

News Release

ST ENGINEERING POSTS HIGHER PROFIT BEFORE TAX FOR 1Q2014 OVER 1Q2013

Order Book Continues to Grow

FINANCIAL HIGHLIGHTS For the first quarter ended 31 March 2014

	2014 1Q	2013 1Q	Growth %
Revenue (\$m)	1,552	1,545	-
Earnings before interest and tax (EBIT) (\$m)	133.5	143.2	(7)
Other income, net (\$m)	17.4	9.4	86
Finance costs, net (\$m)	(4.1)	(1.4)	(179)
Profit before tax (PBT) (\$m)	167.9	158.7	6
Profit attributable to shareholders (\$m)	137.2	134.0	2
Earnings per share (cents)	4.41	4.34	2

- Commercial sales constituted 62% or \$965 million of revenue
- Order book of \$13.4 billion at end March 2014, of which about \$3.3 billion is expected to be delivered in the remaining months of 2014
- Cash and cash equivalents including funds under management totalled \$2.0 billion
- Advance payments from customers totalled \$1.7 billion

N.B.: All currencies are in Singapore dollars

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Singapore, 9 May 2014 - Singapore Technologies Engineering Ltd (ST Engineering) reported higher Profit before tax (PBT) of \$167.9m on comparable revenue of \$1.55b for its first quarter ended 31 March 2014 (1Q2014) over the same period last year. Net Profit of \$137.2m was comparable to the corresponding period in the prior year.

At the business sector level, the Aerospace sector posted comparable revenue and PBT of \$501m and \$74.7m year-on-year. Revenue for the Electronics sector was 13% or \$55m lower at \$369m, while its PBT was comparable at \$32.3m over 1Q2013. The Land Systems sector recorded revenue of \$325m, 6% or \$21m lower while its PBT was 10% or \$2.2m lower at \$18.8m year-on-year. Revenue for the Marine sector was 27% or \$69m higher at \$323m, and its PBT of \$31.5m saw an increase of 7% or \$1.9m compared to the same period last year.

“The Group ended the quarter with a record-high order book of \$13.4b. The Group’s cash and cash equivalents including funds under management remained high at \$2b after paying off \$312m of bank loans.

Barring unforeseen circumstances, the Group expects to achieve higher Revenue and PBT for FY2014 over FY2013.”

~ TAN Pheng Hock
President & CEO, ST Engineering

Commercial sales accounted for 62% or \$965m of Group’s 1Q2014 revenue. Order book grew to \$13.4b from the \$13.2b recorded in 31 December 2013. The Group expects to deliver \$3.3b of orders in the remaining months of 2014.

Business Highlights

In the first quarter, the Group announced contract value of over \$1b. The Aerospace sector won \$460m worth of contracts, which included a two-year heavy maintenance contract from a major airline, an inaugural maintenance contract from Aircalin and an extension pilot-training contract from Xiamen Airlines. The Electronics sector disclosed \$581m worth of contracts for its intelligent transportation, satellite and broadband communications, advanced electronics and Information Communications Technologies solutions.

In February, ST Engineering displayed its group-wide capabilities at the Singapore Airshow 2014, presenting latest technologies in three clusters of Aviation, Combat and Environmental solutions. During the show, the Group demonstrated to an international audience its abilities to respond to the needs and requirements of its customers, both defence and commercial, through an array of fielded products and proven solutions, as well as new concepts and designs.

ST Engineering (Singapore Technologies Engineering Ltd) is an integrated engineering group providing solutions and services in the aerospace, electronics, land systems and marine sectors. Headquartered in Singapore, the Group reported revenue of \$6.63b in FY2013 and ranks among the largest companies listed on the Singapore Exchange. It is a component stock of the FTSE Straits Times Index, FTSE ASEAN 40 Index, MSCI Singapore and other indices. ST Engineering has more than 23,000 employees worldwide, and over 100 subsidiaries and associated companies in 46 cities across 24 countries. Please visit www.stengg.com for more information.

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SINGAPORE TECHNOLOGIES ENGINEERING LTD
UNAUDITED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2014

1 CONSOLIDATED INCOME STATEMENT FOR THE FIRST QUARTER ENDED 31 MARCH 2014

	GROUP		
	1Q2014	1Q2013	+ / (-)
	\$'000	\$'000	%
Revenue	1,551,755	1,544,739	0.5
Cost of sales	(1,225,918)	(1,214,673)	0.9
Gross profit	325,837	330,066	(1.3)
Distribution and selling expenses (refer para 1.7)	(49,784)	(41,195)	20.8
Administrative expenses	(113,620)	(118,924)	(4.5)
Other operating expenses	(28,962)	(26,714)	8.4
Profit from operations	133,471	143,233	(6.8)
Other income	17,868	9,840	81.6
Other expenses	(438)	(457)	(4.2)
Other income, net (refer para 1.8)	17,430	9,383	85.8
Finance income	10,855	16,295	(33.4)
Finance costs	(14,995)	(17,778)	(15.7)
Finance costs, net	(4,140)	(1,483)	179.2
Share of results of associates and jointly controlled entities, net of tax	21,112	7,534	180.2
Profit before taxation	167,873	158,667	5.8
Taxation	(30,300)	(24,945)	21.5
Profit for the period	137,573	133,722	2.9
Attributable to:			
Shareholders of the Company	137,223	134,020	2.4
Non-controlling interests	350	(298)	(217.4)
	137,573	133,722	2.9

