

News Release

ST Engineering Reports Higher Year-on-Year Revenue For FY2016 Versus FY2015

FINANCIAL HIGHLIGHTS For the year ended 31 December 2016			
	2016 FY	2015 FY	Growth %
Revenue (\$m)	6,684	6,335	6
Earnings before interest and tax (EBIT) (\$m)	471.1	510.3	(8)
Other income, net (\$m)	67.8	55.5	22
Finance (costs)/income, net (\$m)	(12.0)	6.2	(292)
Profit before tax (PBT) (\$m)	590.6	630.3	(6)
Profit attributable to shareholders (\$m)	484.5	529.0	(8)
Earnings per share (cents)	15.60	17.05	(9)
Economic value added (EVA) (\$m)	252.4	355.1	(29)
Return on equity (%)	22.2	24.8	N/M
Dividend per share (cents)	15.0	15.0	-
• Final	10.0	10.0	
• Interim	5.0	5.0	

- Commercial sales constituted 65% or \$4.3b of revenue
- Order book of \$11.6b at end December 2016, of which about \$3.7b is expected to be delivered in 2017
- Cash and cash equivalents including funds under management totalled \$1.4b
- Advance payments from customers totalled \$1.5b
- Economic value added for FY2016 was \$252.4m

N.B.: All currencies are in Singapore dollars

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Singapore, 16 February 2017 - Singapore Technologies Engineering Ltd (ST Engineering) today reported its full year financial results for the period ended 31 December 2016 (FY2016), with a 6% increase in group revenue to \$6.68b from \$6.34b a year ago and lower profits resulting from the one-off charge consisting of an impairment of asset carrying values and provision for closure costs for JHK, the Land Systems sector's road construction equipment business in China. Profit before tax (PBT) dropped 6% to \$590.6m from \$630.3m, and net profit attributable to shareholders (Net profit) was 8% lower at \$484.5m from \$529.0m in the prior year.

Comparing FY2016 against FY2015 at the business sectors, revenue for the Aerospace sector was 19% higher at \$2.48b from \$2.09b posted a year ago, mainly driven by the contribution of its new subsidiary, Elbe Flugzeugwerke. Its PBT was \$300.3m compared with \$290.6m the year before. The Electronics sector posted higher revenue of \$1.88b, up 10% from \$1.71b, and a 9% increase in PBT to \$207.8m from \$191.0m a year ago. Revenue for the Land Systems sector was down 7% year-on-year to \$1.30b from \$1.40b, and its PBT declined 66% to \$22.2m from \$65.0m the year before, a result of the one-off charge for JHK. Weaker shipbuilding performance in Singapore and US operations resulted in lower revenue and PBT for the Marine sector, with its revenue down 12% to \$841m from \$958m and its PBT down 15% to \$75.1m from \$88.3m a year ago.

“As a Group we achieved a commendable performance for FY2016, against headwinds that continue to subdue economic growth. Comparing FY2016 against FY2015, Group revenue grew 6% to \$6.68b, and Group PBT and Net Profit came in lower at \$590.6m and \$484.5m respectively mainly as a result of the one-off charge in 3Q2016 for the Land Systems sector's Specialty Vehicle business in China. Excluding the one-off charge, Group PBT and Net Profit for FY2016 would have been comparable to that in FY2015.

For 4Q2016, the Group posted comparable Revenue with a higher PBT compared to the same quarter last year. At the end of 2016, the order book showed a healthy level of \$11.6b. The Group's cash and cash equivalents including funds under management at the end of FY2016 was at \$1.4b.

Barring unforeseen circumstances, the Group expects FY2017 Revenue to be comparable, while PBT is expected to be higher than that of FY2016.”

President & CEO, ST Engineering

4Q2016 versus 4Q2015

In the fourth quarter ended 31 December 2016 (4Q2016), the Group posted revenue of \$1.82b versus \$1.78b in the same period last year. Group PBT grew 10% year-on-year to \$183.3m from \$166.6m and Net profit grew 21% year-on-year to \$170.4m from \$140.8m.

At the business sector level, revenue for the Aerospace sector was \$680m, up 17% year-on-year from \$580m, and its PBT comparable at \$85.8m. For the Electronics sector, revenue was flat at \$517m and its PBT was up at \$64.2m, 7% higher compared to \$60.2m in the same period last year. Revenue for the Land Systems sector was comparable at \$404m and its PBT at \$24.1m was up 89% from \$12.7m a year ago. The Marine sector posted revenue of \$168m, down 24% from \$220m and its PBT down 35% to \$12.6m from \$19.3m a year ago.

In 2016, commercial sales accounted for 65% or \$4.3b of Group revenue. The spread of Group revenue in FY2016 by business sector was 37% from the Aerospace sector, 28% from the Electronics sector, 19% from the Land Systems sector and 13% from the Marine sector.

Dividend payout and dividend yield

The Board of Directors proposes a Final Dividend of 10.0 cents per share. Together with the Interim Dividend of 5.0 cents per share distributed last August 2016, shareholders will receive a total dividend of 15.0 cents per share for FY2016, same as FY2015. This translates to a dividend yield of 4.81%, computed using the average closing share price of the last trading day of 2016 and 2015.

2016 New Orders

The Group ended the year with \$11.6b of order book, of which \$3.7b is expected to be delivered in 2017. Its Aerospace sector announced contract value of about \$840m for the last quarter of 2016, bringing its total contract value for the year to \$2.57b. Its Electronics sector announced a total of \$2.33b in contract value for 2016, with \$695m secured in the last quarter of 2016. The Marine sector also announced \$138m worth of shipbuilding and ship repair contracts for its Singapore and US yards. Similarly, its Land Systems sector secured contracts from both defence and commercial customers, including the supply of 16 Terrex2 ACV 1.1 to the US Marine Corps, a prototype contract for the Next Generation Delivery Vehicle from the United States Postal Service, as well as 40mm High & Low Velocity munitions from overseas customers in Europe and the Middle East.

ST Engineering is an integrated defence and engineering group specialising in the aerospace, electronics, land systems and marine sectors. It has global presence with offices in Asia, the Americas, Europe and the Middle East and employs about 22,000 employees. Across the globe, its employees bring innovation and technology together to create smart engineering solutions for its customers in the defence, government and commercial segments. Headquartered in Singapore, ST Engineering reported revenue of S\$6.68b in FY2016 and it ranks among the largest companies listed on the Singapore Exchange. It is a component stock of the FTSE Straits Times Index, MSCI Singapore and the SGX Sustainability Leaders Index. Please visit www.stengg.com for more information.

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SINGAPORE TECHNOLOGIES ENGINEERING LTD
AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016
1 CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

	GROUP		
	FY2016	FY2015	+ / (-)
	\$'000	\$'000	%
Revenue	6,683,737	6,335,023	5.5
Cost of sales	(5,378,469)	(5,052,897)	6.4
Gross profit	1,305,268	1,282,126	1.8
Distribution and selling expenses	(182,322)	(179,444)	1.6
Administrative expenses	(476,252)	(469,128)	1.5
Other operating expenses (refer to para 1.7)	(175,611)	(123,283)	42.4
Profit from operations	471,083	510,271	(7.7)
Other income (refer to para 1.8)	67,815	55,747	21.6
Other expenses	(15)	(299)	(95.0)
Other income, net	67,800	55,448	22.3
Finance income	33,691	56,191	(40.0)
Finance costs	(45,707)	(49,948)	(8.5)
Finance (costs)/income, net	(12,016)	6,243	(292.5)
Share of results of associates and joint ventures, net of tax	63,766	58,340	9.3
Profit before taxation	590,633	630,302	(6.3)
Taxation	(97,770)	(98,659)	(0.9)
Profit for the year	492,863	531,643	(7.3)
Attributable to:			
Shareholders of the Company	484,514	529,039	(8.4)
Non-controlling interests	8,349	2,604	220.6
	492,863	531,643	(7.3)

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

	GROUP		
	FY2016	FY2015	+ / (-)
	\$'000	\$'000	%
1.1 Profit from operations is arrived at after charging the following:			
Depreciation and amortisation	247,321	187,292	32.1
The higher depreciation and amortisation in FY2016 came mainly from Aerospace sector due to acquisition of new subsidiaries, Elbe Flugzeugwerke GmbH ("EFW") and Singapore Precision Repair and Overhaul Pte Ltd ("SPRO"), as well as from Miltope.			
Allowance for doubtful debts & bad debts written off, net	20,420	12,934	57.9
The higher allowance for doubtful debts in FY2016 was due mainly to Land Systems sector subsidiaries, Jiangsu Huatong Kinetics Co., Ltd and Jiangsu Huaran Kinetics Co., Ltd (collectively "JHK"), impairment of overdue receivables.			
Allowance for inventory obsolescence, net	54,864	53,417	2.7
The higher allowance for inventory obsolescence in FY2016 was mainly from Aerospace sector's revision to the provisioning policy for rotatables stocks in 2016, partially offset by lower allowance from divestment of Guizhou Jonyang Kinetics Co., Ltd ("GJK") in Land Systems sector.			
Impairment losses/write-off of intangible assets	9,379	4,942	89.8
The higher impairment losses on intangible assets in FY2016 came from Land Systems sector.			
Impairment losses/(write-back) of property, plant and equipment	30,837	(212)	>500
The impairment losses on property, plant and equipment mainly came from Land Systems sector.			
1.2 Finance (costs)/income, net comprises:			
Interest income	27,342	23,499	16.4
Foreign exchange (loss)/gain, net	(1,503)	7,331	(120.5)
Fair value changes of financial instruments / hedged items	2,500	14,804	(83.1)
Gain on disposal of investments, net	3,672	343	>500
Impairment losses on investments	(1,579)	-	NM
Interest expenses	(42,441)	(39,752)	6.8
Others	(7)	18	(138.9)
	<u>(12,016)</u>	<u>6,243</u>	(292.5)
1.3 Profit for the year as a percentage of revenue	7.4%	8.4%	
The lower profit for the year was due mainly to the impairment of net assets of JHK and provision for closure costs.			
1.4 Profit attributable to shareholders as a percentage of share capital and reserves at end of the year	22.2%	24.8%	
1.5 The Group's tax charge in FY2016 included adjustments for overprovision of both current tax and deferred tax of \$18.4 million and \$14.3 million respectively in respect of prior years. (FY2015: Adjustments for overprovision of current tax of \$15.5 million and underprovision of deferred tax of \$7.6 million.)			
1.6 There was no disposal of property during the year. (FY2015: Marine sector disposed a property at a gain of \$0.7 million and Land Systems sector relocated a factory with government compensation with no profit or loss impact.)			
1.7 Higher other operating expenses in FY2016 (by \$52.3 million) arose mainly from the impairment of JHK's assets and provision for closure costs under Land Systems sector, partially offset by lower research and development costs.			
1.8 The higher FY2016 other income (by \$12.1 million) arose mainly from gain on divestment of GJK in Land Systems sector and higher government grant.			

