

Financial Results Briefing

Third Quarter 2011
4 November 2011



3Q2011 Results

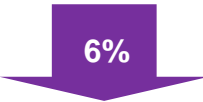
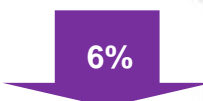






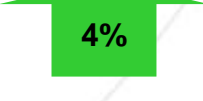


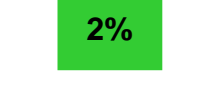
Net Profit Grew 3% in 3Q2011

Agenda

- **Financial Highlights**
 - *3Q2011*
 - *9M2011*
- **Business Review**
 - *Sector Operations*
- **Outlook**

Financial Highlights

for the third quarter ended 30 September 2011

\$ m	3Q2011 (a)	3Q2010 (b)	Change (a) / (b)	2Q2011 (c)	Change (a) / (c)
Revenue	1,395	1,487	 6%	1,484	 6%
EBIT	153.1	157.4	 3%	155.1	 1%
Other income, net	8.4	6.2	 36%	5.4	 56%
Finance costs, net	(6.1)	(13.3)	 54%	(4.8)	 27%
PBT	165.9	159.8	 4%	166.9	 1%
Net Profit	133.8	130.2	 3%	130.5	 2%

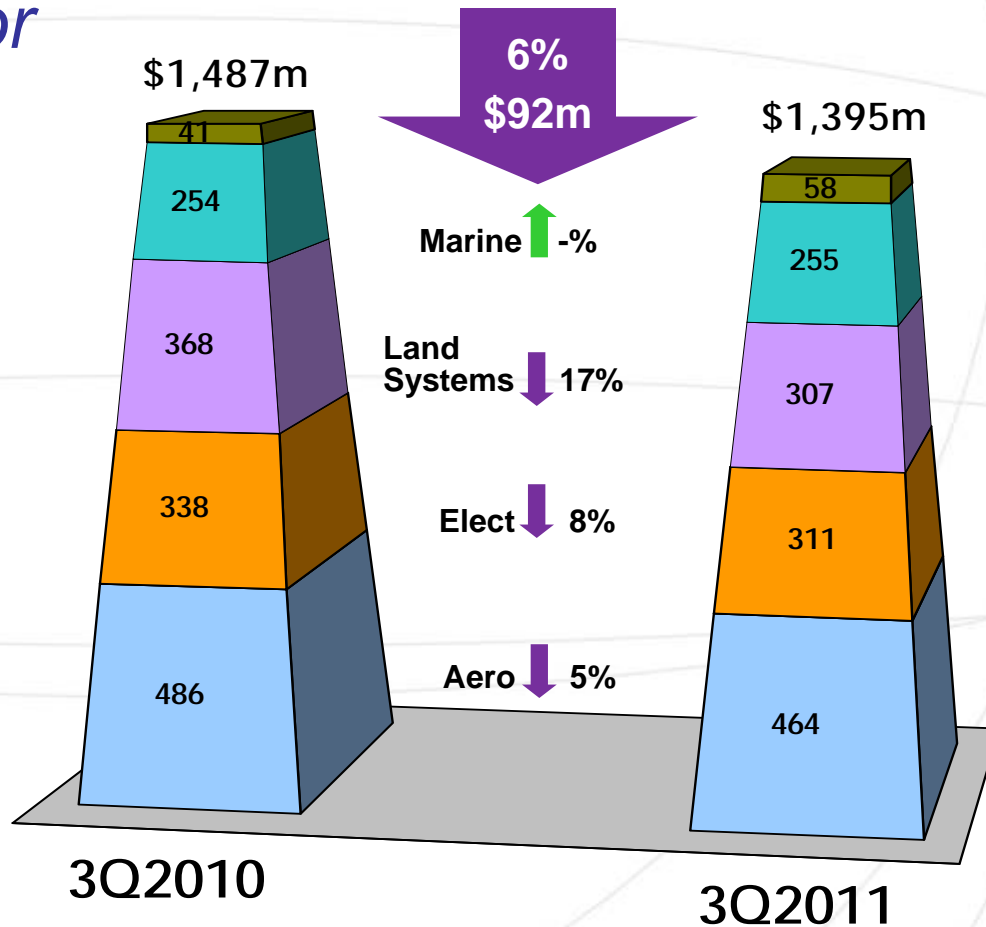
Financial Highlights

for the third quarter ended 30 September 2011

- Commercial sales at 62% (FY2010: 59%) or \$860m of 3Q2011 revenue
- \$11.0b order book; about \$1.3b to be delivered in 4Q2011 (end June 2011: \$10.8b)
- CCE and short-term investments of \$1.56b (1H2011: \$1.47b)

Group Revenue

by sector



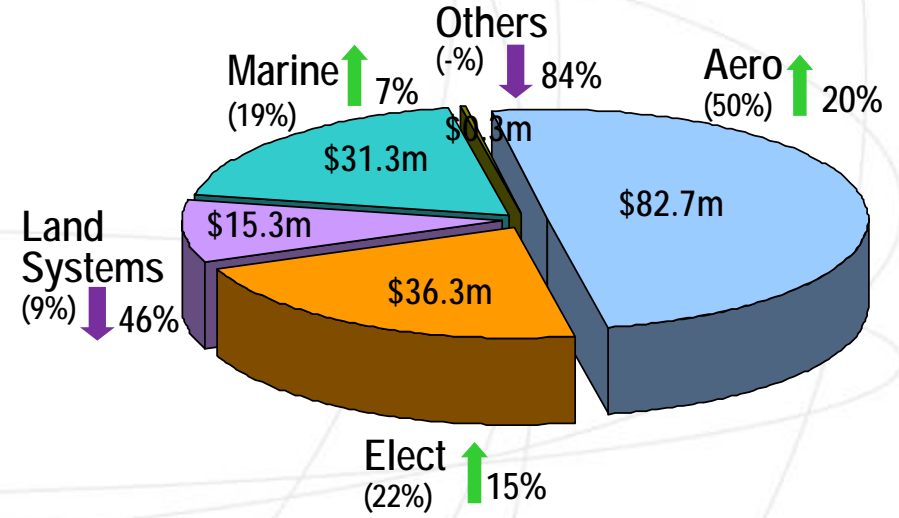
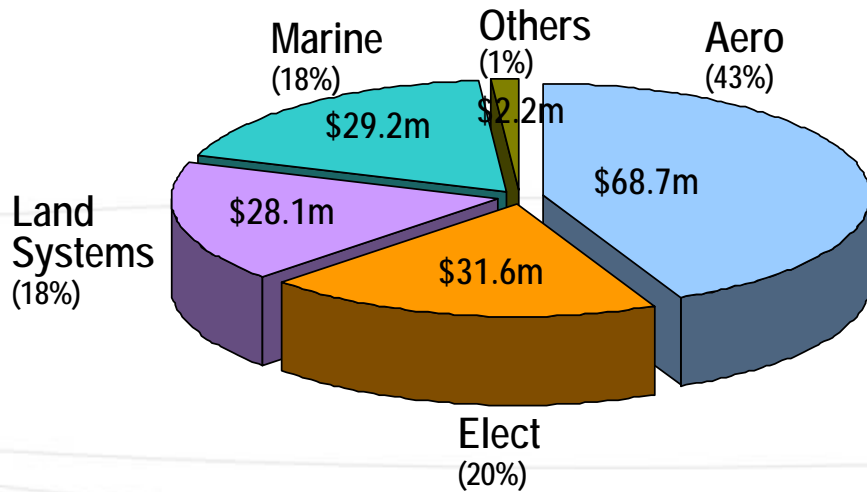
Revenue lower by 6%
 Lower revenue in all Sectors except for Marine sector which had comparable revenue

