

News Release

ST Engineering Posts Higher Year-on-Year Revenue and Profits for 1Q2019

FINANCIAL HIGHLIGHTS For the first quarter ended 31 March 2019			
	2019 1Q	2018 1Q	Change %
Revenue (\$m)	1,731	1,647	5
Earnings before interest and tax (EBIT) (\$m)	141.9	122.1	16
Other income, net (\$m)	10.2	8.6	18
Finance costs, net (\$m)	(0.9)	(2.2)	58
Profit before tax (PBT) (\$m)	159.9	144.0	11
Profit attributable to shareholders (Net Profit) (\$m)	131.1	117.7	11
Earnings per share (cents)	4.20	3.78	11

- Order book of \$14.1b at end March 2019, of which about \$4.2b is expected to be delivered in the remaining months of 2019
- Commercial sales and defence sales constituted 70% or \$1.2b and 30% or \$0.5b respectively
- Cash and cash equivalents of \$0.6b

N.B.: All currencies are in Singapore dollars

Singapore, 15 May 2019 - Singapore Technologies Engineering Ltd (ST Engineering) today reported that it achieved higher year-on-year (y-o-y) revenue and profits for its first quarter ended 31 March 2019 (1Q2019). Compared to a year ago, Group revenue increased 5% to \$1.73b from \$1.65b, and Profit before tax (PBT) of \$159.9m was 11% higher from \$144.0m and Profit attributable to shareholders (Net Profit) was \$131.1m, up 11% from \$117.7m.

At the business sector level, revenue for the Aerospace sector increased 4% y-o-y to \$622m from \$599m, and Net Profit was up 6% y-o-y to \$62.7m from \$59.2m. Revenue for the Electronics sector was \$563m, down 7% from its high base a year ago in 1Q2018 which was a strong quarter with 22% y-o-y growth. Notwithstanding the lower revenue, its Net Profit was up 8% y-o-y to \$43.4m from \$40.3m due to favourable sales mix. Revenue for the Land Systems sector was up 34% to \$377m from \$281m the year before, driven by broad-based growth across its business groups, and its Net Profit dropped 3% y-o-y to \$15.2m from \$15.6m mainly due to the absence of a favourable tax finalisation adjustment. The Marine sector's revenue was flat at \$149m and its Net Profit grew 38% y-o-y to \$12.0m from \$8.7m largely due to improved U.S. shipbuilding performance.

"We had a good start to the year and our recent contract wins have increased our order book to a high of \$14.1b. Our focus remains on strengthening our core businesses and pursuing growth in Smart City and in the international defence business.

On the M&A front, we have agreed to acquire Newtec Groupⁱ, which operates in the high-tech satellite communications industry driving connectivity. This acquisition is expected to complete in 2H2019, and when combined with our existing satellite communications businesses, will further enhance our value proposition for Smart City."

Vincent Chong, President & CEO, ST Engineering

Revenue split between Commercial and Defence sales for 1Q2019 was 70%:30%. The Group ended the quarter with \$0.6b cash and cash equivalents.

New Order Book Record and Contracts Wins in 1Q2019

As at 31 March 2019, the Group's order book stood at a high of \$14.1b, of which \$4.2b is expected to be delivered in the remaining months of 2019.

The Group announced a combined value of \$2.1b new contracts for the Aerospace and Electronics sectors. \$1.3b was from the Aerospace sector for services ranging from a 10-year heavy maintenance support for a major North American operator's entire fleet of A300s and Boeing 757 and component support for new African and European airline customers. The Electronics sector received \$818m worth of contracts from global customers for its mobility, satellite communications, Internet of Things, cybersecurity, public safety and security, and defence solutions.

In addition to the above new wins, the Land Systems sector hit a major milestone with its first seaport contract to supply 80 automated guided vehicles to Singapore's container port operator, PSA Corporation. The Marine sector was selected by Naval Sea Systems Command for a Phase One Preliminary/Contract design for the National Oceanic and Atmospheric Administration AGOR Variant, and the U.S. Navy exercised the option for the first of four Auxiliary Personnel Lighter (APL(S)) berthing barges, bringing the total number of APL(S) berthing barges to be constructed at the Group's U.S. shipyard to three.

Significant Updates in April 2019

The Group has completed the acquisition of MRA Systemsⁱⁱ, LLC at a net consideration of about US\$506m (approximately S\$683m) on 18 April 2019 and is now focused on integrating the business with the Aerospace sector.

On 24 April 2019, the Group announced that the U.S. Department of the Navy has awarded its U.S. shipyard the Polar Security Cutter (PSC) contractⁱⁱⁱ. The contract includes options which, if exercised, would bring the cumulative value of this contract to about US\$1.9b (about S\$2.6b). The first PSC is expected to be delivered in 2024.

ST Engineering is a global technology, defence and engineering group specialising in the aerospace, electronics, land systems and marine sectors. The Group employs about 22,000 people across offices in Asia, the Americas, Europe and the Middle East, serving customers in the defence, government and commercial segments in more than 100 countries. With more than 500 smart city projects across 70 cities in its track record, the Group continues to help transform cities through its suite of Smart Mobility, Smart Security and Smart Environment solutions. Headquartered in Singapore, ST Engineering reported revenue of \$6.7b in FY2018 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, SGX ESG Transparency Index and SGX ESG Leaders Index.

