

News Release

ST Engineering Achieves Strong Revenue and Net Profit For 2023

FINANCIAL HIGHLIGHTS			
For the year ended			
31 December 2023			
	2023 FY	2022 FY	Change
Revenue (\$m)	10,101	9,035	11.8%
Earnings before interest, tax, depreciation and amortisation (EBITDA) (\$m)	1,456.1	1,252.0	16.3%
Earnings before interest and tax (EBIT) (\$m)	914.7	735.1	24.4%
Finance costs, net (\$m)	(210.4)	(137.6)	52.9%
Profit before tax (PBT) (\$m)	704.2	597.5	17.9%
Profit attributable to shareholders (Net Profit) (\$m)	586.5	535.0	9.6%
Earnings per share (cents)	18.82	17.18	9.6%
Return on equity (%)	23.8	22.3	1.5pp
Dividend per share (cents)	16.0	16.0	-
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- Order book was \$27.4b as at end December 2023, of which about \$7.9b is expected to be delivered in 2024
- Commercial sales¹ and defence sales¹ constituted \$7.1b and \$3.0b respectively in 2023
- Cash and cash equivalents of \$353m as at end December 2023

N.B.: All currencies are in Singapore dollars

Singapore, 29 February 2024 - Singapore Technologies Engineering Ltd (ST Engineering) today reported its full-year (FY) financial results ended 31 December 2023.

FY2023 versus FY2022 Group Performance

ST Engineering posted a 12% year-on-year (y-o-y) increase in Group revenue from \$9.0b to \$10.1b with contributions from all three segments. Group EBIT improved 24% y-o-y to \$915m from \$735m. On a base operating performance (BOP) basis excluding TransCore transaction and integration expenses, SatixFy divestment loss and Satcom severance costs, as well as the \$72m pension restructuring gain in 2022, Group EBIT would be 40% higher y-o-y. This strong set of results was achieved through a combination of business growth, higher productivity and cost saving initiatives.

Group Profit before tax (PBT) rose 18% to \$704m, as compared to \$597m a year ago.

Group Profit attributable to shareholders (Net Profit) grew 10% y-o-y to \$586m from \$535m. On a BOP basis, this would be 24% higher y-o-y, despite higher finance costs.

FY2023 versus FY2022 Segment Performance Review

- **Commercial Aerospace (CA):** Revenue was \$3.91b, up 31% from \$2.99b, surpassing pre-COVID levels. EBIT grew 12% y-o-y to \$337m from \$301m. Excluding the one-off pension restructuring gain of \$72m in the prior year, CA EBIT would have grown 47% on a BOP basis.

The CA segment recorded a revenue of \$3.91b which exceeded the November 2021 Investor Day (2022-2026) target of over \$3.5b set for 2026. As anticipated, its Airbus P2F conversion EBIT turned positive in 2023 at the programme level.

- **Defence & Public Security (DPS):** Revenue was flat at \$4.25b but would be 6% higher after excluding the revenue from the U.S. Marine business² in the prior year. The growth was largely driven by its Digital Systems & Cyber sub-segment.

The Digital business comprising Cloud, AI Analytics and Cyber businesses grew 20% y-o-y to \$463m from \$385m. This is on track to exceed the November 2021 Investor Day target revenue of over \$500m by 2026. The DPS segment delivered robust y-o-y EBIT

growth of 40% from \$405m to \$567m. This strong performance is the result of an avoidance of losses from the U.S. Marine business which was divested in the prior year, improved margin mix, cost savings and growth in its core business.

- **Urban Solutions & Satcom (USS):** Revenue grew 10% y-o-y to \$1.94b from \$1.77b, largely due to increased revenue from Urban Solutions and partly offset by lower revenue from Satcom. USS EBIT was lower at \$10m compared to \$29m the year before due to Satcom's weakness, the divestment loss of SatixFy of \$24m and severance costs of \$8m as part of Satcom's restructuring.

The investment in TransCore was earnings accretive in FY2023, which was three months ahead of plan.

While Satcom weakness impacted the USS segment, the transformation efforts since mid-2023 are on course to drive better future performance.

"In 2023, our Group achieved significant financial milestones. Group revenue exceeded \$10b while Group Net Profit grew 10% year-on-year to \$586m.

This performance was underpinned by the strength of our Commercial Aerospace and Defence & Public Security segments, and a high-graded portfolio. Our investment in TransCore became accretive in FY2023, ahead of plan. The strong set of results was also supported by productivity and cost saving measures and investments made during the COVID-19 downturn.

We remain focused on executing our robust order book of \$27.4b, while delivering sustainable growth and creating value for our stakeholders."

Vincent Chong, Group President & CEO

In terms of Group revenue breakdown, Commercial Aerospace, Defence & Public Security and Urban Solutions & Satcom accounted for 39%, 42% and 19% respectively. Commercial sales was \$7.1b and defence sales was \$3.0b. The Group held \$353m in cash and cash equivalents as at end December 2023.

Despite inflationary pressures, the Group decreased its unit operating expenses (per unit revenue) from 12.1% in 2022 to 11.4% in 2023, a result of continual focus on implementing structural cost reductions and enhancing operational efficiencies.

2H2023 versus 2H2022 Group Performance

FINANCIAL HIGHLIGHTS			
For the half-year ended 31 December 2023			
	2H2023	2H2022	Change
Revenue (\$m)	5,238	4,765	9.9%
Earnings before interest, tax, depreciation and amortisation (EBITDA) (\$m)	745.6	639.7	16.5%
Earnings before interest and tax (EBIT) (\$m)	470.5	350.5	34.2%
Profit before tax (PBT) (\$m)	352.8	246.4	43.2%
Profit attributable to shareholders (Net Profit) (\$m)	305.9	255.0	19.9%

In 2H2023, Group revenue grew 10% y-o-y to \$5.2b from \$4.8b due largely to the growth of Commercial Aerospace. Group EBIT increased 34% to \$470m from \$351m through business growth and cost saving initiatives. Group PBT was up 43% to \$353m from \$246m. Group Net Profit rose 20% y-o-y to \$306m from \$255m, bolstered by strong business growth, higher productivity and cost savings.

2H2023 versus 2H2022 Segment Performance Review

- **Commercial Aerospace (CA):** Revenue was \$2.05b, up 29% y-o-y from \$1.59b. EBIT was \$160m, 35% higher y-o-y from \$118m.
- **Defence & Public Security (DPS):** Revenue was about flat at \$2.13b but would be 5% higher y-o-y after revenue from U.S. Marine was excluded. EBIT grew 40% y-o-y to \$267m from \$191m.

- **Urban Solutions & Satcom (USS):** Revenue was \$1.05b, up 4% y-o-y from \$1.01b, with contribution from TransCore partially offset by Satcom. EBIT was \$44m, up 7% y-o-y from \$41m.

New Contract Wins in 4Q2023 and Order Book

In 4Q2023, the Group secured new contracts of about \$3.1b, comprising \$1.0b from Commercial Aerospace, \$1.5b from Defence & Public Security and \$645m from Urban Solutions & Satcom. This brings the total new contract value for 2023 to \$14.8b compared to \$13.1b in 2022.

- **Commercial Aerospace** clinched new contracts across its manufacturing and MRO businesses. These include CFM56-7B engine heavy maintenance contracts with Chinese airlines, airframe heavy maintenance contract for an American airline and landing gear overhaul contract for an Oceania airline.
- **Defence & Public Security** secured new contracts for its suite of digital solutions and services ranging from Cloud, Data Centre and Training & Simulation to AI-enabled Mission Critical Command and Control systems and Cybersecurity. Land Systems secured new contracts for 40mm ammunition while Marine continued to secure contracts for ship repair and maintenance services, including a contract for the mid-life upgrade of Singapore's *Formidable*-class Frigates.
- **Urban Solutions & Satcom** secured contracts from global customers across its lines of business. Key wins from Urban Solutions include several contracts for its Platform Screen Door solution for Canada's Ontario Line, Australia's Western Sydney Airport Line, and India's Chennai Metro Line; contracts for All Electronic Tolling systems, Back Office Systems and Operations in the U.S., Intelligent Transport Systems contracts in the Middle East; a multi-year contract with a repeat customer for smart water metering solutions as well as contracts for integrated smart security management solutions in Singapore. Satcom secured ground infrastructure contracts in the government, enterprise and cellular backhaul segments across the U.S., Asia, Middle East and Latin America.