Profit Before Tax

by sector

3Q2010

3Q2011



\$159.8m

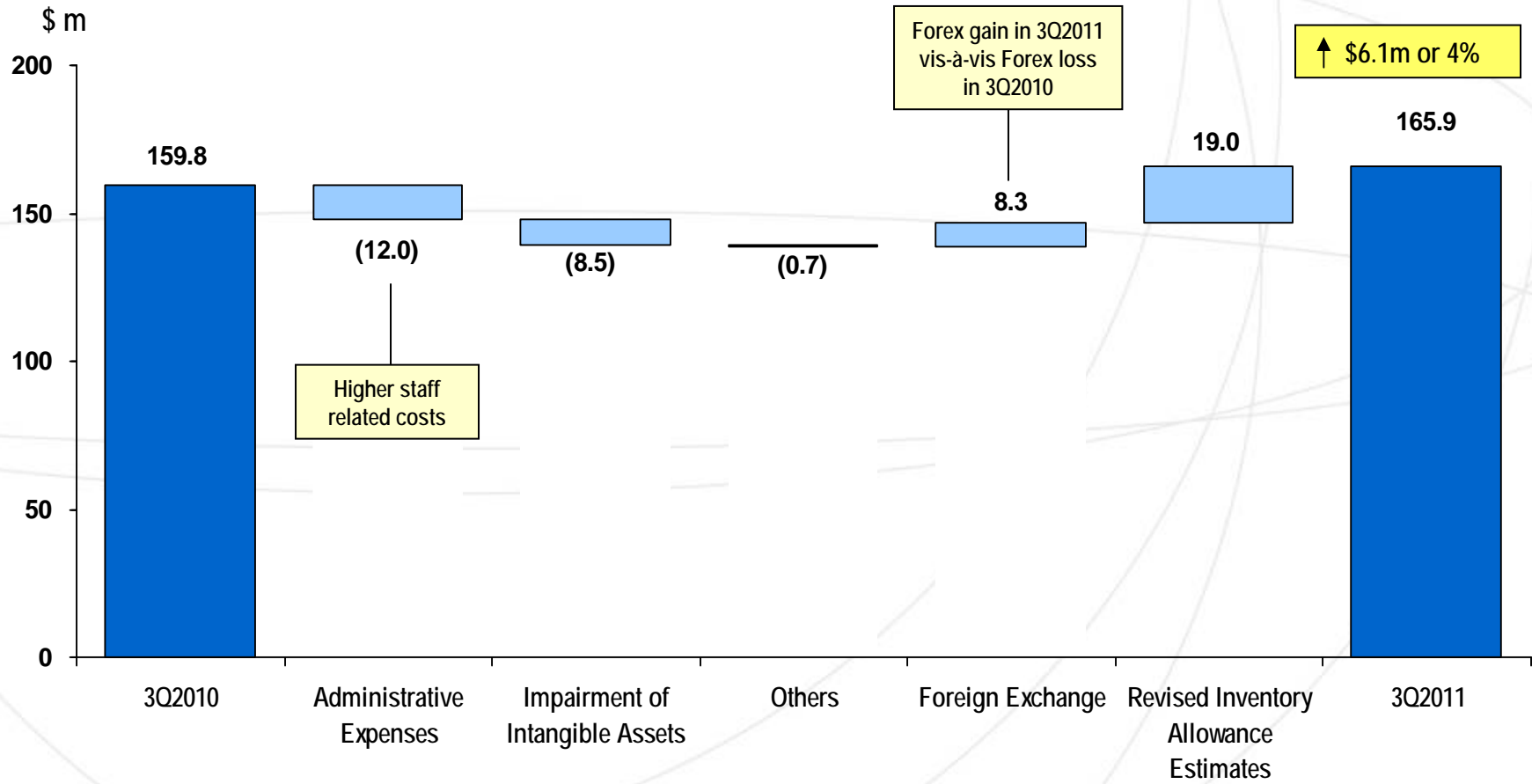
4%
\$6.1m

\$165.9m

PBT higher by 4%
Higher PBT in all Sectors except for Land Systems sector

Profit Before Tax

3Q2011 vs 3Q2010



Change in Inventory Allowance Estimates

- The Group engaged independent consultants, Ernst & Young, to perform industry and benchmarking study on the basis and estimates (the “obsolescence rates”) used to determine allowance for inventory obsolescence
- The industry and benchmarking study considered the industry practices of the four sectors and compared the obsolescence rates against the industry peer companies
- Based on the results obtained, the Group revised the obsolescence rates to align more closely with the industry practices
- The effect of this change resulted in a write-back of allowance for inventory obsolescence of \$19m to the income statement

Change in Inventory Allowance Estimates

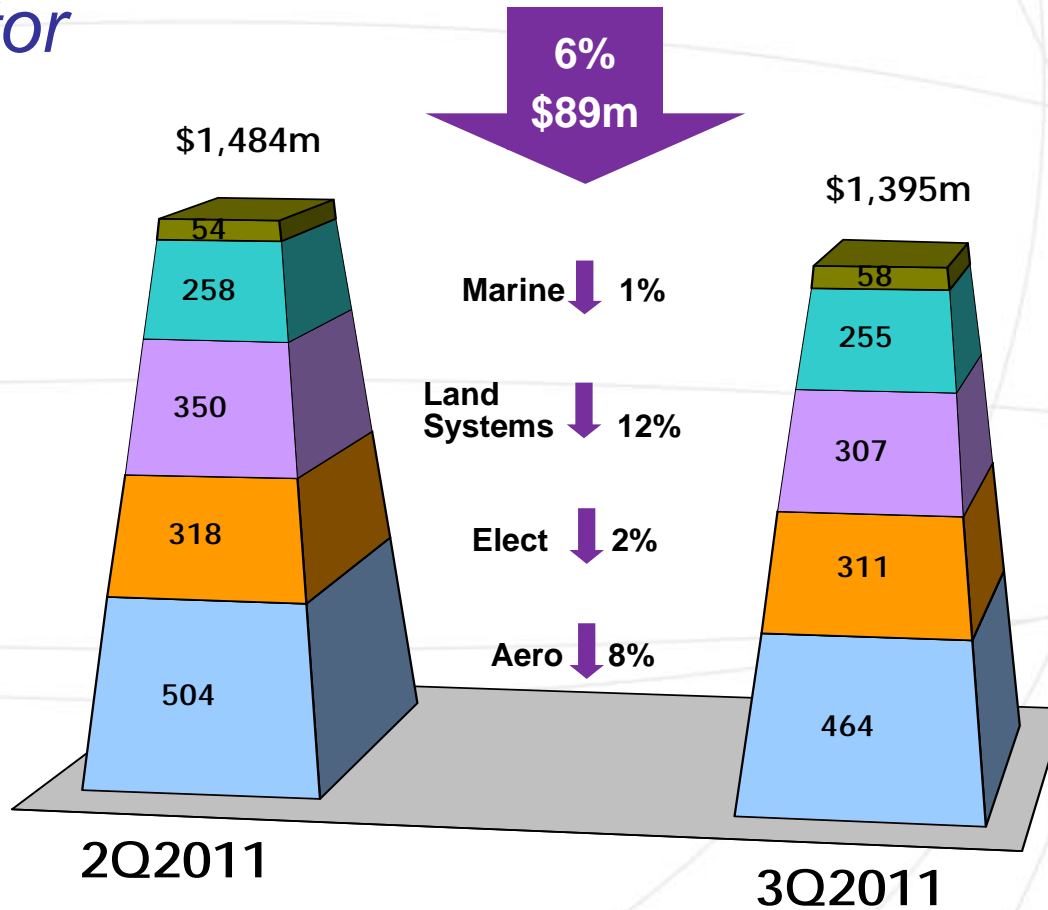
Financial impact

	3Q2011 \$m
Aerospace	10.7
Electronics	4.3
Land Systems	4.0
Marine	-
Group	19.0



Group Revenue

by sector

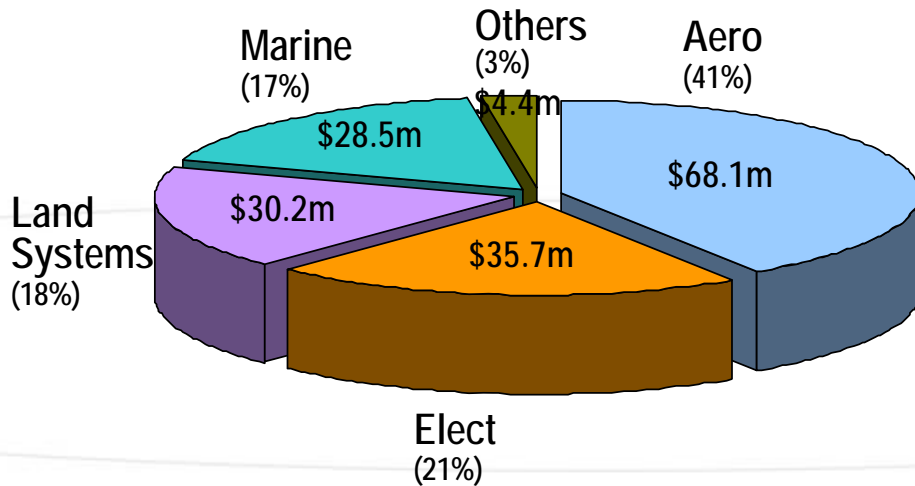


Revenue lower by 6%
 Lower revenue in Aerospace and Land Systems sectors, while Electronics and Marine sectors had comparable revenue

