

Financial Results Briefing

First Quarter 2009

5 May 2009



1Q2009 Results

- PBT Grew 25% over Previous Quarter
- Record Order Book
- Healthy Operating Cash Flow

Agenda

- **Financial Highlights**
 - *1Q2009 vs 4Q2008*
 - *1Q2009 vs 1Q2008*
- **Business Review**
 - *Sector Operations*
- **Outlook**

Financial Highlights

for the first quarter ended 31 March 2009

- PBT grew 25% over previous quarter
- Record order book of \$11.03b; about \$2.88b to be delivered in next three quarters (FY2008: \$10.60b)
- Healthy operating cash flow of \$351m (1Q2008: \$261m; 4Q2008: \$137m)
- \$1.38b of cash and cash equivalents (FY2008: \$1.05b)
- Commercial sales at 64% (1Q2008: 63%) or \$843m of turnover

Financial Highlights

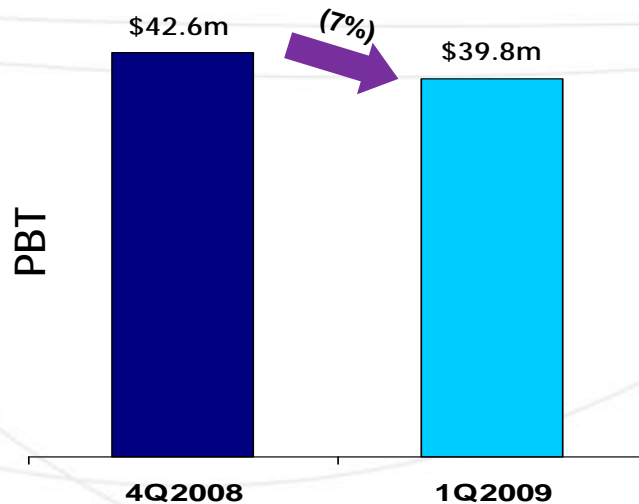
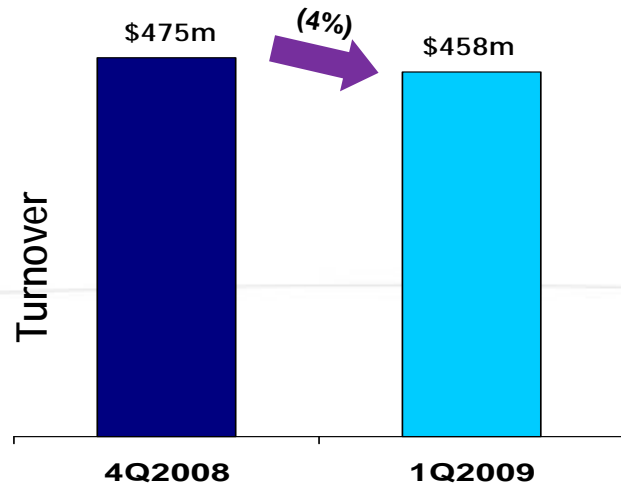
for the first quarter ended 31 March 2009

\$ m	1Q2009 (a)	4Q2008 (b)	Change (a) / (b)	1Q2008 (c)	Change (a) / (c)
Turnover	1,318	1,347	↓ 2%	1,315	↑ -
Investment income	0.1	(14.0)	↑ 101%	11.5	↓ 99%
Interest & other income	27.7	8.0	↑ 243%	8.0	↑ 250%
EBIT	88.7	95.6	↓ 7%	139.8	↓ 37%
PBT	111.3	88.9	↑ 25%	156.4	↓ 29%
PATMI	85.2	102.3	↓ 17%	122.5	↓ 30%
ROS	6.6%	7.9%	↓ 1.3% pt	9.6%	↓ 3.0% pt

1Q2009 vs 4Q2008

Aerospace

Turnover and PBT

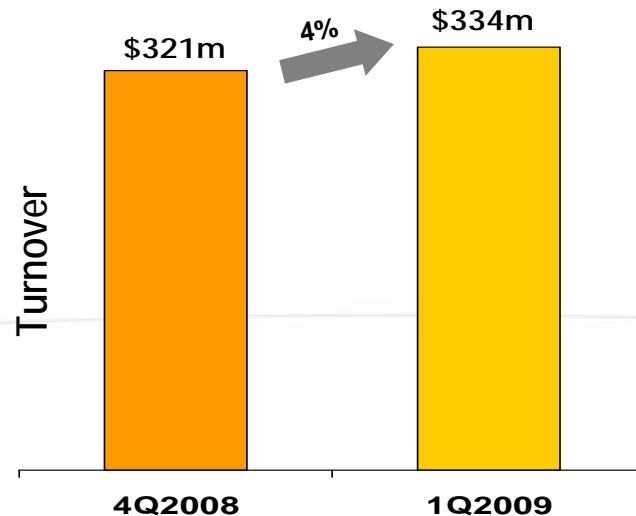


- **Turnover** decreased by 4% or \$17m to \$458m
 - Fewer 757 freighter conversion redeliveries (AMM)
 - Lower sales in the components division (CERO)
 Partially offset by:
 - Higher sales in the engines division (CERO)

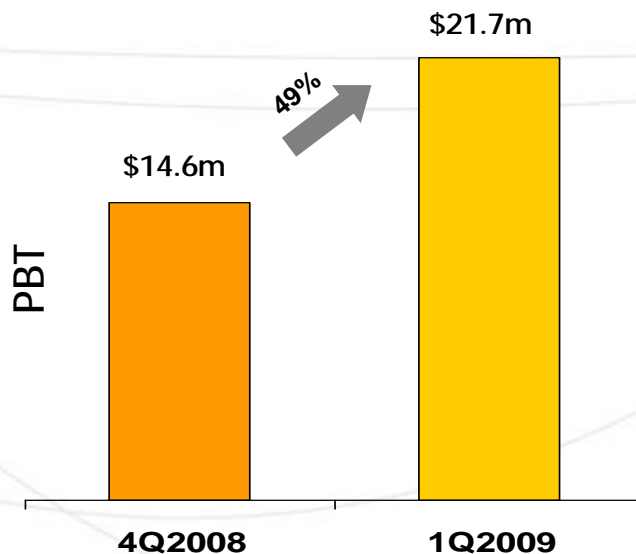
- **PBT** lower by 7% or \$2.8m to \$39.8m
 - Unfavourable sales mix
 - Lower investment income
 - Higher financial expenses
 Partially offset by:
 - Lower allowance for doubtful debts

Electronics

Turnover and PBT



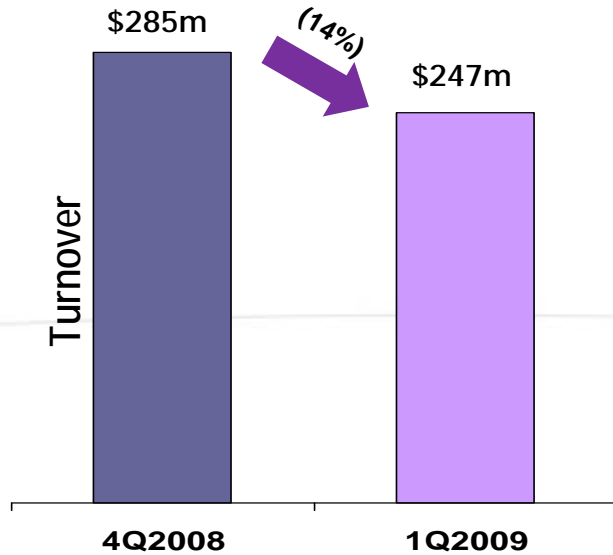
- **Turnover** increased by 4% or \$13m to \$334m
 - Milestone completions of LTA's Circle Line project (LSG)
 - Milestone completions of a software system project (SSG)
- Partially offset by:
 - Lower value project milestones completed and lower sales of electro-optics equipment (CSG)