With these new contract wins, and after adjustments of revenue delivery, ST Engineering ended 2023 with a strong order book of \$27.4b. The Group expects to deliver about \$7.9b from the order book in 2024.

Final and Total Dividend

The Board of Directors has proposed a final dividend of 4.0 cents per ordinary share. Together with the three quarterly interim dividends of 4.0 cents per ordinary share, the total dividend for the financial year 2023 will be 16.0 cents per ordinary share. This translates to a dividend yield of 4.4%, computed using the average closing share price³ of the last trading day of 2023 and 2022.

¹ Refers to Group revenue by products and services type.

² U.S. Marine was divested on 14 Nov 2022.

³ The average closing share price for FY2023 of \$3.62 is computed based on closing share price of \$3.35 for last trading day of 2022; and closing share price of \$3.89 for last trading day of 2023.

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ST Engineering is a global technology, defence and engineering group with a diverse portfolio of businesses across the aerospace, smart city, defence and public security segments. The Group harnesses technology and innovation to solve real-world problems, enabling a more secure and sustainable world. Headquartered in Singapore, it has operations spanning Asia, Europe, the Middle East and the U.S., serving customers in more than 100 countries. ST Engineering reported a revenue of over \$10 billion in 2023 and ranks among the largest companies listed on the Singapore Exchange. It is a component stock of MSCI Singapore, FTSE Straits Times Index and Dow Jones Sustainability Asia Pacific Index.

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CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SECOND HALF-YEAR AND FULL YEAR ENDED 31 DECEMBER 2023

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SINGAPORE TECHNOLOGIES ENGINEERING LTD
RESULTS FOR THE SECOND HALF-YEAR AND FULL YEAR ENDED 31 DECEMBER 2023

1 CONSOLIDATED INCOME STATEMENT FOR THE SECOND HALF-YEAR AND FULL YEAR ENDED 31 DECEMBER 2023

	GROUP					
	2H2023	2H2022	+ / (-)	FY2023	FY2022	+ / (-)
	\$'000	\$'000	%	\$'000	\$'000	%
Revenue	5,237,605	4,765,196	9.9	10,101,021	9,035,103	11.8
Cost of sales	(4,245,265)	(3,915,439)	8.4	(8,128,269)	(7,336,446)	10.8
Gross profit	992,340	849,757	16.8	1,972,752	1,698,657	16.1
Distribution and selling expenses (refer to para 1.6)	(75,945)	(95,567)	(20.5)	(179,414)	(194,775)	(7.9)
Administrative expenses (refer to para 1.7)	(393,213)	(379,654)	3.6	(752,581)	(727,382)	3.5
Other operating expenses (refer to para 1.8)	(131,790)	(104,639)	25.9	(215,294)	(168,636)	27.7
Other income, net (refer to para 1.9)	27,897	34,340	(18.8)	14,647	56,670	(74.2)
Profit from operations	419,289	304,237	37.8	840,110	664,534	26.4
Non-operating income, net (refer to para 1.10)	16,656	23,937	(30.4)	16,454	37,288	(55.9)
Share of results of associates and joint ventures, net of tax (refer to para 1.11)	34,540	22,336	54.6	58,093	33,270	74.6
Earnings before interest and tax (refer to para 1.1)	470,485	350,510	34.2	914,657	735,092	24.4
Finance income	6,902	2,624	163.0	41,286	11,203	268.5
Finance costs	(124,565)	(106,770)	16.7	(251,732)	(148,829)	69.1
Finance costs, net (refer to para 1.2)	(117,663)	(104,146)	13.0	(210,446)	(137,626)	52.9
Profit before taxation	352,822	246,364	43.2	704,211	597,466	17.9
Taxation	(33,751)	14,597	NM	(99,785)	(54,131)	84.3
Profit after taxation	319,071	260,961	22.3	604,426	543,335	11.2
Attributable to:						
Shareholders of the Company	305,850	255,032	19.9	586,467	535,012	9.6
Non-controlling interests	13,221	5,929	123.0	17,959	8,323	115.8
	319,071	260,961	22.3	604,426	543,335	11.2
EBITDA	745,556	639,698	16.5	1,456,093	1,251,964	16.3

NM: Not Meaningful

Note:

Amounts may not add to totals shown 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 second half-year and full year ended 31 December 2023 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 2022.

The Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period and are consistent with those used in the previous financial year. The adoption of the new and revised SFRS(I) and related interpretations that are mandatory for financial year beginning on or after 1 January 2023 has no significant impact on the financial statements of the Group or the Company in the current financial year.

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 2022.

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					
	2H2023 \$'000	2H2022 \$'000	+ /(-) %	FY2023 \$'000	FY2022 \$'000	+ /(-) %
1.1 Earnings before interest and tax is arrived at after charging the following:						
Depreciation and amortisation	275,071	289,188	(4.9)	541,436	516,872	4.8
The higher depreciation and amortisation expense in FY2023 was mainly attributed to Urban Solutions & Satcom segment, partially offset by Defence & Public Security segment.						
Impairment loss/ (reversal of impairment loss) on trade receivables and contract assets	(2,637)	14	NM	2,942	(3,930)	NM
The impairment loss in FY2023 was attributed to Commercial Aerospace and Urban Solutions & Satcom segments, offset by reversal of impairment loss mainly from Defence & Public Security segment. (FY2022: The reversal of impairment loss was mainly attributed to Commercial Aerospace, partially offset by impairment loss from Urban Solutions & Satcom.)						
Allowance for inventory obsolescence, net	5,767	23,321	(75.3)	28,134	32,265	(12.8)
The lower allowance for inventory obsolescence in FY2023 was attributed to Defence & Public Security segment, partially offset by Commercial Aerospace and Urban Solutions & Satcom segments.						
1.2 Finance costs, net comprises:						
Interest income	5,265	6,772	(22.3)	13,345	9,271	43.9
Foreign exchange losses, net	(16,148)	(18,807)	(14.1)	(14,300)	(11,520)	24.1
Fair value changes of financial instruments and hedged items	14,905	4,614	223.0	26,338	1,932	>500
Interest expenses	(121,685)	(96,725)	25.8	(235,829)	(137,309)	71.8
	<u>(117,663)</u>	<u>(104,146)</u>	13.0	<u>(210,446)</u>	<u>(137,626)</u>	52.9
The higher finance cost in FY2023 was mainly attributed to i) full-year effect of financing for TransCore acquisition in 2023 versus 9.5 months in 2022, ii) funding for investments and capital expenditure in 2023, and iii) higher floating interest rate, partially offset by iv) fair value gains on Treasury lock and interest rate swap. FY2023 weighted average borrowing cost for fixed and floating rate debt remained competitive at 3.3 percent.						
1.3 Profit after taxation as a percentage of revenue	6.1%	5.5%		6.0%	6.0%	
1.4 Profit attributable to shareholders as a percentage of share capital and reserves	12.4%	10.6%		23.8%	22.3%	
1.5 The Group's tax charge in FY2023 included adjustments for overprovision of current tax of \$7.3 million and deferred tax of \$5.4 million in respect of prior years. (FY2022: Adjustments for overprovision of current tax of \$1.6 million and deferred tax of \$9.9 million in respect of prior years.)						
1.6 The lower distribution and selling expenses in FY2023 (by \$15.4 million) was mainly attributed to lower business development and other selling expenses, absence of biennial Singapore Airshow expenses, partially offset by unfavourable variance in doubtful debts.						
1.7 The higher administrative expenses in FY2023 (by \$25.2 million) was mainly attributed to higher staff related expenses, information technology related expenses and other administrative expenses, offset by lower professional fees.						
1.8 The higher other operating expenses in FY2023 (by \$46.7 million) was mainly attributed to higher research and development expenses and impairment in development expenditure.						
1.9 The other income, net in FY2023 (\$14.6 million) comprised gain on disposal of property, plant and equipment and other miscellaneous income, partially offset by loss on divestment of SatixFy. (FY2022: Attributed to favourable fair value changes on investments and associates in the Corporate Venture Fund, gain on disposal of associate and gain on sale of property, plant and equipment.)						
1.10 Non-operating income, net (\$16.5 million) was mainly attributed to additional gain on disposal of subsidiaries in prior year. (FY2022: Attributed to gain on disposal of subsidiaries.)						
1.11 The share of results of associates and joint ventures, net of tax, increased (by \$24.8 million) largely due to improved performance from associates, offset by absence of contribution from Experia Events Pte. Ltd., the organiser of Singapore Airshow.						

