

Financial Results Briefing

Third Quarter 2010
9 November 2010



3Q2010 Results




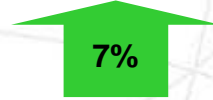



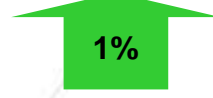

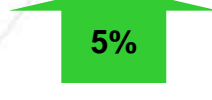
Better Performance


Agenda

- **Financial Highlights**
 - **3Q2010**
 - *9M2010*
- **Business Review**
 - *Sector Operations*
- **Outlook**

Financial Highlights

for the third quarter ended 30 September 2010

\$ m	3Q2010 (a)	3Q2009 (b)	Change (a) / (b)	2Q2010 (c)	Change (a) / (c)
Turnover	1,487	1,352	 10%	1,518	 2%
EBIT	157.4	137.4	 15%	147.3	 7%
Investment, interest and other income	7.0	16.8	 59%	17.2	 60%
PBT	159.8	149.1	 7%	157.6	 1%
Net Profit	130.2	120.3	 8%	124.0	 5%

<u>w/o Jobs Credit Scheme</u>	<u>3Q2010</u>	<u>3Q2009</u>	
PBT	159.8	139.2	 15% or \$20.6m
Net Profit	130.2	110.4	 18% or \$19.8m

Financial Highlights

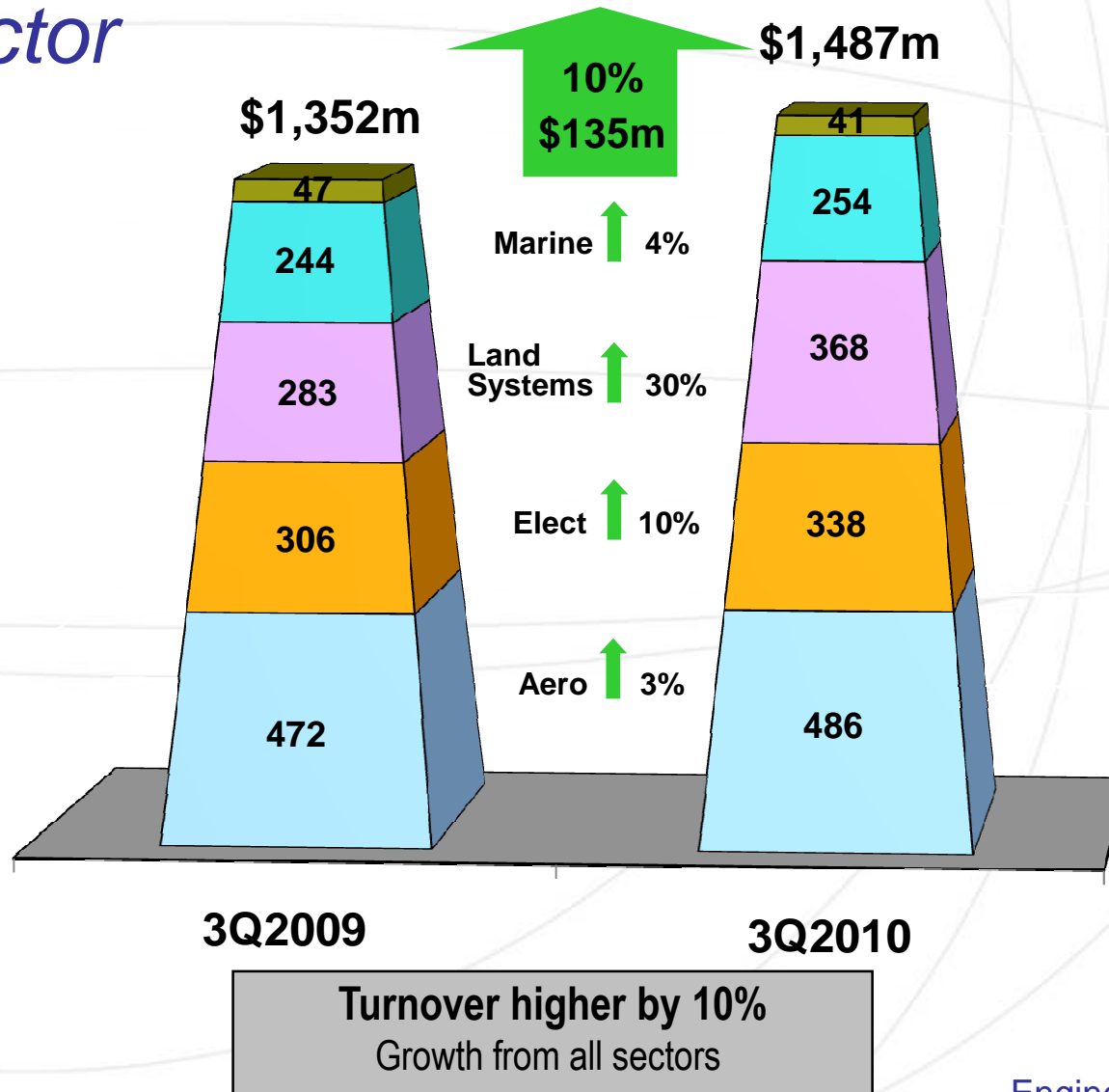
for the third quarter ended 30 September 2010

- Commercial sales at 58% (FY2009: 62%) or \$864m of 3Q2010 turnover
- \$10.8b* order book; about \$1.2b to be delivered in 4Q2010 (end June 2010: \$11.3b)
- CCE and short-term investments of \$1.63b (1H2010: \$1.72b)

* This only includes 20% of the RSAF's Advanced Jet Trainers contract announced on 28 September 2010

Group Turnover

by sector



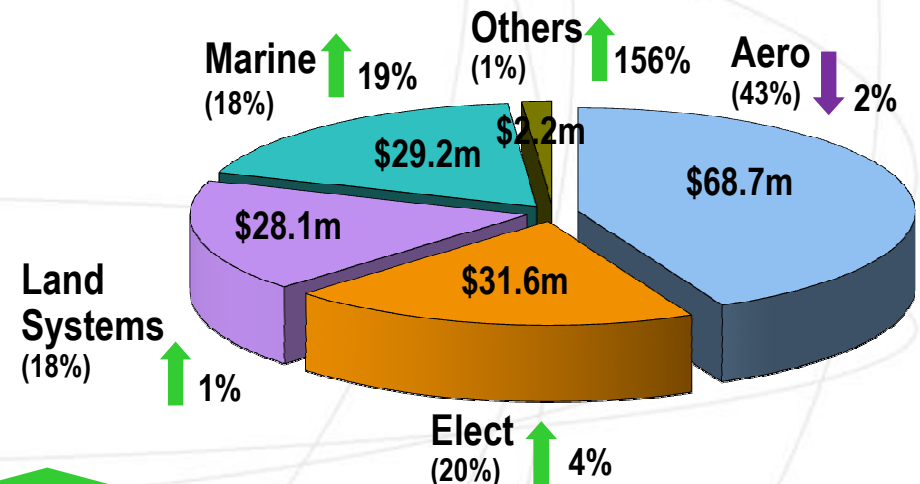
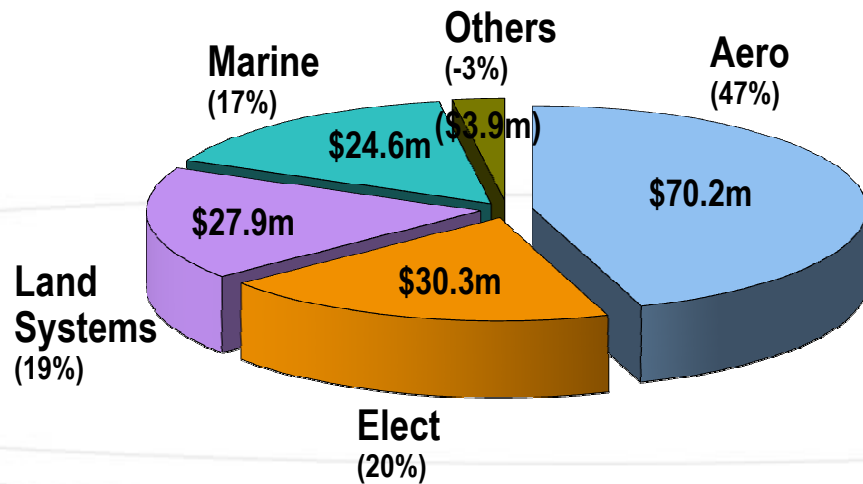
Profit Before Tax

