

Financial Results Briefing

Full Year 2008

17 February 2009



Record Order Book

FY2008 Results



Agenda

- **Financial Highlights**
- Year in Review
 - *Sector Operations*
 - *Singapore Airshow 2008 and Our Green Efforts*
 - *Key Contracts*
- Outlook

Financial Highlights

for the year ended 31 December 2008

\$ m	FY2008	FY2007	Change
Turnover	5,345	5,051	6%
Investment income	(4.7)	39.2	112%
Interest & Other income	40.1	52.3	23%
EBIT	509.1	550.3	8%
PBT	540.7	638.1	15%
PATMI	473.6	503.5	6%
EVA	357.9	388.8	8%
Dividend per share	15.8¢	16.88¢	6%
* Final	12.8¢	14.88¢	
* Interim	3.0¢	2.0¢	

Engineering our future

Financial Highlights

for the year ended 31 December 2008

- Turnover up 6%; growth from all sectors except Marine sector
- Resilient operating performance; EBIT decreased by 8% and EBITDA decreased marginally by 2%
- PBT and PATMI decreased by 15% and 6% respectively; lower profits in all sectors except Land Systems sector
- Better PATMI for FY2008 without impairment and doubtful debts allowance

Financial Highlights

for the year ended 31 December 2008

	FY2008	FY2007
Earnings Per share	15.82¢	16.95¢
Return on Sales	9.1%	10.4%
Return on Equity	30.0%	30.8%

Financial Highlights

for the year ended 31 December 2008

- Proposed Dividend : 100% of earnings (FY2007 : 100%)
- Dividend Yield : 5.16% (FY2007 : 4.94%)
- Commercial sales at 66% (FY2007 : 67%) or \$3.5b of turnover
- \$10.6b order book; about \$3.63b to be delivered in 2009 (end 2007 : \$9.49b)
- \$1.05b of cash and cash equivalents (FY2007 : \$1.46b*)

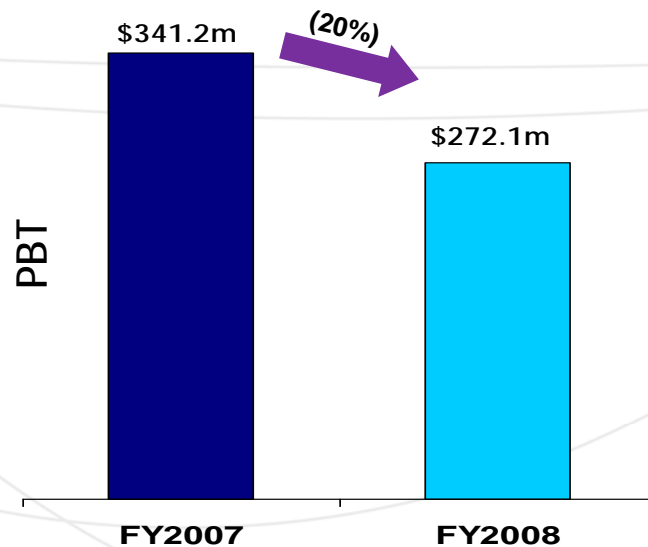
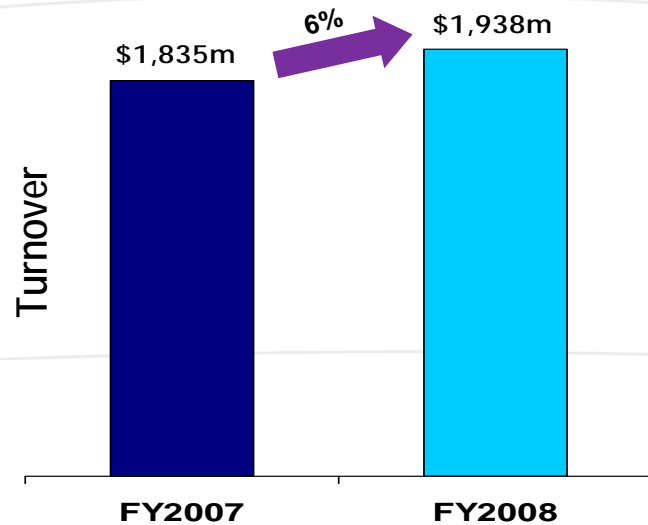
* Inclusive of amounts under fund management; the funds fully matured in FY2008.