Note: Defence & Public Security includes "Others"

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

	GROUP		
	2023	2022	+/(-)
	\$'000	\$'000	%
Revenue reported for first half-year	4,863,416	4,269,907	13.9
Profit after taxation reported for first half-year	285,355	282,374	1.1
Revenue reported for second half-year	5,237,605	4,765,196	9.9
Profit after taxation reported for second half-year	319,071	260,961	22.3

1(c) **RELATED PARTY TRANSACTIONS**

	Group	
	FY2023	FY2022
	\$'000	\$'000
Associates of the Group		
Sales and services rendered	9,006	8,204
Purchases and services received	(112,533)	(92,732)
Dividend income	54,340	33,667
Joint ventures of the Group		
Sales and services rendered	656,732	144,156
Purchases and services received	(12,901)	(4,355)
Dividend income	1,714	6,808
Other related parties *		
Sales and services rendered	61,788	78,313
Purchases and services received	(46,515)	(46,359)
Rental expense	(6,899)	(6,719)

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

1(d) **EARNINGS PER ORDINARY SHARE (EPS)**

	GROUP	
	FY2023	FY2022
EPS based on profit attributable to shareholders:	Cents	Cents
(i) Based on weighted average number of ordinary shares on issue	18.82	17.18
(ii) On a fully diluted basis	18.69	17.06

2 **CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SECOND HALF-YEAR AND FULL YEAR ENDED 31 DECEMBER 2023**

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

	GROUP					
	2H2023	2H2022	+ / (-)	FY2023	FY2022	+ / (-)
	\$'000	\$'000	%	\$'000	\$'000	%
Profit after taxation	319,071	260,961	22.3	604,426	543,335	11.2
Other comprehensive income						
Items that will not be reclassified subsequently to profit or loss:						
Defined benefit plan remeasurements	2,173	89,614	(97.6)	2,175	94,222	(97.7)
Net fair value changes on equity investment at FVOCI	2,769	(2,957)	NM	2,769	(2,957)	NM
	4,942	86,657	(94.3)	4,944	91,265	(94.6)
Items that are or may be reclassified subsequently to profit or loss:						
Net fair value changes of cash flow hedges reclassified to income statement	(33,362)	21,609	NM	(55,808)	27,468	NM
Effective portion of changes in fair value of cash flow hedges	27,194	6,319	330.3	52,068	94,161	(44.7)
Share of net fair value changes on cash flow hedges of joint ventures	(3,902)	489	NM	(3,343)	2,321	NM
Foreign currency translation differences	(35,602)	(41,997)	(15.2)	(8,505)	(74,620)	(88.6)
Share of foreign currency translation differences of associates and joint ventures	(7,319)	(15,923)	(54.0)	(7,960)	(15,438)	(48.4)
Reserves released on disposal of subsidiaries	(161)	7,999	NM	549	8,149	(93.3)
	(53,152)	(21,504)	147.2	(22,999)	42,041	NM
Other comprehensive income for the period, net of tax	(48,210)	65,153	NM	(18,055)	133,306	NM
Total comprehensive income for the period, net of tax	270,861	326,114	(16.9)	586,371	676,641	(13.3)
Total comprehensive income attributable to:						
Shareholders of the Company	256,372	302,918	(15.4)	553,846	666,695	(16.9)
Non-controlling interests	14,489	23,196	(37.5)	32,525	9,946	227.0
	270,861	326,114	(16.9)	586,371	676,641	(13.3)

3 **STATEMENT OF FINANCIAL POSITION**

	GROUP		COMPANY	
	31-Dec-23	31-Dec-22	31-Dec-23	31-Dec-22
	\$'000	\$'000	\$'000	\$'000
ASSETS				
Non-current assets				
Property, plant and equipment	2,076,209	2,076,348	476	12
Right-of-use assets	651,109	581,792	90	203
Subsidiaries	-	-	1,634,953	1,537,911
Associates and joint ventures	567,404	468,175	-	-
Investments	63,075	76,704	-	-
Intangible assets	4,958,158	5,291,345	-	-
Long-term trade receivables	11,314	11,163	-	-
Deferred tax assets	214,178	198,237	-	-
Amounts due from related parties	36,219	35,000	-	-
Advances and other receivables	134,542	81,045	-	-
Derivative financial instruments	36,895	17,064	-	-
	8,749,103	8,836,873	1,635,519	1,538,126
Current assets				
Inventories	1,897,274	1,684,231	-	-
Contract assets	2,240,100	2,099,676	-	-
Trade receivables	1,581,261	1,152,328	-	-
Amounts due from related parties	59,964	135,089	1,169	7,159
Advances and other receivables	469,073	420,722	101	556
Derivative financial instruments	28,789	33,295	-	-
Bank balances and other liquid funds	353,337	601,771	8,163	117,879
	6,629,798	6,127,112	9,433	125,594
TOTAL ASSETS	15,378,901	14,963,985	1,644,952	1,663,720
EQUITY AND LIABILITIES				
Current liabilities				
Contract liabilities	978,051	939,990	-	-
Deposits from customers	31,229	34,886	-	-
Trade payables and accruals	3,155,075	2,826,498	6,937	4,255
Amounts due to related parties	50,168	41,887	494	8,102
Provisions	337,663	298,624	-	-
Provision for taxation	165,959	174,748	333	32
Borrowings	2,563,661	3,627,969	-	114
Deferred income	11,755	13,589	-	-
Post-employment benefits	10,075	8,413	-	-
Derivative financial instruments	18,722	38,606	-	-
	7,322,358	8,005,210	7,764	12,503
NET CURRENT (LIABILITIES)/ ASSETS	(692,560)	(1,878,098)	1,669	113,091

3 **STATEMENT OF FINANCIAL POSITION** (cont'd)

	GROUP		COMPANY	
	31-Dec-23	31-Dec-22	31-Dec-23	31-Dec-22
	\$'000	\$'000	\$'000	\$'000
Non-current liabilities				
Contract liabilities	1,274,916	877,937	-	-
Trade payables and accruals	59,109	72,712	-	-
Provisions	39,095	38,522	-	-
Deferred tax liabilities	156,422	167,481	-	-
Borrowings	3,544,431	2,906,568	-	-
Deferred income	15,851	17,588	-	-
Post-employment benefits	209,840	206,296	-	-
Derivative financial instruments	4,543	18,817	-	-
	5,304,207	4,305,921	-	-
TOTAL LIABILITIES	12,626,565	12,311,131	7,764	12,503
NET ASSETS	2,752,336	2,652,854	1,637,188	1,651,217
Share capital and reserves				
Share capital	895,926	895,926	895,926	895,926
Treasury shares	(29,644)	(36,377)	(29,644)	(36,377)
Capital reserves	93,464	100,068	(22,599)	(15,977)
Other reserves	(63,346)	(34,437)	77,348	71,014
Retained earnings	1,562,940	1,472,816	716,157	736,631
Equity attributable to owners of the Company	2,459,340	2,397,996	1,637,188	1,651,217
Non-controlling interests	292,996	254,858	-	-
	2,752,336	2,652,854	1,637,188	1,651,217
TOTAL EQUITY AND LIABILITIES	15,378,901	14,963,985	1,644,952	1,663,720

3(a) **ANALYSIS OF STATEMENT OF FINANCIAL POSITION**
(December 2023 vs December 2022)

Associates and joint ventures increased by \$99.2 million to \$567.4 million due to additional investments in joint ventures in the Aviation Asset Management business.

Long-term trade receivables of \$11.3 million as at 31 December 2023, which remained largely unchanged as compared to the prior year, related mainly to TransCore's long-term projects for U.S. government agencies and were contractually due after twelve months from the balance sheet date.

Amounts due from related parties (non-current), which increased by \$1.2 million to \$36.2 million, comprised loans to associates and joint ventures maturing after twelve months from the balance sheet date and no credit loss was expected.

Advances and other receivables (non-current), which increased by \$53.5 million to \$134.5 million, and advances and other receivables (current), which increased by \$48.4 million to \$469.1 million, comprised mainly advance payments to suppliers, prepayments, deposits, other receivables and finance lease receivables paid and/ or receivable in the ordinary course of business.