Profit Before Tax

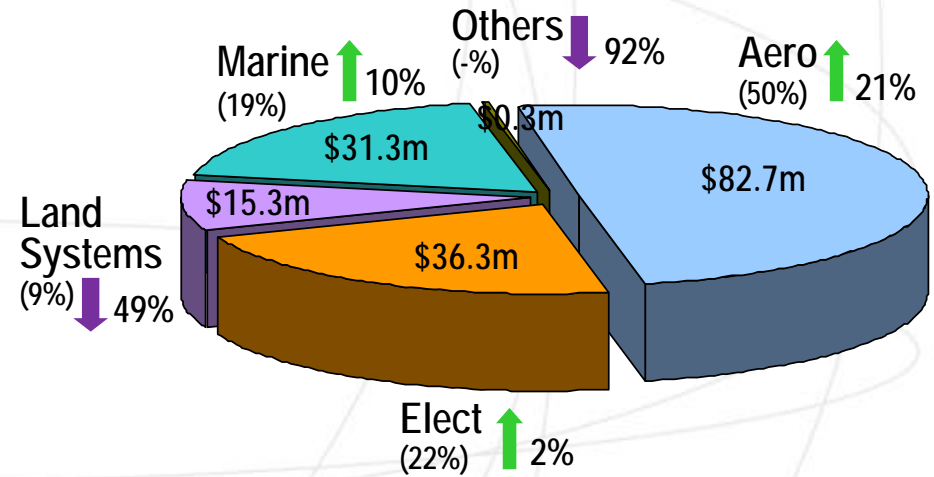
by sector

2Q2011



\$166.9m

3Q2011



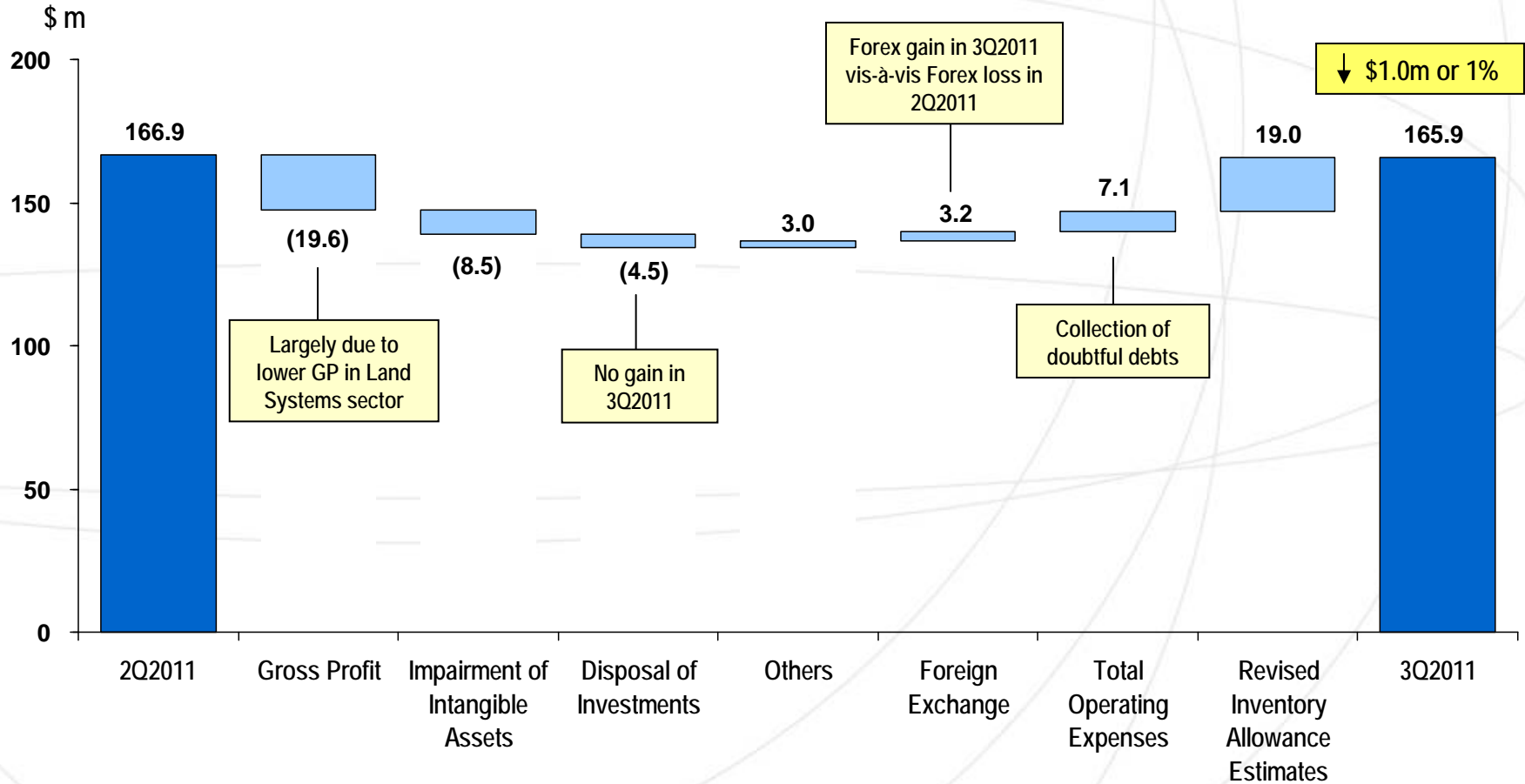
\$165.9m

1%
\$1.0m

Comparable PBT
Lower PBT in Land Systems sector, offset by higher PBT in Aerospace and Marine sectors

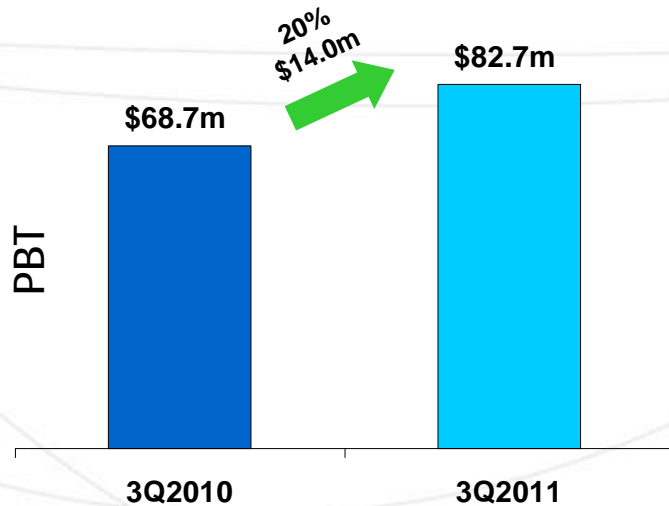
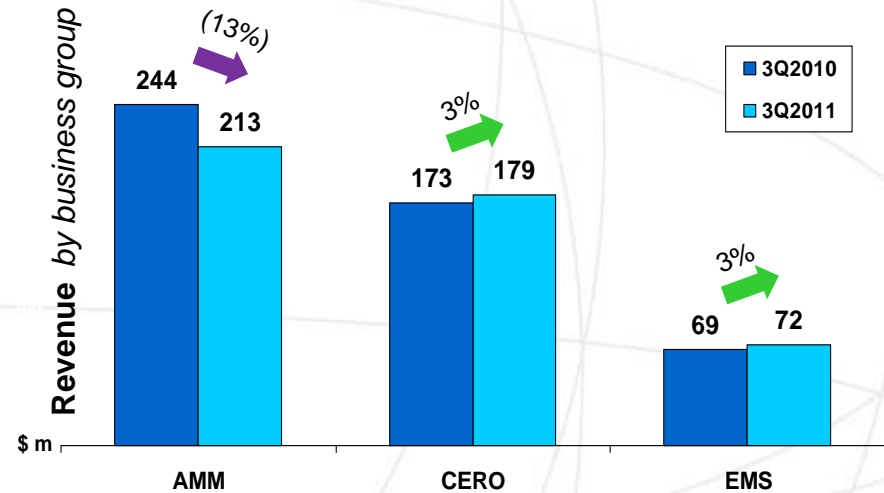
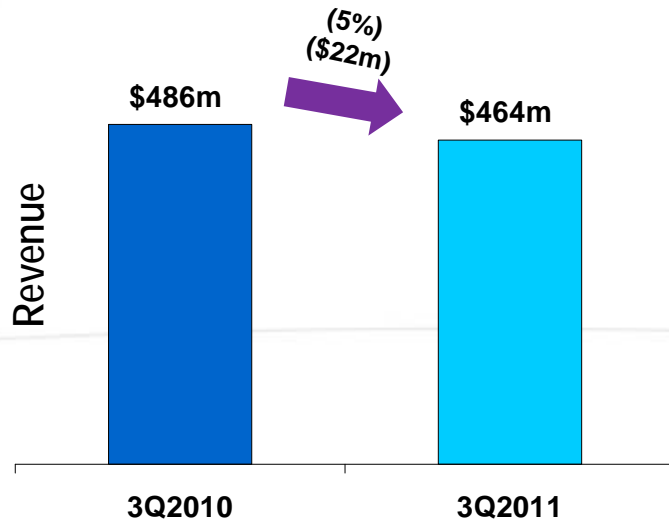
Profit Before Tax

