

**CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FIRST HALF-YEAR
ENDED 30 JUNE 2021**

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SINGAPORE TECHNOLOGIES ENGINEERING LTD
UNAUDITED RESULTS FOR THE FIRST HALF-YEAR ENDED 30 JUNE 2021

1 CONSOLIDATED INCOME STATEMENT FOR THE FIRST HALF-YEAR ENDED 30 JUNE 2021

	GROUP		
	1H2021 \$'000	1H2020 \$'000	+ / (-) %
Revenue	3,650,890	3,571,911	2.2
Cost of sales	(2,906,424)	(2,835,014)	2.5
Gross profit	744,466	736,897	1.0
Distribution and selling expenses (refer to para 1.6)	(83,149)	(118,013)	(29.5)
Administrative expenses (refer to para 1.7)	(285,437)	(261,795)	9.0
Other operating expenses	(52,651)	(56,337)	(6.5)
Other income, net (refer to para 1.8)	9,007	1,584	468.6
Profit from operations	332,236	302,336	9.9
Non-operating income/(expenses), net (refer to para 1.9)	11,275	(2,000)	NM
Share of results of associates and joint ventures, net of tax (refer to para 1.10)	11,588	13,755	(15.8)
Earnings before interest and tax (refer to para 1.1)	355,099	314,091	13.1
Finance income	9,848	6,288	56.6
Finance costs	(25,151)	(33,969)	(26.0)
Finance costs, net (refer to para 1.2)	(15,303)	(27,681)	(44.7)
Profit before taxation	339,796	286,410	18.6
Taxation	(46,240)	(31,050)	48.9
Profit after taxation	293,556	255,360	15.0
Attributable to:			
Shareholders of the Company	296,095	257,446	15.0
Non-controlling interests	(2,539)	(2,086)	NM
	293,556	255,360	15.0

NM: Not Meaningful

Note:

- (i) Change in definition of Other income and Non-operating income/(expenses) in conformance with current year classification. Other income is now included in profit from operations, while fair value changes of investment in associates in 1H2020 were reclassified from finance costs to Other income.
- (ii) Amounts may not add up due to rounding

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

General

The Company is a public limited company domiciled and incorporated in Singapore. The address of the Company's registered office and principal place of business is 1 Ang Mo Kio Electronics Park Road #07-01 ST Engineering Hub, Singapore 567710.

The Company's immediate and ultimate holding company is Temasek Holdings (Private) Limited, a company incorporated in Singapore.

The consolidated financial statements as at and for the six months ended 30 June 2021 comprise the Company and its subsidiaries (collectively, the Group).

Basis of preparation

The condensed interim financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) (SFRS(I)) 1-34 *Interim Financial Reporting* issued by the Accounting Standards Council Singapore.

The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last annual financial statements for the year ended 31 December 2020.

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 2020 except for the adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) that are mandatory for financial year beginning on or after 1 January 2021. The adoption of these SFRS(I) has no significant impact on the financial statements.

The financial statements are presented in Singapore dollars (SGD) which is the Company's functional currency.

Use of judgements and estimates

In preparing the condensed interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2020.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

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

	GROUP		
	1H2021	1H2020	+ / (-)
	\$'000	\$'000	%
1.1 Earnings before interest and tax is arrived at after charging the following:			
Depreciation and amortisation	187,324	195,871	(4.4)
The lower depreciation and amortisation in 1H2021 was attributable to Commercial Aerospace and Urban Solutions & Satcom segments, partially offset by Defence & Public Security segment.			
Impairment loss on trade receivables and contract assets	4,005	12,799	(68.7)
The lower impairment loss in 1H2021 was due mainly to lower impairment of trade receivables and contract assets from customers in Commercial Aerospace and Urban Solutions & Satcom segments.			
Allowance for inventory obsolescence, net	13,369	9,477	41.1
The higher allowance for inventory obsolescence in 1H2021 as compared to 1H2020 was mainly contributed by Commercial Aerospace and Defence & Public Security segments.			
1.2 Finance costs, net comprises:			
Interest income	1,836	3,210	(42.8)
Foreign exchange gain/(loss), net	6,014	(3,500)	NM
Fair value changes of financial instruments/hedged items	(633)	(1,703)	(62.8)
Interest expenses	(22,520)	(25,688)	(12.3)
	<u>(15,303)</u>	<u>(27,681)</u>	(44.7)
The lower finance cost in 1H2021 was due mainly to favourable foreign exchange rate movements and lower interest expense incurred.			
1.3 Profit after taxation as a percentage of revenue	8.0%	7.1%	
1.4 Profit attributable to shareholders as a percentage of share capital and reserves at end of the period	13.1%	11.5%	
1.5 The Group's tax charge in 1H2021 included adjustments for overprovision of current tax and deferred tax of \$1.0 million and \$0.7 million respectively in respect of prior years. (1H2020: Adjustments for overprovision of current tax of \$0.4 million and underprovision of deferred tax of \$1.2 million.)			
1.6 The lower distribution and selling expenses in 1H2021 (by \$34.9 million) was due mainly to absence of biennial Singapore Airshow expenses, lower impairment loss on trade receivables and contract assets as well as lower travelling expenses.			
1.7 The higher administrative expenses in 1H2021 (by \$23.6 million) was due mainly to higher professional fees and staff related expenses, and lower government support.			
1.8 The higher other income, net (by \$7.4 million) was mainly attributable to absence of unfavourable fair value changes on associates in the Corporate Venture Fund and higher gain from sale of property, plant and equipment.			
1.9 The non-operating income, net (\$11.3 million) was mainly attributable to gain recognised on the receipt of liquidation proceeds of subsidiaries in 1H2021.			
1.10 The share of results of associates and joint ventures, net of tax, decreased (by \$2.2 million) largely due to absence of contribution from Experia Events Pte. Ltd., the organiser of Singapore Airshow 2020, partially offset by improved performance from CityCab Pte Ltd.			
1.11 The Group received COVID-19 related government support of \$125 million before tax in 1H2021, lower as compared to 1H2020 by \$11 million. The government support mainly comprised amounts received under the Jobs Support Scheme and various government support received by the Group's subsidiaries in the countries they operate.			