For further enquiries, please contact:

Lina Poa
Head, Corporate Communications & Investor Relations
Tel: (65) 6722 1883
Email: linapoa@stengg.com

Sylvia Lee
Manager, Investor Relations
Tel: (65) 6722 1849
Email: lee.ruiting.sylvia@stengg.com

ⁱ <http://www.stengg.com/en/newsroom/news-releases/st-engineering-positions-for-growth-in-satcom-market-with-offer-to-acquire-newtec-for-250m/>

ⁱⁱ <http://www.stengg.com/en/newsroom/news-releases/st-engineering-completes-acquisition-of-mra-systems-llc/>

ⁱⁱⁱ <http://www.stengg.com/en/newsroom/news-releases/st-engineering-secures-up-to-s-26b-polar-security-cutter-contract-from-the-us-navy/>

FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2019
TABLE OF CONTENTS

<u>Paragraph</u>	<u>Description</u>	<u>Page</u>
	FINANCIAL STATEMENTS AND RELATED ANNOUNCEMENT	1 – 22
1	CONSOLIDATED INCOME STATEMENT	1 – 3
2	BALANCE SHEETS	4 – 6
3	CONSOLIDATED STATEMENT OF CASH FLOWS	7 – 9
4	CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	9
5	STATEMENT OF CHANGES IN EQUITY	10 – 14
6	AUDIT	14
7	AUDITORS' REPORT	14
8	ACCOUNTING POLICIES	14
9	CHANGES IN ACCOUNTING POLICIES	14
10	REVIEW OF GROUP PERFORMANCE	15 – 16
11	VARIANCE FROM PROSPECTS STATEMENT	17
12	PROSPECTS	17
13	DIVIDENDS	17
14	BUSINESS SEGMENTAL INFORMATION	18 – 20
15	INTERESTED PERSON TRANSACTIONS	21
16	CONFIRMATION BY THE BOARD	21
17	CONFIRMATION OF DIRECTORS AND EXECUTIVE OFFICERS' UNDERTAKINGS PURSUANT TO LISTING RULE 720(1)	22

SINGAPORE TECHNOLOGIES ENGINEERING LTD
UNAUDITED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2019

1 **CONSOLIDATED INCOME STATEMENT FOR THE FIRST QUARTER ENDED 31 MARCH 2019**

	GROUP		
	1Q2019 \$'000	1Q2018 \$'000	+ / (-) %
Revenue	1,731,305	1,646,564	5.1
Cost of sales	(1,382,544)	(1,320,657)	4.7
Gross profit	348,761	325,907	7.0
Distribution and selling expenses	(46,616)	(49,375)	(5.6)
Administrative expenses	(133,414)	(122,207)	9.2
Other operating expenses (refer to para 1.6)	(26,843)	(32,204)	(16.6)
Earnings before interest and tax	141,888	122,121	16.2
Other income	10,185	13,705	(25.7)
Other expenses	-	(5,076)	(100.0)
Other income, net (refer to para 1.7)	10,185	8,629	18.0
Finance income	8,048	15,068	(46.6)
Finance costs	(8,962)	(17,261)	(48.1)
Finance costs, net (refer to para 1.2)	(914)	(2,193)	(58.3)
Share of results of associates and joint ventures, net of tax (refer to para 1.8)	8,783	15,424	(43.1)
Profit before taxation	159,942	143,981	11.1
Taxation	(26,016)	(23,949)	8.6
Profit after taxation	133,926	120,032	11.6
Attributable to:			
Shareholders of the Company	131,121	117,695	11.4
Non-controlling interests	2,805	2,337	20.0
	133,926	120,032	11.6

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

	GROUP		
	1Q2019	1Q2018	+ / (-)
	\$'000	\$'000	%
1.1 Earnings before interest and tax is arrived at after charging the following:			
Depreciation and amortisation	75,417	57,185	31.9
The higher depreciation and amortisation in 1Q2019 was mainly attributable to the depreciation of right-of-use assets following the adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) 16 - Leases on 1 January 2019.			
Impairment loss on trade receivables and contract assets	434	989	(56.1)
The lower impairment loss in 1Q2019 was due mainly to lower impairment loss from Aerospace and Electronics sectors, partially offset by higher impairment loss from Land Systems and Marine sectors.			
Allowance for inventory obsolescence, net	10,482	10,625	(1.3)
The allowance for inventory obsolescence in 1Q2019 was largely similar to 1Q2018.			
1.2 Finance costs, net comprises:			
Interest income	4,582	5,920	(22.6)
Foreign exchange gain, net	1,978	5,633	(64.9)
Fair value changes of financial instruments / hedged items	(486)	(2,863)	(83.0)
Loss on disposal of investments, net	-	(476)	(100.0)
Interest expenses	(7,152)	(10,407)	(31.3)
Others	164	-	NM
	<u>(914)</u>	<u>(2,193)</u>	(58.3)
NM - Not Meaningful			
1.3 Profit after taxation as a percentage of revenue	7.7%	7.3%	
1.4 Profit attributable to shareholders as a percentage of share capital and reserves at end of the period	5.7%	5.1%	
1.5 The Group's tax charge in 1Q2019 included adjustments for underprovision of current tax of \$0.5 million and overprovision deferred tax of \$0.5 million in respect of prior years. (1Q2018: Adjustments for overprovision of both current tax and deferred tax of \$2.8 million and \$1.4 million respectively.)			
1.6 The lower other operating expenses in 1Q2019 (by \$5.4 million) was due mainly to lower research and development expenses.			
1.7 The higher other income, net (by \$1.6 million) was mainly attributable to absence of divestment loss arising from portfolio rationalisation activities in 1Q2018, partially offset by lower government grants.			
1.8 The share of results of associates and joint ventures, net of tax, decreased (by \$6.6 million) largely due to absence of contribution from Experia Events Pte. Ltd., the organiser of Singapore Airshow 2018.			
1.9 There was no disposal of property during the period.			

