ST Engineering

Financial Results Briefing
Third Quarter 2016 Results
10 November 2016

Engineering Our Future

3Q2016 Results
Lower Profits

Agenda

- Financial Highlights
  - 3Q2016 vs 3Q2015
  - 9M2016 vs 9M2015
- Business Review
- Outlook

Financial Highlights
for the third quarter ended 30 September 2016

$'m	3Q2016 Total	3Q2016 JHK*	3Q2016 w/o JHK	3Q2015 Total	Change		
	[A]	[B]	[C] = [A] - [B]	[D]	[E] = [C] - [D]		
Revenue	1,613	-	1,613	1,500	▲	113	8%
Earnings before interest & tax (EBIT)	82.0	(65.1)	147.1	120.5	▲	26.6	22%
Other income, net	10.7	-	10.7	6.8	▲	3.9	57%
Finance income, net	0.6	-	0.6	12.0	▼	11.4	95%
Profit before tax (PBT)	106.6	(65.1)	171.7	154.7	▲	17.0	11%
Profit attributable to shareholders (Net Profit)	76.7	(61.1)	137.8	133.3	▲	4.5	3%

* Refers to Jiangsu Huatong Kinetics Co., Ltd and Jiangsu Huaran Kinetics Co., Ltd (collectively "JHK") one-off assets impairment and closure costs

Financial Highlights
for the third quarter ended 30 September 2016

$'m	3Q2016	3Q2015	Change			
Revenue	**1,613**	**1,500**	▲	**113**	**8%**
Earnings before interest & tax (EBIT)	**82.0**	**120.5**	▼	**38.5**	**32%**
Other income, net	**10.7**	**6.8**	▲	**3.9**	**58%**
Finance income, net	**0.6**	**12.0**	▼	**11.4**	**95%**
Profit before tax (PBT)	**106.6**	**154.7**	▼	**48.1**	**31%**
Profit attributable to shareholders (Net Profit)	**76.7**	**133.3**	▼	**56.6**	**42%**

Financial Highlights
for the third quarter ended 30 September 2016

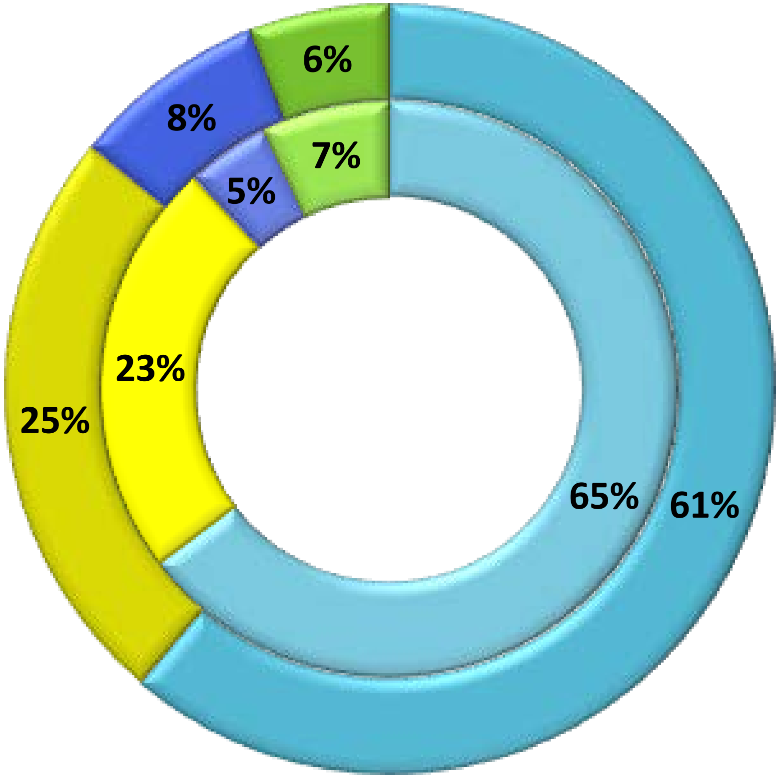
- Commercial sales at 63% (3Q2015: 66%; FY2015: 64%) or $1.0b of 3Q2016 revenue
- $11.4b order book; about $1.4b to be delivered in 4Q2016 (end-2Q2016: $11.6b)
- CCE including funds under management of $1.3b (end-2Q2016: $1.3b)
- EBITDA of $146.8m (3Q2015: $167.9m) and EBIT of 82.0m (3Q2015: $120.5m) lower by 13% and 32% respectively

