

Financial Results Briefing

First Quarter 2010

4 May 2010



1Q2010 Results






EBIT Grew 25%

Agenda

- **Financial Highlights**
 - *1Q2010 vs 1Q2009*
 - *1Q2010 vs 4Q2009*
- **Business Review**
 - *Sector Operations*
 - *Singapore Airshow 2010*
- **Outlook**

Financial Highlights

for the first quarter ended 31 March 2010

\$ m	1Q2010 (a)	1Q2009 (b)	Change (a) / (b)
Turnover	1,361	1,318	 3%
EBIT	110.9	88.7	 25%
Investment, interest and other income	6.2	27.8	 78%
PBT	116.6	111.3	 5%
Net Profit	92.8	85.2	 9%

Improved Operating Performance; EBIT Grew 25%

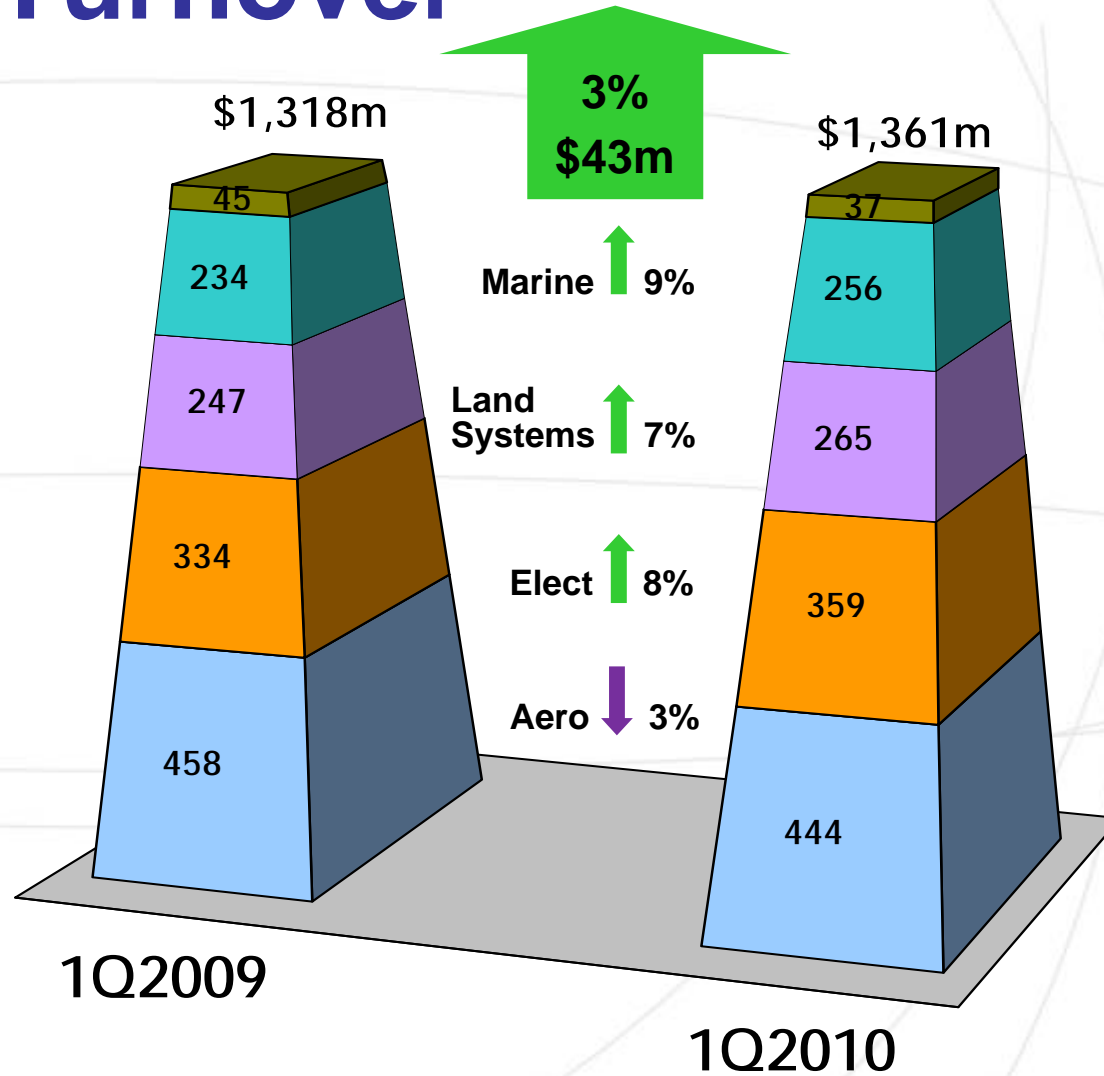
Financial Highlights

for the first quarter ended 31 March 2010

- Commercial sales at 60% (FY2009: 62%) or \$813m of 1Q2010 turnover
- Record high order book of \$11.8b; about \$3.2b to be delivered in next three quarters (end 2009: \$10.3b)
- Strong operating cash flow of \$457m (1Q2009: \$376m)
- CCE and short-term investments of \$2.09b (FY2009: \$1.75b)