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

	GROUP		
	2019	2018	+ / (-)
	\$'000	\$'000	%
Revenue reported for first quarter	1,731,305	1,646,564	5.1
Profit after taxation reported for first quarter	133,926	120,032	11.6

1(c) EARNINGS PER ORDINARY SHARE (EPS)

	GROUP		
	1Q2019	1Q2018	FY2018
EPS based on profit attributable to shareholders:	Cents	Cents	Cents
(i) Based on weighted average number of ordinary shares on issue	4.20	3.78	15.85
(ii) On a fully diluted basis	4.18	3.76	15.76

2 BALANCE SHEETS

	GROUP		COMPANY	
	31-Mar-19	31-Dec-18	31-Mar-19	31-Dec-18
	\$'000	\$'000	\$'000	\$'000
ASSETS				
Non-current assets				
Property, plant and equipment	1,707,017	1,742,742	18,531	18,129
Right-of-use assets	427,958	-	362	-
Subsidiaries	-	-	1,314,064	1,328,153
Associates and joint ventures	447,613	455,703	17,657	17,657
Investments	16,271	16,392	-	-
Intangible assets	1,141,058	1,151,238	-	-
Long-term trade receivables	1,189	1,172	-	-
Deferred tax assets	76,219	72,136	365	365
Amounts due from related parties	4,806	4,806	-	-
Advances and other receivables	10,488	20,074	-	-
Derivative financial instruments	15,334	11,483	-	-
Employee benefits	-	-	-	-
	3,847,953	3,475,746	1,350,979	1,364,304
Current assets				
Contract assets	1,039,641	1,070,396	-	-
Inventories	1,133,098	1,183,510	-	-
Trade receivables	1,088,452	1,137,816	-	-
Amounts due from related parties	22,181	35,392	61,840	46,382
Advances and other receivables	239,393	253,961	2,676	9,170
Short-term investments	536	422	-	-
Bank balances and other liquid funds	609,893	415,780	84,879	273,456
	4,133,194	4,097,277	149,395	329,008
TOTAL ASSETS	7,981,147	7,573,023	1,500,374	1,693,312
EQUITY AND LIABILITIES				
Current liabilities				
Contract liabilities	1,350,625	1,324,093	-	-
Deposits from customers	3,046	4,219	-	-
Trade payables and accruals	1,746,017	1,829,758	12,974	21,337
Amounts due to related parties	83,640	85,445	8,428	210,275
Provisions	212,648	212,935	-	-
Provision for taxation	178,759	163,232	1,400	4,518
Borrowings	194,417	225,416	118	-
Deferred Income	2,002	3,761	-	-
Employee benefits	2,378	2,401	-	-
	3,773,532	3,851,260	22,920	236,130
NET CURRENT ASSETS	359,662	246,017	126,475	92,878

2 BALANCE SHEETS (cont'd)

	GROUP		COMPANY	
	31-Mar-19	31-Dec-18	31-Mar-19	31-Dec-18
	\$'000	\$'000	\$'000	\$'000
Non-current liabilities				
Contract liabilities	574,998	495,453	-	-
Trade payables and accruals	62,655	80,345	9,043	8,706
Amounts due to related parties	-	-	970	964
Provisions	16,414	-	-	-
Deferred tax liabilities	169,677	170,726	-	-
Borrowings	613,332	270,363	207	-
Deferred income	36,043	42,405	-	-
Employee benefits	105,924	108,016	-	-
Derivative financial instruments	25,223	19,842	-	-
	1,604,266	1,187,150	10,220	9,670
TOTAL LIABILITIES	5,377,798	5,038,410	33,140	245,800
NET ASSETS	2,603,349	2,534,613	1,467,234	1,447,512
Share capital and reserves				
Share capital	895,926	895,926	895,926	895,926
Treasury shares	(3,325)	(9,030)	(3,325)	(9,030)
Capital reserves	112,898	118,174	(3,100)	2,199
Other reserves	(129,498)	(72,054)	51,091	65,054
Retained earnings	1,444,482	1,313,361	526,642	493,363
Equity attributable to owners of the Company	2,320,483	2,246,377	1,467,234	1,447,512
Non-controlling interests	282,866	288,236	-	-
	2,603,349	2,534,613	1,467,234	1,447,512
TOTAL EQUITY AND LIABILITIES	7,981,147	7,573,023	1,500,374	1,693,312

2(a) ANALYSIS OF BALANCE SHEETS

Compared to 31 December 2018, the Group's total assets and total liabilities increased due mainly to recognition of right-of-use assets in accordance with SFRS(I) 16 *Leases*. The corresponding lease liabilities are included as part of borrowings.

2(b) BORROWINGS

	GROUP	
	As at 31-Mar-19 \$'000	As at 31-Dec-18 \$'000
<u>Amount repayable within one year</u>		
Secured	68,884	18,185
Unsecured	<u>125,533</u>	<u>207,231</u>
	<u>194,417</u>	<u>225,416</u>
<u>Amount repayable after one year</u>		
Secured	412,565	77,341
Unsecured	<u>200,767</u>	<u>193,022</u>
	<u>613,332</u>	<u>270,363</u>
Total	<u>807,749</u>	<u>495,779</u>

2(c) NET ASSET VALUE

	GROUP		
	1Q2019	1Q2018	FY2018
	Cents	Cents	Cents
Net asset value per ordinary share at end of the period/year	74.34	74.57	72.00

	COMPANY		
	1Q2019	1Q2018	FY2018
	Cents	Cents	Cents
Net asset value per ordinary share at end of the period/year	47.00	45.36	46.40

