

Financial Results Briefing

Second Quarter 2008

12 August 2008



1H PAT Improved Modestly

2Q2008 Results



Agenda

- Financial Highlights
 - *2Q2008 vs 2Q2007*
 - *1H2008 vs 1H2007*
- Business Review
 - *Sector Operations*
- Outlook

Financial Highlights

for the second quarter ended 30 June 2008

| \$ m | 2Q2008 | 2Q2007 | Change |
|---------------------------------------|--------|--------|---------|
| Turnover | 1,301 | 1,298 | - |
| Investment, interest and other income | 9.9 | 20.2 | 51% |
| EBIT | 144.2 | 140.6 | 3% |
| PBT | 151.1 | 159.8 | 5% |
| PATMI | 119.9 | 122.8 | 2% |
| Return on Sales | 9.4% | 10.0% | 0.6% pt |

Financial Highlights

for the second quarter ended 30 June 2008

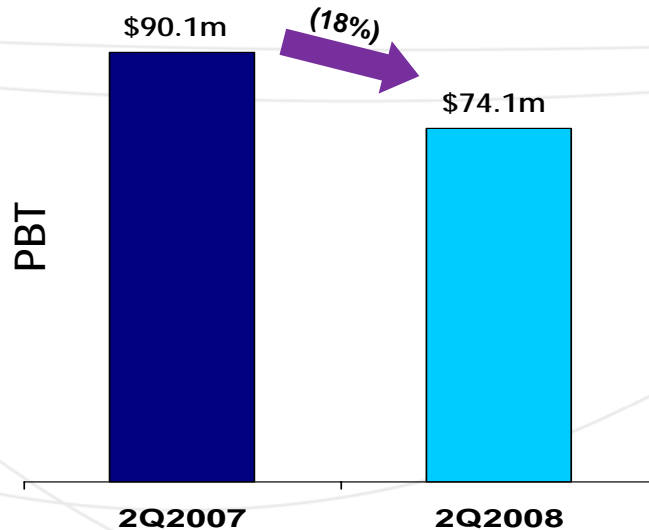
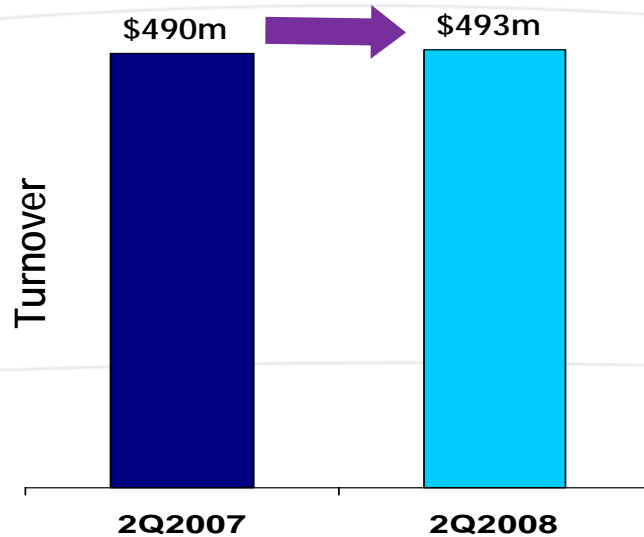
- Commercial sales at 67% (FY2007 : 67%) or \$872m of 2Q2008 turnover
- \$9.29b order book; about \$2.14b to be delivered in 2H2008 (end March 2008 : \$9.19b)
- \$1.1b of cash and cash equivalents and amounts under fund management (FY2007 : \$1.5b)
- EVA for 1H2008 at \$182.7m (1H2007 : \$177.7m)

Turnover maintained despite current market conditions

Aerospace



Aerospace



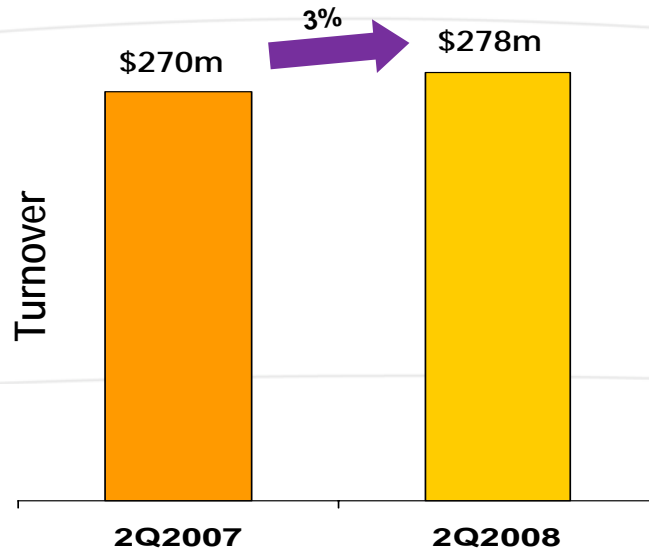
- **Turnover** comparable at \$493m
 - Higher redeliveries in STA Engineering (AMM)
 - More project milestone completions and higher material sales (EMS)
- Offset by:
 - Lower redeliveries in SASCO (AMM)
 - Lower sales in STA Solutions (CERO)
- **PBT** lower by 18% or \$16.0m to \$74.1m
 - Weaker US dollar
 - Lower investment income
 - Higher depreciation due to investment in new capabilities
 - Higher PTF prototyping costs
 - Lower contributions from associated companies