Group Turnover

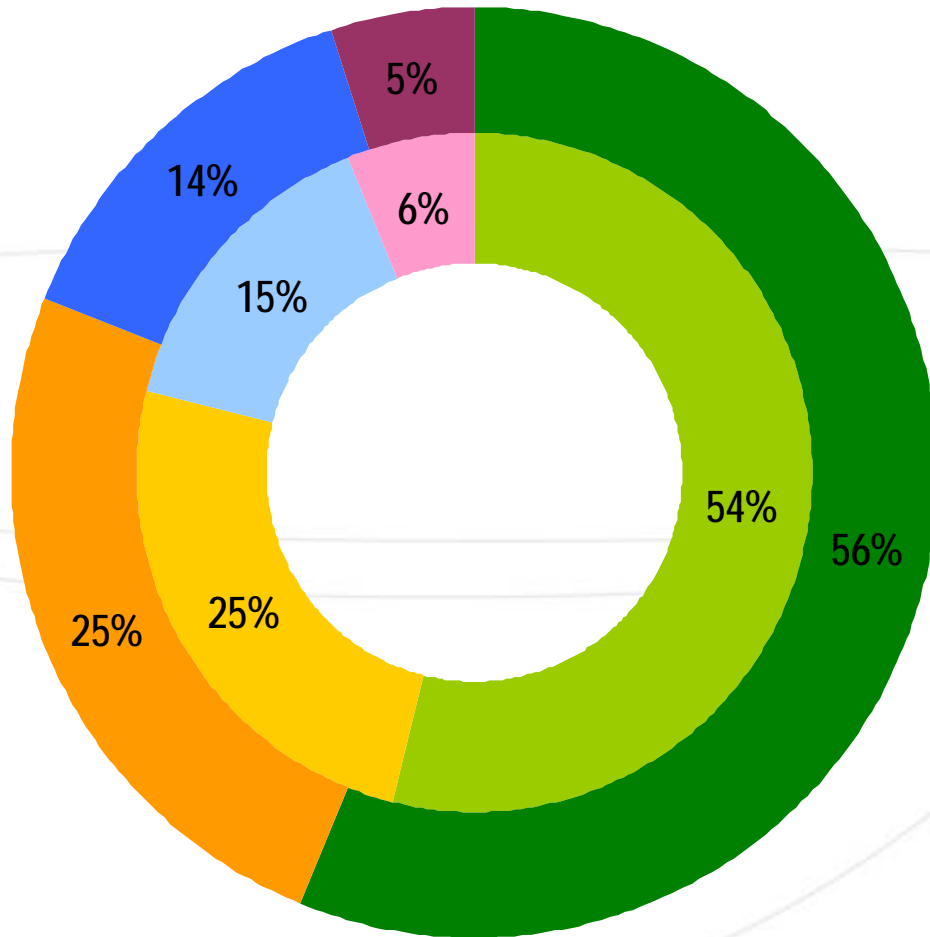
by sector



Turnover marginally higher by 3%
 Growth from all sectors except for Aerospace sector with 3% lower turnover

Group Turnover

Breakdown by location of customers (by geography)

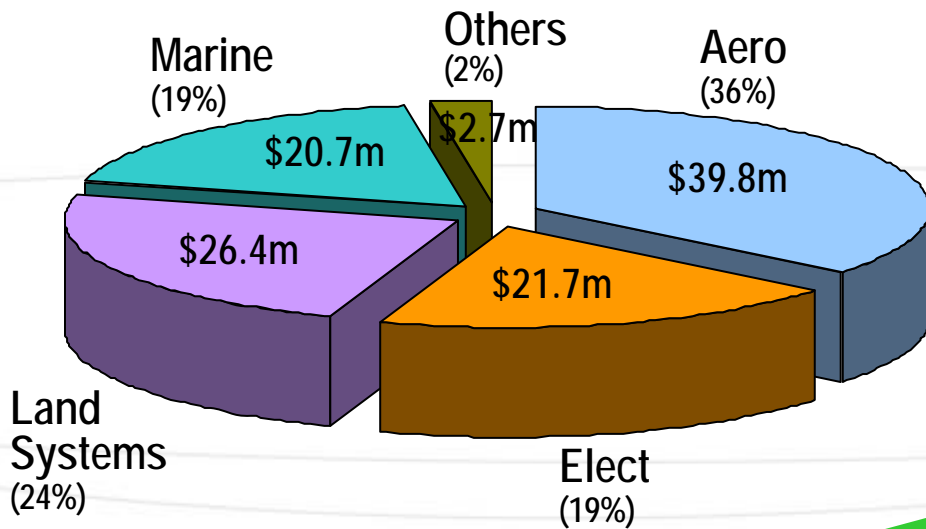


Locality	1Q2009		1Q2010	
	\$m	%	\$m	%
Asia	716	54	765	56
USA	325	25	339	25
Europe	202	15	188	14
Others	75	6	69	5
Total	1,318	100	1,361	100

