

Financial Results Briefing

Third Quarter 2008

4 November 2008



Steady Performance and Strong Order Book

3Q2008 Results


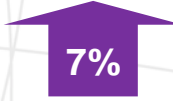

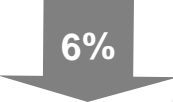




Agenda

- **Financial Highlights**
 - *3Q2008 vs 3Q2007*
 - *9M2008 vs 9M2007*
- **Business Review**
 - *Sector Operations*
- **Outlook**

Financial Highlights

for the third quarter ended 30 September 2008

\$ m	3Q2008	3Q2007	Change
Turnover	1,382	1,236	 12%
Investment, interest and other income	12.1	11.3	 7%
EBIT	129.5	144.1	 10%
PBT	144.3	153.6	 6%
PATMI	128.9	125.5	 3%
Return on Sales	9.7%	10.6%	 0.9% pt

Financial Highlights

for the third quarter ended 30 September 2008

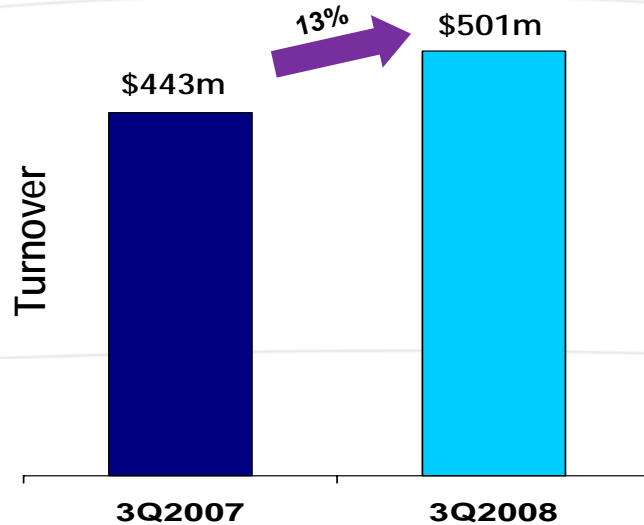
- Commercial sales at 66% (FY2007 : 67%) or \$918m of 3Q2008 turnover
- \$9.54b order book; about \$1.25b to be delivered in 4Q2008 (end June 2008 : \$9.29b)
- \$1.0b of cash and cash equivalents and amounts under fund management (1H2008 : \$1.1b)

Turnover Increased but Profit Reduced due to Prototyping Costs and Forex Impact

Aerospace



Aerospace

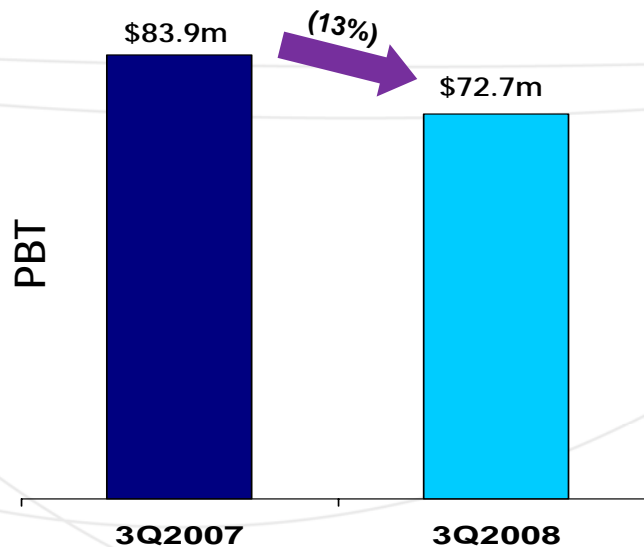


- Turnover increased by 13% or \$58m to \$501m

- 757 freighter conversion redeliveries (AMM)
- Higher sales in engines division (CERO)

Partially offset by:

- Lower material sales and fewer project milestone completions (EMS)



- PBT lower by 13% or \$11.2m to \$72.7m

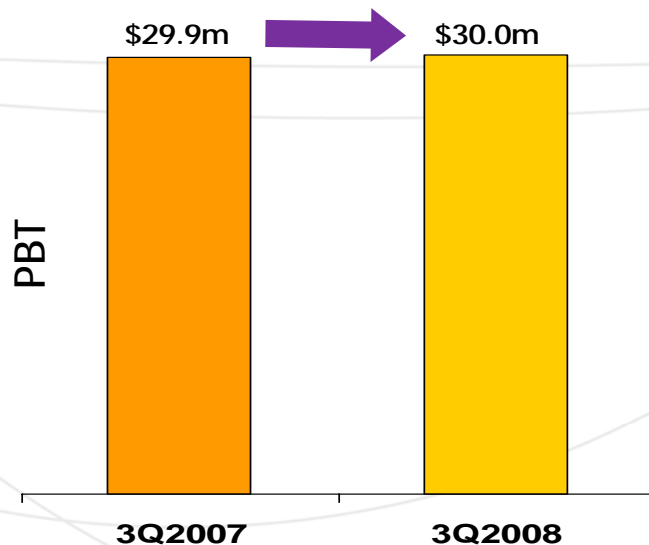
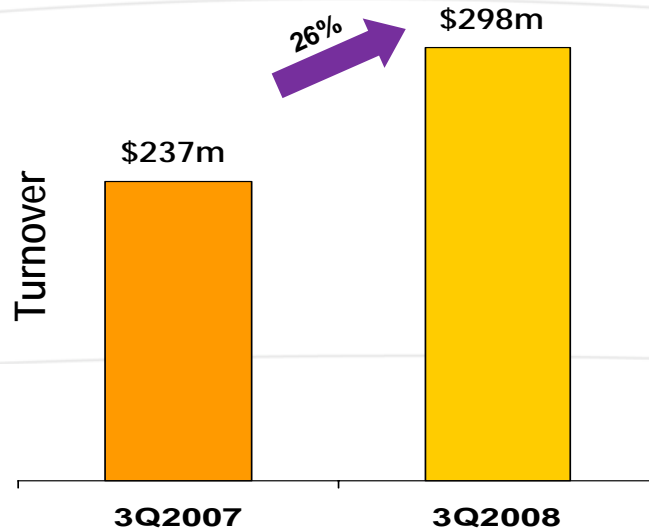
- Weaker US dollar
- Higher depreciation due to investment in new capabilities and capacity
- Higher PTF prototyping costs