Steady PBT Growth at 2Q

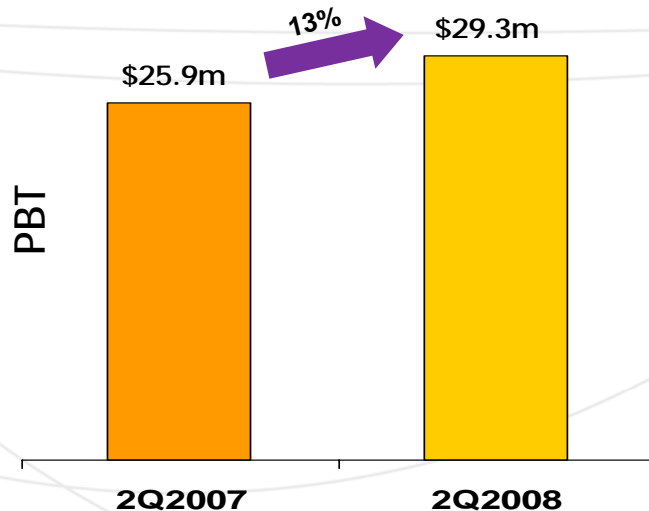
Electronics



Electronics



- Turnover increased by 3% or \$8m to \$278m
 - Sales of telematics systems and milestone completions of a communication project (CSG)
 - Milestone completions of a command and control system project (SSG)Partially offset by:
 - Lower value project milestone completions (LSG)



- PBT higher by 13% or \$3.4m to \$29.3m
 - Better margins in completed project milestones (LSG)
 - Higher turnover and better margins from satellite communication product sales (CSG)
 - Higher turnover and better profit margins (SSG)Partially offset by:
 - Lower contribution from associated companies (absence of contribution from ECS)

Steady 1H2008 Growth

Land Systems



Land Systems



- **Turnover** increased by 2% or \$7m to \$292m
 - Higher export sales (M&W)
 - Higher trading sales (S&T)Largely offset by:
 - Lower Bionix II deliveries (Auto)
- **PBT** lower by 9% or \$2.5m to \$25.2m
 - Lower profits from lower turnover and product mix (Auto)
 - Lower contribution from CityCab (S&T)Partially offset by:
 - Higher profits from higher turnover and product mix (M&W)

Better Operating Performance in 2Q2008

Marine



“Energy Driller”

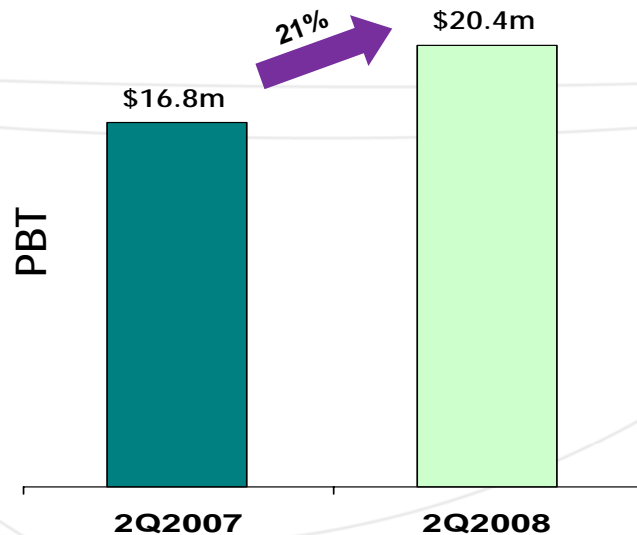
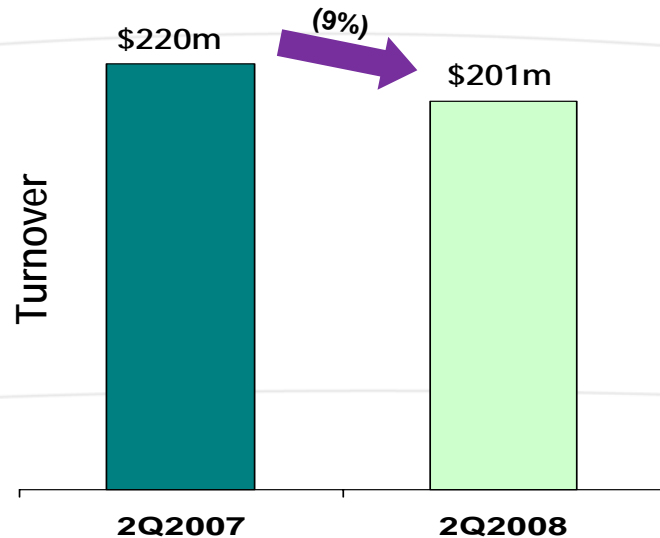


