

First-Half 2020 Results

14 August 2020

Agenda

- Group Highlights
- Outlook
- Appendix
 - Aerospace
 - Electronics
 - Land Systems
 - Marine

Group Highlights

Group Highlights

All figures are denominated in S\$m unless indicated otherwise

1H2020

Revenue

3,572

+2% y-o-y

EBIT

299.2

-3% y-o-y

PBT

286.4

-13% y-o-y

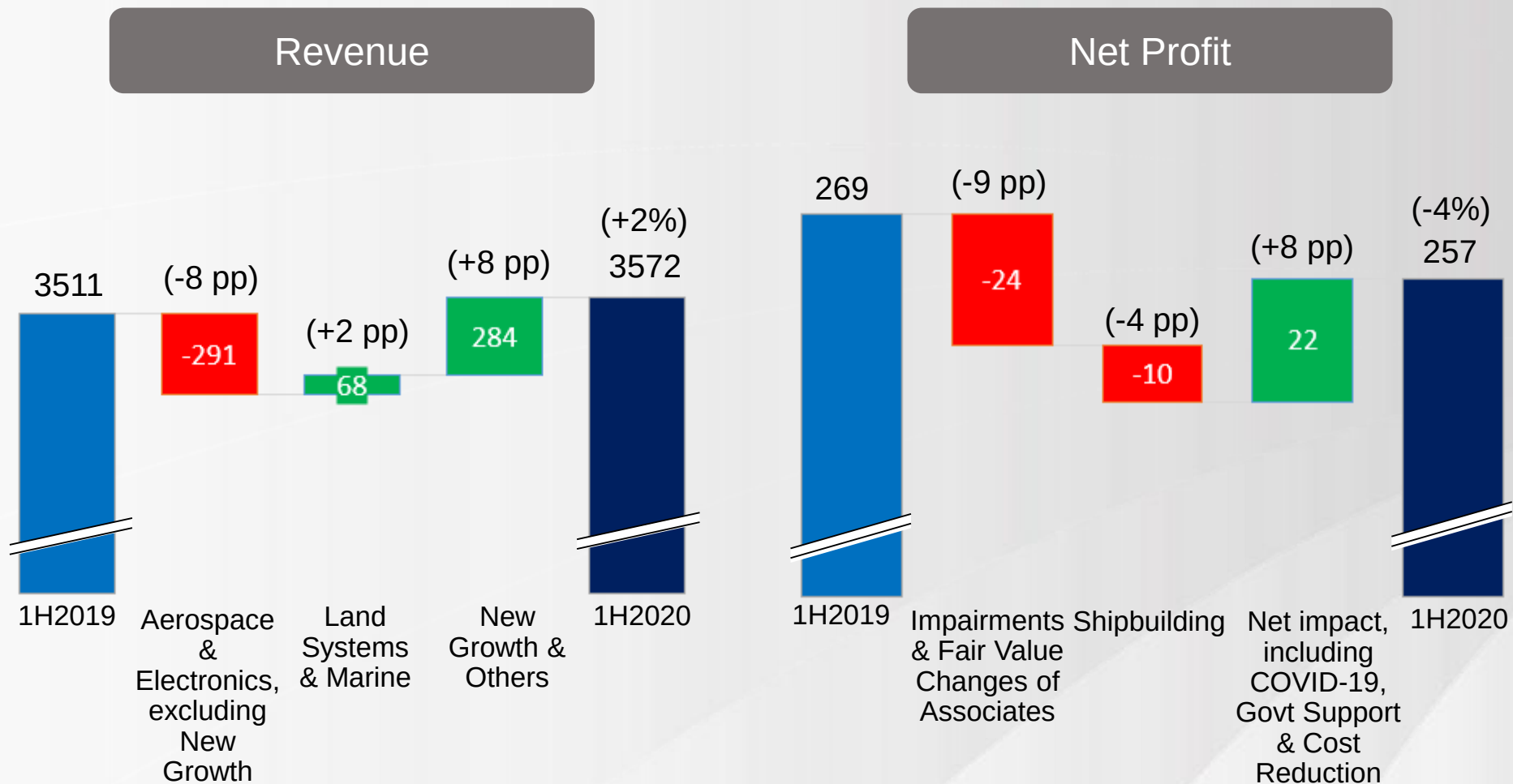
Net Profit

257.4

-4% y-o-y

1H2020 Revenue & Net Profit

All figures are denominated in S\$m unless indicated otherwise



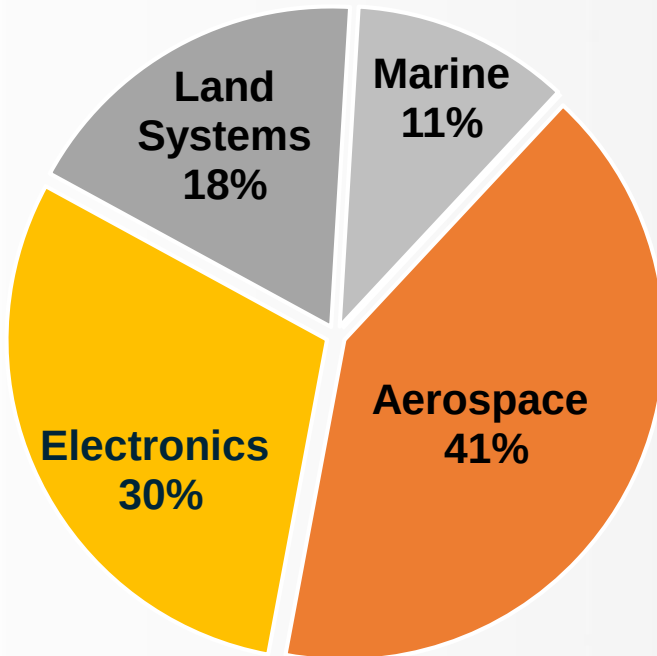
* COVID-19: Arising from customer demand reduction, supply chain challenges and workforce disruptions