- **PBT** higher by 49% or \$7.1m to \$21.7m
 - Income from Jobs Credit Scheme
 - No impairment in value of quoted investments
- Partially offset by:
 - Lower gross profit due to less favourable sales mix

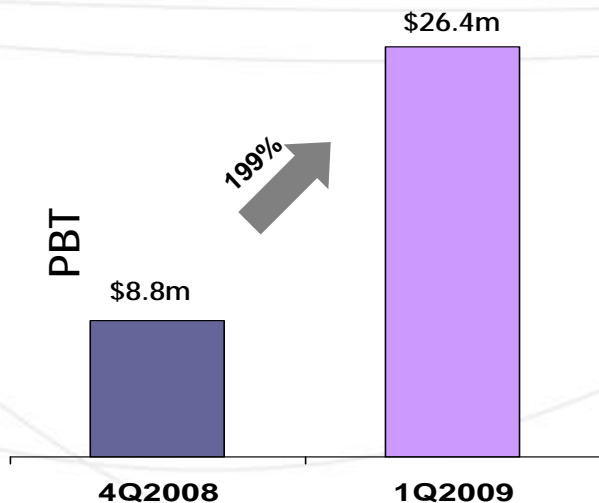
Land Systems

Turnover and PBT



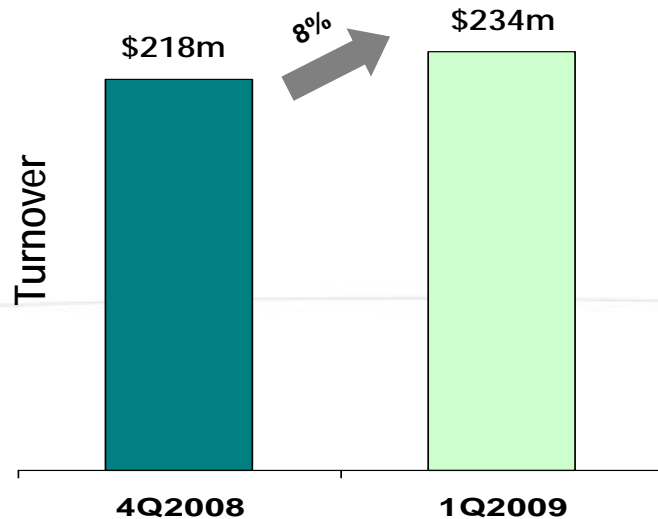
- Turnover decreased by 14% or \$38m to \$247m
 - Lower specialty vehicles sales and project deliveries (Auto)

- PBT higher by 199% or \$17.6m to \$26.4m
 - Lower operating expenses
 - Income from Jobs Credit Scheme
 - No impairment in value of a quoted investment

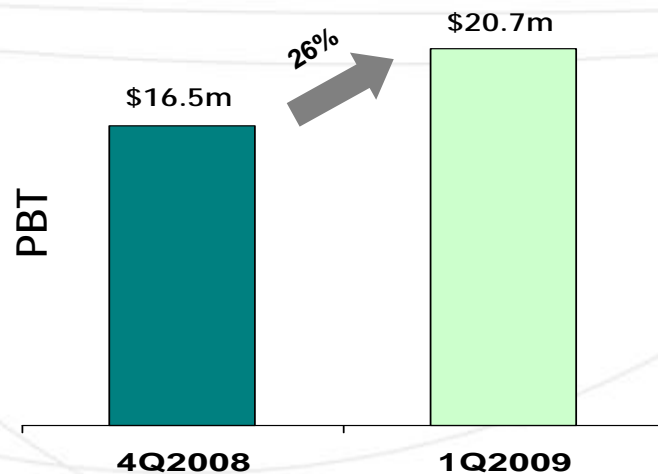


Marine

Turnover and PBT

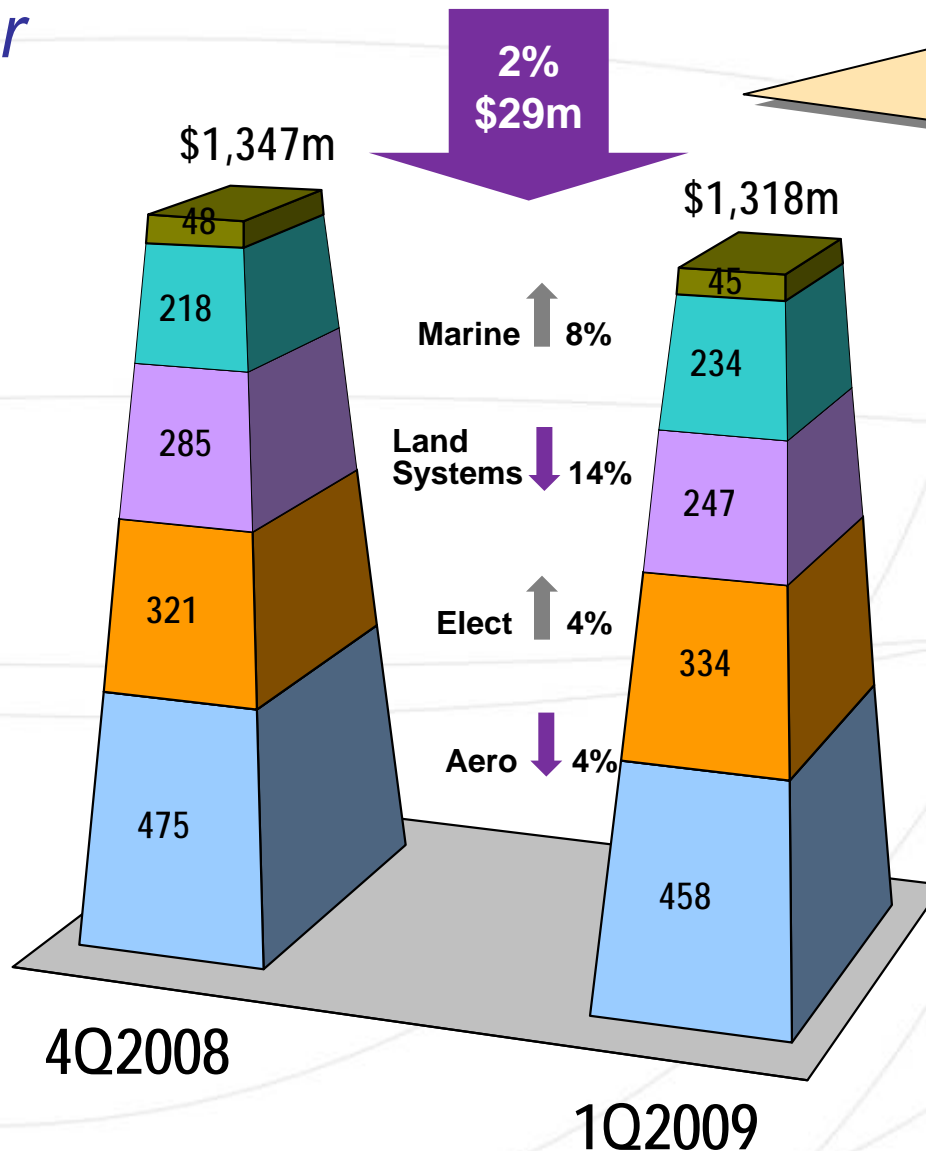


- Turnover increased by 8% or \$16m to \$234m
 - Higher Shipbuilding and Shiprepair activities