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

		GROUP		
		1Q2014	1Q2013	+ / (-)
		\$'000	\$'000	%
1.1	Profit from operations is arrived at after charging / (crediting) the following:			
	Depreciation and amortisation	40,424	35,131	15.1
	The higher depreciation and amortisation mainly came from Aerospace, Electronics and Marine sectors.			
	Allowance for doubtful debts & bad debts written off, net	1,844	2,595	(28.9)
	The lower allowance for doubtful debts, net in 1Q2014 was mainly attributable to Land Systems sector.			
	Allowance for inventory obsolescence, net	8,881	7,073	25.6
	The higher allowance for inventory obsolescence, net in 1Q2014 mainly came from Aerospace sector.			
1.2	Finance costs, net comprises:			
	Interest income	6,387	6,476	(1.4)
	Foreign exchange gain / (loss), net	1,198	(177)	<-500
	Fair value changes of financial instruments / hedged items	(2,727)	3,745	(172.8)
	Gain / (loss) on disposal of investments, net	1,986	(223)	<-500
	Write-back of Impairment losses on investments	-	9	(100.0)
	Interest expenses	(11,034)	(11,345)	(2.7)
	Others	50	32	56.3
		<u>(4,140)</u>	<u>(1,483)</u>	179.2
1.3	Profit for the period as a percentage of revenue	8.9%	8.7%	
1.4	Profit attributable to shareholders as a percentage of share capital and reserves at end of the period	6.1%	6.5%	
1.5	The Group's tax charge in 1Q2014 included adjustments for overprovision of current tax of \$2.2 million and underprovision of deferred tax of \$1.8 million in respect of prior years (1Q2013: Adjustments for overprovision of current tax of \$6.4 million).			
1.6	There was no disposal of property during the period.			
1.7	The higher 1Q2014 distribution and selling expenses of \$49.8 million compared to \$41.2 million in 1Q2013 was mainly due to expenses incurred on the 2014 Singapore Airshow and higher staff related costs.			
1.8	The higher 1Q2014 other income, net of \$17.4 million compared to \$9.4 million in 1Q2013 was mainly due to income received from Singapore Government's Wage Credit Scheme.			

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

	GROUP		
	2014 \$'000	2013 \$'000	+ / (-) %
Revenue reported for first quarter	1,551,755	1,544,739	0.5
Profit for the period reported for first quarter	137,573	133,722	2.9

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

	GROUP		
	1Q2014	1Q2013	FY2013
EPS based on profit attributable to shareholders:	Cents	Cents	Cents
(i) Based on weighted average number of ordinary shares on issue	4.41	4.34	18.73
(ii) On a fully diluted basis	4.41	4.33	18.67

2 BALANCE SHEETS

	GROUP		COMPANY	
	31-Mar-14	31-Dec-13	31-Mar-14	31-Dec-13
	\$'000	\$'000	\$'000	\$'000
ASSETS				
Non-current assets				
Property, plant and equipment	1,516,310	1,520,404	1,328	1,434
Subsidiaries	-	-	1,183,545	927,728
Associates and jointly controlled entities	463,954	462,139	17,657	17,657
Investments	165,252	166,033	-	-
Intangible assets	640,793	638,408	-	-
Long-term receivables, non-current	12,417	12,528	-	-
Finance lease receivables, non-current	2,358	2,679	-	-
Deferred tax assets	91,961	95,634	6,375	7,200
Amounts due from related parties, non-current	7,402	7,430	244,935	258,874
Derivative financial instruments, non-current	29,715	39,978	83	77
	2,930,162	2,945,233	1,453,923	1,212,970
Current assets				
Inventories and work-in-progress	1,854,961	1,807,509	-	-
Trade receivables	1,096,823	1,221,937	-	-
Amounts due from related parties, current	37,540	40,076	525,432	504,498
Advances and other receivables	654,631	598,210	11,771	9,827
Long-term receivables, current	12,383	12,508	-	-
Finance lease receivables, current	14,621	16,447	-	-
Short-term investments	67,290	134,581	-	-
Bank balances and other liquid funds	1,731,818	1,930,140	176,006	470,124
	5,470,067	5,761,408	713,209	984,449
TOTAL ASSETS	8,400,229	8,706,641	2,167,132	2,197,419
EQUITY AND LIABILITIES				
Current liabilities				
Advance payments from customers, current	760,165	878,895	-	-
Trade payables and accruals, current	1,500,104	1,604,740	19,484	25,017
Amounts due to related parties, current	9,341	24,953	2,918	98,946
Provisions	221,192	218,910	-	-
Progress billings in excess of work-in-progress	821,222	734,725	-	-
Provision for taxation	181,259	197,139	7,562	11,666
Short-term bank loans	31,609	139,842	-	-
Long-term bank loans, current	88,080	292,789	-	-
Lease obligations, current	2,231	1,321	-	-
Other loans, current	368	369	-	-
	3,615,571	4,093,683	29,964	135,629
NET CURRENT ASSETS	1,854,496	1,667,725	683,245	848,820