3Q2011 vs 2Q2011



Aerospace

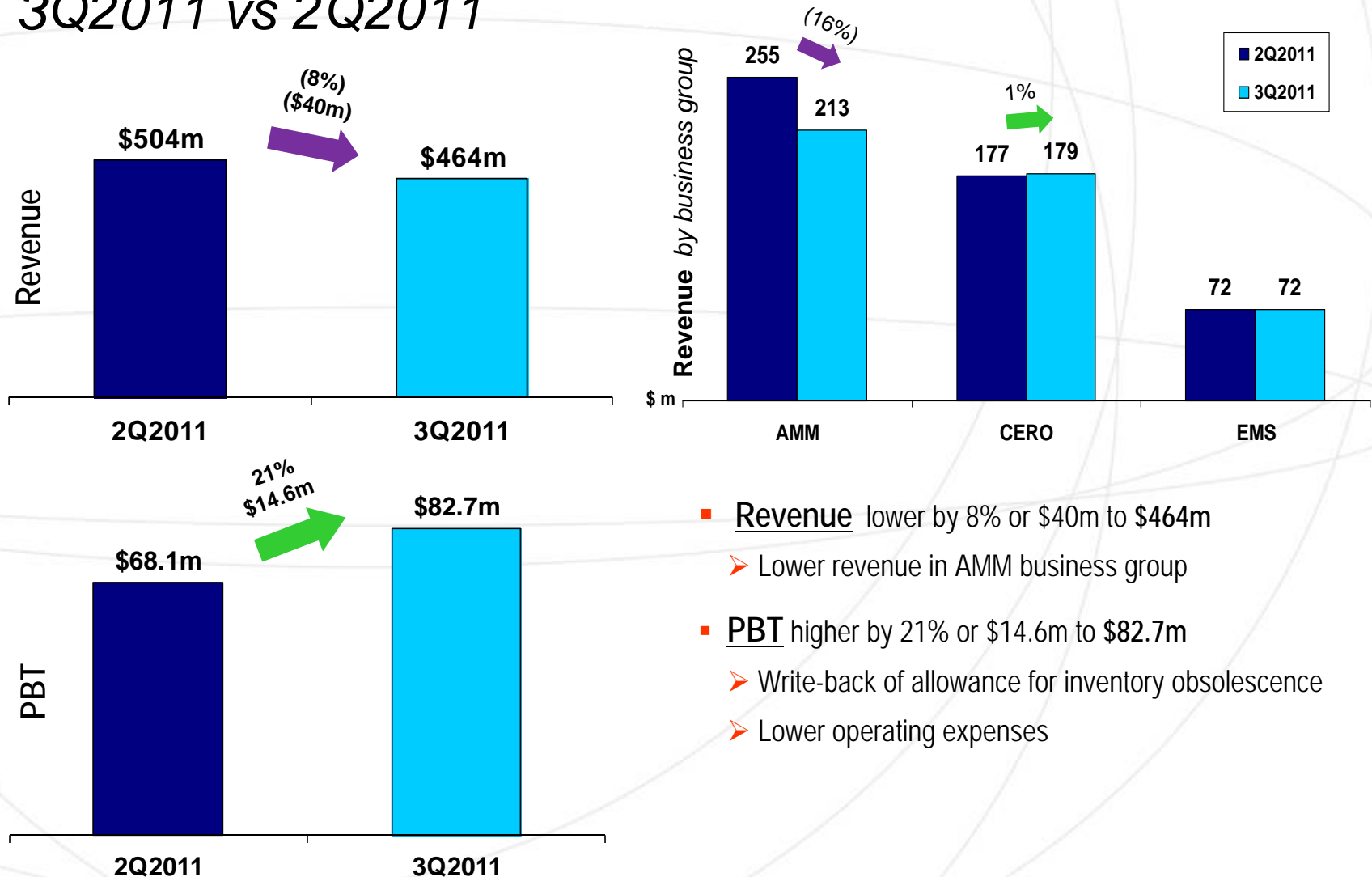
3Q2011 vs 3Q2010 - Steady Profits



- **Revenue** lower by 5% or \$22m to \$464m
 - Lower revenue from AMM with weaker US dollar
- **PBT** higher by 20% or \$14.0m to \$82.7m
 - Write-back of allowance for inventory obsolescence
 - Lower finance costs
 - Higher contribution from associates

Aerospace

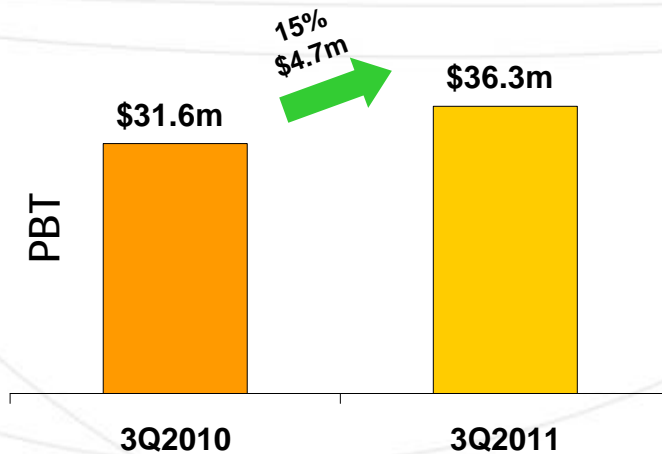
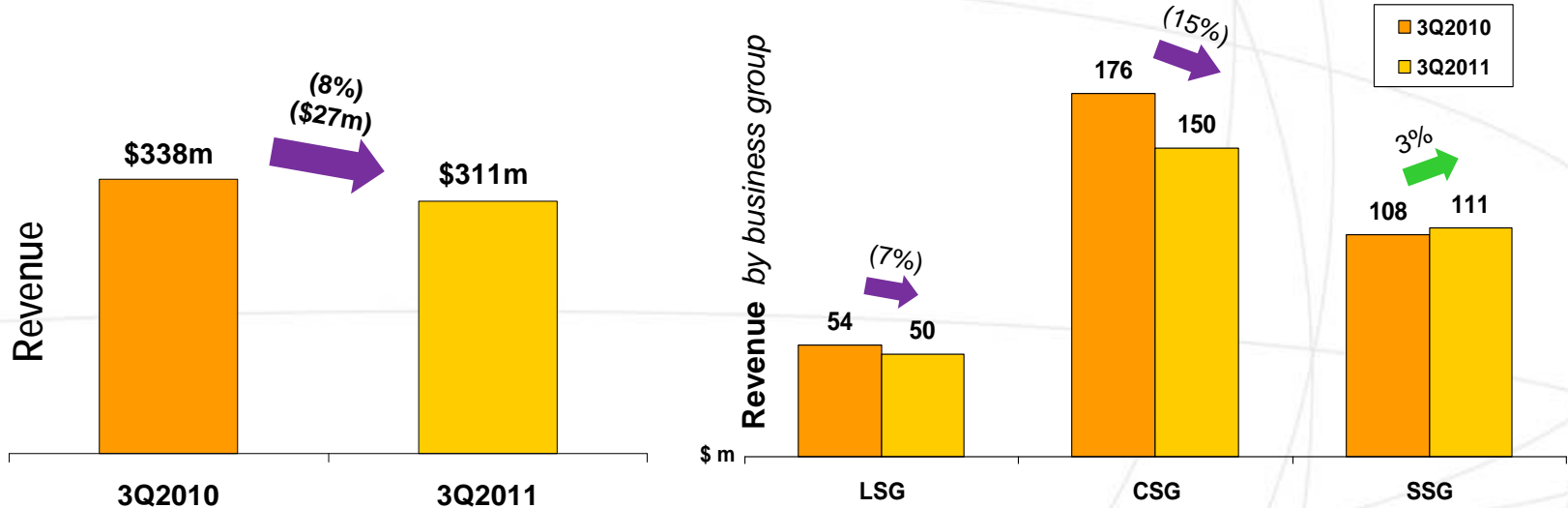
3Q2011 vs 2Q2011



- **Revenue** lower by 8% or \$40m to \$464m
 - Lower revenue in AMM business group
- **PBT** higher by 21% or \$14.6m to \$82.7m
 - Write-back of allowance for inventory obsolescence
 - Lower operating expenses

Electronics

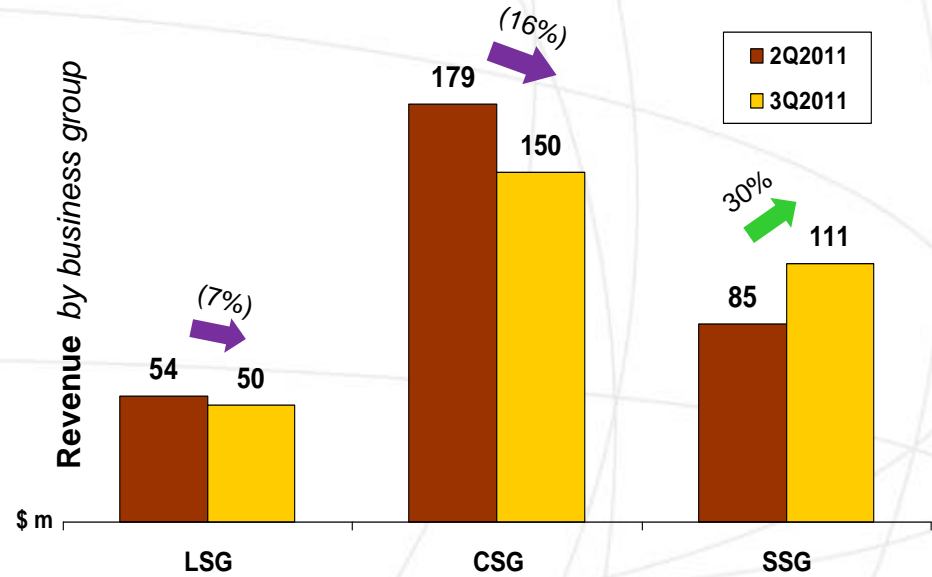
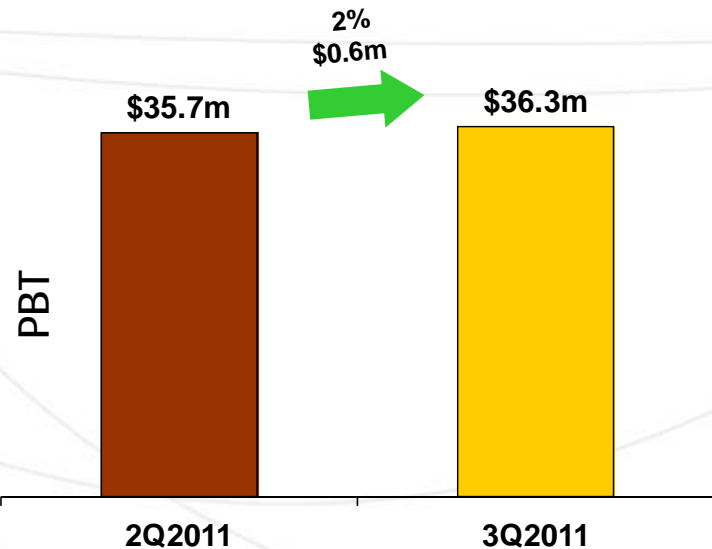
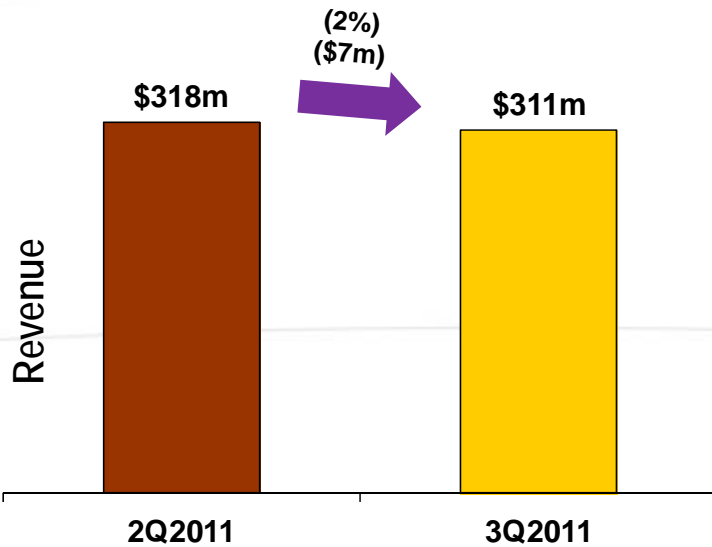
3Q2011 vs 3Q2010 - Higher Profit in 3Q2011



