

**Financial Results Briefing
Third Quarter 2014 Results
7 November 2014**

3Q2014 Results

Lower Year-on-Year Profits for 3Q2014

Agenda

- ▶ **Financial Highlights**
 - ▶ 3Q2014 vs 3Q2013
 - ▶ 9M2014 vs 9M2013
- ▶ Business Review
 - ▶ Sector Operations
- ▶ Outlook



Financial Highlights

for the third quarter ended 30 September 2014

\$m	3Q2014	3Q2013	Change	
Revenue	1,553	1,550	-	
Earnings before interest & tax (EBIT)	142.9	157.9	▼	10%
Other income, net	4.7	4.7	-	
Finance costs, net	(7.6)	(3.8)	▼	99%
Profit before tax (PBT)	151.7	168.0	▼	10%
Profit attributable to shareholders (Net Profit)	121.3	131.4	▼	8%

Financial Highlights

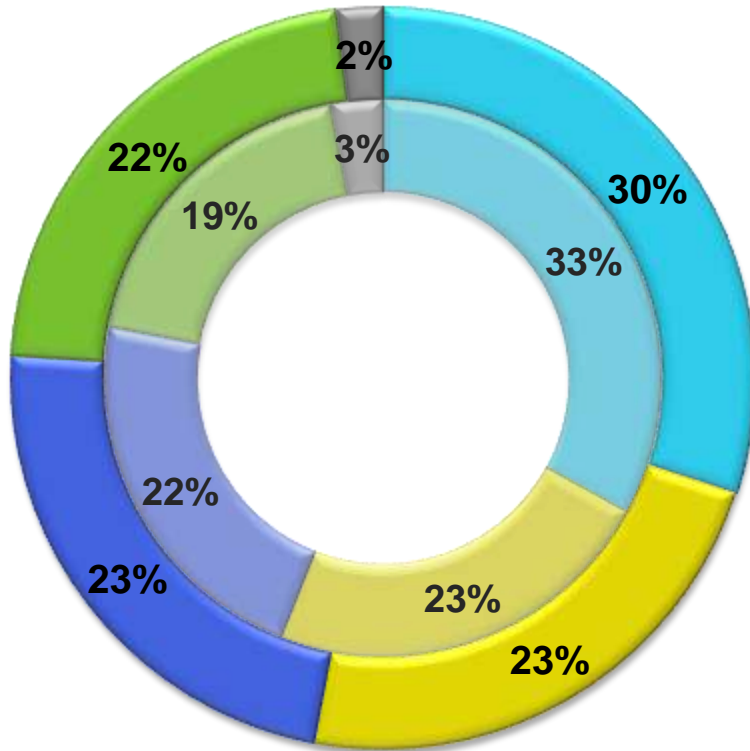
for the third quarter ended 30 September 2014

- ▶ Commercial sales at 58% (3Q2013: 63%; FY2013: 62%) or \$0.9b of 3Q2014 revenue
- ▶ \$13.2b order book; about \$1.6b to be delivered in 4Q2014 (end June 2014: \$13.4b)
- ▶ CCE including funds under management of \$1.6b (1H2014: \$1.8b)
- ▶ EBITDA of \$183.9m (3Q2013: \$191.9m) and EBIT of \$142.9m (3Q2013: \$157.9m) lower by 4% and 10% respectively

Group Revenue by sector

Comparable Revenue				
\$m	3Q2014	3Q2013	Change	
Aerospace	470	510	▼	8%
Electronics	354	350	▲	1%
Land Systems	357	348	▲	2%
Marine	336	296	▲	14%
Others	36	46	▼	20%
Group	1,553	1,550		-

Group Revenue Breakdown by sector



Sector	3Q2013		3Q2014	
	\$m	%	\$m	%
Aerospace	510	33	470	30
Electronics	350	23	354	23
Land Systems	348	22	357	23
Marine	296	19	336	22
Others	46	3	36	2
Group	1,550	100	1,553	100

EBIT by sector

EBIT lower by 10%

\$m	3Q2014	3Q2013	Change
Aerospace	64.3	71.5	▼ 10%
Electronics	45.5	43.7	▲ 4%
Land Systems	10.5	16.2	▼ 35%
Marine	28.6	31.6	▼ 9%
Others	(6.0)	(5.1)	▼ 17%
Group	142.9	157.9	▼ 10%

