



Marine

Aerospace

Land Systems

Electronics



Singapore Technologies
Engineering

2Q2004

Performance In Line With Prospects Statement

Engineering Our Future



Scope of Briefing



- ◆ Financial Highlights
- ◆ Business Review
- ◆ Outlook

Financial Highlights

for the second quarter ended 30 June 2004



- ◆ Defence sales constituted 49% or \$344 million of total sales for 2Q2004
- ◆ Order book was \$4.7 billion at end June 2004 of which about \$1.3 billion is expected to be delivered in the second half of 2004
- ◆ Economic Value Added for first half of 2004 is \$106.9 million
- ◆ Cash and cash equivalents and funds under management total about \$1.8 billion



Financial Highlights

for the second quarter ended 30 June 2004



\$ m	2Q2004	2Q2003	Change
Turnover	702	737	↓ 5%
Investment, interest & other income	15.1	9.2	↑ 65%
EBIT	75.0	97.7	↓ 23%
PBT	106.1	119.5	↓ 11%
PATMI	85.1	90.7	↓ 6%

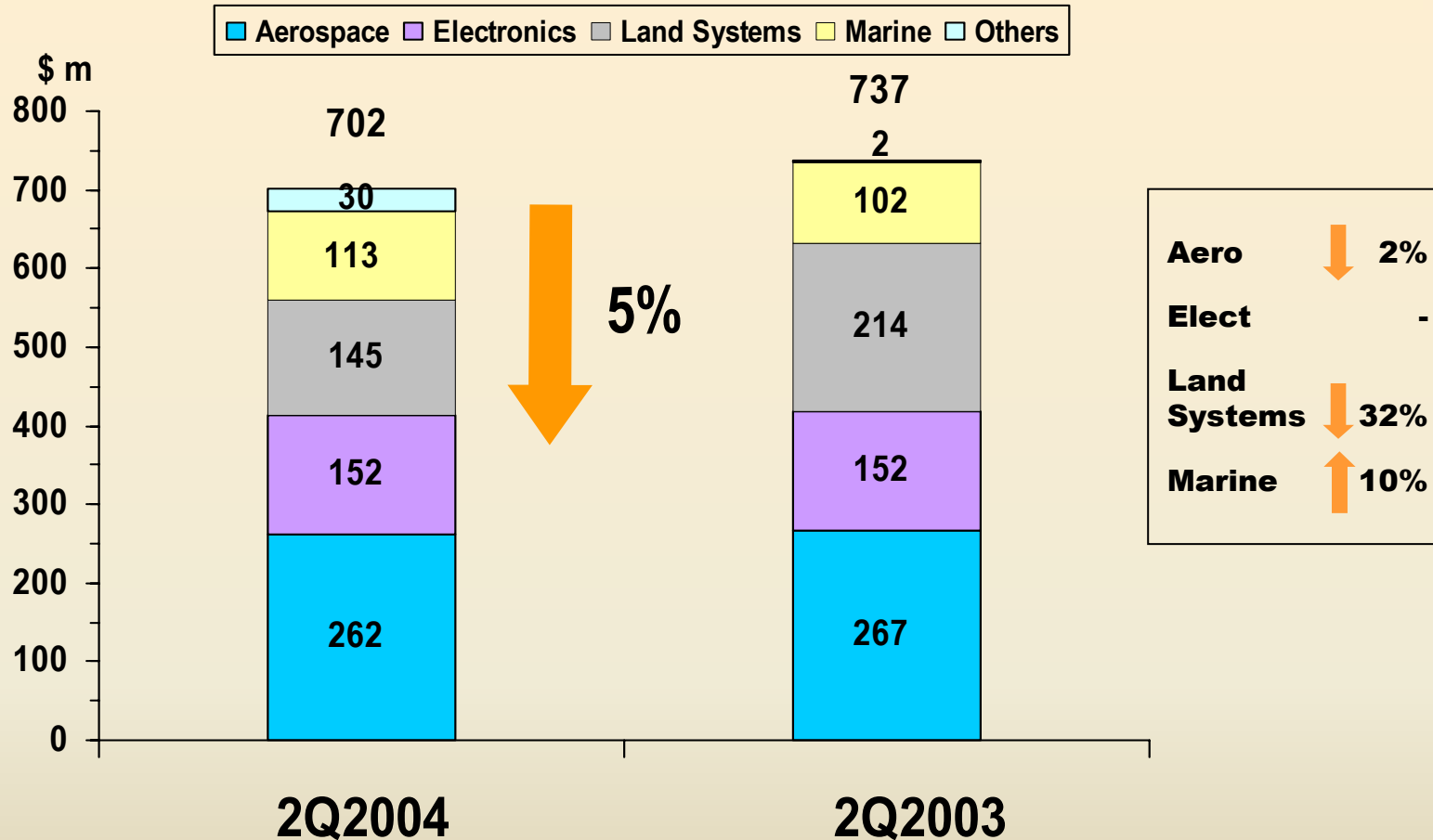
Financial Indicators