Profit Before Tax

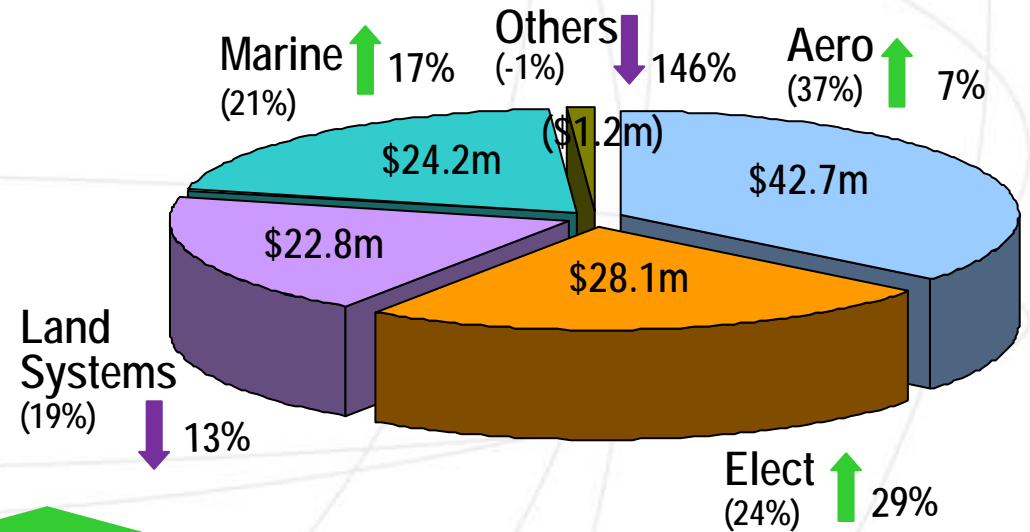
by sector

1Q2009



\$111.3m

1Q2010



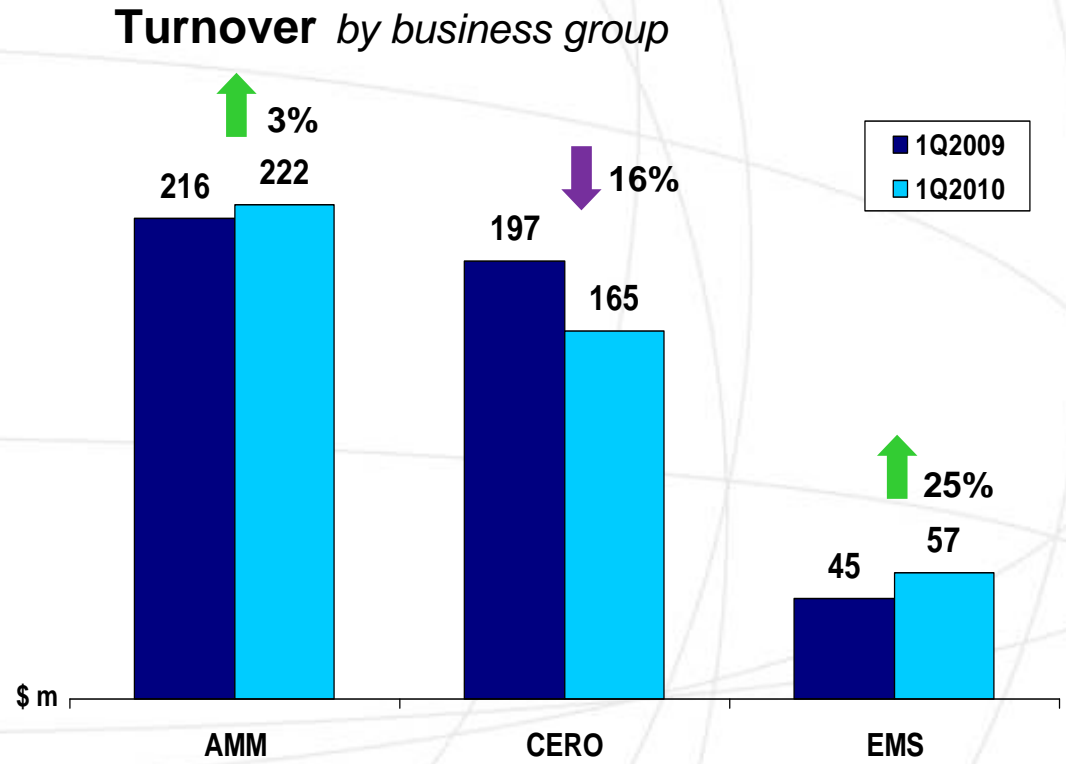
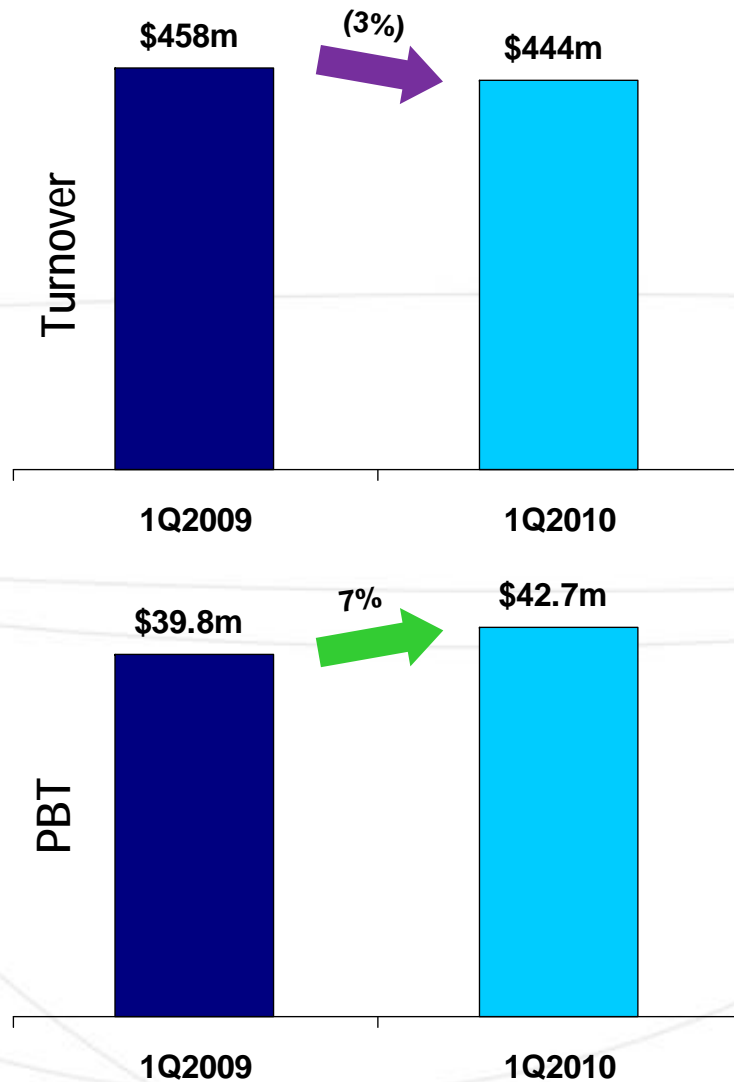
\$116.6m



Higher PBT in all sectors except for Land Systems sector

Aerospace

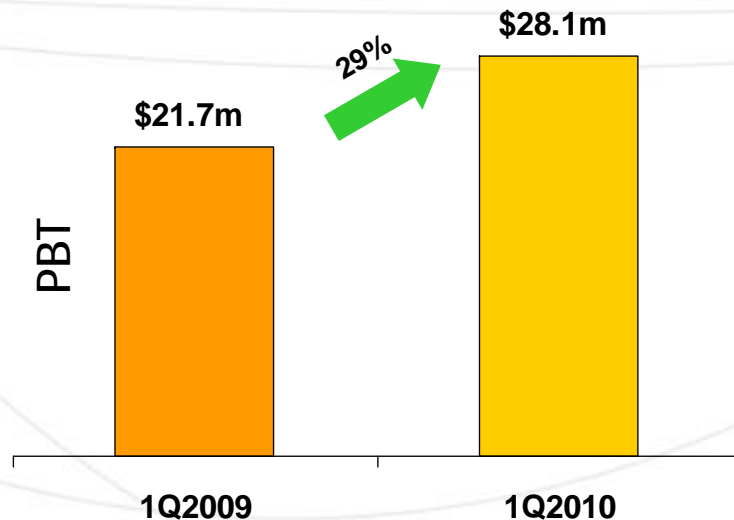
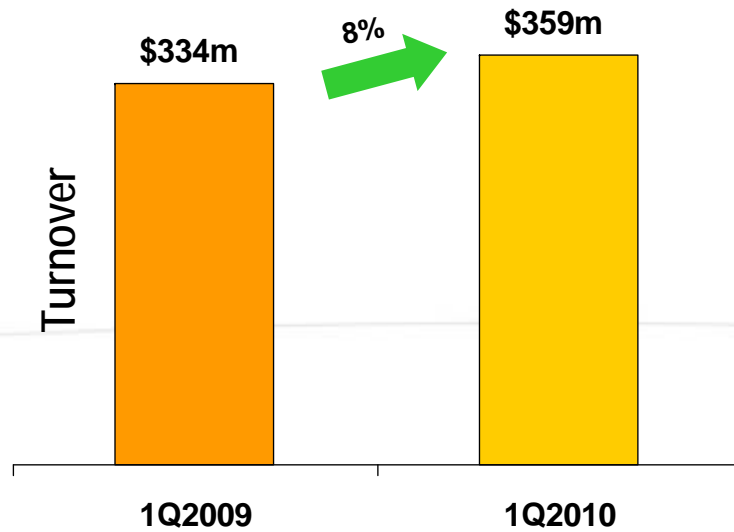
EBIT Grew 24%