- PBT higher by 26% or \$4.2m to \$20.7m
 - Lower selling and distribution expenses

Group Turnover by sector



Lower turnover

- Lower turnover in Aerospace and Land Systems sectors

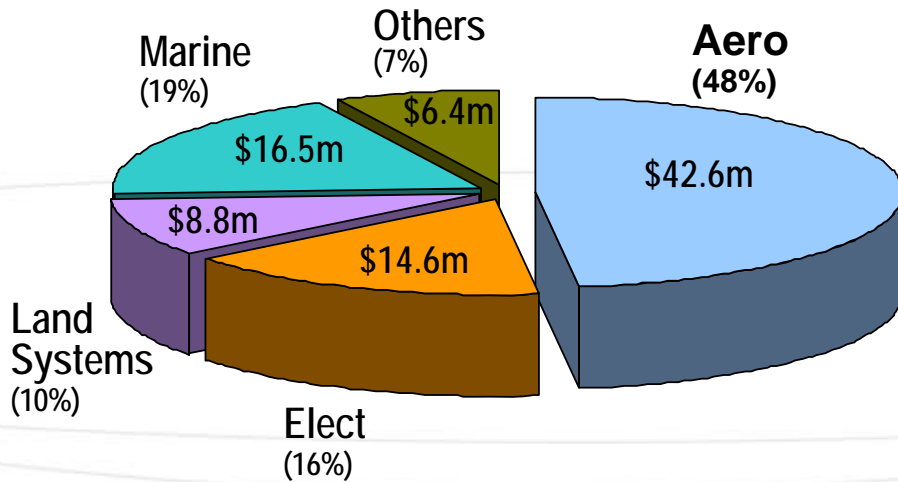
Largely offset by:

- Higher turnover in Electronics and Marine sectors

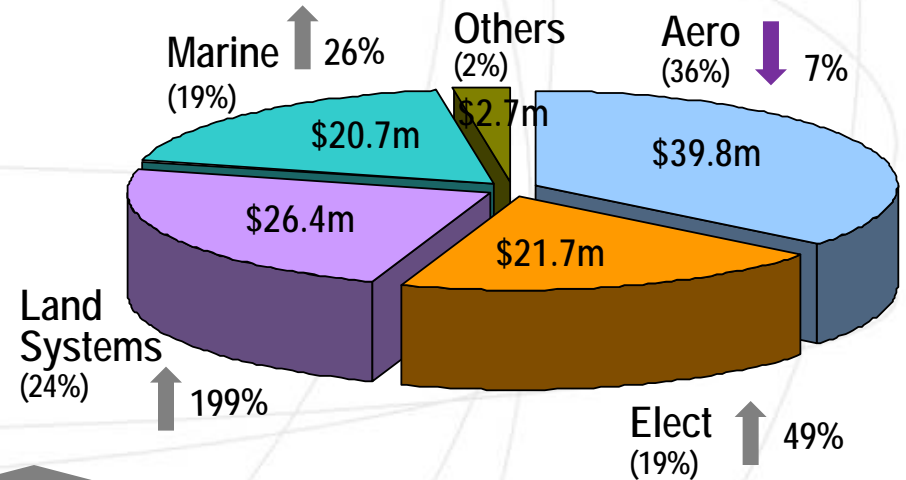
Profit Before Tax

by sector

4Q2008



1Q2009



\$88.9m

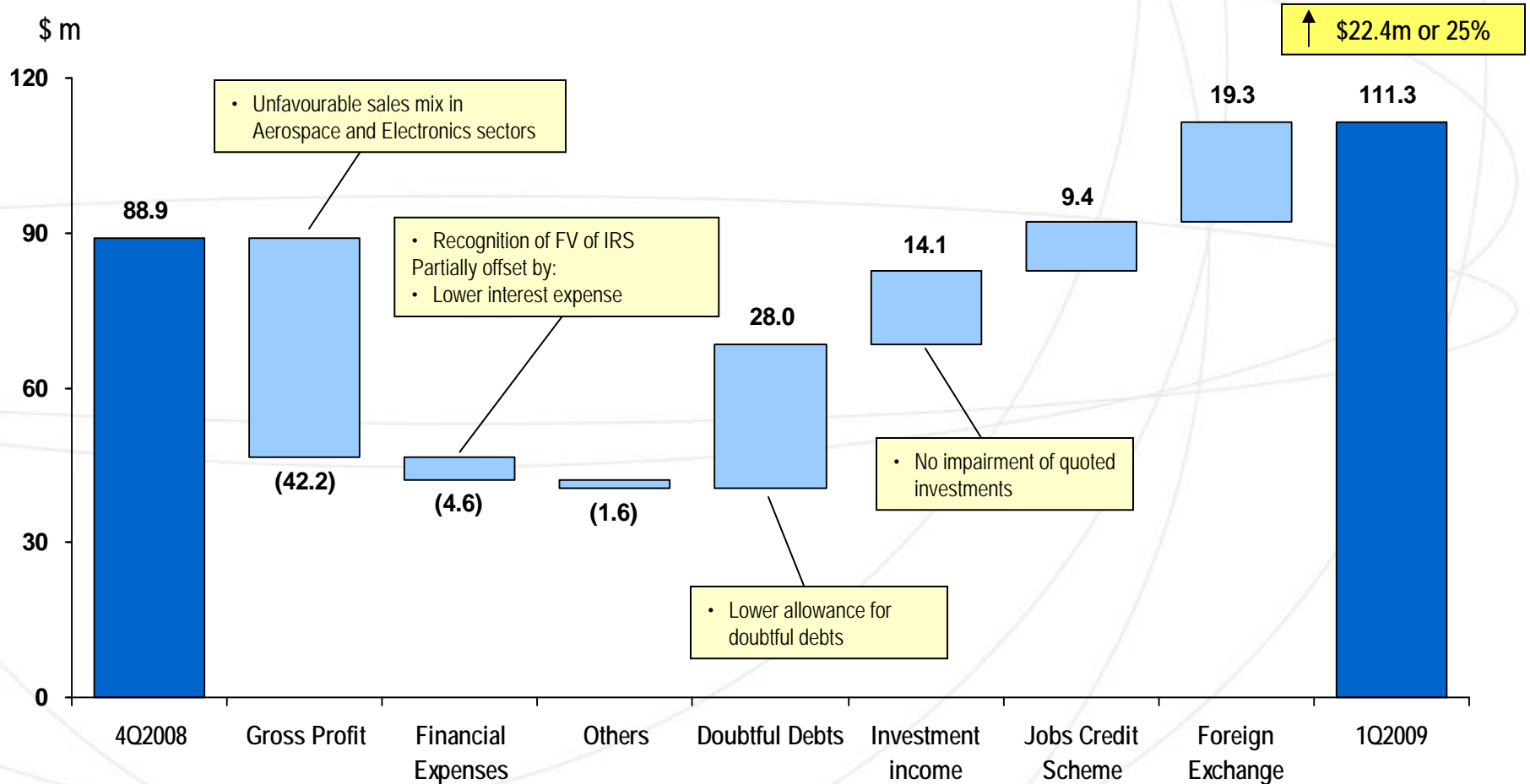
25%
\$22.4m

\$111.3m

Higher PBT from all sectors except Aerospace sector

Profit Before Tax

1Q2009 vs 4Q2008



EBITDA / EBIT - Group

\$ m	1Q2009	4Q2008	%
EBITDA	128.2	140.6	(9)
Depreciation & amortisation	(39.5)	(45.0)	12
EBIT	88.7	95.6	(7)
Investment, interest and other income	27.8	(6.0)	NM
Financial expenses	(15.4)	(10.8)	(42)
Operating profit	101.1	78.8	28
Associated companies	10.2	10.1	1
Profit before tax	111.3	88.9	25

Lower gross profits in Aerospace & Electronics sectors

PBT Margin *by sector*

	1Q2009	4Q2008
	%	%
Aerospace	9	9
Electronics	6	4
Land Systems	10	3
Marine	9	8
Group	8	7

- Impairment of quoted investments
- Allowance for doubtful debts

- Higher operating expenses
- Impairment of a quoted investment

Improved PBT margin in Electronics and Land Systems sectors

Profit After Tax & Minority Interests *by sector*

\$ m	1Q2009	4Q2008	Change
Aerospace	27.4 32%	39.4 38%	↓ 30%
Electronics	18.1 21%	8.8 9%	↑ 106%
Land Systems	23.0 27%	18.6 18%	↑ 24%
Marine	15.5 18%	27.6 27%	↓ 44%
Others	1.2 2%	7.9 8%	↓ 85%
Group	85.2 100%	102.3 100%	↓ 17%

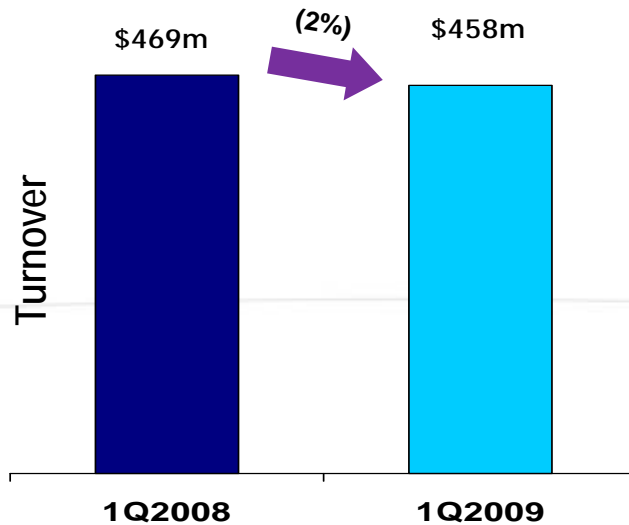
4Q2008 PATMI included tax write-back of \$34.4m

Lower PATMI from Aerospace and Marine sectors, partially offset by higher PATMI from Electronics and Land Systems sectors

1Q2009 vs 1Q2008

Aerospace

Turnover and PBT

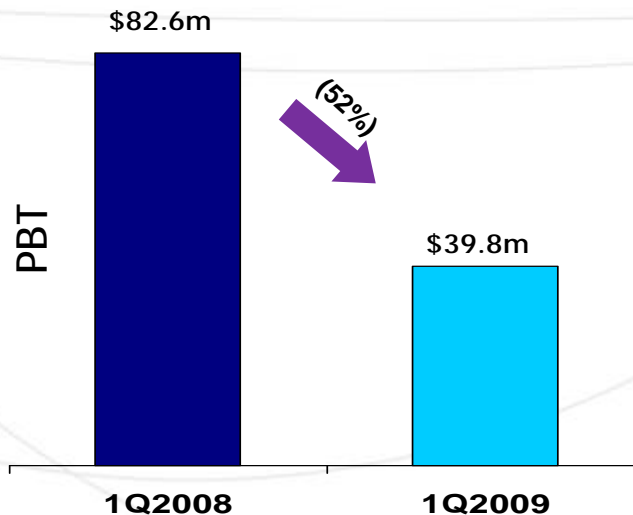


- Turnover decreased by 2% or \$11m to \$458m

- Absence of MD11 freighter conversion redeliveries (AMM)
- Lower sales in the components division (CERO)

Partially offset by:

- Higher redeliveries in US operations (AMM)
- Higher sales in the engines division (CERO)

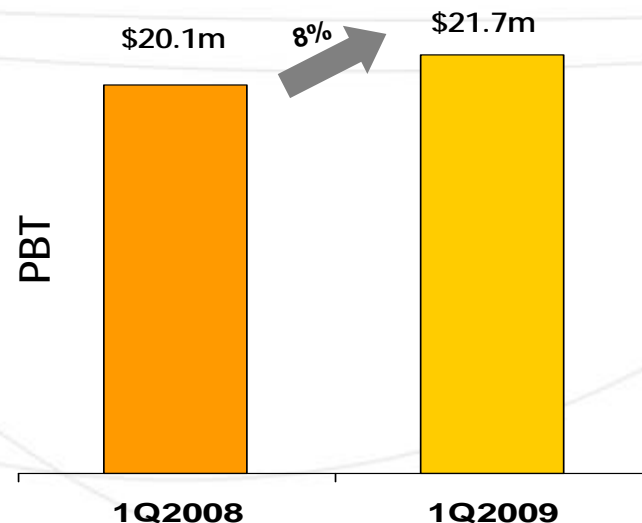
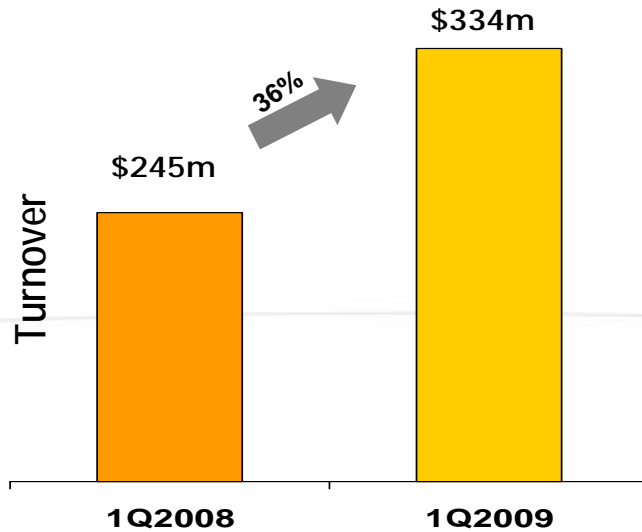


- PBT lower by 52% or \$42.8m to \$39.8m

- Absence of MD11 freighter conversion redeliveries
- Absence of investment income from funds
- Higher financial expenses