Delivered *“OEL Dubai”*



Named 1st RoRo *“City of Hamburg”*

Marine



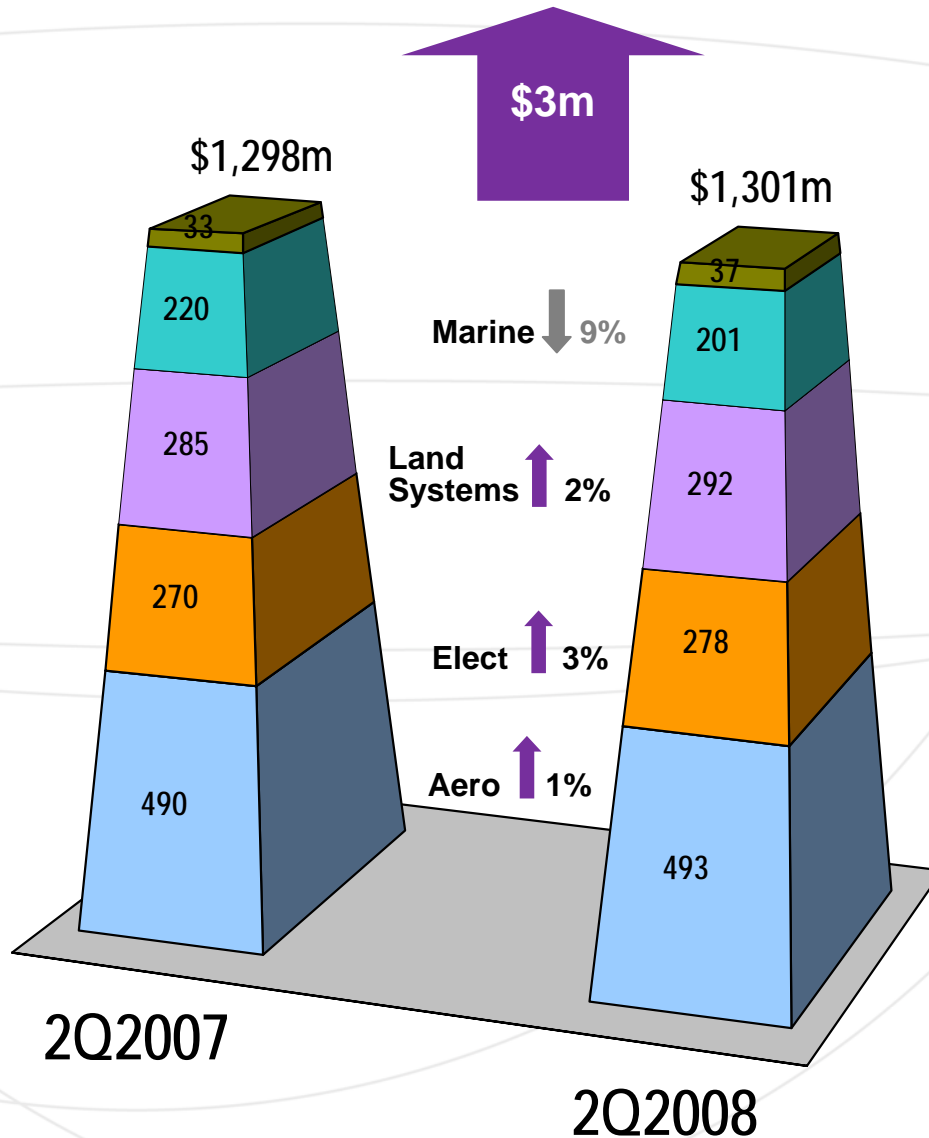
- **Turnover lower by 9% or \$19m to \$201m**
 - Lower Shipbuilding turnover from different project mix
 - Partially offset by:
 - Higher Shiprepair activities
- **PBT higher by 21% or \$3.6m to \$20.4m**
 - Higher gross profit from sales mix variations
 - Lower distribution and selling expenses
 - Partially offset by:
 - Lower investment and interest income

1H PAT Improved Modestly

ST Engineering



Group Turnover

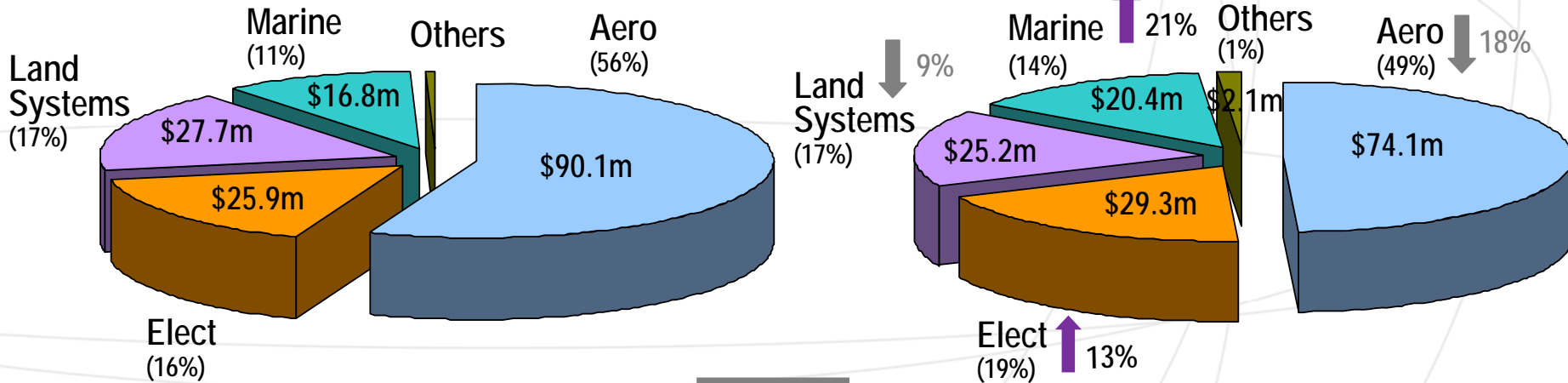


- **Comparable Group turnover**
 - Comparable turnover in Aerospace sector
 - Higher turnover in Electronics and Land Systems sectors
- Offset by:
 - Lower turnover in Marine sector