3 CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FIRST QUARTER ENDED 31 MARCH 2019

	GROUP	
	1Q2019	1Q2018
	\$'000	\$'000
Cash flows from operating activities		
Profit before taxation	159,942	143,981
Adjustments:		
Share of results of associates and joint ventures, net of tax	(8,783)	(15,424)
Share-based payment expense	4,433	1,479
Depreciation charge	61,723	47,101
Property, plant and equipment written off	230	186
Amortisation of other intangible assets	13,694	10,084
Write-back of impairment loss on other intangible assets	-	(3)
Gain on disposal of property, plant and equipment	(290)	(108)
Loss on disposal of investments, net	-	476
Loss on disposal of an associate	-	324
Loss on disposal of subsidiaries	-	4,752
Changes in fair value of financial instruments and hedged items	486	2,863
Interest expense	7,152	10,407
Interest income	(4,582)	(5,920)
Dividends from investments	(164)	-
Amortisation of deferred income	(16)	(16)
Operating cash flow before working capital changes	<u>233,825</u>	<u>200,182</u>
Changes in:		
Inventories	45,945	27,122
Contract assets	29,050	(48,382)
Trade receivables	45,071	57,190
Advance payments to suppliers	(3,020)	(4,040)
Other receivables, deposits and prepayments	2,389	(14,037)
Amount due from holding company and related corporations balances	(4,927)	12,737
Amount due to holding company and related corporations balances	(2,427)	1,599
Amount due from associates	7,843	8,509
Amount due from joint ventures	14,917	(5,286)
Contract liabilities	107,335	147,093
Trade payables	(35,219)	68,716
Deposits from customers	(1,173)	665
Other payables, accruals and provisions	(55,789)	(19,829)
Loans to staff and third parties	(274)	(5)
Deferred income	(632)	7,392
Foreign currency translation of foreign operations	(3,355)	(1,381)
Cash generated from operations	<u>379,559</u>	<u>438,245</u>
Interest received	2,830	6,526
Income tax paid	(13,088)	(14,053)
Net cash from operating activities	<u>369,301</u>	<u>430,718</u>

3 CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FIRST QUARTER ENDED 31 MARCH 2019 (cont'd)

	GROUP	
	1Q2019	1Q2018
	\$'000	\$'000
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	332	621
Proceeds from sale and maturity of investments	-	27,400
Dividends from associates and joint ventures	16,329	5,956
Dividends from investments	164	-
Purchase of property, plant and equipment	(46,950)	(44,730)
Purchase of investments	-	(18,332)
Investment in associates and joint ventures	(1,636)	(3,000)
Additions to other intangible assets	(18,722)	(12,096)
Net cash used in investing activities	(50,483)	(44,181)
Cash flows from financing activities		
Proceeds from bank loans	134,272	28,921
Repayment of bank loans	(207,332)	(85,972)
Repayment of other loans	-	(142)
Repayment of lease obligations	(12,103)	(162)
Repayment of loan from a joint venture	(4,000)	(4,000)
Purchase of treasury shares	(17,798)	-
Capital contribution from non-controlling interests of subsidiaries	375	432
Dividends paid to non-controlling interests	(4,600)	(605)
Interest paid	(12,007)	(15,931)
Deposits (pledged)/discharged	(3)	2
Net cash used in financing activities	(123,196)	(77,457)
Net increase in cash and cash equivalents	195,622	309,080
Cash and cash equivalents at beginning of the period	414,400	997,614
Exchange difference on cash and cash equivalents at beginning of the period	(1,512)	(3,799)
Cash and cash equivalents at end of the period	608,510	1,302,895

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

The Group ended the quarter with cash and cash equivalents (CCE) of \$609 million, \$694 million lower than 1Q2018. In 1Q2019, the Group generated net cash of \$369 million from its operating activities as compared to \$431 million in 1Q2018. The lower net cash from operating activities was due to lower trade payables and other working capital movements, partially offset by higher operating cash flow before working capital changes generated in 1Q2019.

Net cash used in investing activities of \$50 million in 1Q2019 arose mainly from the Group's investment in property, plant and equipment by Aerospace (\$24 million), Electronics (\$12 million), Land Systems (\$7 million), Marine (\$2 million) sectors and Others (\$2 million), and additions to intangible assets (\$19 million), partially offset by dividends from associates (\$16 million).

Net cash used in financing activities of \$123 million in 1Q2019 was mainly attributable to the net repayment of bank loans (\$73 million), purchase of treasury shares (\$18 million) and repayment of lease obligations (\$12 million).

4 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FIRST QUARTER ENDED 31 MARCH 2019

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

	GROUP		
	1Q2019	1Q2018	+ / (-)
	\$'000	\$'000	%
Profit after taxation	133,926	120,032	11.6
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Equity investments at FVOCI - net change in fair value	114	(12)	NM
Items that are or may be reclassified subsequently to profit or loss			
Debt investments at FVOCI - reclassified to income statement	-	(4,377)	NM
Net fair value changes of cash flow hedges reclassified to income statement	(13,493)	(2,613)	416.4
Effective portion of changes in fair value of cash flow hedges	(9,969)	6,411	NM
Share of net fair value changes of cash flow hedges of joint ventures	(2,803)	199	NM
Foreign currency translation differences	(22,588)	(6,061)	272.7
Share of foreign currency translation differences of associates and joint ventures	623	(602)	NM
Reserves released on disposal of subsidiaries	-	4,752	NM
Other comprehensive loss for the period, net of tax	(48,116)	(2,303)	NM
Total comprehensive income for the period, net of tax	85,810	117,729	(27.1)
Total comprehensive income attributable to:			
Shareholders of the Company	86,887	114,042	(23.8)
Non-controlling interests	(1,077)	3,687	NM
	85,810	117,729	(27.1)