Group Revenue
by sector

Higher Revenue by $113m or 8%

$'m	3Q2016	%	3Q2015	%	Change		
Aerospace	563	*35*	506	*34*	▲	57	11%
Electronics	466	*29*	429	*28*	▲	37	9%
Land Systems	334	*21*	319	*21*	▲	15	5%
Marine	211	*13*	205	*14*	▲	6	3%
Others	39	*2*	41	*3*	▼	2	5%
Group	1,613	*100*	1,500	*100*	▲	113	8%

Group Revenue
Breakdown by location of customers (by geography)



Locality	3Q2015		3Q2016	
	$m	%	$m	%
Asia	970	65	987	61
USA	352	23	398	25
Europe	71	5	133	8
Others	107	7	95	6
Total	**1,500**	**100**	**1,613**	**100**

EBIT
by sector

Lower EBIT by \$38.5m or 32%

\$'m	3Q2016	3Q2015		Change	
Aerospace	51.6	50.4	▲	1.2	2%
Electronics	49.4	47.3	▲	2.1	4%
Land Systems	17.4	15.0	▲	2.4	16%
Marine	36.2	10.7	▲	25.5	238%
Others	(7.5)	(2.9)	▼	4.6	159%
Group (excluding JHK's impact)	147.1	120.5	▲	26.6	22%
JHK	(65.1)	-	▼	65.1	100%
Group	82.0	120.5	▼	38.5	32%

Group PBT
by sector

Lower PBT by $48.1m or 31%

$'m	3Q2016	%	3Q2015	%	Change		
Aerospace	65.2	*61*	63.3	*41*	▲	1.9	*3%*
Electronics	52.8	*50*	49.3	*32*	▲	3.5	*7%*
Land Systems	23.7	*22*	19.8	*13*	▲	3.9	*20%*
Marine	38.7	*36*	15.9	*10*	▲	22.8	*143%*
Others	(8.7)	*(8)*	6.4	*4*	▼	15.1	*235%*
Group (excluding JHK's impact)	171.7	*161*	154.7	*100*	▲	17.0	*11%*
JHK	(65.1)	*(61)*	-	-	▼	65.1	*100%*
Group	106.6	*100*	154.7	*100*	▼	48.1	*31%*

PBT Margin
by sector

	3Q2016	3Q2016 w/o JHK*	3Q2015
Aerospace	*12%*	*12%*	*12%*
Electronics	*11%*	*11%*	*11%*
Land Systems	*(12%)*	*7%*	*6%*
Marine	*18%*	*18%*	*8%*
Group	*7%*	*11%*	*10%*

* JHK's one-off assets impairment and closure costs

Aerospace
Comparable Profits

3Q2016 vs 3Q2015				
Revenue	**$563m**	▲	**$57m or 11%**	• Higher revenue from AMM and EMS partially offset by lower revenue from engines output
EBIT	**$51.6m**	▲	**$1.2m or 2%**	• Higher gross profit from AMM and EMS Partially offset by • Higher amortisation of EFW intangibles • Higher rotables stock provision
PBT	**$65.2m**	▲	**$1.9m or 3%**	• EFW remeasurement gain • Higher contribution from Assoc/JV

Electronics
Higher Revenue and Profits in 3Q2016

3Q2016 vs 3Q2015				
Revenue	**$466m**	▲	**$37m or 9%**	• Higher revenue from LSG and CSG whilst SSG reported comparable revenue
EBIT	**$49.4m**	▲	**$2.1m or 4%**	• Higher gross profit from higher revenue Partially offset by • Higher research & development expenses
PBT	**$52.8m**	▲	**$3.5m or 7%**	• Higher EBIT • Higher receipts from government grant

Land Systems
Profits impacted by JHK impairment and closure costs

3Q2016 vs 3Q2015				
Revenue	**$334m**	▲	**$15m or 5%**	• Higher project deliveries from Auto and M&W Partially offset by • Divestment of a subsidiary, Guizhou Jonyang Kinetics ("GJK")
EBIT	**($47.7m)**	▼	**$62.7m or 418%**	• Lower EBIT due mainly to impairment for JHK and closure costs
PBT	**($41.4m)**	▼	**$61.2m or 309%**	• Lower EBIT Partially offset by • Higher other income arising from fire insurance claim and compensation from building contractors

Marine
Higher PBT

3Q2016 vs 3Q2015				
Revenue	**$211m**	▲	**$6m or 3%**	• Higher revenue from Shiprepair Partially offset by • Lower revenue from Shipbuilding and Engineering business groups
EBIT	**$36.2m**	▲	**$25.5m or 238%**	• Better performance from all three business groups
PBT	**$38.7m**	▲	**$22.8m or 143%**	• In line with higher EBIT

