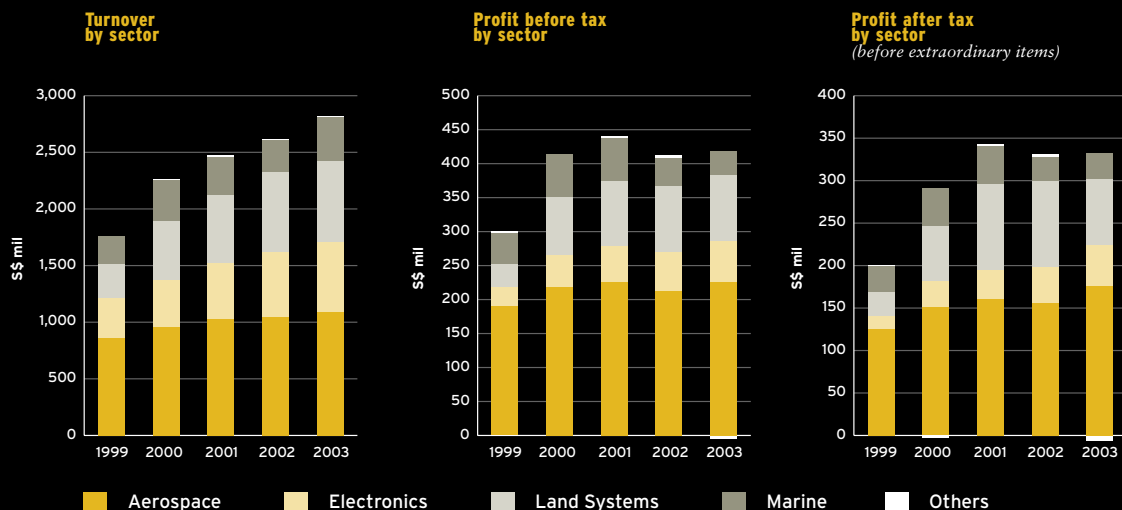


# Introduction

## Financial Highlights

In 2003, ST Engg reported 8% higher turnover of S\$2.82b, and comparable profit before tax of S\$412.7m, or 15% of sales. Economic value added was S\$240.9m, an increase of 27% over the previous year. Defence sales represented 55% of the Group's business. International contributions grew in 2003, with the US accounting for 21% of total turnover. The Board of ST Engg is proposing a final dividend of 113% or 11.3 cents per share, which represents 100% of 2003 earnings.