Turnover grew but lower profit

Aerospace



Aerospace



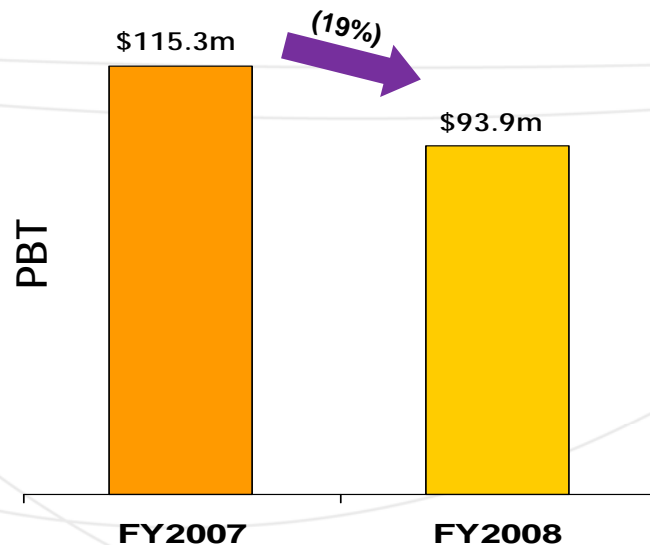
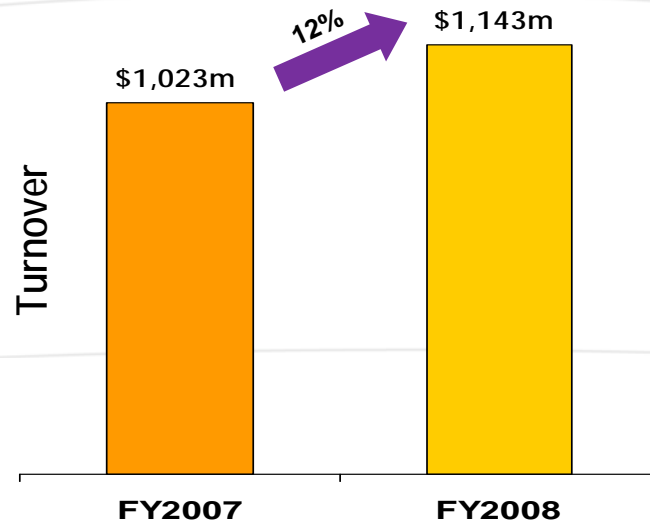
- **Turnover** increased by 6% or \$103m to \$1,938m
 - 757 freighter conversion redeliveries (AMM)
 - Higher sales in engines division (CERO)
 - More project milestone completions (EMS)Partially offset by:
 - Lower turnover in STA Solutions (CERO)
- **PBT** lower by 20% or \$69.1m to \$272.1m
 - Unfavourable forex impact
 - Higher depreciation due to investment in new capabilities and capacity
 - Higher PTF prototyping costs
 - Lower profits from CERO business group

Good EBIT Performance

Electronics



Electronics



- Turnover increased by 12% or \$120m to \$1,143m

- Milestone completions of LTA's Circle Line project and Taiwan MRT projects (LSG)
- Milestone completions of a communication project as well as sales of satellite communication products and of telematics systems (CSG)
- Milestone completions of software system projects, a managed services project and higher simulation business (SSG)

- PBT lower by 19% or \$21.4m to \$93.9m

- Impairment in value of quoted investments amounting to \$18.7m (LSG and CSG)
- Lower contribution from satellite communication product sales (CSG)
- Lower contribution from associated companies, divested ECS in 4Q2007 (SSG)

Sustained Performance

Land Systems



Land Systems



- Turnover increased by 8% or \$96m to \$1,274m

- Higher export sales (M&W)
- Higher project deliveries (Auto)

Partially offset by:

- Lower sales from US operations (Auto)

- PBT higher by 6% or \$4.7m to \$84.7m

- Higher profits from higher turnover (M&W)

Partially offset by:

- Impairment in value of a quoted investment, lower interest income, weakness in US operations and lower margins from product mix (Auto)

Comparable Profits Attributable to Shareholders

Marine



Phase II FMC Contract



RoRo Delivery & Launched

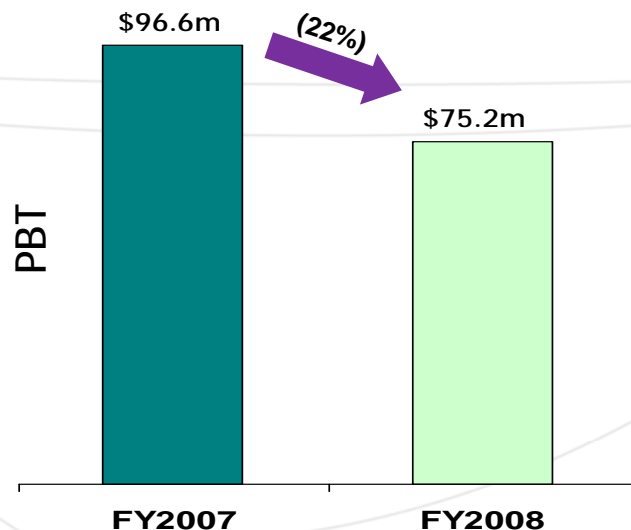
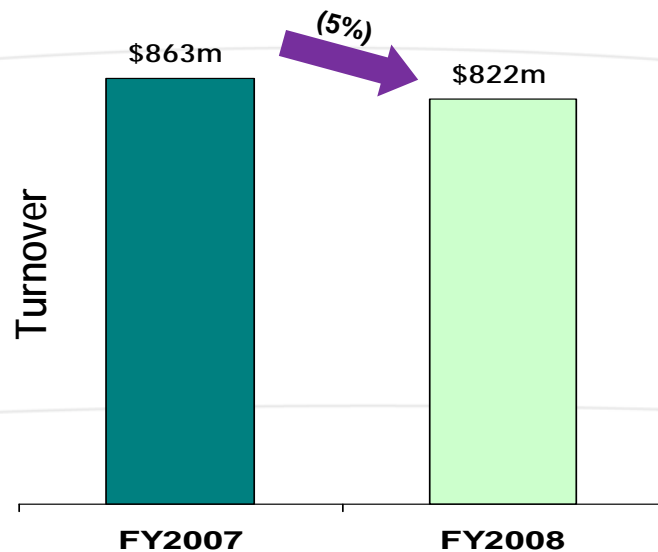