Statement of Cash Flows

$m	3Q2016	3Q2015
Net cash from/(used in):		
Operating activities	**169**	**117**
Investing activities	**(76)**	**(125)**
Financing activities	**(108)**	**(182)**
Net decrease in CCE *	**(15)**	**(190)**
CCE at beginning of the period	**800**	**1,092**
Exchange difference	**4**	**18**
CCE at end of the period	**789**	**920**

*** CCE – Cash & Cash Equivalents**

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Financial Highlights
for the nine months ended 30 September 2016

$'m	9M2016	9M2016 China SVC*	9M2016 w/o China SVC	9M2015	Change		
	[A]	[B]	[C] = [A] - [B]	[D]	[E] = [C] - [D]		
Revenue	4,863	-	4,863	4,556	▲	307	7%
Earnings before interest & tax (EBIT)	316.3	(65.1)	381.4	381.0	▲	0.4	-
Other income, net	57.4	10.4	47.0	32.9	▲	14.1	43%
Finance (costs)/income, net	(14.8)	-	(14.8)	9.1	▼	23.9	263%
Profit before tax (PBT)	407.3	(54.7)	462.0	463.7	▼	1.7	-
Profit attributable to shareholders (Net Profit)	314.1	(50.7)	364.8	388.2	▼	23.4	6%

One-off items under China SVC include assets impairment and provision of JHK's closure costs $61.1m (net of non-controlling interest), and GJK divestment gain $10.4m.

Financial Highlights
for the nine months ended 30 September 2016

$'m	9M2016	9M2015	Change		
Revenue	4,863	4,556	▲	307	7%
Earnings before interest & tax (EBIT)	316.3	381.0	▼	64.7	17%
Other income, net	57.4	32.9	▲	24.5	74%
Finance (costs)/income, net	(14.8)	9.1	▼	23.9	263%
Profit before tax (PBT)	407.3	463.7	▼	56.4	12%
Profit attributable to shareholders (Net Profit)	314.1	388.2	▼	74.1	19%

Group Revenue
by sector

Higher Revenue by $307m or 7%

$'m	9M2016	%	9M2015	%		Change	
Aerospace	1,804	*37*	1,510	*33*	▲	294	19%
Electronics	1,368	*28*	1,198	*26*	▲	170	14%
Land Systems	901	*19*	982	*22*	▼	81	8%
Marine	672	*14*	738	*16*	▼	66	9%
Others	118	*2*	128	*3*	▼	10	8%
Group	4,863	*100*	4,556	*100*	▲	307	7%

EBIT
by sector

EBIT lower by $64.7m or 17%

$'m	9M2016	9M2015		Change	
Aerospace	173.7	166.9	▲	6.8	4%
Electronics	130.0	121.4	▲	8.6	7%
Land Systems	37.6	38.1	▼	0.5	1%
Marine	53.2	55.4	▼	2.2	4%
Others	(13.1)	(0.8)	▼	12.3	>500%
Group (excluding China SVC)	381.4	381.0	▲	0.4	-
China SVC	(65.1)	-	▼	65.1	100%
Group	316.3	381.0	▼	64.7	17%

One-off items under China SVC include assets impairment and provision of JHK's closure costs $65.1m.

Group PBT
by sector

Lower PBT by $56.4m or 12%

$'m	9M2016	%	9M2015	%		Change	
Aerospace	**214.5**	***46***	**205.3**	***44***	▲	**9.2**	***4%***
Electronics	**143.6**	***31***	**130.8**	***28***	▲	**12.8**	***10%***
Land Systems	**52.8**	***11***	**52.3**	***11***	▲	**0.5**	***1%***
Marine	**62.6**	***14***	**68.9**	***15***	▼	**6.3**	***9%***
Others	**(11.5)**	***(2)***	**6.4**	***2***	▼	**17.9**	***278%***
Group (excluding China SVC)	**462.0**	***113***	**463.7**	***100***	▼	**1.7**	**-**
China SVC	**(54.7)**	***(13)***	**-**	**-**	▼	**54.7**	***100%***
Group	**407.3**	***100***	**463.7**	**100**	▼	**56.4**	***12%***

One-off items under China SVC include assets impairment and provision of JHK's closure costs $65.1m, and GJK divestment gain $10.4m.