5 STATEMENT OF CHANGES IN EQUITY FOR THE FIRST QUARTER ENDED 31 MARCH 2019

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 1.1.2018	895,926	(22,870)	119,782	(67,480)	1,286,056	2,211,414	280,716	2,492,130
Total comprehensive income for the period								
Profit for the period	-	-	-	-	117,695	117,695	2,337	120,032
Other comprehensive income								
Net change in fair value -								
Equity investments at FVOCI	-	-	-	(12)	-	(12)	-	(12)
Reclassified to income statement -								
Debt investments at FVOCI	-	-	-	(4,377)	-	(4,377)	-	(4,377)
Net fair value changes on cash flow hedges	-	-	-	(2,613)	-	(2,613)	-	(2,613)
Effective portion of changes in fair value of cash flow hedges	-	-	-	5,735	-	5,735	676	6,411
Share of net fair value changes of cash flow hedges of a joint venture	-	-	-	199	-	199	-	199
Foreign currency translation differences	-	-	-	(6,735)	-	(6,735)	674	(6,061)
Share of foreign currency translation differences of associates and joint ventures	-	-	-	(602)	-	(602)	-	(602)
Reserves released on disposal of subsidiaries	-	-	-	4,752	-	4,752	-	4,752
<i>Other comprehensive loss for the period, net of tax</i>	-	-	-	(3,653)	-	(3,653)	1,350	(2,303)
Total comprehensive income for the period, net of tax	-	-	-	(3,653)	117,695	114,042	3,687	117,729
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	-	-	-	-	-	-	432	432
Cost of share-based payment	-	-	-	1,469	-	1,469	10	1,479
Treasury shares reissued pursuant to share plans	-	15,639	(1,552)	(14,023)	-	64	(64)	-
<i>Total contributions by and distributions to owners of the Company</i>	-	15,639	(1,552)	(12,554)	-	1,533	378	1,911
Total transactions with owners of the Company	-	15,639	(1,552)	(12,554)	-	1,533	378	1,911
Transfer from retained earnings to statutory reserve	-	-	-	94	(94)	-	-	-
At 31.03.2018	895,926	(7,231)	118,230	(83,593)	1,403,657	2,326,989	284,781	2,611,770

5 STATEMENT OF CHANGES IN EQUITY FOR THE FIRST QUARTER ENDED 31 MARCH 2019 (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 1.1.2019	895,926	(9,030)	118,174	(72,054)	1,313,361	2,246,377	288,236	2,534,613
Total comprehensive income for the period								
Profit for the period	-	-	-	-	131,121	131,121	2,805	133,926
Other comprehensive income								
Net change in fair value -								
Equity investments at FVOCI	-	-	-	114	-	114	-	114
Reclassified to income statement -								
Net fair value changes on cash flow hedges	-	-	-	(13,580)	-	(13,580)	87	(13,493)
Effective portion of changes in fair value of cash flow hedges	-	-	-	(8,240)	-	(8,240)	(1,729)	(9,969)
Share of net fair value changes of cash flow hedges of joint ventures	-	-	-	(2,803)	-	(2,803)	-	(2,803)
Foreign currency translation differences	-	-	-	(20,348)	-	(20,348)	(2,240)	(22,588)
Share of foreign currency translation differences of associates and joint ventures	-	-	-	623	-	623	-	623
<i>Other comprehensive loss for the period, net of tax</i>	-	-	-	(44,234)	-	(44,234)	(3,882)	(48,116)
Total comprehensive income for the period, net of tax	-	-	-	(44,234)	131,121	86,887	(1,077)	85,810
Hedging gains and losses and cost of hedging transferred to the cost of inventory	-	-	-	708	-	708	-	708
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	-	-	-	-	-	-	375	375
Cost of share-based payment	-	-	-	4,423	-	4,423	10	4,433
Purchase of treasury shares	-	(17,798)	-	-	-	(17,798)	-	(17,798)
Treasury shares reissued pursuant to share plans	-	23,503	(5,276)	(18,341)	-	(114)	(78)	(192)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(4,600)	(4,600)
<i>Total contributions by and distributions to owners of the Company</i>	-	5,705	(5,276)	(13,918)	-	(13,489)	(4,293)	(17,782)
Total transactions with owners of the Company	-	5,705	(5,276)	(13,918)	-	(13,489)	(4,293)	(17,782)
At 31.03.2019	895,926	(3,325)	112,898	(129,498)	1,444,482	2,320,483	282,866	2,603,349