by sector

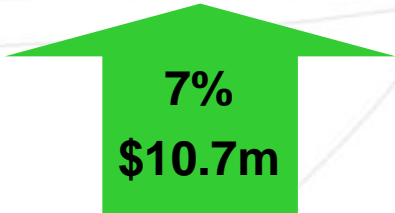


3Q2009

3Q2010



\$149.1m

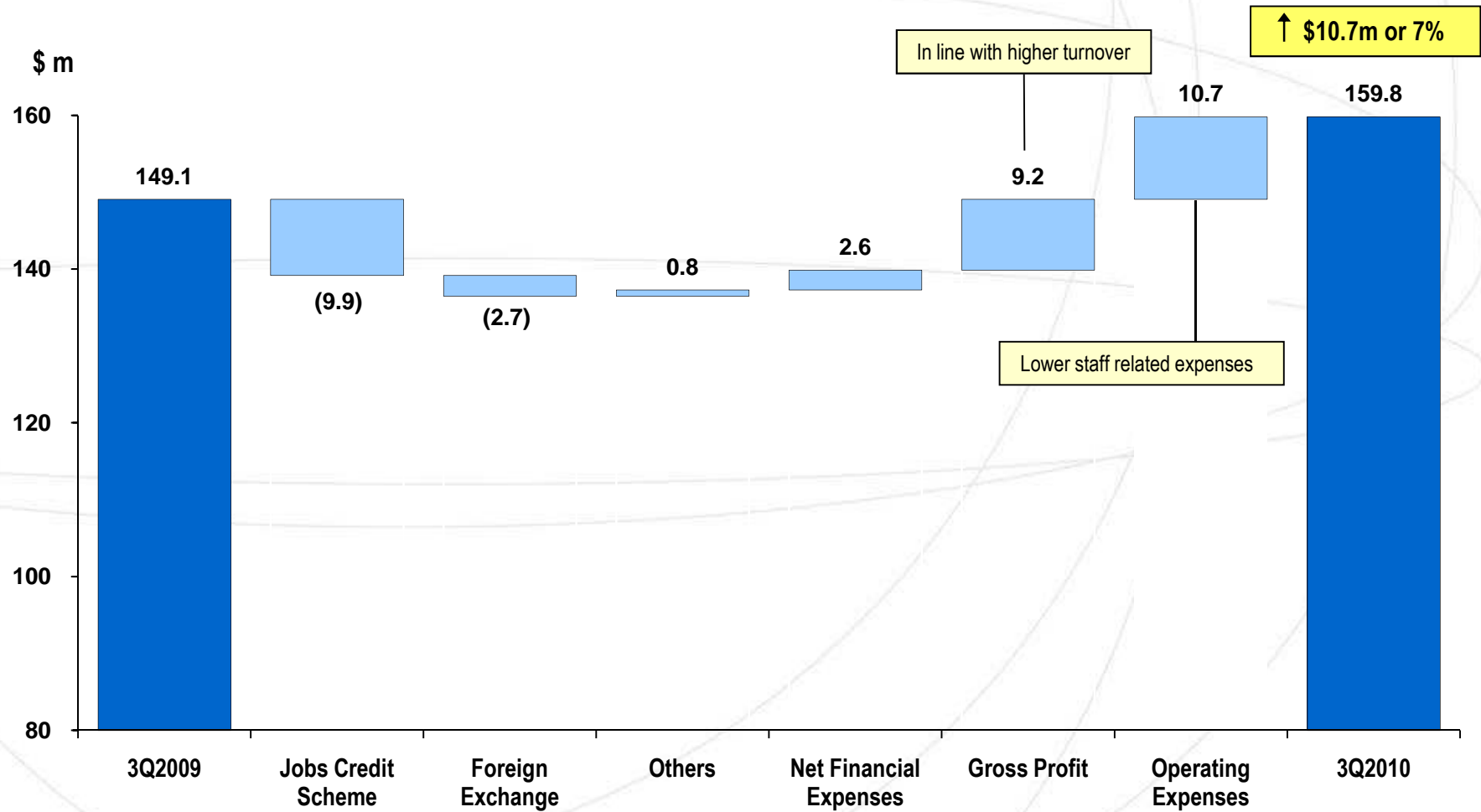


\$159.8m

Higher by 7%
Higher PBT from Electronics and Marine sectors

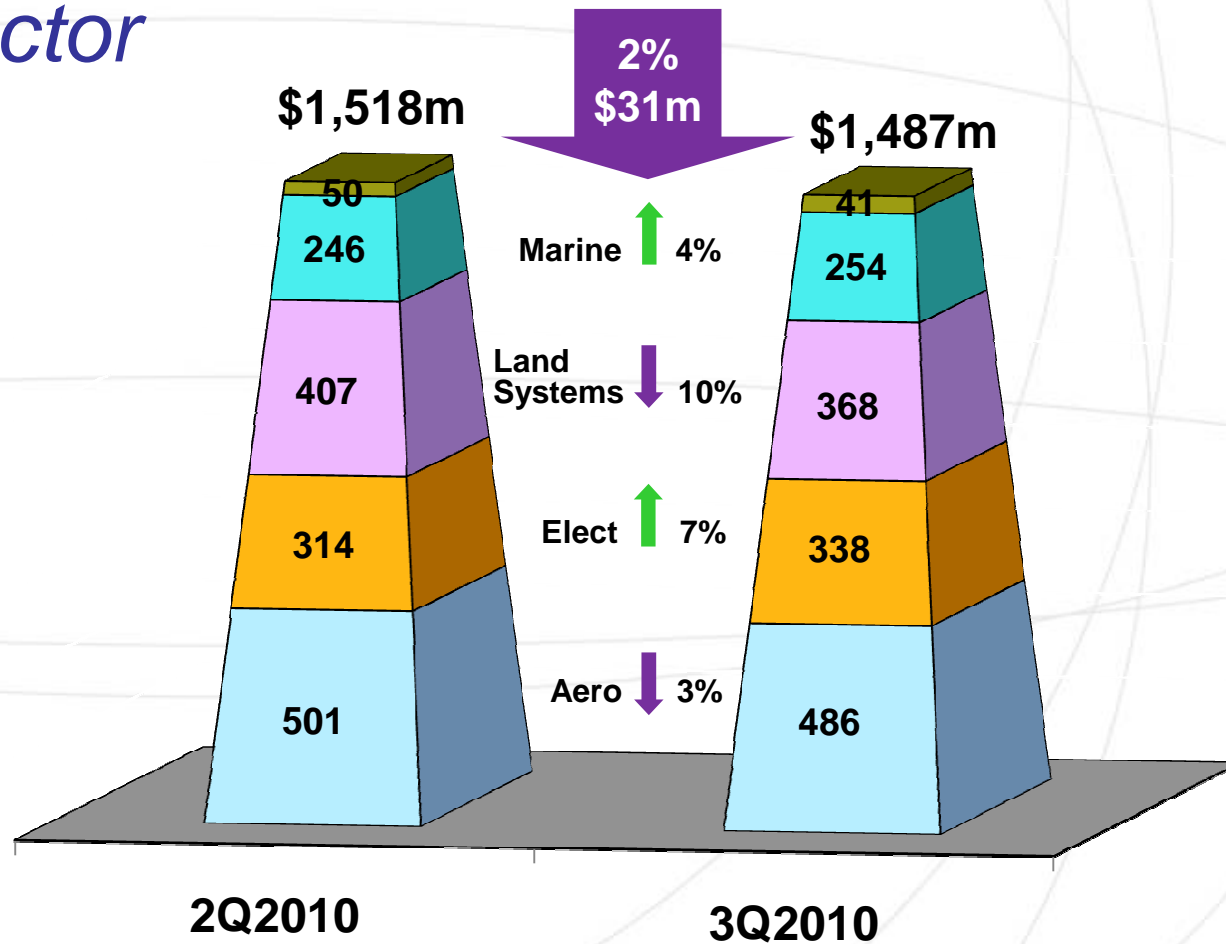
Profit Before Tax

3Q2010 vs 3Q2009



Group Turnover

by sector



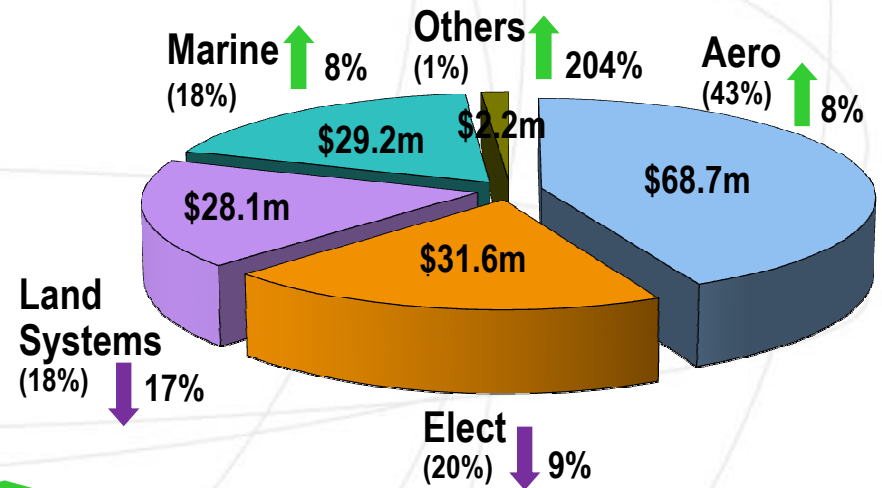
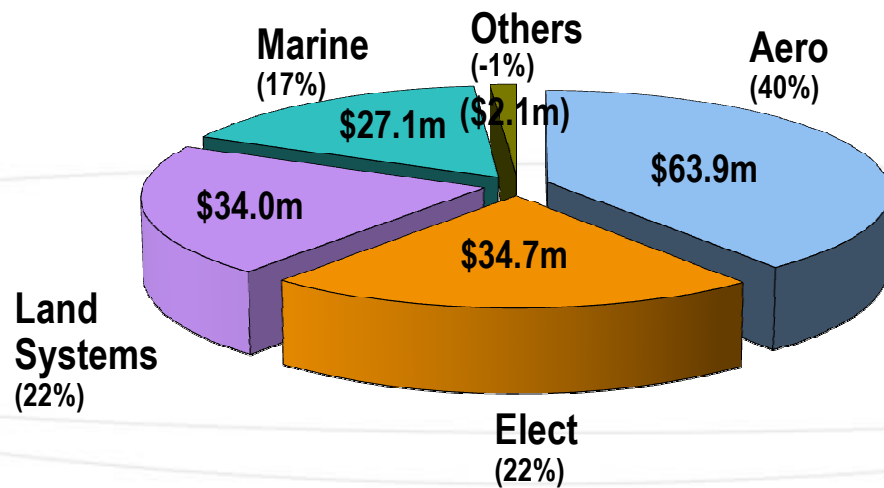
Lower turnover in Aerospace and Land Systems sectors was largely offset by higher turnover in Electronics and Marine sectors