Note: amounts may not add due to rounding

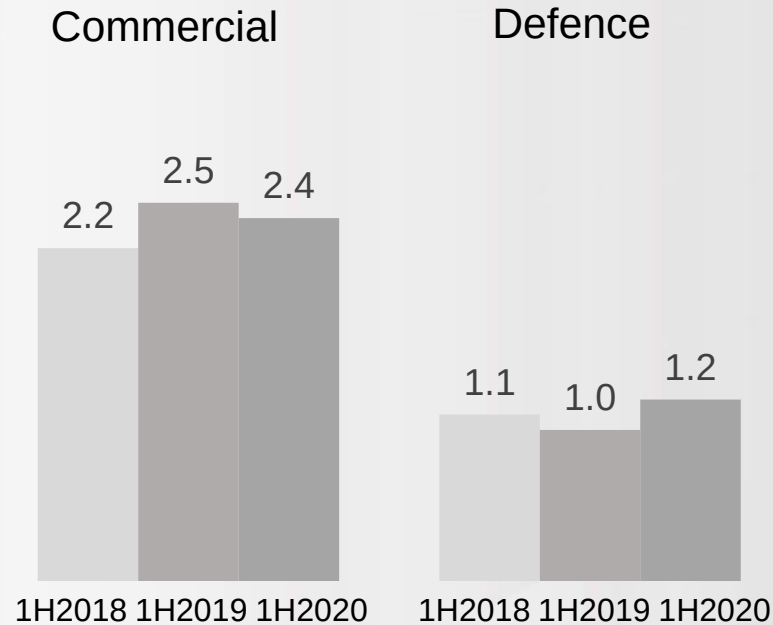
Group Revenue Breakdown

All figures are denominated in S\$m unless indicated otherwise

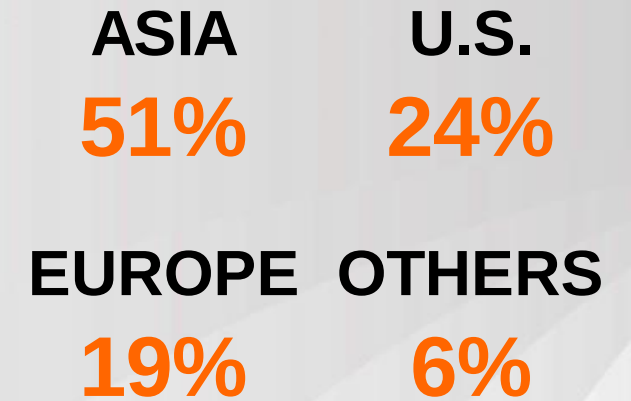
1H2020 Revenue



1H2020 Revenue by type



1H2020 Revenue by location of customers

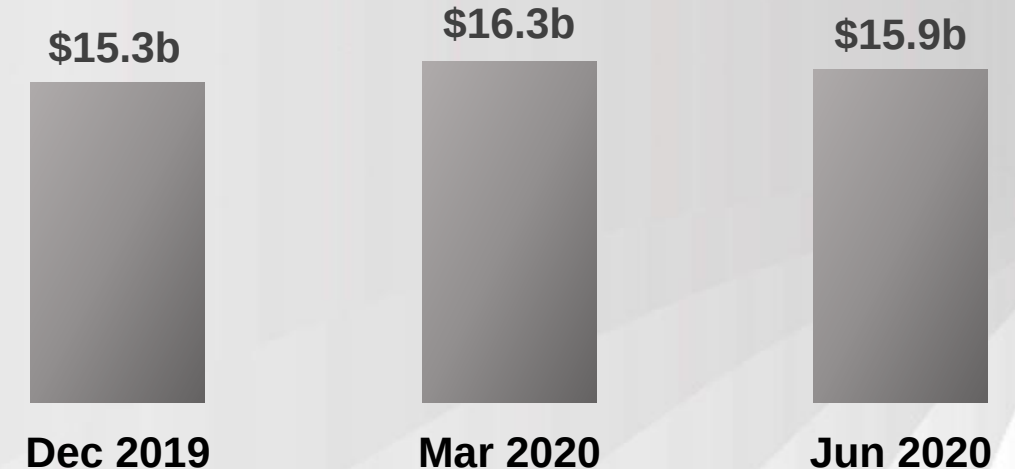


New Contracts & Order Book

New Contracts

- Aerospace and Electronics sectors collectively secured about \$1.1b worth of new contracts in 2Q2020, bringing their total contract wins to about \$2.7b in 1H2020
- These values exclude new contracts secured by Land Systems and Marine sectors

Order Book



Order book as at 30 Jun 2020: **\$15.9b**;
about **\$3.2b** to be delivered in 2H2020

Group Revenue

S\$m	1H2020	1H2019	Change
Aerospace	1,470	1,458	+1%
Electronics	1,069	1,088	-2%
Land Systems	644	673	-4%
Marine	385	288	+34%
Others	4	4	-
Group	3,572	3,511	+2%

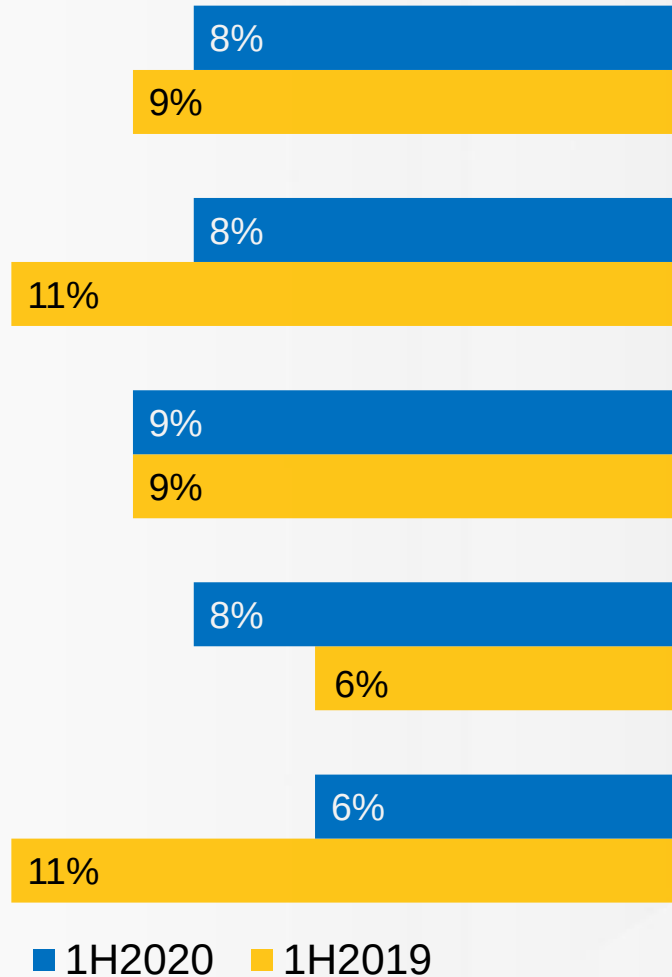
With effect from 1 January 2020, Miltope was re-organised from Others into Electronics sector and all comparatives were restated in conformance with current year classification.

Group Net Profit

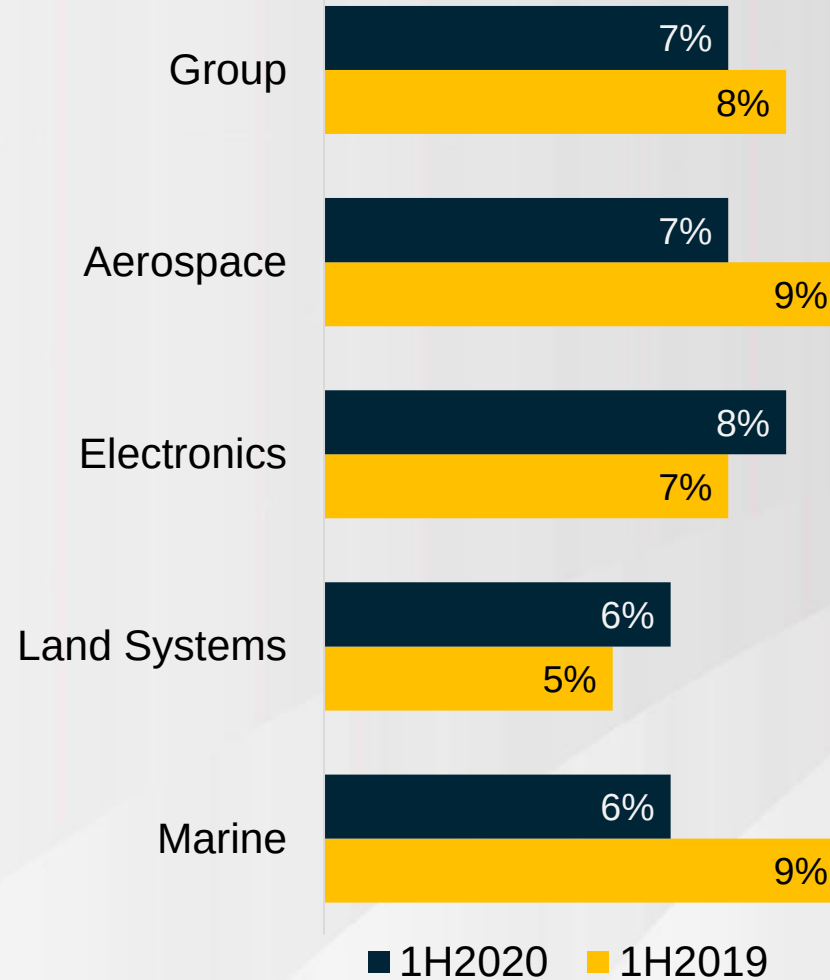
S\$m	1H2020	1H2019	Change
Aerospace	105.0	127.0	-17%
Electronics	87.6	81.6	+7%
Land Systems	41.8	35.6	+17%
Marine	21.4	26.3	-19%
Others	1.6	(1.2)	NM
Group	257.4	269.3	-4%

Group Margins

PBT Margin



Net Profit Margin



Balance Sheet

S\$m	30 Jun 2020	31 Dec 2019
Property, plant & equipment	1,793	1,805
Right-of-use assets	498	484
Intangible assets	2,036	1,980
Other non-current assets	625	613
Current assets	4,490	4,639
Total assets	9,442	9,521
Current liabilities	3,849	5,446
Non-current liabilities	3,094	1,584
Total liabilities	6,943	7,030
Share capital and reserves	2,230	2,222
Non-controlling interests	269	269
Total equity and liabilities	9,442	9,521

Statement of Cash Flows

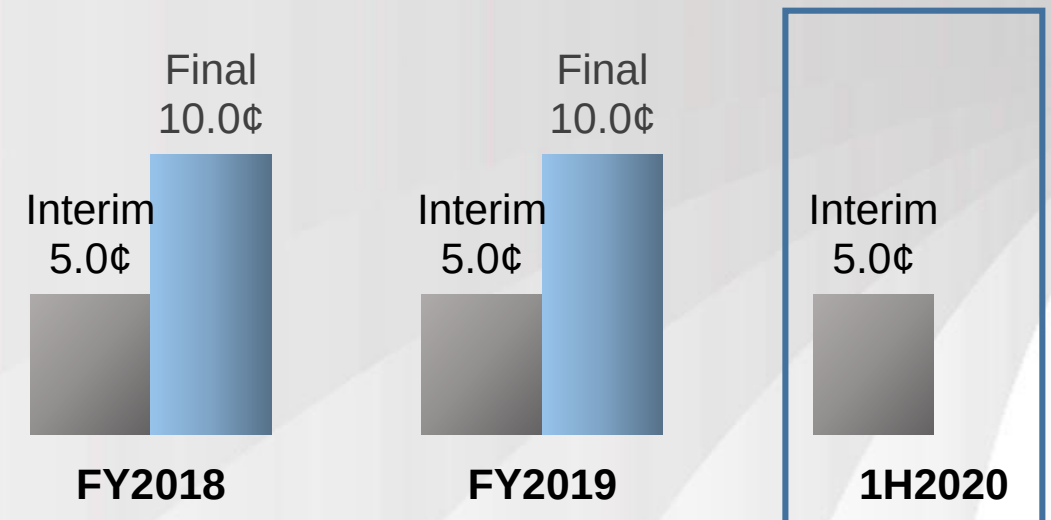
S\$m	1H2020	1H2019
Net cash from/(used in)		
Operating activities	1,017	423
Investing activities	(151)	(823)
Financing activities	(984)	308
Net decrease in CCE *	(118)	(92)
CCE at beginning of the period	452	414
Exchange difference	8	(1)
CCE at end of the period	342	321