3(a) **ANALYSIS OF STATEMENT OF FINANCIAL POSITION** (cont'd)

Trade receivables (current) increased by \$428.9 million to \$1,581.3 million, due mainly to increase in amounts that were not past due and there was no material change in aging profile or expected credit loss as compared to the prior year.

The reduction in borrowings (current) was due to repayment as well as refinancing of short-term borrowings via the Group's issuance of US\$500 million of medium-term notes during the year, which correspondingly increased borrowings (non-current).

Contract liabilities (non-current) increased by \$397.0 million to \$1,274.9 million due mainly to higher advance payments from customers.

Notwithstanding the Group's net current liabilities position of \$693 million as at 31 December 2023, it has available financial resources to meet its obligations as and when they fall due. To ensure that the Group is not exposed to short-term liquidity risk, its outstanding United States Commercial Papers (USCP) of \$1.9 billion are backstopped by a committed revolving credit facility (RCF) of \$2.2 billion. The RCF remained undrawn as at 31 December 2023 and was more than enough to refinance all the outstanding USCP, if needed, and to cover the Group's net current liabilities position. The Group has very strong credit ratings (Aaa by Moody's and AA+ by Standard & Poor's) which provide it ready access to additional borrowings as necessary. The Group's medium-term notes, USCP and committed credit facilities do not have any financial covenants.

3(b) **BORROWINGS**

	GROUP		COMPANY	
	31-Dec-23	31-Dec-22	31-Dec-23	31-Dec-22
	\$'000	\$'000	\$'000	\$'000
<u>Amount repayable within one year</u>				
Secured	91,051	80,572	-	114
Unsecured	<u>2,472,610</u>	<u>3,547,397</u>	<u>-</u>	<u>-</u>
	<u>2,563,661</u>	<u>3,627,969</u>	<u>-</u>	<u>114</u>
<u>Amount repayable after one year</u>				
Secured	532,815	545,012	-	-
Unsecured	<u>3,011,616</u>	<u>2,361,556</u>	<u>-</u>	<u>-</u>
	<u>3,544,431</u>	<u>2,906,568</u>	<u>-</u>	<u>-</u>
Total	<u>6,108,092</u>	<u>6,534,537</u>	<u>-</u>	<u>114</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 31 December 2023 and 31 December 2022:

	GROUP	
	31-Dec-23	31-Dec-22
	\$'000	\$'000
Financial assets		
Investments	63,075	76,704
Associates	9,970	15,460
Derivative financial instruments	65,684	50,359
Trade receivables	1,592,575	1,163,491
Amounts due from related parties	96,183	170,089
Advances and other receivables	144,771	147,577
Bank balances and other liquid funds	353,337	601,771
	<u>2,325,595</u>	<u>2,225,451</u>
Financial liabilities		
Derivative financial instruments	23,265	57,423
Trade payables and accruals	3,214,184	2,899,210
Amounts due to related parties	50,168	41,887
Borrowings	6,108,092	6,534,537
	<u>9,395,709</u>	<u>9,533,057</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.
	FVTPL - 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:

31-Dec-23 Group	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets measured at fair value				
Investments	-	-	63,075	63,075
Associates	-	-	9,970	9,970
Derivative financial instruments	-	65,684	-	65,684
	-	65,684	73,045	138,729
Financial liabilities measured at fair value				
Derivative financial instruments	-	23,265	-	23,265
	-	23,265	-	23,265
31-Dec-22				
Group	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets measured at fair value				
Investments	26,273	-	50,431	76,704
Associates	-	-	15,460	15,460
Derivative financial instruments	-	50,359	-	50,359
	26,273	50,359	65,891	142,523
Financial liabilities measured at fair value				
Derivative financial instruments	-	57,423	-	57,423
	-	57,423	-	57,423

3(e) **NET ASSET VALUE**

	GROUP	
	31-Dec-23	31-Dec-22
	Cents	Cents
Net asset value per ordinary share at end of the year	78.96	77.03

	COMPANY	
	31-Dec-23	31-Dec-22
	Cents	Cents
Net asset value per ordinary share at end of the year	52.57	53.04

4 **CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2023**

	GROUP	
	FY2023	FY2022
	\$'000	\$'000
Cash flows from operating activities		
Profit before taxation	704,211	597,466
Adjustments:		
Share of results of associates and joint ventures, net of tax	(58,093)	(33,270)
Share-based payment expense	27,266	24,893
Depreciation charge	340,861	337,602
Property, plant and equipment written off	2,118	3,844
Amortisation of other intangible assets	200,575	179,270
Amortisation of deferred income	(4)	(6)
Impairment of property, plant and equipment	2,457	42,378
Impairment of goodwill and other intangible assets	10,162	5,000
Gain on disposal of property, plant and equipment	(14,867)	(10,911)
Gain on disposal of subsidiaries	(16,454)	(37,288)
Gain on disposal of associate	-	(3,668)
Loss on disposal of investment	24,132	-
Gain on ineffective portion/ discontinuation of cash flow hedges	(27,941)	-
Changes in fair value of associates	5,398	(1,471)
Changes in fair value of investments	657	(13,868)
Changes in fair value of financial instruments and hedged items	1,603	(1,932)
Interest expense	235,829	137,309
Interest income	(13,345)	(9,271)
Unrealised currency translation losses/ (gains)	2,063	(330)
Operating profit before working capital changes	<u>1,426,628</u>	<u>1,215,747</u>
Changes in:		
Inventories	(206,060)	(354,852)
Contract assets	(148,519)	(249,371)
Trade receivables	(437,738)	(58,447)
Amounts due from related parties	(3,464)	25,671
Advances and other receivables	(115,756)	(97,895)
Contract liabilities	438,702	139,808
Deposits from customers	(4,978)	17,754
Trade payables	104,398	198,293
Amounts due to related parties	913	1,900
Other payables, accruals and provisions	275,282	(67,872)
Deferred income	(3,567)	3,438
Cash generated from operations	<u>1,325,841</u>	<u>774,174</u>
Interest received	11,569	6,942
Income tax paid	<u>(158,853)</u>	<u>(108,021)</u>
Net cash from operating activities	<u>1,178,557</u>	<u>673,095</u>

4 **CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2023** (cont'd)

	GROUP	
	FY2023	FY2022
	\$'000	\$'000
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	261,723	20,308
Proceeds from disposal of intangible assets	120,941	-
Proceeds from disposal of associate and joint venture	-	8,832
Proceeds from disposal of investments	2,033	-
Purchase of property, plant and equipment	(540,272)	(762,927)
Purchase of investments	(11,002)	(16,124)
Additions to other intangible assets	(75,644)	(203,204)
Dividends from associates and joint ventures	56,054	40,475
Investment in associates and joint ventures	(116,141)	(25,051)
Repayment of loans by associate	85,726	196
Loans to associates and joint ventures	(988)	(58,298)
Acquisition of controlling interests in subsidiaries, net of cash acquired	-	(3,630,087)
Disposal of subsidiaries, net of cash disposed	16,813	54,392
Net cash used in investing activities	(200,757)	(4,571,488)
Cash flows from financing activities		
Proceeds from bank loans	621,354	1,098,690
Proceeds from medium term note issuance	676,800	1,385,000
Proceeds from issuance of commercial papers	1,901,135	4,206,138
Proceeds from settlement of derivatives	9,734	124,425
Proceeds from finance lease receivables	221	233
Repayment of bank loans	(865,375)	(386,204)
Repayment of commercial papers	(2,641,075)	(1,852,969)
Repayment of lease liabilities	(132,796)	(83,894)
Purchase of treasury shares	(20,821)	(26,430)
Capital contribution from non-controlling interests of a subsidiary	5,184	50
Dividends paid to shareholders of the Company	(498,680)	(685,625)
Dividends paid to non-controlling interests	-	(9,225)
Interest paid	(281,756)	(72,382)
Deposits discharged/ (pledged)	1	(22)
Net cash (used in)/ from financing activities	(1,226,074)	3,697,785
Net change in cash and cash equivalents	(248,274)	(200,608)
Cash and cash equivalents at beginning of the year	601,749	815,924
Effect of exchange rate changes on balances held in foreign currency	(159)	(13,567)
Cash and cash equivalents at end of the year	353,316	601,749

4(a) **ANALYSIS OF CONSOLIDATED STATEMENT OF CASH FLOWS**

The Group ended the year with cash and cash equivalents (CCE) of \$353 million, \$248 million lower than FY2022. In FY2023, the Group generated cash of \$1,179 million from its operating activities, which was higher than the prior year due to improvement in EBITDA and working capital movements.