5 STATEMENT OF CHANGES IN EQUITY FOR THE FIRST QUARTER ENDED 31 MARCH 2019 (cont'd)

Company	Share capital \$'000	Treasury Shares \$'000	Capital reserve \$'000	Share-based payment reserve \$'000	Retained earnings \$'000	Total equity \$'000
At 1.1.2018	895,926	(22,870)	3,807	61,151	469,274	1,407,288
Total comprehensive income for the period						
Profit for the period	-	-	-	-	6,728	6,728
Total comprehensive income for the period	-	-	-	-	6,728	6,728
Transactions with owners of the Company, recognised directly in equity						
Contributions by and distributions to owners of the Company						
Cost of share-based payment	-	-	-	1,479	-	1,479
Treasury shares reissued pursuant to share plans	-	15,639	(1,556)	(14,083)	-	-
<i>Total contributions by and distributions to owners of the Company</i>	-	15,639	(1,556)	(12,604)	-	1,479
At 31.03.2018	895,926	(7,231)	2,251	48,547	476,002	1,415,495
At 1.1.2019	895,926	(9,030)	2,199	65,054	493,363	1,447,512
Total comprehensive income for the period						
Profit for the period	-	-	-	-	33,279	33,279
Total comprehensive income for the period	-	-	-	-	33,279	33,279
Transactions with owners of the Company, recognised directly in equity						
Contributions by and distributions to owners of the Company						
Cost of share-based payment	-	-	-	4,433	-	4,433
Purchase of treasury shares	-	(17,798)	-	-	-	(17,798)
Treasury shares reissued pursuant to share plans	-	23,503	(5,299)	(18,396)	-	(192)
<i>Total contributions by and distributions to owners of the Company</i>	-	5,705	(5,299)	(13,963)	-	(13,557)
At 31.03.2019	895,926	(3,325)	(3,100)	51,091	526,642	1,467,234

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

Issued and paid up capital

As at 31 March 2019, the Company has an issued share capital of 3,122,495,197 ordinary shares (31 December 2018: 3,122,495,197 ordinary shares) of which 928,821 were held by the Company as treasury shares (31 December 2018: 2,701,198).

	Number of Shares
	1Q2019
As at beginning and end of the quarter (including treasury shares)	3,122,495,197
As at end of the quarter (excluding treasury shares)	3,121,566,376
As at 31 December 2018 (excluding treasury shares)	3,119,793,999

Singapore Technologies Engineering Performance Share Plan 2010 (PSP 2010)

As at 31 March 2019, the total number of contingent shares granted conditionally but not released was 4,940,640 (31 March 2018: 4,882,392). Based on the achievement factor, the actual release of the awards could range from zero to a maximum of 8,399,088 (31 March 2018: 8,300,066) ordinary shares of the Company.

Singapore Technologies Engineering Restricted Share Plan 2010 (RSP 2010)

As at 31 March 2019, the total number of contingent shares granted conditionally but not released was 6,802,105 (31 March 2018: 5,264,379).

As at 31 March 2019, the total number of unvested awards was 7,457,078 (31 March 2018: 6,983,439) ordinary shares of the Company.

Treasury Shares

During the quarter, the Company purchased 4,800,900 ordinary shares by way of open market acquisitions, all of which were held by the Company as treasury shares (1Q2018: Nil).

During the quarter, 6,573,277 treasury shares were utilised pursuant to the PSP 2010 and RSP 2010 (1Q2018: 4,631,336).

As at 31 March 2019, the number of treasury shares held by the Company represented 0.03% (31 March 2018: 0.07%) 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 Quarter ended 31.03.2019
As at beginning of the year/quarter	2,701,198
Purchase of treasury shares	4,800,900
Treasury shares transferred on vesting of PSP 2010	(2,041,497)
Treasury shares transferred on vesting of RSP 2010	(4,531,780)
As at end of the quarter	928,821

6 **AUDIT**

The figures have not been audited or reviewed by the Company's auditors.

7 **AUDITORS' REPORT**

Not applicable.

8 **ACCOUNTING POLICIES**

Except as disclosed in paragraph 9 below, the Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period as compared to the audited financial statements as at 31 December 2018.

9 **CHANGES IN ACCOUNTING POLICIES**

The Group has adopted Singapore Financial Reporting Standards (International) (SFRS(I)) 16 *Leases*, effective for the annual periods beginning on or after 1 January 2019.

SFRS(I) 16

SFRS(I) 16 introduces a single, on-balance sheet lease accounting model for lessee. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

The Group applied the modified retrospective approach with no restatement of comparative information and the practical expedient for recognition exemptions for short-term leases and leases of low-value items.

On 1 January 2019, the Group recognised right-of-use assets of \$432 million and lease liabilities of \$404 million. The right-of-use assets included an amount of \$28 million pertaining to reinstatement costs and prepaid leases.

The Group's activities as a lessor are not material.

10 REVIEW OF GROUP PERFORMANCE

10(a) Revenue

1Q2019 vs 1Q2018

\$m	1Q2019	1Q2018	Increase/(Decrease)	
Aerospace	622	599	23	4%
Electronics	563	605	(42)	(7%)
Land Systems	377	281	96	34%
Marine	149	150	(1)	(1%)
Others	20	12	8	67%
Total	1,731	1,647	84	5%

In 1Q2019, the Group delivered revenue of \$1,731 million, an increase of 5% or \$84 million as compared to 1Q2018. Aerospace and Land Systems sectors and “Others” reported higher revenue, partially offset by lower revenue from Electronics and Marine sectors.

Aerospace sector in 1Q2019 delivered higher revenue of \$622 million, an increase of 4% or \$23 million, as compared to 1Q2018. The increase was mainly attributable to higher revenue contribution from **Component/Engine Repair and Overhaul** and **Engineering & Material Services** business groups, partially offset by lower revenue from **Aircraft Maintenance & Modification** business group.

Electronics sector’s revenue of \$563 million was lower as compared to 1Q2018 by 7% or \$42 million due mainly to high base a year ago in 1Q2018 which was a strong quarter with 22% year-on-year growth.

In 1Q2019, Land Systems sector came in with revenue of \$377 million, 34% or \$96 million higher as compared to 1Q2018. The increase was contributed by all three business groups.

Marine sector’s revenue of \$149 million was marginally lower by 1% or \$1 million than that of 1Q2018. The decrease in revenue was mainly attributable to **Shipbuilding**, partially offset by better performance from **Shiprepair** and **Engineering** business groups.

Higher revenue under “Others” was mainly attributable to higher sales from Miltope.