2 **BALANCE SHEETS** (cont'd)

	GROUP		COMPANY	
	31-Mar-14	31-Dec-13	31-Mar-14	31-Dec-13
	\$'000	\$'000	\$'000	\$'000
Non-current liabilities				
Advance payments from customers, non-current	936,639	857,496	-	-
Trade payables and accruals, non-current	334,918	353,701	17,995	18,817
Deferred tax liabilities	94,305	94,867	-	-
Bonds	626,791	631,283	-	-
Long-term bank loans, non-current	285,264	288,867	-	-
Lease obligations, non-current	17,447	18,150	-	-
Other loans, non-current	528	564	-	-
Deferred income	86,683	83,695	-	-
Other long-term payables, non-current	1,500	1,500	-	-
Derivative financial instruments, non-current	15,995	22,515	-	-
Amounts due to related parties, non-current	-	406	642,854	553,192
	2,400,070	2,353,044	660,849	572,009
TOTAL LIABILITIES	6,015,641	6,446,727	690,813	707,638
NET ASSETS	2,384,588	2,259,914	1,476,319	1,489,781
Share capital and reserves				
Share capital	877,760	852,611	877,760	852,611
Capital reserves	116,323	116,323	-	-
Other reserves	(79,564)	(44,651)	58,795	72,754
Retained earnings	1,329,181	1,191,958	539,764	564,416
	2,243,700	2,116,241	1,476,319	1,489,781
Non-controlling interests	140,888	143,673	-	-
	2,384,588	2,259,914	1,476,319	1,489,781
TOTAL EQUITY AND LIABILITIES	8,400,229	8,706,641	2,167,132	2,197,419

2(a) **ANALYSIS OF BALANCE SHEETS**

Compared to 31 December 2013, the increase in net current assets was mainly attributable to decreases in advance payments from customers, trade payables and accruals and bank loans, but these were partially offset by decreases in trade receivables and bank balances and other liquid funds.

2(b) GROUP BORROWINGS

	As at 31-Mar-14 \$'000	As at 31-Dec-13 \$'000
<u>Amount repayable within one year</u>		
Secured	20,733	28,534
Unsecured	101,555	405,787
	<u>122,288</u>	<u>434,321</u>
<u>Amount repayable after one year</u>		
Secured	76,698	79,290
Unsecured	853,332	859,574
	<u>930,030</u>	<u>938,864</u>
Total	<u>1,052,318</u>	<u>1,373,185</u>

2(c) NET ASSET VALUE

	GROUP		
	1Q2014	1Q2013	FY2013
	Cents	Cents	Cents
Net asset value per ordinary share at end of the financial period/year	72.01	66.67	68.14

	COMPANY		
	1Q2014	1Q2013	FY2013
	Cents	Cents	Cents
Net asset value per ordinary share at end of the financial period/year	47.38	46.62	47.97

3 CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FIRST QUARTER ENDED 31 MARCH 2014

	GROUP	
	1Q2014	1Q2013
	\$'000	\$'000
Cash flows from operating activities		
Profit before taxation	167,873	158,667
<u>Adjustments:</u>		
Share of results of associates and jointly controlled entities, net of tax	(21,112)	(7,534)
Depreciation charge	36,962	31,681
Property, plant and equipment written off	43	1,396
Gain on disposal of property, plant and equipment	(362)	(11)
(Gain) / loss on disposal of investments	(1,986)	223
Write-back of Impairment losses on quoted and unquoted investments	-	(9)
Impairment losses on an associate	15	-
Share-based payment expense	2,760	2,834
Changes in fair value of financial instruments and hedged items	2,727	(3,745)
Changes in fair value of financial instruments held for trading	(50)	(32)
Interest expenses	11,034	11,345
Interest income	(6,387)	(6,476)
Amortisation of other intangible assets	3,462	3,450
Operating profit before working capital changes	194,979	191,789
<u>(Increase)/decrease in:</u>		
Inventories and work-in-progress	(25,382)	38,735
Progress billings in excess of work-in-progress	86,497	(5,409)
Trade receivables	125,114	88,644
Advance payments to suppliers	(68,506)	26,845
Other receivables, deposits and prepayments	(9,354)	(29,546)
Holding company and related corporations balances, net	(3,481)	(273)
Amount due from associates	(1,352)	(4,985)
Amount due from jointly controlled entities	(8,649)	(712)
Trade payables	(2,366)	19,443
Advance payments from customers	(39,587)	312,068
Other payables, accruals and provisions	(104,056)	(154,829)
Loans to staff and third parties	170	(124)
Deferred income	2,988	(29)
Foreign currency translation of foreign operations	4,486	9,952
Cash generated from operations	151,501	491,569
Interest received	8,346	6,833
Income tax paid	(43,103)	(18,520)
Net cash from operating activities	116,744	479,882