**INTRODUCTION**  
Financial Highlights

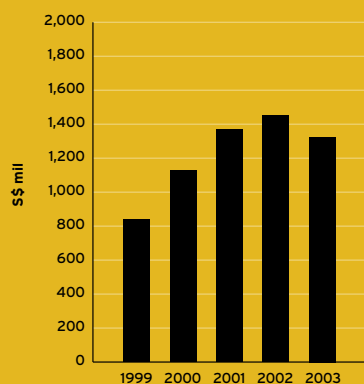
## Key Financial Data

S\$'000	1999		2000		2001		2002		2003	
<b>Turnover by sector</b>	<u>1,764,407</u>	<u>100%</u>	<u>2,259,027</u>	<u>100%</u>	<u>2,470,067</u>	<u>100%</u>	<u>2,619,191</u>	<u>100%</u>	<b><u>2,818,989</u></b>	<b><u>100%</u></b>
Aerospace	856,872	49%	956,320	42%	1,031,246	42%	1,042,945	40%	<b>1,091,867</b>	<b>39%</b>
Electronics	354,534	20%	411,781	18%	488,808	20%	571,539	22%	<b>614,259</b>	<b>22%</b>
Land Systems	297,022	17%	526,510	23%	603,363	24%	709,834	27%	<b>717,006</b>	<b>25%</b>
Marine	255,979	14%	358,433	16%	334,878	13%	279,813	11%	<b>387,272</b>	<b>14%</b>
Others	-	-	5,983	1%	11,772	1%	15,060	-	<b>8,585</b>	<b>-</b>
<b>Profit before tax by sector</b>	<u>300,060</u>	<u>100%</u>	<u>412,509</u>	<u>100%</u>	<u>440,157</u>	<u>100%</u>	<u>412,953</u>	<u>100%</u>	<b><u>412,697</u></b>	<b><u>100%</u></b>
Aerospace	189,837	63%	218,991	53%	225,682	51%	212,993	52%	<b>225,189</b>	<b>55%</b>
Electronics	28,201	10%	46,591	11%	52,151	12%	56,699	14%	<b>61,390</b>	<b>15%</b>
Land Systems	33,092	11%	84,650	21%	97,108	22%	96,877	23%	<b>96,458</b>	<b>23%</b>
Marine	46,367	15%	63,935	15%	62,631	14%	41,132	10%	<b>35,172</b>	<b>9%</b>
Others	2,563	1%	(1,658)	-	2,585	1%	5,252	1%	<b>(5,512)</b>	<b>(2%)</b>
<b>Profit after tax by sector (before extraordinary items)</b>	<u>200,529</u>	<u>100%</u>	<u>288,138</u>	<u>100%</u>	<u>342,252</u>	<u>100%</u>	<u>330,711</u>	<u>100%</u>	<b><u>325,583</u></b>	<b><u>100%</u></b>
Aerospace	125,208	62%	151,038	52%	160,338	47%	155,580	47%	<b>176,297</b>	<b>54%</b>
Electronics	15,300	8%	30,580	11%	34,499	10%	42,800	13%	<b>48,018</b>	<b>15%</b>
Land Systems	27,998	14%	64,948	23%	100,223	29%	100,602	30%	<b>76,538</b>	<b>24%</b>
Marine	31,178	16%	43,830	15%	45,671	13%	29,201	9%	<b>30,808</b>	<b>9%</b>
Others	845	-	(2,258)	(1%)	1,521	1%	2,528	1%	<b>(6,078)</b>	<b>(2%)</b>

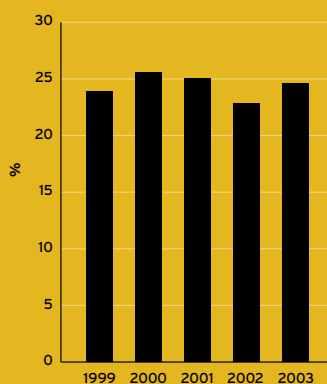
## Key Financial Data *(Continued)*

	1999	2000	2001	2002	2003
Shareholders' funds (S\$'000)	840,485	1,125,317	1,370,974	1,452,071	<b>1,324,527</b>
Total assets (S\$'000)	3,406,852	4,383,047	4,577,789	4,350,526	<b>4,122,280</b>
Net tangible assets (S\$'000)	840,485	1,125,317	1,369,973	1,431,493	<b>1,266,362</b>
Dividend per share (cents)	9.30	9.50	10.80	18.50	<b>11.30</b>
Dividend yield (%)	4.51	3.53	4.20	9.25	<b>6.12</b>
Dividend cover	1.02	1.33	1.38	0.74	<b>1.00</b>
Earnings per share (cents)	7.08	10.12	11.92	11.47	<b>11.29</b>
Return on turnover (%)	11.7	12.9	14.0	12.7	<b>11.6</b>
Return on equity (%)	23.9	25.6	25.0	22.8	<b>24.6</b>
Return on total assets (%)	5.9	6.6	7.6	7.7	<b>7.9</b>
Net tangible assets per share (cents)	29.6	39.4	47.6	49.6	<b>43.9</b>