Note: Defence & Public Security includes "Others"

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

	GROUP		
	2021	2020	+/(-)
	\$'000	\$'000	%
Revenue reported for first half-year	3,650,890	3,571,911	2.2
Profit after taxation reported for first half-year	293,556	255,360	15.0

1(c) RELATED PARTY TRANSACTIONS

	Group	
	1H2021	1H2020
	\$'000	\$'000
Associates of the Group		
Sales and services rendered	3,820	2,100
Purchases and services received	4,227	12,392
Dividend income	11,149	6,557
Joint ventures of the Group		
Sales and services rendered	2,028	1,596
Purchases and services received	1,841	844
Dividend income	3,194	794
Other related parties *		
Sales and services rendered	19,197	34,541
Purchases and services received	10,269	13,267
Rental expense	122	976

* Other related parties refer to subsidiaries, associates and joint ventures of the immediate holding company.

1(d) EARNINGS PER ORDINARY SHARE (EPS)

	GROUP		
	1H2021	1H2020	FY2020
EPS based on profit attributable to shareholders:	Cents	Cents	Cents
(i) Based on weighted average number of ordinary shares on issue	9.50	8.26	16.74
(ii) On a fully diluted basis	9.44	8.21	16.64

2 **CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FIRST HALF-YEAR ENDED 30 JUNE 2021**

The Statement of Comprehensive Income included as part of the results announcement is in compliance with the SFRS(I).

	GROUP		
	1H2021	1H2020	+ / (-)
	\$'000	\$'000	%
Profit after taxation	293,556	255,360	15.0
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Equity investments at FVOCI - net change in fair value	-	379	(100.0)
Items that are or may be reclassified subsequently to profit or loss			
Net fair value changes of cash flow hedges reclassified to income statement	(4,648)	19,994	NM
Effective portion of changes in fair value of cash flow hedges	(8,465)	(23,545)	(64.0)
Share of net fair value changes of cash flow hedges of joint ventures	1,081	(218)	NM
Foreign currency translation differences	12,415	67,847	(81.7)
Share of foreign currency translation differences of associates and joint ventures	6,568	7,635	(14.0)
Reserves released on disposal of a subsidiary	(5,345)	-	NM
	1,606	71,713	(97.8)
Other comprehensive income for the period, net of tax	1,606	72,092	(97.8)
Total comprehensive income for the period, net of tax	295,162	327,452	(9.9)
Total comprehensive income attributable to:			
Shareholders of the Company	305,391	325,125	(6.1)
Non-controlling interests	(10,229)	2,327	NM
	295,162	327,452	(9.9)

3 STATEMENT OF FINANCIAL POSITION

	GROUP		COMPANY	
	30-Jun-21	31-Dec-20	30-Jun-21	31-Dec-20
	\$'000	\$'000	\$'000	\$'000
ASSETS				
Non-current assets				
Property, plant and equipment	1,771,308	1,756,944	1,115	2,137
Right-of-use assets	530,316	538,809	75	3,558
Subsidiaries	-	-	1,383,573	1,363,251
Associates and joint ventures	474,437	468,912	-	17,657
Investments	23,540	23,138	-	-
Intangible assets	1,951,381	1,946,138	-	-
Long-term trade receivables	1,524	1,524	-	-
Deferred tax assets	163,713	149,387	3,049	2,500
Amounts due from related parties	8,496	8,547	-	-
Advances and other receivables	65,365	58,248	-	-
Derivative financial instruments	8,382	20,847	-	-
Post-employment benefits	315	319	-	-
	4,998,777	4,972,813	1,387,812	1,389,103
Current assets				
Contract assets	1,215,792	1,153,192	-	-
Inventories	1,178,262	1,269,192	-	-
Trade receivables	1,081,284	1,047,844	-	-
Amounts due from related parties	66,867	46,305	113,011	70,030
Advances and other receivables	308,355	317,741	4,554	1,653
Derivative financial instruments	13,885	23,614	-	-
Bank balances and other liquid funds	583,800	730,624	1,027	7,372
	4,448,245	4,588,512	118,592	79,055
TOTAL ASSETS	9,447,022	9,561,325	1,506,404	1,468,158
EQUITY AND LIABILITIES				
Current liabilities				
Contract liabilities	1,138,533	1,141,484	-	-
Deposits from customers	22,157	12,838	-	-
Trade payables and accruals	1,707,726	1,667,568	9,116	21,542
Amounts due to related parties	25,967	23,833	392,544	16,868
Provisions	303,827	306,758	-	-
Provision for taxation	153,867	163,703	1,570	3,267
Borrowings	484,046	496,335	29	2,014
Deferred Income	44,233	70,922	-	-
Post-employment benefits	7,505	7,996	-	-
Derivative financial instruments	10,320	4,554	-	-
	3,898,181	3,895,991	403,259	43,691
NET CURRENT ASSETS / (LIABILITIES)	550,064	692,521	(284,667)	35,364