Profit Before Tax

by sector

2Q2010

3Q2010



\$157.6m

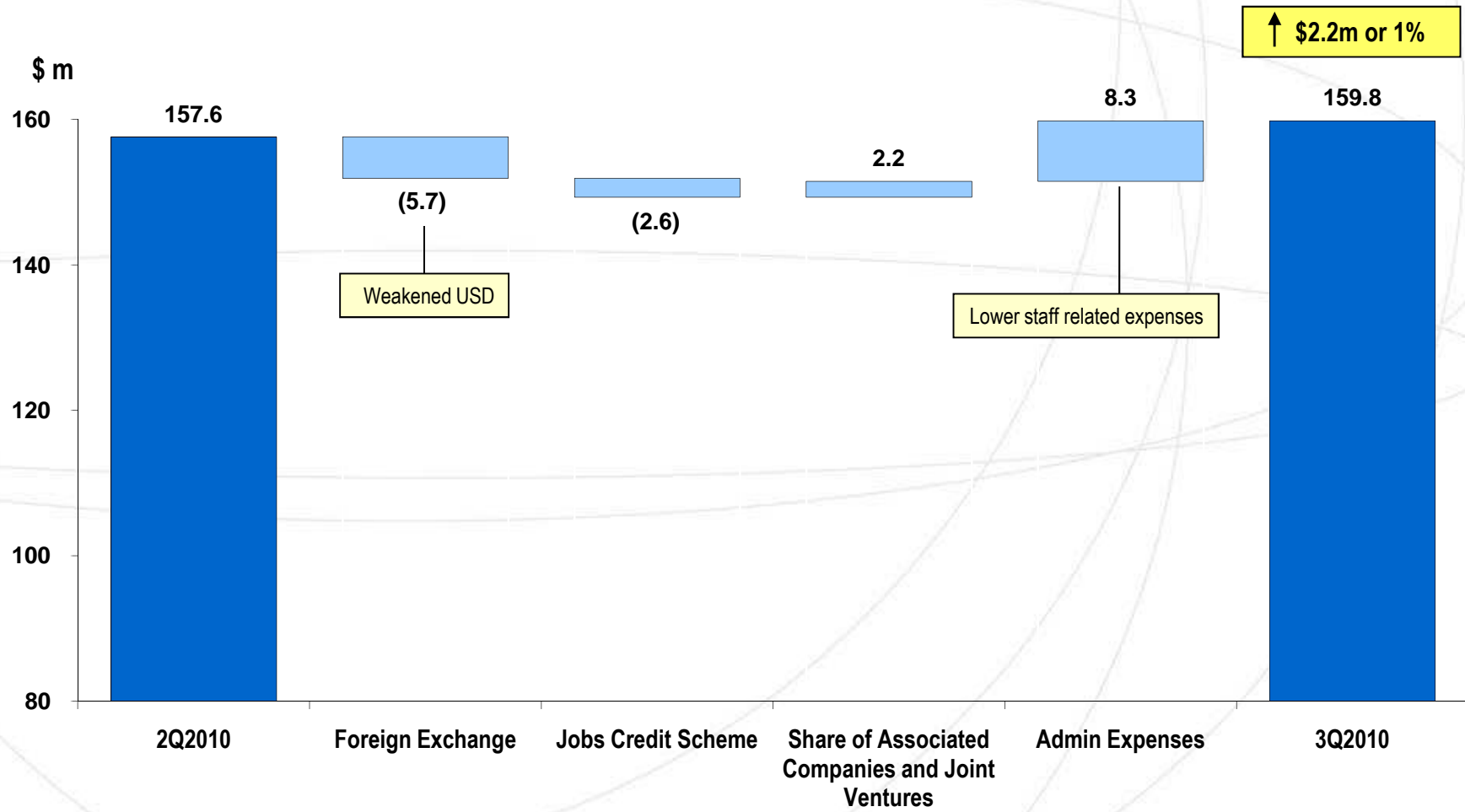
1%
\$2.2m

\$159.8m

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

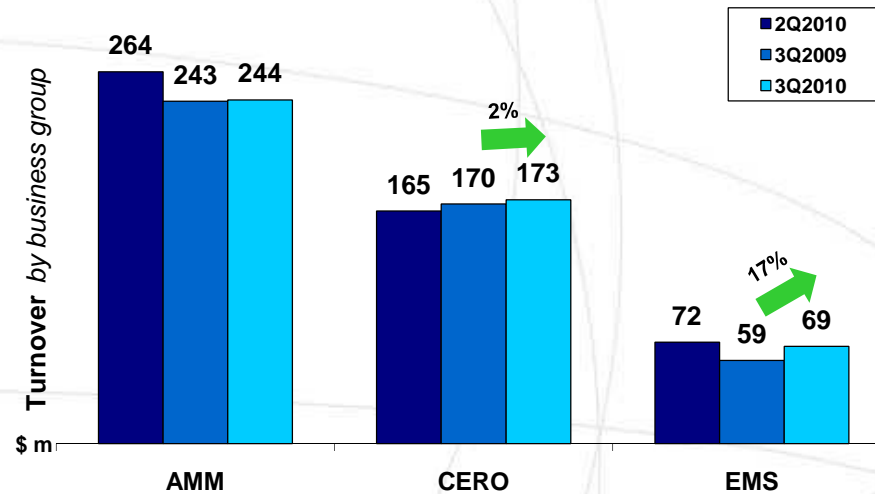
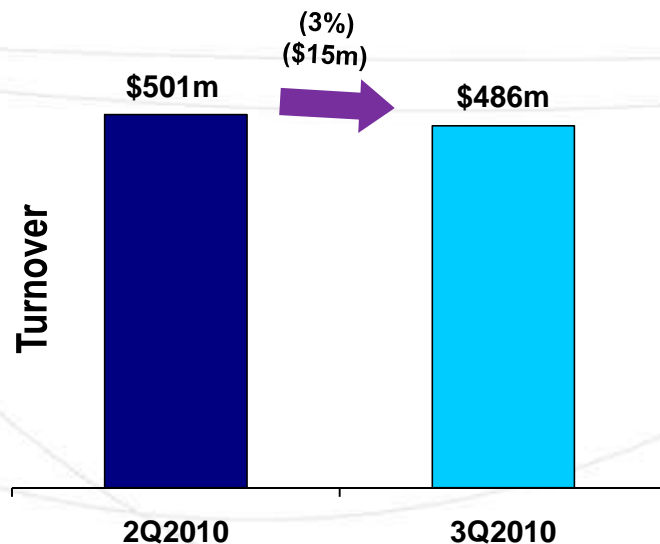
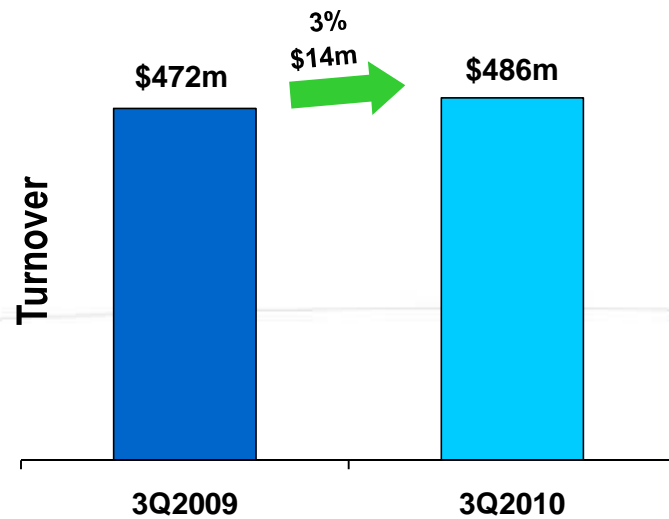
Profit Before Tax

3Q2010 vs 2Q2010



Aerospace

Steady EBIT



■ 3Q2010 vs. 3Q2009

Turnover higher by 3% or \$14m to **\$486m**

- Higher engines sales (CERO)
- More project milestone completions (EMS)