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

	GROUP		
	2016	2015	+ / (-)
	\$'000	\$'000	%
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)
Revenue reported for second half year	3,433,330	3,278,561	4.7
Profit for the period reported for second half year	249,108	275,615	(9.6)

1(c) EARNINGS PER ORDINARY SHARE (EPS)

	GROUP	
	FY2016	FY2015
EPS based on profit attributable to shareholders:	Cents	Cents
(i) Based on weighted average number of ordinary shares on issue	15.60	17.05
(ii) On a fully diluted basis	15.60	17.04

2 BALANCE SHEETS

	GROUP		COMPANY	
	31-Dec-16	31-Dec-15	31-Dec-16	31-Dec-15
	\$'000	\$'000	\$'000	\$'000
ASSETS				
Non-current assets				
Property, plant and equipment	1,670,132	1,708,779	3,251	3,997
Subsidiaries	-	-	1,277,609	1,194,799
Associates and joint ventures	405,530	461,560	17,657	17,657
Investments	322,051	328,684	-	-
Intangible assets	1,019,585	736,970	-	-
Long-term trade receivables	1,894	5,011	-	-
Finance lease receivables	-	523	-	-
Deferred tax assets	92,528	105,551	4,813	4,700
Amounts due from related parties	4,806	4,806	507,257	355,028
Advances and other receivables	2,534	329	-	-
Derivative financial instruments	32,967	25,790	-	-
Employee Benefits	151	-	-	-
	3,552,178	3,378,003	1,810,587	1,576,181
Current assets				
Inventories and work-in-progress	1,898,278	1,943,004	-	-
Trade receivables	1,457,982	1,319,714	-	-
Amounts due from related parties	24,618	56,582	199,634	470,376
Advances and other receivables	338,217	334,165	2,084	5,299
Finance lease receivables	-	3,173	-	-
Short-term investments	188,890	182,969	-	-
Bank balances and other liquid funds	904,890	951,494	588,862	82,091
	4,812,875	4,791,101	790,580	557,766
TOTAL ASSETS	8,365,053	8,169,104	2,601,167	2,133,947
EQUITY AND LIABILITIES				
Current liabilities				
Advance payments from customers	932,515	871,246	-	-
Trade payables and accruals	1,722,488	1,702,649	24,148	20,619
Amounts due to related parties	28,449	20,553	504,827	1,742
Provisions	274,662	257,524	-	-
Progress billings in excess of work-in-progress	620,331	568,575	-	-
Provision for taxation	133,227	124,628	-	5,528
Borrowings	87,427	174,686	-	-
Employee benefits	1,916	-	-	-
	3,801,015	3,719,861	528,975	27,889
NET CURRENT ASSETS	1,011,860	1,071,240	261,605	529,877

2 BALANCE SHEETS (cont'd)

	GROUP		COMPANY	
	31-Dec-16	31-Dec-15	31-Dec-16	31-Dec-15
	\$'000	\$'000	\$'000	\$'000
Non-current liabilities				
Advance payments from customers	590,828	700,908	-	-
Trade payables and accruals	137,763	229,535	8,997	11,538
Deferred tax liabilities	216,592	134,815	-	-
Borrowings	992,848	1,018,545	-	-
Employee benefits	85,200	-	-	-
Deferred income	77,159	92,052	-	-
Other long-term payables	-	700	-	-
Derivative financial instruments	19,435	11,615	-	-
Amounts due to related parties	17	146	676,417	644,274
	2,119,842	2,188,316	685,414	655,812
TOTAL LIABILITIES	5,920,857	5,908,177	1,214,389	683,701
NET ASSETS	2,444,196	2,260,927	1,386,778	1,450,246
Share capital and reserves				
Share capital	895,926	895,926	895,926	895,926
Treasury shares	(44,081)	(66,870)	(44,081)	(66,870)
Capital reserves	113,184	113,277	(2,791)	(3,073)
Other reserves	(56,653)	(65,495)	65,231	72,512
Retained earnings	1,273,886	1,255,214	472,493	551,751
	2,182,262	2,132,052	1,386,778	1,450,246
Non-controlling interests	261,934	128,875	-	-
	2,444,196	2,260,927	1,386,778	1,450,246
TOTAL EQUITY AND LIABILITIES	8,365,053	8,169,104	2,601,167	2,133,947

2(a) ANALYSIS OF BALANCE SHEETS

Compared to 31 December 2015, the increase in Group's net assets was due mainly to the consolidation of a new subsidiary with non-controlling interest, EFW, partially offset by impairment of JHK's assets and provision for closure costs.

The increase in intangible assets of \$283 million and net employee benefit obligation of \$87 million were due mainly to the acquisition of EFW.

2(b) GROUP BORROWINGS

	As at 31-Dec-16 \$'000	As at 31-Dec-15 \$'000
<u>Amount repayable within one year</u>		
Secured	29,611	25,592
Unsecured	57,816	149,094
	<u>87,427</u>	<u>174,686</u>
<u>Amount repayable after one year</u>		
Secured	75,960	97,959
Unsecured	916,888	920,586
	<u>992,848</u>	<u>1,018,545</u>
 Total	 <u>1,080,275</u>	 <u>1,193,231</u>

2(c) NET ASSET VALUE

	GROUP	
	FY2016	FY2015
	Cents	Cents
Net asset value per ordinary share at end of the financial year	70.20	68.74

	COMPANY	
	FY2016	FY2015
	Cents	Cents
Net asset value per ordinary share at end of the financial year	44.61	46.76

3 CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2016

	GROUP	
	FY2016	F2015
	\$'000	\$'000
Cash flows from operating activities		
Profit before taxation	590,633	630,302
Adjustments:		
Share of results of associates and joint ventures, net of tax	(63,766)	(58,340)
Share-based payment expense	9,535	16,582
Depreciation charge	195,678	170,394
Property, plant and equipment written off	709	6,216
Amortisation of other intangible assets	51,643	16,898
Other intangible assets written off	54	143
Gain on disposal of property, plant and equipment	(903)	(1,190)
Gain on disposal of investments	(3,672)	(343)
Remeasurement (gain)/loss on fair value of pre-existing interest in an acquiree	(1,364)	299
Gain on disposal of an associate	(731)	(59)
Gain on disposal of subsidiaries, net	(11,781)	-
Bargain purchase arising from business combinations	(1,333)	(10,529)
Write-back on loan to an associate	-	(272)
Write-back on progressive payments to contractor	-	(283)
Changes in fair value of financial instruments and hedged items	(2,500)	(14,804)
Changes in fair value of financial instruments held for trading	11	(15)
Interest expenses	42,441	39,752
Interest income	(27,342)	(23,499)
Impairment/(write-back) of property, plant and equipment	30,837	(212)
Impairment losses on goodwill and other intangible assets	9,322	4,942
Impairment of investments	1,579	-
Dividends from investments	(4)	(3)
Operating profit before working capital changes	<u>819,046</u>	<u>775,979</u>
Changes in:		
Inventories and work-in-progress	75,264	(99,619)
Progress billings in excess of work-in-progress	50,477	(156,772)
Trade receivables	(106,021)	36,405
Advance payments to suppliers	(15,694)	174,200
Other receivables, deposits and prepayments	(1,331)	13,057
Amount due from holding company and related corporations balances	15,502	15,765
Amount due to holding company and related corporations balances	(7,248)	(13,285)
Amount due from associates	22,005	(8,973)
Amount due from joint ventures	15,966	(2,506)
Trade payables	19,074	(27,855)
Advance payments from customers	(67,602)	(138,130)
Other payables, accruals and provisions	(3,943)	(33,656)
Loans to staff and third parties	(2,571)	12,873
Deferred income	(6,378)	2,078
Foreign currency translation of foreign operations	(912)	(875)
Cash generated from operations	<u>805,634</u>	<u>548,686</u>
Interest received	29,886	27,857
Income tax paid	(76,715)	(111,093)
Net cash from operating activities	<u>758,805</u>	<u>465,450</u>

3 CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2016 (cont'd)

	GROUP	
	FY2016	FY2015
	\$'000	\$'000
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	3,760	2,736
Proceeds from disposal of an associate	731	-
Proceeds from sale and maturity of investments	224,093	81,228
Proceeds from unwinding of cross currency interest rate swaps	-	14,300
Repayment of loan from a joint venture	-	272
Dividends from associates and joint ventures	44,736	51,393
Dividends from investments	4	3
Purchase of property, plant and equipment	(250,922)	(273,040)
Investment in an associate and a joint venture	(35,162)	-
Purchase of investments	(216,297)	(345,182)
Additions to other intangible assets	(76,823)	(22,499)
Acquisition of controlling interests in subsidiaries, net of cash acquired	9,127	13,441
Disposal of subsidiaries, net of cash disposed	29,526	-
Net cash used in investing activities	(267,227)	(477,348)
Cash flows from financing activities		
Proceeds from bank loans	199,478	216,445
Proceeds from other loans	-	1,615
Proceeds from a loan from a joint venture	2,000	5,000
Repayment of bank loans	(222,611)	(113,122)
Repayment of other loans	(161)	(156)
Repayment of lease obligations	(972)	(1,125)
Repayment of loan to a joint venture	(7,000)	-
Proceeds from issuance of shares	-	5,356
Proceeds from share options exercised with issuance of treasury shares	9,392	8,571
Purchase of treasury shares	(3,137)	(89,776)
Capital contribution from non-controlling interests of subsidiaries	448	639
Return of capital to non-controlling interests of a subsidiary	(1,178)	-
Acquisition of non-controlling interests in a subsidiary	(167)	(7,600)
Dividends paid to shareholders of the Company	(465,930)	(497,604)
Dividends paid to non-controlling interests	(10,638)	(10,813)
Interest paid	(40,885)	(37,322)
Deposit discharged	6,117	736
Net cash used in financing activities	(535,244)	(519,156)
Net decrease in cash and cash equivalents	(43,666)	(531,054)
Cash and cash equivalents at beginning of the year	944,119	1,462,612
Exchange difference on cash and cash equivalents at beginning of the year	3,179	12,561
Cash and cash equivalents at end of the year	903,632	944,119

3(a) ANALYSIS OF CONSOLIDATED STATEMENT OF CASH FLOWS

The Group ended the year with cash and cash equivalents (“CCE”) of \$904 million. The Group generated net cash of \$759 million from its operating activities compared to \$465 million in FY2015. The increase was due to favourable working capital with lower inventories including work-in-progress and an increase in progress billings in excess of work-in-progress in FY2016, as well as lower income tax paid.