3 STATEMENT OF FINANCIAL POSITION (cont'd)

	GROUP		COMPANY	
	30-Jun-21	31-Dec-20	30-Jun-21	31-Dec-20
	\$'000	\$'000	\$'000	\$'000
Non-current liabilities				
Contract liabilities	719,023	792,617	-	-
Trade payables and accruals	12,393	19,338	5,218	7,390
Provisions	30,308	29,801	-	-
Deferred tax liabilities	158,745	166,520	-	-
Borrowings	1,550,852	1,550,560	11	1,504
Deferred income	57,053	50,475	-	-
Post-employment benefits	475,462	462,548	-	-
Derivative financial instruments	16,059	18,686	-	-
	3,019,895	3,090,545	5,229	8,894
TOTAL LIABILITIES	6,918,076	6,986,536	408,488	52,585
NET ASSETS	2,528,946	2,574,789	1,097,916	1,415,573
Share capital and reserves				
Share capital	895,926	895,926	895,926	895,926
Treasury shares	(13,458)	(23,743)	(13,458)	(23,743)
Capital reserves	104,152	107,034	(11,829)	(8,940)
Other reserves	(105,686)	(89,017)	53,587	64,054
Retained earnings	1,386,587	1,402,414	173,690	488,276
Equity attributable to owners of the Company	2,267,521	2,292,614	1,097,916	1,415,573
Non-controlling interests	261,425	282,175	-	-
	2,528,946	2,574,789	1,097,916	1,415,573
TOTAL EQUITY AND LIABILITIES	9,447,022	9,561,325	1,506,404	1,468,158

3(a) ANALYSIS OF STATEMENT OF FINANCIAL POSITION

Compared to 31 December 2020, the Group's cash balance and net assets as at 30 June 2021 have decreased due largely to payment of FY2020 final dividend (\$312 million) in May 2021.

3(b) BORROWINGS

	GROUP		COMPANY	
	As at 30-Jun-21 \$'000	As at 31-Dec-20 \$'000	As at 30-Jun-21 \$'000	As at 31-Dec-20 \$'000
<u>Amount repayable within one year</u>				
Secured	75,747	73,647	29	2,014
Unsecured	408,299	422,688	-	-
	<u>484,046</u>	<u>496,335</u>	<u>29</u>	<u>2,014</u>
<u>Amount repayable after one year</u>				
Secured	495,409	506,801	11	1,504
Unsecured	1,055,443	1,043,759	-	-
	<u>1,550,852</u>	<u>1,550,560</u>	<u>11</u>	<u>1,504</u>
Total	<u>2,034,898</u>	<u>2,046,895</u>	<u>40</u>	<u>3,518</u>

3(c) FINANCIAL ASSETS AND LIABILITIES

Set out below is an overview of the financial assets and financial liabilities of the Group as at 30 June 2021 and 31 December 2020:

	GROUP	
	As at 30-Jun-21 \$'000	As at 31-Dec-20 \$'000
<u>Financial Assets</u>		
Investments	23,540	23,138
Associates	22,158	20,858
Derivative financial instruments	22,267	44,461
Trade receivables	1,082,808	1,049,368
Amount due from related parties	75,363	54,852
Advances and other receivables	164,601	146,400
Bank balances and other liquid funds	583,800	730,624
	<u>1,974,537</u>	<u>2,069,701</u>
<u>Financial liabilities</u>		
Derivative financial instruments	26,379	23,240
Trade payables and accruals	1,720,119	1,686,906
Amount due to related parties	25,967	23,833
Borrowings	2,034,898	2,046,895
	<u>3,807,363</u>	<u>3,780,874</u>

3(d) FAIR VALUE HIERARCHY

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The following table shows the levels of fair value hierarchy and the respective valuation technique used in measuring the fair values, as well as significant unobservable inputs:

	Types of financial instruments	Valuation method
Level 1	FVOCI - Equity investments (quoted)	Determined by reference to their quoted bid prices for these investments as at reporting date.
Level 2	FVOCI - Equity investments (unquoted)	Determined by reference to the most recent purchase price.
	Derivatives - Forward currency contracts - Interest rate swaps - Embedded derivatives	Determined based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.
	FVTPL - Investment in associates	Determined by reference to the most recent purchase price.
Level 3	FVOCI - Equity investment (unquoted)	Determined based on latest funding round.
	FVTPL - Investment in associates	Determined based on valuation performed using adjusted market multiples. Changing one or more of the inputs to reasonable alternative assumptions is not expected to have a material impact on the changes in fair value.

3(d) FAIR VALUE HIERARCHY (cont'd)

The following table presented the assets and liabilities measured at fair value:

30-Jun-21 Group	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets measured at fair value			
Investments	-	23,540	23,540
Associates	-	22,158	22,158
Derivative financial instruments	22,267	-	22,267
	<u>22,267</u>	<u>45,698</u>	<u>67,965</u>
Financial liabilities measured at fair value			
Derivative financial instruments	26,379	-	26,379
	<u>26,379</u>	<u>-</u>	<u>26,379</u>
31-Dec-20 Group	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets measured at fair value			
Investments	-	23,138	23,138
Associates	-	20,858	20,858
Derivative financial instruments	44,461	-	44,461
	<u>44,461</u>	<u>43,996</u>	<u>88,457</u>
Financial liabilities measured at fair value			
Derivative financial instruments	23,240	-	23,240
	<u>23,240</u>	<u>-</u>	<u>23,240</u>

3(e) NET ASSET VALUE

	GROUP		
	1H2021	1H2020	FY2020
	Cents	Cents	Cents
Net asset value per ordinary share at end of the period/year	72.70	71.49	73.59

	COMPANY		
	1H2021	1H2020	FY2020
	Cents	Cents	Cents
Net asset value per ordinary share at end of the period/year	35.20	41.03	45.44