Profit Before Tax

2Q2007

2Q2008



\$159.8m



\$151.1m

Higher PBT in Electronics and Marine sectors, offset by lower PBT in Aerospace and Land Systems sectors

EBITDA / EBIT - Group

| \$ m | 2Q2008 | 2Q2007 | % |
|---------------------------------------|---------------|---------------|------------|
| EBITDA | 181.5 | 173.5 | 5 |
| Depreciation & amortisation | <u>(37.3)</u> | <u>(32.9)</u> | (13) |
| EBIT | 144.2 | 140.6 | 3 |
| Investment, interest and other income | 9.9 | 20.2 | (51) |
| Financial expenses | (10.2) | (12.7) | 20 |
| Operating profit | 143.9 | 148.1 | (3) |
| Associated companies | 7.2 | 11.7 | (39) |
| Profit before tax | 151.1 | 159.8 | (5) |

Steady operating performance

Investment in new capabilities (Aero)

Absence of Income from fund maturity (Aero) and lower interest income

Lower US\$ interest rate

Lower contributions from TOS, CityCab and absence of ECS (divested in 4Q2007)

Investment Income

| \$ m | 2Q2008 | | 2Q2007 | | Change | |
|--------------|------------|-------------|------------|-------------|----------|------------|
| Aerospace | 0.5 | 93% | 4.0 | 97% | ↓ | 87% |
| Electronics | 0.1 | 7% | (0.6) | (14%) | ↑ | 106% |
| Marine | - | - | 0.7 | 17% | ↓ | 100% |
| Group | 0.6 | 100% | 4.1 | 100% | ↓ | 86% |

Absence of maturity of a fund under management

Interest and Other Income

| \$ m | 2Q2008 | | 2Q2007 | | Change |
|--------------|------------|-------------|-------------|-------------|--------------|
| Aerospace | 2.4 | 26% | 4.2 | 26% | ↓ 43% |
| Electronics | 1.0 | 11% | 1.3 | 8% | ↓ 22% |
| Land Systems | 1.9 | 21% | 5.2 | 32% | ↓ 63% |
| Marine | 2.6 | 28% | 2.7 | 17% | ↓ 4% |
| Others | 1.4 | 14% | 2.7 | 17% | ↓ 48% |
| Group | 9.3 | 100% | 16.1 | 100% | ↓ 42% |

Lower interest income with lower CCE & lower interest rate

Income from Associated Co/JV

| \$ m | 2Q2008 | | 2Q2007 | | Change | |
|--------------|------------|-------------|-------------|-------------|--------------|---|
| Aerospace | 7.7 | 108% | 10.0 | 86% | ↓ 23% | Lower contribution from TOS |
| Electronics | 0.2 | 2% | 1.8 | 15% | ↓ 91% | Absence of contribution from ECS (divested in 4Q2007) |
| Land Systems | (0.7) | (10%) | (0.1) | (1%) | ↓ 477% | Lower contribution from CityCab |
| Group | 7.2 | 100% | 11.7 | 100% | ↓ 39% | |

PBT Margin

| % | 2Q2008 | 2Q2007 |
|--------------|-----------|-----------|
| Aerospace | 15 | 18 |
| Electronics | 10 | 9 |
| Land Systems | 9 | 10 |
| Marine | 10 | 8 |
| Group | 12 | 12 |

Group's PBT margin remains steady at 12%

Profit After Tax & Minority Interests

| \$ m | 2Q2008 | 2Q2007 | Change |
|--------------|-------------------|-------------------|-------------|
| Aerospace | 61.6 51% | 69.5 57% | ↓ 11% |
| Electronics | 21.1 18% | 19.9 16% | ↑ 6% |
| Land Systems | 20.6 17% | 22.0 18% | ↓ 6% |
| Marine | 16.2 14% | 13.9 11% | ↑ 17% |
| Others | 0.4 - | (2.5) (2%) | ↑ 114% |
| Group | 119.9 100% | 122.8 100% | ↓ 2% |

Higher PATMI in Electronics and Marine sectors, offset by lower PATMI in Aerospace and Land Systems sectors