Net cash used in investing activities of \$201 million in FY2023 was mainly attributed to the Group's investment in property, plant and equipment (\$540 million), investment in associates and joint ventures (\$116 million) and additions to intangible assets (\$76 million), partially offset by proceeds from disposal of

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

property, plant and equipment (\$262 million), proceeds from disposal of intangible assets (\$121 million), repayment of loans by an associate (\$86 million) and dividends from associates and joint ventures (\$56 million).

Net cash used in financing activities of \$1,226 million in FY2023 was mainly attributed to net repayment of commercial papers (\$740 million), bank loans (\$244 million), payment of dividends (\$499 million) and interest paid (\$282 million), partially offset by proceeds from medium-term note issuance (\$677 million).

5 **STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023**

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 January 2023	895,926	(36,377)	100,068	(34,437)	1,472,816	2,397,996	254,858	2,652,854
Total comprehensive income for the year								
Profit after taxation	-	-	-	-	586,467	586,467	17,959	604,426
Other comprehensive income								
Defined benefit plan remeasurements	-	-	-	-	3,199	3,199	(1,024)	2,175
Net fair value changes on equity investment at FVOCI	-	-	-	2,769	-	2,769	-	2,769
Net fair value changes of cash flow hedges reclassified to income statement	-	-	-	(51,696)	-	(51,696)	(4,112)	(55,808)
Effective portion of changes in fair value of cash flow hedges	-	-	-	36,401	-	36,401	15,667	52,068
Share of net fair value changes on cash flow hedges of joint ventures	-	-	-	(3,343)	-	(3,343)	-	(3,343)
Foreign currency translation differences	-	-	-	(12,540)	-	(12,540)	4,035	(8,505)
Share of foreign currency translation differences of associates and joint ventures	-	-	-	(7,960)	-	(7,960)	-	(7,960)
Reserves released on disposal of subsidiaries	-	-	-	549	-	549	-	549
<i>Other comprehensive income for the year, net of tax</i>	-	-	-	(35,820)	3,199	(32,621)	14,566	(18,055)
Total comprehensive income for the year, net of tax	-	-	-	(35,820)	589,666	553,846	32,525	586,371
Hedging gains and losses and cost of hedging transferred to the cost of inventory	-	-	-	(265)	-	(265)	14	(251)
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	-	-	-	-	-	-	5,184	5,184
Cost of share-based payment	-	-	-	27,193	-	27,193	73	27,266
Purchase of treasury shares	-	(20,821)	-	-	-	(20,821)	-	(20,821)
Treasury shares reissued pursuant to share plans	-	27,554	(6,604)	(20,879)	-	71	(71)	-
Dividends paid	-	-	-	-	(498,680)	(498,680)	-	(498,680)
<i>Total contributions by and distributions to owners of the Company</i>	-	6,733	(6,604)	6,314	(498,680)	(492,237)	5,186	(487,051)
Changes in ownership interests in subsidiaries								
Disposal of subsidiary	-	-	-	-	-	-	244	244
Total transactions with owners of the Company	-	6,733	(6,604)	6,314	(498,680)	(492,237)	5,430	(486,807)
Transfer from retained earnings to statutory reserve	-	-	-	862	(862)	-	169	169
Balance at 31 December 2023	895,926	(29,644)	93,464	(63,346)	1,562,940	2,459,340	292,996	2,752,336

5 **STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023** (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 January 2022	895,926	(33,475)	103,940	(101,937)	1,548,308	2,412,762	255,453	2,668,215
Total comprehensive income for the year								
Profit after taxation	-	-	-	-	535,012	535,012	8,323	543,335
Other comprehensive income								
Defined benefit plan remeasurements	-	-	-	-	75,096	75,096	19,126	94,222
Net fair value changes on equity investment at FVOCI	-	-	-	(2,957)	-	(2,957)	-	(2,957)
Net fair value changes of cash flow hedges reclassified to income statement	-	-	-	12,008	-	12,008	15,460	27,468
Effective portion of changes in fair value of cash flow hedges	-	-	-	110,463	-	110,463	(16,302)	94,161
Share of net fair value changes on cash flow hedges of joint ventures	-	-	-	2,321	-	2,321	-	2,321
Foreign currency translation differences	-	-	-	(57,959)	-	(57,959)	(16,661)	(74,620)
Share of foreign currency translation differences of associates and joint ventures	-	-	-	(15,438)	-	(15,438)	-	(15,438)
Reserves released on disposal of subsidiaries	-	-	-	8,149	-	8,149	-	8,149
<i>Other comprehensive income for the year, net of tax</i>	-	-	-	56,587	75,096	131,683	1,623	133,306
Total comprehensive income for the year, net of tax	-	-	-	56,587	610,108	666,695	9,946	676,641
Hedging gains and losses and cost of hedging transferred to the cost of inventory	-	-	-	3,983	-	3,983	(30)	3,953
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	-	-	-	-	-	-	50	50
Cost of share-based payment	-	-	-	24,809	-	24,809	84	24,893
Purchase of treasury shares	-	(26,430)	-	-	-	(26,430)	-	(26,430)
Treasury shares reissued pursuant to share plans	-	23,528	(3,872)	(19,546)	-	110	(110)	-
Dividends paid	-	-	-	-	(685,625)	(685,625)	-	(685,625)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(9,225)	(9,225)
<i>Total contributions by and distributions to owners of the Company</i>	-	(2,902)	(3,872)	5,263	(685,625)	(687,136)	(9,201)	(696,337)
Changes in ownership interests in subsidiaries								
Disposal of subsidiaries	-	-	-	1,692	-	1,692	(1,310)	382
Total transactions with owners of the Company	-	(2,902)	(3,872)	6,955	(685,625)	(685,444)	(10,511)	(695,955)
Transfer from retained earnings to statutory reserve	-	-	-	(25)	25	-	-	-
Balance at 31 December 2022	895,926	(36,377)	100,068	(34,437)	1,472,816	2,397,996	254,858	2,652,854

5 **STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023** (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 January 2023	895,926	(36,377)	(15,977)	71,014	736,631	1,651,217
Total comprehensive income for the year						
Profit after taxation	-	-	-	-	478,206	478,206
Total comprehensive income for the year	-	-	-	-	478,206	478,206
Transactions with owners of the Company, recognised directly in equity						
Contributions by and distributions to owners of the Company						
Cost of share-based payment	-	-	-	27,266	-	27,266
Purchase of treasury shares	-	(20,821)	-	-	-	(20,821)
Treasury shares reissued pursuant to share plans	-	27,554	(6,622)	(20,932)	-	-
Dividends paid	-	-	-	-	(498,680)	(498,680)
<i>Total contributions by and distributions to owners of the Company</i>	-	6,733	(6,622)	6,334	(498,680)	(492,235)
Balance at 31 December 2023	895,926	(29,644)	(22,599)	77,348	716,157	1,637,188
At 1 January 2022	895,926	(33,475)	(12,044)	65,716	644,405	1,560,528
Total comprehensive income for the year						
Profit after taxation	-	-	-	-	777,851	777,851
Total comprehensive income for the year	-	-	-	-	777,851	777,851
Transactions with owners of the Company, recognised directly in equity						
Contributions by and distributions to owners of the Company						
Cost of share-based payment	-	-	-	24,893	-	24,893
Purchase of treasury shares	-	(26,430)	-	-	-	(26,430)
Treasury shares reissued pursuant to share plans	-	23,528	(3,933)	(19,595)	-	-
Dividends paid	-	-	-	-	(685,625)	(685,625)
<i>Total contributions by and distributions to owners of the Company</i>	-	(2,902)	(3,933)	5,298	(685,625)	(687,162)
Balance at 31 December 2022	895,926	(36,377)	(15,977)	71,014	736,631	1,651,217

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

Issued and paid up capital

As at 31 December 2023, the Company has an issued share capital of 3,122,495,197 ordinary shares (31 December 2022: 3,122,495,197 ordinary shares) of which 7,946,236 were held by the Company as treasury shares (31 December 2022: 9,612,551).

	Number of Shares
	31-Dec-23
As at beginning and end of the year (including treasury shares)	3,122,495,197
As at end of the year (excluding treasury shares)	3,114,548,961
As at 31 December 2022 (excluding treasury shares)	3,112,882,646

Performance Share Plan

Singapore Technologies Engineering Performance Share Plan (PSP)

As at 31 December 2023, the total number of outstanding awards was 6,356,672 (31 December 2022: 6,069,216) ordinary shares of the Company. Based on the achievement factor, the actual release of the awards could range from zero to a maximum of 10,806,342 (31 December 2022: 10,317,667) ordinary shares of the Company.

