

Financial Results Briefing

Third Quarter 2009

3 November 2009



3Q2009 Results

Improved PBT over 2Q2009

Agenda

- **Financial Highlights**
 - *3Q2009 vs 2Q2009*
 - *3Q2009 vs 3Q2008*
 - *9M2009 vs 9M2008*
- **Business Review**
 - *Sector Operations*
- **Outlook**



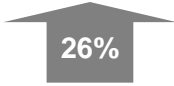

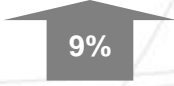
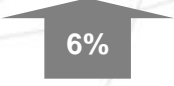
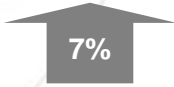

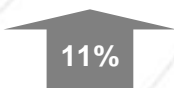

Financial Highlights

for the third quarter ended 30 September 2009

- EBIT, PBT and PATMI grew 9%, 7% and 11% respectively over previous quarter
- Commercial sales at 62% (2Q2009: 62%) or \$843m of 3Q2009 turnover
- \$10.30b order book; about \$0.97b to be delivered in 4Q2009 (end June 2009: \$10.74b)
- Healthy operating cash flow of \$197m (2Q2009: \$192m)
- CCE and short-term investments of \$1.64b (2Q2009: \$1.08b)

Financial Highlights

for the third quarter ended 30 September 2009

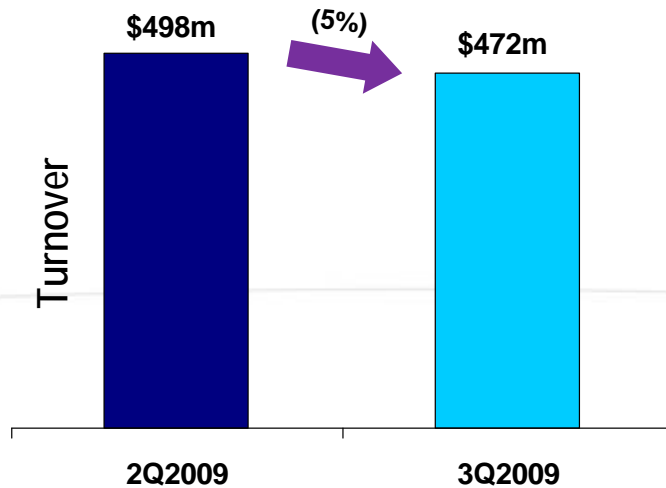
\$ m	3Q2009 (a)	2Q2009 (b)	Change (a) / (b)	3Q2008 (c)	Change (a) / (c)
Turnover	1,352	1,409	 4%	1,382	 2%
Investment, interest and other income	16.8	13.4	 26%	12.1	 40%
EBIT	137.4	125.9	 9%	129.5	 6%
PBT	149.1	139.3	 7%	144.3	 3%
PATMI	120.3	108.7	 11%	128.9	 7%
ROS	9.4%	8.0%		9.7%	

Agenda

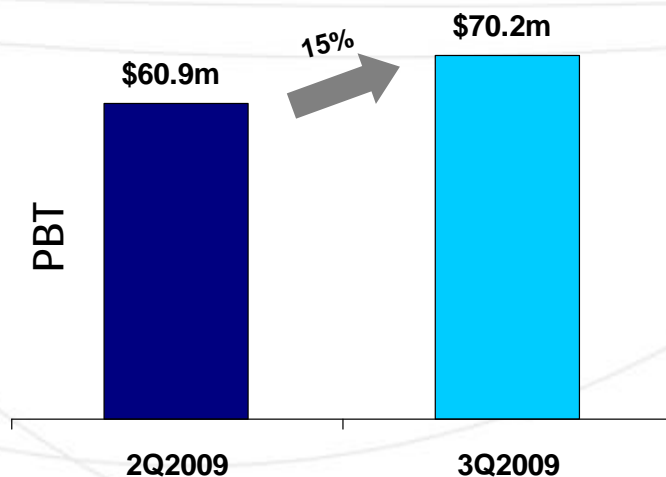
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Aerospace

Profit Improved Compared to 2Q2009



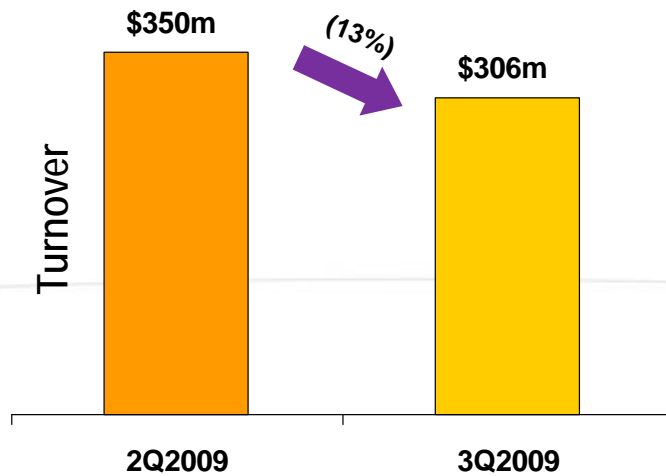
- **Turnover** decreased by 5% or \$26m to \$472m
 - Lower sales in the engines division (CERO)



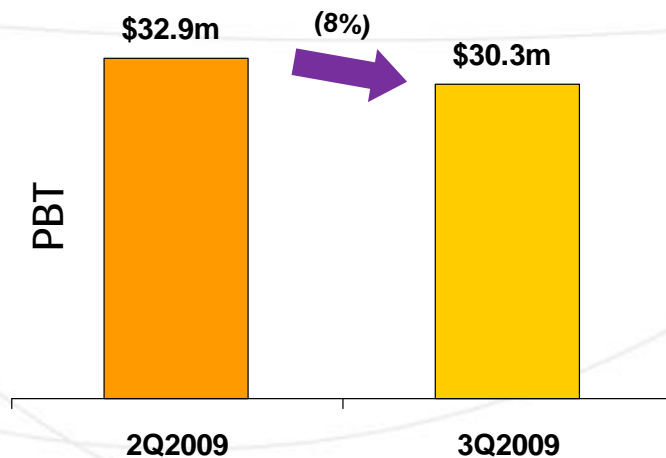
- **PBT** higher by 15% or \$9.3m to \$70.2m
 - Improved profit on 757 freighter conversion programme and airframe MRO
 - Lower allowance for doubtful debts

Electronics

Comparable PAT with 2Q2009



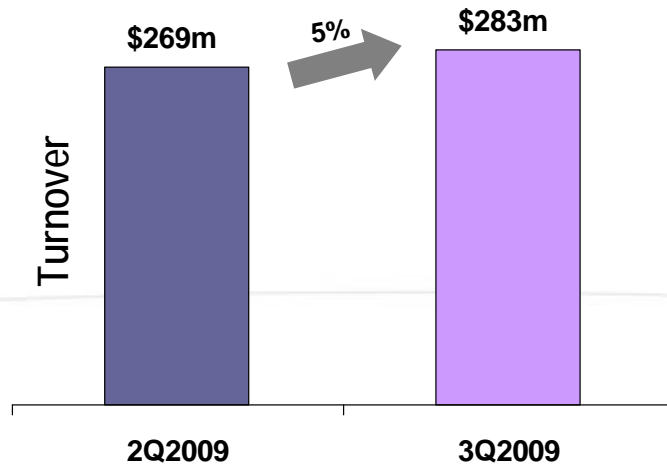
- **Turnover** decreased by 13% or \$44m to \$306m
 - Lower value project milestone completions from all three business groups
 - Lower sales of satellite communication products (CSG)



- **PBT** lower by 8% or \$2.6m to \$30.3m
 - Lower turnover
 - Higher operating expenses

Land Systems

Higher Profits

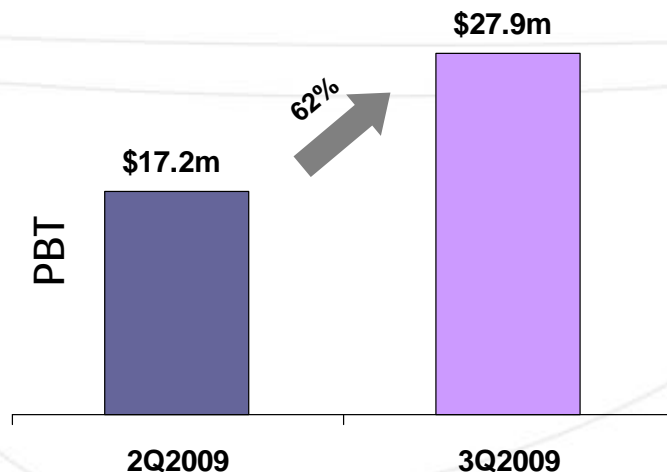


- Turnover increased by 5% or \$14m to \$283m

- Higher munitions export deliveries (M&W)