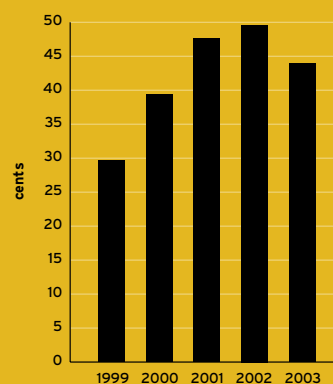
**Shareholders' funds**



**Return on equity**



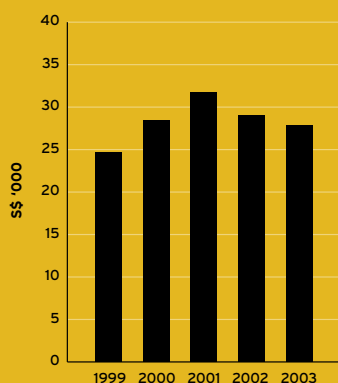
**Net tangible assets per share**



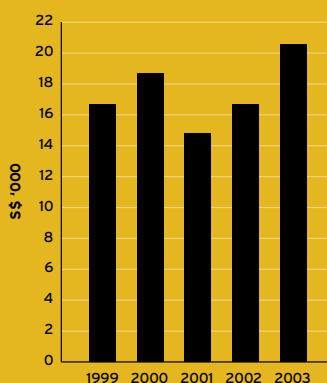
## Productivity Data

	1999	2000	2001	2002	2003
Average staff strength	8,129	10,128	10,780	11,413	<b>11,702</b>
Sales per employee (S\$)	217,051	223,048	229,134	229,492	<b>240,898</b>
Profit after tax per employee (S\$)	24,668	28,450	31,749	28,977	<b>27,823</b>
Employment costs (S\$'000)	533,357	658,511	742,014	759,102	<b>798,014</b>
Employment costs per \$ of turnover (S\$)	0.30	0.29	0.30	0.29	<b>0.28</b>
Economic value added (S\$'000)	135,640	189,350	159,456	190,184	<b>240,906</b>
Economic value added spread (%)	10.5	13.3	10.1	11.3	<b>13.9</b>
Economic value added per employee (S\$)	16,686	18,696	14,792	16,664	<b>20,587</b>
Value added (S\$'000)	900,107	1,155,845	1,254,506	1,274,215	<b>1,336,994</b>
Value added per employee (S\$)	110,728	114,124	116,373	111,646	<b>114,253</b>
Value added per \$ of employment costs (S\$)	1.69	1.76	1.69	1.68	<b>1.68</b>
Value added per \$ of gross fixed assets (S\$)	1.12	1.12	1.14	1.03	<b>1.05</b>
Value added per \$ of turnover (S\$)	0.51	0.51	0.51	0.49	<b>0.47</b>

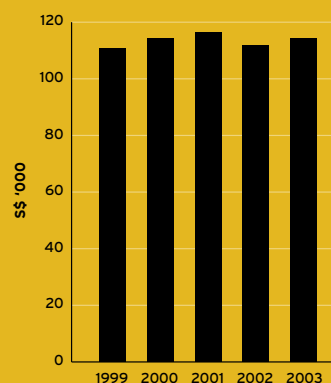
**Profit after tax per employee**



**Economic value added per employee**



**Value added per employee**



## Economic Value Added Statements

(\$ million)	1999	2000	2001	2002	2003
Net profit before tax	267.2	369.4	404.3	370.7	<b>367.4</b>
Adjust for:					
Share of associated companies' profits	32.9	43.1	35.8	42.3	<b>45.3</b>
Interest expense	9.7	12.7	5.5	5.0	<b>3.7</b>
Others	50.5	34.6	(43.3)	5.3	<b>18.4</b>
Adjusted profit before interest and tax	360.3	459.8	402.3	423.3	<b>434.8</b>
Cash operating taxes (Note 1)	(97.1)	(130.3)	(92.9)	(76.3)	<b>(84.7)</b>
<b>Net operating profit after tax (NOPAT) – (a)</b>	<b>263.2</b>	<b>329.5</b>	<b>309.4</b>	<b>347.0</b>	<b>350.1</b>
Average capital employed (Note 2)	1,288.1	1,422.2	1,571.7	1,685.8	<b>1,712.1</b>
Weighted average cost of capital (Note 3) (%)	9.9	9.9	9.4	9.3	<b>6.5</b>
<b>Capital charge – (b)</b>	<b>(127.5)</b>	<b>(140.2)</b>	<b>(147.7)</b>	<b>(156.8)</b>	<b>(111.3)</b>
<b>Group Economic Value Added (EVA) – [(a) - (b)]</b>	<b>135.6</b>	<b>189.3</b>	<b>161.7</b>	<b>190.2</b>	<b>238.8</b>
Minority share of EVA			(2.2)	-	<b>2.1</b>
<b>Group EVA attributable to ordinary shareholders</b>			<b>159.5</b>	<b>190.2</b>	<b>240.9</b>
Unusual items (UI) losses/(gains) (Note 4)			(1.6)	7.9	<b>0.7</b>
<b>Group EVA attributable to shareholders (exclude UI)</b>			<b>157.9</b>	<b>198.1</b>	<b>241.6</b>

Note 1: The reported current tax is adjusted for the statutory tax impact of interest expense.

Note 2: Monthly average share capital plus interest bearing liabilities, timing provision, goodwill amortised, and present value of operating leases.