Comparable PBT Performance

Electronics



Electronics



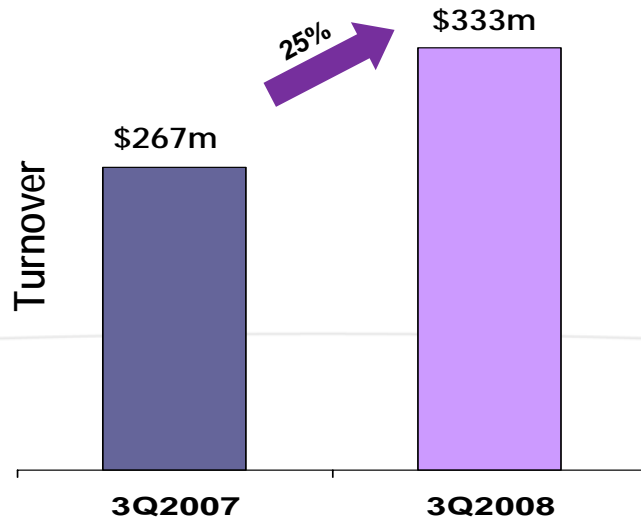
- **Turnover** increased by 26% or \$61m to \$298m
 - Milestone completions of LTA's Circle Line project and Taiwan MRT project (LSG)
 - Milestone completions of a communication project and sales of telematics systems (CSG)
 - Milestone completions of a software system project and a simulator project (SSG)
- **PBT** comparable at \$30.0m
 - Profit from higher turnover (LSG)Offset by:
 - Lower margins from satellite communication product sales (CSG) and project milestones completed (SSG)

Higher Profit Before Tax

Land Systems



Land Systems



- **Turnover** increased by 25% or \$66m to \$333m

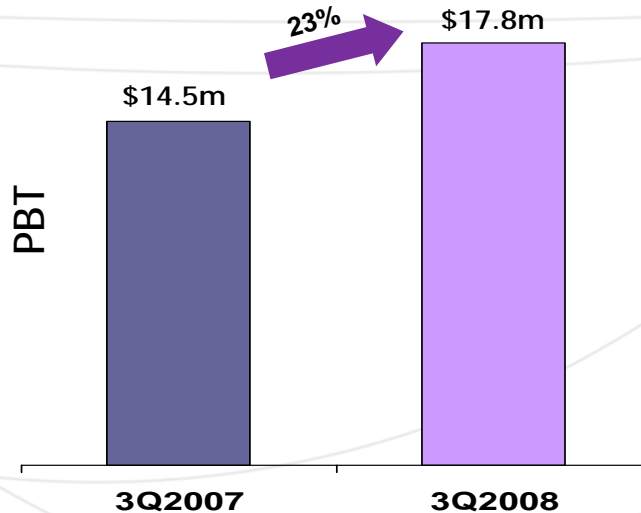
- Higher export sales (M&W)

- **PBT** higher by 23% or \$3.3m to \$17.8m

- Higher profits from higher turnover (M&W)

Partially offset by:

- Impairment in value of a long-term investment, weakness in US operations and product mix (Auto)