- **Revenue** lower by 8% or \$27m to \$311m
 - Lower value project milestone completions in CSG and LSG
- **PBT** higher by 15% or \$4.7m to \$36.3m
 - Favourable sales mix
 - Better contribution from satellite communication product sales
 Partially offset by:
 - Higher operating expenses

Electronics

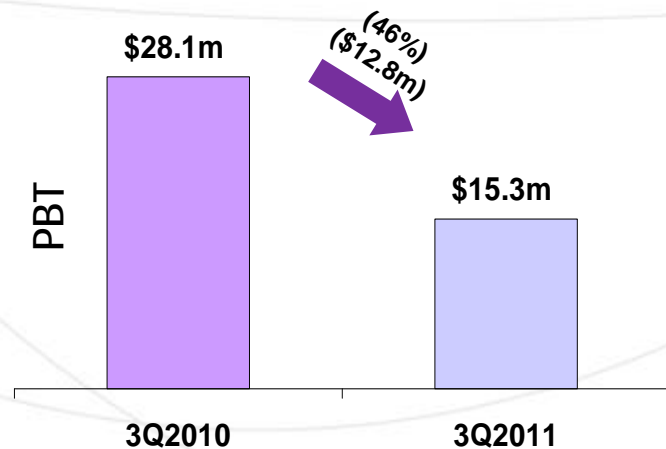
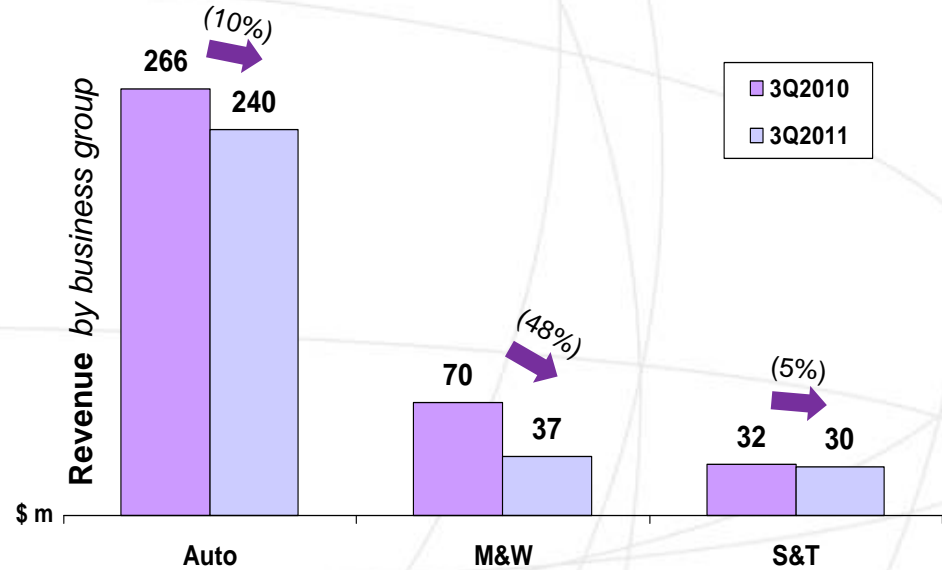
3Q2011 vs 2Q2011



- Comparable Revenue at \$311m
 - Lower value project milestone completions in CSG and LSG
 - Offset by:
 - Higher value milestone completions of simulator projects in SSG
- Comparable PBT at \$36.3m
 - Favourable sales mix
 - Offset by:
 - Higher operating expenses

Land Systems

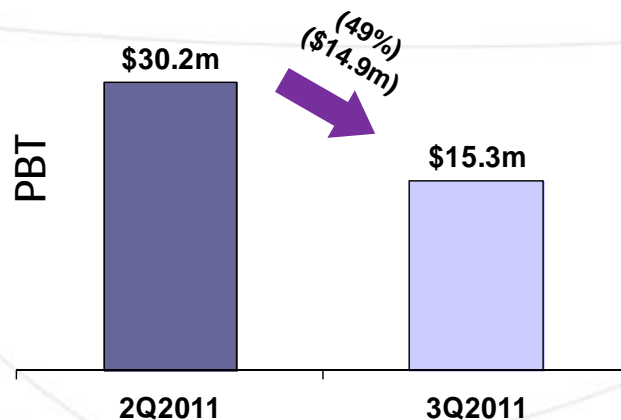
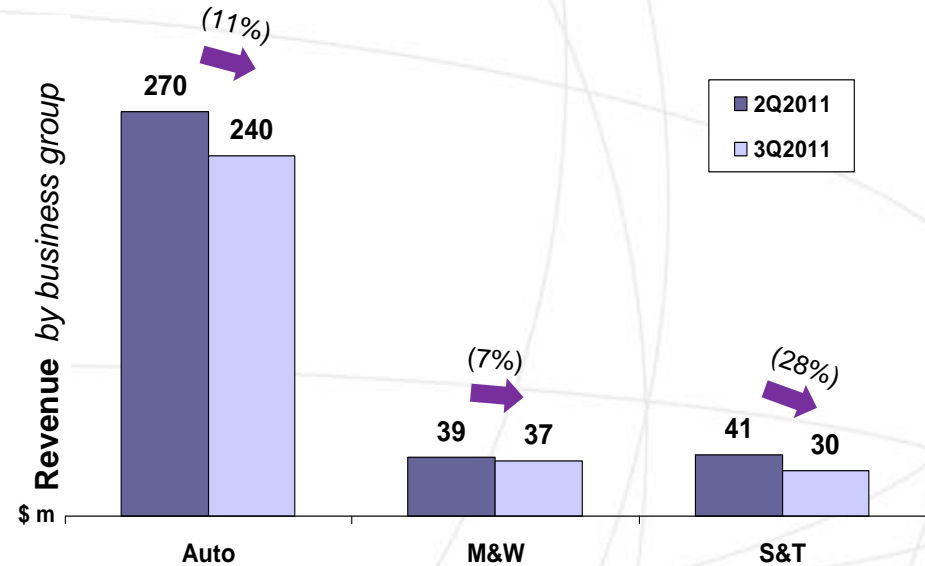
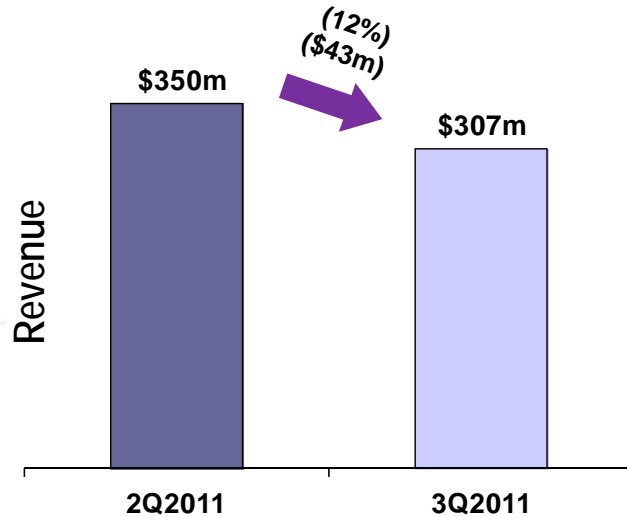
3Q2011 vs 3Q2010 - Lower Profits due to Lower Sales



- **Revenue** lower by 17% or \$61m to \$307m
 - Lower sales of Auto and M&W business groups
- **PBT** lower by 46% or \$12.8m to \$15.3m
 - In line with lower revenue
 - Higher operating expenses