3 CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FIRST QUARTER ENDED 31 MARCH 2014 (cont'd)

	GROUP	
	1Q2014	1Q2013
	\$'000	\$'000
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	885	5,480
Proceeds from sale and maturity of investments	76,246	19,773
Dividends from associates and jointly controlled entities	15,829	18,144
Purchase of property, plant and equipment	(60,188)	(73,195)
Purchase of investments	(7,231)	(19,440)
Investment in associates	-	(7,632)
Investment in jointly controlled entities	-	(5,819)
Acquisition of other intangible assets	(12,162)	(32,518)
Net cash from/(used in) investing activities	13,379	(95,207)
Cash flows from financing activities		
Capital contribution from non-controlling interests of subsidiaries	-	15,710
Repayment of other loans	(38)	(32)
Repayment of bank loans	(311,677)	(497)
Repayment of lease obligations	(498)	(18)
Proceeds from issue of shares	8,430	34,666
Proceeds from bank loans	-	34,463
Dividends paid to non-controlling interests	(2,040)	(1,929)
Interest paid	(18,458)	(18,408)
Deposit (pledged)/discharged	(73)	2,714
Net cash (used in)/from financing activities	(324,354)	66,669
Net (decrease)/increase in cash and cash equivalents	(194,231)	451,344
Cash and cash equivalents at beginning of the period	1,920,924	1,700,950
Exchange difference on cash and cash equivalents at beginning of the period	(4,164)	3,172
Cash and cash equivalents at end of the period	1,722,529	2,155,466

3(a) ANALYSIS OF CONSOLIDATED STATEMENT OF CASH FLOWS

Compared to 1Q2013, net cash from operating activities of \$117 million in 1Q2014 was lower by \$363 million. This was mainly due to unfavourable working capital movements arising mainly from the negative variances in inventories and work-in-progress, advance payments to suppliers and advance payments from customers, but these were partially offset by positive variances in trade receivables, progress billings in excess of work-in-progress, and other payables, accruals and provisions.

The Group had a net cash from investing activities of \$13 million in 1Q2014 compared to a net cash used in investing activities of \$95 million in 1Q2013. The higher cash inflow was mainly attributable to higher proceeds from sale and maturity of bonds.

The Group repaid \$312 million of bank loans in 1Q2014 and the cash and cash equivalents as at end 1Q2014 was \$1,723 million, \$433 million lower than 1Q2013.

4 **CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FIRST QUARTER ENDED 31 MARCH 2014**

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

	GROUP		
	1Q2014	1Q2013	+ / (-)
	\$'000	\$'000	%
Profit for the period	137,573	133,722	2.9
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
Net fair value changes on available-for-sale financial assets	(825)	670	(223.1)
Net fair value changes on cash flow hedges	(3,365)	(14,661)	(77.0)
Foreign currency translation differences	(14,697)	14,244	(203.2)
Share of foreign currency translation differences of associates and jointly controlled entities	(3,162)	607	<-500
Other comprehensive income for the period, net of tax	(22,049)	860	<-500
Total comprehensive income for the period, net of tax	115,524	134,582	(14.2)
Total comprehensive income attributable to:			
Shareholders of the Company	116,280	134,268	(13.4)
Non-controlling interests	(756)	314	(340.8)
	115,524	134,582	(14.2)

5 STATEMENT OF CHANGES IN EQUITY FOR THE FIRST QUARTER ENDED 31 MARCH 2014

Group	Share capital \$'000	Capital reserves \$'000	Other reserves \$'000	Retained earnings \$'000	Total \$'000	Non-controlling interests \$'000	Total equity \$'000
At 1.1.2013	781,841	116,323	(136,121)	1,132,644	1,894,687	117,895	2,012,582
Total comprehensive income for the period							
Profit for the period	-	-	-	134,020	134,020	(298)	133,722
Other comprehensive income							
Net fair value changes on available-for-sale financial assets	-	-	670	-	670	-	670
Net fair value changes on cash flow hedges	-	-	(14,268)	-	(14,268)	(393)	(14,661)
Foreign currency translation differences	-	-	13,239	-	13,239	1,005	14,244
Share of foreign currency translation of associates and jointly controlled entities	-	-	607	-	607	-	607
<i>Other comprehensive income for the period, net of tax</i>	-	-	248	-	248	612	860
Total comprehensive income for the period, net of tax	-	-	248	134,020	134,268	314	134,582
Transactions with owners of the Company, recognised directly in equity							
Contributions by and distributions to owners of the Company							
Issue of shares	52,508	-	(17,842)	-	34,666	-	34,666
Capital contribution by non-controlling interests	-	-	-	-	-	15,710	15,710
Cost of share-based payment	-	-	2,814	-	2,814	20	2,834
Dividends paid to non-controlling interests	-	-	-	-	-	(1,929)	(1,929)
<i>Total contributions by and distributions to owners of the Company</i>	<i>52,508</i>	<i>-</i>	<i>(15,028)</i>	<i>-</i>	<i>37,480</i>	<i>13,801</i>	<i>51,281</i>
Total transactions with owners of the Company	52,508	-	(15,028)	-	37,480	13,801	51,281
At 31.3.2013	834,349	116,323	(150,901)	1,266,664	2,066,435	132,010	2,198,445