Profit Before Tax by sector

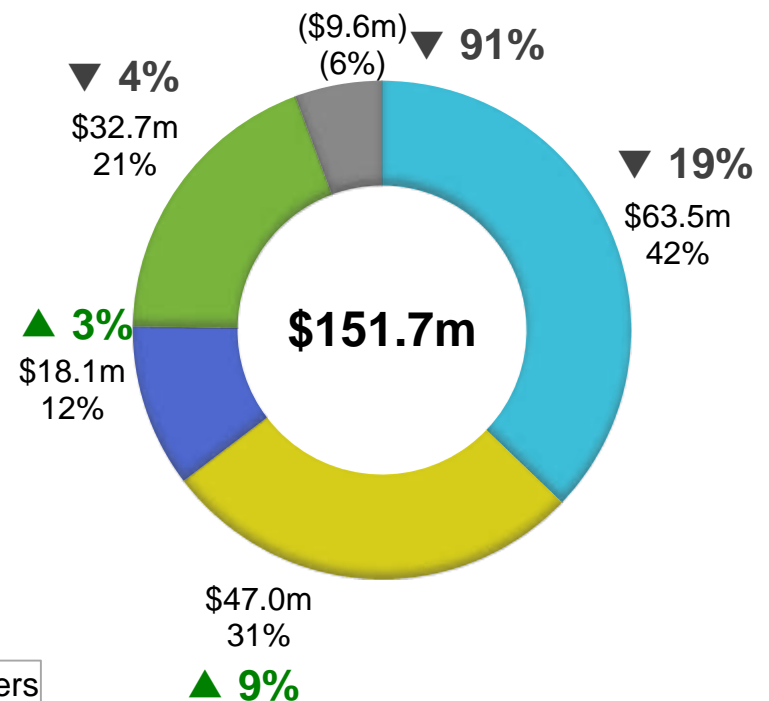
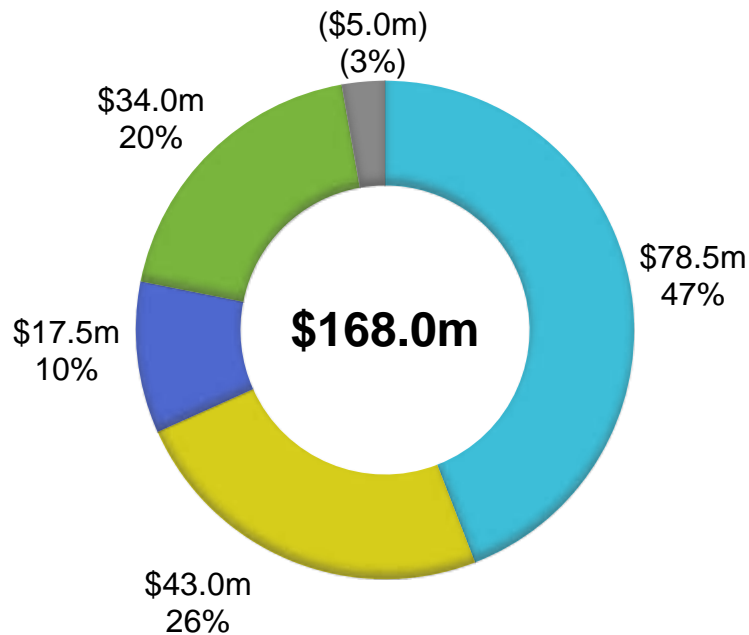
Lower PBT

Lower PBT from Aerospace sector and Others, partially offset by higher PBT from Electronics sector

3Q2013

▼ 10% ; \$16.3m

3Q2014



■ Aerospace ■ Electronics ■ Land Systems ■ Marine ■ Others

Aerospace Lower Profits

3Q2014 vs 3Q2013

Revenue **\$470m** ▼ **\$40m or 8%**

- Lower revenue from CERO business group

EBIT **\$64.3m** ▼ **\$7.2m or 10%**

- In line with lower revenue
Partially offset by
- Lower operating expenses

PBT **\$63.5m** ▼ **\$15.0m or 19%**

- Impairment losses on an associate

Electronics

Higher Profit in 3Q2014



3Q2014 vs 3Q2013

Revenue **\$354m** ▲ **\$4m or 1%**

- Milestone completions
 - LTA's Circle Line (LSG)
 - MRT projects in Bangkok and Wuxi (LSG)
 - Various software systems projects (SSG)

Partially offset by

- Lower sales from satellite communication products (CSG)