Land Systems

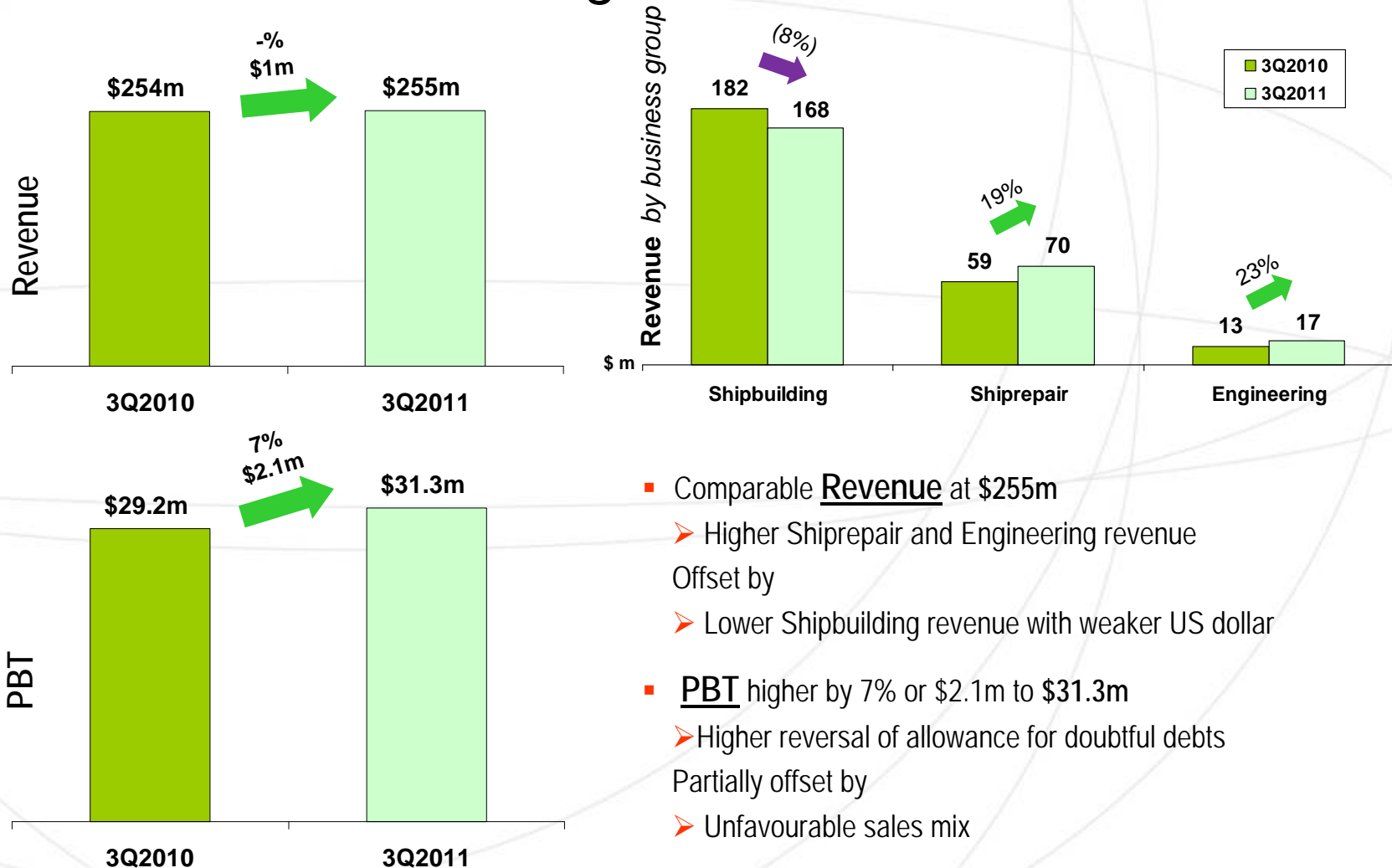
3Q2011 vs 2Q2011



- **Revenue** lower by 12% or \$43m to \$307m
 - Lower sales in Auto and S&T business groups
- **PBT** lower by 49% or \$14.9m to \$15.3m
 - In line with lower revenue
 - Unfavourable product mix

Marine

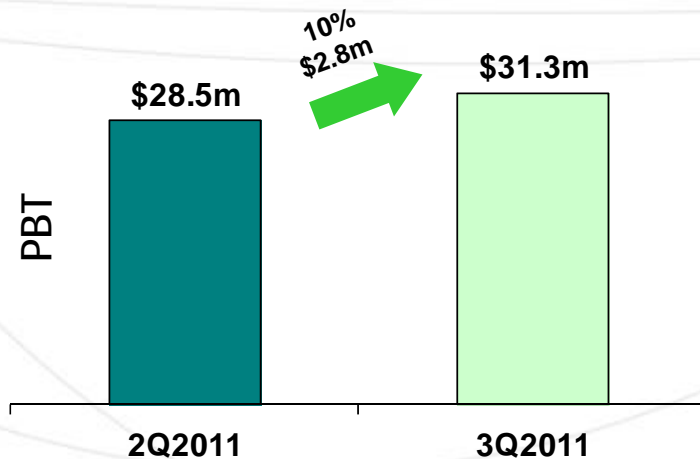
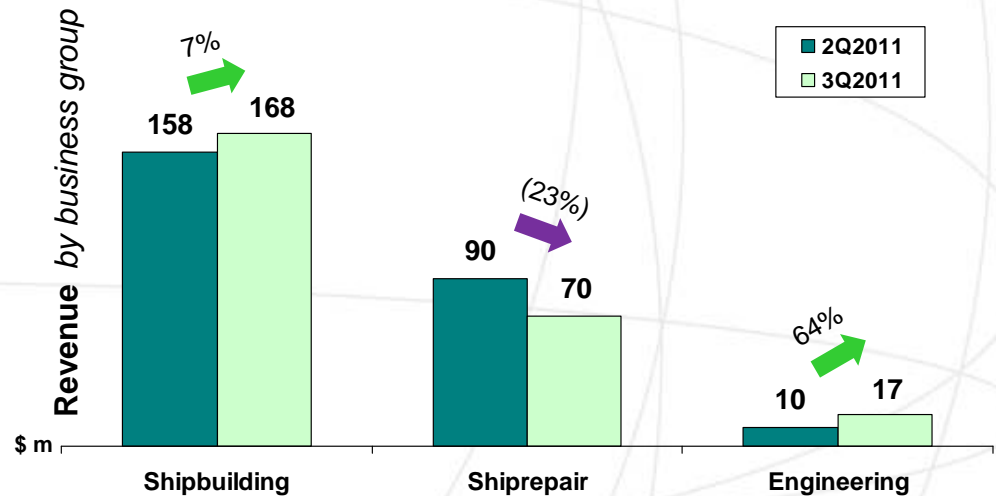
3Q2011 vs 3Q2010 - Higher Profit Before Tax



- Comparable **Revenue** at \$255m
 - Higher Shiprepair and Engineering revenue
 - Offset by
 - Lower Shipbuilding revenue with weaker US dollar
- **PBT** higher by 7% or \$2.1m to \$31.3m
 - Higher reversal of allowance for doubtful debts
 - Partially offset by
 - Unfavourable sales mix

Marine

3Q2011 vs 2Q2011



- Comparable **Revenue** at \$255m
 - Lower Shiprepair revenue
 - Offset by
 - Higher Shipbuilding and Engineering revenue
- **PBT** higher by 10% or \$2.8m to \$31.3m
 - Higher reversal of allowance for doubtful debts

EBITDA / EBIT - Group

\$ m	3Q2011	3Q2010	%
EBITDA	186.0	200.6	(7)
Depreciation & amortisation	<u>(32.9)</u>	<u>(43.2)</u>	24
EBIT	153.1	157.4	(3)
Other income, net	8.4	6.2	36
Finance costs, net	(6.1)	(13.3)	54
Associates and jointly controlled entities	10.5	9.5	10
Profit before tax	165.9	159.8	4

Favourable foreign exchange impact

PBT Margin *by sector*

	3Q2011		3Q2010	2Q2011
	%		%	%
Aerospace	18	<p>Write-back of allowance for inventory obsolescence following the revision in inventory allowance estimates</p>	14	14
Electronics	11		9	11
Land Systems	5		8	9
Marine	12		11	11
Group	12		11	11

Unfavourable product mix

Net Profit *by sector*

\$ m	3Q2011		3Q2010		Change	
Aerospace	70.4	53%	59.4	46%	↑	19%
Electronics	28.7	22%	27.3	21%	↑	5%
Land Systems	11.3	8%	22.7	17%	↓	50%
Marine	22.0	16%	21.8	17%	↑	1%
Others	1.4	1%	(1.0)	(1%)	↑	223%
Group	133.8	100%	130.2	100%	↑	3%

Net Profit grew by 3%

Higher Net Profit in Aerospace and Electronics sectors, offset by lower Net Profit in Land Systems sector

Statement of Cash Flows

\$ m	3Q2011	3Q2010
Cash flow from/(used in) :		
Operating activities	184	73
Investing activities	(112)	(65)
Financing activities	(69)	(100)
Net increase/(decrease) in in CCE	3	(92)
CCE at beginning of the period	1,166	1,411
Exchange difference	12	(13)
CCE at end of the period	1,181	1,306

Healthy operating cash flows

- Purchase of PPE
- Purchase of short-term investments

Payment of interim dividends (\$92m)






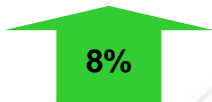
- CCE - Cash & Cash Equivalents

Agenda

- **Financial Highlights**
 - *3Q2011*
 - *9M2011*
- **Business Review**
 - *Sector Operations*
- **Outlook**

