBT) (\$m)	27.8	16.3	71
Profit attributable to shareholders (\$m)	20.0	11.3	76

- Economic Value Added for the first half of 2016 was \$4.7 million

“For 1H2016, we recorded lower sales due to lower project deliveries in key defence programmes and divestment of Guizhou Jonyang Kinetics (GJK). However, PBT was higher mainly due to lower operating expenses and a one-time gain from the divestment of GJK.

We will continue to pursue key programmes and develop new markets.”

Ravinder Singh, President

Land Systems

Land Systems sector unaudited results for the second quarter ended 30 June 2016

	2Q2016 \$'000	2Q2015 \$'000	+ / (-) %
1. (a) Revenue	284,339	318,606	(10.8)
(b) Cost of sales	(227,576)	(249,085)	(8.6)
(c) Gross Profit	56,763	69,521	(18.4)
(d) Distribution and selling expenses	(11,444)	(15,571)	(26.5)
(e) Administrative expenses	(24,843)	(24,893)	(0.2)
(f) Other operating expenses	(6,200)	(14,455)	(57.1)
(g) Profit from operations	14,276	14,602	(2.2)
(h) Other income	12,294	1,561	>500
(i) Other expenses	689	(445)	(254.8)
(j) Other income, net	12,983	1,116	>500
(k) Finance income	670	1,152	(41.8)
(l) Finance costs	(3,592)	(4,335)	(17.1)
(m) Finance costs, net	(2,922)	(3,183)	(8.2)
(n) Share of results of associates and joint ventures, net of tax	3,501	3,752	(6.7)
(o) Profit before taxation	27,838	16,287	70.9
(p) Taxation	(6,852)	(6,623)	3.5
(q) Profit for the period	20,986	9,664	117.2
Attributable to:			
(r) Shareholders of the Company	20,023	11,345	76.5
(s) Non-controlling interests	963	(1,681)	(157.3)
	20,986	9,664	117.2
2. (a) Profit from operations is arrived at after charging/(crediting) the following:			
Depreciation and amortisation	9,049	9,470	(4.4)
Allowance for doubtful debts & bad debts written off, net	912	2,102	(56.6)
Allowance for inventory obsolescence, net	(3,868)	6,562	(158.9)
Impairment losses of intangible assets	-	4,000	(100.0)
(b) Finance costs, net comprises			
Interest income	251	661	(62.0)
Foreign exchange gain/(loss), net	(1,683)	(1,465)	14.9
Fair value changes of financial instruments / hedged items	253	32	>500
Interest expenses	(1,743)	(2,411)	(27.7)
	(2,922)	(3,183)	(8.2)

Land Systems

	2Q2016 \$'000	2Q2015 \$'000	+ / (-) %
3. (a) Profit for the period [1(q) above] as a percentage of revenue	7.4%	3.0%	
(b) Profit attributable to shareholders [1(r) above] as a percentage of share capital and reserves at end of period	4.7%	3.1%	
	2016 \$'000	2015 \$'000	+ / (-) %
4. (a) Revenue reported for first quarter	285,657	347,103	(17.7)
(b) Profit for the period reported for first quarter	7,993	14,355	(44.3)
(c) Revenue reported for second quarter	284,339	318,606	(10.8)
(d) Profit for the period reported for second quarter	20,986	9,664	117.2
(e) Revenue reported for first half year	569,996	665,709	(14.4)
(f) Profit for the period reported for first half year	28,979	24,019	20.7
5. (a) There was an under-provision of current tax \$1,000 in respect of prior years. (2Q2015: There was an under-provision of current tax of \$145,000 in respect of prior years).			
(b) There was no disposal of property during the second quarter.			

6. Business Group Information

By Business Group

	Revenue		+ / (-) %	Profit before Taxation		+ / (-) %
	2016 \$'000	2015 \$'000		2016 \$'000	2015 \$'000	
Second Quarter						
Automotive	212,680	268,397	(20.8)	14,313	6,337	125.9
Munitions & Weapon	47,391	35,715	32.7	5,551	3,172	75.0
Services, Trading & Others	24,268	14,494	67.4	7,974	6,778	17.6
Total	<u>284,339</u>	<u>318,606</u>	(10.8)	<u>27,838</u>	<u>16,287</u>	70.9
First Half Year						
Automotive	444,644	544,675	(18.4)	13,378	7,166	86.7
Munitions & Weapon	86,738	84,063	3.2	10,690	10,530	1.5
Services, Trading & Others	38,614	36,971	4.4	15,352	14,810	3.7
Total	<u>569,996</u>	<u>665,709</u>	(14.4)	<u>39,420</u>	<u>32,506</u>	21.3