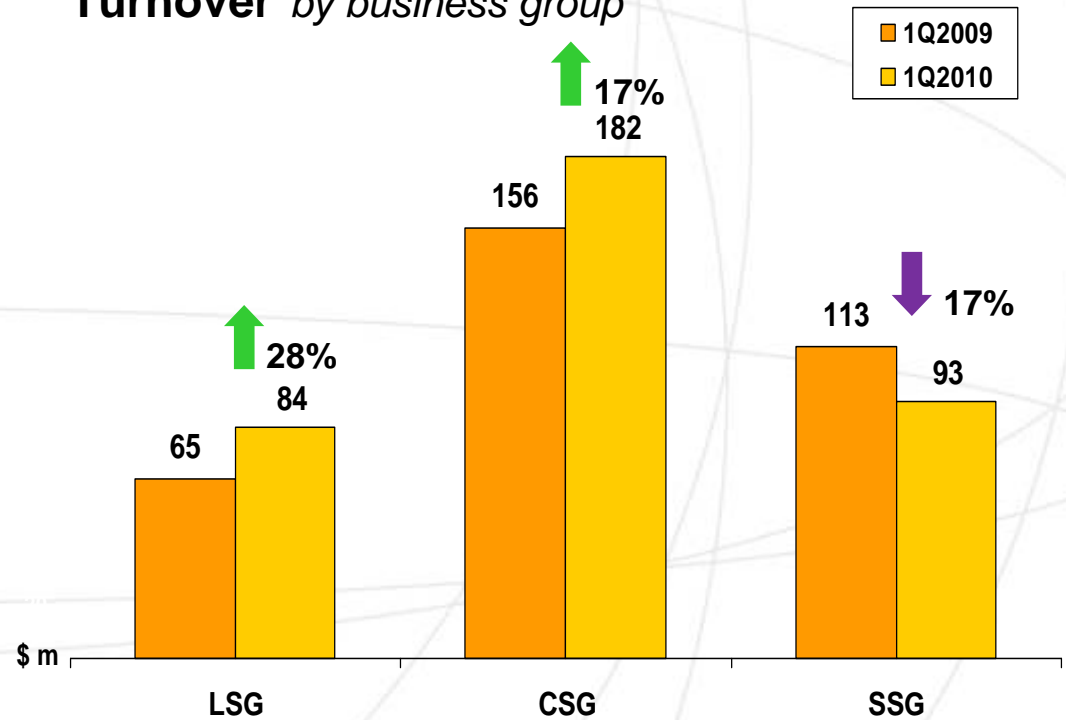
- PBT higher by 7% to \$42.7m
 - Favourable sales mix
 - Lower financial expenses
- Partially offset by:
 - Lower income from Jobs Credit Scheme
 - Less favourable foreign exchange difference

Electronics

Strong Operating Growth in 1st Quarter



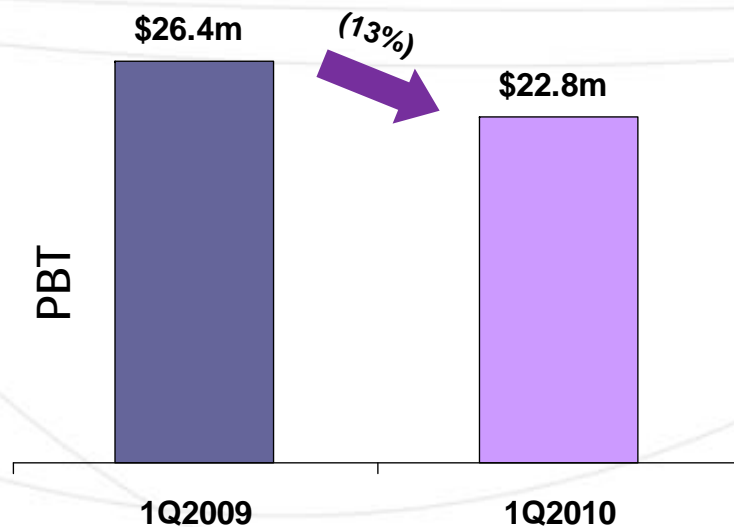
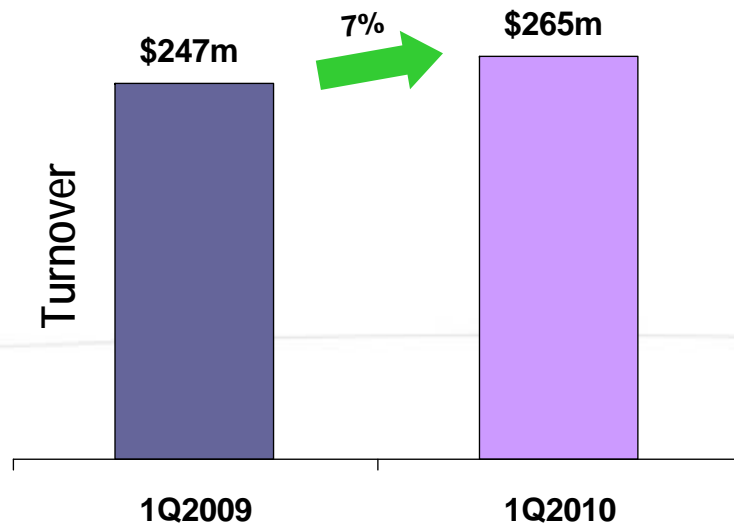
Turnover by business group



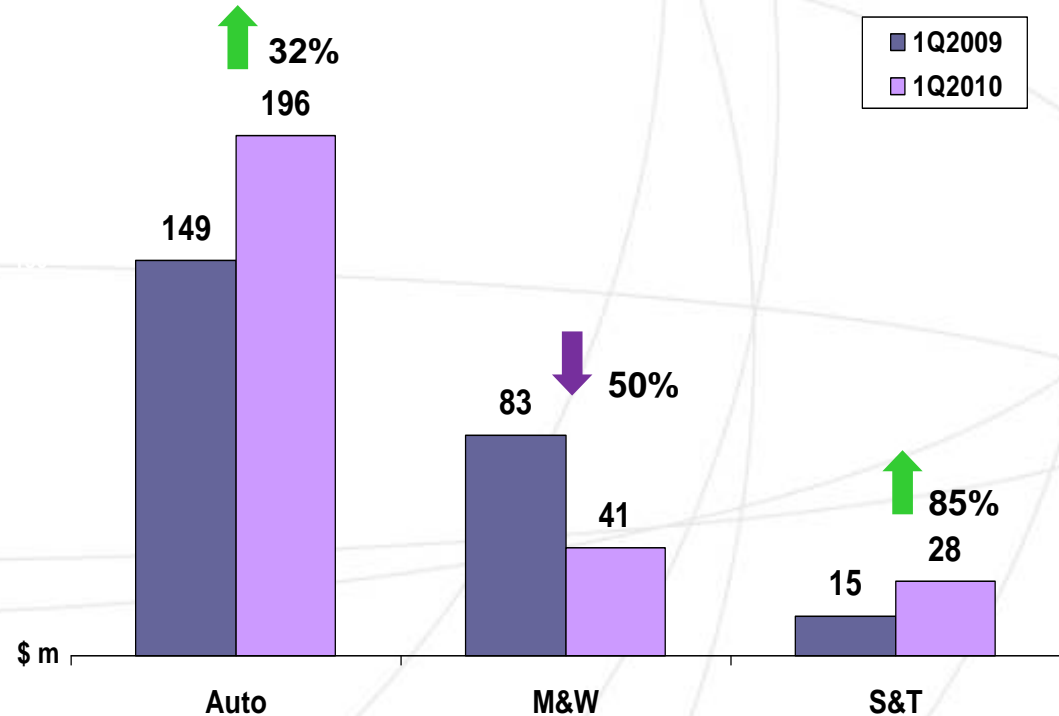
- PBT higher by 29% to \$28.1m
 - In line with higher turnover
 - Partially offset by:
 - Higher operating expenses
 - Lower income from Jobs Credit Scheme