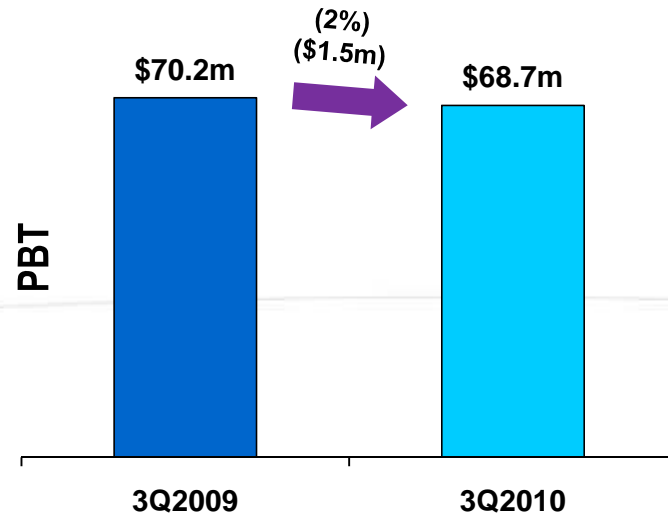
■ 3Q2010 vs. 2Q2010

Turnover lower by 3% or \$15m to **\$486m**

- Fewer 757 freighter conversion redeliveries (AMM)
- Partially offset by
- Higher engines sales (CERO)

Aerospace

Steady EBIT



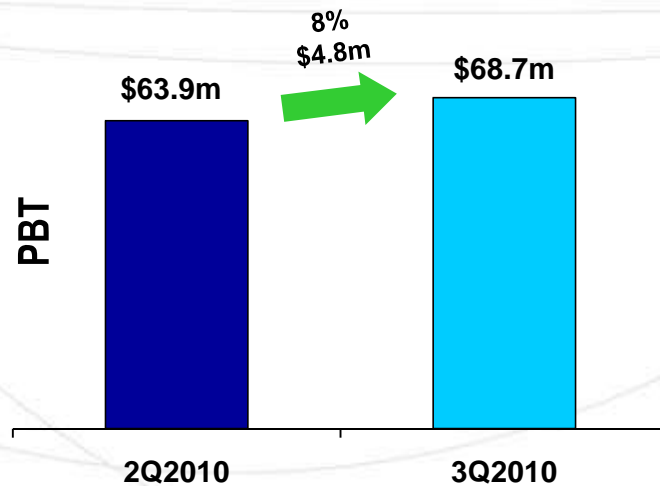
■ 3Q2010 vs. 3Q2009

PBT lower by 2% or \$1.5m to **\$68.7m**

- Unfavourable sales mix
- Lower contributions from associated companies

Largely offset by:

- Lower staff related expenses



■ 3Q2010 vs. 2Q2010

PBT higher by 8% or \$4.8m to **\$68.7m**

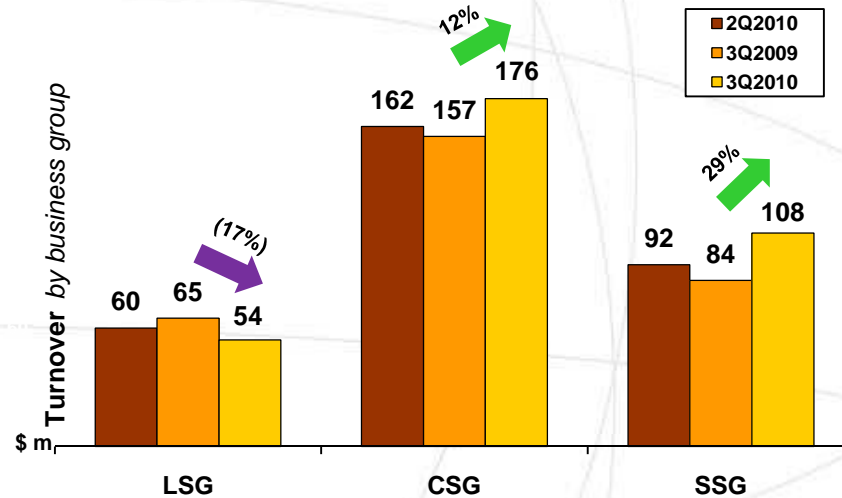
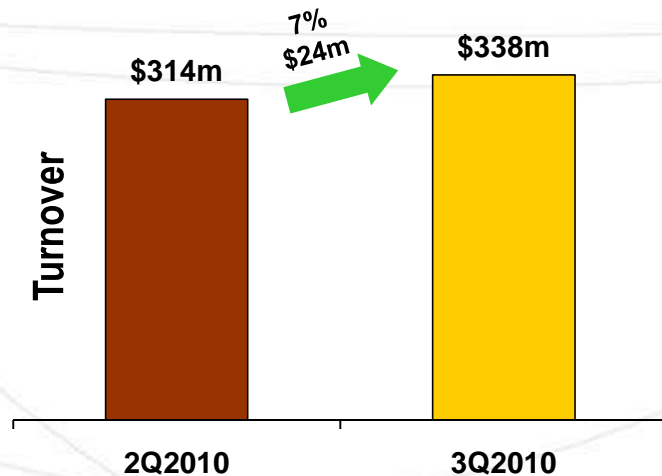
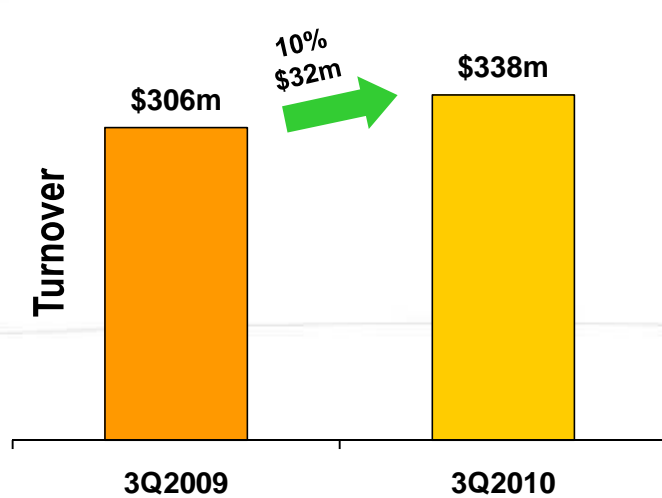
- Favourable sales mix
- Lower staff related expenses

Partially offset by:

- Unfavourable USD impact

Electronics

Higher Profit Attributable to Shareholders



■ 3Q2010 vs. 3Q2009

Turnover higher by 10% or \$32m to **\$338m**

- Higher telematics systems sales and milestone completions of communication projects (CSG)
- Milestone completions of software system projects and a simulator project (SSG)

Partially offset by:

- Lower value project milestone completions (LSG)

■ 3Q2010 vs. 2Q2010

Turnover higher by 7% or \$24m to **\$338m**

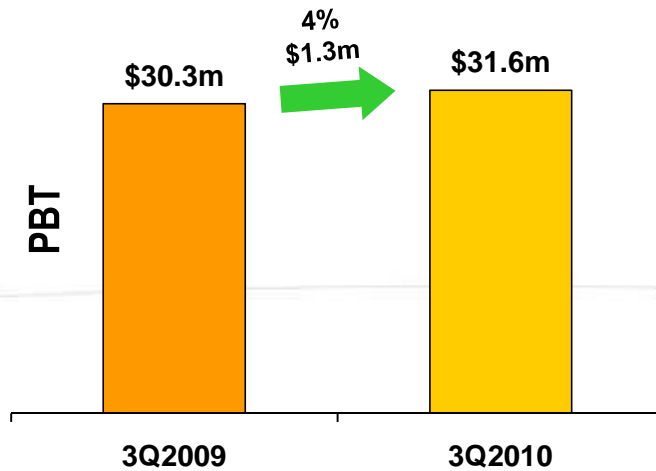
- Milestone completions of Integrated Resort and communication projects (CSG)
- Milestone completions of software system projects and a simulator project (SSG)

Partially offset by:

- Lower value project milestone completions (LSG)

Electronics

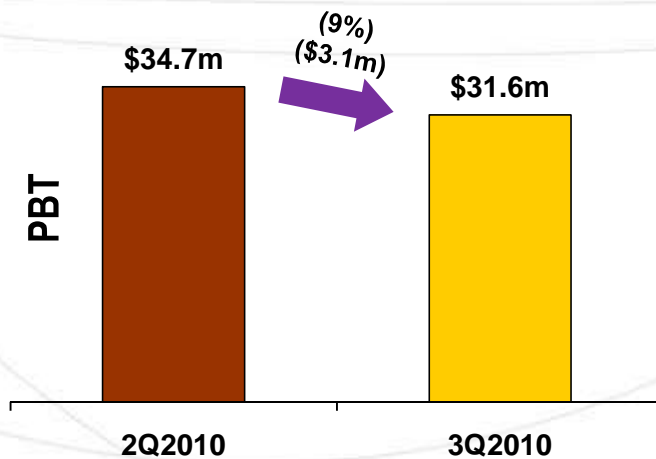
Higher Profit Attributable to Shareholders