Balance Sheet

| \$ m | 30 Jun 2008 | 31 Dec 2007 |
|---------------------------------------|--------------|--------------|
| Property, plant and equipment | 1,012 | 1,015 |
| Associated companies & joint ventures | 249 | 268 |
| Investments | 32 | 41 |
| Intangible assets | 597 | 630 |
| Investment properties | 18 | 18 |
| Long-term receivables | 1 | 4 |
| Finance lease receivables | 1 | 1 |
| Derivative financial instruments | 7 | 3 |
| Deferred tax assets | 113 | 112 |
| Non-current assets | 2,030 | 2,092 |
| Current assets | 3,654 | 3,951 |
| Total assets | 5,684 | 6,043 |
| Current liabilities | 3,349 | 3,751 |
| Non-current liabilities | 832 | 513 |
| Total liabilities | 4,181 | 4,264 |
| Share capital and reserves | 1,410 | 1,632 |
| Minority interests | 93 | 147 |
| Total equity and liabilities | 5,684 | 6,043 |

Net Current Assets (1H2008 - \$305m vs FY2007 - \$200m)

- Decreases in creditors & accruals, and lower ST bank loans
- Increase in advances & other debtors

- Higher LT bank loans
- Higher advance payments from customers

Payment of FY2007 dividends

Cash Flow Statement



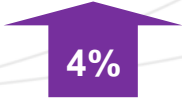


| \$ m | 2Q2008 | 2Q2007 |
|----------------------------|--------|--------|
| Cash flow from/(used in) : | | |
| Operating activities | 12 | 5 |
| Investing activities | (87) | 26 |
| Financing activities | (425) | (424) |
| Net decrease in CCE | (500) | (393) |
| CCE at 1 April | 1,450 | 1,596 |
| Exchange difference | (3) | 4 |
| CCE at 30 June | 947 | 1,207 |

Cash outflow for acquisition of additional 28.7% interest in STA Solutions and purchase of property, plant & equipment