* CCE - Cash & Cash Equivalents

1H2020 Interim Dividend of 5.0 Cents per Share

- Board approved interim dividend of 5.0 cents per ordinary share, payable on 2 Sep 2020
- 1H2020 interim dividend is consistent with previous years
- Retained earnings was \$1,390m or 44.5 cents per share as at year-end 2019 at group level
- FY2020 dividends can be adequately funded out of past years' retained earnings

Dividend per Ordinary Share



Outlook

President & CEO's Message

“We entered the COVID-19 pandemic from a position of strength. Our technology and engineering foundation built up over the years, our strong balance sheet, our diverse business mix and robust order book helped us weather the impact of COVID-19 and maintain even-keel for our first half results.

We are cognisant of the ‘tail wind’ afforded us through the various government support schemes (especially the Singapore government’s JSS) for 2020. We do not expect such support beyond this year. We are working to position the Group to come out of the pandemic stronger and more competitive. This means focusing on cost reduction, productivity and talent acquisition, organising for growth and serving our customers better. We are also alert to opportunities that have emerged or been accentuated as a result of COVID-19. We are well positioned to benefit from areas like Passenger-to-Freighter conversion and smart city solutions, including safe access control management.

We are maintaining our guidance for FY2020 revenue to come in between 5% and 15% lower versus FY2019.”

~ Vincent Chong, President & CEO, ST Engineering

Appendix

Group

Group Profit before Tax (PBT)

S\$m	1H2020	1H2019	Change
Aerospace	120.3	158.5	-24%
Electronics	96.6	98.4	-2%
Land Systems	49.2	42.2	+17%
Marine	22.1	31.5	-30%
Others	(1.8)	(1.0)	NM
Group	286.4	329.6	-13%

Aerospace

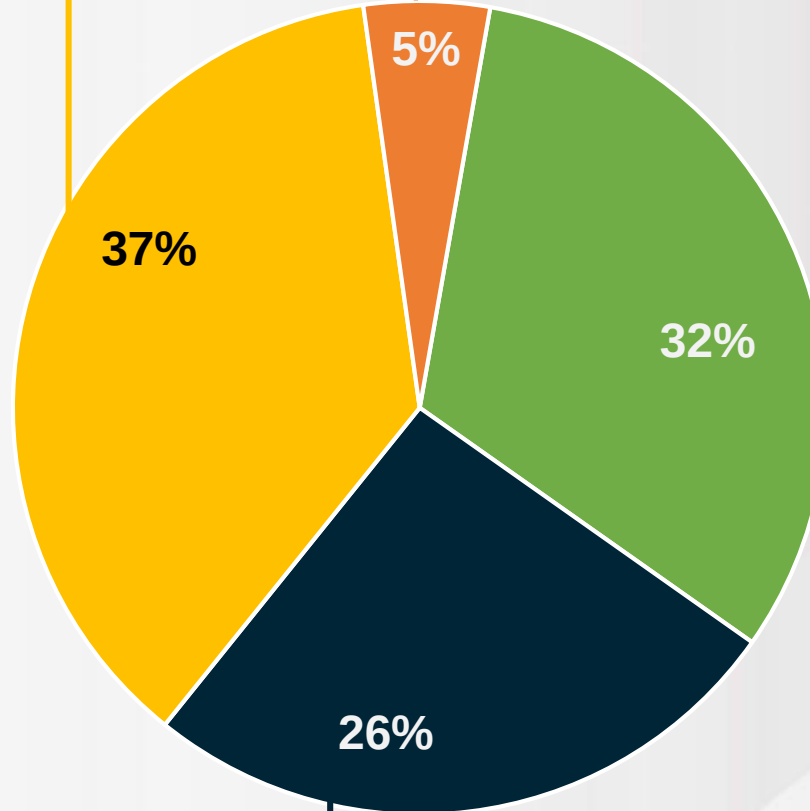
Aerospace Revenue by geography (by location of customers)

Europe

1H2020: \$538m

Others

1H2020: \$81m



U.S.

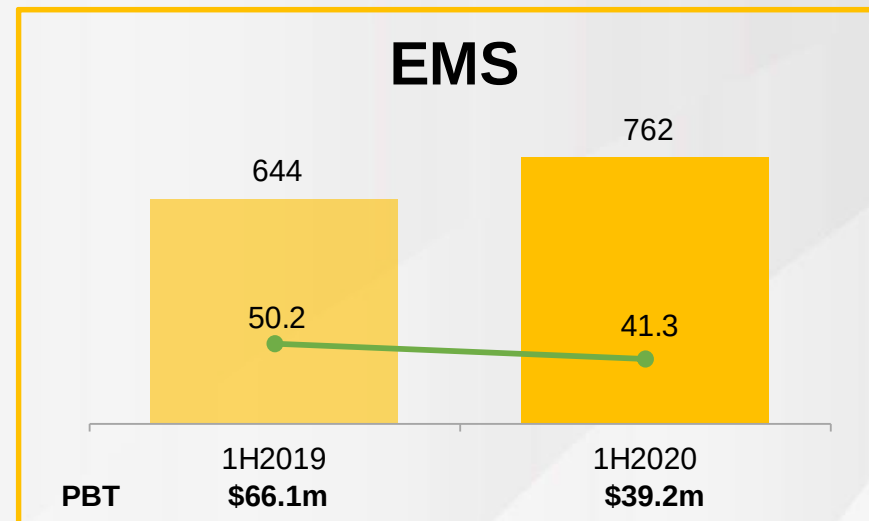
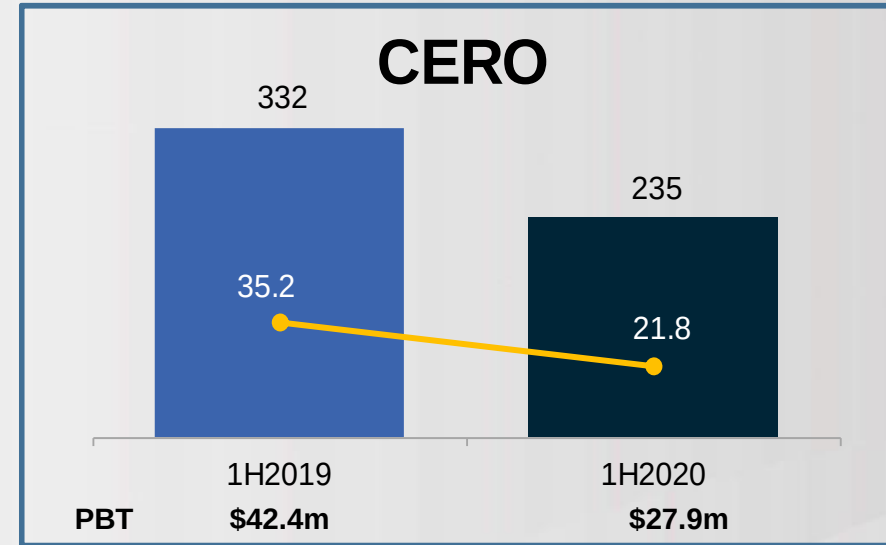
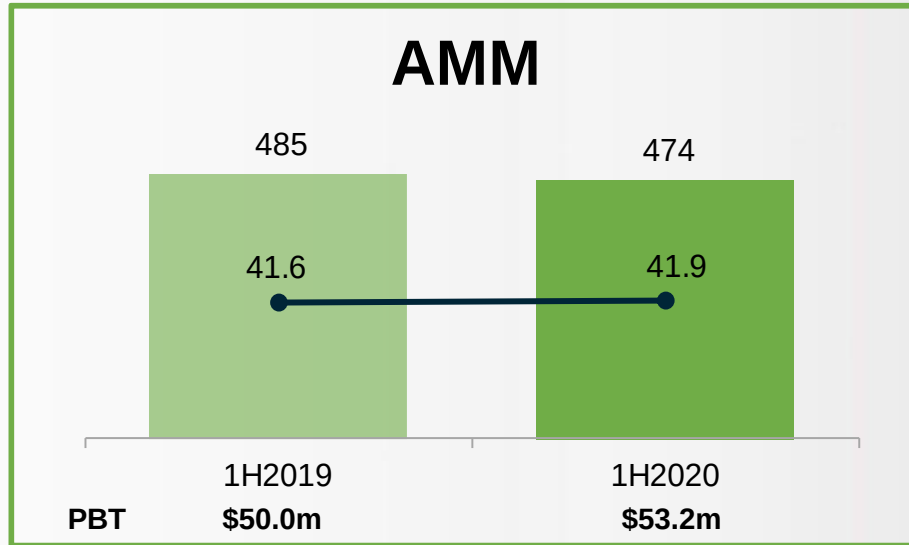
1H2020: \$376m