Net cash used in investing activities of \$267 million in FY2016 was primarily for investment in property, plant and equipment (\$251 million) and capitalized research and development (“R&D”) activities (\$77 million) mainly in EFW’s passenger-to-freighter conversion programme, partially offset by cash receipt from disposal of GJK and Keystone Holdings Global Pte. Ltd.

Net cash used in financing activities of \$535 million in FY2016 was mainly attributable to payment of FY2015 final dividend (\$311 million) and FY2016 interim dividend (\$155 million), net repayment of bank loans (\$23 million) and interest paid (\$41 million).

4 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

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

	GROUP		
	FY2016	FY2015	+ / (-)
	\$'000	\$'000	%
Profit for the year	492,863	531,643	(7.3)
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Defined benefit plan remeasurements	(5,964)	-	NM
Items that are or may be reclassified subsequently to profit or loss			
Net fair value changes on available-for-sale financial assets	1,089	(3,883)	(128.0)
Net fair value changes on cash flow hedges	4,124	4,050	1.8
Reclassification of cash flow hedge reserve arising from disposal of an associate	11,368	(2,805)	(>500)
Foreign currency translation differences	(2,937)	36,372	(108.1)
Share of foreign currency translation differences of associates and joint ventures	(2,809)	(860)	226.6
Reclassification of foreign currency translation reserve to profit or loss arising from disposal of foreign entities	9,446	-	NM
Other comprehensive income for the year, net of tax	14,317	32,874	(56.4)
Total comprehensive income for the year, net of tax	507,180	564,517	(10.2)
Total comprehensive income attributable to:			
Shareholders of the Company	501,379	559,078	(10.3)
Non-controlling interests	5,801	5,439	6.7
	507,180	564,517	(10.2)

5 STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 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 1.1.2015	889,426	(6,529)	116,323	(92,057)	1,225,040	2,132,203	132,407	2,264,610
Total comprehensive income for the year								
Profit for the year	-	-	-	-	529,039	529,039	2,604	531,643
Other comprehensive income								
Net fair value changes on available-for-sale financial assets	-	-	-	(3,883)	-	(3,883)	-	(3,883)
Net fair value changes on cash flow hedges	-	-	-	3,658	-	3,658	392	4,050
Share of net fair value changes on cash flow hedges of an associate	-	-	-	(2,805)	-	(2,805)	-	(2,805)
Foreign currency translation differences	-	-	-	33,929	-	33,929	2,443	36,372
Share of foreign currency translation differences of associates and joint ventures	-	-	-	(860)	-	(860)	-	(860)
<i>Other comprehensive income for the year, net of tax</i>	-	-	-	30,039	-	30,039	2,835	32,874
Total comprehensive income for the year, net of tax	-	-	-	30,039	529,039	559,078	5,439	564,517
Transactions with owners of the Company, recognised directly in equity								
Contributions by and distributions to owners of the Company								
Issue of shares	6,500	-	-	(1,144)	-	5,356	-	5,356
Capital contribution by non-controlling interests	-	-	-	-	-	-	639	639
Cost of share-based payment	-	-	-	16,501	-	16,501	81	16,582
Purchase of treasury shares	-	(89,776)	-	-	-	(89,776)	-	(89,776)
Treasury shares reissued pursuant to share plans	-	29,435	(3,046)	(17,689)	-	8,700	(129)	8,571
Dividends paid	-	-	-	-	(497,604)	(497,604)	-	(497,604)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(10,813)	(10,813)
<i>Total contributions by and distributions to owners of the Company</i>	6,500	(60,341)	(3,046)	(2,332)	(497,604)	(556,823)	(10,222)	(567,045)
Changes in ownership interests in subsidiaries								
Acquisition of non-controlling interests in a subsidiary without a change in control	-	-	-	(2,406)	-	(2,406)	(5,194)	(7,600)
Acquisition of a subsidiary with non-controlling interest	-	-	-	-	-	-	6,445	6,445
Total transactions with owners of the Company	6,500	(60,341)	(3,046)	(4,738)	(497,604)	(559,229)	(8,971)	(568,200)
Transfer from retained earnings to statutory reserve	-	-	-	1,261	(1,261)	-	-	-
At 31.12.2015	895,926	(66,870)	113,277	(65,495)	1,255,214	2,132,052	128,875	2,260,927

5 STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016 (cont'd)

Group	Share capital	Treasury Shares	Capital reserves	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1.1.2016	895,926	(66,870)	113,277	(65,495)	1,255,214	2,132,052	128,875	2,260,927
Total comprehensive income for the year								
Profit for the year	-	-	-	-	484,514	484,514	8,349	492,863
Other comprehensive income								
Net fair value changes on available-for-sale financial assets	-	-	-	1,089	-	1,089	-	1,089
Net fair value changes on cash flow hedges	-	-	-	572	-	572	3,552	4,124
Reclassification of cash flow hedge reserve arising from disposal of an associate	-	-	-	11,368	-	11,368	-	11,368
Foreign currency translation differences	-	-	-	467	-	467	(3,404)	(2,937)
Share of foreign currency translation differences of associates and joint ventures	-	-	-	(2,809)	-	(2,809)	-	(2,809)
Reclassification of foreign currency translation reserve to profit or loss arising from disposal of foreign entities	-	-	-	9,446	-	9,446	-	9,446
Defined benefit plan remeasurements	-	-	-	-	(3,268)	(3,268)	(2,696)	(5,964)
<i>Other comprehensive income for the year, net of tax</i>	-	-	-	20,133	(3,268)	16,865	(2,548)	14,317
Total comprehensive income for the year, net of tax	-	-	-	20,133	481,246	501,379	5,801	507,180
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	-	-	-	-	-	-	448	448
Return of capital to non-controlling interests	-	-	-	-	-	-	(1,178)	(1,178)
Cost of share-based payment	-	-	-	9,515	-	9,515	20	9,535
Purchase of treasury shares	-	(3,137)	-	-	-	(3,137)	-	(3,137)
Treasury shares reissued pursuant to share plans	-	25,926	282	(16,719)	-	9,489	(97)	9,392
Dividends paid	-	-	-	-	(465,930)	(465,930)	-	(465,930)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(10,638)	(10,638)
<i>Total contributions by and distributions to owners of the Company</i>	-	22,789	282	(7,204)	(465,930)	(450,063)	(11,445)	(461,508)
Changes in ownership interests in subsidiaries								
Acquisition of non-controlling interests in a subsidiary without a change in control	-	-	-	(731)	-	(731)	564	(167)
Acquisition of subsidiaries with non-controlling interests	-	-	-	-	-	-	154,816	154,816
Disposal of subsidiary	-	-	(375)	(3,474)	3,474	(375)	(16,677)	(17,052)
Total transactions with owners of the Company	-	22,789	(93)	(11,409)	(462,456)	(451,169)	127,258	(323,911)
Transfer from retained earnings to statutory reserve	-	-	-	118	(118)	-	-	-
At 31.12.2016	895,926	(44,081)	113,184	(56,653)	1,273,886	2,182,262	261,934	2,444,196

5 STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 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 1.1.2015	889,426	(6,529)	74,865	-	568,323	1,526,085
Total comprehensive income for the year						
Profit for the year	-	-	-	-	481,032	481,032
Total comprehensive income for the year	-	-	-	-	481,032	481,032
Transactions with owners of the Company, recognised directly in equity						
Contributions by and distributions to owners of the Company						
Issue of shares	6,500	-	(1,144)	-	-	5,356
Cost of share-based payment	-	-	16,582	-	-	16,582
Dividends paid	-	-	-	-	(497,604)	(497,604)
Purchase of treasury shares	-	(89,776)	-	-	-	(89,776)
Treasury shares reissued pursuant to share plans	-	29,435	(17,791)	(3,073)	-	8,571
<i>Total contributions by and distributions to owners of the Company</i>	6,500	(60,341)	(2,353)	(3,073)	(497,604)	(556,871)
At 31.12.2015	895,926	(66,870)	72,512	(3,073)	551,751	1,450,246
At 1.1.2016	895,926	(66,870)	72,512	(3,073)	551,751	1,450,246
Total comprehensive income for the year						
Profit for the year	-	-	-	-	386,672	386,672
Total comprehensive income for the year	-	-	-	-	386,672	386,672
Transactions with owners of the Company, recognised directly in equity						
Contributions by and distributions to owners of the Company						
Cost of share-based payment	-	-	9,535	-	-	9,535
Dividends paid	-	-	-	-	(465,930)	(465,930)
Purchase of treasury shares	-	(3,137)	-	-	-	(3,137)
Treasury shares reissued pursuant to share plans	-	25,926	(16,816)	282	-	9,392
<i>Total contributions by and distributions to owners of the Company</i>	-	22,789	(7,281)	282	(465,930)	(450,140)
At 31.12.2016	895,926	(44,081)	65,231	(2,791)	472,493	1,386,778

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

As at 31 December 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 13,888,757 were held by the Company as treasury shares (31 December 2015: 20,966,968).

	Number of Shares for the Year ended 31.12.2016
As at beginning and end of the year/quarter (including treasury shares)	3,122,495,197
As at end of the year (excluding treasury shares)	3,108,606,440
As at 31 December 2015 (excluding treasury shares)	3,101,528,229

Singapore Technologies Engineering Share Option Plan (ESOP)

As at 31 December 2016, there were 10,051,479 (31 December 2015: 17,636,741) unexercised options of unissued ordinary shares under the terminated ESOP.

Singapore Technologies Engineering Performance Share Plan 2010 (PSP 2010)

As at 31 December 2016, the total number of contingent shares granted conditionally but not released was 4,842,471 (31 December 2015: 3,955,515). Based on the achievement factor, the actual release of the awards could range from zero to a maximum of 8,232,200 (31 December 2015: 6,724,375) ordinary shares of the Company.

Singapore Technologies Engineering Restricted Share Plan 2010 (RSP 2010)

As at 31 December 2016, the total number of contingent shares granted conditionally but not released was 5,683,298 (31 December 2015: 9,504,083). Based on the achievement factor, the actual release of the awards could range from zero to a maximum of 8,282,078 (31 December 2015: 14,205,624) ordinary shares.

As at 31 December 2016, the total number of unreleased and unvested awards was 5,043,749 (31 December 2015: 2,933,999) ordinary shares of the Company.

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

Treasury Shares

During the financial year, the Company purchased 1,088,900 ordinary shares by way of open market acquisitions (31 December 2015: 27,616,900).

During the year, 8,167,111 treasury shares were utilised pursuant to the ESOP and RSP 2010 (31 December 2015: 8,683,932).

<u>Group and Company</u>	<u>Number of Shares for the Year ended 31.12.2016</u>
As at beginning of the year	20,966,968
Purchase of treasury shares	1,088,900
Treasury shares transferred on exercise of share options	(3,276,310)
Treasury shares transferred on vesting of RSP 2010	(4,890,801)
As at end of the year	<u>13,888,757</u>

6 **AUDIT**

The figures have been audited by the Company's auditors.