4 CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FIRST HALF-YEAR ENDED 30 JUNE 2021

	GROUP	
	1H2021	1H2020
	\$'000	\$'000
Cash flows from operating activities		
Profit before taxation	339,796	286,410
Adjustments:		
Share of results of associates and joint ventures, net of tax	(11,588)	(13,755)
Share-based payment expense	8,471	9,569
Depreciation charge	146,227	149,312
Property, plant and equipment written off	785	185
Amortisation of other intangible assets	41,097	46,559
Gain on disposal of property, plant and equipment	(1,438)	(370)
Gain on disposal of subsidiaries, net	(11,275)	-
Loss on disposal of right-of-use assets	278	-
Changes in fair value of financial instruments and hedged items	633	1,703
Changes in fair value of associates	-	5,462
Interest expense	22,520	25,688
Interest income	(1,836)	(3,210)
Impairment of property, plant and equipment	9,000	1,035
Impairment of other intangible assets	-	5,064
Impairment of an associate	-	2,000
Amortisation of deferred income	(3)	(3)
Operating cash flow before working capital changes	<u>542,667</u>	<u>515,649</u>
Changes in:		
Inventories	94,407	(125,983)
Contract assets	(57,056)	(55,252)
Trade receivables	(27,441)	319,600
Advance payments to suppliers	22,863	(25,388)
Other receivables, deposits and prepayments	(20,271)	24,740
Amount due from holding company and related corporations balances	(4,235)	(3,556)
Amount due to holding company and related corporations balances	(7,449)	(1,597)
Amount due from associates	365	1,701
Amount due from joint ventures	(1,950)	(16,035)
Contract liabilities	(79,748)	667,363
Trade payables	178,073	(73,312)
Deposits from customers	9,123	20,888
Other payables, accruals and provisions	(141,777)	(229,460)
Deferred income	(20,108)	742
Foreign currency translation of foreign operations	5,701	1,331
Cash generated from operations	<u>493,164</u>	<u>1,021,431</u>
Interest received	1,836	3,900
Income tax paid	(69,316)	(8,457)
Net cash from operating activities	<u>425,684</u>	<u>1,016,874</u>

4 CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FIRST HALF-YEAR ENDED 30 JUNE 2021 (cont'd)

	GROUP	
	1H2021	1H2020
	\$'000	\$'000
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	4,784	2,605
Dividends from associates and joint ventures	14,343	7,351
Purchase of property, plant and equipment	(119,828)	(96,538)
Investment in associates and joint ventures	(992)	(2,022)
Loans to joint ventures	(13,282)	(20,901)
Additions to other intangible assets	(28,682)	(41,308)
Acquisition of controlling interests in a subsidiary, net of cash acquired	(11,735)	-
Disposal of subsidiaries, net of cash disposed	9,135	-
Net cash used in investing activities	(146,257)	(150,813)
Cash flows from financing activities		
Proceeds from bank loans	-	144,709
Proceeds from MTN issuance	-	1,058,400
Proceeds from issuance of commercial papers	369,903	-
Proceeds from other loans	10,881	-
Proceeds from finance lease receivables	752	1,238
Repayment of bank loans	(6,852)	(506,951)
Repayment of commercial papers	(403,530)	(1,285,690)
Repayment of lease obligations	(31,107)	(30,230)
Purchase of treasury shares	(11,542)	(14,661)
Acquisition of non-controlling interests in a subsidiary	(15,485)	-
Dividends paid to shareholders of the Company	(311,922)	(312,147)
Dividends paid to non-controlling interests	(8,554)	(2,000)
Interest paid	(21,983)	(36,837)
Deposits pledged	-	(9)
Net cash used in financing activities	(429,439)	(984,178)
Net decrease in cash and cash equivalents	(150,012)	(118,117)
Cash and cash equivalents at beginning of the period	729,479	452,095
Exchange difference on cash and cash equivalents at beginning of the period	3,187	7,831
Cash and cash equivalents at end of the period	582,654	341,809

4(a) ANALYSIS OF CONSOLIDATED STATEMENT OF CASH FLOWS

The Group ended the first half-year with cash and cash equivalents (CCE) of \$583 million, \$241 million higher than 1H2020. In 1H2021, the Group generated net cash of \$426 million from its operating activities as compared to \$1,017 million in 1H2020. Despite higher earnings before interest and tax, depreciation and amortisation (EBITDA), 1H2021 recorded lower net cash from operating activities due largely to higher customer advances received in 1H2020.

4(a) ANALYSIS OF CONSOLIDATED STATEMENT OF CASH FLOWS (cont'd)

Net cash used in investing activities of \$146 million in 1H2021 was attributable to the Group's investment in property, plant and equipment (\$120 million), additions to intangible assets (\$29 million), loans to joint ventures (\$13 million) and acquisition of a subsidiary (\$12 million).

Net cash used in financing activities of \$429 million in 1H2021 was mainly attributable to the payment of FY2020 final dividend (\$312 million), net repayment of commercial papers (\$34 million), lease obligations (\$31 million) and acquisition of non-controlling interests in a subsidiary (\$15 million).

5 STATEMENT OF CHANGES IN EQUITY FOR THE FIRST HALF-YEAR ENDED 30 JUNE 2021

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 1.1.2020	895,926	(26,731)	112,563	(149,445)	1,389,966	2,222,279	268,722	2,491,001
Total comprehensive income for the period								
Profit after taxation for the period	-	-	-	-	257,446	257,446	(2,086)	255,360
Other comprehensive income								
Net change in fair value -								
Equity investments at FVOCI	-	-	-	379	-	379	-	379
Reclassified to income statement -								
Net fair value changes on cash flow hedges	-	-	-	13,703	-	13,703	6,291	19,994
Effective portion of changes in fair value of cash flow hedges	-	-	-	(17,986)	-	(17,986)	(5,559)	(23,545)
Share of net fair value changes of cash flow hedges of joint ventures	-	-	-	(218)	-	(218)	-	(218)
Foreign currency translation differences	-	-	-	64,166	-	64,166	3,681	67,847
Share of foreign currency translation differences of associates and joint ventures	-	-	-	7,635	-	7,635	-	7,635
<i>Other comprehensive income for the period, net of tax</i>	-	-	-	67,679	-	67,679	4,413	72,092
Total comprehensive income for the period, net of tax	-	-	-	67,679	257,446	325,125	2,327	327,452
Hedging gains and losses and cost of hedging transferred to the cost of inventory	-	-	-	(340)	-	(340)	(3)	(343)
Transactions with owners of the Company, recognised directly in equity								
Contributions by and distributions to owners of the Company								
Cost of share-based payment	-	-	-	9,539	-	9,539	30	9,569
Purchase of treasury shares	-	(14,661)	-	-	-	(14,661)	-	(14,661)
Treasury shares reissued pursuant to share plans	-	29,995	(5,568)	(24,340)	-	87	(87)	-
Dividends paid	-	-	-	-	(312,147)	(312,147)	-	(312,147)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(2,000)	(2,000)
<i>Total contributions by and distributions to owners of the Company</i>	-	15,334	(5,568)	(14,801)	(312,147)	(317,182)	(2,057)	(319,239)
Total transactions with owners of the Company	-	15,334	(5,568)	(14,801)	(312,147)	(317,182)	(2,057)	(319,239)
Transfer from retained earnings to statutory reserve	-	-	-	171	(171)	-	-	-
At 30.06.2020	895,926	(11,397)	106,995	(96,736)	1,335,094	2,229,882	268,989	2,498,871