EBIT **\$45.5m** ▲ **\$1.8m or 4%**

- Lower operating expenses

PBT **\$47.0m** ▲ **\$4.0m or 9%**

- Absence of share of losses in associates

Land Systems

Comparable PBT

3Q2014 vs 3Q2013

Revenue **\$357m** ▲ **\$9m or 2%**

- Higher project deliveries from M&W business group
- Partially offset by
- Lower revenue from Auto business group

EBIT **\$10.5m** ▼ **\$5.7m or 35%**

- Higher allowance for inventory obsolescence
- Higher operating expenses, mainly due to goodwill impairment

PBT **\$18.1m** ▲ **\$0.6m or 3%**

- Gain on disposal of a joint venture

Marine Comparable PBT

3Q2014 vs 3Q2013

Revenue **\$336m** ▲ **\$40m or 14%**

- Higher Shipbuilding revenue from the local operation
- Partially offset by
- Lower Shiprepair revenue

EBIT **\$28.6m** ▼ **\$3.0m or 9%**

- Weaker Shipbuilding performance from the US operation

PBT **\$32.7m** ▼ **\$1.3m or 4%**

- Higher contribution from joint venture

PBT Margin by sector

	3Q2014	3Q2013
Aerospace	13%	15%
Electronics	13%	12%
Land Systems	5%	5%
Marine	10%	11%
Group	10%	11%

Net Profit by sector

Lower Net Profit

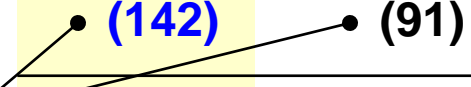
Lower Net Profit from Aerospace sector

\$m	3Q2014	3Q2013	Change	
Aerospace	46.4	63.8	▼	27%
Electronics	36.9	32.4	▲	14%
Land Systems	15.9	14.5	▲	9%
Marine	29.8	25.7	▲	16%
Others	(7.7)	(5.0)	▼	53%
Group	121.3	131.4	▼	8%

Statement of Cash Flows

\$m	3Q2014	3Q2013
Net cash from/(used in):		
Operating activities	40	225
Investing activities	(43)	(67)
Financing activities	(142)	(91)
Net (decrease)/increase in CCE *	(145)	67
CCE at beginning of the period	1,567	1,683
Exchange difference	-	1
CCE at end of the period	1,422	1,751

Payment of interim dividends



* CCE – Cash & Cash Equivalents

Agenda

- ▶ **Financial Highlights**
 - ▶ 3Q2014 vs 3Q2013
 - ▶ 9M2014 vs 9M2013
- ▶ Business Review
 - ▶ Sector Operations
- ▶ Outlook



Financial Highlights

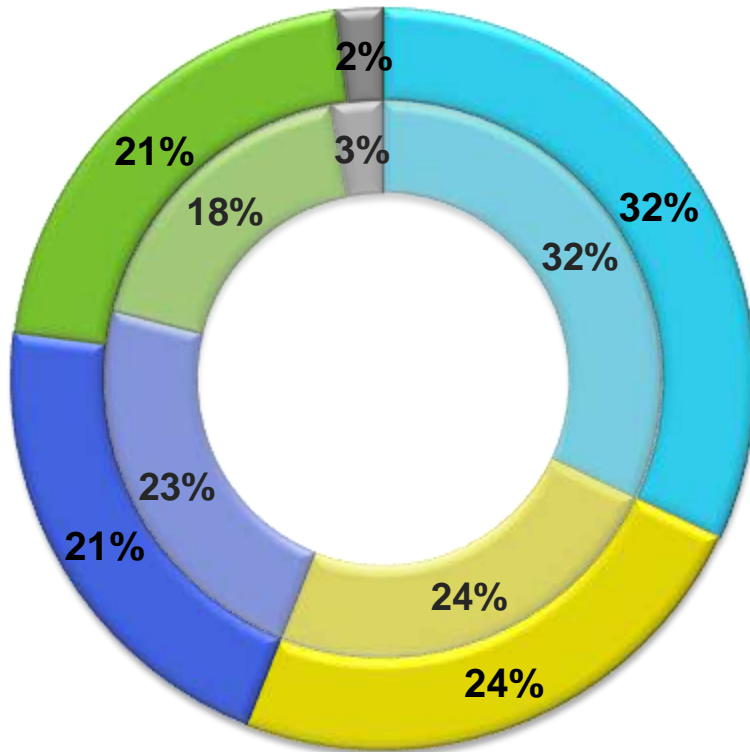
for the nine months ended 30 September 2014