**Submarine Support &
Rescue Vessel**



"Energy Driller"

Marine



- Turnover decreased by 5% or \$41m to \$822m

- Lower Shipbuilding turnover from different project mix

Partially offset by:

- Higher Shiprepair turnover from buoyant shiprepair activities
- Higher Engineering turnover from environmental engineering business

- PBT lower by 22% or \$21.4m to \$75.2m

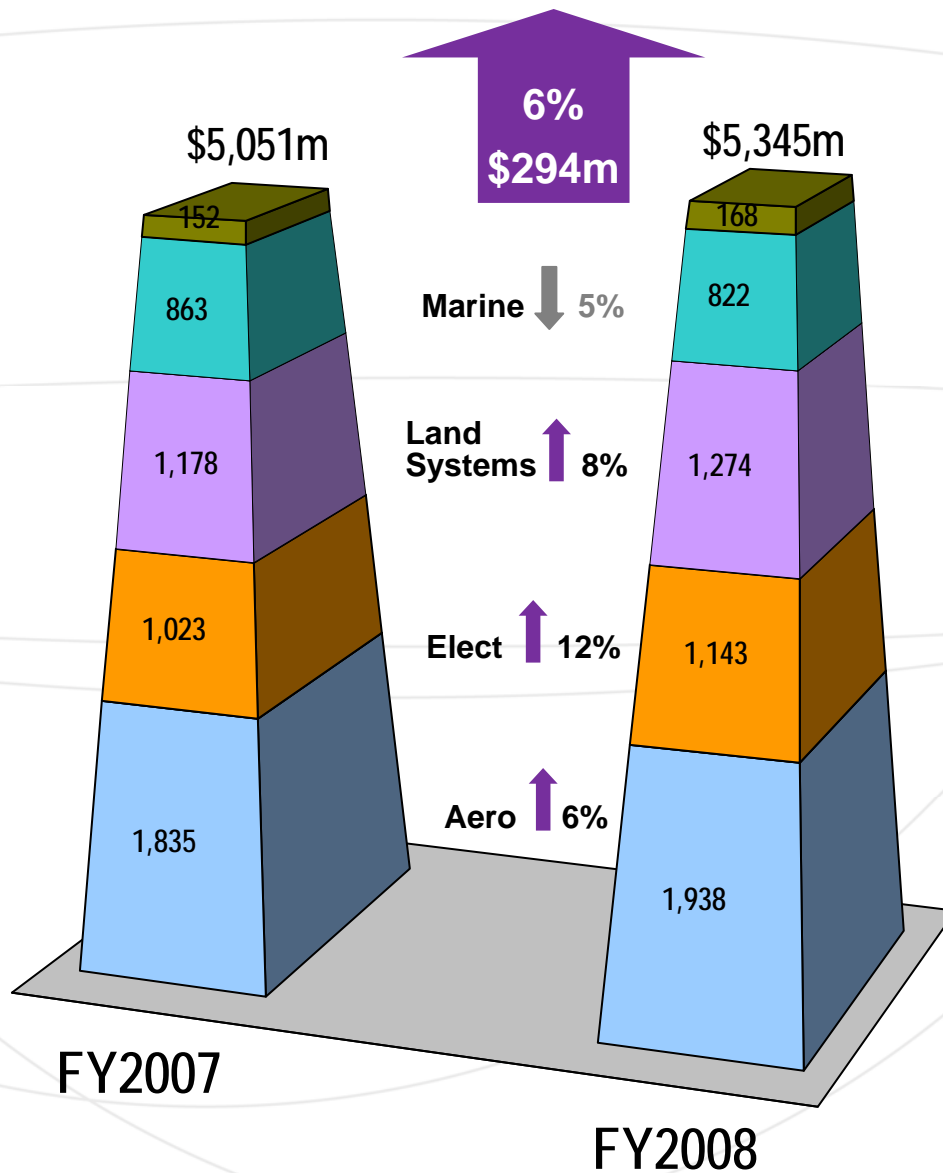
- Lower investment income
- Recognition of losses from a contract secured in previous year
- Higher selling and distribution expenses