Asia

1H2020: \$476m

Note: Revenue includes inter-segment sales

Aerospace Revenue, PBT and Net Profit by business group



Legend:

Bar: Revenue (\$m)

Line: Net Profit (\$m)

Note: Revenue includes inter-segment sales

Aerospace

1H2020 vs 1H2019

Revenue **\$1,470m** ▲ **\$12m or 1%**

- Full six months' contribution from MRAS as compared to two-and-a-half months in prior year

Partially offset by

- Lower revenue from AMM and CERO business groups due to reduced activities arising from COVID-19

PBT **\$120.3m** ▼ **\$38.2m or 24%**

- Impairments and lower activities
- Share of lower profits from associates and joint ventures

Partially offset by

- Full six months' contribution from MRAS
- Government support

Net Profit **\$105.0m** ▼ **\$22.0m or 17%**

- In line with lower PBT

Partially offset by

- Lower tax expense
- Share of losses by NCI

Aerospace – 1H2020 in Review

- Secured about \$1.4b worth of new contracts, including:
 - Multi-year engine and component MRO contracts to support T'way Air's Boeing 737 fleet
 - A 5-year nacelle maintenance contract to support Qantas' Boeing 737-800 and A330 fleet
 - A 3-year heavy maintenance contract for Alaska Airlines' A320 fleet
 - Passenger-to-freighter (P2F) conversion orders for two A321 units from BBAM and conversion and leasing of a A321P2F unit for Qantas
 - A 2-year exclusive heavy maintenance contract for up to 40 CFM56-7B engines for an Asian air carrier
 - A multi-year heavy maintenance contract to support a Chinese cargo airline's Boeing 767 fleet

Aerospace – 1H2020 in Review

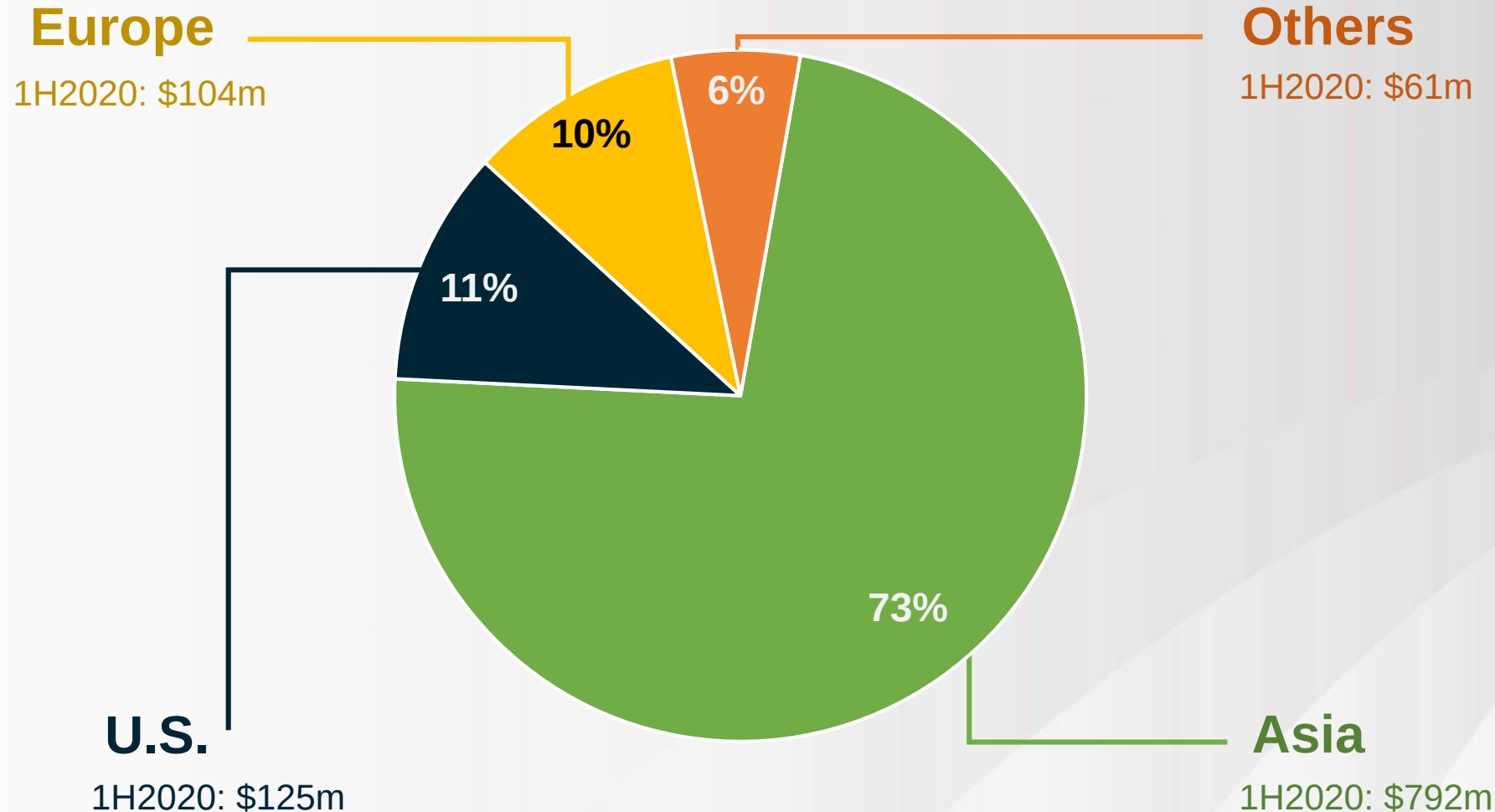
- Entered into agreements for the sale of 30 aircraft engines through engine leasing JV into a securitisation structure
- Strengthened core capabilities
 - Entered into an agreement with Vietnam Airlines to explore setting up airframe MRO JV in Vietnam
 - Became a licensed service centre for LEAP-1B engines
 - Attained EASA Supplement Type Certification for A321P2F conversion
 - Received first-ever authorisation from CAAS to perform aircraft inspection using drones
 - Entered into collaboration with Wilhelmsen Ships Service to develop solutions to enable Beyond Visual Line of Sight Unmanned Aircraft Systems operations for shore-to-ship parcel deliveries

Aerospace – Outlook for 2H2020

- Redeliver A321P2F prototype and pursue new P2F contracts
- Ramp up component MRO operations
- Develop solutions to enhance cabin hygiene and safety
- Accelerate implementation of smart solutions to enhance productivity and cost efficiency
- Continue to market UAV solutions and advance commercial applications of these solutions

Electronics

Electronics Revenue by geography (by location of customers)



Electronics Revenue, PBT and Net Profit by business group



Electronics

1H2020 vs 1H2019

Revenue	\$1,069m	▼ \$19m or 2%	• Lower revenue from CSG business group, impacted by COVID-19 Partially offset by • Higher revenue from LSG and SSG business groups
PBT	\$96.6m	▼ \$1.8m or 2%	• In line with lower revenue • Unfavourable sales mix Partially offset by • Government support
Net Profit	\$87.6m	▲ \$6.0m or 7%	• Lower tax expense

Electronics – 1H2020 in Review

- Secured over \$1.3b worth of new contracts, including:
 - Rail electronics projects in China, India and Thailand
 - Public safety and security projects
 - Next-generation Perimeter Intrusion Detection System in a U.S. airport
 - Provision of Security Operations Centres and cybersecurity related services
 - Support for customers in government, defence, critical infrastructure and enterprise sectors
 - First-of-its-kind Container Lashing Warning System on three shipping vessels to enable remote on-condition monitoring of cargo securing
 - Development of an aviation management and maintenance system for a leading airport authority's Southeast Asian operations
 - Enhancement and maintenance of Singapore's National Water Agency, PUB's Intelligent Water Management System
 - Several training and simulation solutions to support experiential learning needs