Electronics

Turnover and PBT

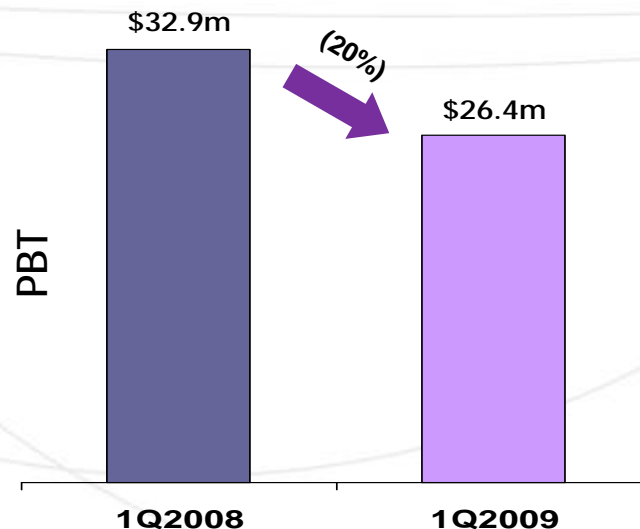
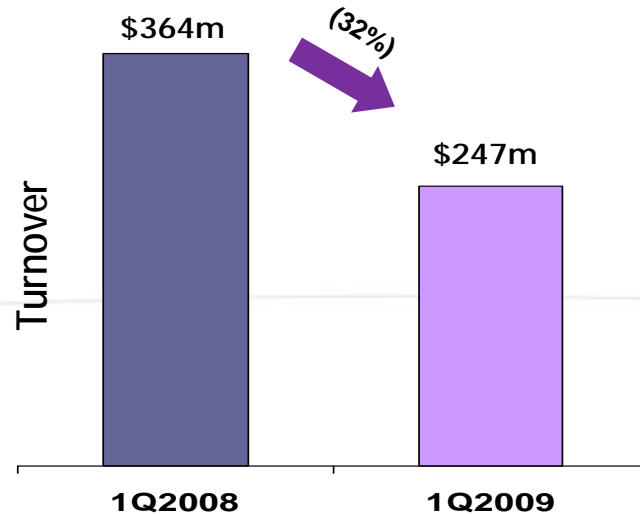


- **Turnover** increased by 36% or \$89m to \$334m
 - Milestone completions of LTA's Circle Line project and Taiwan MRT projects (LSG)
 - Milestone completions of communication projects as well as sales of satellite communication products and electro-optics equipment (CSG)
 - Milestone completions of a software system project and managed services sales (SSG)

- **PBT** higher by 8% or \$1.6m to \$21.7m
 - Higher turnover
 - Income from Jobs Credit Scheme
 - Lower financial expenses
 Partially offset by:
 - Higher operating expenses

Land Systems

Turnover and PBT

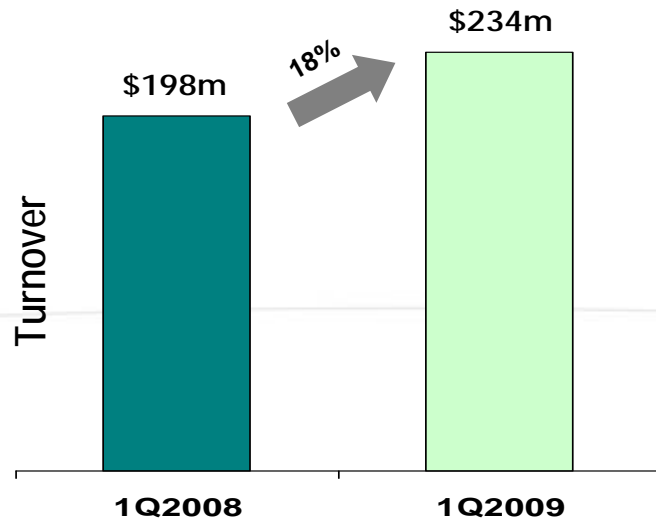


- **Turnover** decreased by 32% or \$117m to \$247m
 - Lower project deliveries and sales from US operations (Auto)
 - Lower project deliveries and weapon export sales (M&W)

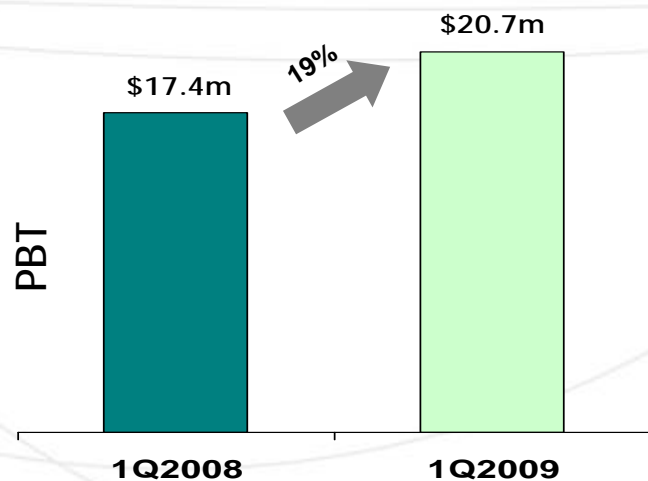
- **PBT** lower by 20% or \$6.5m to \$26.4m
 - In line with lower turnover
 Partially offset by:
 - Lower operating expenses
 - Income from Jobs Credit Scheme