Balance Sheet

$ m		30-Sep-16		31-Dec-15
Property, plant and equipment		1,601		1,709
Associates & joint ventures		391		462
Investments		322		328
Intangible assets		980		736
Long-term receivables, non-current		5		5
Amount due from related parties, non-current		5		5
Finance lease receivables, non-current		-		1
Derivative financial instruments, non-current		23		26
Deferred tax assets		99		106
Non-current assets		3,426		3,378
Current assets		4,548		4,791
Total assets		**7,974**		**8,169**
Current liabilities		3,609		3,720
Non-current liabilities		2,128		2,188
Total liabilities		5,737		5,908
Share capital and reserves	Net Assets: $2.24b	1,971	Net Assets: $2.26b	2,132
Non-controlling interests		266		129
Total equity and liabilities		**7,974**		**8,169**
Net current assets		**939**		**1,071**

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3Q2016 In Review

- Aerospace
  - New contracts worth $520m, including:
    - A five-year agreement with an international airline to provide airframe heavy maintenance support, A330-300P2F conversion launch contract with DHL Express, extension contract from airline customer for pilot-training
  - New business developments include:
    - New component support capabilities for the Boeing 787 electrical systems

3Q2016 In Review

- Electronics
  - New contracts worth about $480m, including:
    - Platform Screen Doors for a metro operator in Gulf States, Airport Operation Control & Management System for Taiwan Taoyuan International Airport, and various contracts to supply satcoms systems to customers worldwide
  - New business developments include:
    - Launched TeLEOS-1's commercial imagery service and signed reseller agreements with various global partners to promote and sell TeLEOS-1 imagery globally
    - Partnership agreement with Defence Science and Technology Agency to jointly acquire & develop imaging systems to support Singapore Government agencies' imagery requirements

3Q2016 In Review

- Land Systems
  - New contracts include:
    - United States Postal Service's Next Generation Delivery Vehicle prototypes
    - Supply contract for 40mm High & Low Velocity munitions from customers in Europe and North America
    - MRO contract for fleet of vehicles from Lion City Rentals
  - Showcased defence products and capabilities in:
    - Modern Day Marine (USA)
    - Eurosatory (France)
    - Defence Vehicle Dynamics (UK)

3Q2016 In Review

- Marine
  - Delivery:
    - Delivered Offshore Barge “Columbia Freedom” for Pacific Hawaiian Line
  - New business development:
    - Formed ZHR Marine, LLC., a joint venture between VTHM, Raytheon Company and Zamil Group, in the Kingdom of Saudi Arabia, to bid for projects under the Royal Saudi Naval Force Eastern Fleet Modernisation Programme

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Outlook For FY2016

- Aerospace
  - Ground-breaking for Pensacola hangar
  - Complete the construction of the second hangar in Guangzhou
  - Pursue launch customer for A320P2F conversion

Outlook For FY2016

- Electronics
  - LSG: Sales recognition from the Land Transport Authority's and Bangkok MRT projects
  - CSG: Sales recognition from various communication system projects, the supply of telematics systems & satellite communication products
  - SSG: Sales recognition from the milestone completions of various software system projects, simulator projects and managed services sales

Outlook For FY2016

- Land Systems
  - Continue to pursue and secure key defence and commercial programmes both locally and overseas, and deliver secured contracts on schedule

Outlook For FY2016

- Marine
  - Launch 3rd of eight Littoral Mission Vessels (“LMV”)
  - Keel-lay the 5th of eight LMV

Group Outlook for FY2016

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

- For Aerospace sector, Revenue for FY2016 is expected to be higher, while PBT is expected to be comparable to that of FY2015.
- For Electronics sector, both Revenue and PBT for FY2016 are expected to be higher than that of FY2015.
- For Land Systems and Marine sector, Revenue and PBT for FY2016 are expected to be lower than that of FY2015.

President & CEO's Message

"The Group reported higher Revenue but lower PBT for the third quarter as well as the first nine months of 2016, compared with the corresponding periods last year. In 3Q2016, Land Systems sector took a one-off charge of $61.1m, net of non-controlling interests, for its Specialty Vehicle business in China. Excluding the Specialty Vehicle business in China, comprising JHK and GJK which was divested in 2Q2016, Group PBT for 3Q2016 was higher compared to the same quarter last year.

Our operating environments remain challenged by uncertainties in the global economy. Notwithstanding this, the Electronics sector continues to do well, and delivered a strong performance year-to-date. The Group maintained a healthy order book of $11.4b at the end of 3Q2016, with cash and cash equivalents including funds under management of $1.3b after the payment of FY2016 interim dividend of $155m in August 2016.

Barring unforeseen circumstances, the Group expects FY2016 Revenue to be higher, while PBT is expected to be lower than that of FY2015."

~ Vincent Chong, President & CEO, ST Engineering

ST Engineering

Thank You

Engineering Our Future