Restricted Share Plan

Singapore Technologies Engineering Restricted Share Plan (RSP)

As at 31 December 2023, the total number of outstanding awards was 16,241,986 (31 December 2022: 14,210,928) ordinary shares of the Company.

Treasury Shares

During the year, the Company purchased 5,700,000 ordinary shares by way of open market acquisitions, all of which were held by the Company as treasury shares (FY2022: 7,000,000).

During the year, 7,366,315 treasury shares were utilised pursuant to the RSP and PSP (FY2022: 6,213,848).

As at 31 December 2023, the number of treasury shares held by the Company represented 0.26% (31 December 2022: 0.31%) 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 year ended 31-Dec-23
As at beginning of the year	9,612,551
Purchase of treasury shares	5,700,000
Treasury shares transferred on vesting of RSP	(5,501,455)
Treasury shares transferred on vesting of PSP	(1,864,860)
As at end of the year	7,946,236

6 **AUDIT**

The consolidated statement of financial position of Singapore Technologies Engineering Ltd (“the Company”) and its subsidiaries (“the Group”) and the financial position of the Company as at 31 December 2023 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and certain explanatory notes have been audited by the Company’s auditors.

7 **AUDITOR'S REPORT**

See attached auditor’s report.

8 REVIEW OF GROUP PERFORMANCE

8(a) FY2023 vs FY2022

Revenue

\$m	FY2023	FY2022	Increase/(Decrease)	
Commercial Aerospace	3,905	2,991	914	31%
Defence & Public Security	4,252	4,272	(20)	(0.5%)
Urban Solutions & Satcom	1,944	1,772	172	10%
Total	10,101	9,035	1,066	12%

The Group generated revenue of \$10,101 million in FY2023, an increase of 12% or \$1,066 million as compared to FY2022, with contributions from all segments.

Commercial Aerospace's revenue of \$3,905 million for FY2023 grew strongly by 31% or \$914 million as compared to FY2022, contributed by all sub-segments.

Defence & Public Security's revenue of \$4,252 million for FY2023 was lower by 0.5% or \$20 million as compared to FY2022 due to divestment of U.S. Marine in FY2022. Excluding U.S. Marine's revenue of \$249 million in FY2022, the segment's revenue grew by 6%, attributed to Digital Systems & Cyber, Land Systems and Marine.

Urban Solutions & Satcom revenue of \$1,944 million in FY2023 was higher by 10% or \$172 million as compared to FY2022. The growth was contributed by Urban Solutions (TransCore), partially offset by Satcom.

8 **REVIEW OF GROUP PERFORMANCE** (cont'd)

8(a) **FY2023 vs FY2022** (cont'd)

Profitability – Earnings before interest and tax

\$m	FY2023	FY2022	Increase/(Decrease)	
Commercial Aerospace	337.2	300.9	36.4	12%
Defence & Public Security	567.4	405.0	162.4	40%
Urban Solutions & Satcom	10.0	29.2	(19.2)	(66%)
Total	914.7	735.1	179.6	24%

The Group's earnings before interest and tax (EBIT) of \$914.7 million for FY2023 was higher than FY2022 by 24% or \$179.6 million. On a base operating performance (BOP)¹ basis, Group EBIT would be \$946 million, which was 40% higher than FY2022, on the back of business growth and cost savings.

In FY2023, EBIT for Commercial Aerospace of \$337.2 million was 12% or \$36.4 million higher as compared to FY2022. Excluding the pension restructuring gain of \$72 million in FY2022, EBIT for FY2023 would be higher by 47% or \$108.4 million, bolstered by strong business growth and cost savings.

Defence and Public Security's EBIT of \$567.4 million was 40% or \$162.4 million higher as compared to FY2022, mainly due to business growth, margin mix, cost savings and absence of U.S. Marine losses.

Urban Solutions & Satcom's EBIT of \$10.0 million was 66% or \$19.2 million lower as compared to FY2022. The lower EBIT was due to Satcom weakness, including severance costs and SatixFy divestment loss totalling \$32 million, partially offset by higher EBIT from TransCore. Investment in TransCore was earnings accretive for FY2023.

Profitability – Net Profit

\$m	FY2023	FY2022	Increase/(Decrease)	
Net Profit	586.5	535.0	51.5	10%

The Group's net profit of \$586.5 million in FY2023 was higher by 10% or \$51.5 million as compared to FY2022 due to strong EBIT growth.

On a BOP¹ basis, the Group's net profit would be \$610 million, which was 24% higher than FY2022, with business growth and cost savings more than offsetting the higher finance costs.

¹ Excluding (a)(i) pension restructuring gain, partially offset by (ii) higher TransCore transaction and integration expenses in FY2022, and (b)(i) loss on divestment of SatixFy shares and (ii) Satcom severance costs in FY2023.

8 **REVIEW OF GROUP PERFORMANCE** (cont'd)

8(b) 2H2023 vs 2H2022

Revenue

\$m	2H2023	2H2022	Increase/(Decrease)	
Commercial Aerospace	2,050	1,587	463	29%
Defence & Public Security	2,135	2,163	(28)	(1%)
Urban Solutions & Satcom	1,053	1,015	38	4%
Total	5,238	4,765	472	10%

The Group generated revenue of \$5,238 million in 2H2023, an increase of 10% or \$472 million as compared to 2H2022. The increase in revenue was largely driven by the Commercial Aerospace segment.

Commercial Aerospace's revenue in 2H2023 of \$2,050 million was higher by 29% or \$463 million as compared to 2H2022, largely driven by Aerospace MRO and Aerostructures & Systems.

Defence & Public Security's revenue in 2H2023 of \$2,135 million was lower by 1% or \$28 million as compared to 2H2022, due to divestment of U.S. Marine business in November 2022. Excluding U.S. Marine's revenue of \$129 million in 2H2022, the segment's revenue for 2H2023 grew 5% year-on-year, attributed to growth in Digital Systems & Cyber and Land Systems.

Urban Solutions & Satcom's revenue in 2H2023 of \$1,053 million was higher by 4% or \$38 million as compared to 2H2022, contributed by Urban Solutions (TransCore), partially offset by Satcom.

8 **REVIEW OF GROUP PERFORMANCE** (cont'd)

8(b) 2H2023 vs 2H2022 (cont'd)

Profitability – Earnings before interest and tax

\$m	2H2023	2H2022	Increase/(Decrease)	
Commercial Aerospace	159.7	118.2	41.5	35%
Defence & Public Security	266.7	191.0	75.7	40%
Urban Solutions & Satcom	44.1	41.3	2.8	7%
Total	470.5	350.5	120.0	34%

The Group's earnings before interest and tax (EBIT) of \$470.5 million for 2H2023 was higher than 2H2022 by 34% or \$120.0 million, attributed to business growth and cost savings.

Commercial Aerospace's EBIT of \$159.7 million increased by 35% or \$41.5 million in 2H2023 as compared to 2H2022. The increase was attributed to business growth from all sub-segments.

Defence & Public Security's EBIT of \$266.7 million in 2H2023 was 40% or \$75.7 million higher than 2H2022 due to business growth, margin mix, cost savings and absence of U.S. Marine losses.

Urban Solutions & Satcom's EBIT of \$44.1 million in 2H2023 was 7% or \$2.8 million higher as compared to 2H2022 contributed by TransCore, partially offset by weakness in Satcom performance.

Profitability – Net Profit

\$m	2H2023	2H2022	Increase/(Decrease)	
Net Profit	305.9	255.0	50.8	20%

The Group's net profit of \$305.9 million in 2H2023 was 20% or \$50.8 million higher than 2H2022 contributed by strong EBIT growth.

9 **VARIANCE FROM PROSPECT STATEMENT**

Nil. In line with guidance given at the 3Q2023 Market Update, Urban Solutions & Satcom segment EBIT for full-year 2023 was profitable but lower than 2022. In line with announced target, the investment in TransCore was earnings accretive for full-year 2023.

10 **PROSPECTS**

Group

In 2023, the Group achieved significant financial milestones. Group revenue exceeded \$10 billion while Group Net Profit grew 10% year-on-year to \$586 million.