- **3Q2010 vs. 3Q2009**

PBT higher by 4% or \$1.3m to **\$31.6m**

- In line with higher turnover



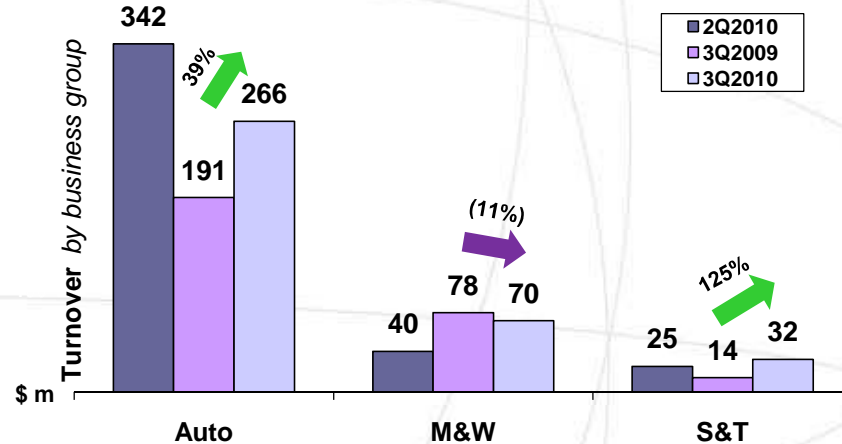
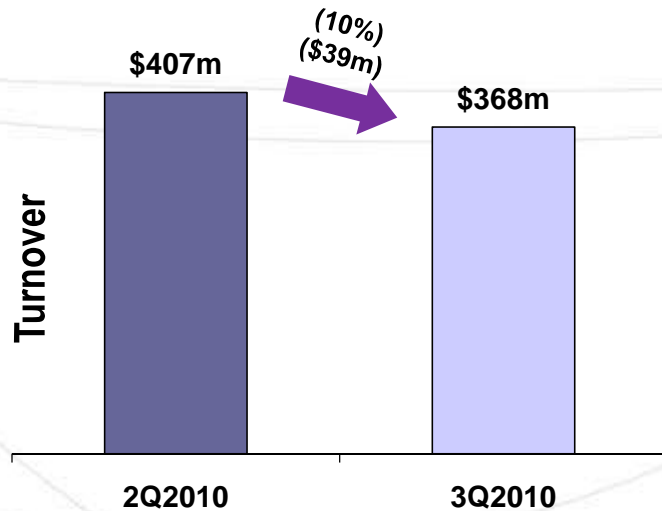
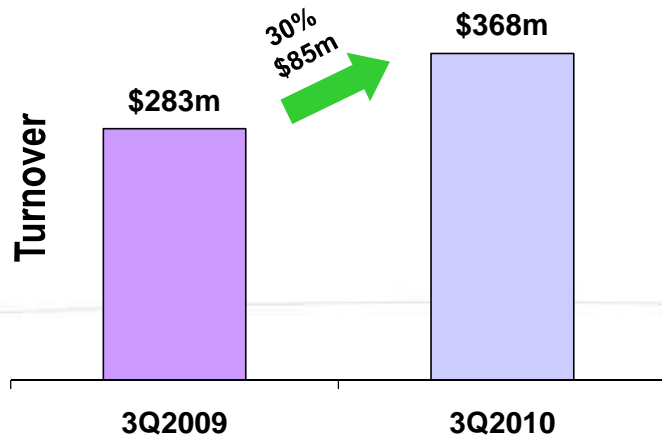
- **3Q2010 vs. 2Q2010**

PBT lower by 9% or \$3.1m to **\$31.6m**

- Unfavourable sales mix
- Lower contribution from satellite communication product sales

Land Systems

Higher Year-On-Year 3Q EBIT



■ **3Q2010 vs. 3Q2009**

Turnover higher by 30% or \$85m to **\$368m**

- Higher project deliveries (Auto)
- Higher turnover (S&T)

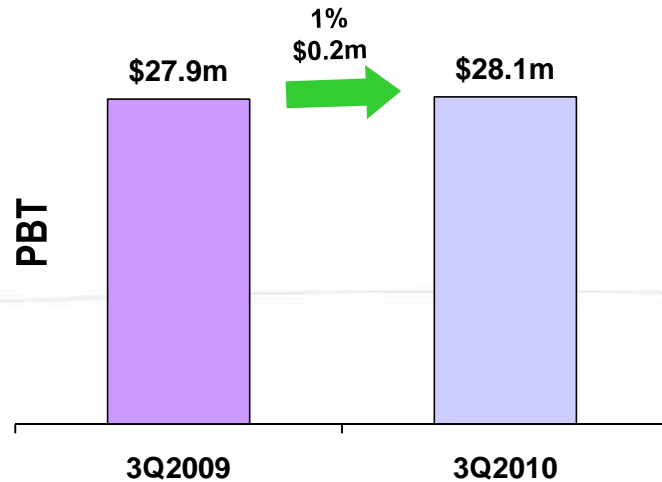
■ **3Q2010 vs. 2Q2010**

Turnover lower by 10% or \$39m to **\$368m**

- Lower project deliveries and specialty vehicle sales (Auto)
- Partially offset by:
- Higher munitions deliveries (M&W)

Land Systems

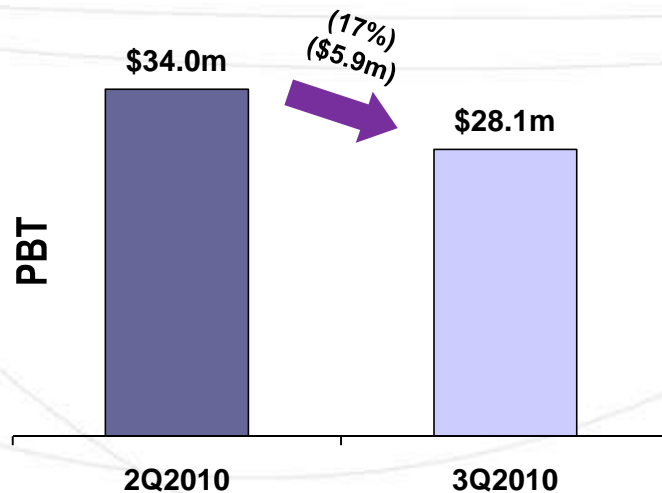
Higher Year-On-Year 3Q EBIT



■ **3Q2010 vs. 3Q2009**

Comparable PBT at \$28.1m; despite higher turnover

- Unfavourable product mix
- Unfavourable foreign exchange impact



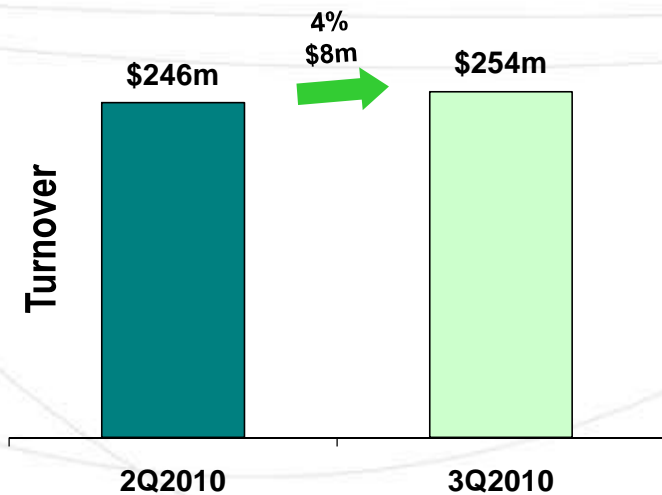
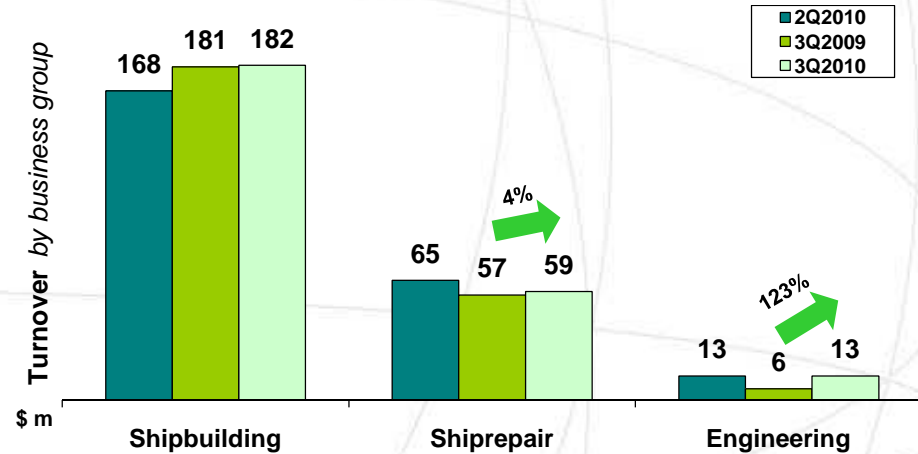
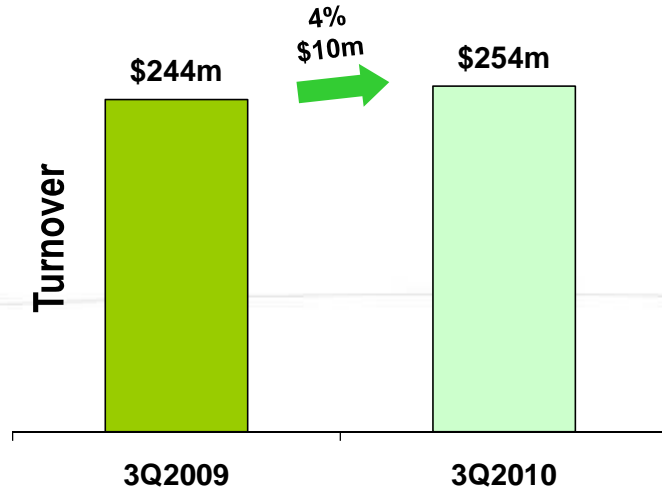
■ **3Q2010 vs. 2Q2010**