10 REVIEW OF GROUP PERFORMANCE (cont'd)

10(b) Profitability
1Q2019 vs 1Q2018

\$m	1Q2019	1Q2018	Increase/(Decrease)	
Aerospace	62.7	59.2	3.5	6%
Electronics	43.4	40.3	3.1	8%
Land Systems	15.2	15.6	(0.4)	(3%)
Marine	12.0	8.7	3.3	38%
Others	(2.2)	(6.1)	3.9	NM
Total	131.1	117.7	13.4	11%

The Group ended the quarter with profit attributable to shareholders (Net Profit) of \$131.1 million, an increase of 11% or \$13.4 million as compared to 1Q2018. The increase was contributed by all sectors and "Others", except for Land Systems sector which came in lower.

Aerospace sector's 1Q2019 Net Profit of \$62.7 million was 6% or \$3.5 million higher than 1Q2018 as a result of higher revenue, absence of impact from portfolio rationalisation and lower tax expense, partially offset by unfavourable sales mix.

Electronics sector's Net Profit of \$43.4 million in 1Q2019 was an increase of 8% or \$3.1 million as compared to 1Q2018. The increase was largely due to higher gross profit from favourable sales mix and share of lower losses from associates and joint ventures, partially offset by higher operating expenses and lower other income.

In 1Q2019, Land Systems sector's Net Profit decreased by \$0.4 million or 3% to \$15.2 million, due mainly to unfavourable sales mix, higher operating expenses of robotics business, lower other income and higher tax expense from absence of favourable tax finalisation adjustment, partially offset by higher gross profit from higher revenue.

Marine sector's 1Q2019 Net Profit of \$12.0 million was 38% or \$3.3 million higher than 1Q2018 largely due to improved U.S. shipbuilding performance, partially offset by higher tax expense.

"Others" incurred lower losses in 1Q2019 due mainly to absence of MTN interest expense and lower losses from Miltope, partially offset by absence of contribution from associate, Experia Events Pte. Ltd., the organiser of Singapore Airshow 2018.

11 **VARIANCE FROM PROSPECTS STATEMENT**

No forecast was previously provided.

12 **PROSPECTS**

Group

The Group had a good start to the year and its recent contract wins have increased its order book to a high of \$14.1b. The Group's focus remains on strengthening its core businesses and pursuing growth in Smart City and in the international defence business.

On the M&A front, the Group have agreed to acquire Newtec Group, which operates in the high-tech satellite communications industry driving connectivity. This acquisition is expected to complete in 2H2019, and when combined with its existing satellite communications businesses, will further enhance its value proposition for Smart City.

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**

No interim dividend for the period ended 31 March 2019 is recommended.

14 BUSINESS SEGMENTAL INFORMATION
By Business Activity

	1Q2019						Group \$'000
	Aerospace \$'000	Electronics \$'000	Land Systems \$'000	Marine \$'000	Others \$'000	Elimination \$'000	
Revenue							
External sales	622,086	563,158	377,415	149,093	19,553	-	1,731,305
Inter-segment sales	1,462	7,153	10,324	3	902	(19,844)	-
	<u>623,548</u>	<u>570,311</u>	<u>387,739</u>	<u>149,096</u>	<u>20,455</u>	<u>(19,844)</u>	<u>1,731,305</u>
Reportable segment earnings before interest and tax	63,859	52,293	16,175	13,840	(4,279)	-	141,888
Other income	3,734	4,276	2,558	1,310	491	(2,184)	10,185
Other expenses	(525)	(4)	(85)	(16)	(32)	662	-
Finance income	6,137	808	665	920	14,216	(14,698)	8,048
Finance costs	(7,029)	(4,495)	(2,935)	(1,272)	(7,929)	14,698	(8,962)
Share of results of associates and joint ventures, net of tax	10,444	(689)	1,441	(316)	(2,097)	-	8,783
Profit before taxation	<u>76,620</u>	<u>52,189</u>	<u>17,819</u>	<u>14,466</u>	<u>370</u>	<u>(1,522)</u>	<u>159,942</u>
Taxation	(11,103)	(8,650)	(2,754)	(2,434)	(1,075)	-	(26,016)
Non-controlling interests	<u>(2,807)</u>	<u>(182)</u>	<u>184</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,805)</u>
Profit attributable to shareholders	<u>62,710</u>	<u>43,357</u>	<u>15,249</u>	<u>12,032</u>	<u>(705)</u>	<u>(1,522)</u>	<u>131,121</u>
Other assets	3,193,406	2,386,870	1,728,562	817,594	4,181,886	(4,774,784)	7,533,534
Associates and joint ventures	<u>253,045</u>	<u>62,143</u>	<u>86,448</u>	<u>3,780</u>	<u>42,197</u>	<u>-</u>	<u>447,613</u>
Segment assets	<u>3,446,451</u>	<u>2,449,013</u>	<u>1,815,010</u>	<u>821,374</u>	<u>4,224,083</u>	<u>(4,774,784)</u>	<u>7,981,147</u>
Segment liabilities	<u>2,471,084</u>	<u>2,085,035</u>	<u>1,427,140</u>	<u>799,120</u>	<u>1,930,780</u>	<u>(3,335,361)</u>	<u>5,377,798</u>
Capital expenditure	35,433	30,687	7,243	1,840	1,473	-	76,676
Depreciation and amortisation	33,079	19,488	12,490	8,316	2,875	(831)	75,417
Other non-cash expenses	187	-	43	-	-	-	230