Marine

Turnover and PBT

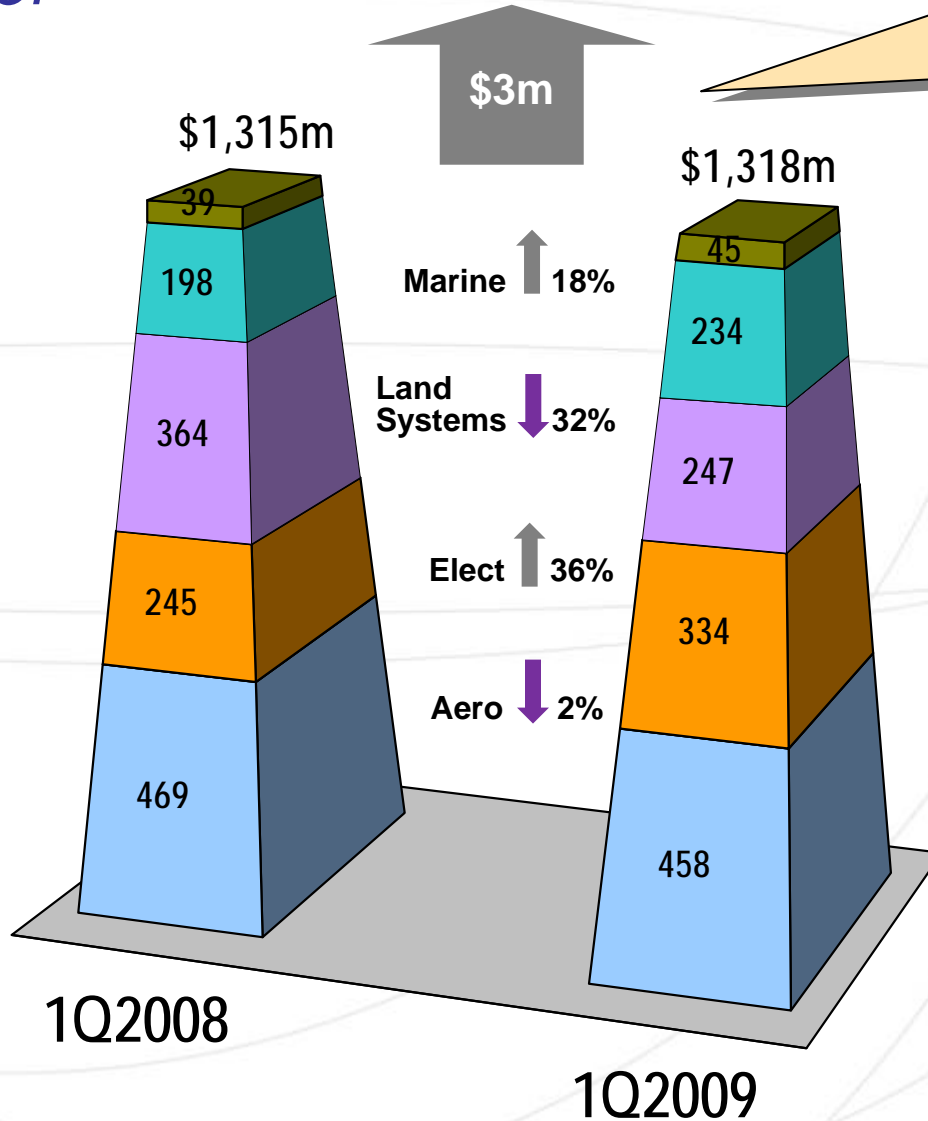


- Turnover increased by 18% or \$36m to \$234m
 - Higher Shipbuilding turnover from local and US operations
 - Higher Shiprepair activities



- PBT higher by 19% or \$3.3m to \$20.7m
 - Increased gross profit from higher turnover
 - Income from Jobs Credit Scheme

Group Turnover *by sector*



Comparable turnover

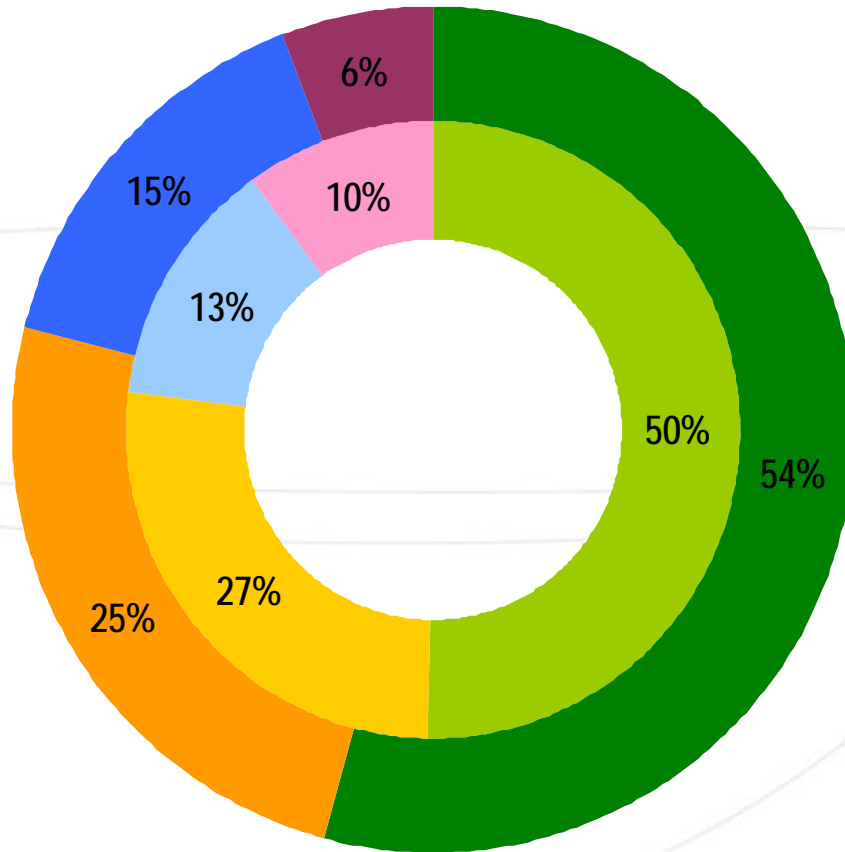
- Higher turnover in Electronics and Marine sectors

Offset by:

- Lower turnover in Aerospace and Land Systems sectors

Group Turnover

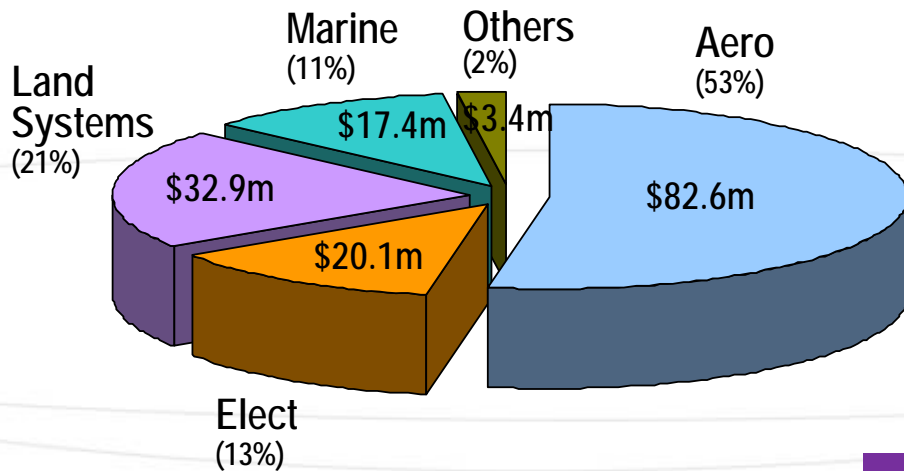
Breakdown by location of customers (by geography)



Locality	1Q2008		1Q2009	
	\$m	%	\$m	%
Asia	655	50	716	54
USA	351	27	325	25
Europe	168	13	202	15
Others	141	10	75	6
Total	1,315	100	1,318	100