PBT decreased by 17% or \$5.9m to \$28.1m

- In line with lower turnover
- Higher operating expenses

Marine

Steady Growth in Profitability



3Q2010 vs. 3Q2009

Turnover higher by 4% or \$10m to \$254m

- Higher commercial repair activities (Shiprepair)
- Higher engines repair activities and naval logistics management sales (Engineering)

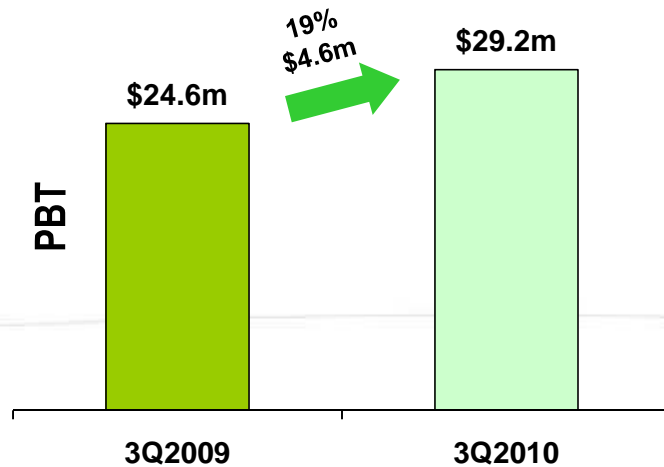
3Q2010 vs. 2Q2010

Turnover increased by 4% or \$8m to \$254m

- Higher turnover (Shipbuilding)

Marine

Steady Growth in Profitability



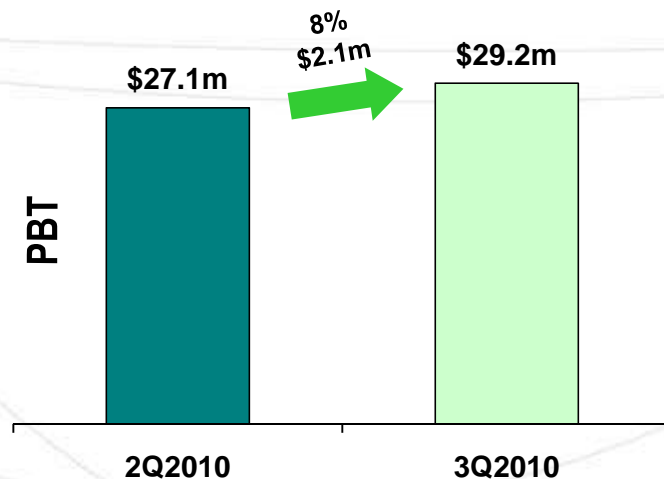
■ 3Q2010 vs. 3Q2009

PBT higher by 19% or \$4.6m to **\$29.2m**

➤ Favourable sales mix

Partially offset by:

➤ Higher R&D expenses



■ 3Q2010 vs. 2Q2010

PBT higher by 8% or \$2.1m to **\$29.2m**

➤ Favourable sales mix

Partially offset by:

➤ Higher other operating expenses

EBITDA / EBIT - Group

\$ m	3Q2010	3Q2009	%
EBITDA	200.6	177.4	13
Depreciation & amortisation	(43.2)	(40.0)	(8)
EBIT	157.4	137.4	15
Investment, interest and other income	7.0	16.8	(59)
Financial expenses	(14.1)	(14.2)	1
Operating profit	150.3	140.0	7
Associated companies and joint ventures	9.5	9.1	5
Profit before tax	159.8	149.1	7

Strong operating performance

Absence of income from Jobs Credit Scheme in 3Q2010 (3Q2009 - \$9.9m)

PBT Margin *by sector*

	3Q2010	3Q2009	2Q2010
	%	%	%
Aerospace	14	15	13
Electronics	9	10	11
Land Systems	8	10	8
Marine	11	10	11
Group	11	11	10

Unfavourable product mix

Steady PBT margin

Net Profit *by sector*

\$ m	3Q2010		3Q2009		Change	
Aerospace	59.4	46%	57.8	48%	↑	3%
Electronics	27.3	21%	23.5	20%	↑	17%
Land Systems	22.7	17%	22.1	18%	↑	3%
Marine	21.8	17%	19.1	16%	↑	14%
Others	(1.0)	(1%)	(2.2)	(2%)	↑	48%
Group	130.2	100%	120.3	100%	↑	8%

Higher Net Profit in all sectors

Statement of Cash Flows

\$ m	3Q2010	3Q2009	
Cash flow from/(used in) :			
Operating activities	73	172	Healthy operating cash flows despite lower advance payments from customers
Investing activities	(65)	(173)	Purchase of PPE
Financing activities	(100)	484	Payment of interim dividends
Net (decrease)/increase in CCE	(92)	483	Proceeds from issuance of US\$500m bonds, partially offset by payment of interim dividends
CCE at 1 July	1,411	1,080	
Exchange difference	(13)	(3)	
CCE at 30 September	1,306	1,560	

- CCE - Cash & Cash Equivalents

Agenda

- **Financial Highlights**
 - *3Q2010*
 - **9M2010**
- **Business Review**
 - *Sector Operations*
- **Outlook**

Financial Highlights

for the first nine months ended 30 September 2010



\$ m	9M2010 (a)	9M2009 (b)	Change (a) / (b)
Turnover	4,366	4,079	↑ 7%
EBIT	415.5	352.1	↑ 18%
Investment, interest and other income	30.4	57.9	↓ 48%
PBT	433.9	399.7	↑ 9%
Net Profit	347.0	314.2	↑ 10%

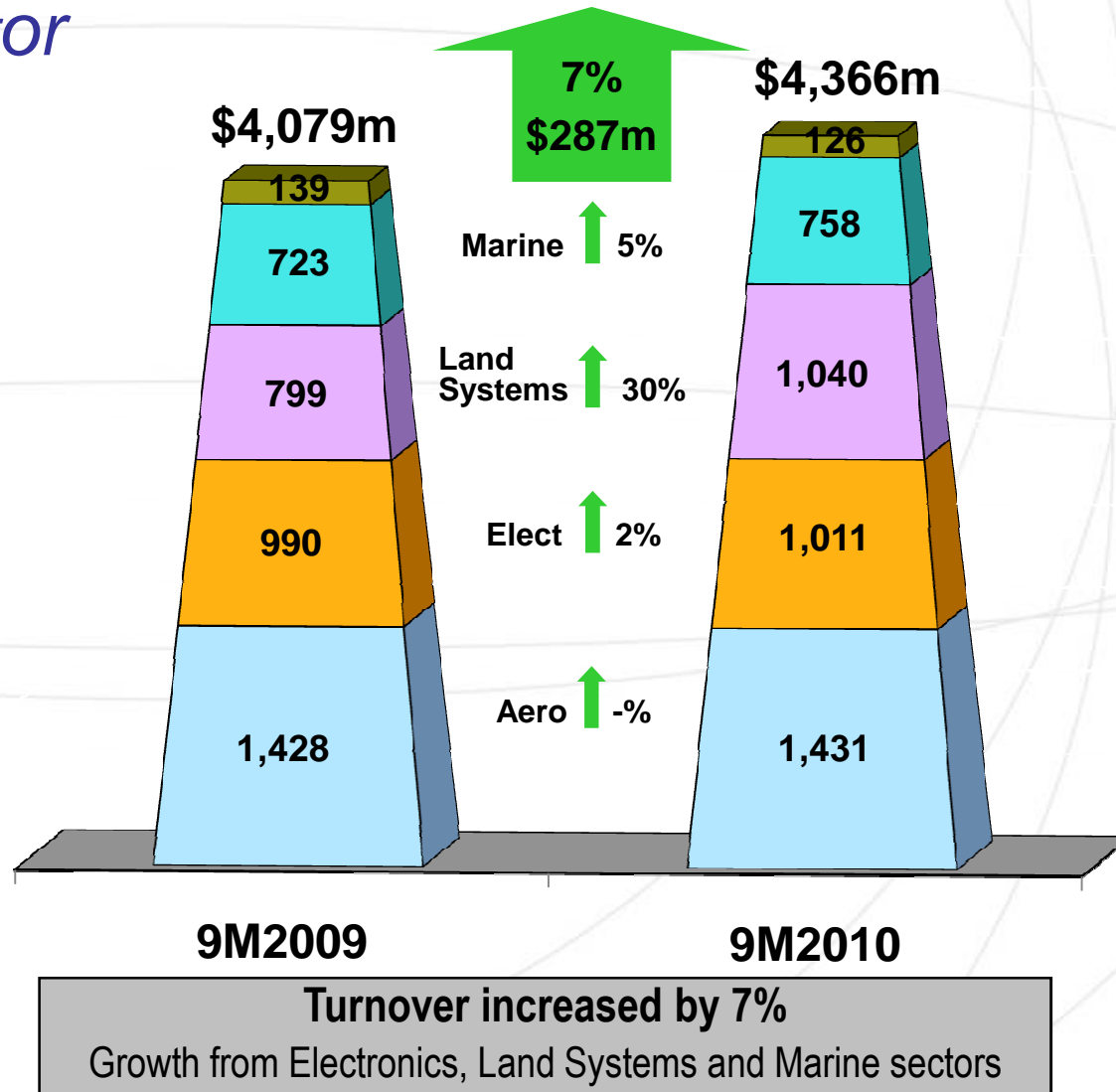
Lower income from Jobs Credit Scheme (by \$21.2m)