5 STATEMENT OF CHANGES IN EQUITY FOR THE FIRST QUARTER ENDED 31 MARCH 2014 (cont'd)

Group	Share capital \$'000	Capital reserves \$'000	Other reserves \$'000	Retained earnings \$'000	Total \$'000	Non-controlling interests \$'000	Total equity \$'000
At 1.1.2014	852,611	116,323	(44,651)	1,191,958	2,116,241	143,673	2,259,914
Total comprehensive income for the period							
Profit for the period	-	-	-	137,223	137,223	350	137,573
Other comprehensive income							
Net fair value changes on available-for-sale financial assets	-	-	(825)	-	(825)	-	(825)
Net fair value changes on cash flow hedges	-	-	(3,960)	-	(3,960)	595	(3,365)
Foreign currency translation differences	-	-	(12,996)	-	(12,996)	(1,701)	(14,697)
Share of foreign currency translation difference of associates and jointly controlled entities	-	-	(3,162)	-	(3,162)	-	(3,162)
<i>Other comprehensive income for the period, net of tax</i>	-	-	(20,943)	-	(20,943)	(1,106)	(22,049)
Total comprehensive income for the year, net of tax	-	-	(20,943)	137,223	116,280	(756)	115,524
Transactions with owners of the Company, recognised directly in equity							
Contributions by and distributions to owners of the Company							
Issue of shares	25,149	-	(16,719)	-	8,430	-	8,430
Cost of share-based payment	-	-	2,749	-	2,749	11	2,760
Dividends paid to non-controlling interests	-	-	-	-	-	(2,040)	(2,040)
<i>Total contributions by and distributions to owners of the Company</i>	<i>25,149</i>	<i>-</i>	<i>(13,970)</i>	<i>-</i>	<i>11,179</i>	<i>(2,029)</i>	<i>9,150</i>
Total transactions with owners of the Company	25,149	-	(13,970)	-	11,179	(2,029)	9,150
At 31.3.2014	877,760	116,323	(79,564)	1,329,181	2,243,700	140,888	2,384,588

5 STATEMENT OF CHANGES IN EQUITY FOR THE FIRST QUARTER ENDED 31 MARCH 2014 (cont'd)

Company	Share capital \$'000	Share-based payment reserve \$'000	Retained earnings \$'000	Total equity \$'000
At 1.1.2013	781,841	75,780	542,390	1,400,011
Total comprehensive income for the period				
Profit for the period	-	-	7,621	7,621
Total comprehensive income for the period	-	-	7,621	7,621
Transactions with owners of the Company, recognised directly in equity				
Contributions by and distributions to owners of the Company				
Issue of shares	52,508	(17,842)	-	34,666
Cost of share-based payment	-	2,834	-	2,834
<i>Total contributions by and distributions to owners of the Company</i>	52,508	(15,008)	-	37,500
At 31.3.2013	834,349	60,772	550,011	1,445,132
At 1.1.2014	852,611	72,754	564,416	1,489,781
Total comprehensive income for the year				
Profit for the period	-	-	(24,652)	(24,652)
Total comprehensive income for the period	-	-	(24,652)	(24,652)
Transactions with owners of the Company, recognised directly in equity				
Contributions by and distributions to owners of the Company				
Issue of shares	25,149	(16,719)	-	8,430
Cost of share-based payment	-	2,760	-	2,760
Dividends paid	-	-	-	-
<i>Total contributions by and distributions to owners of the Company</i>	25,149	(13,959)	-	11,190
At 31.3.2014	877,760	58,795	539,764	1,476,319

5(a) CHANGES IN COMPANY'S SHARE CAPITAL

Issued and paid up capital

As at 31 March 2014, the Company has an issued share capital of 3,115,903,284 ordinary shares (31 December 2013: 3,105,903,530 ordinary shares).

As at 31 March 2014, the Company did not hold any treasury shares (31 March 2013: Nil).

	Number of shares for the quarter ended 31.3.2014
As at beginning of the quarter	3,105,903,530
Issue of shares under the terminated Singapore Technologies Engineering Share Option Plan (ESOP)	3,291,672
Issue of shares under the terminated Singapore Technologies Engineering Restricted Stock Plan (RSP 2000)	1,659,932
Issue of shares under the terminated Singapore Technologies Engineering Performance Share Plan (PSP 2010)	1,545,821
Issue of shares under the Singapore Technologies Engineering Restricted Share Plan 2010 (RSP 2010)	3,502,329
As at end of the quarter	3,115,903,284

Share Option Plan

As at 31 March 2014, there were 27,082,235 (31 March 2013: 36,804,532) unexercised options of unissued ordinary shares under ESOP.