5 STATEMENT OF CHANGES IN EQUITY FOR THE FIRST HALF-YEAR ENDED 30 JUNE 2021 (cont'd)

Group	Share capital \$'000	Treasury Shares \$'000	Capital reserves \$'000	Other reserves \$'000	Retained earnings \$'000	Total \$'000	Non-controlling interests \$'000	Total equity \$'000
At 1.1.2021	895,926	(23,743)	107,034	(89,017)	1,402,414	2,292,614	282,175	2,574,789
Total comprehensive income for the period								
Profit after taxation for the period	-	-	-	-	296,095	296,095	(2,539)	293,556
Other comprehensive income								
Reclassified to income statement -								
Net fair value changes on cash flow hedges	-	-	-	(2,357)	-	(2,357)	(2,291)	(4,648)
Effective portion of changes in fair value of cash flow hedges	-	-	-	(3,731)	-	(3,731)	(4,734)	(8,465)
Share of net fair value changes of cash flow hedges of joint ventures	-	-	-	1,081	-	1,081	-	1,081
Foreign currency translation differences	-	-	-	13,080	-	13,080	(665)	12,415
Share of foreign currency translation differences of associates and joint ventures	-	-	-	6,568	-	6,568	-	6,568
Reserves released on disposal of a subsidiary	-	-	-	(5,345)	-	(5,345)	-	(5,345)
<i>Other comprehensive income for the period, net of tax</i>	-	-	-	9,296	-	9,296	(7,690)	1,606
Total comprehensive income for the period, net of tax	-	-	-	9,296	296,095	305,391	(10,229)	295,162
Hedging gains and losses and cost of hedging transferred to the cost of inventory	-	-	-	(1,982)	-	(1,982)	9	(1,973)
Transactions with owners of the Company, recognised directly in equity								
Contributions by and distributions to owners of the Company								
Cost of share-based payment	-	-	-	8,438	-	8,438	33	8,471
Purchase of treasury shares	-	(11,542)	-	-	-	(11,542)	-	(11,542)
Treasury shares reissued pursuant to share plans	-	21,827	(2,882)	(18,870)	-	75	(75)	-
Dividends paid	-	-	-	-	(311,922)	(311,922)	-	(311,922)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(8,554)	(8,554)
<i>Total contributions by and distributions to owners of the Company</i>	-	10,285	(2,882)	(10,432)	(311,922)	(314,951)	(8,596)	(323,547)
Changes in ownership interests in subsidiaries								
Acquisition of non-controlling interests in a subsidiary without a change in control	-	-	-	(13,551)	-	(13,551)	(1,934)	(15,485)
Total transactions with owners of the Company	-	10,285	(2,882)	(23,983)	(311,922)	(328,502)	(10,530)	(339,032)
At 30.06.2021	895,926	(13,458)	104,152	(105,686)	1,386,587	2,267,521	261,425	2,528,946

5 STATEMENT OF CHANGES IN EQUITY FOR THE FIRST HALF-YEAR ENDED 30 JUNE 2021 (cont'd)

Company	Share capital \$'000	Treasury Shares \$'000	Capital reserve \$'000	Share-based payment reserve \$'000	Retained earnings \$'000	Total equity \$'000
At 1.1.2020	895,926	(26,731)	(3,412)	68,952	484,612	1,419,347
Total comprehensive income for the period						
Profit after taxation for the period	-	-	-	-	177,653	177,653
Total comprehensive income for the period	-	-	-	-	177,653	177,653
Transactions with owners of the Company, recognised directly in equity						
Contributions by and distributions to owners of the Company						
Cost of share-based payment	-	-	-	9,569	-	9,569
Purchase of treasury shares	-	(14,661)	-	-	-	(14,661)
Treasury shares reissued pursuant to share plans	-	29,995	(5,582)	(24,413)	-	-
Dividends paid	-	-	-	-	(312,147)	(312,147)
<i>Total contributions by and distributions to owners of the Company</i>	-	15,334	(5,582)	(14,844)	(312,147)	(317,239)
At 30.06.2020	895,926	(11,397)	(8,994)	54,108	350,118	1,279,761
At 1.1.2021	895,926	(23,743)	(8,940)	64,054	488,276	1,415,573
Total comprehensive income for the period						
Profit after taxation for the period	-	-	-	-	(2,664)	(2,664)
Total comprehensive income for the period	-	-	-	-	(2,664)	(2,664)
Transactions with owners of the Company, recognised directly in equity						
Contributions by and distributions to owners of the Company						
Cost of share-based payment	-	-	-	8,471	-	8,471
Purchase of treasury shares	-	(11,542)	-	-	-	(11,542)
Treasury shares reissued pursuant to share plans	-	21,827	(2,889)	(18,938)	-	-
Dividends paid	-	-	-	-	(311,922)	(311,922)
<i>Total contributions by and distributions to owners of the Company</i>	-	10,285	(2,889)	(10,467)	(311,922)	(314,993)
At 30.06.2021	895,926	(13,458)	(11,829)	53,587	173,690	1,097,916

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

As at 30 June 2021, the Company has an issued share capital of 3,122,495,197 ordinary shares (31 December 2020: 3,122,495,197 ordinary shares) of which 3,680,901 were held by the Company as treasury shares (31 December 2020: 6,964,060).