<u>w/o Jobs Credit Scheme</u>	<u>9M2010</u>	<u>9M2009</u>	
PBT	426.0	370.6	↑ 15% or \$55.4m
Net Profit	339.1	285.1	↑ 19% or \$54.0m

Engineering Our Future

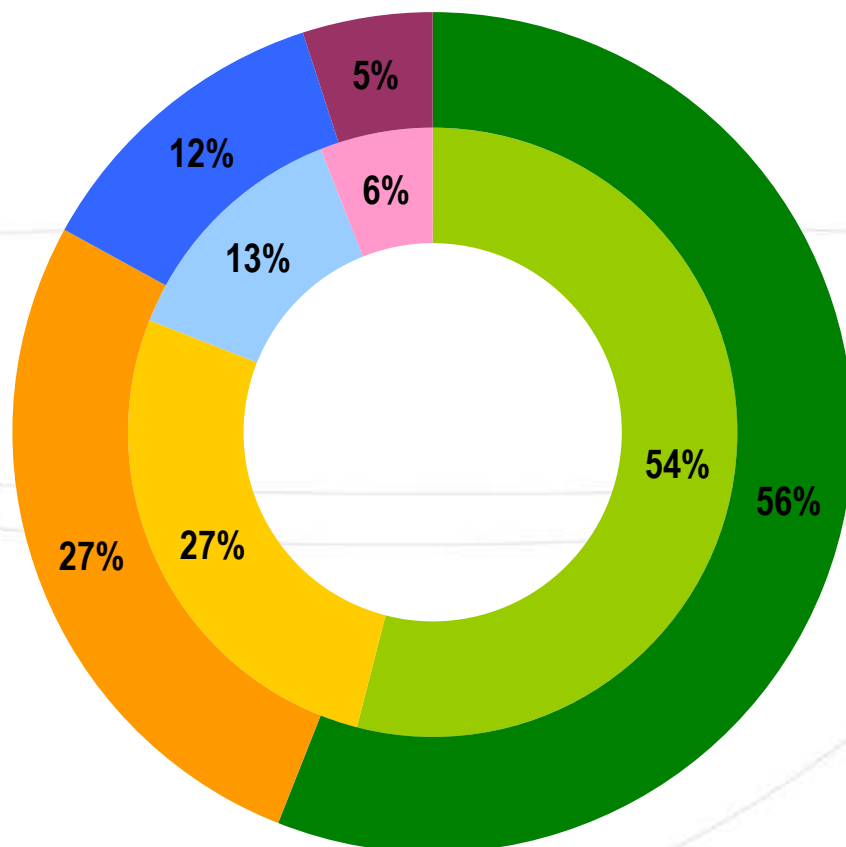
Group Turnover

by sector



Group Turnover

Breakdown by location of customers (by geography)



Locality	9M2009		9M2010	
	\$m	%	\$m	%
Asia	2,212	54	2,444	56
USA	1,105	27	1,171	27
Europe	516	13	520	12
Others	246	6	231	5
Total	4,079	100	4,366	100

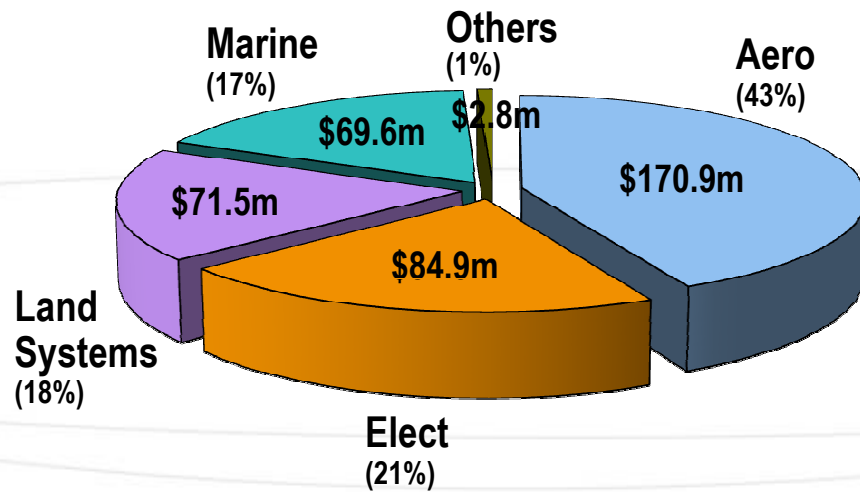
EBITDA / EBIT - Group

\$ m	9M2010	9M2009	%	
EBITDA	544.0	470.2	16	Strong operating performance
Depreciation & amortisation	(128.5)	(118.1)	(9)	
EBIT	415.5	352.1	18	
Investment, interest and other income	30.4	57.9	(48)	<ul style="list-style-type: none"> ▪ Lower Jobs Credit (by \$21.2m) ▪ EUR and USD depreciated Partially offset by: <ul style="list-style-type: none"> ▪ Higher investment and interest income
Financial expenses	(42.9)	(37.6)	(14)	
Operating profit	403.0	372.4	8	
Associated companies and joint ventures	30.9	27.3	13	Contribution from Singapore Airshow
Profit before tax	433.9	399.7	9	