Partially offset by:

- Lower sales from US operations and lower project deliveries (Auto)



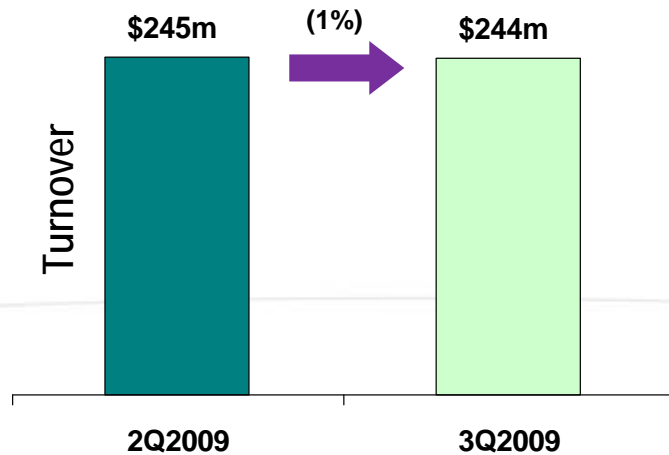
- PBT higher by 62% or \$10.7m to \$27.9m

- Higher turnover

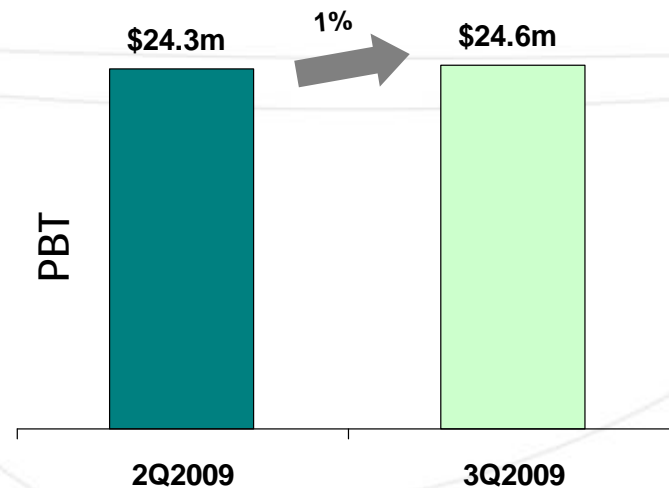
- Better product mix

Marine

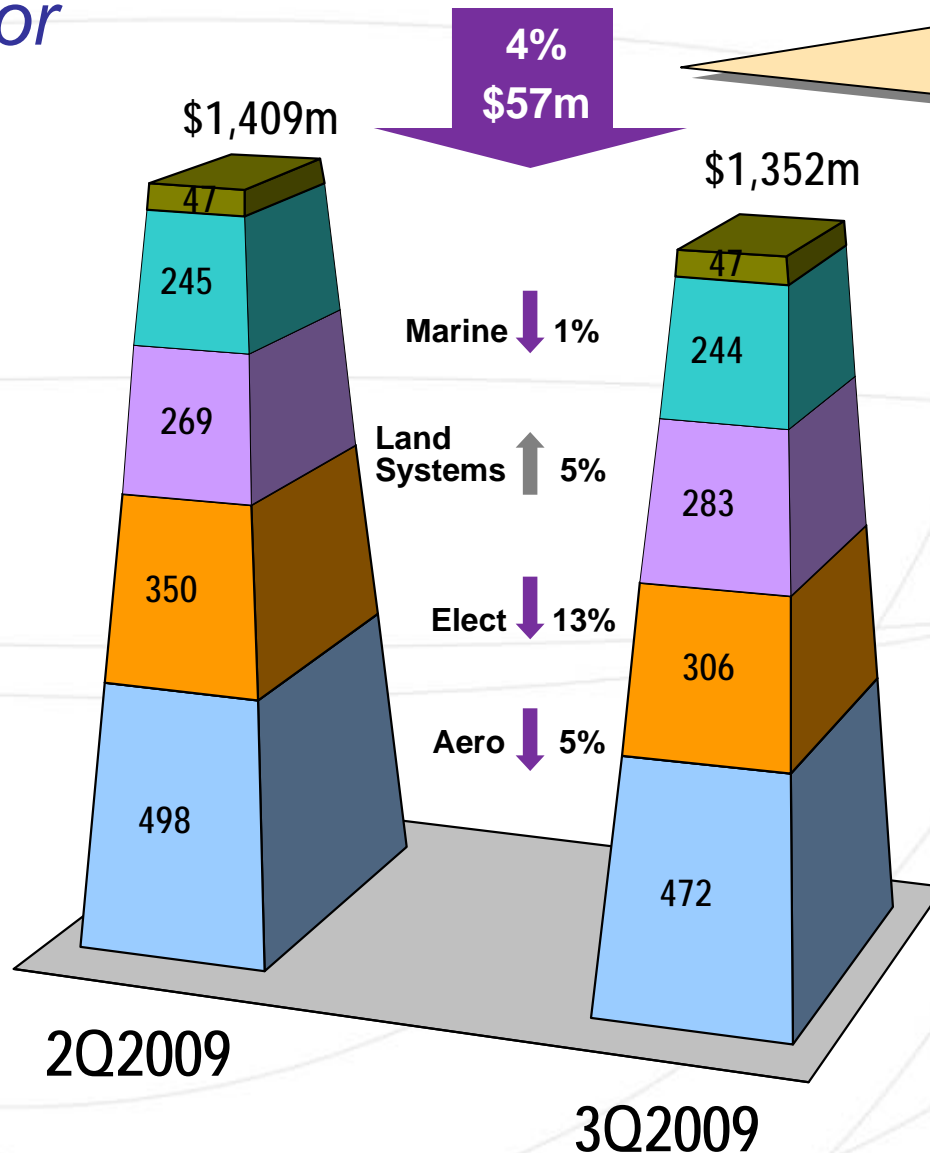
Steady Performance



- Turnover and PBT comparable at \$244m and \$24.6m respectively



Group Turnover by sector



Lower turnover

- Lower turnover in Aerospace and Electronics sectors

Partially offset by:

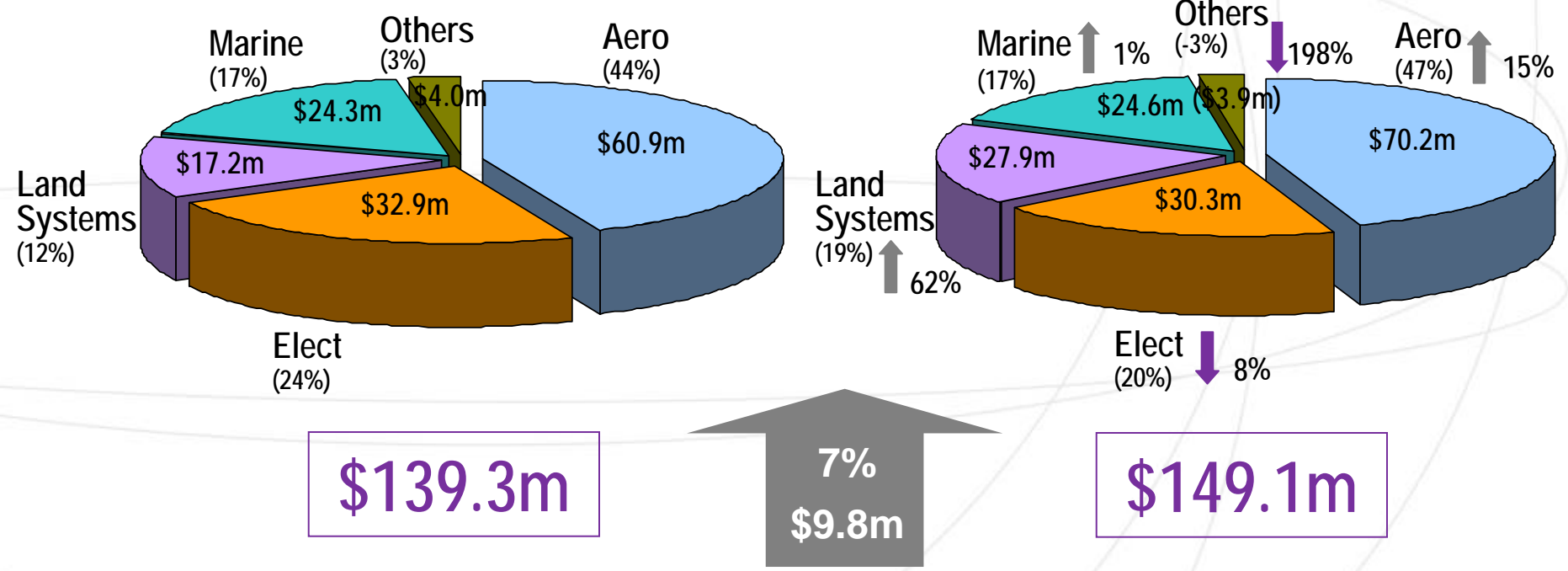
- Higher turnover in Land Systems sector