Record Order Book

ST Engineering



Group Turnover



- Group turnover higher by 6% or \$294m

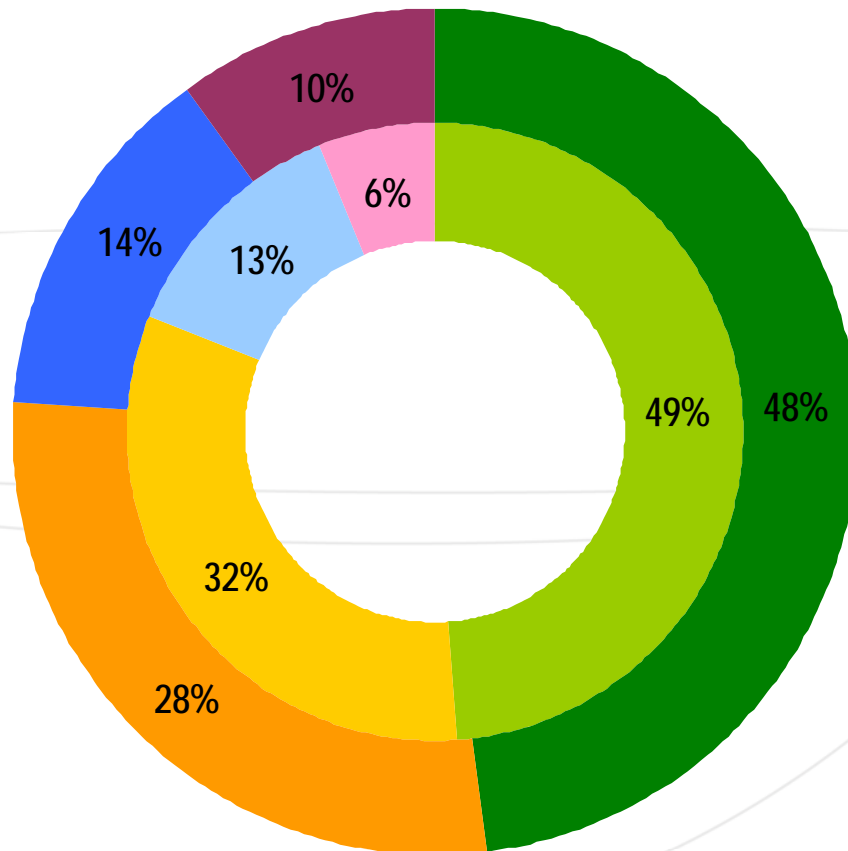
- Higher turnover in Aerospace, Electronics and Land Systems sectors

Partially offset by:

- Lower turnover in Marine sector

Group Turnover

Breakdown by location of customers (by geography)

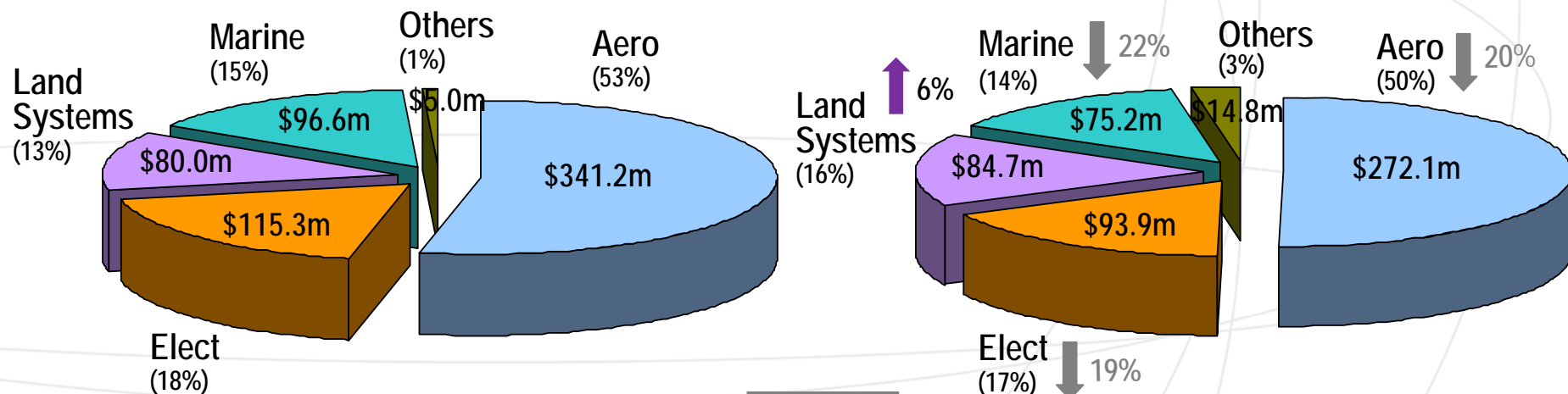


Locality	FY2007		FY2008	
	\$m	%	\$m	%
Asia	2,486	49	2,539	48
USA	1,589	32	1,523	28
Europe	655	13	743	14
Others	321	6	540	10
Total	5,051	100	5,345	100