Financial Highlights

for the first nine months ended 30 September 2011

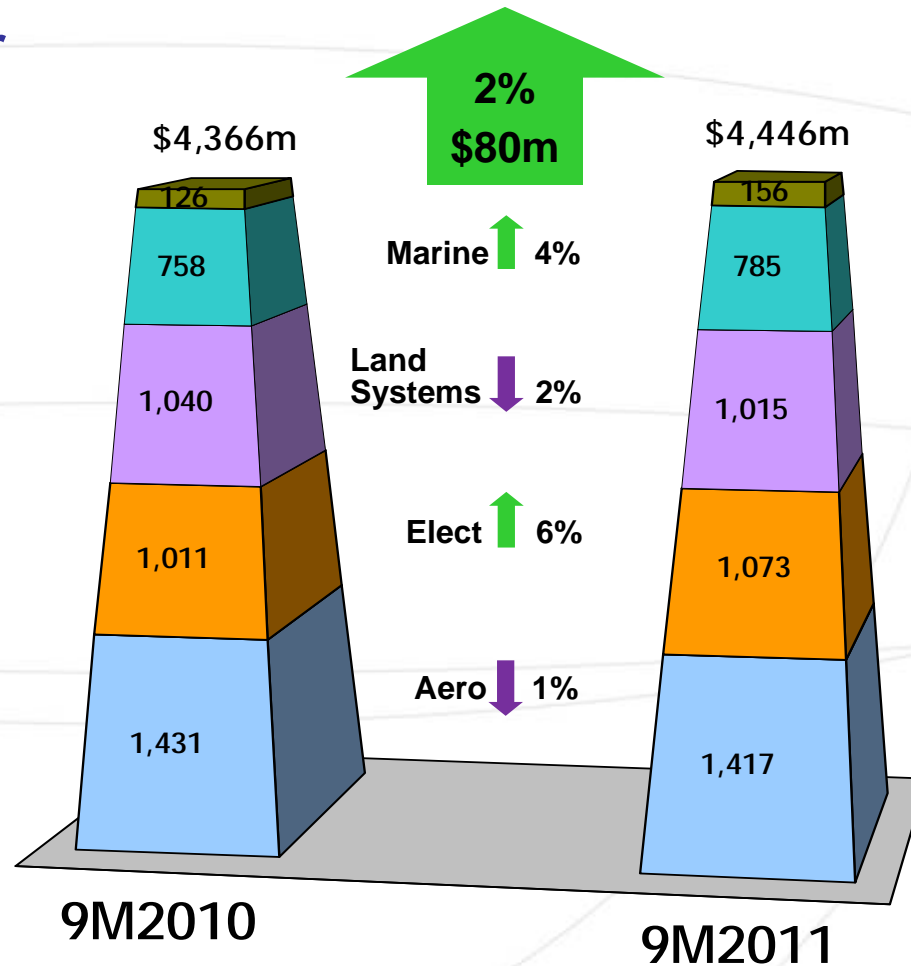
\$ m	9M2011 (a)	9M2010 (b)	Change (a) / (b)
Revenue	4,446	4,366	 2%
EBIT	437.4	415.5	 5%
Other income, net	22.6	28.3	 20% Jobs Credit Scheme (\$7.9m)
Finance costs, net	(17.1)	(40.8)	 58%
PBT	470.9	433.9	 9%
Net Profit	375.4	347.0	 8%

• Favourable foreign exchange impact
• Higher gain from disposal of investments

4Q2010 - Change in depreciation estimates; Decrease in depreciation charge (\$39.5m)

Group Revenue

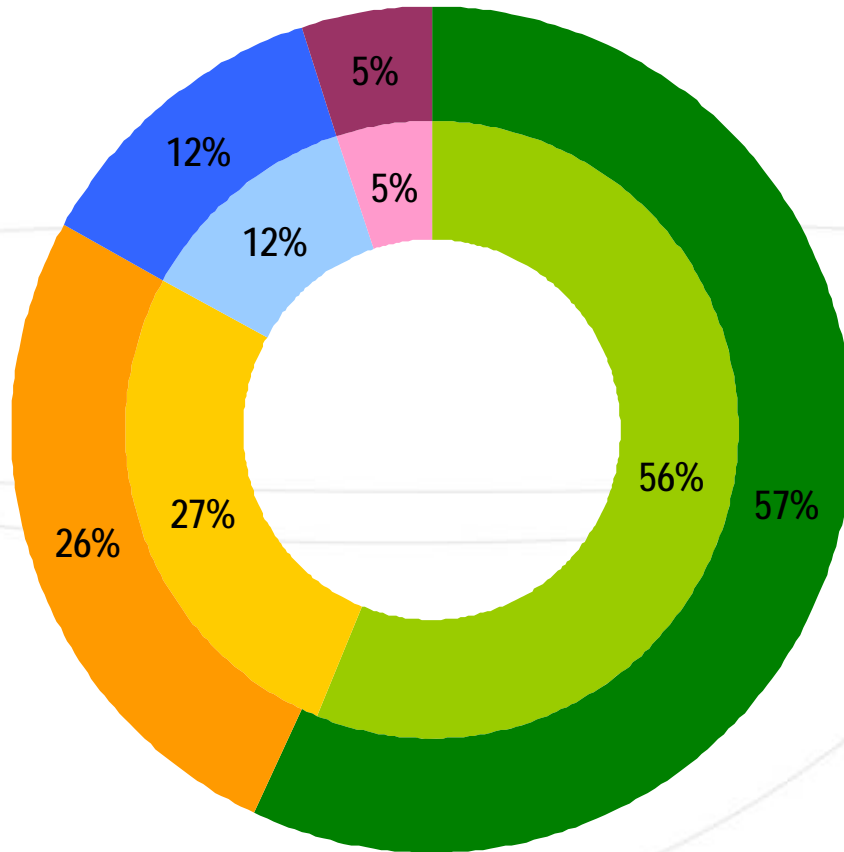
by sector



Comparable Revenue

Group Revenue

Breakdown by location of customers (by geography)



Locality	9M2010		9M2011	
	\$m	%	\$m	%
Asia	2,444	56	2,522	57
USA	1,171	27	1,146	26
Europe	520	12	524	12
Others	231	5	254	5
Total	4,366	100	4,446	100

EBITDA / EBIT - Group

\$ m	9M2011	9M2010	%
EBITDA	534.2	544.0	(2)
Depreciation & amortisation	(96.8)	(128.5)	25
EBIT	437.4	415.5	5
Other income, net	22.6	28.3	(20)
Finance costs, net	(17.1)	(40.8)	58
Associates and jointly controlled entities	28.0	30.9	(10)
Profit before tax	470.9	433.9	9

- Favourable foreign exchange impact
- Higher gain from disposal of investments

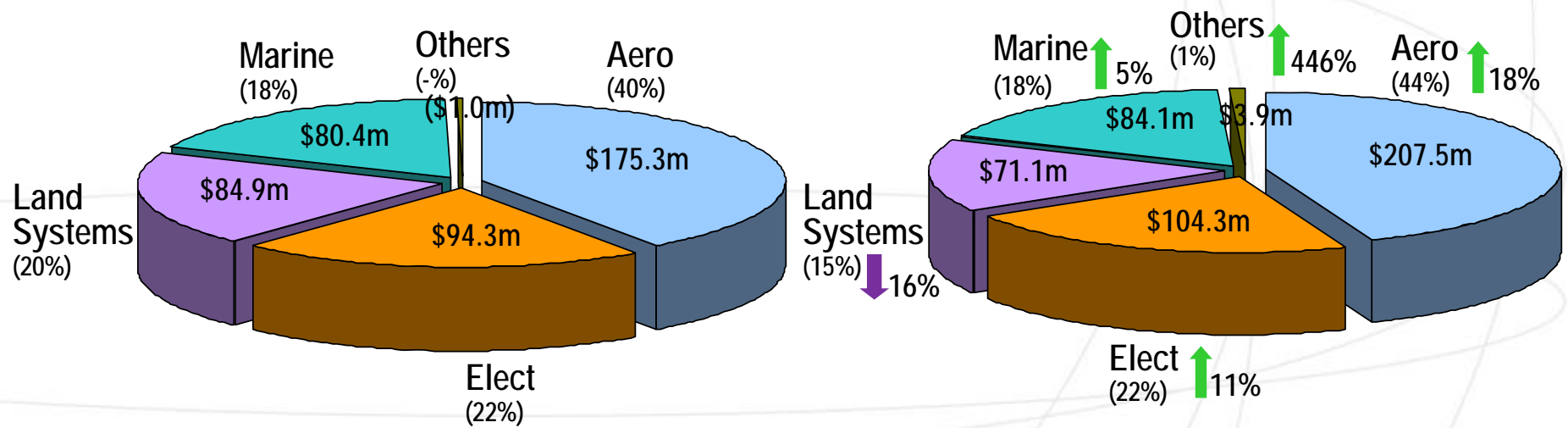
Jobs Credit Scheme (\$7.9m)