This performance was underpinned by the strength of the Group's Commercial Aerospace and Defence & Public Security segments, and a high-graded portfolio. The Group's investment in TransCore became accretive in FY2023, ahead of plan. The strong set of results was also supported by productivity and cost savings measures and investments made during the COVID-19 downturn.

The Group remains focused on executing its robust order book of \$27.4 billion, while delivering sustainable growth and creating value for its stakeholders.

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.

11 **DIVIDENDS**

The Directors are pleased to announce that a final tax exempt (one-tier) cash dividend of 4.0 cents per ordinary share has been recommended for the year ended 31 December 2023.

Together with the three quarterly interim cash dividends of 4.0 cents per ordinary share paid on 6 June 2023, 31 August 2023 and 1 December 2023, the total dividend for the year ended 31 December 2023 will be 16.0 cents per ordinary share. The recommended dividend takes into consideration the Group's FY2023 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	First Interim tax exempt (one-tier)	Second Interim tax exempt (one-tier)	Third Interim tax exempt (one-tier)	Final tax exempt (one-tier)	Total
Dividend Type	Cash	Cash	Cash	Cash	Cash
Dividend Per Share	4.0 cents per ordinary share (paid on 6 June 2023)	4.0 cents per ordinary share (paid on 31 August 2023)	4.0 cents per ordinary share (paid on 1 December 2023)	4.0 cents per ordinary share (to be paid on 14 May 2024)	16.0 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	First Interim tax exempt (one-tier)	Second Interim tax exempt (one-tier)	Third Interim tax exempt (one-tier)	Final tax exempt (one-tier)	Total
Dividend Type	Cash	Cash	Cash	Cash	Cash
Dividend Per Share	4.0 cents per ordinary share (paid on 7 June 2022)	4.0 cents per ordinary share (paid on 2 September 2022)	4.0 cents per ordinary share (paid on 20 December 2022)	4.0 cents per ordinary share (paid on 9 May 2023)	16.0 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 3 May 2024 for the preparation of dividend warrants. Duly completed transfers in respect of ordinary shares of the Company together with all relevant documents of title received by the Company's share registrar, Tricor Barbinder Share Registration Services, 9 Raffles Place #26-01 Republic Plaza, Singapore 048619 up to 5.00 p.m. on 2 May 2024 will be registered to determine members' entitlements to the proposed dividend, subject to approval of members to the proposed dividend at the Annual General Meeting to be convened on 26 April 2024. Subject as aforesaid, members whose securities accounts with The Central Depository (Pte) Limited are credited with ordinary shares of the Company as at 5.00 p.m. on 2 May 2024 will be entitled to the proposed dividend. The proposed dividend, if so approved by members, will be paid on 14 May 2024.

12 **BUSINESS SEGMENTAL INFORMATION**
By Business Activity

	FY2023				
	Commercial Aerospace	Defence & Public Security	Urban Solutions & Satcom	Elimination	Group
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue					
External sales	3,905,269	4,251,967	1,943,785	-	10,101,021
Inter-segment sales	60,791	36,731	36,795	(134,317)	-
	<u>3,966,060</u>	<u>4,288,698</u>	<u>1,980,580</u>	<u>(134,317)</u>	<u>10,101,021</u>
Reportable segment profit from operations	282,665	542,872	14,573	-	840,110
Non-operating income, net	(309)	16,254	509	-	16,454
Share of results of associates and joint ventures, net of tax	54,880	8,291	(5,078)	-	58,093
Earnings before interest and tax	<u>337,236</u>	<u>567,417</u>	<u>10,004</u>	<u>-</u>	<u>914,657</u>
Finance income					41,286
Finance costs					<u>(251,732)</u>
Profit before taxation					704,211
Taxation					(99,785)
Non-controlling interests					<u>(17,959)</u>
Profit attributable to shareholders					<u>586,467</u>
Other assets	4,737,972	5,768,074	5,858,657	(2,120,721)	14,243,982
Associates and joint ventures	444,807	100,926	21,671	-	567,404
Segment assets	<u>5,182,779</u>	<u>5,869,000</u>	<u>5,880,328</u>	<u>(2,120,721)</u>	<u>14,811,386</u>
Deferred tax assets					214,178
Bank balances and other liquid funds					<u>353,337</u>
Total assets					<u>15,378,901</u>
Segment liabilities	1,790,448	5,109,060	957,008	(1,660,424)	6,196,092
Provision for taxation					165,959
Deferred tax liabilities					156,422
Borrowings					<u>6,108,092</u>
Total liabilities					<u>12,626,565</u>
Capital expenditure	310,273	363,615	118,838	(27,642)	765,084
Depreciation and amortisation	195,109	136,624	210,865	(1,162)	541,436
Impairment losses	-	3,283	9,336	-	12,619

12 **BUSINESS SEGMENTAL INFORMATION** (cont'd)
By Business Activity

	FY2022				
	Commercial Aerospace	Defence & Public Security	Urban Solutions & Satcom	Elimination	Group
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue					
External sales	2,991,209	4,271,656	1,772,238	-	9,035,103
Inter-segment sales	61,550	47,889	48,566	(158,005)	-
	<u>3,052,759</u>	<u>4,319,545</u>	<u>1,820,804</u>	<u>(158,005)</u>	<u>9,035,103</u>
Reportable segment profit from operations	271,690	364,903	27,941	-	664,534
Non-operating income, net	327	31,844	5,117	-	37,288
Share of results of associates and joint ventures, net of tax	28,869	8,248	(3,847)	-	33,270
Earnings before interest and tax	<u>300,886</u>	<u>404,995</u>	<u>29,211</u>	<u>-</u>	<u>735,092</u>
Finance income					11,203
Finance costs					(148,829)
Profit before taxation					<u>597,466</u>
Taxation					(54,131)
Non-controlling interests					(8,323)
Profit attributable to shareholders					<u>535,012</u>
Other assets	4,870,823	4,539,902	6,173,792	(1,888,715)	13,695,802
Associates and joint ventures	318,469	102,787	46,919	-	468,175
Segment assets	<u>5,189,292</u>	<u>4,642,689</u>	<u>6,220,711</u>	<u>(1,888,715)</u>	<u>14,163,977</u>
Deferred tax assets					198,237
Bank balances and other liquid funds					601,771
Total assets					<u>14,963,985</u>
Segment liabilities	1,842,187	4,205,294	1,029,410	(1,642,526)	5,434,365
Provision for taxation					174,748
Deferred tax liabilities					167,481
Borrowings					6,534,537
Total liabilities					<u>12,311,131</u>
Capital expenditure	831,607	163,358	98,056	(36,929)	1,056,092
Depreciation and amortisation	195,698	140,997	179,298	879	516,872
Impairment losses	4,513	42,865	-	-	47,378

12 **BUSINESS SEGMENTAL INFORMATION** (cont'd)
By Business Activity

	2H2023				
	Commercial Aerospace	Defence & Public Security	Urban Solutions & Satcom	Elimination	Group
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue					
External sales	2,049,689	2,134,798	1,053,118	-	5,237,605
Inter-segment sales	29,019	19,310	21,715	(70,044)	-
	<u>2,078,708</u>	<u>2,154,108</u>	<u>1,074,833</u>	<u>(70,044)</u>	<u>5,237,605</u>
Reportable segment profit from operations	128,393	245,741	45,155	-	419,289
Non-operating income, net	(309)	16,254	711	-	16,656
Share of results of associates and joint ventures, net of tax	31,642	4,701	(1,803)	-	34,540
Earnings before interest and tax	159,726	266,696	44,063	-	470,485
Finance income					6,902
Finance costs					(124,565)
Profit before taxation					<u>352,822</u>
Taxation					(33,751)
Non-controlling interests					(13,221)
Profit attributable to shareholders					<u>305,850</u>
Other assets	4,737,972	5,768,074	5,858,657	(2,120,721)	14,243,982
Associates and joint ventures	444,807	100,926	21,671	-	567,404
Segment assets	<u>5,182,779</u>	<u>5,869,000</u>	<u>5,880,328</u>	<u>(2,120,721)</u>	<u>14,811,386</u>
Deferred tax assets					214,178
Bank balances and other liquid funds					353,337
Total assets					<u>15,378,901</u>
Segment liabilities	1,790,448	5,109,060	957,008	(1,660,424)	6,196,092
Provision for taxation					165,959
Deferred tax liabilities					156,422
Borrowings					6,108,092
Total liabilities					<u>12,626,565</u>
Capital expenditure	194,698	162,892	54,467	(27,642)	384,415
Depreciation and amortisation	98,306	72,808	105,054	(1,097)	275,071
Impairment losses	-	3,283	9,336	-	12,619