	2Q2004	2Q2003
EPS (cents)	2.9	3.1
ROS (%)	12.2	12.2
ROE (%)	7.3	7.8



Group Turnover *by sectors*



Group Turnover *by sectors*



- ◆ **Aerospace**
 - Lower components sales in CERO business group
- ◆ **Electronics**
 - Higher milestone completions and supply of MMDS in LSG and CSG, was offset by fewer milestone completions in SSG
- ◆ **Land Systems**
 - Lower sales and deliveries in Auto and M&W business groups following completion of some major projects in 2003
- ◆ **Marine**
 - Higher Shipbuilding turnover from local operation
- ◆ **Others**
 - Higher sales with inclusion of Miltope



EBITDA / EBIT - Group



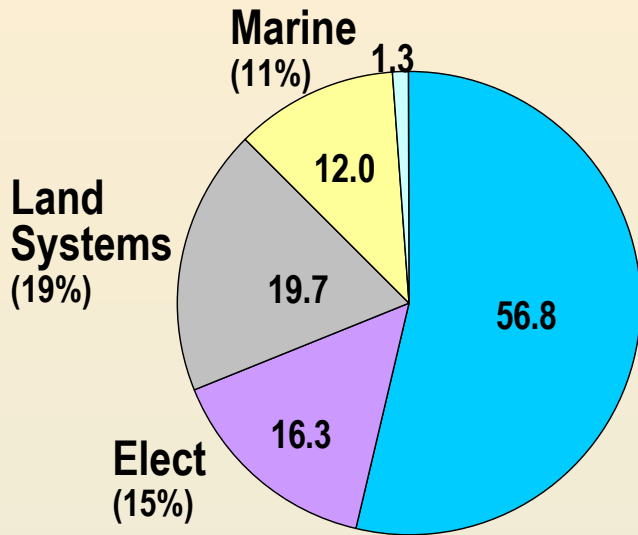
\$ m	2Q2004	2Q2003	%
EBITDA	96.1	120.0	(20)
Depreciation & amortisation	<u>(21.1)</u>	<u>(22.3)</u>	6
EBIT	75.0	97.7	(23)
Investment, interest and other income	15.1	9.2	65
Interest paid	<u>(1.0)</u>	<u>(0.5)</u>	(77)
Operating profit	89.1	106.4	(16)
Associated companies	17.0	13.1	29
Profit before tax	106.1	119.5	(11)