	Number of Shares
	1H2021
As at beginning and end of the first half-year (including treasury shares)	3,122,495,197
As at end of the first half-year (excluding treasury shares)	3,118,814,296
As at 30 June 2020 (excluding treasury shares)	3,119,150,445
As at 31 December 2020 (excluding treasury shares)	3,115,531,137

Performance Share Plan
Singapore Technologies Engineering Performance Share Plan (PSP)

As at 30 June 2021, the total number of outstanding awards was 5,698,652 (30 June 2020: 5,778,342) ordinary shares of the Company. Based on the achievement factor, the actual release of the awards could range from zero to a maximum of 9,687,707 (30 June 2020: 9,823,181) ordinary shares of the Company.

Restricted Share Plan
Singapore Technologies Engineering Restricted Share Plan (RSP)

As at 30 June 2021, the total number of outstanding awards was 13,727,248 (30 June 2020: 14,185,858) ordinary shares of the Company.

Treasury Shares

During the first half year, the Company purchased 3,000,000 ordinary shares by way of open market acquisitions, all of which were held by the Company as treasury shares (1H2020: 4,300,000).

During the first half-year, 6,283,159 treasury shares were utilised pursuant to the RSP and PSP (1H2020: 7,708,955).

As at 30 June 2021, the number of treasury shares held by the Company represented 0.12% (30 June 2020: 0.11%) of the total number of issued shares (excluding treasury shares).

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

<u>Group and Company</u>	Number of Treasury Shares for the half-year ended 30.06.2021
As at beginning of the year	6,964,060
Purchase of treasury shares	3,000,000
Treasury shares transferred on vesting of RSP	(5,586,046)
Treasury shares transferred on vesting of PSP	(697,113)
As at end of the first half-year	<u>3,680,901</u>

6 **AUDIT**

The condensed consolidated statement of financial position of Singapore Technologies Engineering Ltd and its subsidiaries as at 30 June 2021 and the related condensed consolidated profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and certain explanatory notes have not been audited or reviewed.

7 **AUDITORS' REPORT**

Not applicable.

8 REVIEW OF GROUP PERFORMANCE
8(a) Revenue
1H2021 vs 1H2020

\$m	1H2021	1H2020	Increase/(Decrease)	
Commercial Aerospace	1,136	1,267	(131)	(10%)
Urban Solutions & Satcom	528	471	56	12%
Defence & Public Security	1,987	1,834	153	8%
Total	3,651	3,572	79	2%

The Group generated revenue of \$3,651 million in 1H2021, an increase of 2% or \$79 million as compared to 1H2020. In the prior year, 1Q2020 performance was still tracking pre-COVID-19 levels and COVID-19 impact only manifested in the Group's results from April 2020 onwards.

Commercial Aerospace's revenue of \$1,136 million was lower by 10% or \$131 million lower as compared to 1H2020, attributable to Aerostructure & Systems and Aerospace MRO as 1Q2020 was pre-COVID-19.

In 1H2021, Urban Solutions & Satcom delivered revenue of \$528 million, 12% or \$56 million higher as compared to 1H2020. Smart Mobility and Satcom businesses contributed to the higher revenue.

Defence and Public Security's revenue increased by 8% or \$153 million to \$1,987 million in 1H2021. The increase was contributed mainly by Digital Systems & Cyber, Land Systems and Defence Aerospace.

8 REVIEW OF GROUP PERFORMANCE (cont'd)

8(b) Profitability – Earnings before interest and tax
1H2021 vs 1H2020

\$m	1H2021	1H2020	Increase/(Decrease)	
Commercial Aerospace	102.6	74.7	27.9	37%
Urban Solutions & Satcom	10.8	(21.0)	31.8	NM
Defence & Public Security	241.7	260.4	(18.7)	(7%)
Total	355.1	314.1	41.0	13%

The Group's earnings before interest and tax (EBIT) of \$355.1 million for 1H2021 was higher than 1H2020 by 13% or \$41.0 million.

In 1H2021, Commercial Aerospace's EBIT increased by 37% or \$27.9 million to \$102.6 million as compared to 1H2020. The increase was due to higher government support, partially offset by impact of lower revenue and impairment of property, plant and equipment.

Compared to the loss in 1H2020, Urban Solutions & Satcom in 1H2021 recorded EBIT of \$10.8 million. The improved performance was largely due to contribution from higher revenue and lower operating expenses, partially offset by lower government support.

Defence and Public Security's EBIT of \$241.7 million was 7% or \$18.7 million lower as compared to 1H2020. The decrease was due to lower government support, partially offset by contribution from higher revenue and gain recognised on the receipt of liquidation proceeds of subsidiaries.

8(b) Profitability – Net Profit
1H2021 vs 1H2020

\$m	1H2021	1H2020	Increase/(Decrease)	
Net Profit	296.1	257.4	38.6	15%

The Group's net profit of \$296.1 million in 1H2021 was higher than 1H2020 by 15% or \$38.6m due mainly to higher EBIT and lower finance costs, partially offset by higher tax expense.

9 **SEASONAL OPERATIONS**

Based on historical trends, the Group's half-yearly revenue is not significantly affected by seasonal factors. The average ratio of the Group's revenue for the first half to the second half of the year is 48:52¹, excluding the effects of acquisitions.

10 **VARIANCE FROM PROSPECTS STATEMENT**

No forecast for 1H2021 was previously provided.