Electronics – 1H2020 in Review

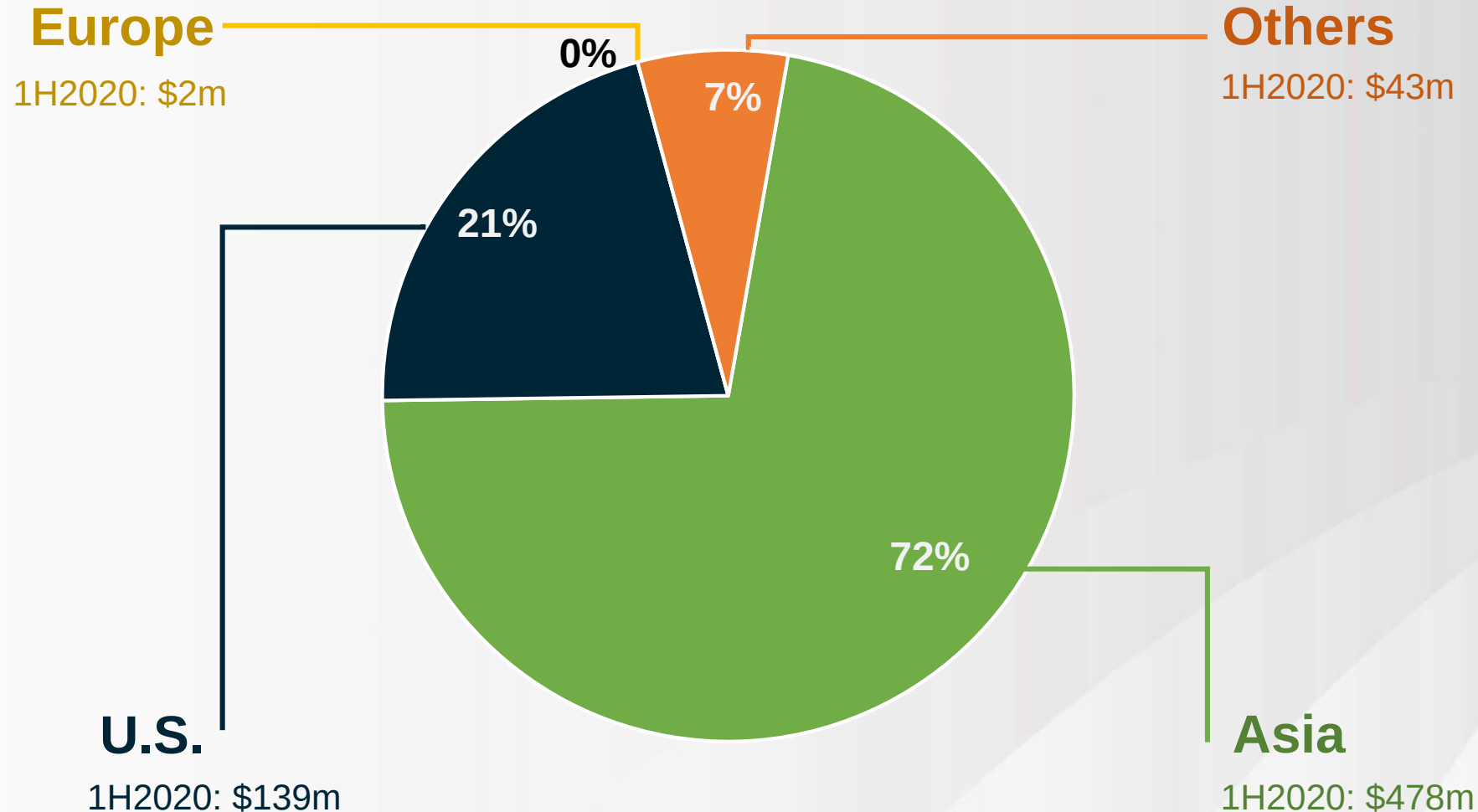
- Deployed integrated command, control and communications (C3) systems, integrated surveillance systems, contact tracing solutions to support Singapore's COVID-19 efforts
- Enhanced Smart City offerings
 - Smart lighting provided to Singapore's Housing & Development Board was the winner of the *Smart Buildings/Smart Tech Parks* category at the IDC Smart City Asia Pacific Awards 2020
 - Launched GEOEARTH, a cloud-based geospatial analytics platform to drive higher efficiencies and enable better business decisions
 - Launched BIOS-SHIELD™, Asia's first cloud, firmware endpoint security solution with Janus Technologies
 - Entered into collaboration agreement with National University of Singapore to use quantum technology to develop network encryption solutions
 - Signed an agreement to collaborate with Singapore's Urban Redevelopment Authority to develop and commercialise digitalisation tools to aid city planning and management

Electronics – Outlook for 2H2020

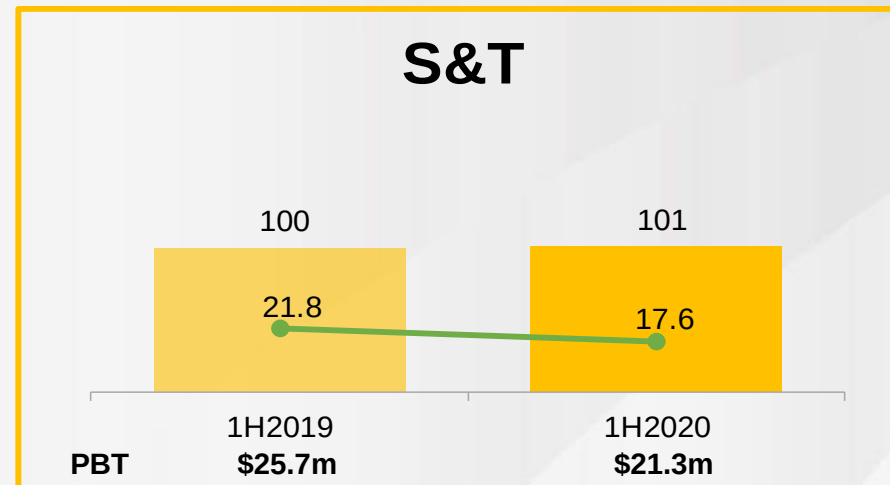
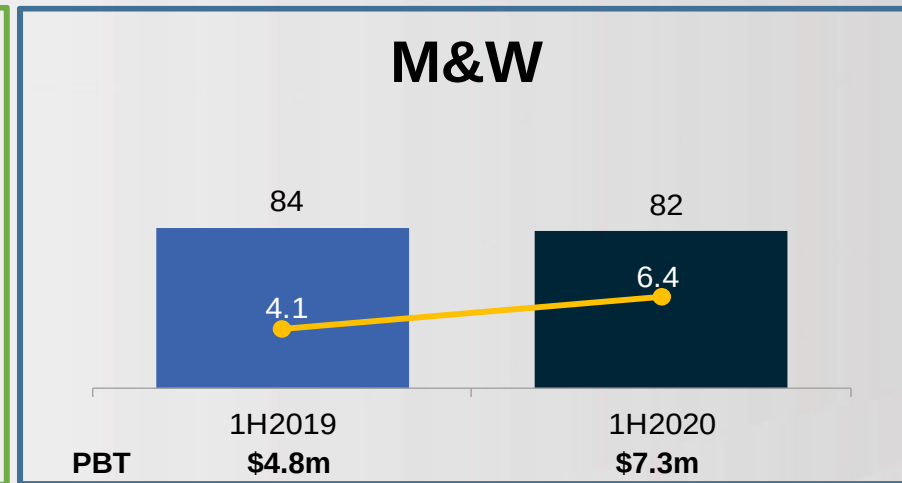
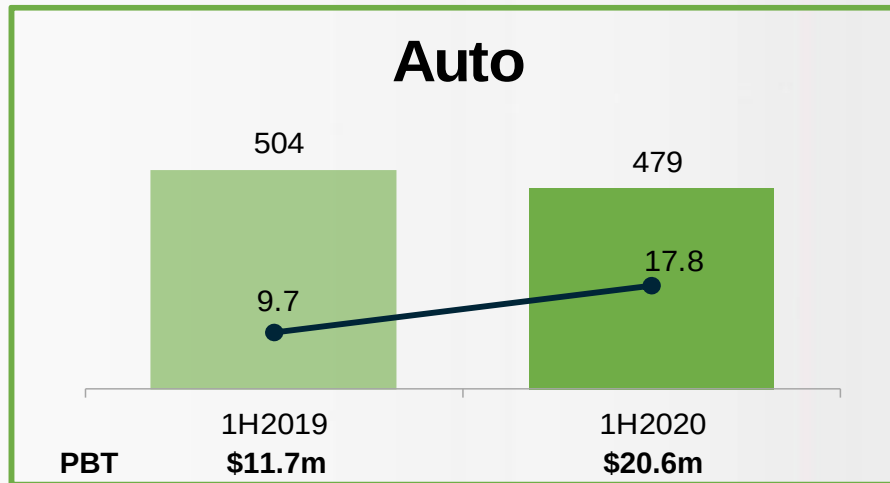
- Explore business opportunities arisen from new demand trends, e.g. safe access control management, data centres, cybersecurity and secured digital solutions
- Deliver smart mobility, satellite communications and software system related contracts on schedule
- Focus on integration of iDirect Europe (formerly known as Newtec) and Glowlink Communications
- Pursue Smart City related contracts in and outside of Singapore