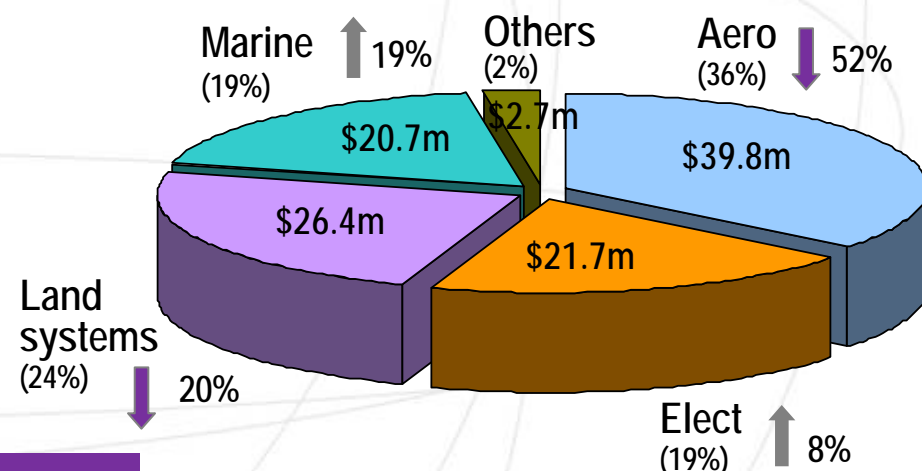
Profit Before Tax by sector

1Q2008



\$156.4m

1Q2009



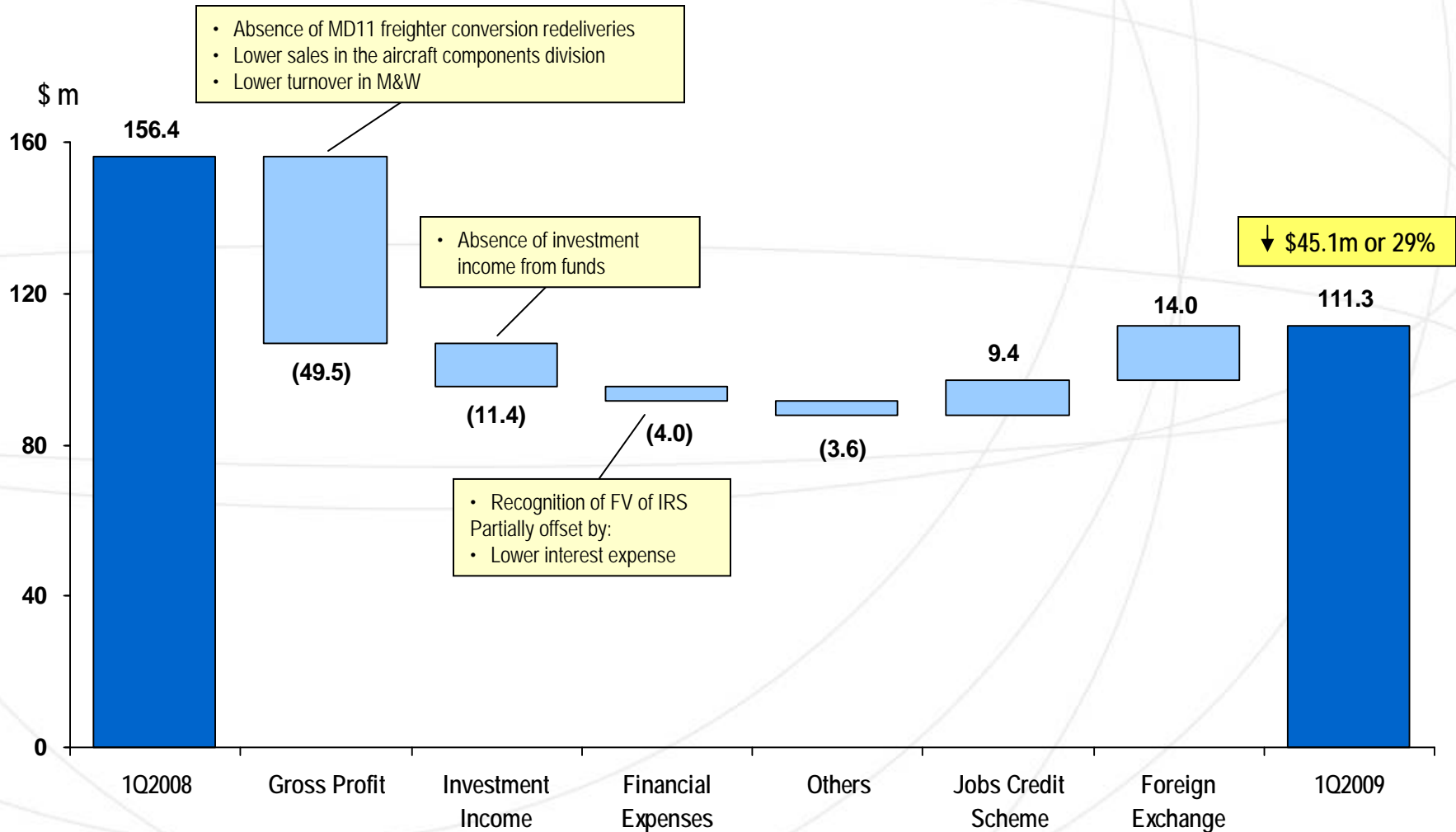
\$111.3m

29%
\$45.1m

Lower PBT in Aerospace and Land Systems sectors, partially offset by higher PBT in Electronics and Marine sectors

Profit Before Tax

1Q2009 vs 1Q2008



EBITDA / EBIT - Group

\$ m	1Q2009	1Q2008	%
EBITDA	128.2	177.5	(28)
Depreciation & amortisation	<u>(39.5)</u>	<u>(37.7)</u>	(5)
EBIT	88.7	139.8	(37)
Investment, interest and other income	27.8	19.5	43
Financial expenses	(15.4)	(11.4)	(35)
Operating profit	101.1	147.9	(32)
Associated companies	10.2	8.5	20
Profit before tax	111.3	156.4	(29)

Lower gross profits in Aerospace & Land Systems sectors

Investment, Interest and Other Income

\$ m	1Q2009		1Q2008		Change
Aerospace	11.7	42%	11.2	58%	↑ 4%
Electronics	4.1	15%	0.9	4%	↑ 362%
Land Systems	7.8	28%	2.0	10%	↑ 291%
Marine	3.3	12%	3.5	18%	↓ 5%
Others	0.9	3%	1.9	10%	↓ 50%
Group	27.8	100%	19.5	100%	↑ 43%

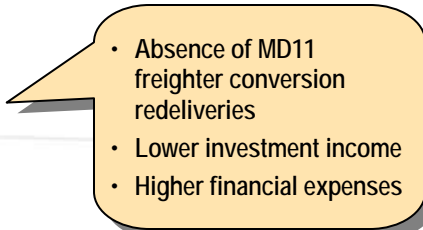
Income from Jobs Credit Scheme and favourable forex difference, partially offset by absence of investment income from funds and lower interest income

Income from Associated Co / JV

\$ m	1Q2009		1Q2008		Change	
Aerospace	8.9	87%	7.8	91%	↑	14%
Electronics	0.1	1%	0.1	2%		-
Land Systems	1.2	12%	0.6	7%	↑	106%
Group	10.2	100%	8.5	100%	↑	20%

Higher contribution from TOS

PBT Margin *by sector*

	1Q2009		1Q2008
	%		%
Aerospace	9	 <ul style="list-style-type: none"> • Absence of MD11 freighter conversion redeliveries • Lower investment income • Higher financial expenses 	18
Electronics	6		8
Land Systems	10		9
Marine	9		9
Group	8		12

Profit After Tax & Minority Interests *by sector*

\$ m	1Q2009		1Q2008		Change	
Aerospace	27.4	32%	63.1	52%	↓	57%
Electronics	18.1	21%	16.5	13%	↑	10%
Land Systems	23.0	27%	27.7	23%	↓	17%
Marine	15.5	18%	14.2	12%	↑	9%
Others	1.2	2%	1.0	-	↑	14%
Group	85.2	100%	122.5	100%	↓	30%