Steady Operating Performance and Increased Orders Secured

Marine



Phase II FMC Contract

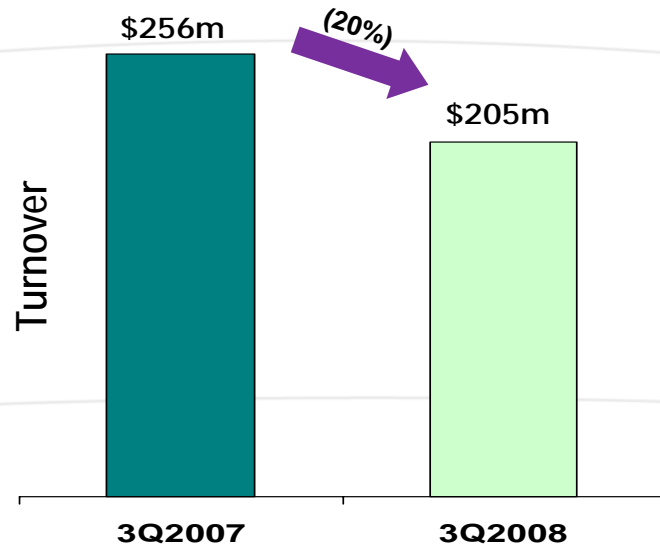


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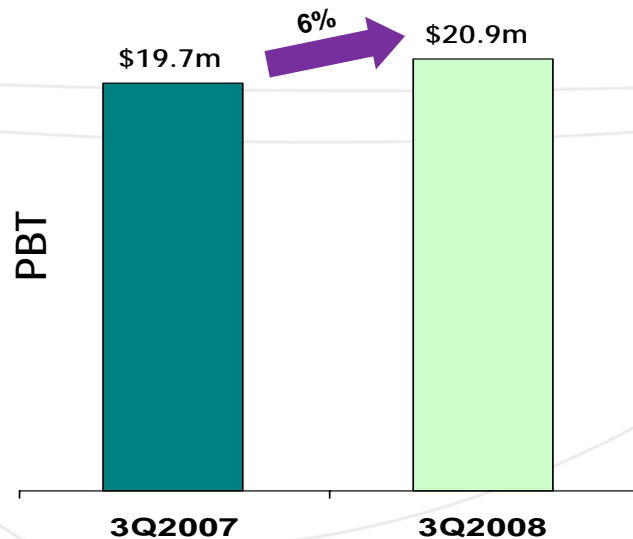


"Pacific Explorer"

Marine



- Turnover lower by 20% or \$51m to \$205m
 - Lower Shipbuilding turnover from different project mix
 - Lower conversion activities in Shiprepair



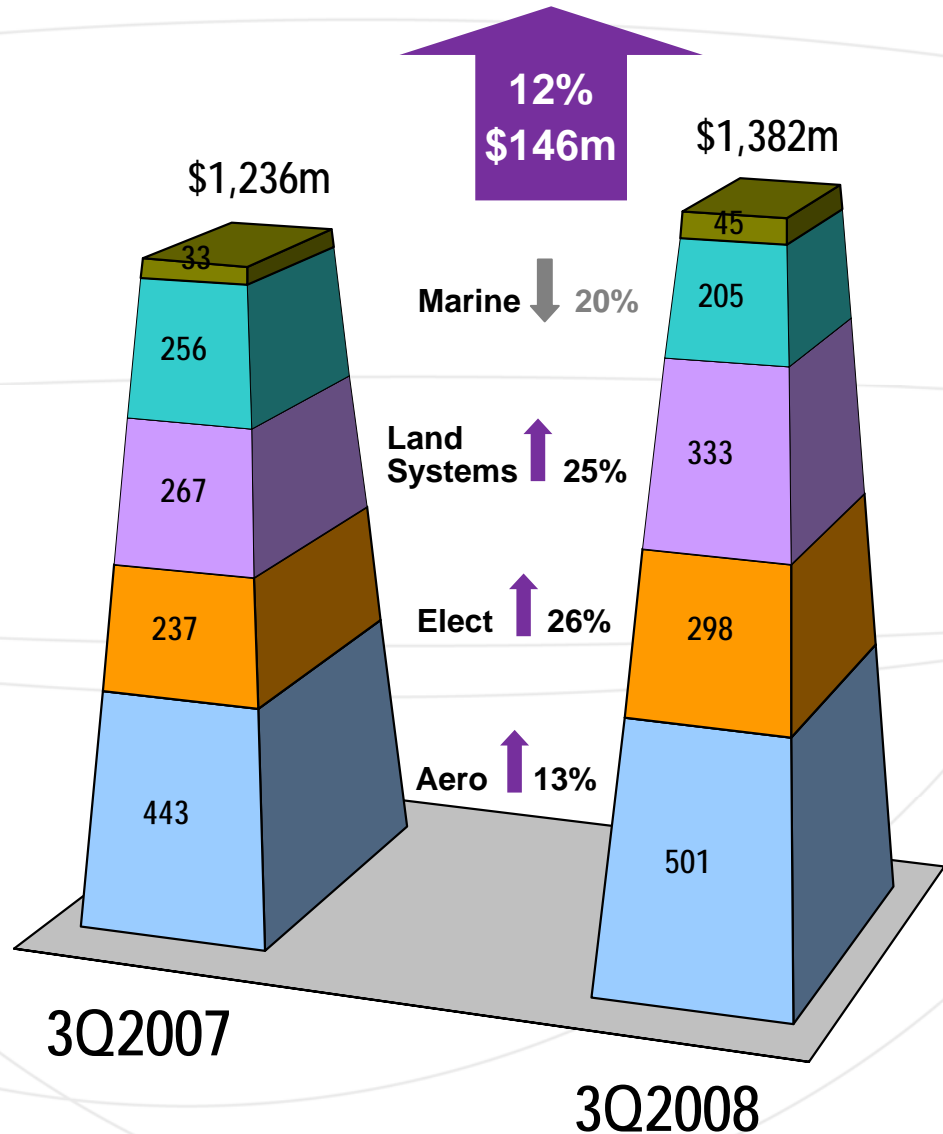
- PBT higher by 6% or \$1.2m to \$20.9m
 - Higher profit from sales mix
 - Lower financial expenses