Profit Before Tax

FY2007

FY2008



\$638.1m



\$540.7m

Lower PBT in all sectors except Land Systems sector

EBITDA / EBIT - Group

\$ m	FY2008	FY2007	%
EBITDA	667.9	684.4	(2)
Depreciation & amortisation	<u>(158.8)</u>	<u>(134.1)</u>	(18)
EBIT	509.1	550.3	(8)
Investment income, net	(4.7)	39.2	(112)
Investment income	21.2	37.8	
Impairment in value of investments	(25.9)	1.4	
Interest and other income	40.1	52.3	(61)
Financial expenses	(42.7)	(50.3)	15
Operating profit	501.8	591.5	(15)
Associated companies	38.9	46.6	(17)
Profit before tax	540.7	638.1	(15)

Investment in new capabilities & capacity (Aero)

Lower EBIT in Aerospace sector, but partially offset by Electronics sector

Impairment in value of quoted investments in Electronics (\$18.7m) & Land Systems (\$6.9m) sectors

Lower interest income (by \$21.3m)

Lower US\$ interest rate

Absence of share of ECS profits (divested in 4Q2007)

Investment Income

\$ m	FY2008	FY2007	Change
Aerospace	21.0 (448%)	6.2 16%	↑ 239% <i>Higher income from maturity of amounts under fund management</i>
Electronics	(18.6) 397%	25.2 64%	↓ 174% <i>Impairment in value of quoted investments (\$18.7m)</i>
Land Systems	(6.7) 143%	(6.2) (16%)	↓ 8%
Marine	(0.4) 8%	14.0 36%	↓ 103% <i>Absence of income from maturity of amounts under fund management</i>
Group	(4.7) 100%	39.2 100%	↓ 112%

Interest and Other Income

\$ m	FY2008		FY2007		Change	
Aerospace	5.5	14%	12.6	24%	↓	57%
Electronics	3.1	8%	5.0	10%	↓	38%
Land Systems	12.1	30%	11.8	23%	↑	3%
Marine	15.0	37%	12.7	24%	↑	18%
Others	4.4	11%	10.2	19%	↓	56%
Group	40.1	100%	52.3	100%	↓	23%

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

Income from Associated Co / JV

\$ m	FY2008		FY2007		Change	
Aerospace	32.8	84%	36.0	77%	↓ 9%	Absence of contribution from ECS (divested in 4Q2007)
Electronics	1.7	4%	8.9	19%	↓ 81%	
Land Systems	4.5	12%	1.7	4%	↑ 168%	Higher contribution from BZK, partially offset by lower contribution from CityCab
Others	(0.1)	-	-	-	↓ NM	
Group	38.9	100%	46.6	100%	↓ 17%	

PBT Margin

%	FY2008	FY2007
Aerospace	14	19
Electronics	8	11
Land Systems	7	7
Marine	9	11
Group	10	13

- Unfavourable forex impact
- PTF prototyping project costs
- Higher depreciation charge

- Impairment in value of quoted investments

- Lower investment income
- Project losses

Profit After Tax & Minority Interests

\$ m	FY2008		FY2007		Change	
Aerospace	225.7	48%	270.5	54%	↓	17%
Electronics	68.1	14%	88.2	17%	↓	23%
Land Systems	79.9	17%	70.8	14%	↑	13%
Marine	74.5	16%	75.3	15%	↓	1%
Others	25.4	5%	(1.3)	-	↑	NM
Group	473.6	100%	503.5	100%	↓	6%

Lower PATMI from Aerospace and Electronics sectors, partially offset by higher PATMI from Land Systems sector & recognition of US operations' prior years deferred tax assets under "Others"

Balance Sheet



\$ m 31 Dec 2008 31 Dec 2007
(Restated)

Property, plant and equipment	1,019	1,015
Associated companies & joint ventures	263	268
Investments	54	39
Intangible assets	641	642
Investment properties	17	18
Long-term receivables	1	4
Finance lease receivables	5	1
Derivative financial instruments	16	3
Deferred tax assets	138	113
<i>Non-current assets</i>	2,154	2,103
<i>Current assets</i>	3,839	3,947
Total assets	5,993	6,050
<i>Current liabilities</i>	3,322	3,752
<i>Non-current liabilities</i>	994	518
Total liabilities	4,316	4,270
<i>Share capital and reserves</i>	1,580	1,633
<i>Minority interests</i>	97	147
Total equity and liabilities	5,993	6,050
Net current assets	517	195