Profit Before Tax

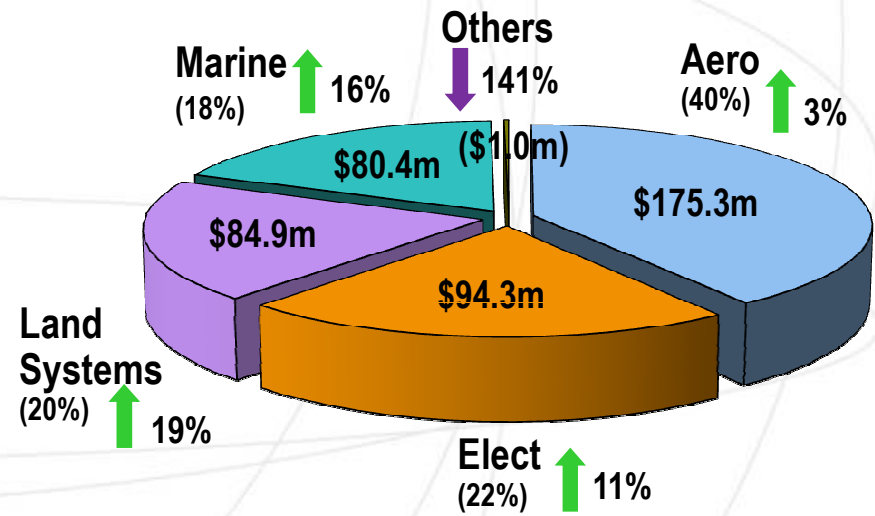
by sector

9M2009



\$399.7m

9M2010



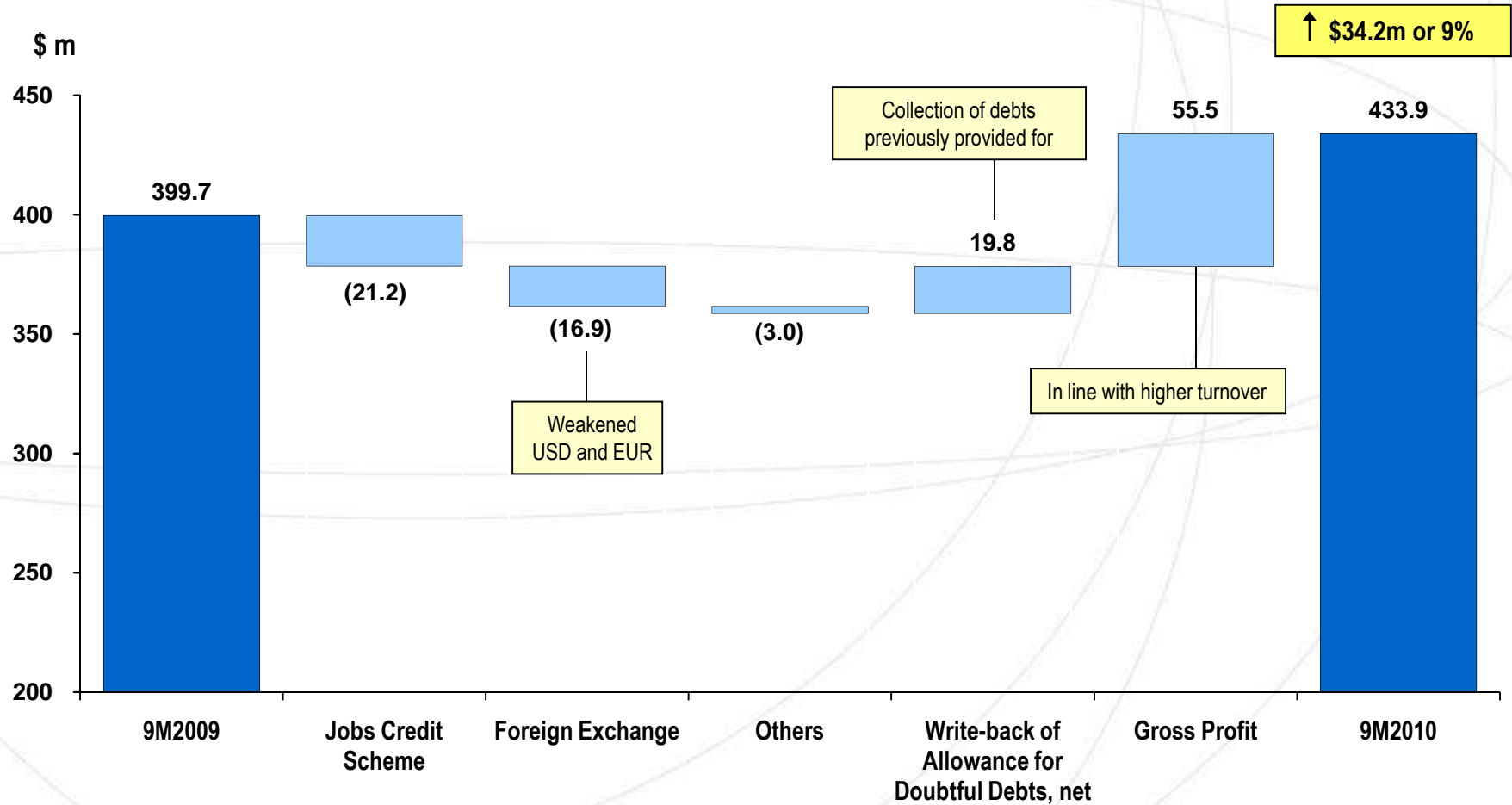
\$433.9m

9%
\$34.2m

PBT increased by 9%
Higher PBT in all sectors

Profit Before Tax

9M2010 vs 9M2009



Net Profit *by sector*

\$ m	9M2010		9M2009		Change	
Aerospace	144.1	41%	134.4	43%	↑	7%
Electronics	76.0	22%	65.8	21%	↑	16%
Land Systems	68.3	20%	59.2	19%	↑	15%
Marine	61.6	18%	53.6	17%	↑	15%
Others	(3.0)	(1%)	1.2	-	↓	365%
Group	347.0	100%	314.2	100%	↑	10%

Higher Net Profit in all sectors

Balance Sheet



\$ m	30 Sep 2010	31 Dec 2009
Property, plant and equipment	1,161	1,167
Associated companies & joint ventures	276	273
Investments	19	21
Intangible assets	602	643
Investment properties	2	2
Long-term receivables, non-current	43	37
Finance lease receivables, non-current	6	5
Derivative financial instruments	-	19
Deferred tax assets	141	127
Non-current assets	2,250	2,294
Current assets	4,693	4,590
Total assets	6,943	6,884
Current liabilities	3,436	3,081
Non-current liabilities	1,889	2,127
Total liabilities	5,325	5,208
Share capital and reserves	Net Assets: \$1.618b { 1,509	Net Assets: \$1.676b { 1,568
Non-controlling interests	109	108
Total equity and liabilities	6,943	6,884
Net current assets	1,257	1,509

Non-Current Liabilities
Decreased by \$238m:

- Lower LT bank loans
 - reclass \$300m to current liabilities

Partially offset by:

- Higher advance payments from customers

Net Current Assets
Decreased by \$252m:

- Decrease in CCE
- Increase in ST bank loans
 - reclass from LT liabilities

Partially offset by:

- Increase in stocks & WIP

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Business Review

– *Aerospace Operations*

■ **AMM**

- **Continues to grow its businesses and develop new capabilities.**

Significant events included:

- **Celebrated 20th year relationship with JAL**
- **Redelivered 100th ANA aircraft, 800th UPS aircraft and 1,000th Delta Air Lines aircraft**
- **Won a RSAF contract (S\$543m) to procure 12 M346 aircraft and ground based training system for fighter pilot training in Cazaux, France**

■ **CERO**

- **Components**

- **Madrid facility redelivered 10 A320 landing gears**

- **Engines**

- **Signed a 10-year maintenance contract (US\$63m) with T'way Air for CFM56-7B engines**
- **Received approvals from EASA for GENx-2B (747-8) and CAAS for GENx-1B (787) and -2B**



Madrid Aerospace Services

Engineering Our Future

Business Review

– *Electronics Operations*

■ LSG

- Secured a signalling system contract (S\$28m) for the Singapore Downtown Line

■ CSG

- Telematics Wireless:
 - Received orders (US\$21.5m) for Automatic Meter Reading radio transceivers
- VT iDirect:
 - New customers include Intelsat General Corporation of USA, SIS LIVE of Europe, Bentley Walker & SkyVison of UK

■ SSG

- Secured a contract from International Civil Aviation Organisation (ICAO) to deliver VSAT Network Systems for airports in Ecuador



Signalling System Installation -
Singapore Downtown Line

Business Review

– Land Systems Operations

■ Auto

- Delivered Terrex ICV, Warthog, specialised truck bodies and trailers, road construction and maintenance equipment, off-road dump trucks and excavators
- Established a new construction equipment company in India

■ M&W

- Secured munitions and weapon contracts

■ S&T

- Formed joint venture company in Malaysia to pursue seaport support business in Malaysia



Terrex ICV



40mm munitions



Engineering Our Future

Business Review

– Marine Operations

■ Shipbuilding

- Local - Launched Seismic Survey Vessel, *“Pacific Finder”*
- US - Delivered Platform Supply Vessel and the 9th 185,000 bbl Articulated Tug/Barge (ATB) units



Platform Supply Vessel

■ Shiprepair

- Completed lengthening and upgrading work on fishing vessel, *“Pacific Princess”*
- Completed repair work on dredger, *“Queen of Penta Ocean”* and supply vessel, *“Norman Ivan”*



“Pacific Princess”

■ Engineering

- Awarded a contract (RMB 113m) for Pneumatic Waste Collection System in Tianjin Eco-City

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Group Outlook for FY2010

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

- **For the Aerospace and Electronics sectors, FY2010 turnover is expected to be comparable, whilst PBT is expected to be higher than that of FY2009.**
- **For the Land Systems and Marine sectors, FY2010 turnover and PBT are expected to be higher than that of FY2009.**

Group Outlook for FY2010

Aerospace

- **Capacity growth**
 - San Antonio facility to open its 8th hangar
 - Guangzhou facility to start development
- **M346 procurement and long-term support**
- **Components**
 - To establish overhaul capability for A340 centre landing gear in Madrid facility
- **Engines**
 - To develop On-Wing support capability
- **Engineering**
 - To explore new PTF developments, support 757 Combi effort and interior modification work



San Antonio new hangar construction



Guangzhou Baiyun Airport

Group Outlook for FY2010

Electronics

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

Group Outlook for FY2010

Land Systems

- Continue to deliver Terrex ICV, Warthog, munitions, weapons and specialty vehicles
- Continue to pursue key defence programmes
- Commence operations at LeeBoy India
- Launch TRXBUILD at Bauma China 2010

Group Outlook for FY2010

Marine

- Expects to deliver
 - Roll-on/Roll-off Passenger ferry (Ropax)
 - 2nd 350,000 bbl ATB for OSG
- Expects to complete
 - Major repair work on dredgers, *“Antigoon”* and *“Volvox Delta”*
 - Upgrading work on research vessel, *“RV Tangaroa”*



“Antigoon”

President & CEO's Message

“The Group recorded increases of 10% and 8% in turnover and net profit respectively in 3Q2010 over the corresponding quarter in 2009. Compared to 9M2009, turnover and net profit rose 7% and 10% respectively in 9M2010.

The Group performed well in the third quarter. The growth in EBIT of 15% reflects the gradually improving operating environment.

Barring unforeseen circumstances, the Group expects to achieve higher turnover and PBT for FY2010 over FY2009.”

~ Tan Pheng Hock

Thank You