Steady Performance and Strong Order Book

ST Engineering



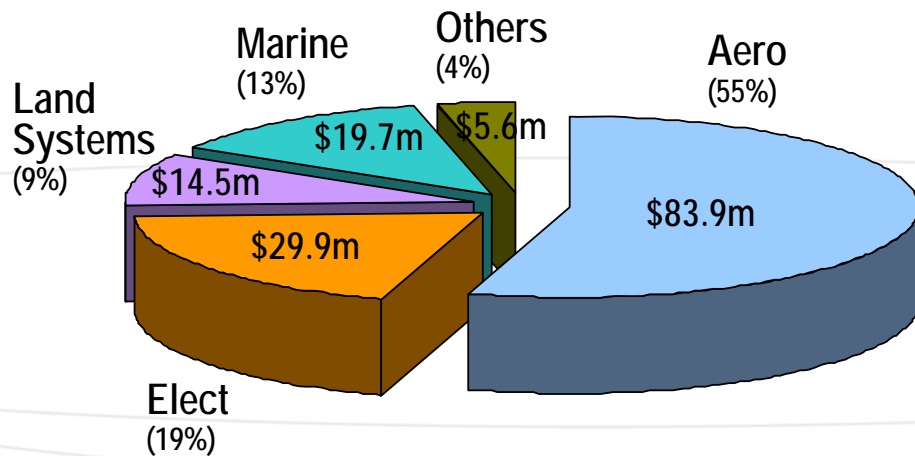
Group Turnover



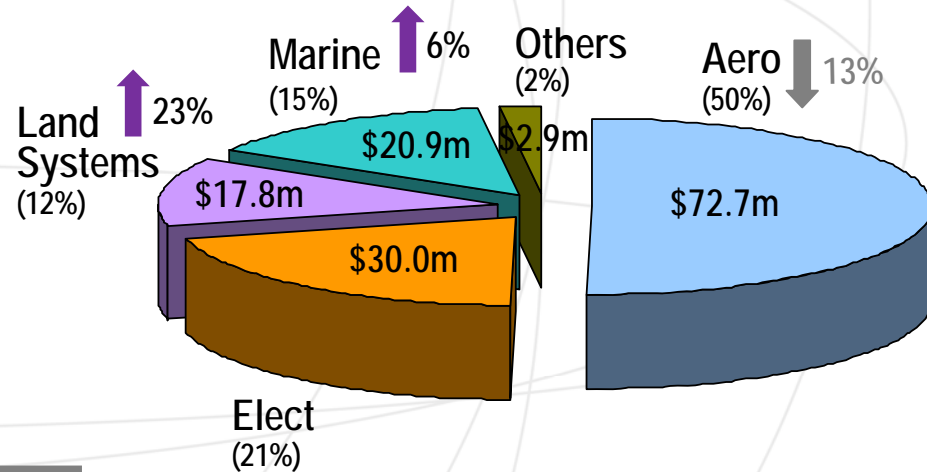
- Group turnover higher by 12% or \$146m
 - Higher turnover in Aerospace, Electronics and Land Systems sectors
 - Partially offset by:
 - Lower turnover in Marine sector

Profit Before Tax

3Q2007



3Q2008



\$153.6m



\$144.3m

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

EBITDA / EBIT - Group

\$ m	3Q2008	3Q2007	%	
EBITDA	168.4	179.5	(6)	Lower margins in Aerospace & Electronics sectors
Depreciation & amortisation	(38.9)	(35.4)	(10)	
EBIT	129.5	144.1	(10)	Investment in new capabilities
Investment, interest and other income	12.1	11.3	7	
Financial expenses	(10.4)	(12.6)	18	Lower US\$ interest rate
Operating profit	131.2	142.8	(8)	
Associated companies	13.1	10.8	22	Higher contributions from Aerospace & Land Systems sectors
Profit before tax	144.3	153.6	(6)	

Investment Income

\$ m	3Q2008		3Q2007		Change
Aerospace	0.1	(5%)	0.8	56%	↓ 81%
Electronics	-	-	0.5	34%	↓ 100%
Land Systems	(2.9)	105%	0.1	10%	↓ NM
Group	(2.8)	100%	1.4	100%	↓ 304%