Land Systems

Higher Year-on-Year 1Q EBIT



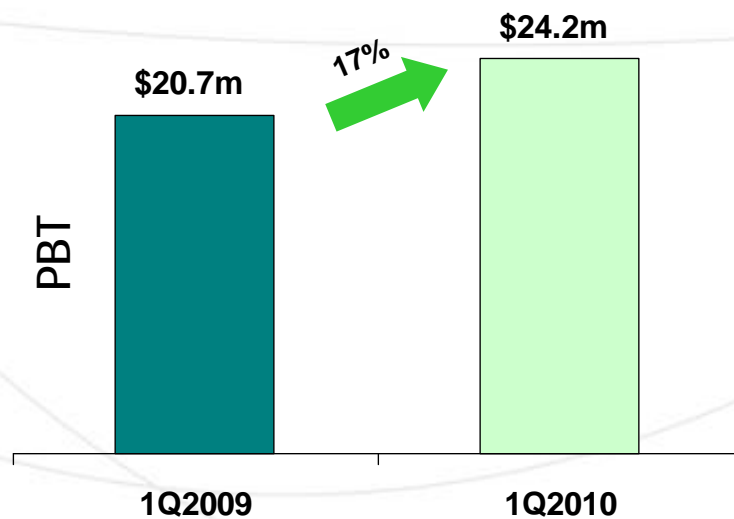
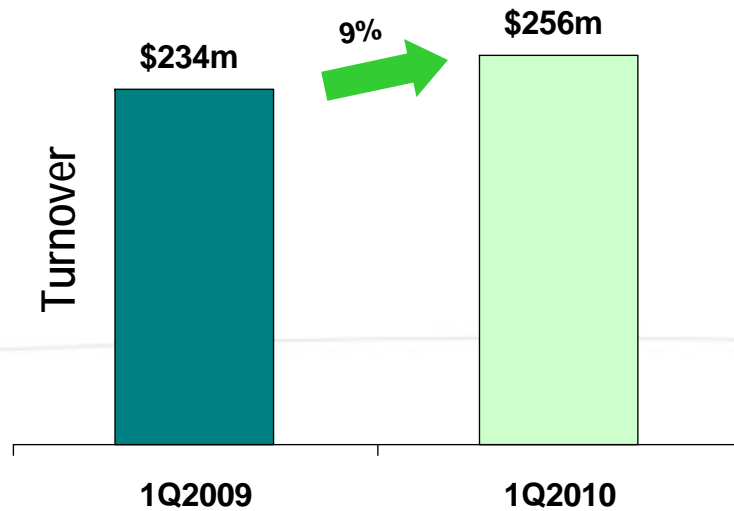
Turnover by business group



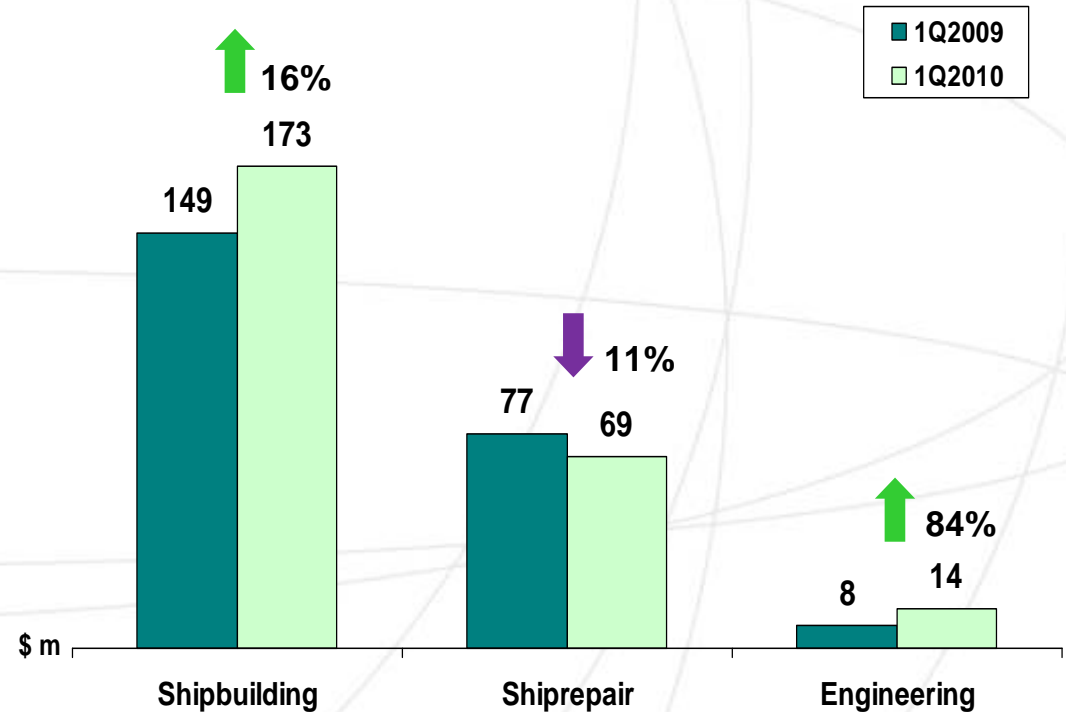
- PBT lower by 13% to \$22.8m
 - Higher operating expenses from subsidiaries acquired
 - Foreign exchange impact
- Partially offset by:
 - Favourable product mix