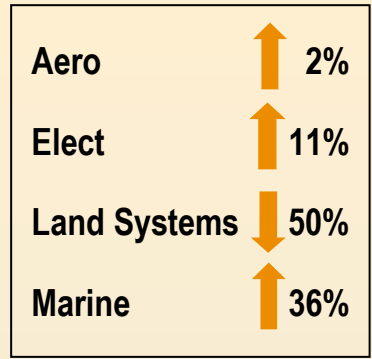
Profit Before Tax *by sectors*



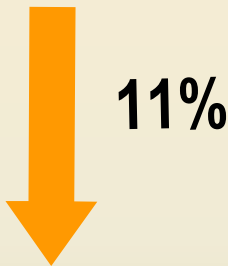
2Q2004



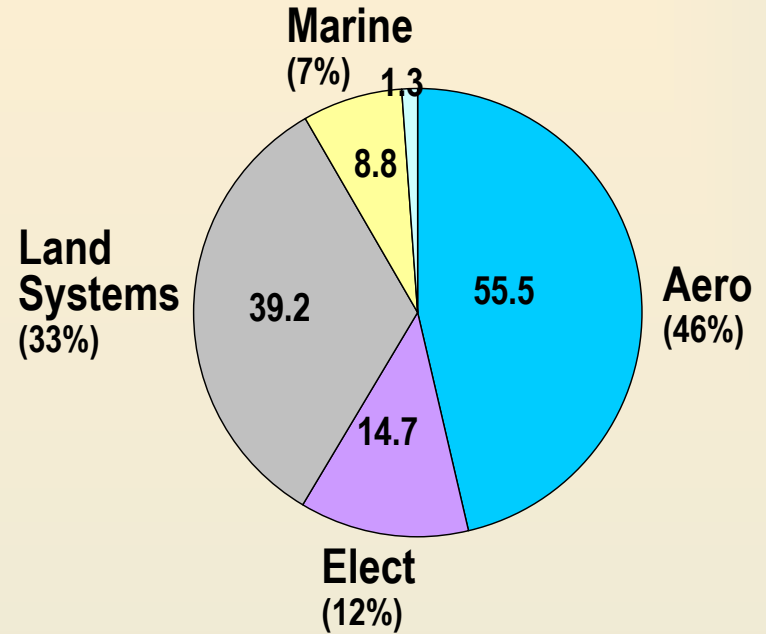
\$106.1m



Aero (54%)



2Q2003



\$119.5m

Profit before Tax *by sectors*



- ◆ **Aerospace**
 - Higher profits of EMS business group coming from contribution from AA2004 exhibition, offset by lower profits of AMM and CERO business groups

- ◆ **Electronics**
 - Higher PBT of CSG and SSG, partially offset by losses incurred by overseas subsidiaries of LSG

- ◆ **Land Systems**
 - Lower PBT of Auto and M&W business groups partially offset by higher associated companies' contribution

- ◆ **Marine**
 - Higher PBT from Shipbuilding and Shiprepair

Profit Before Tax / Sales *by sectors*



\$ m	2Q2004	2Q2003
Aerospace	22%	21%
Electronics	11%	10%
Land Systems	14%	18%
Marine	11%	9%
Group	15%	16%