Impairment in value of a long-term investment

Interest and Other Income

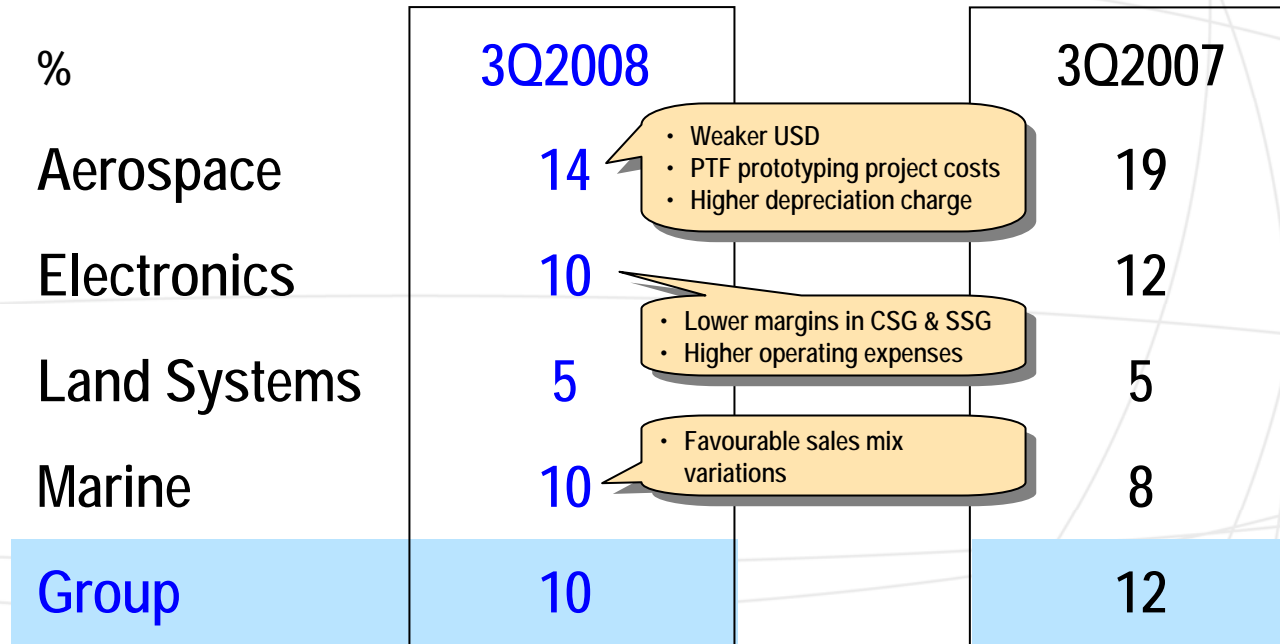
\$ m	3Q2008		3Q2007		Change
Aerospace	3.3	22%	0.8	8%	↑ 334%
Electronics	1.8	12%	1.1	11%	↑ 62%
Land Systems	4.2	29%	2.8	29%	↑ 48%
Marine	5.0	34%	3.2	32%	↑ 58%
Others	0.6	3%	2.0	20%	↓ 77%
Group	14.9	100%	9.9	100%	↑ 49%

Higher other income, offset by lower interest income with lower CCE & lower interest rate

Income from Associated Co / JV

\$ m	3Q2008		3Q2007		Change
Aerospace	9.8	75%	8.6	79%	↑ 15%
Electronics	1.7	13%	1.3	12%	↑ 30%
Land Systems	1.7	13%	0.9	9%	↑ 80%
Others	(0.1)	(1%)	-	-	↓ NM
Group	13.1	100%	10.8	100%	↑ 22%

PBT Margin



Profit After Tax & Minority Interests

\$ m	3Q2008	3Q2007	Change
Aerospace	61.6 48%	68.4 55%	↓ 10%
Electronics	21.7 17%	22.2 18%	↓ 2%
Land Systems	13.0 10%	16.3 13%	↓ 20%
Marine	16.5 13%	15.5 12%	↑ 7%
Others	16.1 12%	3.1 2%	↑ 413%
Group	128.9 100%	125.5 100%	↑ 3%

Higher PATMI from Marine sector and recognition of US operations' prior years deferred tax assets, partially offset by lower PATMI from Aerospace, Electronics and Land Systems sectors

Balance Sheet

\$ m	30 Sep 2008	31 Dec 2007
Property, plant and equipment	995	1,015
Associated companies & joint ventures	258	268
Investments	22	41
Intangible assets	625	630
Investment properties	18	18
Long-term receivables	1	4
Finance lease receivables	3	1
Derivative financial instruments	3	3
Deferred tax assets	123	112
Non-current assets	2,048	2,092
Current assets	3,693	3,951
Total assets	5,741	6,043
Current liabilities	3,375	3,751
Non-current liabilities	794	513
Total liabilities	4,169	4,264
Share capital and reserves	1,471	1,632
Minority interests	101	147
Total equity and liabilities	5,741	6,043

Fair valuation of investments

Net Current Assets (9M2008 - \$318m vs FY2007 - \$200m)

- Decreases in advance payments from customers, creditors & accruals, and lower ST bank loans
- Increase in trade debtors

Partially offset by:

- Decrease in CCE
- Increase in progress billings in excess of WIP

Higher LT bank loans

Payment of FY2007 final dividend & FY2008 interim dividend




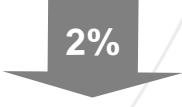


Cash Flow Statement

\$ m	3Q2008	3Q2007	
Cash flow from/(used in) :			
Operating activities	100	69	
Investing activities	(24)	2	Purchase of property, plant & equipment
Financing activities	(99)	(74)	Payment of FY2008 interim dividend (\$90m)
Net decrease in CCE	<u>(23)</u>	<u>(3)</u>	
CCE at 1 July	947	1,207	
Exchange difference	12	(4)	
CCE at 30 September	<u>936</u>	<u>1,200</u>	