* CCE - Cash & Cash Equivalents

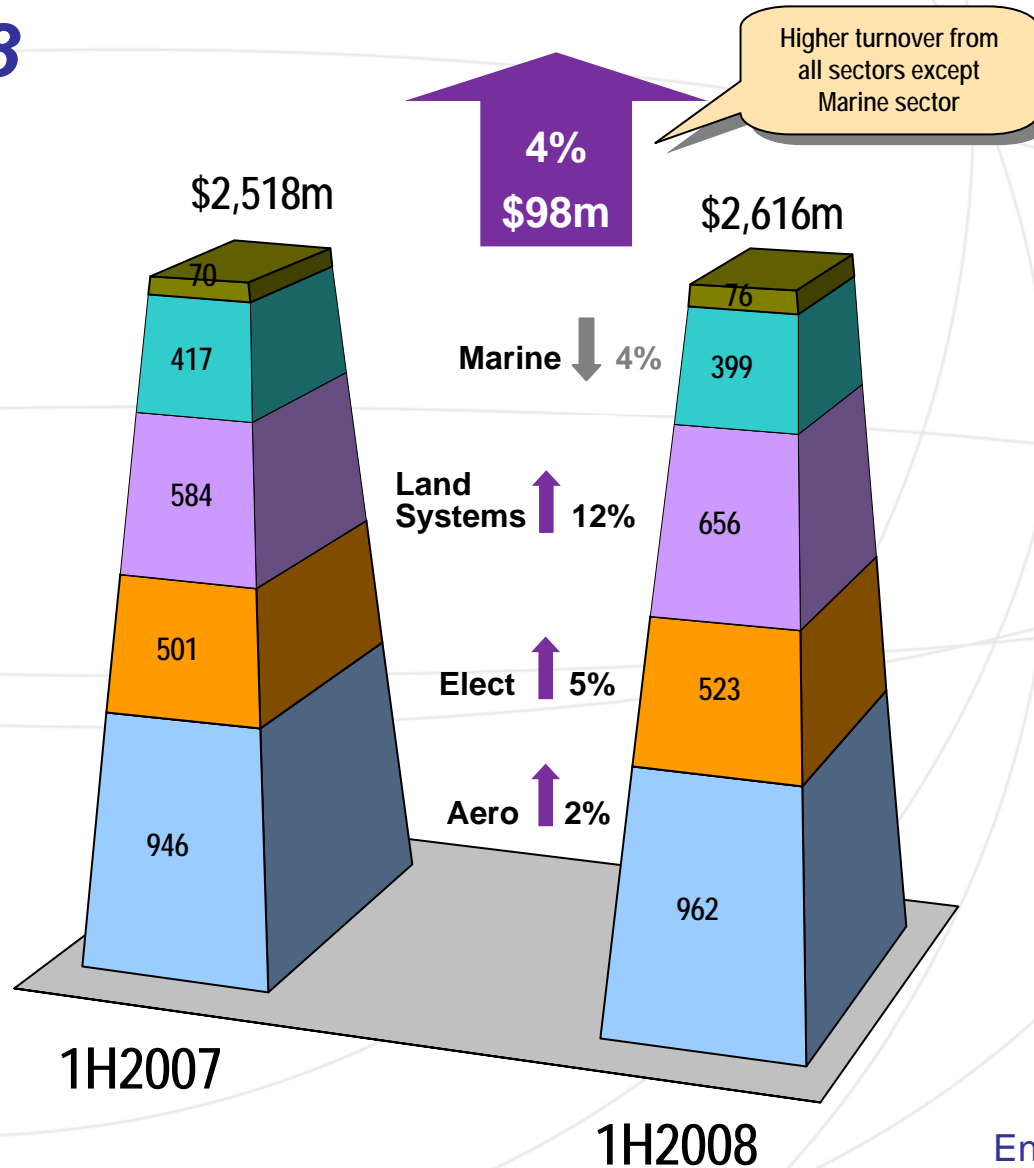
Financial Highlights

for the first half year ended 30 June 2008

| \$ m | 1H2008 | 1H2007 | Change |
|---------------------------------------|--------|--------|---|
| Turnover | 2,616 | 2,518 |  4% |
| Investment, interest and other income | 29.3 | 35.8 |  18% |
| EBIT | 284.0 | 272.3 |  4% |
| PBT | 307.5 | 307.0 | - |
| PATMI | 242.5 | 231.6 |  5% |
| Return on Sales | 9.5% | 9.6% |  0.1% pt |

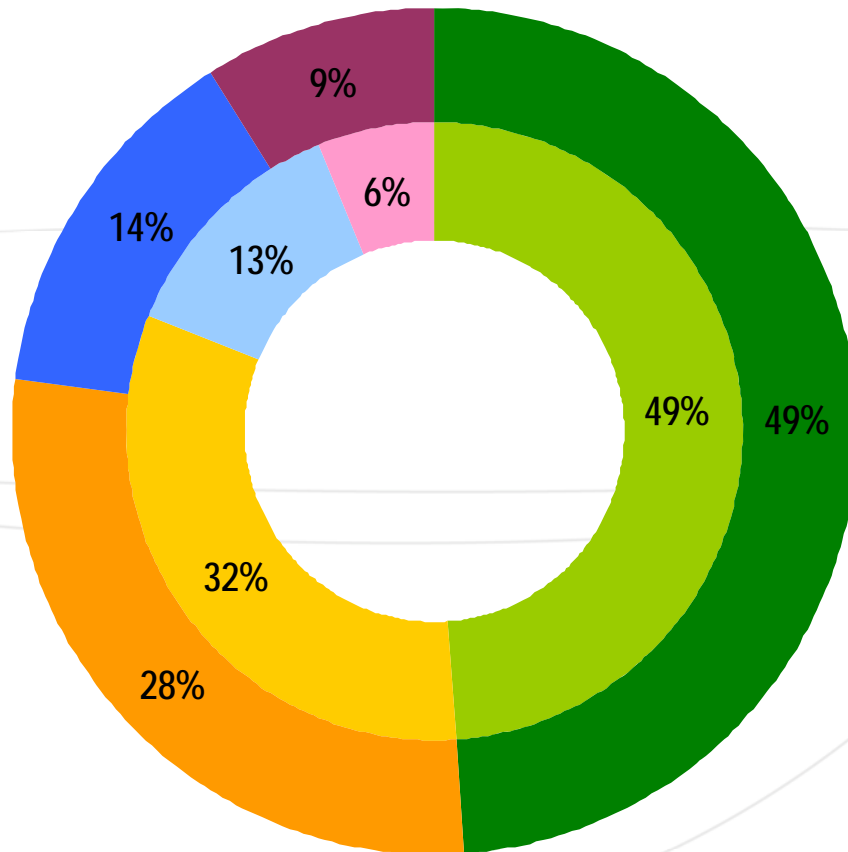
Group Turnover

- 1H2008



Group Turnover

Breakdown by location of customers (by geography)

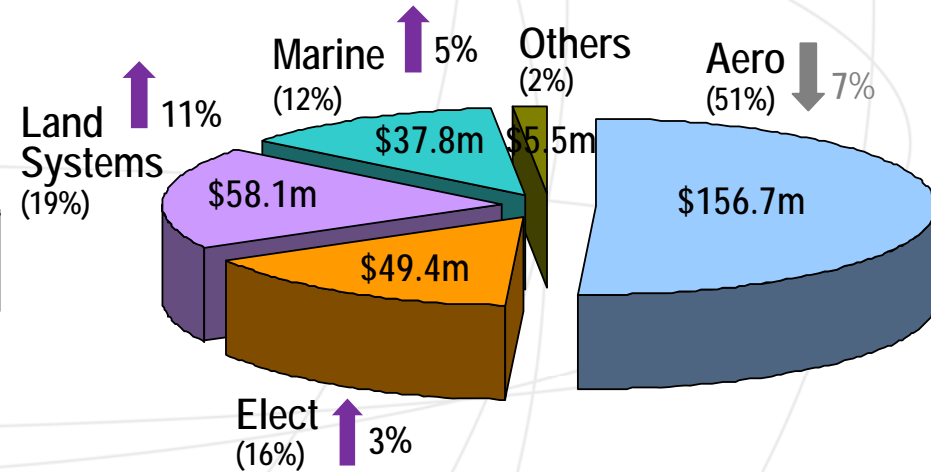
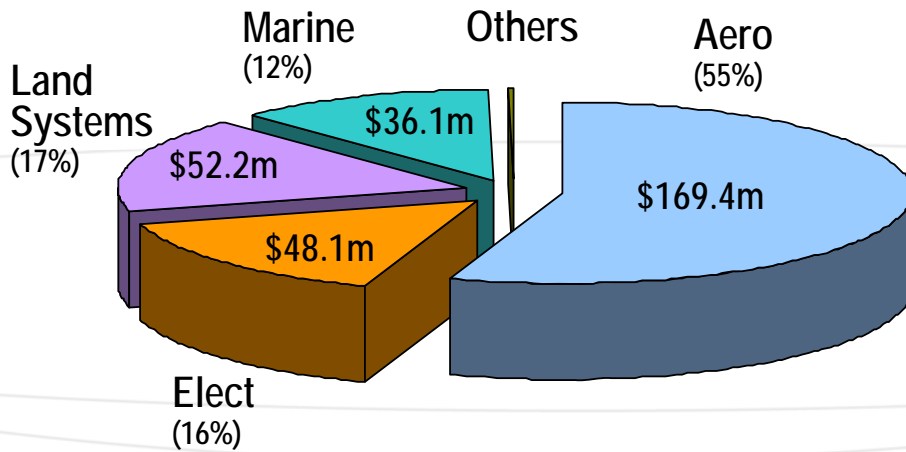