Performance Share Plan

- (i) *Singapore Technologies Engineering Performance Share Plan 2010 (PSP 2010)*
As at 31 March 2014, the total number of contingent shares granted conditionally but not released was 3,824,195 (31 March 2013: 3,839,401). Based on the achievement factor, the actual release of the awards could range from zero to a maximum of 6,501,131 (31 March 2013: 6,526,981) ordinary shares of the Company.

Restricted Stock Plan

- (i) *Singapore Technologies Engineering Restricted Stock Plan (RSP 2000)*
As at 31 March 2014, the total number of awards released but not vested was nil (31 March 2013: 1,750,110) ordinary shares of the Company.
- (ii) *Singapore Technologies Engineering Restricted Share Plan 2010 (RSP 2010)*
As at 31 March 2014, the total number of contingent shares granted conditionally but not released was 9,067,958 (31 March 2013: 8,752,160). Based on the achievement factor, the actual release of the awards could range from zero to a maximum of 13,556,937 (31 March 2013: 13,125,740) ordinary shares.

As at 31 March 2014, the total number of awards released but not vested was 3,553,896 (31 March 2013: 3,396,325) ordinary shares of the Company.

6 **AUDIT**

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

7 **AUDITORS' REPORT**

Not applicable.

8 **ACCOUNTING POLICIES**

The Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period compared with the audited financial statements as at 31 December 2013 except for the adoption of FRS and INT FRS that are mandatory for financial year beginning on or after 1 January 2014. The adoption of these FRS and INT FRS has no significant impact on the financial statements.

9 **CHANGES IN ACCOUNTING POLICIES**

Not applicable.

10 REVIEW OF GROUP PERFORMANCE

10(a) Revenue

1Q2014 vs 1Q2013

\$m	1Q2014	1Q2013	Growth	
Aerospace	501	476	25	5%
Electronics	369	424	(55)	(13%)
Land Systems	325	346	(21)	(6%)
Marine	323	254	69	27%
Others	34	45	(11)	(25%)
Total	1,552	1,545	7	-

Group's revenue of \$1,552 million for 1Q2014 was comparable to that of 1Q2013. Higher revenue recorded by Marine sector was largely offset by lower revenue from Electronics and Land Systems sectors. Aerospace sector had comparable revenue. The lower revenue under "Others" was attributable to ST Synthesis and Miltope.

Aerospace sector's 1Q2014 revenue of \$501 million was comparable to that of 1Q2013 with higher revenue in the **Engineering & Material Services** business group, attributable mainly to more project milestone completions and higher revenue from the Maintenance-by-the-Hour (MBH)TM programmes.

1Q2014 revenue of \$369 million for the Electronics sector was lower than that of 1Q2013 by 13% or \$55 million with lower contribution from all three business groups. The lower revenue in both **Large-Scale Systems Group** and **Software Systems Group** was mainly due to lower value project milestone completions. **Communication & Sensor Systems Group's** lower revenue was attributable to lower sales of satellite communication products.

Land Systems sector's 1Q2014 revenue of \$325 million was lower than that of 1Q2013 by 6% or \$21 million. Both **Automotive (Auto)** and **Services, Trading & Others** business groups recorded lower revenue, while **Munitions & Weapon** business group came in with higher revenue. The lower revenue in the **Auto** business group was due to lower scheduled project deliveries.

Revenue of Marine sector in 1Q2014 of \$323 million was higher than that of 1Q2013 by 27% or \$69 million, due mainly to higher **Shipbuilding** activities from local operation.

10 REVIEW OF GROUP PERFORMANCE (cont'd)

10(b) Profitability

1Q2014 vs 1Q2013

\$m	1Q2014	1Q2013	Growth	
Aerospace	74.7	72.4	2.3	3%
Electronics	32.3	33.3	(1.0)	(3%)
Land Systems	18.8	21.0	(2.2)	(10%)
Marine	31.5	29.6	1.9	7%
Others	10.6	2.4	8.2	336%
Total	167.9	158.7	9.2	6%

Group's profit before tax (PBT) for 1Q2014 of \$167.9 million was higher than that of 1Q2013 by 6% or \$9.2 million. Higher PBT recorded by the Marine sector was partially offset by lower PBT from Land Systems sector, while both Aerospace and Electronics sectors had comparable PBT.

Aerospace sector's PBT of \$74.7 million in 1Q2014 was comparable to that achieved in 1Q2013. The higher gross profit from favourable sales mix and higher contribution from associates was partially offset by higher operating expenses and finance costs.

PBT for Electronics sector in 1Q2014 of \$32.3 million was comparable to that achieved in 1Q2013. The impact of lower revenue was largely offset by favourable sales mix and higher other income.

Land Systems sector's 1Q2014 PBT of \$18.8 million was lower than that of 1Q2013 by 10% or \$2.2 million. The lower PBT was mainly due to higher operating expenses.

PBT of Marine sector in 1Q2014 of \$31.5 million was higher than that of 1Q2013 by 7% or \$1.9 million, mainly due to higher gross profit as a result of higher revenue.