* CCE - Cash & Cash Equivalents

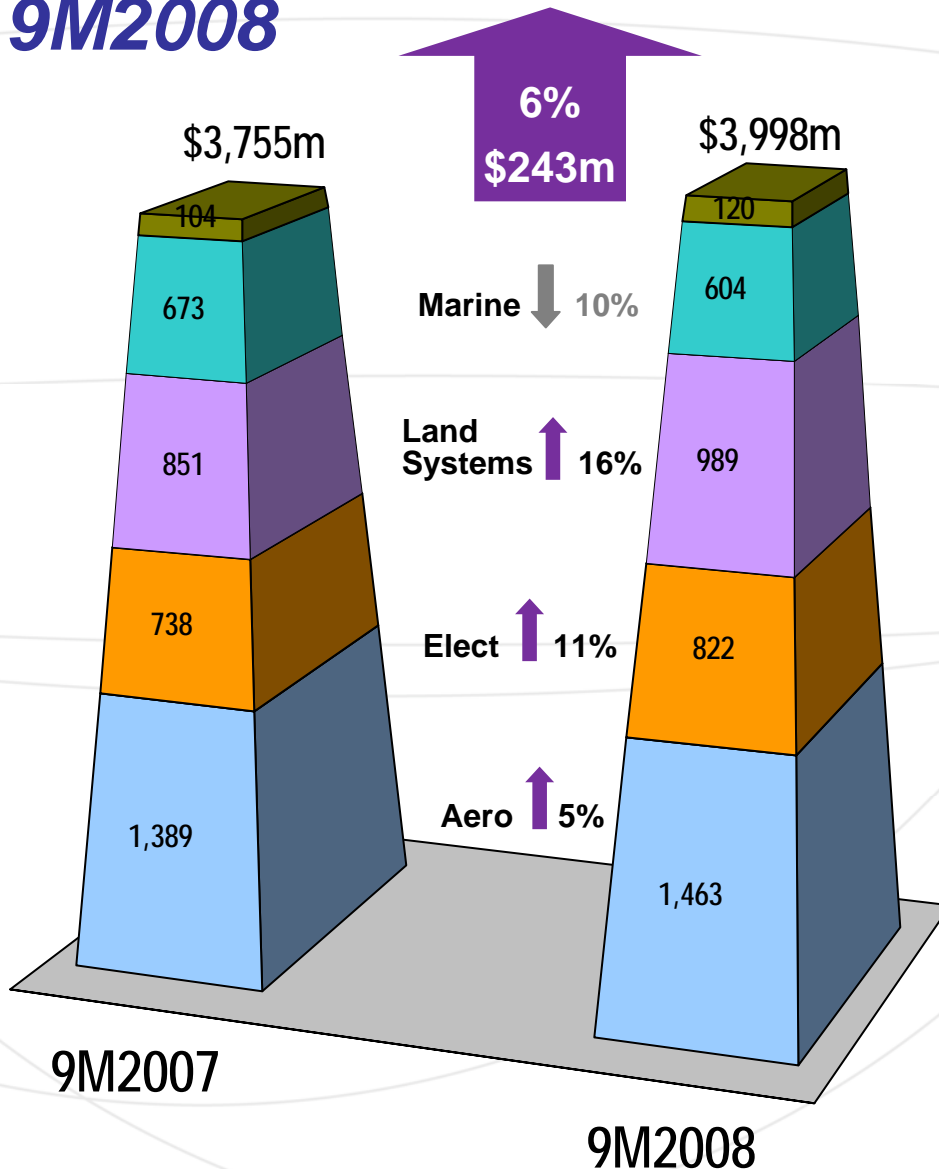
Financial Highlights

for the nine months ended 30 September 2008

\$ m	9M2008	9M2007	Change
Turnover	3,998	3,755	 6%
Investment, interest and other income	41.4	47.1	 12%
EBIT	413.5	416.4	 1%
PBT	451.8	460.6	 2%
PATMI	371.4	357.1	 4%
Return on Sales	9.6%	9.9%	 0.3% pt

Group Turnover

– 9M2008



- Group turnover higher by 6% or \$243m

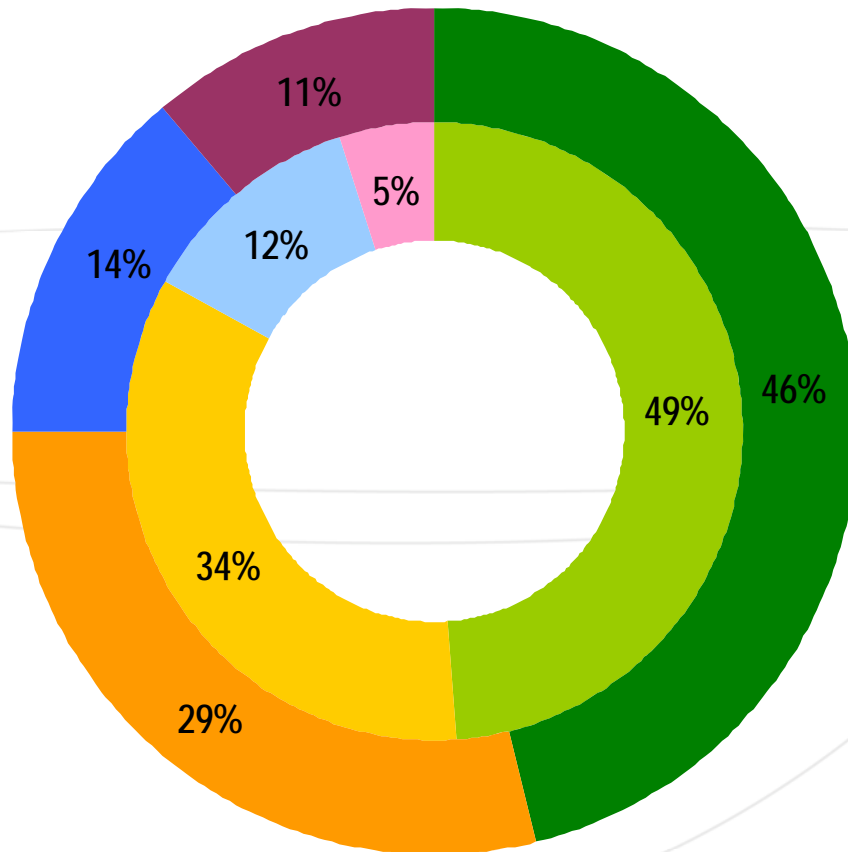
- Higher turnover in Aerospace, Electronics and Land Systems sectors