7 **AUDITORS' REPORT**

See attached auditors' report.

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

FY2016 vs FY2015

\$m	FY2016	FY2015	Growth	
Aerospace	2,484	2,090	394	19%
Electronics	1,885	1,709	176	10%
Land Systems	1,305	1,396	(91)	(7%)
Marine	841	958	(117)	(12%)
Others	169	182	(13)	(7%)
Total	6,684	6,335	349	6%

Group's revenue of \$6,684 million for FY2016 was 6% or \$349 million higher than that of FY2015. Aerospace and Electronics sectors reported higher revenue, while Land Systems and Marine sectors and "Others" recorded lower revenue.

Aerospace sector's FY2016 revenue of \$2,484 million was 19% or \$394 million higher than that of FY2015. **Engineering & Materials Services** business group recorded higher revenue from contribution from EFW which became our subsidiary from January 2016, partially offset by lower revenue from **Component/Engine Repair and Overhaul** business group. **Aircraft Maintenance & Modification** business group reported comparable revenue.

FY2016 revenue of \$1,885 million for the Electronics sector was 10% or \$176 million higher than that of FY2015 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 and electro-optic equipment. **Software Systems Group** reported comparable revenue.

Land Systems sector's revenue of \$1,305 million was 7% or \$91 million lower than that of FY2015 arising from divestment of GJK in May 2016 and cessation of production of JHK in **Automotive** business group, partially offset by higher revenue from **Munitions & Weapon** and **Services, Trading & Others** business groups.

Revenue of Marine sector in FY2016 of \$841 million was 12% or \$117 million lower than that of FY2015, due mainly to lower **Shipbuilding** revenue from both local and US operations.

Lower revenue under "Others" was due mainly to lower revenue from Miltope, partially offset by higher contribution from ST Synthesis.

10 REVIEW OF GROUP PERFORMANCE (cont'd)
10(b) Profitability
FY2016 vs FY2015

\$m	FY2016	FY2015	Growth	
Aerospace	300.3	290.6	9.7	3%
Electronics	207.8	191.0	16.8	9%
Land Systems	22.2	65.0	(42.8)	(66%)
Marine	75.1	88.3	(13.2)	(15%)
Others	(14.8)	(4.6)	(10.2)	(222%)
Total	590.6	630.3	(39.7)	(6%)

Group's profit before tax (PBT) for FY2016 of \$590.6 million was lower than that of FY2015 by 6% or \$39.7 million. Lower PBT from Land Systems and Marine sectors as well as "Others" were partially offset by higher PBT from the Electronics sector. Aerospace sector reported comparable PBT.

Aerospace sector's PBT of \$300.3 million in FY2016 was comparable to that achieved in FY2015. This was due to higher gross profit, in line with higher revenue, partially offset by higher operating expenses and lower finance income.

Electronics sector delivered PBT of \$207.8 million in FY2016, 9% or \$16.8 million higher than that achieved in FY2015 with increased revenue from all business groups and higher other income, partially offset by higher operating expenses.

Land Systems sector's FY2016 PBT of \$22.2 million was 66% or \$42.8 million lower than that for FY2015 due mainly to the one-off charge of \$65.1 million comprising an impairment of asset carrying values and provision for closure costs for JHK, partially offset by divestment gain (\$10.4 million) from GJK and lower operating expenses.

PBT of Marine sector in FY2016 of \$75.1 million was 15% or \$13.2 million lower than that for FY2015 due mainly to weaker Shipbuilding performance from local and US operations.

PBT under "Others" for FY2016 was \$10.2 million lower compared to FY2015. This was due to higher operating expenses and less favourable fair value changes on cross currency interest rate swaps and forward contracts, partially offset by improved performance of ST Synthesis and contribution from an associate, Experia Events Pte. Ltd., the organiser of Singapore Airshow 2016.

11 **VARIANCE FROM PROSPECTS STATEMENT**

There has been no variance from the previous prospects statement.

12 **PROSPECTS**

Group

Barring unforeseen circumstances, the Group expects FY2017 Revenue to be comparable, while PBT is expected to be higher than that of FY2016.

Sectors

For Aerospace sector, both Revenue and PBT for FY2017 are expected to be comparable to that of FY2016.

For Electronics sector, both Revenue and PBT for FY2017 are expected to be higher than that of FY2016.

For Land Systems sector, Revenue for FY2017 is expected to be comparable, while PBT is expected to be higher than that of FY2016.

For Marine sector, Revenue for FY2017 is expected to be comparable, while PBT is expected to be lower than that of FY2016.

This release may contain forward-looking statements that involve risks and uncertainties. These forward-looking statements reflect the Company's current intentions, plans, expectations, assumptions and beliefs about future events. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from other companies and venues for the sale/distribution of goods and services, shifts in customer demands, customers and partners, changes in operating expenses, including employee wages, benefits and training, and governmental and public policy changes, as well as natural disasters which may negatively impact business activities of the ST Engineering group. You are cautioned not to place undue reliance on these forward-looking statements, which are based on current view of management on future events.

13 **DIVIDENDS**

The Directors are pleased to announce that a final dividend of 10.0 cents per share has been recommended for the year ended 31 December 2016. Together with the interim dividend of 5.0 cents per share paid on 30 August 2016, the total dividend for the year ended 31 December 2016 will be 15.0 cents per share and amounts to \$467.6 million. The recommended dividends take into consideration the Group's FY2016 profit after tax, present cash position, positive cash flow generated from operations and projected capital requirements. Payment of the final dividend is subject to the approval of the shareholders of the Company at the forthcoming Annual General Meeting.

(a) Current Financial Period Reported On

Any dividend recommended for the current financial period reported on? Yes

Name of Dividend	Interim tax exempt (one-tier)	Final tax exempt (one-tier)	Total
Dividend Type	Cash	Cash	Cash
Dividend Per Share	5.0 cents per ordinary share	10.0 cents per ordinary share	15.0 cents per ordinary share
Annual Dividend	\$155.4m	\$312.2m	\$467.6m

(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 Ordinary tax exempt (one-tier)	Final Ordinary tax exempt (one-tier)	Special Dividend tax exempt (one-tier)	Total
Dividend Type	Cash	Cash	Cash	Cash
Dividend Per Share	5.0 cents per ordinary share	5.0 cents per ordinary share	5.0 cents per ordinary share	15.0 cents per ordinary share
Annual Dividend	\$155.5m	\$156.1m	\$156.1m	\$467.7m

(c) Books Closure and Dividend Payment Dates

NOTICE IS HEREBY GIVEN THAT the Register of Members and Share Transfer Books will be closed on 28 April 2017 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 27 April 2017 will be registered to determine members' entitlements to the proposed dividends, subject to approval of members to the proposed dividends at the Twentieth Annual General Meeting to be convened on 21 April 2017. 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 27 April 2017 will be entitled to the proposed dividends. The proposed dividends, if so approved by members, will be paid on 9 May 2017.

14 BUSINESS SEGMENTAL INFORMATION
By Business Activity

	FY2016						
	Aerospace	Electronics	Land Systems	Marine	Others	Elimination	Group
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue							
External sales	2,484,337	1,884,733	1,304,819	840,582	169,266	-	6,683,737
Inter-segment sales	8,520	25,768	7,135	578	33,209	(75,210)	-
	<u>2,492,857</u>	<u>1,910,501</u>	<u>1,311,954</u>	<u>841,160</u>	<u>202,475</u>	<u>(75,210)</u>	<u>6,683,737</u>
Reportable segment profit from operations	240,431	191,846	(11,200)	63,576	(78,061)	64,491	471,083
Other income	22,736	19,400	25,101	7,548	482,002	(488,972)	67,815
Other expenses	(4,339)	(15)	(1,675)	(124)	-	6,138	(15)
Finance income	11,431	4,089	2,251	3,866	45,938	(33,884)	33,691
Finance costs	(12,038)	(7,827)	(7,199)	(596)	(59,767)	41,720	(45,707)
Share of results of associates and joint ventures, net of tax	42,097	305	14,896	851	-	5,617	63,766
Profit before taxation	300,318	207,798	22,174	75,121	390,112	(404,890)	590,633
Taxation	(49,102)	(33,194)	(18,015)	(7,370)	15,672	(5,761)	(97,770)
Non-controlling interests	(16,831)	(58)	8,534	6	-	-	(8,349)
Profit attributable to shareholders	<u>234,385</u>	<u>174,546</u>	<u>12,693</u>	<u>67,757</u>	<u>405,784</u>	<u>(410,651)</u>	<u>484,514</u>
Other assets	2,770,573	2,054,854	1,556,147	967,208	5,047,431	(4,436,690)	7,959,523
Associates and joint ventures	244,263	1,565	126,737	8,666	17,657	6,642	405,530
Segment assets	<u>3,014,836</u>	<u>2,056,419</u>	<u>1,682,884</u>	<u>975,874</u>	<u>5,065,088</u>	<u>(4,430,048)</u>	<u>8,365,053</u>
Segment liabilities	<u>2,030,556</u>	<u>1,783,937</u>	<u>1,442,303</u>	<u>809,473</u>	<u>2,871,524</u>	<u>(3,016,936)</u>	<u>5,920,857</u>
Capital expenditure ⁺	200,041	80,070	36,513	10,235	2,344	(25)	329,178
Depreciation and amortisation	112,988	45,536	38,720	28,422	21,697	(42)	247,321
Impairment losses ⁺	2,667	8	37,492	-	1,571	-	41,738
Other non-cash expenses	393	56	314	-	-	-	763