Land Systems

Land Systems Revenue by geography (by location of customers)



Land Systems Revenue, PBT and Net Profit by business group



Legend:
Bar: Revenue (\$m)
Line: Net Profit (\$m)
Note: Revenue includes inter-segment sales

Land Systems

1H2020 vs 1H2019

Revenue **\$644m** ▼ **\$29m or 4%**

- Lower revenue from Auto business group, with lower US specialty vehicles and MAN bus sales
- Partially offset by
- Stronger defence revenue

PBT **\$49.2m** ▲ **\$7.0m or 17%**

- Government support
 - Lower operating expenses
- Partially offset by
- Unfavourable sales mix
 - Impairments and weaker performance from associates

Net Profit **\$41.8m** ▲ **\$6.2m or 17%**

- In line with higher PBT

Land Systems – 1H2020 in Review

- Secured new contracts, including:
 - Phase 2 contract for Hunter Armoured Fighting Vehicle from Singapore Ministry of Defence
 - Weapons & munitions from customers in South America, North Africa and Middle East
 - Road construction equipment and specialty vehicles from customers in North America
- On-demand autonomous buses provided to Singapore's Ministry of Transport and Sentosa Development Corporation was the winner of *Transportation* category at IDC Smart City Asia Pacific Awards 2020
- Deployed mobile swab stations, TUG autonomous mobile robots as well as security and disinfecting robots to support Singapore's COVID-19 efforts

Land Systems – Outlook for 2H2020

- Focus on execution and delivery of ongoing defence programmes, as well as ongoing autonomous vehicle trials
- Pursue and secure key defence and commercial programmes locally and overseas
- Develop and strengthen capabilities to be a leading contributor of the AV ecosystem in Singapore, supporting the nation's Land Transport Master Plan

Marine

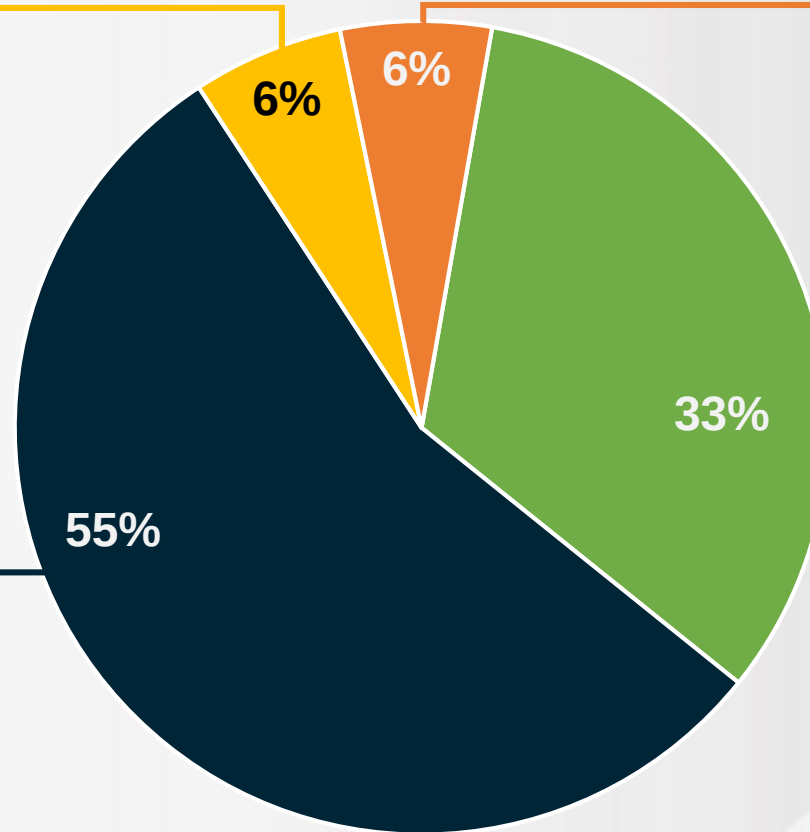
Marine Revenue by geography (by location of customers)

Europe
1H2020: \$25m

Others
1H2020: \$25m

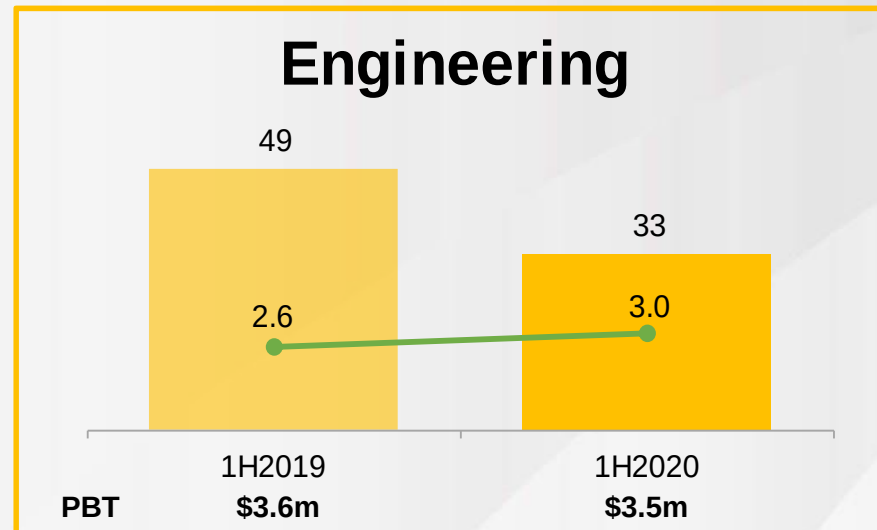
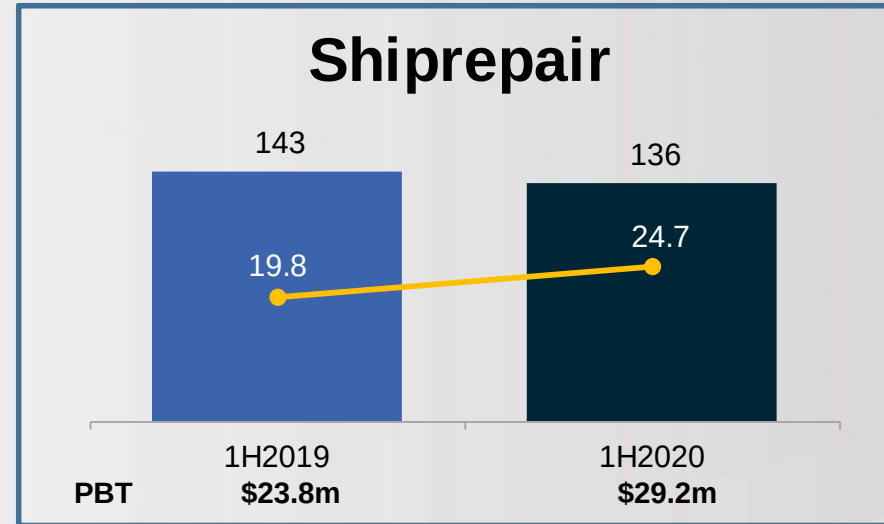
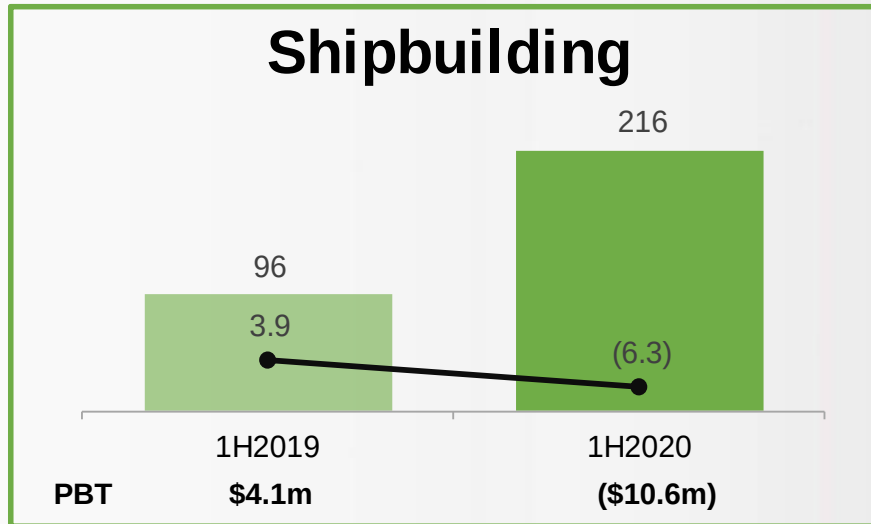
U.S.
1H2020: \$212m