\$m	9M2014	9M2013	Change	
Revenue	4,691	4,692		-
Earnings before interest & tax (EBIT)	424.6	478.8	▼	11%
Other income, net	27.7	19.3	▲	43%
Finance costs, net	(10.8)	(11.3)	▲	5%
Profit before tax (PBT)	483.3	513.6	▼	6%
Profit attributable to shareholders (Net Profit)	391.7	413.3	▼	5%

Group Revenue by sector

Comparable Revenue				
\$m	9M2014	9M2013	Change	
Aerospace	1,508	1,492	▲	1%
Electronics	1,103	1,128	▼	2%
Land Systems	975	1,086	▼	10%
Marine	1,007	861	▲	17%
Others	98	125	▼	21%
Group	4,691	4,692		-

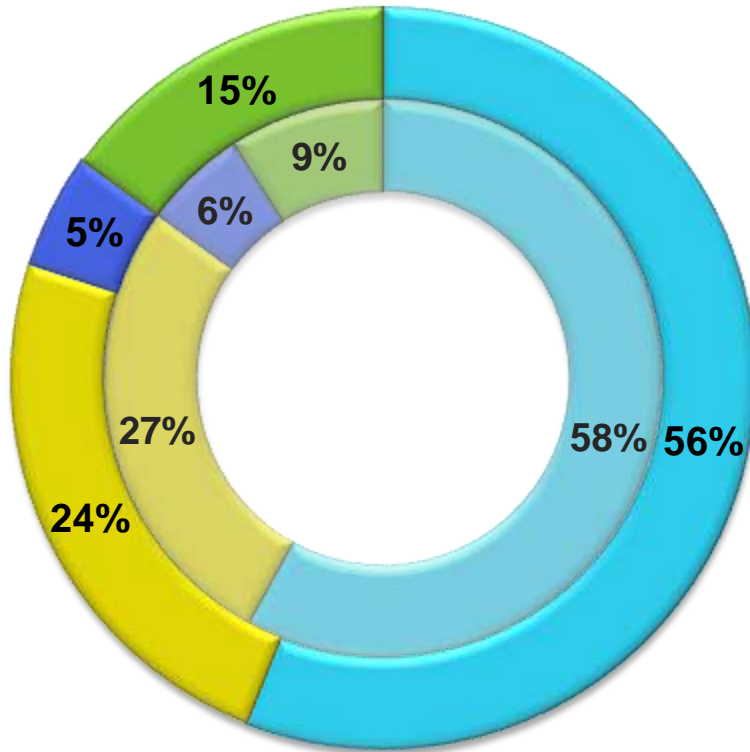
Group Revenue Breakdown by sector



Sector	9M2013		9M2014	
	\$m	%	\$m	%
Aerospace	1,492	32	1,508	32
Electronics	1,128	24	1,103	24
Land Systems	1,086	23	975	21
Marine	861	18	1,007	21
Others	125	3	98	2
Group	4,692	100	4,691	100

Group Revenue

Breakdown by location of customers (by geography)



Locality	9M2013		9M2014	
	\$m	%	\$m	%
Asia	2,709	58	2,646	56
USA	1,267	27	1,143	24
Europe	304	6	212	5
Others	412	9	690	15
Total	4,692	100	4,691	100

EBIT by sector

EBIT lower by 11%

\$m	9M2014	9M2013	Change	
Aerospace	200.0	205.3	▼	3%
Electronics	121.8	119.1	▲	2%
Land Systems	41.5	67.8	▼	39%
Marine	78.0	91.2	▼	14%
Others	(16.7)	(4.6)	▼	266%
Group	424.6	478.8	▼	11%