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

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

	FY2015						Group \$'000
	Aerospace \$'000	Electronics \$'000	Land Systems \$'000	Marine \$'000	Others \$'000	Elimination \$'000	
Revenue							
External sales	2,089,772	1,708,959	1,395,587	958,028	182,677	-	6,335,023
Inter-segment sales	5,842	34,215	5,432	345	27,191	(73,025)	-
	<u>2,095,614</u>	<u>1,743,174</u>	<u>1,401,019</u>	<u>958,373</u>	<u>209,868</u>	<u>(73,025)</u>	<u>6,335,023</u>
Reportable segment profit from operations	222,013	178,699	47,189	71,795	(70,129)	60,704	510,271
Other income	23,856	14,654	13,239	7,482	560,949	(564,433)	55,747
Other expenses	(578)	-	(1,645)	(115)	-	2,039	(299)
Finance income	25,596	3,683	2,880	3,716	77,185	(56,869)	56,191
Finance costs	(19,157)	(6,122)	(13,252)	(103)	(103,835)	92,521	(49,948)
Share of results of associates and joint ventures, net of tax	38,870	38	16,590	5,500	-	(2,658)	58,340
Profit before taxation	290,600	190,952	65,001	88,275	464,170	(468,696)	630,302
Taxation	(56,900)	(27,191)	(14,395)	(2,558)	7,385	(5,000)	(98,659)
Non-controlling interests	(6,981)	(761)	5,130	8	-	-	(2,604)
Profit attributable to shareholders	<u>226,719</u>	<u>163,000</u>	<u>55,736</u>	<u>85,725</u>	<u>471,555</u>	<u>(473,696)</u>	<u>529,039</u>
Other assets	2,328,622	1,860,634	1,855,080	994,623	4,579,005	(3,910,420)	7,707,544
Associates and joint ventures	311,473	1,397	121,781	8,229	17,657	1,023	461,560
Segment assets	<u>2,640,095</u>	<u>1,862,031</u>	<u>1,976,861</u>	<u>1,002,852</u>	<u>4,596,662</u>	<u>(3,909,397)</u>	<u>8,169,104</u>
Segment liabilities	<u>1,874,224</u>	<u>1,637,723</u>	<u>1,713,471</u>	<u>810,727</u>	<u>2,510,204</u>	<u>(2,638,172)</u>	<u>5,908,177</u>
Capital expenditure ⁺	219,757	52,878	23,247	18,866	18,244	-	332,992
Depreciation and amortisation	71,470	39,871	38,981	29,609	7,404	(43)	187,292
Impairment losses ⁺	-	-	4,447	-	-	-	4,447
Other non-cash expenses	5,956	8	393	-	2	-	6,359

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

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

	Revenue			Revenue		
	4Q2016	4Q2015	+ / (-)	FY2016	FY2015	+ / (-)
	\$'000	\$'000	%	\$'000	\$'000	%
Aerospace	680,183	579,674	17.3	2,484,337	2,089,772	18.9
Electronics	516,686	510,972	1.1	1,884,733	1,708,959	10.3
Land Systems	403,935	413,094	(2.2)	1,304,819	1,395,587	(6.5)
Marine	168,277	219,896	(23.5)	840,582	958,028	(12.3)
Others	51,225	54,948	(6.8)	169,266	182,677	(7.3)
Group	<u>1,820,306</u>	<u>1,778,584</u>	<u>2.3</u>	<u>6,683,737</u>	<u>6,335,023</u>	<u>5.5</u>

	Profit Before Tax			Profit Before Tax		
	4Q2016	4Q2015	+ / (-)	FY2016	FY2015	+ / (-)
	\$'000	\$'000	%	\$'000	\$'000	%
Aerospace	85,827	85,273	0.6	300,318	290,600	3.3
Electronics	64,175	60,154	6.7	207,798	190,952	8.8
Land Systems	24,123	12,736	89.4	22,174	65,001	(65.9)
Marine	12,563	19,344	(35.1)	75,121	88,275	(14.9)
Others	(3,372)	(10,935)	69.2	(14,778)	(4,526)	(226.5)
Group	<u>183,316</u>	<u>166,572</u>	<u>10.1</u>	<u>590,633</u>	<u>630,302</u>	<u>(6.3)</u>

	Profit Attributable to Shareholders			Profit Attributable to Shareholders		
	4Q2016	4Q2015	+ / (-)	FY2016	FY2015	+ / (-)
	\$'000	\$'000	%	\$'000	\$'000	%
Aerospace	75,840	61,356	23.6	234,385	226,719	3.4
Electronics	54,614	54,675	(0.1)	174,546	163,000	7.1
Land Systems	24,800	12,687	95.5	12,693	55,736	(77.2)
Marine	13,394	25,935	(48.4)	67,757	85,725	(21.0)
Others	1,760	(13,830)	112.7	(4,867)	(2,141)	(127.3)
Group	<u>170,408</u>	<u>140,823</u>	<u>21.0</u>	<u>484,514</u>	<u>529,039</u>	<u>(8.4)</u>

14 BUSINESS SEGMENTAL INFORMATION (cont'd)
By Geographical Areas

	Revenue			
	FY2016		FY2015	
	\$'000	%	\$'000	%
Asia	3,951,297	59.1	3,940,047	62.2
USA	1,631,675	24.4	1,503,208	23.7
Europe	610,188	9.1	311,526	4.9
Others	490,577	7.4	580,242	9.2
Total	6,683,737	100	6,335,023	100

By Country of Incorporation

	Revenue			
	FY2016		FY2015	
	\$'000	%	\$'000	%
Asia	4,599,078	68.8	4,695,163	74.1
USA	1,524,481	22.8	1,498,855	23.7
Europe	494,651	7.4	81,354	1.3
Others	65,527	1.0	59,651	0.9
Total	6,683,737	100	6,335,023	100

	Non-Current Assets *			
	FY2016		FY2015	
	\$'000	%	\$'000	%
Asia	2,005,125	58.5	2,095,321	64.5
USA	867,663	25.3	878,105	27.0
Europe	457,397	13.3	175,000	5.4
Others	96,347	2.8	98,236	3.1
Total	3,426,532	100	3,246,662	100

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

15 ECONOMIC VALUE ADDED (EVA)

EVA for FY2016 was \$252.4 million, a decrease of 29% or \$102.7 million over FY2015. The weighted average cost of capital for 2016 was 5.6% (2015: 5.5%).

16 INTERESTED PERSON TRANSACTIONS (unaudited)

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

	FY2016	FY2015
	\$'000	\$'000
Transactions for the Sale of Goods and Services		
CapitalLand Limited and its Associates	157	657
SembCorp Industries Ltd and its Associates	5,394	645
SembCorp Marine Ltd and its Associates	746	(178)*
SATS Ltd. and its Associates	191	-
StarHub Ltd and its Associates	5,915	591
Singapore Airlines Limited and its Associates	1,528	4,554
Singapore Telecommunications Limited and its Associates	2,693	4,239
SMRT Corporation Ltd and its Associates	360	31,137
Temasek Holdings (Private) Limited and its Associates (non-listed)	7,680	4,083
	<u>24,664</u>	<u>45,728</u>
Transactions for the Purchase of Goods and Services		
SATS Ltd. and its Associates	2,345	2,169
SembCorp Industries Ltd and its Associates	260	8,082
SembCorp Marine Ltd and its Associates	-	180
Singapore Airlines Limited and its Associates	-	143
Singapore Telecommunications Limited and its Associates	4,006	2,174
SMRT Corporation Ltd and its Associates	122	180
StarHub Ltd and its Associates	1,700	-
Mapletree Industrial Trust	1,068	-
Temasek Holdings (Private) Limited and its Associates (non-listed)	10,068	7,048
	<u>19,569</u>	<u>19,976</u>
Total Interested Person Transactions	<u>44,233</u>	<u>65,704</u>

* This relates to a credit note

17 CONFIRMATION OF DIRECTORS AND EXECUTIVE OFFICERS' UNDERTAKINGS PURSUANT TO LISTING RULE 720(1)

The Company has procured undertakings from all its directors and executive officers in compliance with Listing Rule 720(1).

18 **REPORT OF PERSONS OCCUPYING MANAGERIAL POSITIONS WHO ARE RELATED TO A DIRECTOR, CHIEF EXECUTIVE OFFICER OR SUBSTANTIAL SHAREHOLDER**

Pursuant to Rule 704(13) of the SGX Listing Manual, as at 31 December 2016, no person occupying a managerial position in the Company or any of its principal subsidiaries is related to a Director or chief executive officer or substantial shareholder of the Company.

BY ORDER OF THE BOARD

CHUA SU LI / KAREN NG KWEE LIAN
Company Secretaries
16 February 2017

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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 year ended 31 December 2016			
	2016 FY	2015 FY	Growth %
Revenue (\$m)	2,493	2,096	19
Earnings before interest and tax (EBIT) (\$m)	240.4	222.0	8
Other income, net (\$m)	18.4	23.3	(21)
Finance income/(costs), net (\$m)	(0.6)	6.4	(109)
Profit before tax (PBT) (\$m)	300.3	290.6	3
Profit attributable to shareholders (\$m)	234.4	226.7	3
Economic value added (EVA) (\$m)	154.1	169.5	(9)

“The Aerospace sector achieved comparable profits despite headwinds. We will continue to strengthen our core competency as a total aviation support provider and invest in capabilities such as data analytics to enhance service offerings and create better value for customers worldwide.”

Lim Serh Ghee, President

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

Singapore Technologies Engineering Ltd

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(Regn. No.: 199706274H)



Aerospace

Aerospace sector audited results for the year ended 31 December 2016:

	FY2016 \$'000	FY2015 \$'000	+ / (-) %
1. (a) Revenue	2,492,857	2,095,614	19.0
(b) Cost of sales	(2,081,493)	(1,732,054)	20.2
(c) Gross Profit	411,364	363,560	13.1
(d) Distribution and selling expenses	(12,059)	(8,355)	44.3
(e) Administrative expenses	(118,873)	(114,536)	3.8
(f) Other operating expenses	(40,001)	(18,656)	114.4
(g) Profit from operations	240,431	222,013	8.3
(h) Other income	22,736	23,856	(4.7)
(i) Other expenses	(4,339)	(578)	>500
(j) Other income/(expenses), net	18,397	23,278	(21.0)
(k) Finance income	11,431	25,596	(55.3)
(l) Finance costs	(12,038)	(19,157)	(37.2)
(m) Finance income/(costs), net	(607)	6,439	(109.4)
(n) Share of results of associates and joint ventures, net of tax	42,097	38,870	8.3
(o) Profit before taxation	300,318	290,600	3.3
(p) Taxation	(49,102)	(56,900)	(13.7)
(q) Profit for the year	251,216	233,700	7.5
Attributable to:			
(r) Shareholders of the Company	234,385	226,720	3.4
(s) Non-controlling interests	16,831	6,980	141.1
	251,216	233,700	7.5
2. (a) Profit from operations is arrived at after charging/(crediting) the following:			
Depreciation and amortisation	112,988	71,470	58.1
Allowance for doubtful debts & bad debts written off, net	1,215	1,871	(35.1)
Allowance for inventory obsolescence, net	44,273	29,522	50.0
Impairment losses / write-off of intangible assets	2,667	143	>500
(b) Finance income/(costs), net comprises:			
Interest income	4,408	3,054	44.3
Foreign exchange gain/(loss), net	4,426	11,670	(62.1)
Fair value changes of financial instruments/hedged items	(11)	56	(119.6)
Interest expenses	(9,434)	(8,344)	13.1
Others	4	3	33.3
	(607)	6,439	(109.4)

	FY2016 \$'000	FY2015 \$'000	+ / (-) %
3. (a) Profit for the year [1(q) above] as a percentage of revenue	10.1%	11.2%	
(b) Profit attributable to shareholders [1(r) above] as a percentage of share capital and reserves at end of year	28.1%	29.2%	
4. (a) Revenue reported for first half year	1,244,119	1,007,557	23.5
(b) Profit for the period reported for first half year	117,857	117,095	0.7
(c) Revenue reported for second half year	1,248,738	1,088,057	14.8
(d) Profit for the period reported for second half year	133,359	116,605	14.4
5. (a) There was an adjustment of \$982,000 and \$6,706,000 for overprovision of current tax and deferred tax respectively in respect of prior years. (There was an adjustment of \$9,028,000 for overprovision of current tax and \$12,875,000 for underprovision of deferred tax in respect of prior years.)			
(b) There was no disposal of property during the year.			