Margins remain healthy

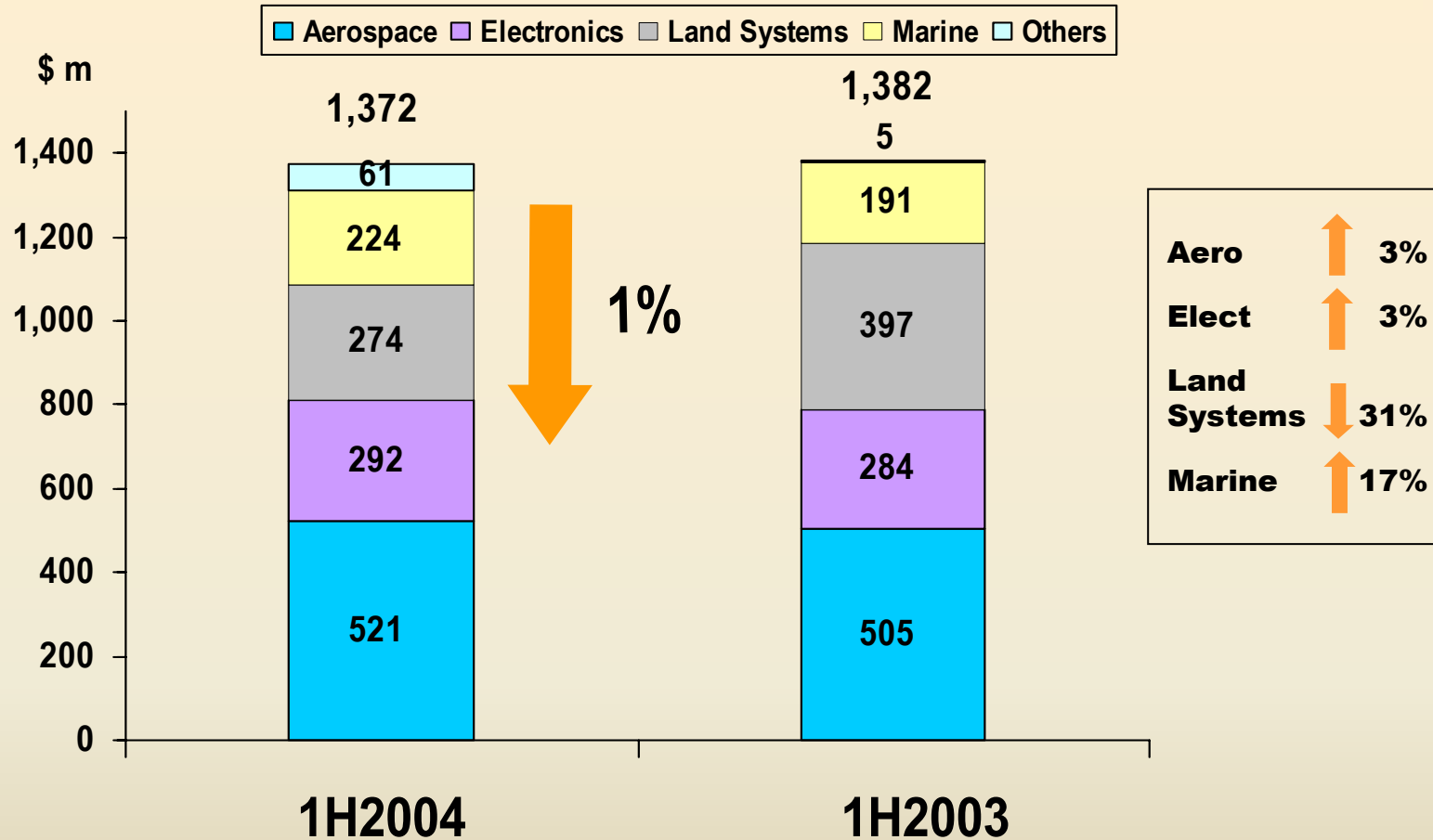


Profit Attributable to Shareholders



\$ m	2Q2004		2Q2003		Change	
Aerospace	45.2	53%	42.1	46%	↑	7%
Electronics	12.3	14%	11.3	12%	↑	9%
Land Systems	17.8	21%	30.5	34%	↓	41%
Marine	10.2	12%	6.5	7%	↑	56%
Others	(0.4)	-	0.3	1%	↓	221%
Group	85.1	100%	90.7	100%	↓	6%