11 **PROSPECTS**

Group

The Group delivered a good set of results for the first half of 2021 amidst a challenging operating environment. We had also secured contract wins across our businesses that led to a robust order book, which continues to provide revenue visibility in the periods ahead.

We remain steadfast in the pursuit of our strategy to emerge stronger as the business environment improves. The diversity of our business portfolio, and our focus on seizing growth opportunities, coupled with productivity and cost management measures will continue to position us well into the future.

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.

¹ Based on the average of the past three financial years of 2017 – 2019, prior to the onset of the COVID-19 pandemic in 2020 and excluding the effect of acquisitions.

12 DIVIDENDS

On 11 August 2021, the Directors approved an interim dividend of 5.0 cents per ordinary share for the financial year ending 31 December 2021.

The financial statements for the first half-year ended, and as at 30 June 2021, do not reflect this interim dividend. The dividend will be accounted for in shareholders' equity as an appropriation of Retained Earnings in the financial year ending 31 December 2021.

(a) Current Financial Period Reported On

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

Name of Dividend	Interim tax exempt (1-tier)
Dividend Type	Cash
Dividend Per Share	5.0 cents per ordinary share

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? Yes

Name of Dividend	Interim tax exempt (1-tier)
Dividend Type	Cash
Dividend Per Share	5.0 cents per ordinary share

(c) Record and Dividend Payment Dates

NOTICE IS HEREBY GIVEN THAT The Register of Members and Share Transfer Books will be closed on 23 August 2021 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 20 August 2021 will be registered to determine members' entitlements to the interim dividend. Subject as aforesaid, members whose securities accounts with The Central Depository (Pte) Limited are credited with ordinary shares in the capital of the Company as at 5.00 p.m. on 20 August 2021 will be entitled to the interim dividend. The interim dividend will be paid on 31 August 2021.

13 BUSINESS SEGMENTAL INFORMATION

With effect from 1 January 2021, the Group is reorganised as Commercial and Defence & Public Security clusters, replacing the sector-structure of Aerospace, Electronics, Land Systems and Marine.

The Commercial cluster will drive the Group's international growth through areas in Commercial Aerospace, and Urban Solutions & Satcom domains, to be known as Global Business Areas (or GBAs), which are also reportable business segments.

The Defence & Public Security cluster will integrate capabilities to be organised as a single cluster which is a reportable business segment, comprising Defence Business Areas (or DBAs), namely Digital Systems and Cyber, Land Systems, Marine and Defence Aerospace.

13 BUSINESS SEGMENTAL INFORMATION (cont'd)

The principal activities of the aforementioned reportable business segments are as follows:

Segments	Principal Activities
Commercial Aerospace	Airframe, engines and components maintenance, repair and overhaul, original equipment manufacturer for nacelles, composite floorboard and passenger-to-freighter conversions and aviation asset management.
Urban Solutions & Satcom	Smart mobility, smart utilities & infrastructure, urban environment solutions and satcom.
Defence and Public Security	Defence, public safety and security, critical information infrastructure solutions and others, including Group HQ functions.

By Business Activity

	1H2021				Group \$'000
	Commercial Aerospace \$'000	Urban Solutions & Satcom \$'000	Defence & Public Security \$'000	Elimination \$'000	
Revenue					
External sales	1,136,127	527,775	1,986,988	-	3,650,890
Inter-segment sales	30,444	25,239	20,545	(76,228)	-
	<u>1,166,571</u>	<u>553,014</u>	<u>2,007,533</u>	<u>(76,228)</u>	<u>3,650,890</u>
Reportable segment profit from operations	89,679	15,777	226,780	-	332,236
Non-operating (expenses)/income	(1,043)	-	12,318	-	11,275
Share of results of associates and joint ventures, net of tax	13,932	(4,951)	2,607	-	11,588
Earnings before interest and tax	102,568	10,826	241,705	-	355,099
Finance income					9,848
Finance costs					(25,151)
Profit before taxation					339,796
Taxation					(46,240)
Non-controlling interests					2,539
Profit attributable to shareholders					<u>296,095</u>
Other assets	4,247,528	2,127,273	7,901,626	(5,303,842)	8,972,585
Associates and joint ventures	295,251	57,730	121,456	-	474,437
Segment assets	<u>4,542,779</u>	<u>2,185,003</u>	<u>8,023,082</u>	<u>(5,303,842)</u>	<u>9,447,022</u>
Segment liabilities	<u>3,670,680</u>	<u>1,578,747</u>	<u>6,474,870</u>	<u>(4,806,221)</u>	<u>6,918,076</u>
Capital expenditure	58,773	61,471	59,645	-	179,889
Depreciation and amortisation	79,979	40,424	67,099	(178)	187,324
Impairment losses	9,000	-	-	-	9,000
Other non-cash expenses	375	200	210	-	785

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

	1H2020 (Restated)*				
	Commercial Aerospace \$'000	Urban Solutions & Satcom \$'000	Defence & Public Security \$'000	Elimination \$'000	Group \$'000
Revenue					
External sales	1,266,759	471,372	1,833,780	-	3,571,911
Inter-segment sales	29,227	12,131	18,335	(59,693)	-
	<u>1,295,986</u>	<u>483,503</u>	<u>1,852,115</u>	<u>(59,693)</u>	<u>3,571,911</u>
Reportable segment					
profit from operations	60,862	(18,225)	259,699	-	302,336
Non-operating expenses	-	-	(2,000)	-	(2,000)
Share of results of					
associates and joint					
ventures, net of tax	13,809	(2,768)	2,714	-	13,755
Earnings before interest					
and tax	74,671	(20,993)	260,413	-	314,091
Finance income					6,288
Finance costs					(33,969)
Profit before taxation					<u>286,410</u>
Taxation					(31,050)
Non-controlling interests					<u>2,086</u>
Profit attributable to					
shareholders					<u>257,446</u>
Other assets	4,142,764	2,050,130	8,087,106	(5,299,948)	8,980,052
Associates and					
joint ventures	273,288	65,435	123,105	-	461,828
Segment assets	<u>4,416,052</u>	<u>2,115,565</u>	<u>8,210,211</u>	<u>(5,299,948)</u>	<u>9,441,880</u>
Segment liabilities	<u>3,278,238</u>	<u>1,719,240</u>	<u>6,877,033</u>	<u>(4,931,502)</u>	<u>6,943,009</u>
Capital expenditure	53,225	49,283	64,811	-	167,319
Depreciation and					
amortisation	82,909	46,620	70,765	(4,423)	195,871
Impairment losses	5,064	-	3,035	-	8,099
Other non-cash expenses	143	25	17	-	185