6. Business Group Information

By Business Group

Full Year Ended 31 December

	Revenue			Profit before Taxation		
	FY2016 \$'000	FY2015 \$'000	+ / (-) %	FY2016 \$'000	FY2015 \$'000	+ / (-) %
Aircraft Maintenance & Modification	1,089,752	1,045,085	4.3	170,608	172,445	(1.1)
Component/Engine Repair & Overhaul	605,810	652,531	(7.2)	45,323	59,812	(24.2)
Engineering & Material Services	797,295	397,998	100.3	84,387	58,343	44.6
Total	<u>2,492,857</u>	<u>2,095,614</u>	19.0	<u>300,318</u>	<u>290,600</u>	3.3

Revenue

	FY2016 \$'000	FY2015 \$'000	
	<u>By Geographical Areas</u>		
Asia	1,159,835	1,184,914	(2.1)
USA	691,205	589,748	17.2
Europe	454,627	139,382	226.2
Others	187,190	181,570	3.1
Total	<u>2,492,857</u>	<u>2,095,614</u>	19.0

By Country of Incorporation

Asia	1,514,603	1,579,225	(4.1)
USA	502,895	454,136	10.7
Europe	473,316	60,425	683.3
Others	2,043	1,828	11.8
Total	<u>2,492,857</u>	<u>2,095,614</u>	19.0

7. Review of Performance

(a) Revenue

FY2016 vs FY2015

FY2016	FY2015	Growth	
\$2,493m	\$2,096m	\$397m	19%

Aerospace sector's FY2016 revenue of \$2,493 million was 19% or \$397 million higher than that of FY2015. **Engineering & Materials Services (EMS)** business group recorded higher revenue, partially offset by lower revenue from **Component/Engine Repair & Overhaul (CERO)** business group. **Aircraft Maintenance & Modification (AMM)** business group reported comparable revenue. Included in the **EMS** business group was sales from Elbe Flugzeugwerke GmbH (EFW) which became a subsidiary effective January 2016.

(b) Profitability

FY2016 vs FY2015

FY2016	FY2015	Growth	
\$300.3m	\$290.6m	\$9.7m	3%

Aerospace sector's profit before tax (PBT) of \$300.3 million in FY2016 was comparable to that achieved in FY2015. This was due to higher gross profit, in line with higher revenue, partially offset by higher operating expenses and lower finance income.

8. Prospects

FY2017

Barring unforeseen circumstances, FY2017 revenue and profit before tax are expected to be comparable to FY2016.

9. Balance Sheet

	31-Dec-16 \$'000	31-Dec-15 \$'000
Property, plant and equipment	833,628	820,145
Associates and joint ventures	244,263	311,473
Investments	12	12
Intangible assets	433,294	141,239
Long-term receivables, non-current	2,333	64
Deferred tax assets	27,356	11,840
Employee benefits	151	-
Derivative financial instruments, non-current	221	136
Non-current assets	1,541,258	1,284,909
Current assets	1,473,578	1,355,186
Total assets	3,014,836	2,640,095
Current liabilities	1,339,342	1,262,967
Non-current liabilities	691,214	611,257
Total liabilities	2,030,556	1,874,224
Share capital and reserves	740,805	686,310
Non-controlling interests	243,475	79,561
Total equity and liabilities	3,014,836	2,640,095
Net current assets	134,236	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.

10. Statement of Cash Flows for the year ended 31 December 2016

	FY2016 \$'000	FY2015 \$'000
Net cash from operating activities	469,077	350,010
Net cash used in investing activities	(177,632)	(175,280)
Proceeds from sale of property, plant and equipment	3,237	1,175
Dividends from associates	33,906	34,291
Dividends from investments	4	3
Purchase of property, plant and equipment	(137,620)	(199,059)
Development of intangible assets	(62,421)	(7,455)
Additional investment in an associate	(34,776)	-
Acquisition of a subsidiary, net of cash acquired	9,127	(4,235)
Deconsolidation of a subsidiary	10,911	-
Net cash used in financing activities	(254,213)	(190,682)
Capital contribution from non-controlling interests	448	588
Proceeds from related corporation loans	2,140	77,596
Repayment of related corporation loans	(251,943)	(240,988)
Proceeds from long term bank loans, net	32,545	72,562
Proceeds from short term bank loans, net	61,409	436
Repayment of lease obligations	(947)	(546)
Dividend paid to shareholder	(80,639)	(81,764)
Dividend paid to non-controlling interests	(8,024)	(7,410)
Interest paid	(9,202)	(11,156)
Net increase/(decrease) in cash and cash equivalents	37,232	(15,952)
Cash and cash equivalents at beginning of the year	234,274	243,497
Exchange difference on cash and cash equivalents at beginning of the year	1,177	6,729
Cash and cash equivalents at end of the year	272,683	234,274

11. Economic Value Added (EVA)

EVA for FY2016 was \$154.1 million, a decrease of \$15.4 million or 9% over FY2015. 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

“PBT Crossed S\$200 Million Mark”

FINANCIAL HIGHLIGHTS For the year ended 31 December 2016			
	2016 FY	2015 FY	Growth %
Revenue (\$m)	1,910	1,743	10
Earnings before interest and tax (EBIT) (\$m)	191.8	178.7	7
Other income, net (\$m)	19.4	14.7	32
Finance costs, net (\$m)	(3.7)	(2.4)	(53)
Profit before tax (PBT) (\$m)	207.8	191.0	9
Profit attributable to shareholders (\$m)	174.5	163.0	7
Economic value added (EVA) (\$m)	138.9	130.1	7

“The Electronics sector achieved strong results for FY2016. We have crossed the S\$200M mark for PBT in FY2016 and secured S\$695M of contract wins in 4Q2016 bringing the total of new orders secured in FY2016 to S\$2.3B. These achievements, coupled with our proven track record, have given us greater confidence in our products and solutions offerings as we pursue new opportunities locally and overseas.”

Ravinder Singh, President

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

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Electronics

Electronics sector audited results for the year ended 31 December 2016

	FY2016	FY2015	+ / (-)
	\$'000	\$'000	%
1. (a) Revenue	1,910,501	1,743,174	9.6
(b) Cost of sales	(1,369,016)	(1,222,376)	12.0
(c) Gross Profit	541,485	520,798	4.0
(d) Distribution and selling expenses	(95,215)	(90,657)	5.0
(e) Administrative expenses	(164,522)	(162,649)	1.2
(f) Other operating expenses	(89,902)	(88,793)	1.2
(g) Profit from operations	191,846	178,699	7.4
(h) Other income	19,400	14,654	32.4
(i) Other expenses	(15)	-	NM
(j) Other income, net	19,385	14,654	32.3
(k) Finance income	4,089	3,683	11.0
(l) Finance costs	(7,827)	(6,122)	27.9
(m) Finance costs, net	(3,738)	(2,439)	53.3
(n) Share of results of associate and joint ventures, net of tax	305	38	>500
(o) Profit before taxation	207,798	190,952	8.8
(p) Taxation	(33,194)	(27,191)	22.1
(q) Profit for the year	174,604	163,761	6.6
Attributable to:			
(r) Shareholder of the Company	174,546	163,000	7.1
(s) Non-controlling interests	58	761	(92.4)
	174,604	163,761	6.6
2. (a) Profit from operations is arrived at after charging/(crediting) the following:			
Depreciation and amortisation	45,536	39,871	14.2
Allowance for doubtful debts & bad debts written off, net	1,629	2,009	(18.9)
Allowance for inventory obsolescence, net	470	915	(48.6)
(b) Finance costs, net comprises:			
Interest income	2,194	3,366	(34.8)
Foreign exchange gain, net	1,642	311	428.0
Gain on disposal of investments	253	6	>500
Impairment loss on an investment	(8)	-	NM
Interest expenses	(7,819)	(6,122)	27.7
	(3,738)	(2,439)	53.3

* NM - Not Meaningful

Electronics

	FY2016 \$'000	FY2015 \$'000	+ / (-) %
3. (a) Profit for the year [1(q) above] as a percentage of revenue	9.1%	9.4%	
(b) Profit attributable to shareholders [1(r) above] as a percentage of share capital and reserves at end of year	44.0%	46.8%	
	2016 \$'000	2015 \$'000	+ / (-) %
4. (a) Revenue reported for first half year	914,578	784,530	16.6
(b) Profit for the period reported for first half year	74,771	69,544	7.5
(c) Revenue reported for second half year	995,923	958,644	3.9
(d) Profit for the period reported for second half year	99,833	94,217	6.0
5. (a) There was overprovision of current tax and deferred tax of \$3,773,000 and \$1,648,000 respectively in respect of prior years (FY2015: There was overprovision of current tax and deferred tax of \$7,080,000 and \$1,319,000 respectively in respect of prior years).			
(b) There was no disposal of property during the year.			

6. Business Group Information

By Business Group

	Revenue		+ / (-) %	Profit before Taxation		+ / (-) %
	FY2016 \$'000	FY2015 \$'000		FY2016 \$'000	FY2015 \$'000	
Full Year Ended 31 December						
Large-Scale Systems Group	430,954	396,738	8.6	46,726	39,326	18.8
Communication & Sensor Systems Group	925,892	814,888	13.6	77,312	75,204	2.8
Software Systems Group	553,655	531,548	4.2	83,760	76,422	9.6
Total	<u>1,910,501</u>	<u>1,743,174</u>	9.6	<u>207,798</u>	<u>190,952</u>	8.8

	Revenue		+ / (-) %
	FY2016 \$'000	FY2015 \$'000	
<u>By Geographical Areas</u>			
Asia	1,484,115	1,336,315	11.1
USA	191,148	148,354	28.8
Europe	120,599	113,235	6.5
Others	114,639	145,270	(21.1)
Total	<u>1,910,501</u>	<u>1,743,174</u>	9.6

By Country of Incorporation

Asia	1,528,860	1,407,747	8.6
USA	316,257	272,483	16.1
Europe	23,114	22,871	1.1
Others	42,270	40,073	5.5
Total	<u>1,910,501</u>	<u>1,743,174</u>	9.6

Electronics

7. Review of Performance

(a) Revenue

FY2016 vs FY2015

FY2016	FY2015	Growth	
\$1,910m	\$1,743m	\$167m	10%

Revenue of \$1,910 million recorded in FY2016 was higher than that of FY2015 by 10% or \$167 million. **Communication & Sensor Systems Group (CSG)** recorded higher sales mainly due to higher value project milestone completions, increased sales of satellite communication products and electro-optics equipment. **Large-Scale Systems Group's (LSG)** sales were higher mainly due to higher value project milestone completions. **Software Systems Group's (SSG)** sales were comparable to that of FY2015.