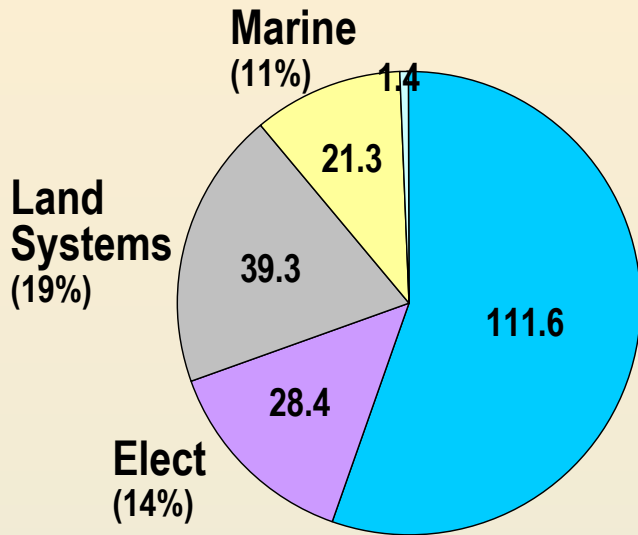
Group Turnover *by sectors*



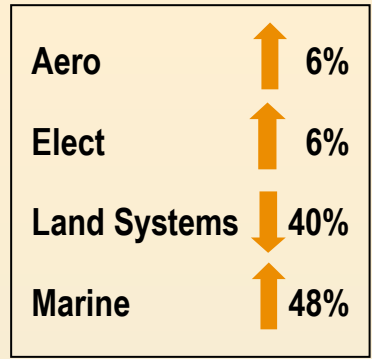
Profit Before Tax *by sectors*



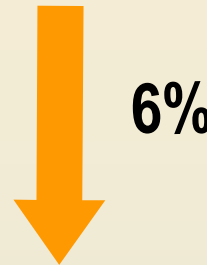
1H2004



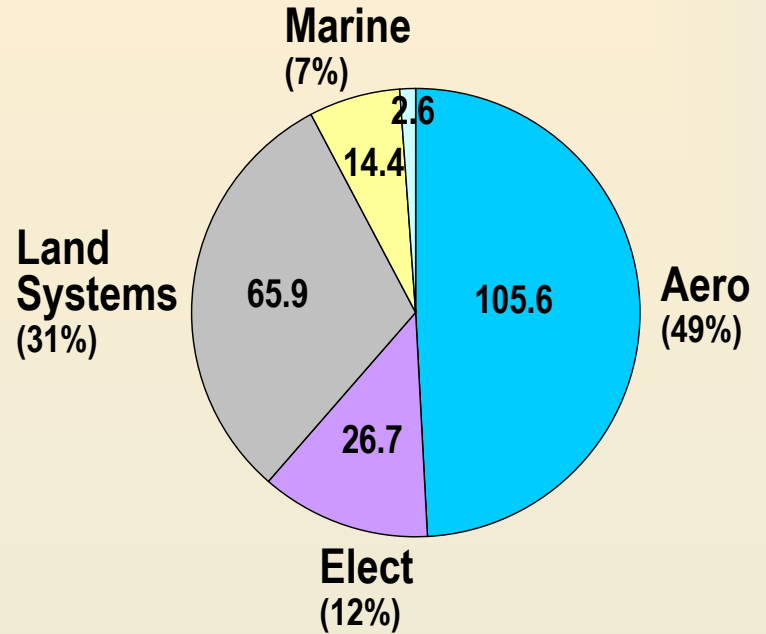
\$202.0m



**Aero
(55%)**



1H2003



\$215.2m

Balance Sheet



\$ m	30 Jun 2004	31 Dec 2003
Fixed assets	429	419
Associated companies and joint ventures	233	197
Long-term investments	44	36
Intangible assets	62	58
Loan receivables, non-current	3	1
Deferred tax assets	82	85
Net current assets	824	1,050
	<u>1,677</u>	<u>1,846</u>
Non-current liabilities	(473)	(482)
	<u>1,204</u>	<u>1,364</u>
Share capital and reserves	1,161	1,324
Minority interests	43	40
	<u>1,204</u>	<u>1,364</u>

Cash Flow Statement



\$ m	2Q2004	2Q2003
Cash flow from/(used in) :		
Operating activities	126	103
Investing activities	(75)	18
Financing activities	(328)	(457)
Net decrease in cash & cash equivalents	(277)	(336)
Cash & cash equivalents at 1 April	1,801	2,006
Exchange difference	2	(2)
Cash & cash equivalents at 30 June	1,526	1,668

Scope of Briefing



- ◆ Financial Highlights
- ◆ **Business Review**
- ◆ Outlook



Business Review - Aerospace



◆ AMM

- Redelivered 12th MD11 PTF and currently working on 3 aircraft
- US Govt PACAF awarded depot maintenance program for C-130
- Secured a nose-to-tail line from each of two important customers



◆ CERO

- Secured new contracts for JT8D, CFM56-3 and T56 engines
- Set up new repair and overhaul capabilities for more B737 components to support MBH™ programmes



◆ EMS

- Signed Teaming Agreement with Boeing and IAI for B757 PTF STC variants and conversions
- Secured rotables MBH contract to support 5 B737 NG with a new customer



Business Review - Electronics



◆ LSG

- Order secured to-date about S\$55M to supply wireless MMDS access control downconvertors to Mexico
- Secured an additional order on Manila Mass Rail Transit Line 2