By Geographical Areas

	Revenue		
	2Q2016 \$'000	2Q2015 \$'000	
Asia	172,958	225,399	(23.3)
USA	92,610	77,931	18.8
Europe	1,567	4,270	(63.3)
Others	17,204	11,006	56.3
Total	<u>284,339</u>	<u>318,606</u>	(10.8)

By Country of Incorporation

Asia	189,128	233,759	(19.1)
USA	90,289	82,331	9.7
Europe	-	-	-
Others	4,922	2,516	95.6
Total	<u>284,339</u>	<u>318,606</u>	(10.8)

Land Systems

7. Review of Performance

(a) Revenue

2Q2016 vs 2Q2015

2Q2016	2Q2015	Growth	
\$284m	\$319m	(\$35m)	(11%)

2Q2016 revenue compared to 2Q2015 decreased by 11% or \$35 million to \$284 million. This was due to lower revenue from **Automotive (Auto)** business group, partially offset by higher revenue from **Munitions & Weapon (M&W)** and **Services, Trading and Others (S&T)** business groups.

(b) Profitability

2Q2016 vs 2Q2015

2Q2016	2Q2015	Growth	
\$27.8m	\$16.3m	\$11.5m	71%

2Q2016 profit before tax (PBT) of \$27.8 million was higher than 2Q2015 PBT by 71% or \$11.5 million. This was due to higher profits from all three business groups. The **Auto** business group had higher profits mainly from gain on divestment of subsidiary, Guizhou Jonyang Kinetics, lower allowance for inventory obsolescence and absence of goodwill impairment which impacted 2Q2015, partially offset by unfavourable product mix and impact of lower revenue. The **M&W** and **S&T** business groups' higher profits were due mainly to higher revenue and lower operating expenses.

8. Prospects

2H2016

Barring unforeseen circumstances, 2H2016 revenue is expected to be comparable to 1H2016, while profit before tax is expected to be lower.

9. Balance Sheet

	30-Jun-16	31-Dec-15
	\$'000	\$'000
Property, plant and equipment	307,247	354,677
Associates and joint ventures	119,936	121,781
Investments	69	189
Intangible assets	198,305	208,201
Finance lease receivables, non-current	-	523
Deferred tax assets	18,746	25,993
Amounts due from related parties, non-current	5,764	6,049
Derivative financial instruments, non-current	1,335	1,138
Non-current assets	651,402	718,551
Current assets	1,074,784	1,258,310
Total assets	1,726,186	1,976,861
Current liabilities	782,635	942,164
Non-current liabilities	689,995	771,307
Total liabilities	1,472,630	1,713,471
Share capital and reserves	232,151	221,847
Non-controlling interests	21,405	41,543
Total equity and liabilities	1,726,186	1,976,861
Net current assets	292,149	316,146

Land Systems

10. Statement of Cash Flows for the second quarter ended 30 June 2016

	2Q2016 \$'000	2Q2015 \$'000
Net cash used in operating activities	(30,508)	(30,848)
Net cash from / (used in) investing activities	15,340	(3,782)
Proceeds from sale of property, plant and equipment	106	59
Proceeds from disposal of a subsidiary, net of cash disposed of	18,615	-
Purchase of property, plant and equipment	(3,381)	(3,841)
Net cash used in financing activities	(20,990)	(55,922)
Interest paid	(1,777)	(2,374)
Repayment of short-term related party loans	(10,000)	(1,576)
Proceeds from short-term related party loans	-	10,000
Short-term loan to a related corporation	-	(13,120)
Repayment of short-term immediate holding company loans	(17,000)	-
Proceeds from short-term immediate holding company loans	7,000	20,000
Repayment of long-term related party loans	(2,695)	-
Repayment of long-term immediate holding company loans	-	(50,000)
Repayment of short-term loans	(39)	(42)
Repayment of short-term bank loans	-	(9,214)
Proceeds from short-term bank loans	14	9,214
Dividends paid to shareholder	-	(17,800)
Payment to non-controlling interests for reduction in share capital	(1,178)	-
Deposits discharged / (pledged)	4,685	(1,010)
Net decrease in cash and cash equivalents	(36,158)	(90,552)
Cash and cash equivalents at beginning of the period	173,537	270,946
Exchange difference on cash and cash equivalents at beginning of the period	(268)	(800)
Cash and cash equivalents at end of the period	137,111	179,594

11. Economic Value Added (EVA)

EVA for 1H2016 was \$4.7 million, an decrease of \$4.9 million or 51% over 1H2015. The weighted average cost of capital was 5.6% for 2016 (2015: 5.5%).