Profit Before Tax

by sector

2Q2009

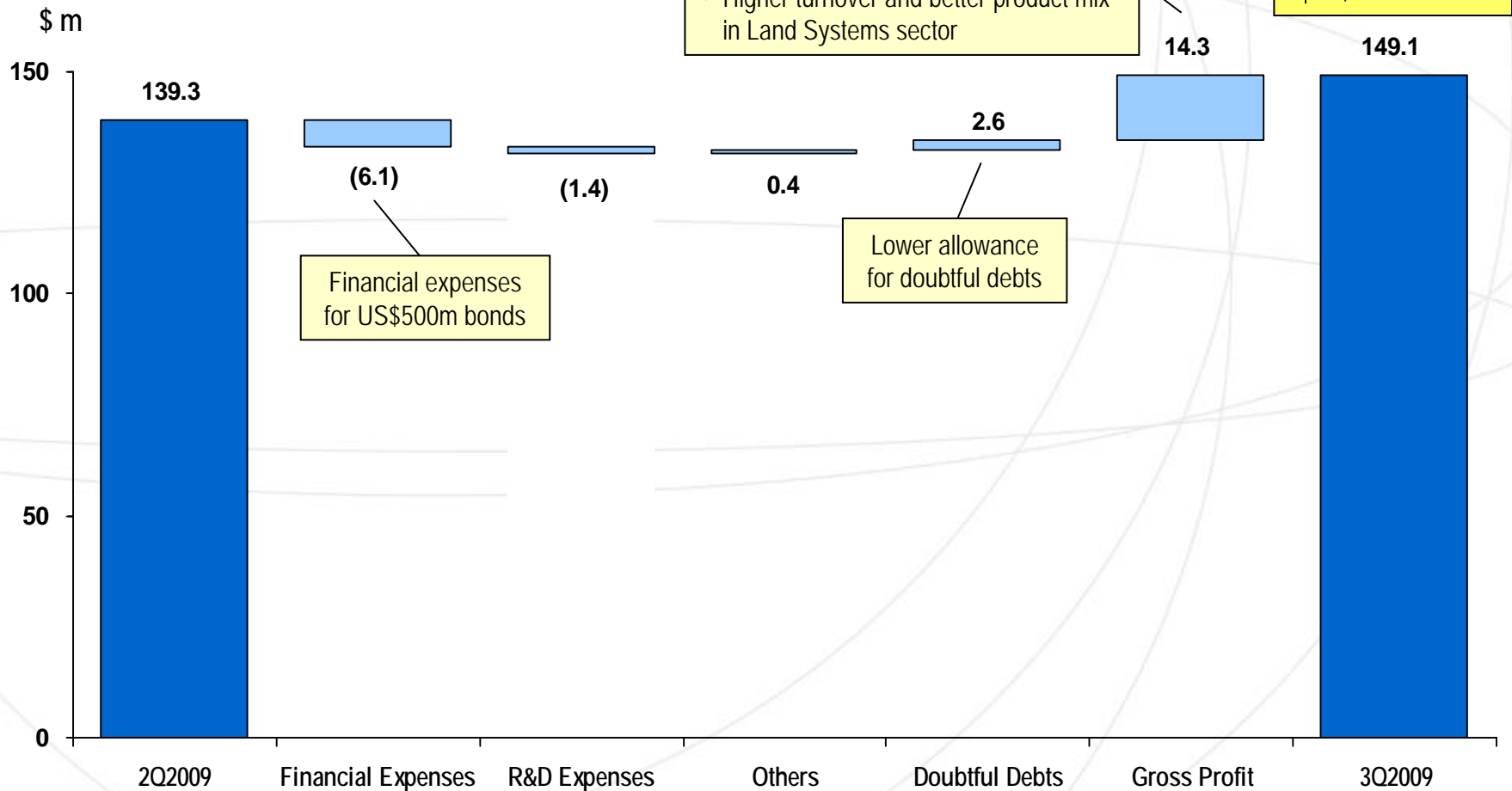
3Q2009



- Higher PBT in Aerospace and Land Systems sectors
- Partially offset by:
 - Lower PBT in Electronics sector and MTN programme expenses

Profit Before Tax

3Q2009 vs 2Q2009



EBITDA / EBIT - Group

\$ m	3Q2009	2Q2009	%
EBITDA	177.4	164.5	8
Depreciation & amortisation	<u>(40.0)</u>	<u>(38.6)</u>	(4)
EBIT	137.4	125.9	9
Investment, interest and other income	16.8	13.4	26
Financial expenses	(14.2)	(8.1)	(76)
Operating profit	140.0	131.2	7
Associated companies	9.1	8.1	12
Profit before tax	149.1	139.3	7

Higher gross profits from Aerospace and Land Systems sectors

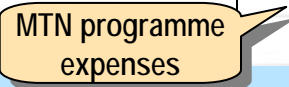
Financial expenses for US\$500m bonds

PBT Margin *by sector*

	3Q2009		2Q2009
	%		%
Aerospace	15	<ul style="list-style-type: none"> • Improved profit on 757 PTF and airframe MRO • Lower allowance for doubtful debts 	12
Electronics	10		9
Land Systems	10	<ul style="list-style-type: none"> • Higher turnover • Better product mix 	6
Marine	10		10
Group	11		10

Profit After Tax & Minority Interests *by sector*

\$ m	3Q2009		2Q2009		Change	
Aerospace	57.8	48%	49.2	45%	↑	17%
Electronics	23.5	20%	24.3	22%	↓	3%
Land Systems	22.1	18%	14.1	13%	↑	56%
Marine	19.1	16%	19.0	18%	↑	-
Others	(2.2)	(2%)	2.1	2%	↓	200%
Group	120.3	100%	108.7	100%	↑	11%



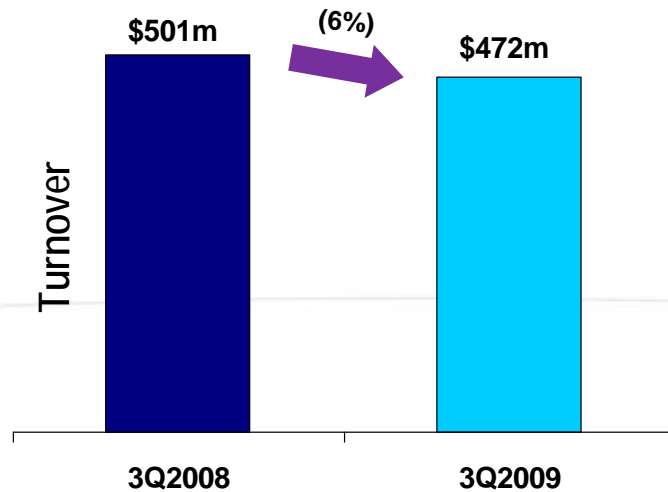
- Higher PATMI in Aerospace and Land Systems sectors
Partially offset by:
- Lower PATMI in Electronics sector and MTN Programme expenses

Agenda

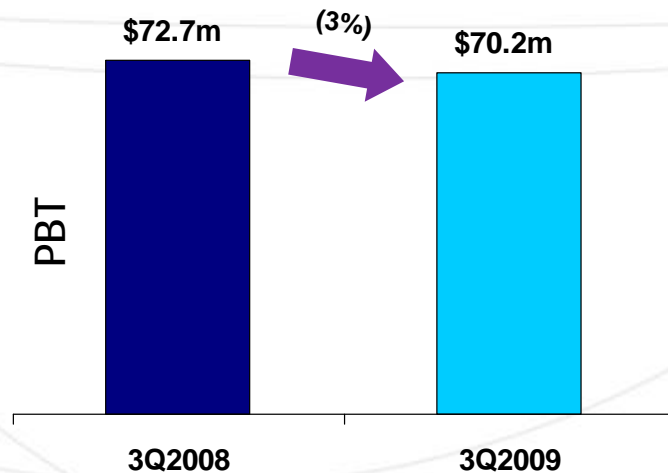
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Aerospace