Marine

Better Operating Performance over 1Q2009



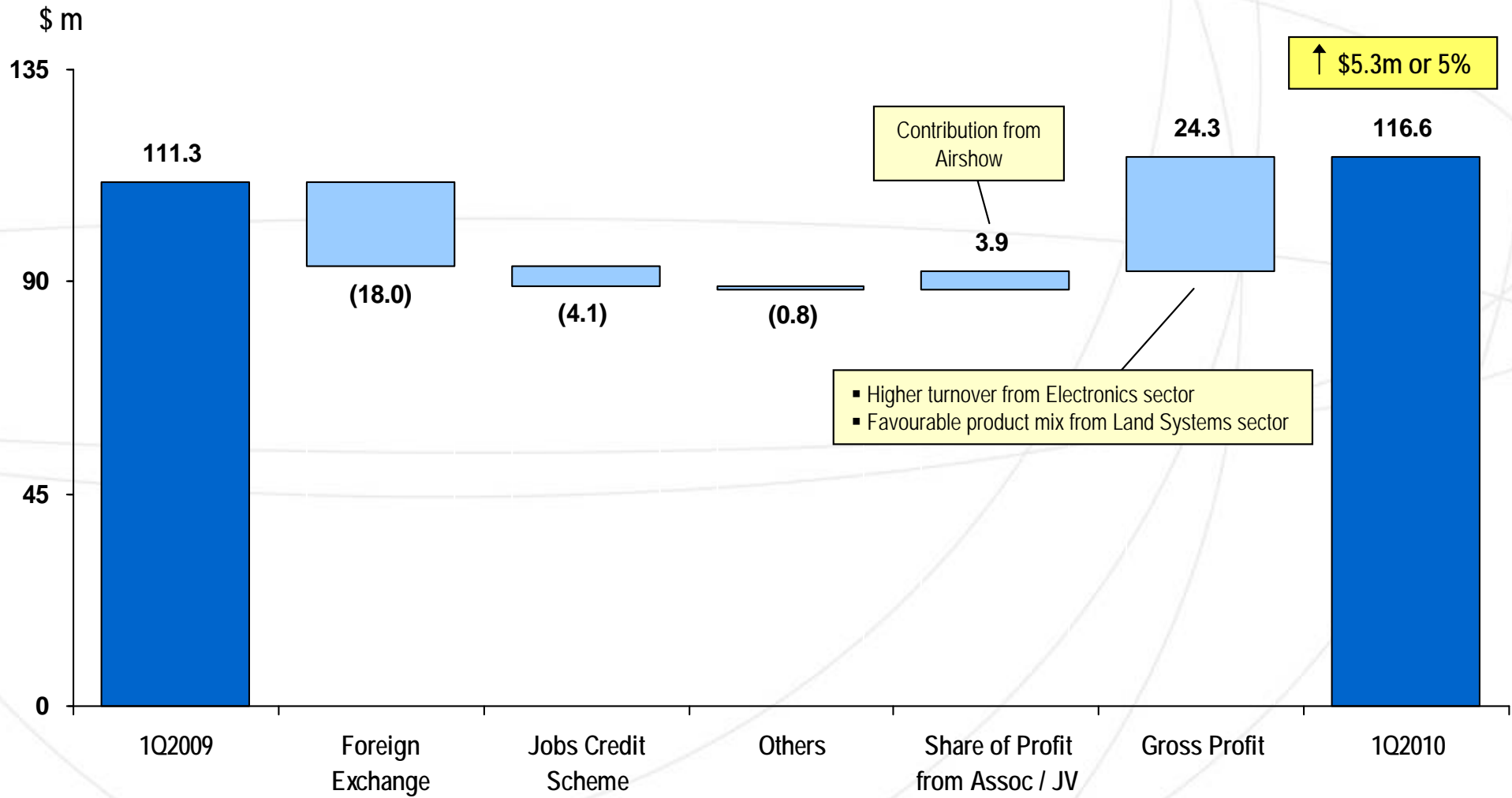
Turnover by business group



- PBT higher by 17% to \$24.2m
 - In line with higher turnover
 - Reversal of allowance for doubtful debts

Profit Before Tax

1Q2010 vs 1Q2009



EBITDA / EBIT - Group

\$ m	1Q2010	1Q2009	%
EBITDA	153.0	128.2	19
Depreciation & amortisation	<u>(42.1)</u>	<u>(39.5)</u>	(7)
EBIT	110.9	88.7	25
Investment, interest and other income	6.2	27.8	(78)
Financial expenses	(14.6)	(15.4)	5
Operating profit	102.5	101.1	1
Associated companies and joint ventures	14.1	10.2	38
Profit before tax	116.6	111.3	5

Strong operating performance in all sectors

- Lower income from Jobs Credit Scheme
- Unfavourable foreign exchange impact

Contribution from Airshow

Investment, Interest and Other Income

\$ m	1Q2010		1Q2009		Change	
Aerospace	1.6	26%	11.7	42%	↓	86%
Electronics	2.3	37%	4.1	15%	↓	43%
Land Systems	1.5	24%	7.8	28%	↓	81%
Marine	1.4	23%	3.3	12%	↓	57%
Others	(0.6)	(10%)	0.9	3%	↓	167%
Group	6.2	100%	27.8	100%	↓	78%

- Lower income from Jobs Credit Scheme
- Unfavourable foreign exchange impact

PBT Margin *by sector*

	1Q2010		1Q2009
	%		%
Aerospace	10		9
Electronics	8	Higher GP margins	6
Land Systems	9		10
Marine	9		9
Group	9		8

Steady PBT margin

Profit Attributable to Shareholders *by sector*

\$ m	1Q2010		1Q2009		Change	
Aerospace	32.8	35%	27.4	32%	↑	20%
Electronics	22.6	24%	18.1	21%	↑	25%
Land Systems	18.4	20%	23.0	27%	↓	20%
Marine	19.0	21%	15.5	18%	↑	22%
Others	-	-	1.2	2%	↓	100%
Group	92.8	100%	85.2	100%	↑	9%