Profit Before Tax

by sector

9M2010

9M2011



\$433.9m

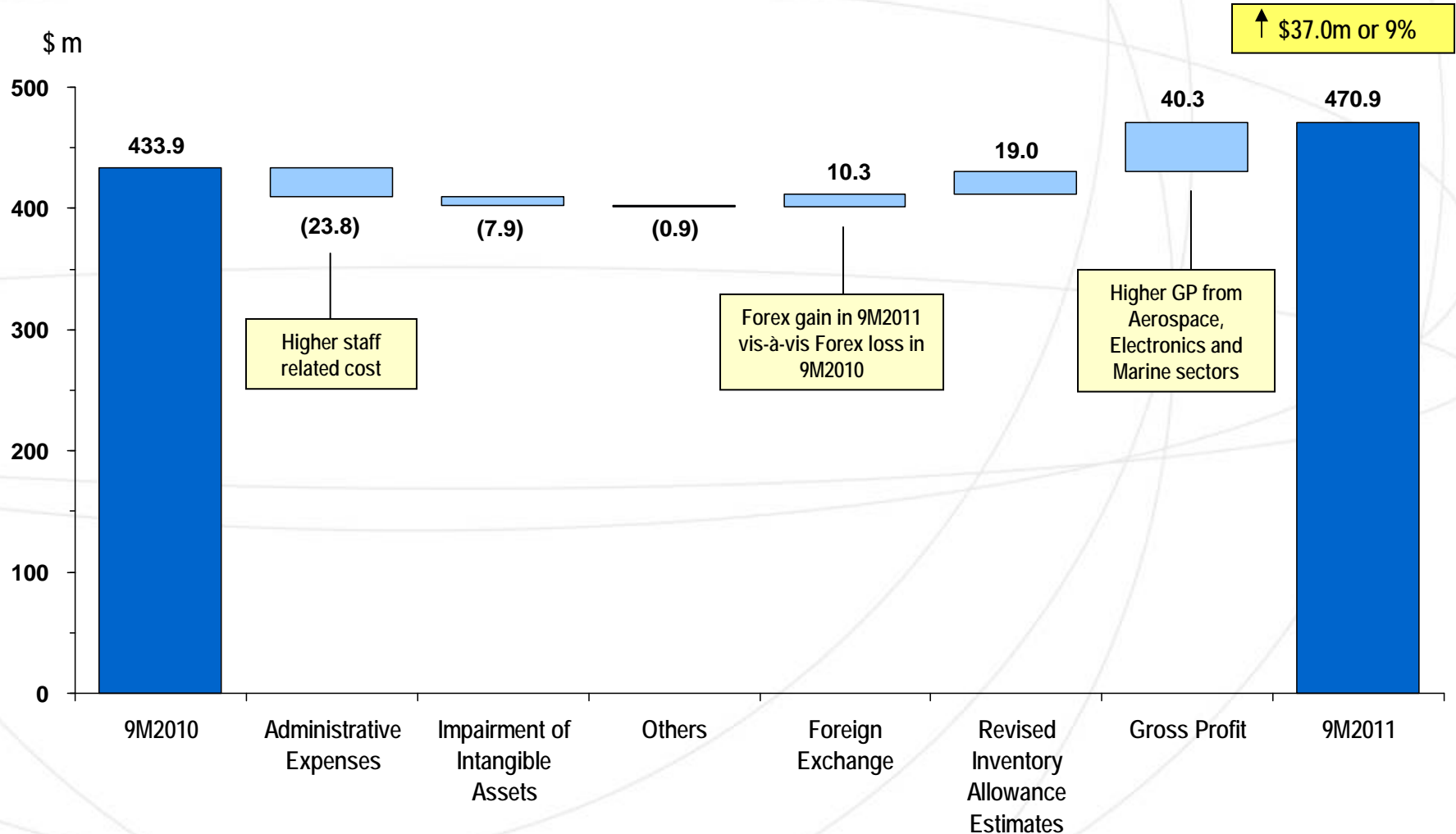
9%
\$37.0m

\$470.9m

Higher by 9%
Higher PBT in all Sectors except for Land Systems sector

Profit Before Tax

9M2011 vs 9M2010



Net Profit *by sector*

\$ m	9M2011		9M2010		Change	
Aerospace	173.3	46%	144.1	41%	↑	20%
Electronics	82.5	22%	76.0	22%	↑	8%
Land Systems	55.8	15%	68.3	20%	↓	18%
Marine	60.4	16%	61.6	18%	↓	2%
Others	3.4	1%	(3.0)	(1%)	↑	211%
Group	375.4	100%	347.0	100%	↑	8%

Higher by 8%

Higher Net Profit in Aerospace and Electronics sectors, partially offset by lower Net Profit in Land Systems sector

Balance Sheet

\$ m	30 Sep 2011	31 Dec 2010
Property, plant and equipment	1,339	1,302
Associates & jointly controlled entities	309	281
Investments	13	16
Intangible assets	570	580
Investment properties	2	2
Long-term receivables, non-current	34	36
Amount due from related parties, non-current	7	7
Finance lease receivables, non-current	15	7
Derivative financial instruments	4	1
Deferred tax assets	119	119
<i>Non-current assets</i>	2,412	2,351
<i>Current assets</i>	4,952	4,917
Total assets	7,364	7,268
<i>Current liabilities</i>	3,510	3,551
<i>Non-current liabilities</i>	2,127	1,990
Total liabilities	5,637	5,541
<i>Share capital and reserves</i>	Net Assets: { 1,618	Net Assets: { 1,622
<i>Non-controlling interests</i>	{ 109	{ 105
Total equity and liabilities	7,364	7,268
Net current assets	1,442	1,366

Non-Current Liabilities
 Increased by \$137m:
 ➤ Mainly due to refinancing of a long-term bank loan, current

Agenda

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Business Review

– Aerospace Operations

- Secured \$453m of new contracts
- Additional capacity/capabilities/contracts
 - Aircraft Cabin Interiors Development
 - Signed agreement to invest in DRB to enhance aircraft interior design capabilities
 - Secured A330 cabin reconfiguration project from Jet Airways
 - Redelivered EASA STC cabin reconfiguration project on A320 for Ural Airlines
 - Official opening of Xiamen engine facility in October



Cabin interiors designed by DRB

Business Review

– *Electronics Operations*

■ LSG

- Secured an Incident Management System project from NEA

■ CSG

- Secured an AgilFence Perimeter Intrusion Detection System for Changi Airport's perimeter fence
- VT iDirect's government line of Evolution satellite routers & line cards achieved the Federal Information Processing Standards Publication (FIPS) 140-2 Level 2 validation

■ SSG

- Secured a contract to design & build a data centre for Hong Leong Finance
- Incorporated a JV company (NEC STEE Cloud Services Pte Ltd) with NEC Corporation



Signing ceremony with CAG on AgilFence Perimeter Intrusion Detection System



Business Review

– Land Systems Operations

- Auto
 - Secured contract from SMRT Buses to supply MAN A22 buses
 - Secured contract from MINDEF to supply new generation Spider Light Strike Vehicles
 - Launched TRXBUILD at construction equipment exhibitions in Brazil & Mexico and mining equipment exhibition in Indonesia
- M&W
 - Delivered munitions and weapons
- S&T
 - Delivered test services and agency sales



MAN A22 Bus



Spider LSV



40mm munitions

Business Review

– Marine Operations

■ Shipbuilding

- Delivered Diving Support Vessel (DSV), *“Skandi Singapore”*
- Plate cut 1st of four Anchor Handling Tug Supply (AHTS) Vessels
- Plate cut 2nd Container and Roll on/Roll off Car Truck Carrier (ConRo)



“Skandi Singapore”

■ Shiprepair

- Secured repair work on dredger, *“Andromeda V”*
- Secured repair work on chemical tanker, *“Kokoka Vigorous”*
- Completed the conversion of decommissioned jack-up rig into a Mobile Offshore Production Unit (MOPU), *“Rubicone”*



Conversion of
decommissioned
jack-up rig

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Group Outlook for FY2011

Barring unforeseen circumstances, the Group expects to achieve revenue and PBT for FY2011 comparable to FY2010.

- For Aerospace sector, FY2011 revenue is expected to be comparable, whilst PBT is expected to be higher than that of FY2010.
- For Electronics sector, FY2011 revenue and PBT are expected to be higher than that of FY2010.
- For Land Systems sector, FY2011 revenue is expected to be comparable, whilst PBT is expected to be lower than that of FY2010.
- For Marine sector, FY2011 revenue and PBT are expected to be comparable to that of FY2010.

Group Outlook for FY2011

Aerospace

- To pursue VIP interior business initiatives
- To secure new MBH™ programmes and long term airframe contracts
- To pursue new PTF development programme

Group Outlook for FY2011

Electronics

- Sales recognition from both LTA's Circle Line & Half Height Platform Screen Doors projects
- Sales recognition from an Advanced Combat Man System, a communication system project, an Integrated Resort project, the supply of telematics systems & satellite communication products
- Sales recognition from the milestone completions of simulator projects, software system projects and managed services sales

Group Outlook for FY2011

Land Systems

- Deliver Terrex ICV, munitions, weapons and specialty vehicles
- Continue to pursue key defence programmes
- Continue to brand TRXBUILD at key construction equipment exhibitions – BICES (China) and EXCON (India)

Group Outlook for FY2011

Marine

- Expect to launch 1st of four Fast Missile Craft
- Expect to deliver 1st of three 330,000 bbl ATB and Missile Range Instrumentation Ship (T-AGM 25), *"USNS Howard O. Lorenzen"*
- Expect to complete conversion of single hull tanker to a multi-purpose offshore vessel, *"Trinity Supporter"*



"Trinity Supporter"

President & CEO's Message

"In 3Q2011, the Group recorded increases of 4% and 3% in PBT and Net Profit respectively despite a 6% drop in revenue over the corresponding quarter in 2010. Compared to 9M2010, the Group's PBT and Net Profit improved by 9% and 8% whilst revenue was comparable.

The Group continues to secure orders and grow its order backlog to \$11 billion at the end of the quarter despite the challenging environment.

Barring unforeseen circumstances, the Group expects to achieve revenue and PBT for FY2011 comparable to FY2010."

~ Tan Pheng Hock

Thank You