Turnover and PBT



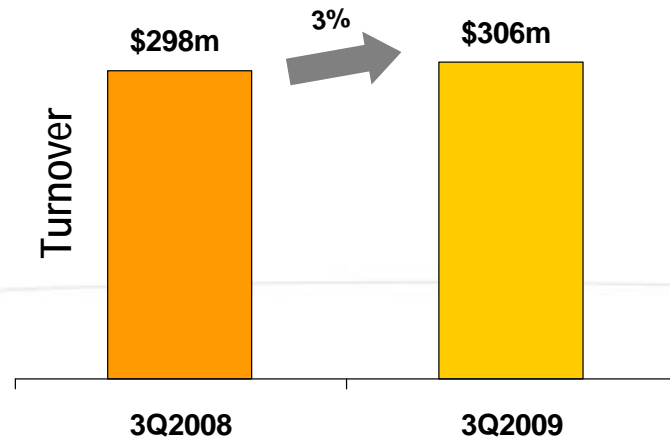
- **Turnover** decreased by 6% or \$29m to \$472m
 - Redelivery of the first multi-role 757-200 aircraft to RNZAF in 3Q2008 (AMM)
 - Reduced sales in components business and timing of sales in engines business (CERO)
- Partially offset by:
- More project milestone completions (EMS)



- **PBT** lower by 3% or \$2.5m to \$70.2m
 - Lower turnover
- Partially offset by:
- Profit from 757 freighter conversion programme

Electronics

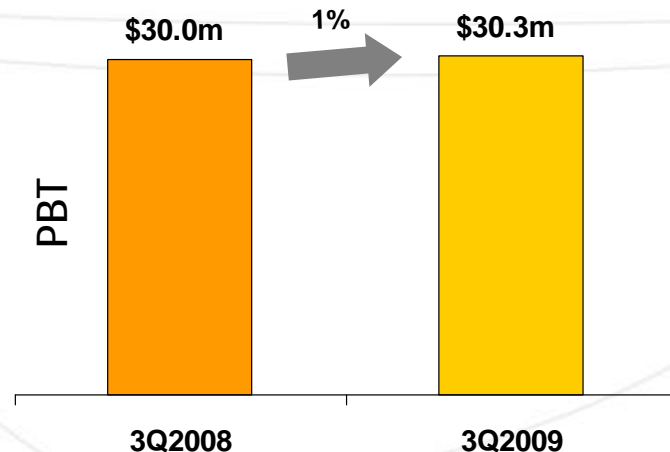
Turnover and PBT



- **Turnover** increased by 3% or \$8m to \$306m
 - Milestone completions of Integrated Resort project and sales of electro-optics equipment (CSG)

Partially offset by:

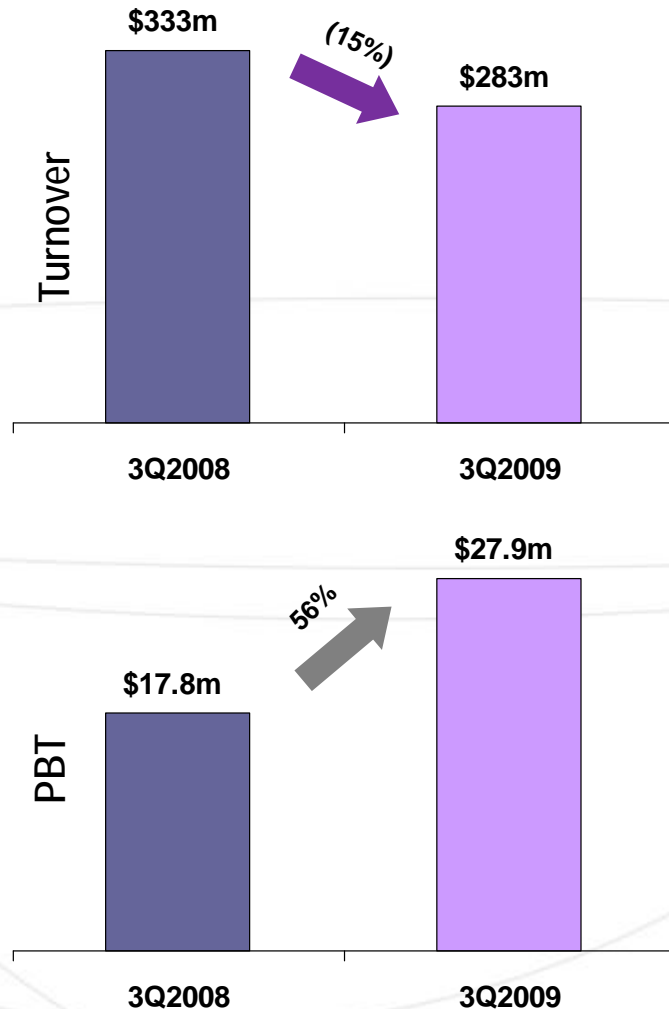
- Lower value project milestone completions (LSG and SSG)



- **PBT** comparable at \$30.3m

Land Systems

Turnover and PBT

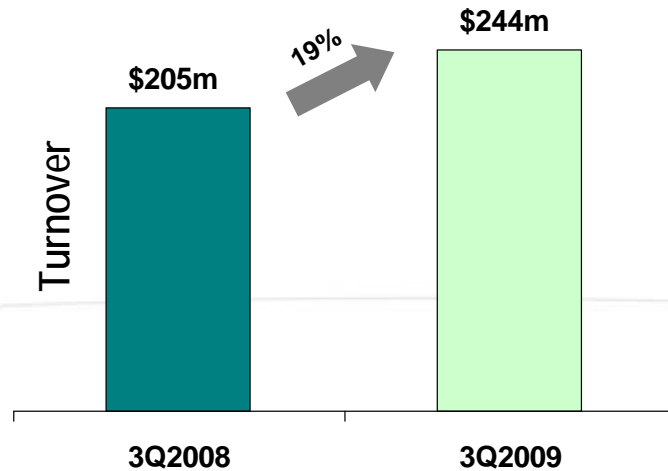


- **Turnover** decreased by 15% or \$50m to \$283m
 - Lower sales from the US operations (Auto)

- **PBT** higher by 56% or \$10.1m to \$27.9m
 - Better product mix
 - Absence of impairment in value of a long-term investment
 Partially offset by:
 - Higher R&D expenses

Marine

Turnover and PBT

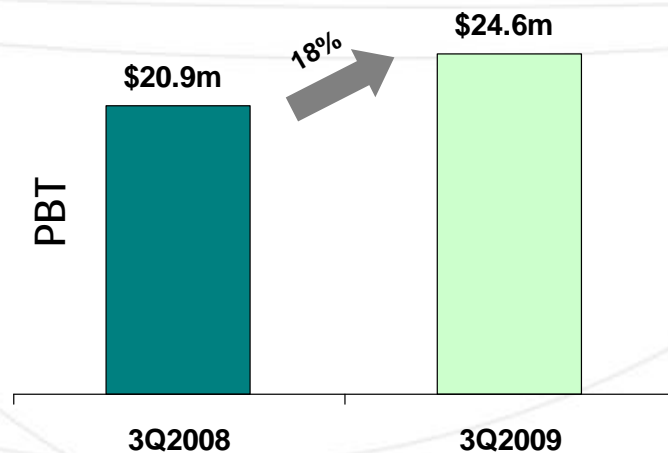


- Turnover increased by 19% or \$39m to \$244m

- Higher Shipbuilding turnover from the US operation

Partially offset by:

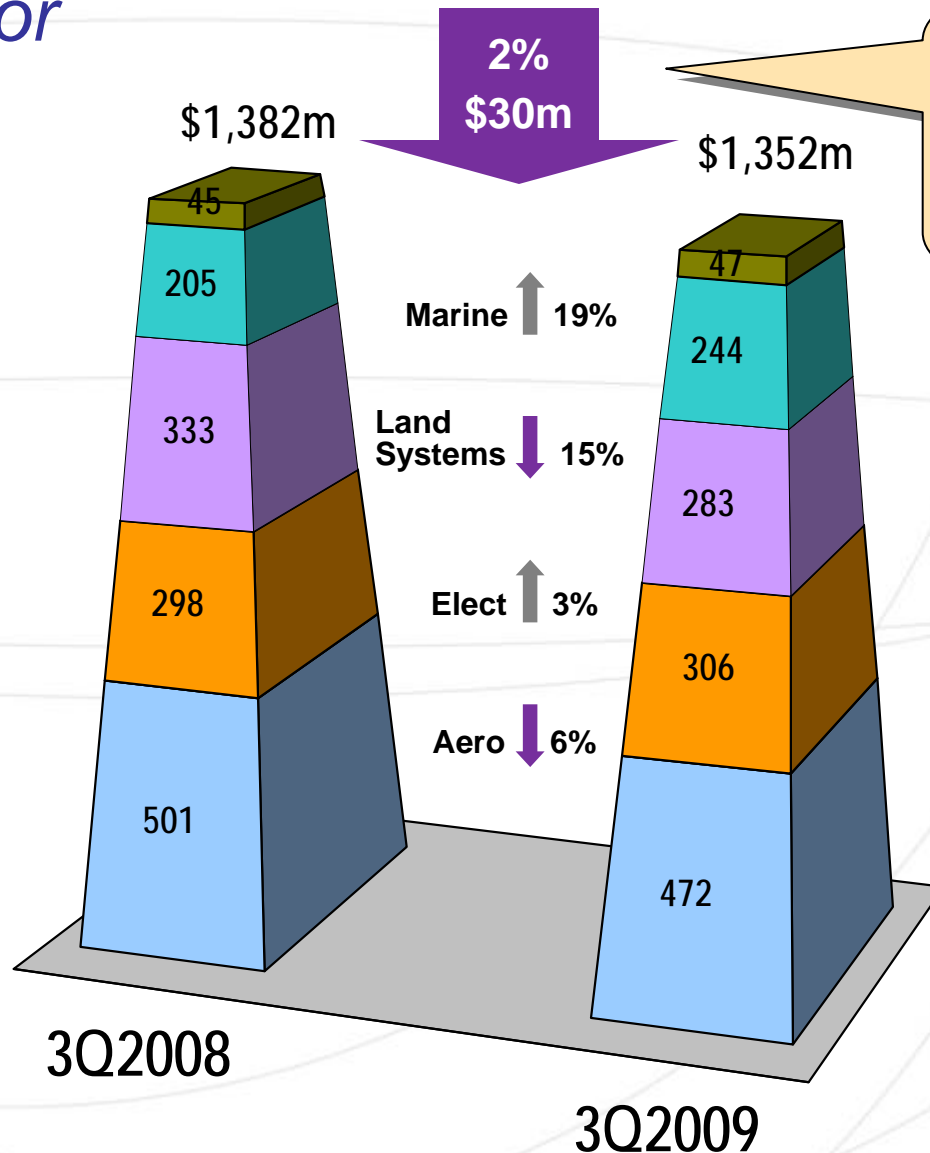
- Lower Shiprepair turnover from fewer conversion jobs



- PBT higher by 18% or \$3.7m to \$24.6m

- In line with higher turnover

Group Turnover by sector



Lower turnover

- Lower turnover in Aerospace and Land Systems sectors

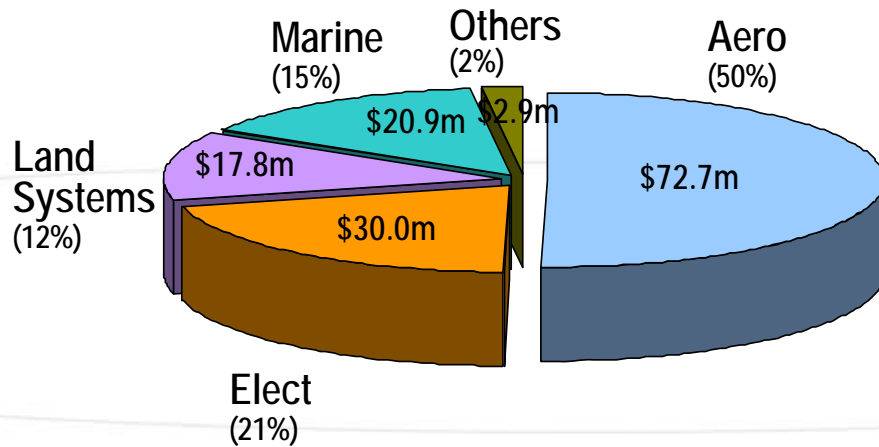
Largely offset by:

- Higher turnover in Electronics and Marine sectors

Profit Before Tax

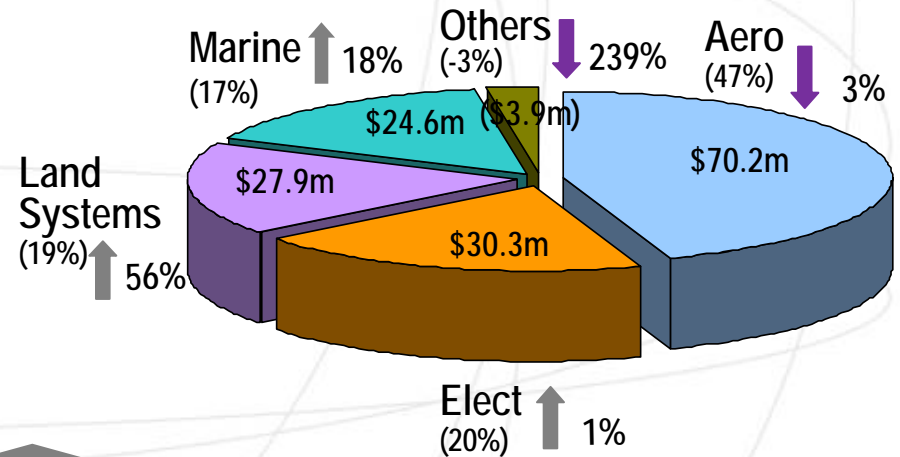
by sector

3Q2008



\$144.3m

3Q2009



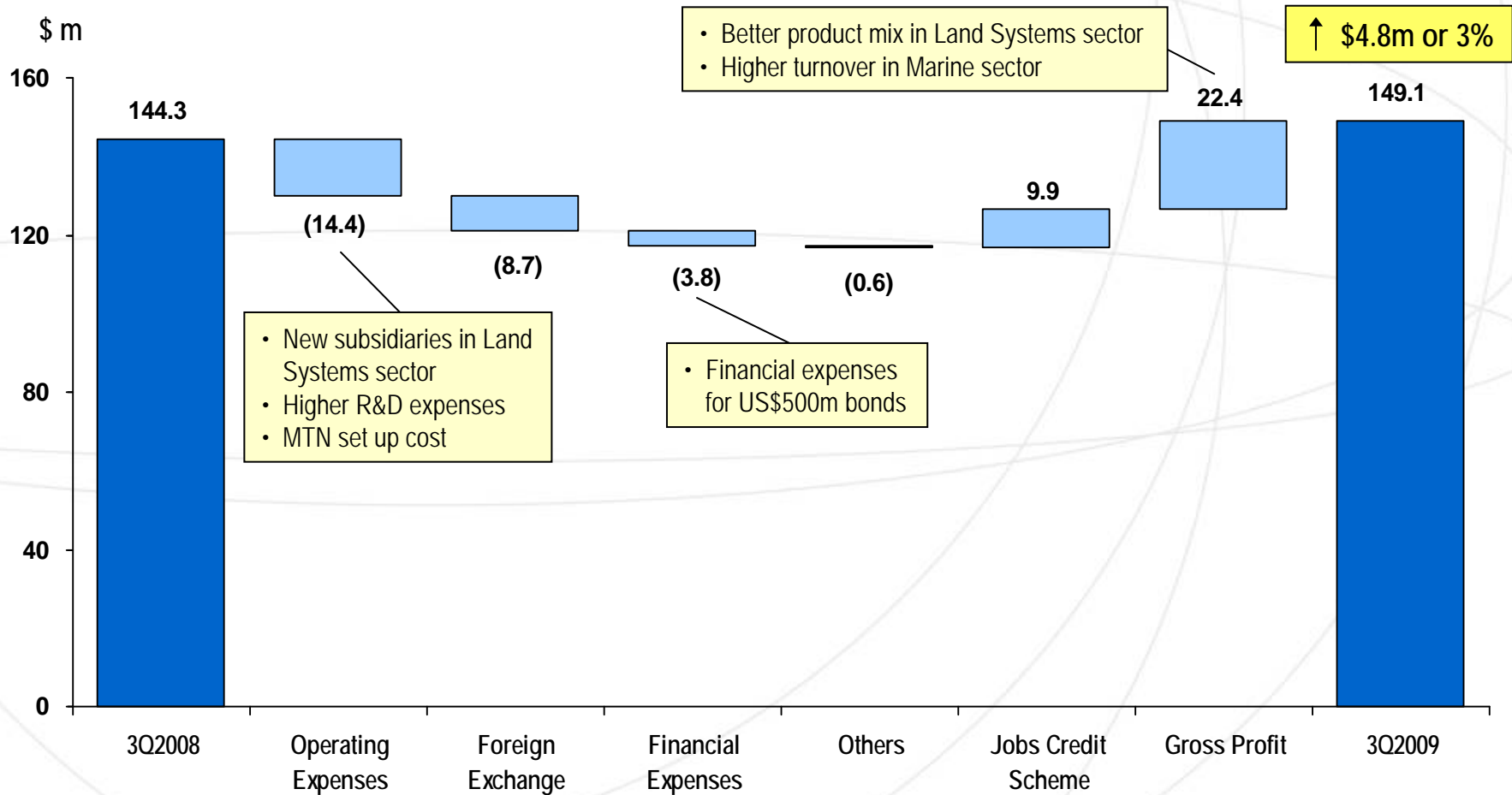
\$149.1m

3%
\$4.8m

- Higher PBT in Land Systems and Marine sectors
- Partially offset by:
 - Lower PBT in Aerospace sector and MTN programme expenses

Profit Before Tax

3Q2009 vs 3Q2008



EBITDA / EBIT - Group

\$ m	3Q2009	3Q2008	%
EBITDA	177.4	168.4	5
Depreciation & amortisation	<u>(40.0)</u>	<u>(38.9)</u>	(3)
EBIT	137.4	129.5	6
Investment, interest and other income	16.8	12.1	40
Financial expenses	(14.2)	(10.4)	(37)
Operating profit	140.0	131.2	7
Associated companies	9.1	13.1	(31)
Profit before tax	149.1	144.3	3

Higher gross profits from all sectors except Aerospace sector

Financial expenses for US\$500m bonds

Lower contribution from Aerospace and Electronics sectors

PBT Margin *by sector*

	3Q2009		3Q2008
	%		%
Aerospace	15		14
Electronics	10		10
Land Systems	10	Better product mix	5
Marine	10		10
Group	11		10

Impairment in value of a long-term investment

Profit After Tax & Minority Interests *by sector*

\$ m	3Q2009		3Q2008		Change	
Aerospace	57.8	48%	61.6	48%	↓	6%
Electronics	23.5	20%	21.7	17%	↑	8%
Land Systems	22.1	18%	13.0	10%	↑	69%
Marine	19.1	16%	16.5	13%	↑	16%
Others	(2.2)	(2%)	16.1	12%	↓	113%
Group	120.3	100%	128.9	100%	↓	7%

MTN programme expenses
Tax write-back / DTA recognition

- Lower PATMI in Aerospace sector, MTN programme expenses and absence of tax write-back / DTA recognition (US) of \$19.5m
Partially offset by:
- Higher PATMI in other sectors

Investment, Interest and Other Income

\$ m	3Q2009		3Q2008		Change
Aerospace	1.7	10%	3.4	29%	↓ 51%
Electronics	3.2	19%	1.8	15%	↑ 75%
Land Systems	6.8	40%	1.3	11%	↑ 425%
Marine	3.2	19%	5.0	41%	↓ 36%
Others	1.9	12%	0.6	4%	↑ 319%
Group	16.8	100%	12.1	100%	↑ 40%

- Income from Jobs Credit Scheme and lower impairment in value of long-term investments
- Partially offset by:
- Unfavourable foreign exchange impact

Statement of Cash Flows

\$ m	3Q2009	3Q2008
Cash flow from/(used in) :		
Operating activities	197	100
Investing activities	(178)	(24)
Financing activities	464	(99)
Net increase/(decrease) in CCE	483	(23)
CCE at 1 July	1,080	947
Exchange difference	(3)	12
CCE at 30 September	1,560	936

Healthy operating cash flow

Purchase of short-term investments and PPE

• Issuance of US\$500m bonds
Partially offset by:
• Repayment of bank loans
• Payment of FY2009 interim dividends

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

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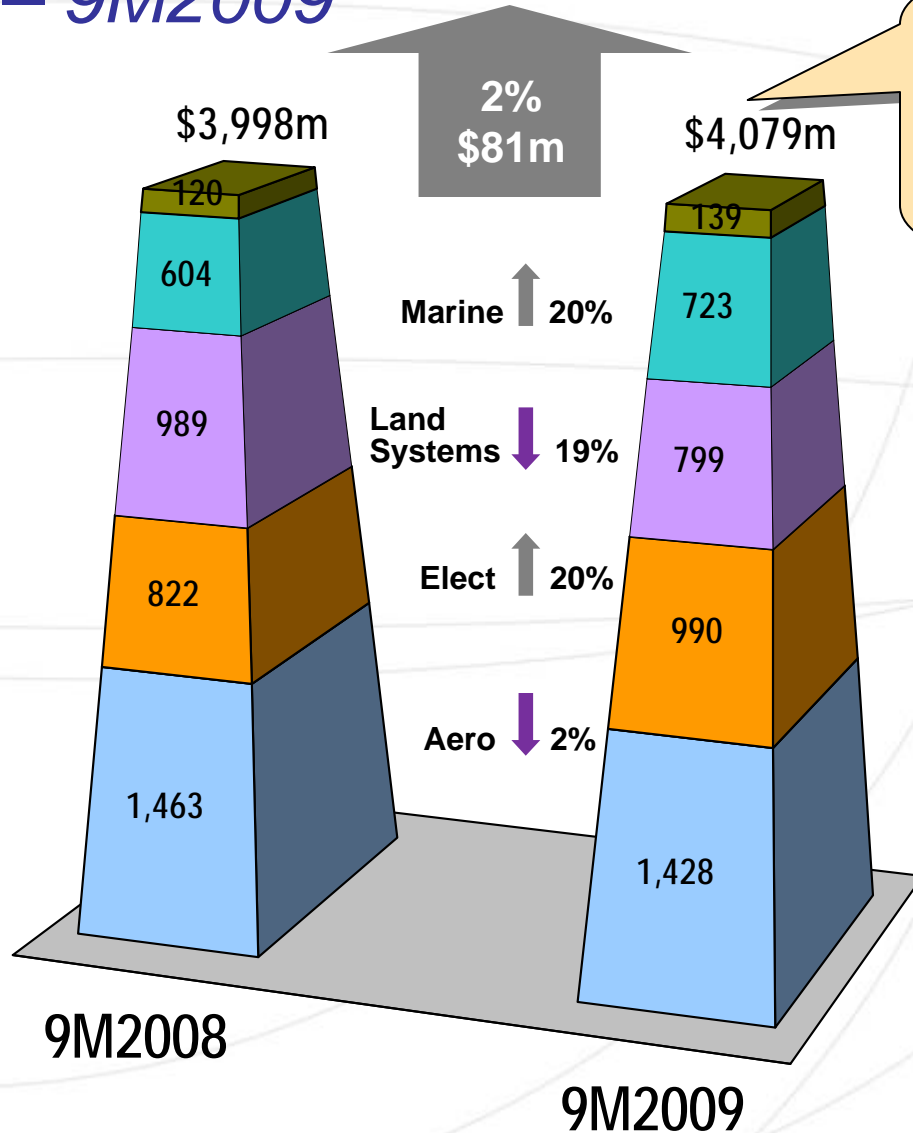
Financial Highlights

for the first nine months ended 30 September 2009

\$ m	9M2009	9M2008	Change
Turnover	4,079	3,998	↑ 2%
Investment, interest and other income	57.9	41.4	↑ 40%
EBIT	352.1	413.5	↓ 15%
PBT	399.7	451.8	↓ 12%
PATMI	314.2	371.4	↓ 15%

• Income from Jobs Credit Scheme
Partially offset by:
• Lower investment and interest income