Net Assets : \$1.7b

Net Current Assets
Increase in working capital requirements (\$322m):

- Increases in trade debtors, and advances and other debtors
- Decreases in advance payments from customers, creditors and accruals

Partially offset by:

- Increase in progress billings in excess of WIP

- Higher LT bank loans
- Higher advance payments from customers

Engineering our future

Cash Flow Statement

\$ m	FY2008	FY2007
Cash flow from/(used in) :		
Operating activities	511	662
Investing activities	(197)	6
Financing activities	(543)	(513)
Net increase/(decrease) in CCE	(229)	155
CCE at beginning of the year	1,283	1,141
Exchange difference	(5)	(13)
CCE at end of the year	1,049	1,283

Good operating cashflow

Acquisition of subsidiaries

* CCE - Cash & Cash Equivalents

Dividends

Proposed Final Dividend – FY2008

- Final
 - *Ordinary*
 - *Special*
- Interim (Ordinary)

	FY2007		FY2008	
	cents	\$ m	cents	\$ m
Final	14.88	445.8	12.8	383.8
- <i>Ordinary</i>	4.0	119.9	4.0	119.9
- <i>Special</i>	10.88	325.9	8.8	263.9
Interim (Ordinary)	2.0	59.6	3.0	89.9
Total	16.88	505.4	15.8	473.7

Ordinary dividend of 7 cents per share

100% of earnings

Average Share Price	\$3.42	\$3.06
Dividend Yield (average share price) #	4.94%	5.16%
Dividend Yield (share price at 16 Feb 09 : \$2.19)		7.21%

Computed using the average closing share price of the last trading day of the current and previous year

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Year in Review

– *Aerospace Operations*

■ AMM

- Continued work for existing customer base, including some of the largest airlines and freight operators, e.g. FedEx, UPS, JAL, ANA, Northwest, US Airways, Delta
- PAE operationalised second hangar and added A320 and Embraer E190 capability
- STARCO commenced Pudong hangar construction and increased customer base and new aircraft type certifications
- MAE redelivered one RNZAF B757 Combi
- MAE and STA Engineering redelivered six converted B757 freighters to FedEx
- SASCO successfully completed UPS MD-11 PTF programme and redelivered two B767-300 BCFs to ANA

Year in Review

– *Aerospace Operations*

■ CERO

- STA Solutions ratified several Material Supply Programme contracts with UK and Gulf States customers
- Madrid Aerospace began operations in August 2008 on A320 Landing Gear for Iberia and Royal Aero Services
- Signed repair contracts for over 30 CFM56-3 or -7B engines from customers such as China Eastern Airlines, Jet Airways, Thai Airways
- Signed various cooperation agreements with GE
 - CFM56: Component Repair Licence Agreement, Engine Overhaul Support Agreement, Material Services Agreement, Spare Engine General Terms Agreement, Engine Remote Diagnostic Agreement
 - GEnX: On-Wing Support Branded Agreement for B787 and B747-8

Year in Review

– *Electronics Operations*

- **LSG**
 - Milestone completions of the LTA's Circle Line project and Taiwan MRT projects

- **CSG**
 - Launched New Evolution DVB-S2/ACM product line – Evolution X3 router, XLC-10 line card, iDX software
 - Launched Gantryless Congestion Management Solution & Telematics Services Hub at Intelligent Transport Systems Asia-Pacific Forum & Exhibition

Year in Review

– *Electronics Operations*

- SSG
 - Acquired 93% of Antycip Simulation Limited, a European industry leader in the distribution & support of simulation COTS tools



Year in 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

■ M&W

- Delivered Pegasus, air defence guns and various munitions products

■ Others

- Commenced redevelopment of premises at Jalan Boon Lay and Chin Bee Road



BXII



Pegasus



Redevelopment at JBL

Engineering our future

Year in Review

– Marine Operations

■ Shipbuilding

Local

- Launched 2nd Roll-on and Roll-off (RoRo) vessel, *“Ciudad de Cadiz”*
- Delivered 3rd and 4th feeder container vessels; *“OEL Dubai”* and *“OEL India”* and 6th frigate, *“RSS Supreme”*

US

- Launched 6th of 10 Articulated Tug Barge (ATB) units and 4th Fisheries Survey Vessel (FSV)
- Delivered 4th and 5th of 10 ATB units and 80,000 BBL Barge



Articulated Tug Barge Unit



Fisheries Survey Vessel

Engineering our future

Year in Review

– Marine Operations

■ Shiprepair

Local

- Completion of several major projects
 - Repair work on a drill ship
 - Conversion of a Floating Storage Off-loader (FSO) to Floating Production Storage Off-loader (FPSO)
 - Upgrading of vessel pipe laying system