Profit Before Tax by sector

Lower PBT

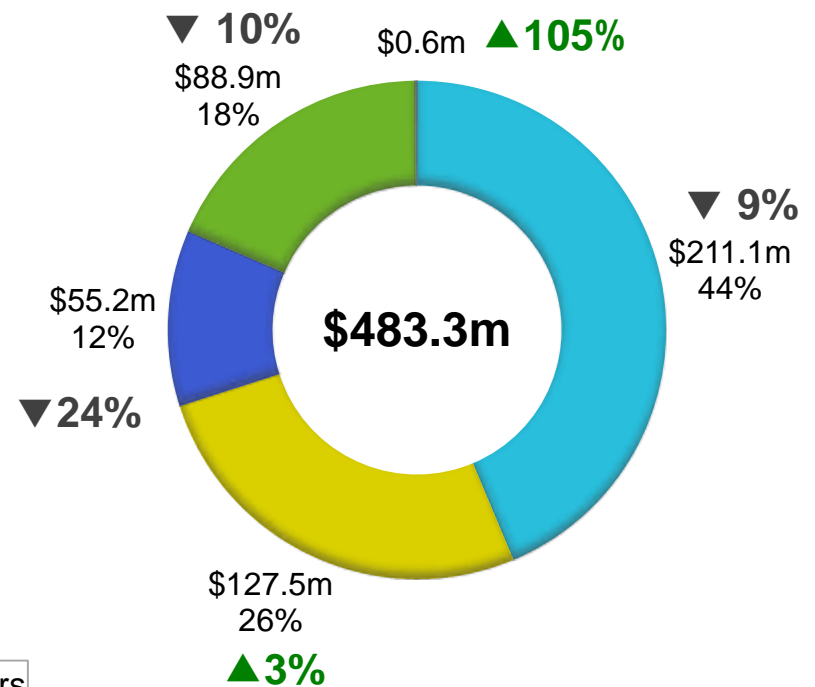
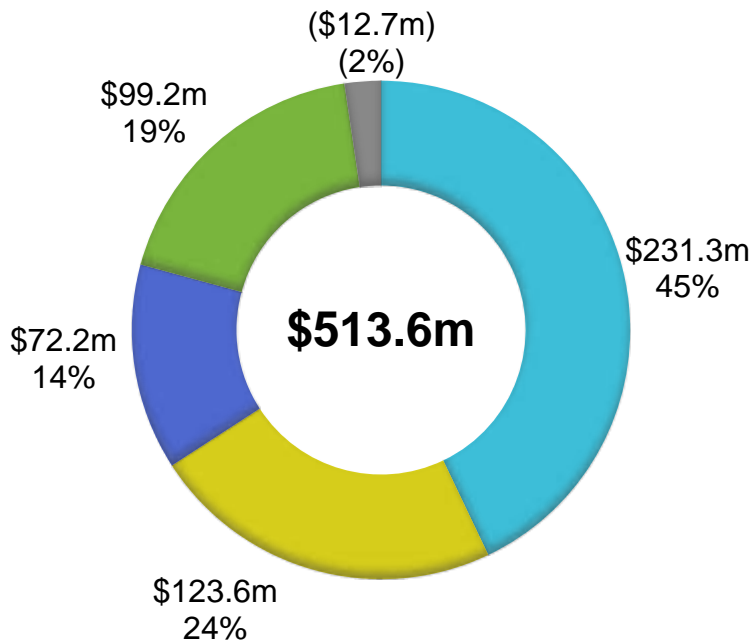
Lower PBT from all Sectors except Electronics sector with comparable PBT

9M2013

▼ 6% ; \$30.3m

9M2014

▼ 10% \$88.9m 18% ▲ 105%



■ Aerospace ■ Electronics ■ Land Systems ■ Marine ■ Others

Net Profit by sector

Comparable Net Profit

\$m	9M2014	9M2013	Change	
Aerospace	162.3	189.7	▼	14%
Electronics	104.8	98.6	▲	6%
Land Systems	51.5	62.0	▼	17%
Marine	75.7	75.2	▲	1%
Others	(2.6)	(12.2)	▲	79%
Group	391.7	413.3	▼	5%

Contribution from
2014 Singapore
Airshow

Balance Sheet

\$ m	30 Sep 2014	31 Dec 2013
Property, plant and equipment	1,537	1,520
Associates & joint ventures	456	462
Investments	171	166
Intangible assets	660	638
Long-term receivables, non-current	6	13
Amount due from related parties, non-current	7	7
Finance lease receivables, non-current	2	3
Derivative financial instruments, non-current	10	40
Deferred tax assets	97	96
Non-current assets	2,946	2,945
Current assets	5,219	5,762
Total assets	8,165	8,707
Current liabilities	3,682	4,094
Non-current liabilities	2,386	2,353
Total liabilities	6,068	6,447
Share capital and reserves	1,961	2,116
Non-controlling interests	136	144
Total equity and liabilities	8,165	8,707
Net current assets	1,537	1,668

Repayment of bank loans

Net Assets: \$2.1b

Net Assets: \$2.26b



Agenda

- ▶ Financial Highlights
 - ▶ 3Q2014 vs 3Q2013
 - ▶ 9M2014 vs 9M2013
- ▶ **Business Review**
 - ▶ Sector Operations
- ▶ Outlook