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

	1Q2018						Group \$'000
	Aerospace \$'000	Electronics \$'000	Land Systems \$'000	Marine \$'000	Others \$'000	Elimination \$'000	
Revenue							
External sales	598,611	604,468	281,196	149,922	12,367	-	1,646,564
Inter-segment sales	990	4,653	4,589	34	849	(11,115)	-
	<u>599,601</u>	<u>609,121</u>	<u>285,785</u>	<u>149,956</u>	<u>13,216</u>	<u>(11,115)</u>	<u>1,646,564</u>
Reportable segment earnings before interest and tax	69,360	46,650	11,251	7,820	(12,960)	-	122,121
Other income	3,806	6,324	4,886	1,593	42,693	(45,597)	13,705
Other expenses	(6,192)	(49)	(146)	(7)	(2)	1,320	(5,076)
Finance income	3,475	635	656	662	31,564	(21,924)	15,068
Finance costs	(4,432)	(1,924)	(1,609)	(1,081)	(24,149)	15,934	(17,261)
Share of results of associates and joint ventures, net of tax	10,262	(3,299)	2,001	259	6,201	-	15,424
Profit before taxation	76,279	48,337	17,039	9,246	43,347	(50,267)	143,981
Taxation	(14,945)	(7,849)	(1,448)	(556)	849	-	(23,949)
Non-controlling interests	(2,157)	(177)	(3)	-	-	-	(2,337)
Profit attributable to shareholders	<u>59,177</u>	<u>40,311</u>	<u>15,588</u>	<u>8,690</u>	<u>44,196</u>	<u>(50,267)</u>	<u>117,695</u>
Other assets	2,898,570	1,985,521	1,557,798	891,582	5,233,930	(4,768,693)	7,798,708
Associates and joint ventures	251,844	51,423	110,303	10,745	28,486	7,327	460,128
Segment assets	<u>3,150,414</u>	<u>2,036,944</u>	<u>1,668,101</u>	<u>902,327</u>	<u>5,262,416</u>	<u>(4,761,366)</u>	<u>8,258,836</u>
Segment liabilities	<u>2,128,403</u>	<u>1,718,729</u>	<u>1,330,069</u>	<u>778,282</u>	<u>3,005,430</u>	<u>(3,313,847)</u>	<u>5,647,066</u>
Capital expenditure	29,230	16,896	6,448	1,346	1,833	-	55,753
Depreciation and amortisation	26,208	13,167	9,038	7,348	1,435	(11)	57,185
Write-back of impairment losses	(3)	-	-	-	-	-	(3)
Other non-cash expenses	123	4	5	-	54	-	186

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

For Revenue and Net Profit of 1Q2019 vis-à-vis 1Q2018, please refer to paragraph 10.

	Profit Before Tax		
	1Q2019	1Q2018	+ / (-)
	\$'000	\$'000	%
Aerospace	76,620	76,279	0.4
Electronics	52,189	48,337	8.0
Land Systems	17,819	17,039	4.6
Marine	14,466	9,246	56.5
Others	(1,152)	(6,920)	NM
Group	159,942	143,981	11.1

By Geographical Areas

	Revenue			
	1Q2019		1Q2018	
	\$'000	%	\$'000	%
Asia	1,056,410	60.9	1,075,595	65.3
U.S.	341,973	19.8	308,184	18.7
Europe	215,799	12.5	175,135	10.7
Others	117,123	6.8	87,650	5.3
Total	1,731,305	100	1,646,564	100

By Country of Incorporation

	Revenue			
	1Q2019		1Q2018	
	\$'000	%	\$'000	%
Asia	1,248,734	72.1	1,233,587	74.9
U.S.	309,672	17.9	267,038	16.2
Europe	149,397	8.6	126,587	7.7
Others	23,502	1.4	19,352	1.2
Total	1,731,305	100	1,646,564	100

	Non-Current Assets ⁺			
	1Q2019		1Q2018	
	\$'000	%	\$'000	%
Asia	1,881,139	50.1	2,050,099	56.8
U.S.	978,911	26.1	890,909	24.7
Europe	797,100	21.2	577,093	16.0
Others	99,250	2.6	92,682	2.5
Total	3,756,400	100	3,610,783	100

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

15 INTERESTED PERSON TRANSACTIONS (unaudited)

	Aggregate value of all transactions conducted under a shareholders mandate pursuant to Rule 920 of the SGX Listing Manual	
	1Q2019	1Q2018
	\$'000	\$'000
Transactions for the Sale of Goods and Services		
SATS Ltd. and its Associates	4,271	597
Singapore Airlines Limited and its Associates	-	294
Singapore Telecommunications Limited and its Associates	120	448
StarHub Ltd and its Associates	378	-
Temasek Holdings (Private) Limited and its Associates (non-listed)	43,265	16,521
	<u>48,034</u>	<u>17,860</u>
Transactions for the Purchase of Goods and Services		
Mapletree Industrial Trust	11,851	-
SATS Ltd. and its Associates	481	1,657
SembCorp Industries Ltd and its Associates	3,200	1,953
Singapore Telecommunications Limited and its Associates	137	579
Temasek Holdings (Private) Limited and its Associates (non-listed)	3,345	9,402
	<u>19,014</u>	<u>13,591</u>
Total Interested Person Transactions	<u>67,048</u>	<u>31,451</u>

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 balance sheets (Group and Company), consolidated income statement, consolidated statement of comprehensive income, statement of changes in equity (Group and Company) and consolidated statement of cash flows and the accompanying notes for the first quarter ended 31 March 2019 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

KAREN NG KWEE LIAN

Company Secretary

15 May 2019

Media Contact:

Lina Poa

Head, Corporate Communications & Investor Relations

Tel: (65) 6722 1883

Fax: (65) 6720 2293

Email: linapoa@stengg.com