(b) Profitability

FY2016 vs FY2015

FY2016	FY2015	Growth	
\$207.8m	\$191.0m	\$16.8m	9%

The profit before tax of \$207.8 million for FY2016 was higher than that of FY2015 by 9% or \$16.8 million. The Sector recorded higher profit mainly due to increased sales and higher other income, partially offset by higher operating expenses.

8. Prospects

FY2017

Barring unforeseen circumstances, FY2017 revenue and profit before tax are expected to be higher compared to FY2016.

9. Balance Sheet

	31-Dec-16 \$'000	31-Dec-15 \$'000
Property, plant and equipment	212,030	185,192
Associates and joint venture	1,565	1,397
Investments	10,114	9,902
Intangible assets	347,989	335,049
Long-term receivable, non-current	966	913
Deferred tax assets	25,889	29,726
Derivative financial instruments, non-current	845	40
Non-current assets	599,398	562,219
Current assets	1,457,021	1,299,812
Total assets	2,056,419	1,862,031
Current liabilities	1,270,920	1,113,779
Non-current liabilities	513,017	523,944
Total liabilities	1,783,937	1,637,723
Share capital and reserves	265,872	217,088
Non-controlling interests	6,610	7,220
Total equity and liabilities	2,056,419	1,862,031
Net current assets	186,101	186,033

Electronics

10. Statement of Cash Flows for the year ended 31 December 2016

	FY2016	FY2015
	\$'000	\$'000
Net cash from operating activities	148,504	65,846
Net cash used in investing activities	(77,459)	(33,151)
Proceeds from sale of property, plant and equipment	66	50
Proceeds from disposal of an associate	731	-
Proceeds from disposal of unquoted investments	253	6
Dividends from an associate and a joint venture	137	720
Purchase of property, plant and equipment	(65,881)	(32,154)
Purchase of investments	(9)	(5,281)
Acquisition of other intangible assets	(12,756)	(14,168)
Acquisition of controlling interests in a subsidiary, net of cash acquired	-	17,676
Net cash used in financing activities	(106,209)	(40,633)
Repayment of related parties loans	(79,467)	(2,723)
Repayment of loans by related parties	17,500	163,000
Repayment of loans to a joint venture	(7,000)	-
Proceeds from related parties loans	117,719	46,155
Proceeds of a loan from a joint venture	2,000	5,000
Loans to related parties	(17,500)	(83,000)
Acquisition of non-controlling interests in subsidiaries	-	(7,600)
Dividends paid to shareholder	(133,274)	(158,059)
Dividends paid to non-controlling interests	(605)	-
Interest paid	(5,568)	(2,827)
Deposits pledged	(14)	(579)
Net decrease in cash and cash equivalents	(35,164)	(7,938)
Cash and cash equivalents at beginning of the year	270,221	276,893
Exchange difference on cash and cash equivalents at beginning of the year	(105)	1,266
Cash and cash equivalents at end of the year	<u>234,952</u>	<u>270,221</u>

11. Economic Value Added (EVA)

EVA for FY2016 was \$138.9 million, an increase of \$8.8 million or 7% over FY2015. 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

“FY2016 profits impacted by JHK impairment and closure costs”

FINANCIAL HIGHLIGHTS For the year ended 31 December 2016			
	2016 FY	2015 FY	Growth %
Revenue (\$m)	1,312	1,401	(6)
Earnings before interest and tax (EBIT) (\$m)	(11.2)	47.2	(124)
Other income, net (\$m)	23.4	11.6	102
Finance costs, net (\$m)	(4.9)	(10.4)	52
Profit before tax (PBT) (\$m)	22.2	65.0	(66)
Profit attributable to shareholders (\$m)	12.7	55.7	(77)
Economic value added (EVA) (\$m)	(53.1)	10.7	<-500

“FY2016 revenue was lower compared to FY2015 due to divestment of GJK. Lower PBT in FY2016 was mainly due to JHK impairment and closure cost.

In 2017, we will pursue key programmes and continue to strengthen our engineering capability. We will continue to penetrate new markets through partnerships, pursue new customers and venture into new growth areas.”

Ravinder Singh, President

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

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Land Systems

Land Systems sector audited results for the year ended 31 December 2016

	FY2016 \$'000	FY2015 \$'000	+ / (-) %
1. (a) Revenue	1,311,954	1,401,019	(6.4)
(b) Cost of sales	(1,090,697)	(1,133,748)	(3.8)
(c) Gross Profit	221,257	267,271	(17.2)
(d) Distribution and selling expenses	(57,164)	(64,989)	(12.0)
(e) Administrative expenses	(98,126)	(111,260)	(11.8)
(f) Other operating expenses	(77,167)	(43,833)	76.0
(g) (Loss)/Profit from operations	(11,200)	47,189	(123.7)
(h) Other income	25,101	13,239	89.6
(i) Other expenses	(1,675)	(1,645)	1.8
(j) Other income, net	23,426	11,594	102.1
(k) Finance income	2,251	2,880	(21.8)
(l) Finance costs	(7,199)	(13,252)	(45.7)
(m) Finance costs, net	(4,948)	(10,372)	(52.3)
(n) Share of results of associates and joint ventures, net of tax	14,896	16,590	(10.2)
(o) Profit before taxation	22,174	65,001	(65.9)
(p) Taxation	(18,015)	(14,395)	25.1
(q) Profit for the year	4,159	50,606	(91.8)
Attributable to:			
(r) Shareholders of the Company	12,693	55,736	(77.2)
(s) Non-controlling interests	(8,534)	(5,130)	66.4
	4,159	50,606	(91.8)
2. (a) (Loss)/Profit from operations is arrived at after charging/(crediting) the following:			
Depreciation and amortisation	38,720	38,981	(0.7)
Allowance for doubtful debts & bad debts written off, net	15,873	9,535	66.5
Allowance for inventory obsolescence, net	14,059	19,385	(27.5)
Impairment losses of intangible assets	9,322	4,942	88.6
Impairment losses of property, plant and equipment	28,170	-	NM
Impairment losses of other receivables	2,637	-	NM
(b) Finance costs, net comprises:			
Interest income	1,522	2,586	(41.1)
Foreign exchange gain/(loss), net	325	(2,682)	(112.1)
Fair value changes of financial instruments / hedged items	199	180	10.6
Gain on disposal of investments	3	-	NM
Interest expenses	(6,997)	(10,456)	(33.1)
	(4,948)	(10,372)	(52.3)

* NM - Not Meaningful

Land Systems

	FY2016 \$'000	FY2015 \$'000	+ / (-) %
3. (a) Profit for the period [1(q) above] as a percentage of revenue	0.3%	3.6%	
(b) Profit attributable to shareholders [1(r) above] as a percentage of share capital and reserves at end of period	3.0%	15.1%	
	FY2016 \$'000	FY2015 \$'000	+ / (-) %
4. (a) Revenue reported for first half year	569,996	665,709	(14.4)
(b) Profit for the period reported for first half year	28,979	24,019	20.7
(c) Revenue reported for second half year	741,958	735,310	0.9
(d) (Loss)/Profit for the period reported for second half year	(24,820)	26,587	(193.4)
5. (a) There was an over-provision of current tax of \$6,822,000 and deferred tax of \$529,000 in respect of prior years. (FY2015: There was an over-provision of current tax of \$1,595,000 and deferred tax of \$951,000 in respect of prior years).			
(b) There was no disposal of property during the year.			

6. Business Group Information

By Business Group

	Revenue			Profit before Taxation		
	FY2016 \$'000	FY2015 \$'000	+ / (-) %	FY2016 \$'000	FY2015 \$'000	+ / (-) %
Full Year Ended 31 December						
Automotive	1,011,055	1,136,081	(11.0)	(41,535)	9,019	<-500
Munitions & Weapon	222,213	199,188	11.6	30,334	26,134	16.1
Services, Trading & Others	78,686	65,750	19.7	33,375	29,848	11.8
Total	<u>1,311,954</u>	<u>1,401,019</u>	(6.4)	<u>22,174</u>	<u>65,001</u>	(65.9)

By Geographical Areas

	Revenue		
	FY2016 \$'000	FY2015 \$'000	+ / (-) %
Asia	805,804	1,018,169	(20.9)
USA	406,580	297,948	36.5
Europe	6,743	17,615	(61.7)
Others	92,827	67,287	38.0
Total	<u>1,311,954</u>	<u>1,401,019</u>	(6.4)

By Country of Incorporation

	Revenue		
	FY2016 \$'000	FY2015 \$'000	+ / (-) %
Asia	929,547	1,068,195	(13.0)
USA	361,193	315,074	14.6
Europe	-	-	-
Others	21,214	17,750	19.5
Total	<u>1,311,954</u>	<u>1,401,019</u>	(6.4)

Land Systems

7. Review of Performance

(a) Revenue

FY2016 vs FY2015

FY2016	FY2015	Growth	
\$1,312m	\$1,401m	(\$89m)	(6%)

FY2016 revenue compared to FY2015 decreased by 6% or \$89 million to \$1,312 million. This was due mainly 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. **Auto** business group's revenue was impacted by divestment of subsidiary, Guizhou Jonyang Kinetics (GJK) and cessation of production of Jiangsu Huatong Kinetics and Jiangsu Huaran Kinetics (JHK).

(b) Profitability

FY2016 vs FY2015

FY2016	FY2015	Growth	
\$22.2m	\$65.0m	(\$42.8m)	(66%)

FY2016 profit before tax (PBT) of \$22.2 million was lower than FY2015 PBT by 66% or \$42.8 million. PBT for the **Auto** business group was impacted by JHK impairment and closure costs totalling \$65.1 million, partially offset by gain of \$10.4 million on divestment of GJK. The **M&W** and **S&T** business groups had higher profits mainly from higher revenue and lower operating expenses.

8. Prospects

FY2017

Barring unforeseen circumstances, FY2017 revenue is expected to be comparable to FY2016, while profit before tax is expected to be higher.