Group Turnover by sector – 9M2009



Higher turnover

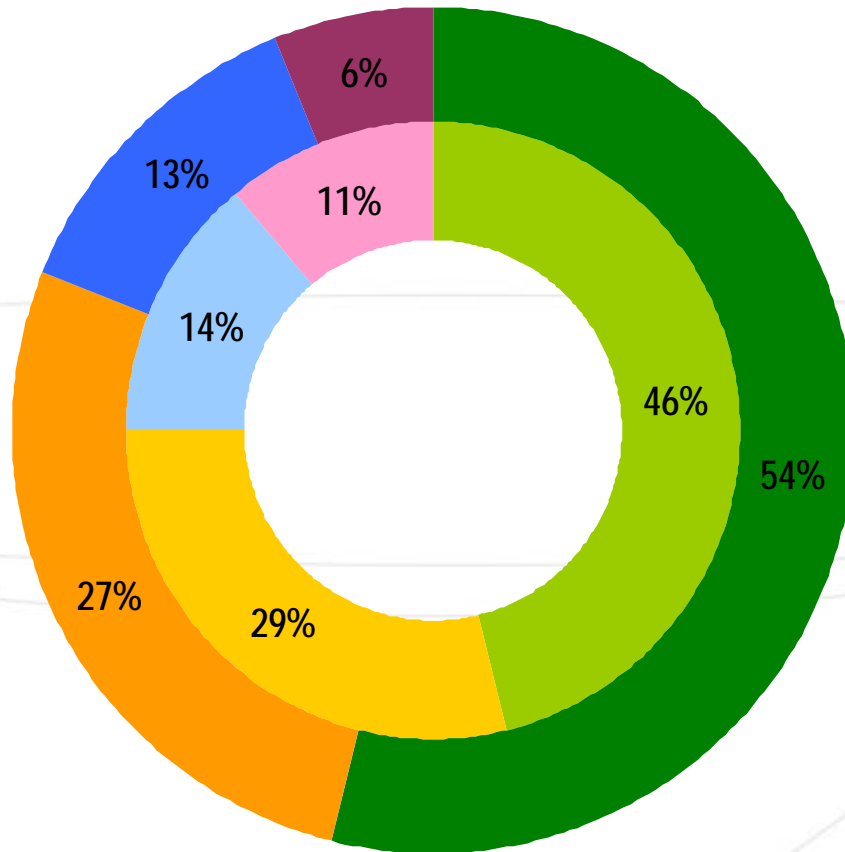
- Higher turnover in Electronics and Marine sectors

Largely offset by:

- Lower turnover in Aerospace and Land Systems sectors

Group Turnover

Breakdown by location of customers (by geography)

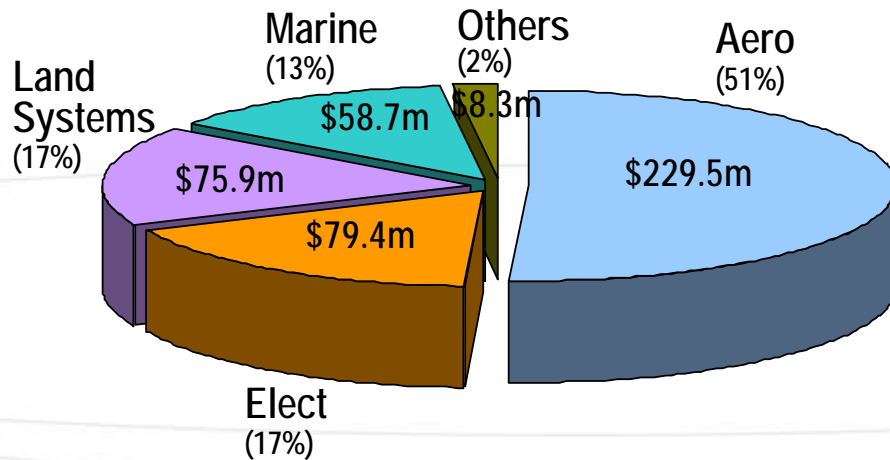


Locality	9M2008		9M2009	
	\$m	%	\$m	%
Asia	1,846	46	2,212	54
USA	1,144	29	1,105	27
Europe	566	14	516	13
Others	442	11	246	6
Total	3,998	100	4,079	100

Profit Before Tax

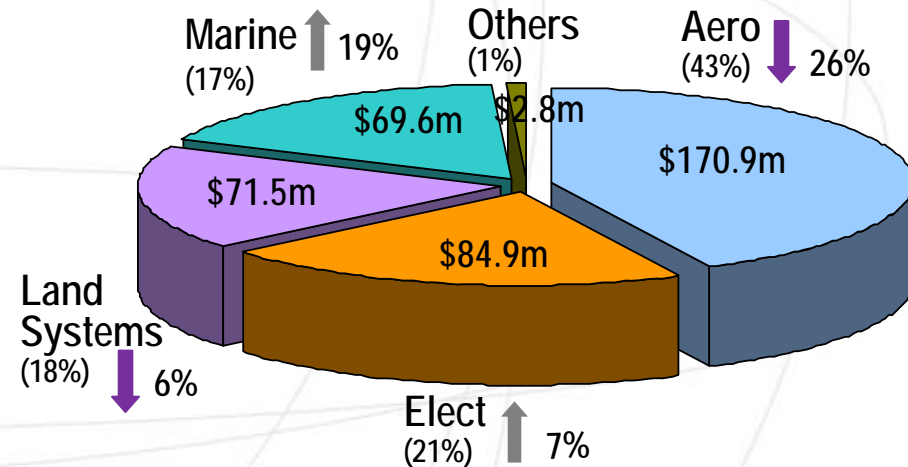
by sector – 9M2009

9M2008



\$451.8m

9M2009



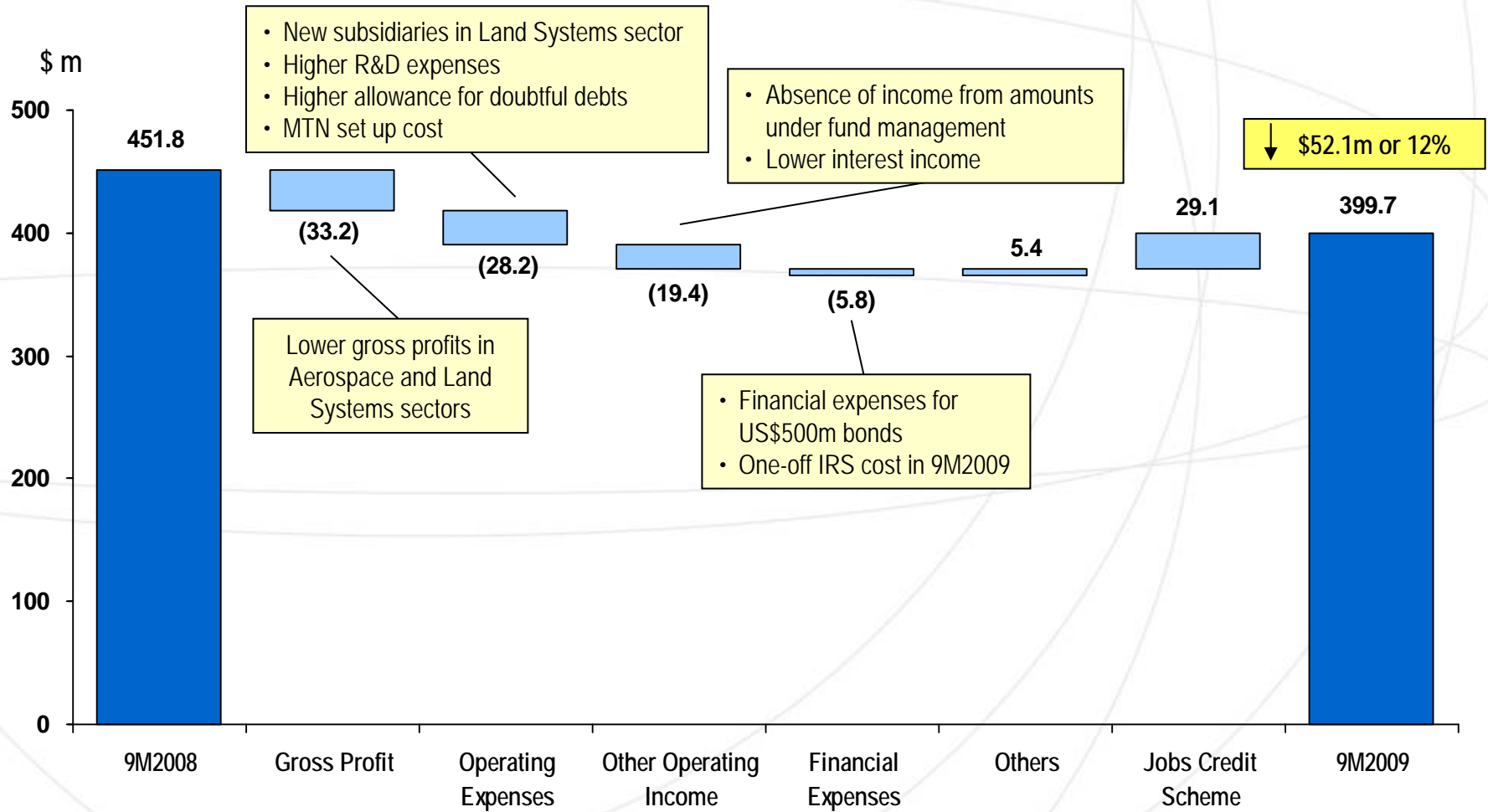
\$399.7m

12%
\$52.1m

- Lower PBT in Aerospace and Land Systems sectors and MTN programme expenses
- Partially offset by:
- Higher PBT in Electronics and Marine sectors