Lower PATMI from Aerospace and Land Systems sectors, partially offset by higher PATMI from Electronics and Marine sectors

Balance Sheet

\$ m	31 Mar 2009	31 Dec 2008
Property, plant and equipment	1,052	1,019
Associated companies & joint ventures	256	263
Investments	53	54
Intangible assets	674	641
Investment properties	4	17
Long-term receivables	4	1
Finance lease receivables	5	5
Derivative financial instruments	22	16
Deferred tax assets	141	138
<i>Non-current assets</i>	2,211	2,154
<i>Current assets</i>	4,233	3,839
Total assets	6,444	5,993
<i>Current liabilities</i>	3,156	3,322
<i>Non-current liabilities</i>	1,476	994
Total liabilities	4,632	4,316
<i>Share capital and reserves</i>	Net Assets: \$1,812m (Increase by \$135m) { 1,714	Net Assets: \$1,677m { 1,580
<i>Minority interests</i>	98	97
Total equity and liabilities	6,444	5,993
Net current assets	1,077	517

Net Current Assets

Increase of \$560m:

- Increase in stock and work-in-progress
- Increase in CCE
- Decrease in bank loans - re-structured to LT bank loans

Partially offset by:

- Increase in advance payments from customers

Non-Current Liabilities

Increase of \$482m:

- Higher LT bank loans
- Higher advance payments from customers

Statement of Cash Flows

\$ m	1Q2009	1Q2008
Cash flow from/(used in) :		
Operating activities	351	261
Investing activities	(36)	(79)
Financing activities	12	(2)
Net increase in CCE	327	180
CCE at beginning of the year	1,049	1,283
Exchange difference	4	(13)
CCE at end of the period	1,380	1,450

Healthy operating cash flow

Purchase of property, plant and equipment

• Acquisition of subsidiaries
Partially offset by:
• Proceeds from amounts under fund management

- CCE - Cash & Cash Equivalents
- CCE at end 2008 was \$1.05b

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 - *1Q2009 vs 4Q2008*
 - *1Q2009 vs 1Q2008*
- **Business Review**
 - *Sector Operations*
- Outlook

Business Review

– Aerospace Operations

- SAA inducted a third 757 line for Delta Airlines
- PAE secured its first A320 customer and extended Copa Airline's MSA for 737s and E-190s
- MAeS delivered its first A320 landing gear to Iberia Airlines and continue to build its capabilities
- Groundbreaking ceremony for STATCO on 28 March 2009
- Signed a major avionics upgrade programme



MAeS



STATCO groundbreaking ceremony

Business Review

– *Electronics Operations*

- Continued to deliver
 - Comms & Integrated Supervisory Control Systems for Marina Coastal Expressway and Downtown Line Extension
 - Half Height Platform Screen Doors for 36 existing elevated MRT stations
- Secured additional contracts to provide an Integrated Security System, an IT infrastructure System and a Car Park Guidance & Payment System to Resorts World at Sentosa
- Secured various software system projects
- Secured a defence simulator project



**Half Height
Platform Screen
Door**

Business Review

– Land Systems Operations

- Delivered Bionix II and other military vehicles, specialised truck bodies and trailers, road construction and maintenance equipment, off-road dump trucks and excavators
- Concluded agreements with Brilliance China Machinery Holding Limited (BCM) and Jiangsu Huatong (HT) to acquire 75.3% stake in Zhenjiang Huachen Huatong Road Machinery Co., Ltd. (HCHT) and Zhenjiang Huatong Aran Machinery Co., Ltd. (HTAR)
- Secured various munitions contracts from local and overseas customers



Paver



Road Milling Machine



40mm Munitions

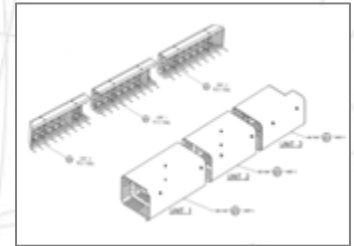
Business Review

– Marine Operations

- Delivered 6th of 10 Articulated Tug Barge (ATB) units
- Construction of 1 Sponson and 3 Pontoons
- Assist Completion of a 340,000 barrel ATB
- Completion of several major shiprepair projects:
 - Outfitting of seismic vessel, "*Geowave Voyager*"
 - Upgrading of pipe laying vessel, "*Semac 1*"
- "*City of Hamburg*", ST Marine's first RoRo, won the ShipPax Award 2009 (France) under the RoRo concept category for its multi-use capability



ATB Unit



Sponson and Pontoon



ShipPax Award 2009

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Group Outlook for 1H2009

Barring unforeseen circumstances, the Group expects to achieve a higher turnover, whilst PBT is expected to be lower for 1H2009 vis-à-vis 1H2008.

- For Aerospace sector, 1H2009 turnover is expected to be comparable, whilst PBT is expected to be lower than that of 1H2008
- For Electronics and Marine sectors, turnover and PBT for 1H2009 are expected to be higher than that of 1H2008
- For Land Systems sector, turnover and PBT for 1H2009 are expected to be lower than that of 1H2008

Group Outlook for 1H2009

Aerospace

- Major maintenance programmes from ST Aerospace's large customer base and PTF programmes continue to provide the backbone to AMM operations
- However, the global economic downturn is expected to result in sporadic gaps as customers may selectively defer aircraft inputs
- To continue to set up components capabilities for A320, B737 and military platforms and to add A330/A340 landing gears capabilities for MAeS
- To continue to set up repair capabilities for CFM56 engine parts and accessories

Group Outlook for 1H2009

Electronics

- Sales recognition from the LTA's Circle Line project and Taiwan MRT projects
- Sales recognition from the communication projects, the supply of telematics systems, satellite communication products and electro-optics equipment
- Sales recognition from the completion of milestones in a software system project, a simulator project and managed services sales

Group Outlook for 1H2009

Land Systems

- Continue to deliver military vehicles, Pegasus, weapons, munitions and specialty vehicles
- Continue to pursue several key defence programmes
- Continue to right-size US operations and integrate HCHT and HTAR into the Sector

Group Outlook for 1H2009

Marine

- Expect to deliver 2nd RoRo, and Plate cut Diving Support Vessel
- Expect to service commencement of Submarine Support Rescue Vessel
- Expect to complete the lengthening and upgrading of derrick pipelay barge
- Expect to deliver 7th and 8th of 10 ATB units, 3rd and 4th FSV, and PSV

Group Outlook for FY2009

Barring unforeseen circumstances, the Group expects, based on the order book and scheduled deliveries, to achieve comparable turnover and PBT for FY2009 against FY2008.

President & CEO's Message

"The Group recorded a 25% PBT increase despite a 2% drop in turnover in 1Q2009 against 4Q2008. The Group turnover and PBT in 1Q2009 were comparable and 29% lower respectively against 1Q2008.

In 1Q2009, the Group increased its order book to an all time high of \$11.03b, generated healthy operating cash flow of \$351m and ended the quarter with cash and cash equivalents of \$1.38b. The growing order book and the strong balance sheet will help us ride through this global economic crisis.

Barring unforeseen circumstances, the Group expects, based on the order book and scheduled deliveries, to achieve comparable turnover and PBT for FY2009 against FY2008."

~ Tan Pheng Hock

Thank You