The higher PBT under "Others" was mainly contributed by an associate, Experia Events Pte. Ltd., the Singapore Airshow 2014 organiser.

11 **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 2014 to be false or misleading in any material respect.

12 **VARIANCE FROM PROSPECTS STATEMENT**

No variance from the previous prospects statement.

13 **PROSPECTS**

Group

Barring unforeseen circumstances, the Group expects to achieve comparable Revenue and PBT in 1H2014 compared to that of 1H2013. For FY2014, the Group expects to achieve higher Revenue and PBT compared to that of FY2013.

Sectors

For the Aerospace and Marine sectors, 1H2014 Revenue is expected to be higher, whilst PBT is expected to be comparable to that of 1H2013.

For the Electronics sector, 1H2014 Revenue is expected to be comparable, whilst PBT is expected to be lower than that of 1H2013.

For the Land Systems sector, 1H2014 Revenue and PBT are expected to be lower than that of 1H2013.

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.

14 **DIVIDENDS**

No interim dividend for the period ended 31 March 2014 is recommended.

15 BUSINESS SEGMENTAL INFORMATION

By Business Activity

	1Q2014						
	Aerospace	Electronics	Land Systems	Marine	Others	Elimination	Group
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue							
External sales	500,910	368,469	325,381	323,106	33,889	-	1,551,755
Inter-segment sales	1,894	6,745	1,030	458	5,825	(15,952)	-
	<u>502,804</u>	<u>375,214</u>	<u>326,411</u>	<u>323,564</u>	<u>39,714</u>	<u>(15,952)</u>	<u>1,551,755</u>
Reportable segment profit							
from operations	66,469	29,159	14,756	28,206	(18,450)	13,331	133,471
Other income	3,613	3,691	5,055	1,543	29,736	(25,770)	17,868
Other expenses	(16)	(7)	(399)	(23)	-	7	(438)
Finance income	2,612	921	961	1,080	49,131	(43,850)	10,855
Finance costs	(7,763)	(1,570)	(4,863)	(94)	(44,639)	43,934	(14,995)
Share of results of associates and jointly controlled entities, net of tax	<u>9,766</u>	<u>111</u>	<u>3,313</u>	<u>820</u>	<u>-</u>	<u>7,102</u>	<u>21,112</u>
Profit before taxation	74,681	32,305	18,823	31,532	15,778	(5,246)	167,873
Taxation	(11,861)	(3,148)	(4,778)	(6,423)	(4,090)	-	(30,300)
Non-controlling interests	<u>(2,348)</u>	<u>(541)</u>	<u>2,536</u>	<u>3</u>	<u>-</u>	<u>-</u>	<u>(350)</u>
Profit attributable to shareholders	<u>60,472</u>	<u>28,616</u>	<u>16,581</u>	<u>25,112</u>	<u>11,688</u>	<u>(5,246)</u>	<u>137,223</u>
Other assets	2,425,756	1,753,628	1,980,205	1,162,300	4,184,421	(3,570,035)	7,936,275
Associates and jointly controlled entities	<u>327,180</u>	<u>840</u>	<u>105,600</u>	<u>4,043</u>	<u>17,681</u>	<u>8,610</u>	<u>463,954</u>
Segment assets	<u>2,752,936</u>	<u>1,754,468</u>	<u>2,085,805</u>	<u>1,166,343</u>	<u>4,202,102</u>	<u>(3,561,425)</u>	<u>8,400,229</u>
Segment liabilities	<u>1,955,410</u>	<u>1,540,810</u>	<u>1,756,309</u>	<u>958,623</u>	<u>2,102,652</u>	<u>(2,298,163)</u>	<u>6,015,641</u>
Capital expenditure ⁺	26,690	12,263	28,436	5,338	1,844	-	74,571
Depreciation and amortisation	14,937	8,445	9,064	6,595	1,393	(10)	40,424
Impairment losses	15	-	-	-	-	-	15
Other non-cash expenses	30	3	10	-	-	-	43

⁺ Capital expenditure consists of additions of property, plant and equipment and intangible assets.