Profit Before Tax

9M2009 vs 9M2008



Profit After Tax & Minority Interests *by sector - 9M2009*

\$ m	9M2009		9M2008		Change	
Aerospace	134.4	43%	186.3	50%	↓	28%
Electronics	65.8	21%	59.3	16%	↑	11%
Land Systems	59.2	19%	61.4	16%	↓	4%
Marine	53.6	17%	46.9	13%	↑	14%
Others	1.2	-	17.5	5%	↓	93%
Group	314.2	100%	371.4	100%	↓	15%

MTN programme expenses (points to 1.2 in 9M2009 Others)
Tax write-back / DTA recognition (points to 17.5 in 9M2008 Others)

- Lower PATMI in Aerospace and Land Systems sectors, MTN programme expenses and absence of tax write-back / DTA recognition (US)
- Partially offset by:
- Higher PATMI in Electronics and Marine sectors

Balance Sheet

\$ m	30 Sep 2009	31 Dec 2008
Property, plant and equipment	1,129	1,019
Associated companies & joint ventures	254	263
Investments	60	54
Intangible assets	645	641
Investment properties	3	17
Long-term receivables	19	1
Finance lease receivables	5	5
Derivative financial instruments	19	16
Deferred tax assets	131	138
Non-current assets	2,265	2,154
Current assets	4,480	3,839
Total assets	6,745	5,993
Current liabilities	3,132	3,322
Non-current liabilities	2,062	994
Total liabilities	5,194	4,316
Share capital and reserves	1,438	1,580
Minority interests	113	97
Total equity and liabilities	6,745	5,993
Net current assets	1,348	517

PPE

Increase of \$110m:

- Redevelopment of the Jalan Boon Lay facilities
- Acquisition of subsidiaries

Net Current Assets

Increase of \$831m:

- Proceeds from bonds issue
- Decrease in short-term bank loans; partially restructured to long-term bank loans

Partially offset by:

- Increase in advance payments from customers

Non-Current Liabilities

Increase of \$1.068b:

- Higher long-term bank loans
- Issuance of US\$500m bonds

Net Assets: \$1.551b
(Decrease by \$126m)
- payment of FY2008 final dividends and FY2009 interim dividends

Net Assets: \$1.677b

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Business Review

– *Aerospace Operations*

- Support for major airframe customers (FedEx, UPS, Northwest-Delta, US Airways, JAL, ANA, CEA, etc) and PTF programmes continued
- All 757 PTF conversion lines are improving turnaround times and going further down the learning curves
- Established more support agreements with OEMs such as Dukane, Honeywell, IPECO and Northrop Grumman
- Successfully redelivered first CFM56-5B engine since receiving certification
- Completed first flight for C-130 Upgrade

Business Review

– *Electronics Operations*

- Secured a RMB53.6m contract to provide Platform Screen Doors for Guangzhou-Foshan Metro Line in Guangzhou
- Secured a S\$8.2m SLA contract to build an Automated Titles Registration System
- Secured RMB58.8m worth of Passenger Information Systems contracts for Saudi Arabia & China
- iDirect introduced new Evolution product line:
 - Evolution X5 Satellite Router
 - iDX 2.0 software platform
 - Evolution XLC-11 & XLC-M Line Cards
- VT MÄK received a Simulation, Training & Instrumentation's Omnibus Contract (IDIQ) from US Army



Platform Screen Doors



Passenger Information System



X5 Router

Business Review

– *Land Systems Operations*

- Unveiled Warthog all-terrain vehicle for UK MoD
- Terrex Infantry Carrier Vehicle (“ICV”) launched by SAF at Army Open House
- Secured munitions and weapon contracts including 40mm munitions contract from UK MoD
- Secured first specialty vehicles contract from US Army
- Opened third STA Inspection centre at Jalan Boon Lay



Warthog Troop Carrier



STA Inspection at JBL

Business Review

– *Marine Operations*

- Launched Roll-on/Roll-off Passenger ferry (Ropax), *"Norman Leader"*
- Awarded second contract from OSG Ship Management (350,000 barrel ATB unit)
- Secured upgrading work on dredger, *"Volvox Asia"*
- Completed upgrading work on research vessel, *"Geo Natuna"*



"Norman Leader"

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Group Outlook for FY2009

Barring unforeseen circumstances, the Group expects to achieve comparable turnover and PBT for FY2009 compared to FY2008.

- For Aerospace sector, FY2009 turnover is expected to be comparable, whilst PBT is expected to be lower than that of FY2008
- For Electronics and Marine sectors, turnover and PBT for FY2009 are expected to be higher than that of FY2008
- For Land Systems sector, FY2009 turnover is expected to be lower, whilst PBT is expected to be higher than that of FY2008

Group Outlook for FY2009

Aerospace

- With the possibility of the economy recovering gradually, AMM companies gear up for induction of significant workload in 2010
- PAE to commission the fourth hangar and build up its customer base
- STARCO new Pudong hangar ready for operations in 1Q2010 (2 WB and 3 NB)
- To obtain FAA certification and add A330/A340 landing gears capabilities to MAeS

Group Outlook for FY2009

Electronics

- Sales recognition from the LTA's Circle Line project and Taiwan MRT projects
- Sales recognition from the communication projects, an Integrated Resort project, 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 FY2009

Land Systems

- Start delivery of Warthog and continue to deliver Terrex, Pegasus, weapons, munitions and specialty vehicles
- Continue to pursue key defence programmes



Terrex ICV



Pegasus

Group Outlook for FY2009

Marine

■ Shipbuilding

Expects to:

- Deliver 4th Fisheries Survey Vessel (FSV)
- Deliver 1st 340,000 barrel ATB

■ Shiprepair

Expects to complete:

- Upgrading work on dredger, "*Volvox Asia*"
- Upgrading work on pipe laying vessel, "*Castoro 10*"

President & CEO's Message

"In 3Q2009, the Group reported 9%, 7%, and 11% increases in EBIT, PBT, and PATMI respectively over 2Q2009. Compared to 3Q2008, 3Q2009 EBIT and PBT increased by 6% and 3% respectively, while PATMI decreased by 7% as a result of a tax write back of \$19.5m in 3Q2008.

In 3Q2009, the Group continued to secure new commercial orders and also won several new contracts from governments around the world despite a challenging market. Our order book remains a healthy \$10.3b.

Barring unforeseen circumstances, the Group expects to achieve comparable turnover and PBT for FY2009 over FY2008."

~ Tan Pheng Hock

Key Contracts announced since 1 October 2009

Electronics

- Awarded a contract (S\$34m) by the Singapore Civil Defence Force to transform the emergency call-taking and despatch system in its Operations Centre into a new generation command and control system called Advance C3 Emergency System
- Won a contract (S\$7m) from the Central Bank of Oman to provide security enhancement services for its headquarters and two branches in Oman

Marine

- Awarded a contract (S\$108m) by the Republic of Singapore Navy (RSN) for the logistics management of the RSN's warehouse at its Changi and Tuas Naval Bases

VT Miltope

- Won a contract (US\$500m) to supply the At Platform Automatic Test Systems Maintenance Support Device – Version 3 system, comprising rugged laptops, test equipment and instruments, to the US Army

Total contract value since 1 October 2009 (estimated) : S\$858m

Thank You