Asia
1H2020: \$123m



Note: Revenue includes inter-segment sales

Marine Revenue, PBT and Net Profit by business group



Legend:
Bar: Revenue (\$m)
Line: Net Profit (\$m)
Note: Revenue includes inter-segment sales

Marine

1H2020 vs 1H2019

Revenue	\$385m	▲ \$97m or 34%	• Higher revenue from Shipbuilding business group Partially offset by • Lower revenue from Shiprepair and Engineering business groups
PBT	\$22.1m	▼ \$9.4m or 30%	• Weaker U.S. shipbuilding performance Partially offset by • Government support
Net Profit	\$21.4m	▼ \$4.9m or 19%	• In line with lower PBT Partially offset by • Lower tax expenses

Marine – 1H2020 in Review

- Secured new contracts, including:
 - Firm order for one Auxiliary Personnel Lighter-Small (APL(S)) 67 Class berthing barge for the U.S. Navy, bringing total orders to four units
 - Engineering, Procurement and Construction contract with consortium partners, Keppel Seghers and China Harbour, for a Waste-to-Energy facility and a Materials Recovery at the new Tuas Nexus IWMF in Singapore
- Completed numerous shiprepair projects, rig repair and related fabrication works
- U.S. yard was among the recipients of the prestigious 2019 Safety Award from the America Equity Underwriters

Marine – Outlook for 2H2020

- R&D plan including design performance specifications for Polar Security Cutter
- Deliver first two units of APL(S) berthing barge to U.S. Navy
- Progressive launches/deliveries of 5GPT to Singapore Police Coast Guard
- Pursue and secure defence and commercial newbuild programmes in and outside Singapore

Aerospace Business Updates

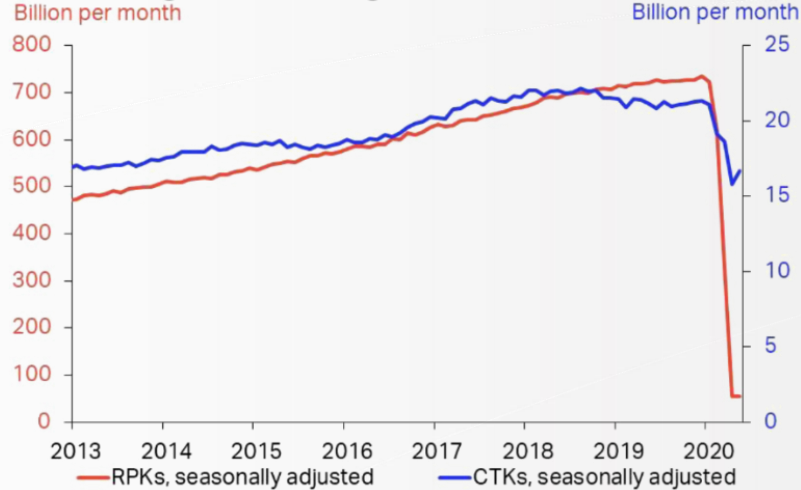
COVID-19's Impact and Opportunities

Y2020 - An Unprecedented Year for Aviation

Aviation Traffic Plunge Precipitates Major Aviation Market Crisis

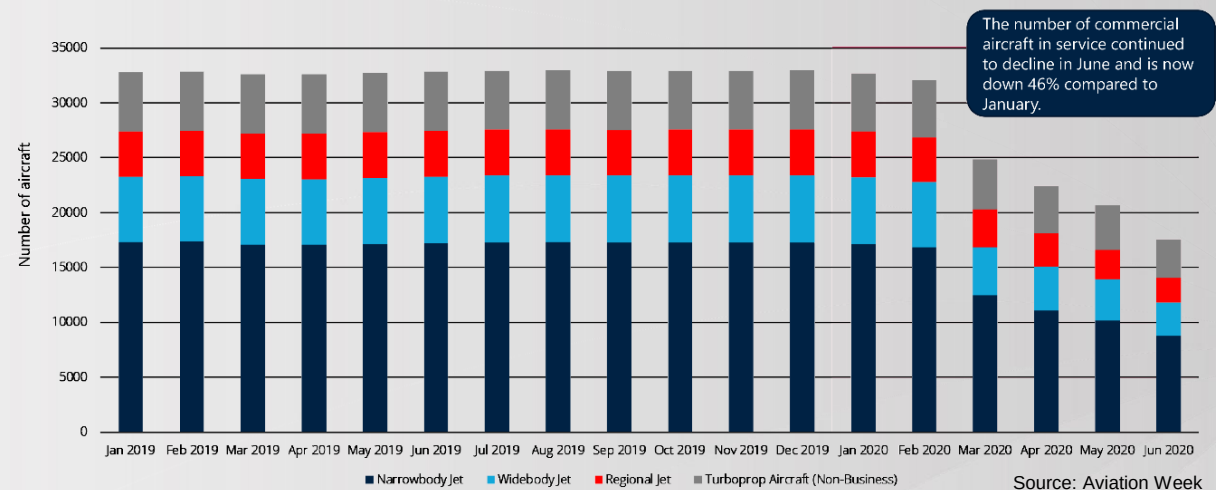
1 Air travel hits a record low in April 2020

Air Passenger and Air Cargo Volumes



2 Airlines rationalise fleets, global in-service aircraft reduced

Commercial jets and turboprop aircraft in service, by month



3 OEMs reduced aircraft production rates and adjust workforce

- Airbus: 15,000 job cuts by summer 2021
- Boeing: ~ 16,000 job cuts, 10% of workforce

Aircraft Production Rate Reductions (aircraft per month)

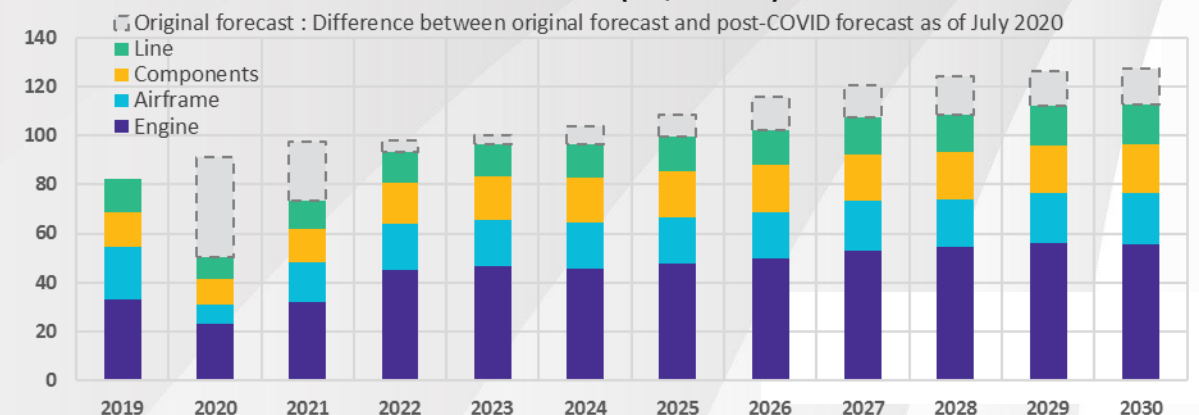
	Aircraft Type	Previous Target	Revised Rate
	B787	14	10 in Y2020 (-29%), 6 by Y2021 (-57%)
	B777/777X	5	2 in Y2021 (-60%)
	B747	0.5	Ceasing production in Y2022
	A320	60	40 (-33%)
	A330	3.25	2 (-38%)
	A350	10	5 (-50%)

4 Reduced in-service fleet restricts MRO spend

- Y2020 MRO spend to reduce by 45% to US\$50.3b

MRO Demand (US\$ billions)