3Q2014 in Review

▶ Aerospace

- ▶ New contracts worth \$450m, including:
 - ▶ First nose-to-tail cabin completion contract for a wide-body VIP aircraft and orders for heavy maintenance work in Guangzhou facility
- ▶ New capacity / capabilities:
 - ▶ Signed lease agreement with the City of Pensacola to establish satellite MRO facility

3Q2014 in Review

▶ Electronics

- ▶ New contracts worth \$513m, including:
 - ▶ Various rail electronics projects in Singapore and overseas, satellite and broadband communications, and advanced electronics and ICT solutions
- ▶ New capacity / capabilities
 - ▶ Opening of Satellite Systems Centre in Singapore
 - ▶ Set up of subsidiary in Sao Paulo, Brazil - do Brasil Serviços e Soluções em Sistemas Eletrônicos Ltda
 - ▶ Signed MOU with IBM to collaborate & explore opportunities in transport data analytics for Smarter Mobility

3Q2014 in Review

▶ Land Systems

▶ Business Development

- ▶ Capital injection into LeeBoy India and LeeBoy Brazil for growth

▶ Significant Award

- ▶ JHK awarded Zhenjiang City's inaugural Patent Award (3rd prize) for numerous patents filed

3Q2014 in Review

▶ Marine

▶ New contract:

- ▶ For two 130-foot ATB for Bouchard Transportation

▶ Deliveries and milestone completions:

- ▶ Delivered one Fast Missile Craft (FMC) for Egyptian Navy, two Offshore Support Vessels (OSV) for Hornbeck Offshore Services and one Anchor Handling Tug Supply Vessel for Swire Pacific Offshore Operations
- ▶ Launched Pasha Car Truck Carrier for Pasha Hawaii Shipping Co, OSVs for Hornbeck Offshore Services and Patrol Vessel for Royal Navy of Oman
- ▶ Upgrading for trailing suction hopper dredger and repair for passenger vessels

Agenda

- ▶ Financial Highlights
 - ▶ 3Q2014 vs 3Q2013
 - ▶ 9M2014 vs 9M2013
- ▶ Business Review
 - ▶ Sector Operations
- ▶ Outlook



Group Outlook for FY2014



Barring unforeseen circumstances, the Group expects FY2014 Revenue to be comparable, while PBT is expected to be lower than that of FY2013.

- ▶ For Aerospace, Land Systems and Marine sectors, FY2014 Revenue is expected to be comparable, whilst PBT is expected to be lower than that of FY2013.
- ▶ For Electronics sector, FY2014 Revenue is expected to be comparable, while PBT is expected to be higher than that of FY2013.

Outlook for FY2014

▶ Aerospace

- ▶ To set up Boeing 787 line and heavy maintenance capability in Singapore
- ▶ To complete Critical Design Review for A330-300P2F
- ▶ To redeliver 1st Boeing 757-200 converted freighter in 15-pallet cargo configuration to SF Airlines
- ▶ To secure pilot training programmes for the US flight school, Aviation Academy of America, Inc.

Outlook for FY2014

▶ Electronics

- ▶ LSG: Sales recognition from the LTA's Communications & Integrated Supervisory Control System, Bangkok and Taiwan MRT projects
- ▶ CSG: Sales recognition from various communication system projects, a national wide cyber monitoring & security centre, the supply of telematics systems & satellite communication products
- ▶ SSG: Sales recognition from the milestone completion of a Healthcare Cloud for Singapore's healthcare sector & a simulator project

Outlook for FY2014

▶ Land Systems

- ▶ Continue to pursue key defence programmes locally and overseas and deliver military products and services
- ▶ Continue to pursue specialty vehicles sales and work with partners to deliver high efficiency vehicle drive solutions to both commercial and defence customers

Outlook for FY2014

- ▶ Marine

- ▶ Shipbuilding:

- ▶ To deliver four OSVs, one FMC and Pasha Car Truck Carrier

President & CEO's Message

“For the third quarter, the Group reported year-on-year comparable Revenue and a decrease in PBT of 10%. For the first nine months of the year, the Group reported year-on-year comparable Revenue and a decrease in PBT of 6%.

The weak economic environment in Europe had impacted our aviation business in the third quarter. We will continue to review the aerospace sector's European business.

The Group maintained a healthy order book of \$13.2b at the end of the third quarter 2014. Our cash and cash equivalents including funds under management remained high at \$1.6b, after the payment of an interim dividend of \$125m in September 2014.

Barring unforeseen circumstances, the Group expects to achieve comparable Revenue, with a lower PBT for FY2014 when compared to FY2013.”

~ Tan Pheng Hock, President & CEO, ST Engineering

Thank You