Partially offset by:

- Lower turnover in Marine sector

Group Turnover

Breakdown by location of customers (by geography)



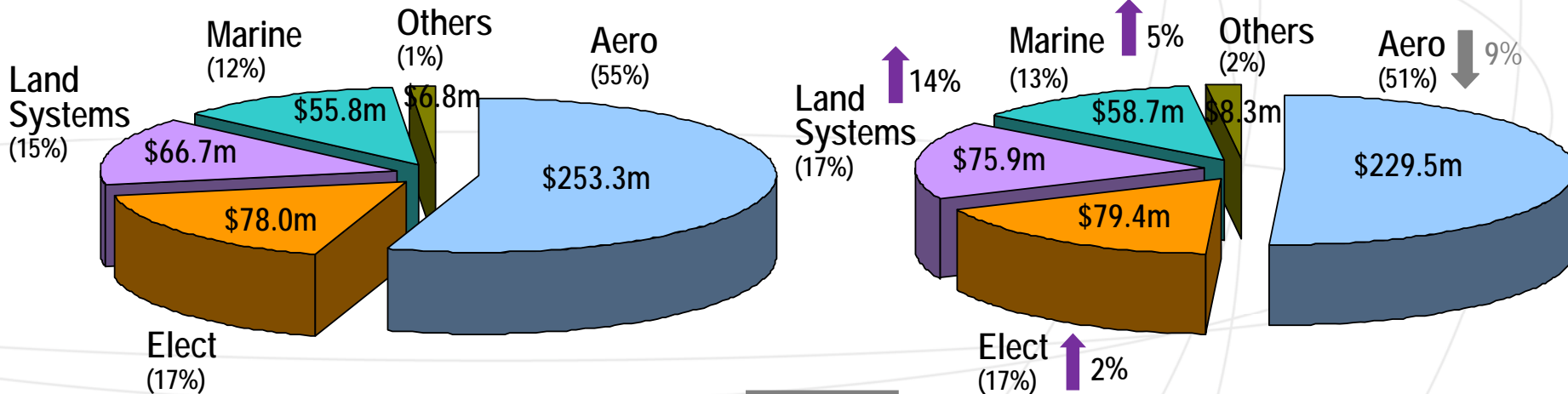
Locality	9M2007		9M2008	
	\$m	%	\$m	%
Asia	1,825	49	1,846	46
USA	1,273	34	1,144	29
Europe	454	12	566	14
Others	203	5	442	11
Total	3,755	100	3,998	100

Profit before Tax

- 9M2008

9M2007

9M2008



\$460.6m

2%
\$8.8m

\$451.8m

Lower PBT in Aerospace sector largely offset by higher PBT in other sectors

Profit After Tax & Minority Interests

\$ m	9M2008	9M2007	Change
Aerospace	186.3 50%	198.8 56%	↓ 6%
Electronics	59.3 16%	58.0 16%	↑ 2%
Land Systems	61.4 16%	56.3 16%	↑ 9%
Marine	46.9 13%	43.5 12%	↑ 8%
Others	17.5 5%	0.5 -	↑ NM
Group	371.4 100%	357.1 100%	↑ 4%

Growth from all sectors except Aerospace sector and recognition of US operations' prior years deferred tax assets under "Others"

Factors Affecting 9M2008 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
- Weaker USD impact on PBT
- Weaker performance in US operations of Land Systems sector
- Lower investment, interest and other income
- Lower contributions from associated companies

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 - *9M2008 vs 9M2007*
- **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.
- MAE and STA Engineering redelivered two and one converted 757 freighters to FedEx respectively
- MAE redelivered first RNZAF 757 Combi
- PAE obtained FAA certification for A319/A320 and redelivered the first aircraft to GECAS
- Secured a contract worth S\$105m to provide flying instruction to the Singapore Ministry of Defence over 20 years beginning 2012
- Secured a contract from Airbus to provide heavy maintenance checks for 19 A330 aircraft leased to Singapore Airlines

Business Review

– *Aerospace Operations*

■ CERO

- Madrid Aerospace Services obtained EU merger approval and was registered in June 2008. The first two customers, Iberia and Royal Aero Services A320 Landing Gears were input in September and October 2008 respectively.
- Signed long-term agreements for CFM56 engines with CFMI/GE at Farnborough Airshow
- Secured 11 CFM56-3 engines from China Eastern Airlines Group