* 1H2020 business segment information have been restated following the re-organisation of the Group into Commercial and Defence & Public Security clusters with effect from 1 January 2021, replacing the sector-structure of Aerospace, Electronics, Land Systems and Marine.

13 BUSINESS SEGMENTAL INFORMATION (cont'd)
Disaggregation of Revenue
Major products/service lines

	1H2021		1H2020	
	\$'000	%	\$'000	%
Sale of goods	1,292,904	35.4	1,306,455	36.6
Service income	832,496	22.8	837,875	23.4
Contract revenue	1,525,490	41.8	1,427,581	40.0
Total	3,650,890	100	3,571,911	100

Timing of revenue recognition

	1H2021		1H2020	
	\$'000	%	\$'000	%
Transferred at a point in time	1,616,365	44.3	1,527,479	42.8
Transferred over time	2,034,525	55.7	2,044,432	57.2
Total	3,650,890	100	3,571,911	100

By Geographical Areas

	Revenue			
	1H2021		1H2020	
	\$'000	%	\$'000	%
Asia	2,149,042	58.9	1,840,100	51.5
U.S.	757,810	20.8	852,291	23.9
Europe	567,134	15.5	669,281	18.7
Others	176,904	4.8	210,239	5.9
Total	3,650,890	100	3,571,911	100

By Country of Incorporation

	Revenue			
	1H2021		1H2020	
	\$'000	%	\$'000	%
Asia	2,338,352	64.0	2,141,252	60.0
U.S.	987,648	27.1	1,111,934	31.1
Europe	305,547	8.4	290,133	8.1
Others	19,343	0.5	28,592	0.8
Total	3,650,890	100	3,571,911	100

	Non-Current Assets ⁺			
	1H2021		1H2020	
	\$'000	%	\$'000	%
Asia	1,871,705	38.8	1,795,108	37.2
U.S.	1,638,110	33.9	1,694,976	35.2
Europe	1,216,843	25.2	1,241,188	25.7
Others	99,709	2.1	93,101	1.9
Total	4,826,367	100	4,824,373	100

⁺ Non-current assets for the purpose of SFRS(I) 8 *Operating Segments* excludes derivative financial instruments, post-employment benefits and deferred tax assets.

14 INTERESTED PERSON TRANSACTIONS (unaudited)

Name of interested person	Nature of relationship	Aggregate value of all interested person transactions (excluding transactions less than \$100,000 and transactions conducted under a shareholders mandate pursuant to Rule 920)		Aggregate value of all interested person transactions conducted under a shareholders mandate pursuant to Rule 920 (excluding transactions less than \$100,000)	
		1H2021 \$'000	1H2020 \$'000	1H2021 \$'000	1H2020 \$'000
Transactions for the Sale of Goods and Services					
CapitaLand Limited and its Associates	Temasek Holdings	-	-	-	691
SATS Ltd. and its Associates	(Private) Limited is	-	-	611	5,028
SembCorp Industries Ltd and its Associates	a controlling	-	-	45,638	151
Singapore Airlines Limited and its Associates	shareholder of the	-	-	937	-
SIA Engineering Company Limited and its Associates	Company. The	-	-	-	102
Singapore Telecommunications Limited and its Associates	other named	-	-	2,702	481
StarHub Ltd and its Associates	interested persons	-	-	430	1,315
Temasek Holdings (Private) Limited and its Associates (non-listed)	are its associates.	-	-	6,144	34,814
		-	-	56,463	42,582
Transactions for the Purchase of Goods and Services					
CapitaLand Limited and its Associates	Temasek Holdings	-	-	110	-
SATS Ltd. and its Associates	(Private) Limited is	-	-	94	2,292
SembCorp Industries Ltd and its Associates	a controlling	-	-	199	2,026
Singapore Telecommunications Limited and its Associates	shareholder of the	-	-	837	161
StarHub Ltd and its Associates	Company. The	-	-	482	-
Temasek Holdings (Private) Limited and its Associates (non-listed)	other named	-	-	7,513	47,492
	interested persons are its associates.	-	-	9,236	51,971
		-	-	9,236	51,971
Total Interested Person Transactions		-	-	65,699	94,553

15 SUBSEQUENT EVENTS

There are no known subsequent events which have led to adjustments to this set of interim financial statements.

16 CONFIRMATION PURSUANT TO RULE 705(5) OF THE LISTING MANUAL

The Board has confirmed that to the best of its knowledge, nothing has come to its attention which may render the unaudited interim financial results of the Group comprising the statement of financial position (Group and Company), consolidated income statement, consolidated statement of comprehensive income, statement of changes in equity (Group and Company) and consolidated statement of cash flows and the accompanying notes for the first half-year ended 30 June 2021 to be false or misleading in any material respect.

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).

BY ORDER OF THE BOARD

LOW MENG WAI
Company Secretary
12 August 2021

Media Contact:
Lina Poa
Group Head Corporate Communications & Investor Relations
Tel: (65) 6722 1883
Fax: (65) 6720 2293
Email: linapoa@stengg.com