“Castoro Otto”

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Year in Review

– Singapore Airshow 2008

- 19 – 24 February 2008
- New show, new approach
 - *Defensphere* showcased the Group's integrated defence capabilities. Holistic concept which represents all elements of an operational unit
 - *Total Aviation Support* featured the Group's wide range of airframe, engine and component maintenance, repair and overhaul capabilities
- Contracts worth almost half a billion dollars were signed



Engineering our future

Year in Review

– Our Green Efforts

- Green Seminar, 10 November 2008
 - Half-day seminar for staff where environment-related topics were presented by experts
- Mass tree-planting at Admiralty Park, 15 November 2008
 - Extended green awareness and efforts beyond company to the community
 - 1,569 staff and their families, community leaders and students from Republic Polytechnic participated
 - Set two Singapore records: for most number of people planting trees at the same time; and for the most number of trees (2,008) planted at one location
 - About 20 tree species were planted, enhancing the greenery and the biodiversity of the Park. The trees are estimated to offset over 2,000 tons of carbon dioxide over their lifetime



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Year in Review

– Key Contracts

Key contracts secured in 2008 :

■ Aerospace

- Secured aircraft engines MBH™ 8-year contract (US\$60 million) with Comair Limited for 10 Boeing 737-300/400 aircraft powered by CFM56-3 engines.
- Awarded a contract (US\$160 million) by Flybe to support the component maintenance and management requirement of Flybe's additional Bombardier Dash 8 Q400 aircraft.
- Signed a series of agreements with CFM International in support of CFM56-3, CFM56-5B and CFM56-7B MRO operations.
- Secured a component supply and re-conditioning renewal contract with LOT Polish Airlines worth €8.7 million. The contract covers LOT Polish Airlines' fleet of seven Boeing 767 aircraft over three years under the STA Solutions' material supply programme.

Year in Review

– Key Contracts

Key contracts secured in 2008 (cont'd):

- Aerospace

- Secured a contract (S\$105 million) from the Singapore Ministry of Defence to provide RSAF with the aircraft and instructors for its training requirements over a period of 20 years beginning 2012. As part of the this deal, ST Aerospace will acquire and maintain a Gulfstream 550 aircraft.
- Awarded a contract by Airbus to provide heavy maintenance checks for 19 A330 aircraft leased to Singapore Airlines. This contract is part of an Airbus multi-party contract to provide support to Singapore Airlines as part of the leased arrangements for this fleet.
- Secured a contract (US\$51 million) to perform maintenance and modification on four C-130B aircraft for the Indonesian Air Force. This programme is expected to be completed over 30 months from November 2008.

Year in Review

– Key Contracts

Key contracts secured in 2008 (cont'd):

- Electronics

- Awarded a 15-year maintenance contract by the Civil Aviation Authority of Singapore, worth S\$52 million, to provide maintenance of Long Range Radar and Display System III (LORADS III) Air Traffic Control System.
- Awarded a contract (S\$36.7 million) by Thales Australia for key systems and services, forming part of the Thales contract for the LORADS III Air Traffic Control System.
- Awarded a contract (RMB88.7 million) to provide Automatic Fare Collection systems for Guangzhou Metro Line 3 North Extension in Guangzhou, the capital city of Guangdong province in China.
- Awarded a contract (US\$8 million) to provide an advanced taxi despatch and management system for Sharjah Public Transport Corporation in Sharjah, United Arab Emirates. The system will be delivered over a period of 15 months from July 2008.

Year in Review

– Key Contracts

Key contracts secured in 2008 (cont'd):

- Electronics

- Secured a contract (S\$112 million) from the Land Transport Authority of Singapore (LTA) for the supply of Half Height Platform Screen Doors for all existing elevated Mass Rapid Transit stations. Work commenced in September 2008 and is expected to be completed in 2012.
- Secured a contract (S\$160 million) from LTA for the supply of the Communications System of Marina Coastal Expressway (MCE) and the Communications System & Integrated Supervisory Control System for the Downtown Line (DTL) Mass Rapid Transit System. Work on the MCE project is expected to be completed by 2013 and the DTL project by 2016.
- Awarded contracts worth about S\$86 million to provide an Integrated Security System, an IT Infrastructure System and a Carpark guidance & Payment System to Resorts World at Sentosa. The systems will be delivered over 24 months from December 2008.

Year in Review

– Key Contracts

Key contracts secured in 2008 (cont'd):

- Land Systems

- Secured a contract worth about S\$42.5 million from the UK Ministry of Defence (UK MoD) for the supply of 40mm ammunition. Delivery will complete in 2009.
- Awarded a contract worth US\$31.6 million by a Gulf States customer to supply ST Kinetics' patented 120mm Super Rapid Advanced Mortar System (SRAMS) with delivery to be completed in 2011.
- Awarded a contract (£150 million) by the UK MoD for the supply of Bronco All Terrain Tracked Carriers. Designated as "WARTHOG" by the UK MoD, the vehicles are being produced in response to an Urgent Operational Requirement. The vehicle deliveries will commence in third quarter 2009, with the majority to be delivered in 2010.
- Awarded a contract (£35 million) by the UK MoD for the supply of 40mm ammunition. Delivery is planned to begin in third quarter 2009 and to be completed in first half of 2011.

