1Q2020 Market Updates
15 May 2020
Disclaimer

The forward-looking statements in this presentation reflect the Company's current intentions, plans, expectations, assumptions and beliefs about future events. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions especially given the rapidly evolving COVID-19 situation and its impact globally. Representative examples of these factors include (without limitation) travel and border restrictions, governmental orders on business closures, lock-down and movement restrictions, quarantines, disruption to global supply chains, general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from other companies and venues for the sale/distribution of goods and services, shifts in customer demands, customers and partners, changes in operating expenses, including employee wages, benefits and training, and governmental and public policy changes, as well as natural disasters which may negatively impact business activities of the ST Engineering Group.

You are cautioned not to place undue reliance on these forward-looking statements, which are based on the current view of management on future events.
Change to Half-yearly Reporting

• ST Engineering refers to amendment of the SGX Mainboard listing rules, which were effective 7 Feb 2020

• On 24 Feb 2020, ST Engineering announced it will publish its financial results on a half-yearly basis with effect from the financial year ending 31 Dec 2020 (FY2020)

• ST Engineering will continue its proactive engagement with stakeholders through various communication channels, including augmenting its half-yearly financial results with relevant market updates for 1Q and 3Q
Key Discussion Points

1. Operational resilience amid COVID-19
2. Mitigating factors for COVID-19
3. Strong liquidity position with diverse funding sources
4. Local eco-systems support
5. Focus on sustainable long-term growth
Operational resilience amidst COVID-19

- Continuing to operate substantively as provider of essential services across the Group’s global network
  - Aerospace hangars, shipyards, automotive factories, electronics workshops
- Focusing on health and safety
- Implementing global business continuity plans
  - Work-from-home, split teams, staggered hours & safe distancing etc
  - Robust network and communication infrastructures
- Heightening cybersecurity awareness
Our observation of the aviation industry

How airlines are responding to COVID-19

- Cargo airlines doing well as passenger aircraft belly capacity for cargo is not available.
- Greater focus on smart technologies to improve cost efficiency and productivity.
- Resumption of domestic travel and governments’ financial aids to fuel recovery of passenger traffic.
- Airlines with strong cash flow continue to send MRO work despite some rescheduling and deferments.
- Airlines are taking measures to conserve cash in preparation for a challenging period and for the eventual recovery:
  - Grounding fleet
  - Unpaid leave/ Furlough

Mitigating Factors
# Diversified revenue streams

Aerospace and Electronics experiencing more impact

<table>
<thead>
<tr>
<th>Aerospace</th>
<th>Electronics</th>
<th>Land Systems</th>
<th>Marine</th>
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</thead>
<tbody>
<tr>
<td><strong>MRO business</strong></td>
<td></td>
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<tr>
<td>✓ In active discussions with customers on rescheduling</td>
<td>Delay in project milestones &amp; delivery schedules</td>
<td>Defence land platform business is steady</td>
<td>Percentage of completion of current programmes is shifted to the right</td>
</tr>
<tr>
<td><strong>OE business</strong></td>
<td>Some tenders previously put-up are on-hold</td>
<td>Delay in some defence exports e.g. 40mm munitions</td>
<td>✓ Shipbuilding and environmental engineering projects</td>
</tr>
<tr>
<td>✓ MRAS: reduction of A320neo OE units, reduced spares sales</td>
<td>Certain satcom customers (Aviation, Maritime and Oil &amp; Gas segments) are reducing demand</td>
<td>Some projects are deferred e.g. EV bus</td>
<td>Some ship repair projects impacted by workforce disruption</td>
</tr>
<tr>
<td>✓ EFW: reduction in flat panel shipsets; PTF conversion kits supply chain challenge</td>
<td>Increase in cost arising from supply chain disruption</td>
<td></td>
<td>Potential new shipbuilding projects are deferred</td>
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**Mitigating Factors**

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Efficiency & Cost reduction initiatives

- **Structural cost and operational efficiency capture**
  - Group-wide efficiency & cost reduction initiatives
  - Re-prioritise investments/capex

- **Director fees cut**

- **Management pay cut**

- **Support from government aid & stimulus packages**
  - Singapore (Job Support Scheme, Wage credit scheme etc)
  - Other locations e.g. U.S., Germany
New contract wins in 1Q2020