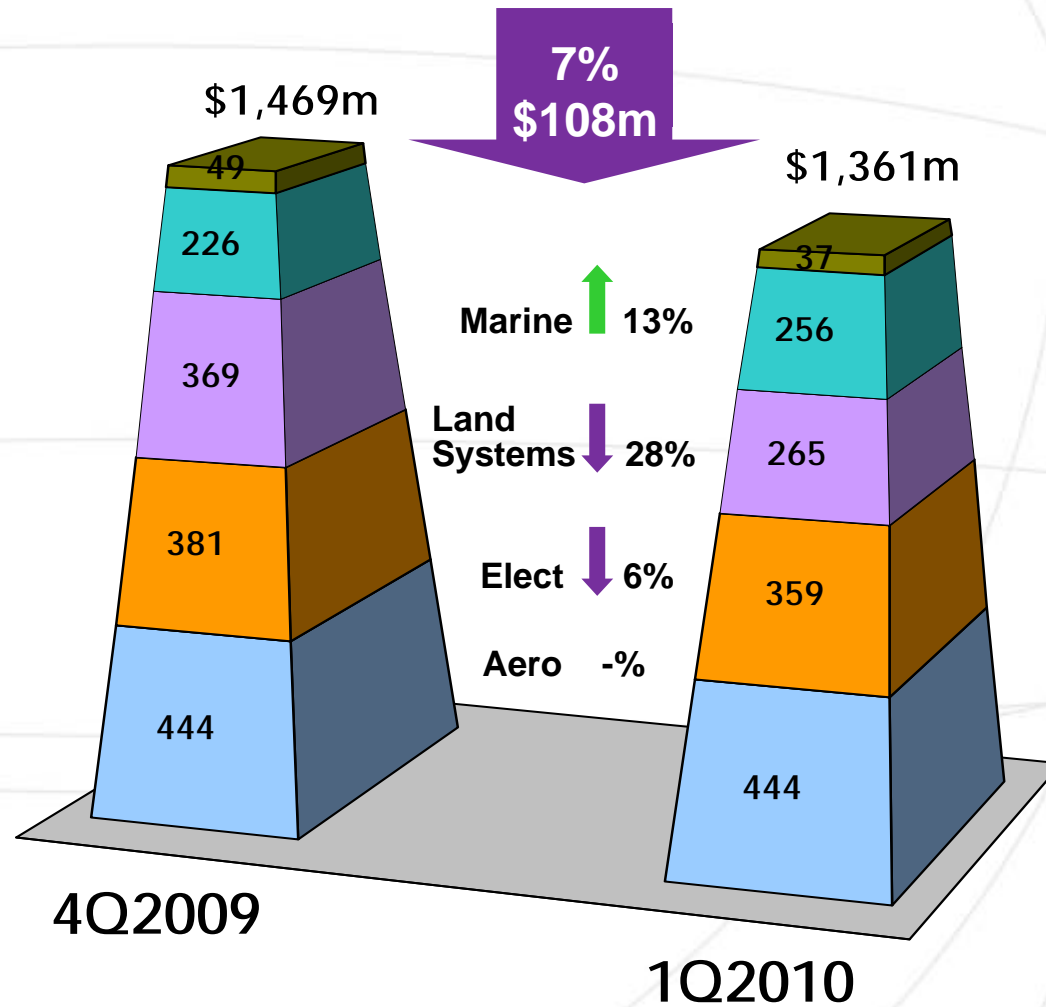
Higher Net Profit in all sectors except for Land Systems sector

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Group Turnover

by sector



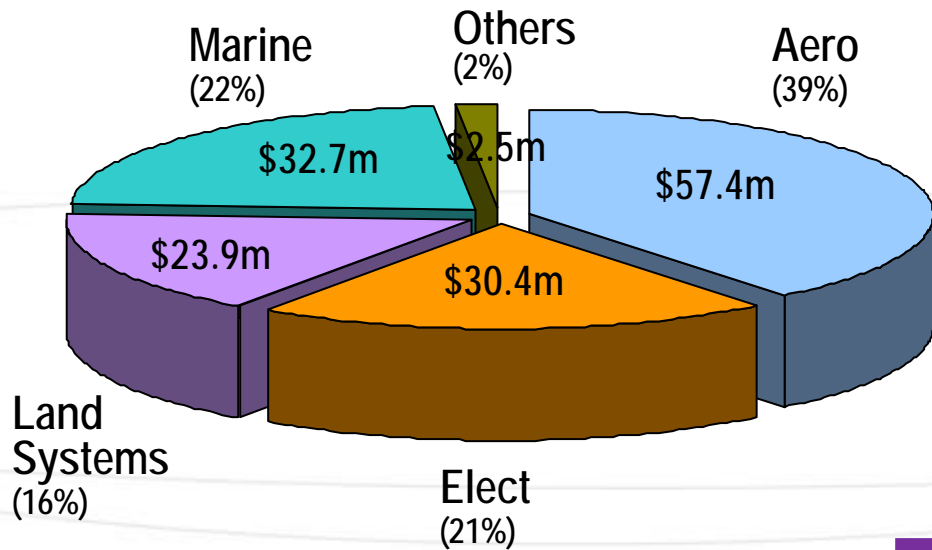
Turnover decreased by 7%

Electronics and Land Systems sectors had lower turnover, Aerospace sector had comparable turnover, while Marine sector reported a higher turnover

Profit Before Tax

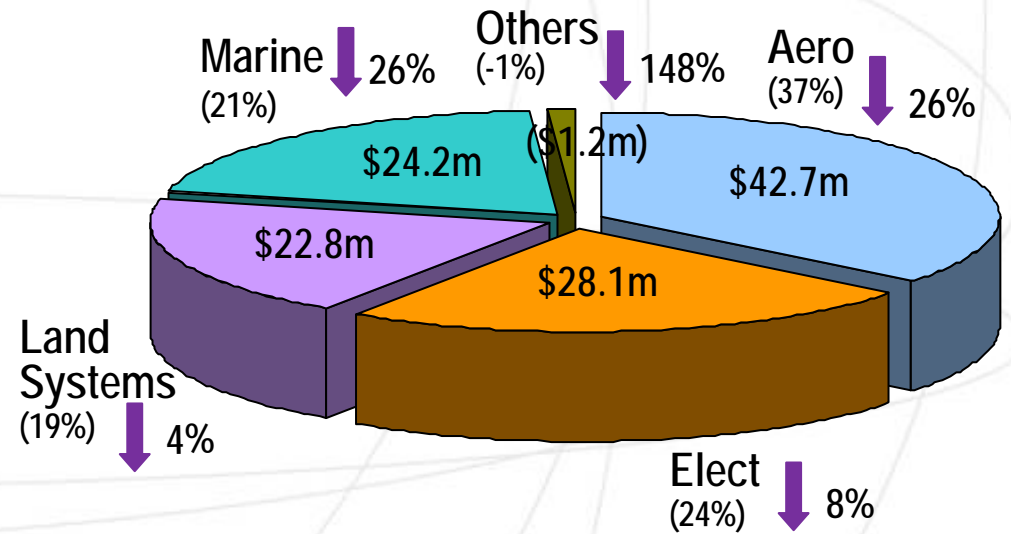
by sector

4Q2009



\$146.9m

1Q2010



\$116.6m

21%
\$30.3m

Lower PBT in all sectors

Statement of Cash Flows

\$ m	1Q2010	1Q2009
Cash flow from/(used in) :		
Operating activities	457	376
Investing activities	(103)	(33)
Financing activities	(52)	(16)
Net increase in CCE	<u>302</u>	<u>327</u>
CCE at beginning of the year	1,514	1,049
Exchange difference	(9)	4
CCE at end of the period	<u>1,807</u>	<u>1,380</u>