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News Release

Details on how the business of the Sector is managed and its related performance are set out below. This information is given on a voluntary basis and from the perspective of the Sector management, as its disclosure is not required by law or regulation.

Marine

“Comparable revenue”

FINANCIAL HIGHLIGHTS For the second quarter ended 30 June 2016			
	2016 2Q	2015 2Q	Growth %
Revenue (\$m)	248	254	(2)
Earnings before interest and tax (EBIT) (\$m)	17.0	26.2	(35)
Other income, net (\$m)	2.6	0.9	179
Finance income, net (\$m)	0.8	1.1	(23)
Profit before tax (PBT) (\$m)	20.4	29.6	(31)
Profit attributable to shareholders (\$m)	16.7	23.5	(29)

- Economic Value Added for the first half of 2016 was \$17.2 million

“The Marine sector achieved comparable revenue despite the industry facing strong headwinds. Profit before tax was lower due to weaker margins from Shipbuilding and Shiprepair.

We will intensify our efforts to look for niche projects to build up our order book for the years ahead.”

Ng Sing Chan, President

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

Marine

Marine sector unaudited results for the second quarter ended 30 June 2016

	2Q2016 \$'000	2Q2015 \$'000	+ / (-) %
1. (a) Revenue	248,239	253,893	(2.2)
(b) Cost of sales	(216,114)	(215,224)	0.4
(c) Gross Profit	32,125	38,669	(16.9)
(d) Distribution and selling expenses	(3,180)	(1,687)	88.5
(e) Administrative expenses	(9,297)	(8,654)	7.4
(f) Other operating expenses	(2,627)	(2,166)	21.3
(g) Profit from operations	17,021	26,162	(34.9)
(h) Other income, net	2,658	970	174.0
(i) Other expenses	(45)	(33)	36.4
(j) Other income, net	2,613	937	178.9
(k) Finance income	1,035	1,139	(9.1)
(l) Finance costs	(192)	(51)	276.5
(m) Finance income, net	843	1,088	(22.5)
(n) Share of results of associates and joint ventures, net of tax	(31)	1,411	(102.2)
(o) Profit before taxation	20,446	29,598	(30.9)
(p) Taxation	(3,733)	(6,106)	(38.9)
(q) Profit for the period	16,713	23,492	(28.9)
Attributable to:			
(r) Shareholders of the Company	16,713	23,492	(28.9)
(s) Non-controlling interests	-	-	-
	16,713	23,492	(28.9)
2. (a) Profit from operations is arrived at after charging/(crediting) the following:			
Depreciation and amortisation	7,100	7,102	(0.0)
Allowance for doubtful debts & bad debts written off, net	1,478	2	>500
Allowance for stock obsolescence, net	229	121	89.3
(b) Finance income, net comprises:			
Interest income	1,035	1,224	(15.4)
Foreign exchange loss, net	(98)	(136)	(27.9)
Interest expenses	(94)	-	NM
	843	1,088	(22.5)

Marine

	2Q2016 \$'000	2Q2015 \$'000	+ / (-) %
3. (a) Profit for the period [1(q) above] as a percentage of revenue	6.7%	9.3%	
(b) Profit attributable to shareholders [1(r) above] as a percentage of share capital and reserves at end of period	9.1%	13.3%	
	2016 \$'000	2015 \$'000	+ / (-) %
4. (a) Revenue reported for first quarter	213,516	279,634	(23.6)
(b) Profit for the period reported for first quarter	5,793	21,210	(72.7)
(c) Revenue reported for second quarter	248,239	253,893	(2.2)
(d) Profit for the period reported for second quarter	16,713	23,492	(28.9)
(e) Revenue reported for first half year	461,755	533,527	(13.5)
(f) Profit for the period reported for first half year	22,506	44,702	(49.7)
5. (a) There was no over or under provision of current and deferred tax in respect of prior years (2Q2015: There was no over or under provision of current and deferred tax in respect of prior years).			
(b) There was no disposal of property during the second quarter.			