■ EMS

- Awarded UAV developmental programme
- Secured first FanTail contract



FanTail

Engineering our future

Business Review

– *Electronics Operations*

■ LSG

- Secured a S\$112m contract from Land Transport Authority (LTA) to supply Half Height Platform Screen Doors for 36 existing elevated MRT stations

■ CSG

- Showcased gantryless ERP & Telematics Services Hub at Intelligent Transport Systems Asia Pacific Forum & Exhibition
- Awarded IES Prestigious Engineering Award 2008 for SuperneT™ Integrated Communication System ST2800
- iDirect secured new orders from Telecomunicaciones BANTEL of Venezuela, Talia of UK & 3Di Technologies of USA



Contract Signing for Half Height Platform Screen Doors



Telematics Services Hub

Engineering our future

Business Review

– *Electronics Operations*

- SSG
 - Continued to deliver on various software system projects
 - Set up R&D Centre in Interactive Media (CiM) to develop Interactive Digital Media (IDM) technologies for the Simulation, Animation, Games & Edutainment (SAGE) domains

Business Review

– Land Systems Operations

- Auto
 - Delivered Bionix II, specialised truck bodies and trailers, road construction and maintenance equipment, off-road dump trucks and excavators
- M&W
 - Delivered Pegasus and various munitions products
- Others
 - Commenced redevelopment of premises at Jalan Boon Lay and Chin Bee Road



Pegasus



Redevelopment at JBL

Business Review

– Marine Operations

■ Shipbuilding

Local

- Launched 2nd Roll-on and Roll-off (RoRo) vessel, *“Ciudad de Cadiz”*
- Delivered last of four feeder container vessels, *“OEL India”*

US

- Keel laid for Missile Range Instrumentation Ship (T-AGM 25)
- Delivered 5th of 10 Articulated Tug Barge (ATB) units



Keel Laid T-AGM 25



Fast Missile Craft

Engineering our future

Business Review

– Marine Operations

■ Shiprepair

Local

- Completed outfitting work for a seismic vessel
- Completed steelwork and tank coating work on two livestock carriers
- Installation of a tiltable lay system for an offshore support vessel



"Pacific Explorer"



"Al Kuwait"



"Al Shuwaikh"

Business Review

– *Major Contracts Secured - Marine*

■ Shipbuilding

- Secured a contract worth S\$127.7m to build and outfit a Diving Support Vessel 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
- Secured a contract worth US\$393m with the US Navy for the Phase II of the Egyptian Navy's Fast Missile Craft (FMC) project. In addition, a further US\$13.5m was added to Phase I as a result of changes to work scope. This contract to build three FMCs and the Phase I award bring the total contract value for this project to approximately US\$642m.

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 - *9M2008 vs 9M2007*
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 - *Sector Operations*
- **Outlook**

Group Outlook for FY2008

Barring unforeseen circumstances, under a weaker global economic environment, the Group still expects to achieve a modestly higher turnover, though lower PBT and a marginally weaker PATMI in FY2008 compared to that of FY2007.

- For Aerospace sector, FY2008 turnover is expected to be higher, while PBT is expected to be lower than that of FY2007
- For Electronics sector, FY2008 turnover is expected to be higher, while PBT is expected to be comparable to that of FY2007
- For Land Systems sector, FY2008 turnover and PBT are expected to be higher than that of FY2007
- For Marine sector, FY2008 turnover and PBT are expected to be lower than that of FY2007

Group Outlook for FY2008

Aerospace

- To redeliver more 757 PTF to FedEx and second B767 BCF to ANA
- PAE to commission second hangar, and expect to secure Mexico DGAC certification
- Madrid Aerospace to redeliver first A320 landing gear by December 2008
- To complete land purchase agreement and award contract for construction of STATCO facilities

Group Outlook for FY2008

Electronics

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

Group Outlook for FY2008

Land Systems

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

Marine

- Expect to deliver 1st RoRo in Singapore and 3rd Fisheries Survey Vessel in US
- Expect to complete prefabrication of new block and piping system on derrick pipelay barge, *"Java Constructor"*

President & CEO's Message

"The Group reported 12% and 3% increases in turnover and profit after tax & minority interests (PATMI) respectively in 3Q2008 compared to 3Q2007. For the first nine months of the year, turnover and PATMI rose 6% and 4% respectively over the same period last year.

In the third quarter, the Group won several major orders such as a contract to build a Diving Support Vessel, the production phase of three Fast Missile Craft, a contract to provide Half Height Platform Screen Doors for LTA, as well as the provision of Flying Training to RSAF, which contributed to an increased order book of \$9.54b. Over the same period, we witnessed unprecedented events unfolding in the US and Europe, which culminated in a global financial crisis, leading to a weakened global economy. The effect of this could lead to weakened demand in some parts of our business areas. Our strong order book and our continuing and relentless efforts in strengthening core competencies, diversifying products and services, and entering into new markets render a strong foundation for us to face the challenges ahead.

Barring unforeseen circumstances, under a weaker global economic environment, we still expect the Group's FY2008 turnover to be modestly higher though a lower profit before tax. PATMI is however expected to be marginally weaker compared to FY2007."

~ Tan Pheng Hock

Thank You