Source: Oliver Wyman



Longer-Term & Strategic Priorities

Strengthen Fundamentals and Capitalise on COVID-19's Opportunities

Improve Cost Structure & Operations

- Align supply & demand
- Accelerate digitisation and automation

Rationalisation

- Exit businesses that see permanent adverse impact from COVID-19

Position for Growth

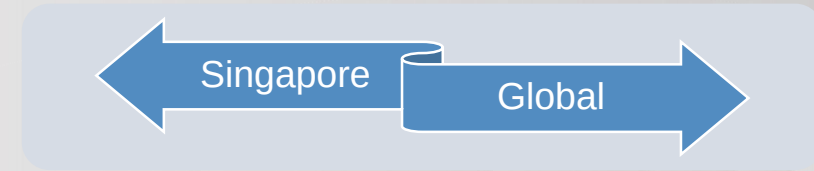
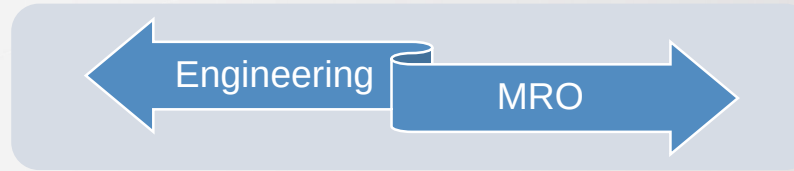
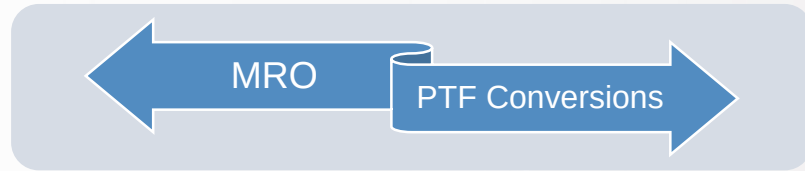
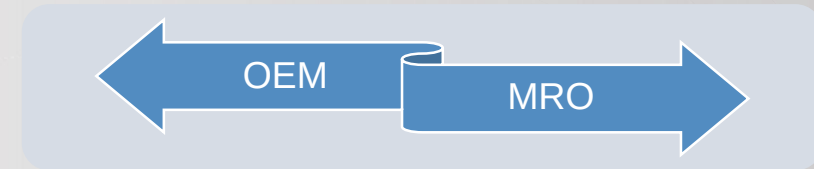
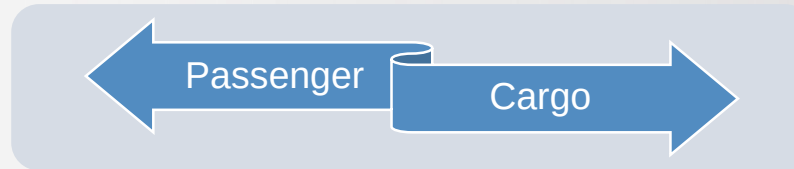
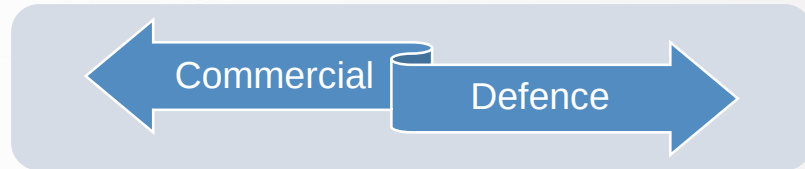
- Strategic partnerships
- M&A investments
- Sustainability focus
- Engage China options

Freighter Business

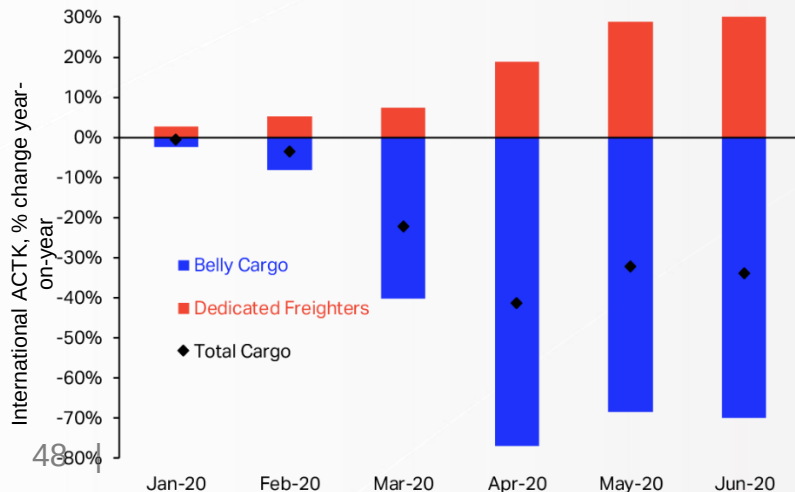
- Grow PTF opportunities
- Strengthen supply chain
- Offer integrated leasing and MRO options

Diverse Portfolio Across Business Segments & Markets

Broad Business Exposure & Diverse Portfolio Reduce Single Segment Risks



1 Increased demand for cargo aircraft



ACTK: Available cargo tonne-kilometers

Source: IATA

2 PTF feedstock at lower cost

Model	HLCMV - 3Y	HLCMV - 6Y	HLCMV - 12Y	Typical Value Change	
A319-100	\$ 25.33 m	\$ 20.23 m	\$ 11.93 m	-5%	to -22%
A320-200	\$ 32.18 m	\$ 25.49 m	\$ 15.63 m	-10%	to -16%
A321-200	\$ 34.97 m	\$ 28.11 m	\$ 18.83 m	-9%	to -17%
737-700	\$ 26.69 m	\$ 21.31 m	\$ 12.51 m	-9%	to -26%
737-800	\$ 34.24 m	\$ 27.39 m	\$ 18.12 m	-9%	to -16%
737-900ER	\$ 34.66 m	\$ 27.29 m	\$ 17.65 m	-5%	to -16%

Model	HLCMV - 3Y	HLCMV - 6Y	HLCMV - 12Y	Typical Value Change	
A330-200	\$ 53.26 m	\$ 39.37 m	\$ 23.25 m	-7%	to -26%
A330-300	\$ 58.68 m	\$ 43.21 m	\$ 25.16 m	-7%	to -24%
A380-800	\$ 125.44 m	\$ 85.43 m	\$ 39.43 m	-13%	to -34%
777-300ER	\$ 108.42 m	\$ 81.85 m	\$ 42.97 m	-8%	to -19%
777-200LR	-	\$ 31.48 m	\$ 24.07 m	-33%	to -51%

Source: IBA

3 Demand for automation & safer travel

Clean Cabin Solutions



UVC Cabin System



ECS Bipolar Ionisation System

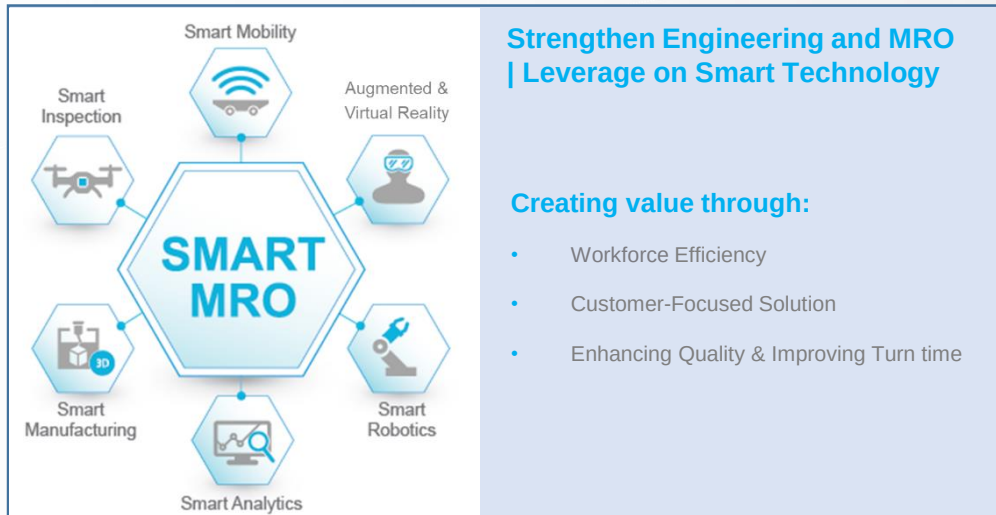


Seat Partitions for Passenger Separation



Intensifying Innovation Efforts

Accelerate Innovation and Capitalise on COVID-19's Opportunities



New Cabin Solutions
To reduce COVID-19 Risks

New Cabin Products

- **Antimicrobial Coating** (Qualification for aircraft use in Sep2020)
- **Continuous Cabin Air Cleansing** (EASA STC in Oct/Nov2020)
- **Safe Seating Solution** (Prototypes for airlines to try in Aug 2020; minor- mod certification in Sep 2020)

Ground-breaking 3-in-1 coating, based on world's first Fusion Resonance Technology, together with Titanium Dioxide & Nano-silver.

ST Engineering Aerospace

Expandable PRM Lavatory

Expanded Space

40% More SPACE
No Compromise to Seat Pitch

ST Engineering Aerospace

EFW Cabin Cargo Box
Reversible & flexible storage to boost main cabin cargo capacity

- Efficient loading / unloading with wheels of up to 200kg per box, adding nearly 19t of cargo capacity for an A330-200
- Universal compatibility with all narrow / widebody aircraft through PAX door loading
- Safe and quick installation with designed latches

EFW

A330-200

Thank You