9. Balance Sheet

	31-Dec-16 \$'000	31-Dec-15 \$'000
Property, plant and equipment	297,172	354,677
Associates and joint ventures	126,737	121,781
Investments	86	189
Intangible assets	200,881	208,201
Finance lease receivables, non-current	-	523
Deferred tax assets	17,858	25,993
Amounts due from related parties, non-current	6,180	6,049
Derivative financial instruments, non-current	1,780	1,138
Non-current assets	650,694	718,551
Current assets	1,032,190	1,258,310
Total assets	1,682,884	1,976,861
Current liabilities	807,765	942,164
Non-current liabilities	634,538	771,307
Total liabilities	1,442,303	1,713,471
Share capital and reserves	229,250	221,847
Non-controlling interests	11,331	41,543
Total equity and liabilities	1,682,884	1,976,861
Net current assets	224,425	316,146

Land Systems

10. Statement of Cash Flows for the year ended 31 December 2016

	FY2016 \$'000	FY2015 \$'000
Net cash from operating activities	28,689	47,525
Net cash used in investing activities	(7,766)	(14,743)
Proceeds from sale of property, plant and equipment	236	580
Proceeds from disposal of unquoted equity investment	3	-
Proceeds from disposal of a subsidiary, net of cash disposed of	18,615	-
Repayment of short-term loan by joint venture	-	272
Dividends from associates	9,893	7,652
Purchase of property, plant and equipment	(34,941)	(22,371)
Purchase of intangible assets	(1,572)	(876)
Net cash used in financing activities	(53,985)	(117,118)
Interest paid	(6,988)	(10,414)
Repayment of short-term related party loans	(11,952)	(72,705)
Proceeds from short-term related party loans	581	46,752
Short-term loan to a related corporation	-	(20,000)
Repayment of short-term loan by a related corporation	-	20,000
Repayment of short-term immediate holding company loans	(32,000)	(65,500)
Proceeds from short-term immediate holding company loans	15,200	44,100
Repayment of long-term related party loans	(18,957)	(710)
Repayment of long-term immediate holding company loans	-	(50,000)
Repayment of short-term loans	(161)	(156)
Repayment of short-term bank loans	(10,287)	(30,802)
Proceeds from short-term bank loans	7,802	40,540
Proceeds of a short-term loan from non-controlling interest	-	1,615
Dividends paid to shareholder	-	(17,800)
Dividends paid to non-controlling interests	(2,009)	(3,403)
Payment to non-controlling interests for reduction in share capital	(1,178)	-
Capital contribution from non-controlling interests	-	50
Acquisition of non-controlling interests in a subsidiary	(167)	-
Deposits discharged	6,131	1,315
Net decrease in cash and cash equivalents	(33,062)	(84,336)
Cash and cash equivalents at beginning of year	193,357	276,750
Exchange difference on cash and cash equivalents	361	943
Cash and cash equivalents at end of year	160,656	193,357

11. Economic Value Added (EVA)

EVA for FY2016 was -\$53.1 million, a decrease of \$63.8 million or <-500% over FY2015. 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

“Lower Profits”

FINANCIAL HIGHLIGHTS			
For the year ended			
31 December 2016			
	2016 FY	2015 FY	Growth %
Revenue (\$m)	841	958	(12)
Earnings before interest and tax (EBIT) (\$m)	63.6	71.8	(11)
Other income, net (\$m)	7.4	7.4	1
Finance income, net (\$m)	3.3	3.6	(9)
Profit before tax (PBT) (\$m)	75.1	88.3	(15)
Profit attributable to shareholders (\$m)	67.8	85.7	(21)
Economic value added (EVA) (\$m)	51.1	76.5	(33)

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

“Marine sector recorded lower profits in 2016 due mainly to poorer performance from the US operations.

We expect the operating environment to remain challenging in FY2017 and will stay focused to build up our order book.”

Ng Sing Chan, President

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Marine

Marine sector unaudited results for the year ended 31 December 2016

	FY2016 \$'000	FY2015 \$'000	+ / (-) %
1. (a) Revenue	841,160	958,373	(12.2)
(b) Cost of sales	(727,591)	(836,564)	(13.0)
(c) Gross Profit	113,569	121,809	(6.8)
(d) Distribution and selling expenses	(8,460)	(5,979)	41.5
(e) Administrative expenses	(32,809)	(35,068)	(6.4)
(f) Other operating expenses	(8,724)	(8,967)	(2.7)
(g) Profit from operations	63,576	71,795	(11.4)
(h) Other income, net	7,548	7,482	0.9
(i) Other expenses	(124)	(115)	7.8
(j) Other income/(expenses), net	7,424	7,367	0.8
(k) Finance income	3,866	3,716	4.0
(l) Finance costs	(596)	(103)	478.6
(m) Finance income/(costs), net	3,270	3,613	(9.5)
(n) Share of results of associates and joint ventures, net of tax	851	5,500	(84.5)
(o) Profit before taxation	75,121	88,275	(14.9)
(p) Taxation	(7,370)	(2,558)	188.1
(q) Profit for the year	67,751	85,717	(21.0)
Attributable to:			
(r) Shareholders of the Company	67,757	85,725	(21.0)
(s) Non-controlling interests	(6)	(8)	(25.0)
	67,751	85,717	(21.0)
2. (a) Profit from operations is arrived at after charging/(crediting) the following:			
Depreciation and amortisation	28,422	29,609	(4.0)
Allowance/(write-back of allowance) for doubtful debts & bad debts written off, net	1,328	(564)	(335.5)
Allowance/(write-back of allowance) for stock obsolescence, net	700	(498)	(240.6)
(b) Finance income/(costs), net comprises:			
Interest income	3,866	3,716	4.0
Foreign exchange gain/(loss), net	(125)	(53)	135.8
Interest expenses	(471)	(50)	>500
	3,270	3,613	(9.5)

Marine

	FY2016 \$'000	FY2015 \$'000	+ / (-) %
3. (a) Profit for the year [1(q) above] as a percentage of revenue	8.1%	8.9%	
(b) Profit attributable to shareholders [1(r) above] as a percentage of share capital and reserves at end of year	35.2%	39.2%	
	2016 \$'000	2015 \$'000	+ / (-) %
4. (a) Revenue reported for first half year	461,755	533,527	(13.5)
(b) Profit for the period reported for first half year	22,506	44,702	(49.7)
(c) Revenue reported for second half year	379,405	424,846	(10.7)
(d) Profit for the period reported for second half year	45,245	41,015	10.3
5. (a) There was an adjustment of \$1,415,000 for over provision of current tax and \$815,000 for over provision of deferred tax in respect of prior years (FY2015: There was an adjustment of \$2,170,000 for under provision of current tax and \$2,219,000 for over provision of deferred tax in respect of prior years).			
(b) There was no disposal of property during the year (FY2015: There was disposal of a property with a gain of \$0.7 million).			

6. Business Group Information

By Business Group

	Revenue			Profit before Taxation		
	FY2016 \$'000	FY2015 \$'000	+ / (-) %	FY2016 \$'000	FY2015 \$'000	+ / (-) %
Full Year Ended 31 December						
Shipbuilding	485,516	613,576	(20.9)	848	15,030	(94.4)
Shiprepair	299,460	262,222	14.2	62,490	71,996	(13.2)
Engineering	56,184	82,575	(32.0)	11,783	1,249	>500
Total	<u>841,160</u>	<u>958,373</u>	(12.2)	<u>75,121</u>	<u>88,275</u>	(14.9)

	Revenue		
	FY2016 \$'000	FY2015 \$'000	+ / (-) %
<u>By Geographical Areas</u>			
Asia	458,951	372,780	23.1
USA	271,307	370,882	(26.8)
Europe	27,286	40,796	(33.1)
Others	83,616	173,915	(51.9)
Total	<u>841,160</u>	<u>958,373</u>	(12.2)

By Country of Incorporation

Asia	569,853	598,188	(4.7)
USA	271,307	360,185	(24.7)
Total	<u>841,160</u>	<u>958,373</u>	(12.2)

Marine

7. Review of Performance

(a) Revenue

FY2016 vs FY2015

FY2016	FY2015	Growth	
\$841m	\$958m	(\$117m)	(12%)

Revenue for FY2016 of \$841 million was lower than FY2015 by 12% or \$117 million due mainly to lower revenue recognition from **Shipbuilding** contracts from both the local and US operations. The higher **Shiprepair** revenue (by 14% or \$37 million) due mainly to higher para-military repair activities was partially offset by lower **Engineering** revenue (by 32% or \$26 million) due to lower activities from fabrication of rig living quarters and environmental engineering.

(b) Profitability

FY2016 vs FY2015

FY2016	FY2015	Growth	
\$75.1m	\$88.3m	(\$13.2m)	(15%)

FY2016 profit before tax (PBT) of \$75.1 million was lower than FY2015 by 15% or \$13.2 million due mainly to lower gross profit resulting from poorer performance from the US operations and share of lower profits from joint ventures.

8. Prospects

FY2017

Barring unforeseen circumstances, revenue for FY2017 is expected to be comparable whilst PBT is expected to be lower compared to FY2016.

9. Balance Sheet

	31-Dec-16 \$'000	31-Dec-15 \$'000
Property, plant and equipment	315,031	332,533
Joint ventures	8,666	8,229
Intangible assets	134	84
Long-term receivables, non-current	1,129	4,363
Amounts due from related parties, non-current	4,806	4,806
Deferred tax assets	21,334	17,225
Derivative financial instruments	2,397	2,341
Non-current assets	353,497	369,581
Current assets	622,377	633,271
Total assets	975,874	1,002,852
Current liabilities	715,617	709,493
Non-current liabilities	93,856	101,234
Total liabilities	809,473	810,727
Share capital and reserves	166,375	192,093
Non-controlling interests	26	32
Total equity and liabilities	975,874	1,002,852
Net current liabilities	(93,240)	(76,222)

Marine

10. Statement of Cash Flows for the year ended 31 December 2016

	FY2016	FY2015
	\$'000	\$'000
Net cash from/(used in) operating activities	51,604	(52,265)
Net cash used in investing activities	(9,794)	(10,850)
Proceeds from sale of property, plant and equipment	27	853
Purchase of property, plant and equipment	(10,171)	(17,133)
Dividends from joint ventures	800	5,430
Investment in a joint venture	(386)	-
Acquisition of other intangible assets	(64)	-
Net cash used in financing activities	(38,588)	(83,827)
Loans to related parties	(51,000)	(199,128)
Repayment of loans by related parties	61,000	156,240
Proceeds from related party loans	52,929	2,829
Repayment of related party loans	-	(2,852)
Repayment of short-term bank loans	(43,856)	(11,197)
Proceeds from short-term bank loans	37,097	29,354
Dividends paid to shareholder	(94,287)	(59,023)
Interest paid	(471)	(50)
Net increase/(decrease) in cash and cash equivalents	3,222	(146,942)
Cash and cash equivalents at beginning of year	78,605	224,027
Exchange difference on cash and cash equivalents	33	1,520
Cash and cash equivalents at end of year	81,860	78,605

11. Economic Value Added (EVA)

EVA for FY2016 was \$51.1 million, a decrease of \$25.4 million or 33% from FY2015. The weighted average cost of capital was 5.6% for 2016 (2015: 5.5%).

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