Year in Review

– Key Contracts

Key contracts secured in 2008 (cont'd):

- Marine

- Secured a contract (US\$45 - \$55 million) for the design and construction of two Platform Supply Vessels for L&M Botruc Rental Inc with deliveries scheduled in 2010.
- Secured a contract (US\$19.38 million) to build an Anchor Handling Tug Supply vessel for Lewek Shipping Pte Ltd. Construction began in late 2008 and delivery is planned for second half of 2009.
- Secured a contract (S\$29.2 million) to lengthen the vessel and upgrade the crane capacity of the Derrick Pipelay Barge for Clugh Java Offshore Pte Ltd. Redelivery of the vessel, *Java Constructor*, is expected in first half of 2009.

Year in Review

– Key Contracts

Key contracts secured in 2008 (cont'd):

- Marine

- Secured a contract worth S\$127.7 million to build and outfit a Diving Support Vessel for a foreign customer registered in Singapore. Construction began in January 2009 and delivery is planned for mid 2010.
- Secured an agreement valued at about S\$20 to S\$25 million 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\$393 million with the US Navy for the Phase II of the Egyptian Navy's Fast Missile Craft (FMC) project. In addition, a further US\$13.5 million was added to Phase I as a result of changes to work scope. These bring the total contract value for the project to approximately US\$642 million.

Year in Review

– Key Contracts

Key contracts secured in 2008 (cont'd):

- Marine

- Secured a contract in a basket of currencies amounting to about S\$200 million, to design and build a 141m Landing Platform Dock, two 23m Landing Craft Mechanised and two 13m Landing Craft Vehicle and Personnel, for a navy in the Asia Pacific region. Construction is scheduled to begin in mid 2009 and delivery is planned for in 2H2012.
- Secured a contract (S\$30 million) to provide detailed design, construction and outfitting of a 68-metre seismic survey vessel for Swire Pacific Offshore Operations (Pte) Ltd (SPO). SPO had done extensive planning for this new build and will be providing the vessel's basic design and major equipment, including the seismic survey equipment. Construction is expected to commence in May 2009 and delivery is planned for 2H2010.

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- **Outlook**

Group Outlook for FY2009

With recession hitting many economies and turmoil in the global financial markets, a strong order book affords the Group the operating leverage to weather an uncertain 2009. However, a drastic deterioration in our operating environment would affect our performance. Barring this, and unforeseen circumstances, the Group expects to achieve a higher turnover and comparable PBT for FY2009 vis-à-vis FY2008.

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

Group Outlook for FY2009

Aerospace

- STARCO to complete Pudong hangar and seek more customers for its new capacity
- To build up STATCO to complement the engines division
- To develop GENx On-Wing Support capability to support Entry Into Service (EIS) of the B787

Electronics

- Sales recognition from the LTA's Circle Line project, Taiwan and China MRT projects
- Sales recognition from the 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 managed services project and simulation business

Group Outlook for FY2009

Land Systems

- Continue contractual deliveries of UK Bronco and other vehicles, Pegasus, SRAMS, munitions, weapons and specialty vehicles
- Continue to pursue several key defence programmes
- Continue to right-size US operations while diversifying into new markets and product segments

Marine

- Expect to keel lay Landing Platform Dock
- Expect to deliver 2nd RoRo vessel, "*Ciudad de Cadiz*" and 6th of 10 ATB units
- Expect to complete outfitting of seismic vessel and lengthening and upgrading of derrick pipelay barge

President & CEO's Message

"The Group recorded a modest 6% growth in Turnover to \$5,345m while PATMI was lower by 6% to \$473.6m in FY2008 compared to FY2007. EBITDA decreased marginally by 2% to \$667.9m, reflecting a resilient operating performance amidst a weaker global economic environment in 2008.

Despite the weakening economy in the second half of 2008, the Group continued to win contracts and ended 2008 with an all time high order book of \$10.6b. The resilient operating performance and increased order book are results of the Group's continuing efforts in diversification of its businesses geographically, besides adding capacities and new capabilities.

With recession hitting many economies and turmoil in the global financial markets, a strong order book affords the Group the operating leverage to weather an uncertain 2009. However, a drastic deterioration in our operating environment would affect our performance. Barring this, and unforeseen circumstances, the Group expects to achieve a higher turnover and comparable PBT for FY2009 vis-à-vis FY2008."

~ Tan Pheng Hock

Thank You