| Locality | FY2007 | | 1H2008 | |
|----------|--------|-----|--------|-----|
| | \$m | % | \$m | % |
| Asia | 2,486 | 49 | 1,276 | 49 |
| USA | 1,589 | 32 | 730 | 28 |
| Europe | 655 | 13 | 365 | 14 |
| Others | 321 | 6 | 245 | 9 |
| Total | 5,051 | 100 | 2,616 | 100 |

Profit before Tax – 1H2008

1H2007

1H2008



\$307.0m

\$307.5m

Comparable Group PBT

Profit After Tax & Minority Interests

| \$ m | 1H2008 | | 1H2007 | | Change | |
|--------------|--------------|-------------|--------------|-------------|----------|-----------|
| Aerospace | 124.8 | 51% | 130.4 | 56% | ↓ | 4% |
| Electronics | 37.6 | 15% | 35.8 | 16% | ↑ | 5% |
| Land Systems | 48.3 | 20% | 40.0 | 17% | ↑ | 21% |
| Marine | 30.4 | 13% | 28.0 | 12% | ↑ | 9% |
| Others | 1.4 | 1% | (2.6) | (1%) | ↑ | 152% |
| Group | 242.5 | 100% | 231.6 | 100% | ↑ | 5% |

Growth from all sectors except Aerospace sector

Factors Affecting 1H2008 Performance

- No contributions from Singapore Airshow in 2008 vis-à-vis Asian Aerospace 2006
- Higher PTF prototyping costs for B757-200 and B767-300
- Investment in capabilities led to higher depreciation in 1H2008 vs 1H2007
- Weaker USD impact on PBT in 1H2008 vs 1H2007
- Lower investment, interest and other income in 1H2008 vs 1H2007
- Lower contributions from associated companies in 1H2008 vs 1H2007

Agenda

- Financial Highlights
 - *2Q2008 vs 2Q2007*
 - *1H2008 vs 1H2007*
- **Business Review**
 - *Sector Operations*
- Outlook

Business Review

– *Aerospace Operations*

■ AMM

- Support for major airframe customers continued throughout the segment – FedEx, UPS, Northwest, Delta, US Airways, JAL, ANA, CEA, etc.
- PAE extended support beyond Copa Airlines and started “D” checks for GECAS aircraft in 2Q2008 in addition to other customers
- SASCO redelivered the first 767-300BCF PTF conversion to ANA
- MAE started the third line of B757-200SF conversion



1st 767 BCF Redelivery

Business Review

– *Aerospace Operations*

■ CERO

- Added new customers which included Asiana Airlines, GE Engine Services, PT Liau, etc.
- Added more than 50 new repair capabilities and seven non-DER rework capabilities
- Secured 20 CFM56-3 and five CFM56-7 engines from various customers worth up to US\$50m

■ EMS

- Won three RSAF development projects
- Secured the first FAA STC by ST Aerospace for FedEx 757-200 PTF



757-200 PTF STC

Business Review

– *Electronics Operations*

■ LSG

- Secured a S\$36.7m contract from Thales ATM Pty Ltd for LORADS III Air Traffic Control System
- Secured a RMB88.7m AFC systems order for Guangzhou Line 3 North Extension

■ CSG

- iDirect launched new Evolution DVB-S2/ACM product line – the Evolution X3 router, XLC-10 line card and iDX software
- iDirect secured new orders from international customers including Nawras of Oman, ScopeTel of Malaysia and Cobbett-Hill Earth Station of the UK
- Awarded a US\$8m contract to provide an advanced taxi despatch and management system for Sharjah Public Transport Corporation in Sharjah, United Arab Emirates (UAE)

Business Review

– *Electronics Operations*

- SSG
 - Awarded FutureSchools@Singapore projects for Beacon Primary School and Hwa Chong Institution
 - Signed an agreement to set up a 51:49 JV company – MERITS Technologies LLP, with Glotur Technology Fund to focus on education projects in Kazakhstan



FUTURE
SCHOOLS
@SINGAPORE



Business Review

– *Land Systems Operations*

■ Auto

- Delivered Bionix II, Bronco, specialised truck bodies and trailers, road construction and maintenance equipment, off-road dump trucks and excavators
- Set up wholly-owned subsidiary in Mexico to sell VT SVC's specialty vehicles in Mexico and Latin America