Defence business provides stability to revenue

• Aerospace and Electronics sectors secured $1.6b of new contracts
  ✓ $838m of new wins by Aerospace
  ✓ $730m of new wins by Electronics

• Defence business remains strong
  ✓ Land Systems: Phase 2 of Hunter Armoured Fighting Vehicle
  ✓ Marine: US$40m for the 4\textsuperscript{th} APL(S) 67 Class berthing barge for the U.S. Navy, bringing the total for the 4 awarded vessels to ~US$158m

There are other contract wins in 1Q2020 not disclosed due to customer confidentiality reasons
Robust order book provides revenue visibility

Order book profile

- >$1.6b new contracts in 1Q2020
- $4.5b expected to be delivered in the remaining months of 2020
- Multi-year contracts, long-term customers
- In discussion with customers to adjust delivery schedules/ address order cancellations
Mitigating factors for COVID-19 impact

**Impact of COVID-19**

- Reduction in Customer Demand
- Supply Chain disruption
- Workforce disruption

**Mitigated by**

- Diversified revenue streams: business sectors, defence and commercial customer split & geographies
- Efficiency & cost reduction initiatives
- Support from various government aids and stimulus packages
- Robust order book

**FY2020 revenue**

* is expected to be between 5% and 15% lower versus FY2019

* Based on current view. See Disclaimer on slide 2 for details.
Strong liquidity position with diverse funding sources

**Strong balance sheet and liquidity position, with Triple-A rating maintained post COVID-19**

- S&P rating: AAA/stable, updated on 18 March 2020
- Moody’s rating: Aaa/stable, updated on 9 April 2020

**S$5b Multi-Currency MTN programme established in March 2020 and issued US$750m 1.50% 5-year notes in April 2020 with good investor response**

- Set record for lowest coupon/yield for a 5-year USD bond issued by a Singapore corporation
- Proceeds to be used mainly to refinance short-term debt

**U.S. Commercial Paper (CP) programme for short-term debt at competitive rates; 1st non-bank issuer in Singapore**

- Backstopped by US$1.1b of committed revolving credit facility
- Eligible to join CP Funding Facility, set up by the U.S. Fed to enhance CP market liquidity

**Existing loan facilities at competitive rates**
Local eco-systems support
Using technology and innovation to solve real world problems

Surveillance & Monitoring
- Security Robot
- Infrared Fever Screening System
- Integrated Surveillance Systems @ Community Care Facility (Expo Hall 1-10)

Command, Control and Communications (C3) Systems
- Hospital Operations Centre

Public Safety & Health
- TUG autonomous robots @ Community Care Facility (Airshow Site)
- N95 and surgical mask production

Contact Tracing Solutions
- AGIL™ Trace - Contact Tracing Software Embedded with Data Analytics
- Stay Home Notice Tagging
Local eco-systems support
Giving back to the community

ST Engineering May Day Fundraising Campaign for IMDA Digital Access Programme

Employee campaign to raise $1million including a dollar-for-dollar matching by the company.

Programme ensures that vulnerable segments of the community have access to digital devices and broadband for their daily tasks, telecommuting or home-based learning.

Project #BYOBclean, an initiative by Stay Prepared and Temasek Foundation

More than 200 employees participated in the #BYOBclean project. Distributed over 4000 bottles of hand sanitisers from 28 Mar to 5 Apr.

Donation of surgical masks and hand sanitisers

Donated surgical masks and hand sanitisers to the communities and partners in need of them.
Focus on sustainable long-term growth

1. COVID-19 impact mitigated by
   - Diversified revenue streams, with defence business providing stability to revenue
   - Group-wide efficiency & cost reduction initiatives
   - Various government support schemes
   - Robust order book
Focus on sustainable long-term growth

2. Continue to strengthen core businesses and enhance business resilience
   ✓ Monitor and respond nimbly to externalities
   ✓ Pursue structural efficiency and cost reduction initiatives
   ✓ Progress further digital initiatives and innovations
   ✓ Ensure supply chain resilience

3. Capitalise on new demands that arise from Covid-19
   ✓ Command & Control, cybersecurity, sensors, robotics and unmanned systems etc

4. Maintain strong liquidity position

5. Judiciously identify M&A opportunities
Thank You