6. Business Group Information

By Business Group

	Revenue			Profit before Taxation		
	2016 \$'000	2015 \$'000	+ / (-) %	2016 \$'000	2015 \$'000	+ / (-) %
Second Quarter						
Shipbuilding	164,452	173,930	(5.4)	5,193	11,175	(53.5)
Shiprepair	71,661	65,346	9.7	14,039	17,711	(20.7)
Engineering	12,126	14,617	(17.0)	1,214	712	70.5
Total	<u>248,239</u>	<u>253,893</u>	(2.2)	<u>20,446</u>	<u>29,598</u>	(30.9)
First Half Year						
Shipbuilding	278,525	352,989	(21.1)	(6,238)	11,562	(154.0)
Shiprepair	150,734	147,884	1.9	26,211	38,574	(32.1)
Engineering	32,496	32,654	(0.5)	3,852	2,852	35.1
Total	<u>461,755</u>	<u>533,527</u>	(13.5)	<u>23,825</u>	<u>52,988</u>	(55.0)

By Geographical Areas

	Revenue		
	2Q2016 \$'000	2Q2015 \$'000	
Asia	126,258	83,170	51.8
USA	98,454	107,058	(8.0)
Europe	3,917	8,245	(52.5)
Others	19,610	55,420	(64.6)
Total	<u>248,239</u>	<u>253,893</u>	(2.2)

By Country of Incorporation

Asia	149,785	151,603	(1.2)
USA	98,454	102,290	(3.8)
Total	<u>248,239</u>	<u>253,893</u>	(2.2)

Marine

7. Review of Performance

(a) Revenue

2Q2016 vs 2Q2015

2Q2016	2Q2015	Growth	
\$248m	\$254m	(\$6m)	(2%)

Revenue for 2Q2016 was comparable to 2Q2015.

(b) Profitability

2Q2016 vs 2Q2015

2Q2016	2Q2015	Growth	
\$20.4m	\$29.6m	(\$9.2m)	(31%)

2Q2016 profit before tax ("PBT") of \$20.4 million was lower than 2Q2015 by 31% or \$9.2 million. The lower PBT was due mainly to lower gross profits as a result of lower revenue and weaker margins from **Shipbuilding** and **Shiprepair** business group coupled with higher operating expenses mainly from higher allowance for doubtful debts.

8. Prospects

2H2016

Barring unforeseen circumstances, revenue for 2H2016 is expected to be lower than 1H2016 but PBT is expected to be higher compared to 1H2016.

9. Balance Sheet

	30-Jun-16 \$'000	31-Dec-15 \$'000
Property, plant and equipment	314,933	332,533
Associates and joint ventures	8,457	8,229
Investments	141	84
Long-term receivables, non-current	2,705	4,363
Deferred tax assets	17,641	17,225
Amounts due from related parties, non-current	4,806	4,806
Derivative financial instruments, non-current	2,544	2,341
Non-current assets	351,227	369,581
Current assets	692,900	633,271
Total assets	1,044,127	1,002,852
Current liabilities	791,855	709,493
Non-current liabilities	95,718	101,234
Total liabilities	887,573	810,727
Share capital and reserves	156,529	192,093
Non-controlling interests	25	32
Total equity and liabilities	1,044,127	1,002,852
Net current liabilities	(98,955)	(76,222)

Marine

10. Statement of Cash Flows for the second quarter ended 30 June 2016

	2Q2016	2Q2015
	\$'000	\$'000
Net cash from/(used in) operating activities	28,476	(52,648)
Net cash used in investing activities	(2,254)	(8,975)
Proceeds from sale of property, plant and equipment	-	10
Acquisition of other intangible assets	(64)	-
Purchase of property, plant and equipment	(2,190)	(8,985)
Net cash used in financing activities	(20,784)	(45,425)
Repayment of short-term bank loans	(19,117)	-
Proceeds from short-term bank loans	6,714	-
Repayment of loans by related corporations	61,000	59,598
Loans to related corporations	(25,000)	(61,000)
Dividend paid to shareholders	(44,287)	(44,023)
Interest paid	(94)	-
Net increase/(decrease) in cash and cash equivalents	5,438	(107,048)
Cash and cash equivalents at beginning of period	125,669	211,190
Exchange difference on cash and cash equivalents	(33)	(895)
Cash and cash equivalents at end of period	131,074	103,247

11. Economic Value Added (EVA)

EVA for 1H2016 was \$17.2 million, a decrease of \$21.4 million or 56% compared to 1H2015. The weighted average cost of capital was 5.6% for 2016 (2015: 5.5%).

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