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

	1Q2013						Group \$'000
	Aerospace \$'000	Electronics \$'000	Land Systems \$'000	Marine \$'000	Others \$'000	Elimination \$'000	
Revenue							
External sales	475,692	423,806	345,875	254,294	45,072	-	1,544,739
Inter-segment sales	3,199	9,296	2,416	6	8,043	(22,960)	-
	<u>478,891</u>	<u>433,102</u>	<u>348,291</u>	<u>254,300</u>	<u>53,115</u>	<u>(22,960)</u>	<u>1,544,739</u>
Reportable segment profit from operations	61,800	32,500	19,478	26,568	(8,908)	11,795	143,233
Other income	4,283	1,261	2,970	1,536	16,728	(16,938)	9,840
Other expenses	(203)	-	(454)	(3)	-	203	(457)
Finance income	3,505	918	2,074	6,069	22,601	(18,872)	16,295
Finance costs	(3,826)	(1,138)	(3,983)	(5,354)	(24,410)	20,933	(17,778)
Share of results of associates and jointly controlled entities, net of tax	<u>6,812</u>	<u>(266)</u>	<u>933</u>	<u>773</u>	<u>-</u>	<u>(718)</u>	<u>7,534</u>
Profit before taxation	<u>72,371</u>	<u>33,275</u>	<u>21,018</u>	<u>29,589</u>	<u>6,011</u>	<u>(3,597)</u>	<u>158,667</u>
Taxation	(10,746)	(3,983)	(1,383)	(8,796)	(37)	-	(24,945)
Non-controlling interests	<u>(1,128)</u>	<u>(217)</u>	<u>1,637</u>	<u>6</u>	<u>-</u>	<u>-</u>	<u>298</u>
Profit attributable to shareholders	<u>60,497</u>	<u>29,075</u>	<u>21,272</u>	<u>20,799</u>	<u>5,974</u>	<u>(3,597)</u>	<u>134,020</u>
Other assets	2,403,436	1,576,686	2,024,828	1,067,068	4,151,897	(3,040,587)	8,183,328
Associates and jointly controlled entities	<u>171,647</u>	<u>4,436</u>	<u>105,271</u>	<u>3,335</u>	<u>17,681</u>	<u>3,078</u>	<u>305,448</u>
Segment assets	<u>2,575,083</u>	<u>1,581,122</u>	<u>2,130,099</u>	<u>1,070,403</u>	<u>4,169,578</u>	<u>(3,037,509)</u>	<u>8,488,776</u>
Segment liabilities	<u>2,020,654</u>	<u>1,395,987</u>	<u>1,805,825</u>	<u>933,298</u>	<u>2,192,492</u>	<u>(2,057,925)</u>	<u>6,290,331</u>
Capital expenditure ⁺	50,856	30,811	11,927	10,793	1,400	-	105,787
Depreciation and amortisation	13,602	6,606	9,377	4,260	1,296	(10)	35,131
Write-back of impairment	-	-	-	-	(9)	-	(9)
Other non-cash expenses	1,389	1	6	-	-	-	1,396

⁺ Capital expenditure consists of additions of property, plant and equipment and intangible assets.

15 BUSINESS SEGMENTAL INFORMATION (cont'd)

By Business Activity

For Revenue and Profit Before Tax of 1Q2014 vis-à-vis 1Q2013, please refer to paragraph 10.

	Profit Attributable to Shareholders		
	1Q2014	1Q2013	+/(-)
	\$'000	\$'000	%
Aerospace	60,472	60,497	-
Electronics	28,616	29,075	(1.6)
Land Systems	16,581	21,272	(22.1)
Marine	25,112	20,799	20.7
Others	6,442	2,377	171.0
Group	<u>137,223</u>	<u>134,020</u>	2.4

By Geographical Areas

	Revenue			
	1Q2014		1Q2013	
	\$'000	%	\$'000	%
Asia	865,344	55.8	919,998	59.6
USA	396,883	25.6	417,816	27.0
Europe	73,028	4.7	126,274	8.2
Others	216,500	13.9	80,651	5.2
Total	<u>1,551,755</u>	<u>100</u>	<u>1,544,739</u>	<u>100</u>

By Country of Incorporation

	Revenue				Non-Current Assets *			
	1Q2014		1Q2013		1Q2014		1Q2013	
	\$'000	%	\$'000	%	\$'000	%	\$'000	%
Asia	1,181,325	76.1	1,068,947	69.2	1,919,875	68.4	1,686,200	66.3
USA	339,785	21.9	415,065	26.9	728,544	25.9	679,524	26.7
Europe	17,596	1.1	52,722	3.4	61,267	2.2	83,343	3.3
Others	13,049	0.9	8,005	0.5	98,800	3.5	92,764	3.7
Total	<u>1,551,755</u>	<u>100</u>	<u>1,544,739</u>	<u>100</u>	<u>2,808,486</u>	<u>100</u>	<u>2,541,831</u>	<u>100</u>

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

16 **INTERESTED PERSON TRANSACTIONS** (unaudited)

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

	1Q2014 \$'000	1Q2013 \$'000
Transactions for the Sale of Goods and Services		
CapitaLand Limited and its Associates	215	-
SembCorp Industries Ltd and its Associates	190	-
SembCorp Marine Ltd and its Associates	8,950	-
StarHub Ltd and its Associates	2,296	-
Temasek Holdings (Private) Limited and its Associates (non-listed)	2,043	5,109
	13,694	5,109
Transactions for the Purchase of Goods and Services		
SATS Ltd. and its Associates	-	1,421
SembCorp Industries Ltd and its Associates	1,458	-
Singapore Telecommunications Limited and its Associates	470	234
Temasek Holdings (Private) Limited and its Associates (non-listed)	18,452	320
	20,380	1,975
Total Interested Person Transactions	34,074	7,084

BY ORDER OF THE BOARD

CHUA SU LI
Company Secretary
9 May 2014

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For more details on how the business of each Sector is managed and its related performance, please see the attached sections. The information is given on a voluntary basis and from the perspective of the Sector management, as its disclosure is not made pursuant to any law or regulation.