Strong operating cash flow

Purchase of property, plant and equipment and short-term investments

Repayment of bank loans

- CCE - Cash & Cash Equivalents

Balance Sheet



\$ m	31 Mar 2010	31 Dec 2009
Property, plant and equipment	1,158	1,167
Associated companies & joint ventures	277	273
Investments	22	21
Intangible assets	640	643
Investment properties	2	2
Long-term receivables, non-current	36	37
Finance lease receivables, non-current	6	5
Derivative financial instruments	4	19
Deferred tax assets	130	127
<i>Non-current assets</i>	2,275	2,294
<i>Current assets</i>	4,996	4,590
Total assets	7,271	6,884
<i>Current liabilities</i>	3,485	3,081
<i>Non-current liabilities</i>	2,006	2,127
Total liabilities	5,491	5,208
<i>Share capital and reserves</i>	Net Assets: \$1.780b { 1,671	Net Assets: \$1.676b { 1,568
<i>Non-controlling interests</i>	109	108
Total equity and liabilities	7,271	6,884
Net current assets	1,511	1,509

Current Assets
➤ Increase in CCE

Current Liabilities
➤ Increase in ST bank loans
(reclassified from LT liabilities)

Non-Current Liabilities
➤ Lower LT bank loans
(reclassified to current liabilities)
Partially offset by:
➤ Higher advance payments from customers

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Business Review

– *Aerospace Operations*

■ AMM

- Continued to serve its major customer base, win new customers and increase redeliveries on PTF programmes

■ CERO

– Components

- MAeS redelivered 11 A320 landing gears

– Engines

- Awarded a 10-year US\$750m engine MBH™ contract by Jet Airways covering a fleet of 67 B737

■ EMS

– Material Services

- Awarded an eight-year US\$105m component MBH™ contract by Spring Airlines covering 78 A320



MAeS



Spring Airlines' A320

Business Review

– *Electronics Operations*

- **LSG**
 - Secured a S\$10m Passenger Information Systems (PIS) contract for Singapore Downtown Line

- **CSG**
 - DigiSAFE DiskCrypt Mobile won Innovations 2010 Design & Engineering Awards at International Consumer Electronics Showcase

- **SSG**
 - The inaugural Youth Olympic Committee launched Singapore 2010 Odyssey, the first 3D Virtual World



Passenger Information System



DigiSAFE DiskCrypt Mobile

Business Review

– Land Systems Operations

- **Auto**
 - Delivered Terrex, Warthog, specialised truck bodies and trailers, road construction and maintenance equipment, off-road dump trucks and excavators
- **M&W**
 - Awarded a contract for providing demilitarisation of ammunition for a country in Africa
 - Delivered various munitions products



Terrex ICV



Warthog Troop Carrier



40mm munitions

Business Review

– Marine Operations

- **Shipbuilding**
 - Keel laid 1st Egyptian Fast Missile Craft (FMC)
 - Awarded contract to build 4th FMC
 - Completed 1st 350,000 bbl Articulated Tug / Barge (ATB) unit for OSG

- **Shiprepair**
 - Awarded upgrading work on research vessel, "*RV Tangaroa*"

- **Engineering**
 - Won waste transfer station contract from Wuhan



Egyptian Navy FMC

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Singapore Airshow 2010



- 2 – 7 February 2010
- Your Needs. Our Solutions.
 - Theme reflects changing landscape of defence & aviation businesses
 - Integrated Defence Solutions showcased new exhibits such as the Venus USV, Terrex, Warthog and the Remote Controlled Weapon System.
 - Integrated Solutions Provider featured the Aerospace sector's wide range of airframe, engine and component MRO capabilities, as well as engineering design and technical services. Highlights included Skyblade IV, and the Next Generation Control Station for UAVs.
- Contracts announced
 - Demilitarisation contract for an African country (\$58.8m)
 - Driver training contract for the SAF (\$87m)
 - Naval gun contract from Brazilian Navy (\$29.4m)



Engineering Our Future

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Group Outlook for 1H2010

Barring unforeseen circumstances, the Group expects to achieve a comparable turnover and higher PBT in 1H2010 compared to those of 1H2009.

- For the Aerospace and Electronics sectors, 1H2010 turnover is expected to be comparable, while PBT is expected to be higher than that of 1H2009.
- For the Land Systems sector, 1H2010 turnover is expected to be higher, while PBT is expected to be comparable to that of 1H2009.
- For the Marine sector, 1H2010 turnover and PBT are expected to be higher than those of 1H2009.

Group Outlook for 1H2010

Aerospace

- AMM companies are being geared up for induction of significant workload for rest of 2010
- To develop composite repair capabilities in Singapore and San Antonio
- Components - obtained FAA certification for Madrid facility in April 2010
- Engines - to complete construction of building infrastructure for engine facility in Xiamen
- Material Services - to pursue more component MBH™ programmes

Group Outlook for 1H2010

Electronics

- Sales recognition from both LTA's Circle Line, the Half Height Platform Screen Doors projects and Taiwan MRT projects
- Sales recognition from an Advanced Combat Man System, a communication system project, an Integrated Resort project, the supply of telematics system, satellite communication products and electro-optics equipment
- Sales recognition from the milestones completion in a software system project, a 3rd Generation Learning System and managed services sales

Group Outlook for 1H2010

Land Systems

- Continue to deliver Terrex, Warthog, weapons, munitions and specialty vehicles
- Continue to pursue key defence programmes
- Commence to relocate operations at Portsdown and Ayer Rajah to Jalan Boon Lay

Group Outlook for 1H2010

Marine

- Expects to launch Diving Support Vessel (DSV)
- Expects to deliver 8th 185,000 bbl ATBs and 1st 230' Offshore Supply Vessel (OSV)
- Expects to complete the lengthening and upgrading work on fishing vessel, "*Pacific Princess*"

Group Outlook for FY2010

Barring unforeseen circumstances, the Group expects to achieve a higher turnover and PBT in FY2010 compared to those of FY2009.

President & CEO's Message

"Compared to 1Q2009, the Group recorded 9% growth in Net Profit to \$92.8m in the current quarter with modest growth of 3% and 5% in Turnover and Profit before tax to \$1,361m and \$116.6m respectively. Operating profit improved markedly by 25% to \$110.9m.

During 1Q2010, the Group managed to secure more commercial and government orders including a 10-year MBH™ contract (US\$750m) for the maintenance of Jet Airways' CFM56-7B engines and the 4th Fast Missile Craft for the Egyptian Navy (US\$165m), among others. The Group ended the first quarter with its order book at an all time high of \$11.8b.

Barring unforeseen circumstances, the Group expects to achieve a higher turnover and PBT for FY2010 compared to FY2009."

~ Tan Pheng Hock

Thank You