**VT SVC's
Beverage Truck**

■ M&W

- Delivered Pegasus and various munitions products



40mm Munitions

Business Review

– Land Systems Operations

■ Exhibition

- Showcased defence and disaster relief solutions at Eurosatory 2008
 - Bronco Heavy Maintenance Vehicle
 - 120mm SRAMS on Spider Light Strike Vehicle
 - Total 40mm Solutions including launch of 40mm Low Velocity Airburst Munitions System for 40mm Grenade Launcher



120mm SRAMS on Spider LSV



40mm LV ABMS

Business Review

– *Marine Operations*

■ Shipbuilding

Local

- Secured a contract to build one Anchor Handling Tug Supply vessel

US

- Launched 5th of 10 Articulated Tug Barge units

■ Shiprepair

Local

- Completed major repair on a drill ship
- Completed conversion of a Floating Storage Off-loader (FSO) to Floating Production Storage Off-loader (FPSO)
- Secured contract to lengthen a Derrick Pipelay Barge



“Energy Driller”

Agenda

- Financial Highlights
 - *2Q2008 vs 2Q2007*
 - *1H2008 vs 1H2007*
- Business Review
 - *Sector Operations*
- **Outlook**

Group Outlook for 2H2008

Barring unforeseen circumstances, the Group expects to achieve a modestly higher turnover and PBT in 2H2008 compared to that of 1H2008.

- For Aerospace and Electronics sectors, 2H2008 turnover and PBT are expected to be higher than that of 1H2008
- For Land Systems sector, 2H2008 turnover is expected to be comparable, while PBT is expected to be lower than that of 1H2008
- For Marine sector, 2H2008 turnover and PBT are expected to be comparable to that of 1H2008

Group Outlook for 2H2008

Aerospace

- Continue to support its large customer base and secure new ones
- PAE to acquire A320 capability by 4Q2008 to extend its scope of services to customers in the Americas
- Begin operations for Madrid Aerospace Services S.L. by 3Q2008
- Extend the customer base for CFM56-3 and CFM56-7 engines through MBH and repair contracts

Electronics

- Sales recognition from the Land Transport Authority's Circle Line project
- Sales recognition from the supply of telematics systems, sales of satellite communication products and electro-optics equipment
- Sales recognition from the completion of milestones in a managed services project and delivery and installation of educational laboratory systems in Kazakhstan

Group Outlook for 2H2008

Land Systems

- Continue contractual deliveries of Bionix II, Pegasus, munitions & weapon products and specialty vehicles
- Continue to pursue defence programmes and more specialty vehicles sales

Marine

- Expect to deliver 6th frigate and the last of four feeder container vessels
- Expect to lay keel for Missile Range Instrumentation Ship
- Expect to launch platform supply vessel and deliver 5th of 10 Articulated Tug Barge units and 3rd Fisheries Survey Vessel
- Expect to complete outfitting works for two seismic vessels, steelwork and tank coating work on a livestock carrier and installation of a tiltable lay system for an offshore support vessel

Group Outlook for FY2008

Barring unforeseen circumstances, the Group expects FY2008 turnover to be modestly higher, while PBT is expected to be comparable to that of FY2007.

President & CEO's Message

"The Group recorded modest growth in Turnover and PATMI of 4% and 5% respectively in 1H2008 compared to 1H2007. Performance in 2Q2008 was comparable to that of 2Q2007; the better performance in Electronics and Marine sectors were offset by the lower profits in Aerospace and Land Systems sectors. The Aerospace sector was affected by the higher PTF prototyping project costs, lower contributions from associated companies, as well as higher depreciation charge due to additional investments in capabilities.

Despite a weak global economy in the second quarter, our order book increased from \$9.19b at end March 2008 to \$9.29b at end June 2008, of which the Group expects to deliver about \$2.14b in 2H2008.

I am pleased to announce that the Board of Directors has approved the payment of an interim ordinary dividend of 3 cents per share, payable on 12 September 2008."

~ Tan Pheng Hock

Major Announcements

(From 1 July till 12 August 2008)

Aerospace

- Signed an agreement with GE Aviation for global cooperation. Areas of cooperation include engine maintenance, engine material services, aircraft total support solutions and engine parts and accessories.
- Signed a series of agreements with CFM International in support of CFM56-3, CFM56-5B and CFM56-7B MRO operations, which included a comprehensive 10-year materials services agreement valued at US\$1.5b.
- Redelivered first of two converted 757-200 aircraft (multi-role configurations) to Royal New Zealand Air Force (RNZAF) on 4 August 2008.
- Secured a component supply and reconditioning renewal contract with LOT Polish Airlines (LOT) worth €8.7m. The contract covers LOT's fleet of seven Boeing 767 aircraft over three years under the STA Solutions' material supply programme.

Marine

- Secured a contract worth S\$127.7m to build and outfit a Diving Support Vessel (DSV) for a foreign customer registered in Singapore. Construction is scheduled to begin in January 2009 and delivery is planned for mid 2010.
- Secured an agreement valued at about S\$20m to S\$25m with a repeat customer for fleet maintenance and drydocking of 15 tankers over a period of 16 months, commencing September 2008.

Thank You