#### Major Capital Components:

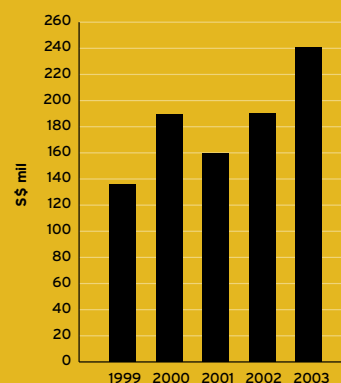
	S\$ million
Long-term debt	52.7
Short-term debt	22.6
Equity	1,255.3
Others	381.5
	<u>1,712.1</u>

Note 3: The Weighted Average Cost of Capital is calculated in accordance to Singapore Technologies (ST) Group EVA Policy as follows:

- i) Cost of Equity using Capital Asset Pricing Model with market risk premium at 6.0% (2002 @ 7.0%);
- ii) Risk-free rate of 2.78% (2002 @ 3.94%) based on yield-to-maturity of Singapore Government 10 years Bonds;
- iii) Ungeared beta at 0.7 (2002 @ 0.85) based on ST risk categorisation; and
- iv) Cost of Debt rate at 2.68% (2002 @ 4.30%) using 5-year Singapore Dollar Swap Offered rate plus 75 basis point.

Note 4: Unusual Items (UI) refer to divestment of investment properties, subsidiary and associates, long-term investments and disposal of major fixed assets.

**Economic value added**



**INTRODUCTION**  
Financial Highlights

## Value Added Statements

(S\$'000)	1999	2000	2001	2002	2003
<b>Value added from:</b>					
Revenue earned	1,764,407	2,259,027	2,470,067	2,619,191	<b>2,818,989</b>
Bought in materials and services	(952,921)	(1,243,541)	(1,360,803)	(1,452,076)	<b>(1,578,536)</b>
<b>Gross value added</b>	<b>811,486</b>	<b>1,015,486</b>	<b>1,109,264</b>	<b>1,167,115</b>	<b>1,240,453</b>
<b>Value added:</b>					
Income from investments and interest	58,048	85,349	93,870	49,651	<b>32,125</b>
Extraordinary items	(8,205)	-	-	-	-
Exchange gain / (loss)	336	222	9,430	(4,234)	<b>(1,201)</b>
Other non-operating income	5,548	11,722	6,110	19,373	<b>20,298</b>
Share of results of associated companies and joint ventures	32,894	43,066	35,859	43,822	<b>47,324</b>
Amortisation of goodwill on acquisition of associated companies	-	-	(27)	(1,512)	<b>(2,005)</b>
<b>Total value added</b>	<b>900,107</b>	<b>1,155,845</b>	<b>1,254,506</b>	<b>1,274,215</b>	<b>1,336,994</b>
<b>Distribution of value added</b>					
To employees in wages, salaries and benefits	533,357	658,830	741,258	758,513	<b>797,389</b>
To government in income and other taxes	95,666	125,447	90,627	83,761	<b>93,102</b>
To providers of capital on:					
• Interest paid on borrowings	3,961	3,983	3,205	2,897	<b>2,216</b>
• Dividends to shareholders	195,359	213,037	-	247,807	<b>449,906</b>
	<b>828,343</b>	<b>1,001,297</b>	<b>835,090</b>	<b>1,092,978</b>	<b>1,342,613</b>
<b>Balance retained in / (applied from) business</b>					
Depreciation	58,787	76,143	74,922	78,614	<b>86,445</b>
Impairment of fixed assets	-	-	2,105	1,882	<b>1,112</b>
Retained profits	(47,274)	(7,112)	251,144	44,263	<b>(149,740)</b>
	<b>11,513</b>	<b>69,031</b>	<b>328,171</b>	<b>124,759</b>	<b>(62,183)</b>
<b>Non-production cost and income</b>					
Bad debts	10,072	(54)	(12,055)	11,061	<b>25,640</b>
Income from investments and interest	58,048	85,349	93,870	49,651	<b>32,125</b>
Extraordinary items	(8,205)	-	-	-	-
Exchange gain / (loss)	336	222	9,430	(4,234)	<b>(1,201)</b>
	<b>60,251</b>	<b>85,517</b>	<b>91,245</b>	<b>56,478</b>	<b>56,564</b>
<b>Total distribution</b>	<b>900,107</b>	<b>1,155,845</b>	<b>1,254,506</b>	<b>1,274,215</b>	<b>1,336,994</b>

**Value added**