12 **BUSINESS SEGMENTAL INFORMATION** (cont'd)
By Business Activity

	2H2022				
	Commercial Aerospace	Defence & Public Security	Urban Solutions & Satcom	Elimination	Group
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue					
External sales	1,586,973	2,163,244	1,014,979	-	4,765,196
Inter-segment sales	32,888	27,839	21,603	(82,330)	-
	<u>1,619,861</u>	<u>2,191,083</u>	<u>1,036,582</u>	<u>(82,330)</u>	<u>4,765,196</u>
Reportable segment profit from operations	96,770	169,829	37,638	-	304,237
Non-operating income, net	-	18,820	5,117	-	23,937
Share of results of associates and joint ventures, net of tax	21,462	2,352	(1,478)	-	22,336
Earnings before interest and tax	<u>118,232</u>	<u>191,001</u>	<u>41,277</u>	<u>-</u>	<u>350,510</u>
Finance income					2,624
Finance costs					(106,770)
Profit before taxation					<u>246,364</u>
Taxation					14,597
Non-controlling interests					(5,929)
Profit attributable to shareholders					<u>255,032</u>
Other assets	4,870,823	4,539,902	6,173,792	(1,888,715)	13,695,802
Associates and joint ventures	318,469	102,787	46,919	-	468,175
Segment assets	<u>5,189,292</u>	<u>4,642,689</u>	<u>6,220,711</u>	<u>(1,888,715)</u>	<u>14,163,977</u>
Deferred tax assets					198,237
Bank balances and other liquid funds					601,771
Total assets					<u>14,963,985</u>
Segment liabilities	1,842,187	4,205,294	1,029,410	(1,642,526)	5,434,365
Provision for taxation					174,748
Deferred tax liabilities					167,481
Borrowings					6,534,537
Total liabilities					<u>12,311,131</u>
Capital expenditure	432,849	106,429	65,383	(32,967)	571,694
Depreciation and amortisation	109,441	71,203	107,394	1,150	289,188
Impairment losses	832	34,560	-	-	35,392

12 **BUSINESS SEGMENTAL INFORMATION** (cont'd)

Disaggregation of Revenue

Major products/service lines

	2H2023		2H2022		FY2023		FY2022	
	\$'000	%	\$'000	%	\$'000	%	\$'000	%
Sale of goods	1,630,579	31.1	1,572,082	33.0	3,218,049	31.9	3,007,410	33.3
Service income	1,414,368	27.0	1,180,835	24.8	2,638,050	26.1	2,275,274	25.2
Contract revenue	2,192,658	41.9	2,012,279	42.2	4,244,922	42.0	3,752,419	41.5
Total	5,237,605	100	4,765,196	100	10,101,021	100	9,035,103	100

Timing of revenue recognition

	2H2023		2H2022		FY2023		FY2022	
	\$'000	%	\$'000	%	\$'000	%	\$'000	%
Transferred at a point in time	2,401,183	45.8	2,143,040	45.0	4,636,499	45.9	4,122,662	45.6
Transferred over time	2,836,422	54.2	2,622,156	55.0	5,464,522	54.1	4,912,441	54.4
Total	5,237,605	100	4,765,196	100	10,101,021	100	9,035,103	100

By Geographical Areas

	Revenue				Revenue			
	2H2023		2H2022		FY2023		FY2022	
	\$'000	%	\$'000	%	\$'000	%	\$'000	%
Asia	2,512,768	48.0	2,298,007	48.2	4,924,215	48.7	4,514,285	50.0
U.S.	1,303,699	24.9	1,232,613	25.9	2,448,772	24.2	2,229,652	24.7
Europe	1,056,724	20.2	838,233	17.6	2,015,610	20.0	1,642,526	18.1
Others	364,414	6.9	396,343	8.3	712,424	7.1	648,640	7.2
Total	5,237,605	100	4,765,196	100	10,101,021	100	9,035,103	100

By Country of Incorporation

	Revenue				Revenue			
	2H2023		2H2022		FY2023		FY2022	
	\$'000	%	\$'000	%	\$'000	%	\$'000	%
Asia	2,957,551	56.5	2,694,882	56.5	5,760,303	57.0	5,219,845	57.8
U.S.	1,626,405	31.1	1,566,302	32.9	3,086,297	30.6	2,852,309	31.6
Europe	614,560	11.7	471,260	9.9	1,185,465	11.7	899,513	9.9
Others	39,089	0.7	32,752	0.7	68,956	0.7	63,436	0.7
Total	5,237,605	100	4,765,196	100	10,101,021	100	9,035,103	100

	Non-current assets ⁺			
	31-Dec-23		31-Dec-22	
	\$'000	%	\$'000	%
Asia	2,446,852	28.8	1,979,057	23.0
U.S.	4,601,877	54.1	4,788,762	55.5
Europe	1,358,609	16.0	1,758,155	20.4
Others	90,692	1.1	95,598	1.1
Total	8,498,030	100	8,621,572	100

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

13 **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)	
		FY2023 \$'000	FY2022 \$'000	FY2023 \$'000	FY2022 \$'000
Transactions for the Sale of Goods and Services					
SATS Ltd. and its Associates	Temasek Holdings (Private) Limited is	-	-	2,459	1,775
Seatrium Limited and its Associates	a controlling	-	-	1,164	-
SembCorp Industries Ltd and its Associates	shareholder of the	-	-	152	3,685
SIA Engineering Company Limited and its Associates	Company. The	-	-	121	143
Singapore Airlines Limited and its Associates	other named	-	-	-	611
Singapore Telecommunications Limited and its Associates	interested persons	-	-	1,886	3,635
StarHub Ltd and its Associates	are its associates.	-	-	1,329	1,088
Temasek Holdings (Private) Limited and its Associates (non-listed)		-	-	218,845	85,172
		-	-	225,956	96,109
Transactions for the Purchase of Goods and Services					
Mapletree Pan Asia Commercial Trust	Temasek Holdings (Private) Limited is	-	-	-	1,576
SATS Ltd. and its Associates	a controlling	-	-	756	295
Seatrium Limited and its Associates	shareholder of the	-	-	120	350
SembCorp Industries Ltd and its Associates	Company. The	-	-	832	919
Singapore Airlines Limited and its Associates	other named	-	-	134	-
Singapore Telecommunications Limited and its Associates	interested persons	-	-	1,887	2,827
StarHub Ltd and its Associates	are its associates.	-	-	1,371	2,568
Telechoice International Limited		-	-	4,131	-
Temasek Holdings (Private) Limited and its Associates (non-listed)		-	-	72,330	21,155
		-	-	81,561	29,690
Transaction for Acquisition of Business					
StarHub Ltd and its Associates	Temasek Holdings (Private) Limited is	67,500	-	-	-
Transaction for Disposal of Business					
Temasek Holdings (Private) Limited and its Associates	a controlling	-	22,768	-	-
	shareholder of the				
	Company. The				
	other named				
	interested persons				
	are its associates.				
		67,500	22,768	-	-
Total Interested Person Transactions					
		67,500	22,768	307,517	125,799

14 **SUBSEQUENT EVENTS**

The Group entered into an agreement on 13 December 2023 to acquire 100% of the issued shares of D’Crypt Pte. Ltd. (D’Crypt) from Keele Investments Pte. Ltd., an indirect subsidiary of StarHub Ltd, for a cash-free and debt-free purchase consideration of \$67.5 million, subject to certain conditions precedent and customary adjustments to purchase consideration comprising (a) certain adjustments prior to and following completion of acquisition, and (b) an earn-out consideration of \$5 million conditional upon meeting the stipulated earn-out milestone. Based on the unaudited financial statements of D’Crypt for the half-year ended 30 June 2023, the net assets and net tangible assets of D’Crypt as at 30 June 2023 were approximately \$48.1 million and \$46.1 million, respectively. The acquisition is expected to be completed by the first quarter of 2024.

15 **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).

16 **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 2023, 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

LOW MENG WAI
Company Secretary
29 February 2024

Investor Relations/ Media Contact:
Lina Poa
Head Investor Relations
ST Engineering
Email: ir@stengg.com