◆ CSG

- Secured a VSAT network project from New Zealand based Oscmar International Ltd
- Launched encryption mobile phones in CommunicAsia 2004



◆ SSG

- Secured an ATC Simulator project in India



Business Review – Land Systems



◆ Auto

- Continued contractual delivery of Bronco
- Conducted user mobility trial of Bronco in an African country
- Commenced operations at Beijing Zhonghuan Kinetics Heavy Vehicles Co. Ltd
- Signed MOUs with Chinese partners to develop commercial MRO businesses in China



◆ M&W

- Continued contractual delivery of SAR21, Primus and munitions products



Business Review - Marine



◆ Shipbuilding

● Local

- Keel laid for Frigate 4
- Launched 1st locally built frigate (Frigate 2) on 3 July 2004

● US

- Keel laid for second Fisheries Survey Vessel (FSV) for National Oceanic and Atmospheric Administration (NOAA)
- Launched second US Army's Logistic Support Vessel (LSV), 'MG Robert Smalls'
- New contracts secured :
 - Construction of two Articulated Tug Barges (ATB) for an undisclosed interest
 - Design and construction of two harbour tugs for Lockheed Martin



Business Review - Initiatives



◆ Group

- Formation of Executive Office and appointment of two deputy CEOs
- Setting up of representative office in Kazakhstan; India representative office expected to be set up in 2H

◆ Aerospace

- Leverage on track record to pursue B757 PTF STC variants and conversions programme
- Exploring setting up engine MRO network in collaboration with OEMs and airlines
- Continue marketing effort to secure more multi-year MBH programme and pursue new customers for Total Aviation Support Programmes



Business Review - Initiatives



◆ Electronics

- Bringing MMDS to other Latin American countries
- Focus on MRT, IBMS and intelligent transport systems in key cities in China

◆ Land Systems

- Continue product development, mobility demonstration and trials for Bronco, Terrex, Light Strike Vehicle and M113 Upgrade Kit in selected countries
- Focus on growing our commercial auto business, in particular specialty vehicles business

◆ Marine

- Continue current focus in tank coating projects, dredger shiprepair market, and conversion jobs
- VT Halter Marine to continue its efforts to secure more newbuilding contracts and improve on productivity



Scope of Briefing



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- ◆ **Outlook**



Group Outlook



◆ Aerospace

- JV with China Eastern Airlines expected to start operations
- Commencement of B757 STC development

◆ Electronics

- Sales recognition from Electronics Rail System projects in Singapore and Manila and supply of MMDS product
- Sales recognition from delivery of communication and VSAT equipment, Hong Kong Fire Services project, command & control system projects and simulator projects

◆ Land Systems

- Continue delivery of main products such as Bronco, SAR21 and Primus

◆ Marine

- Expect to lay keel for RSN's Frigate 5 and continue to work on Frigates 2 to 6
- Expect to launch car carrier for Pasha Hawaii Transport Lines



Group Outlook for 3Q2004



For 3Q2004, the Group expects higher turnover and PBT compared to 2Q2004

- ◆ **Aerospace** - Turnover and PBT are expected to be higher than 2Q2004
- ◆ **Electronics** - Turnover and PBT are expected to be comparable to 2Q2004
- ◆ **Land Systems** - Turnover is expected to be higher while PBT is expected to be comparable to that of 2Q2004
- ◆ **Marine** - Turnover and PBT are expected to be higher than 2Q2004



Group Outlook for FY2004



Based on current outlook, the Group expects higher turnover and a modest increase in profit before tax in FY2004 compared to FY2003.

President & CEO's Message



“The lower turnover and pre-tax profit in Land Systems sector led to weaker performance in the Group in 2Q2004 compared to 2Q2003. The Group is expected to perform better in 2H2004 with a modest pre-tax profit growth for FY2004.

Although we expect better performance in 2H2004 compared to 1H2004, the aerospace market, particularly in the US, continues to be uncertain with increasing concerns over higher fuel prices and rising interest rates.”

~ Tan Pheng Hock





Singapore Technologies
Engineering

Thank You

“Engineering Our Future”



SINGAPORE
QUALITY
AWARD
for business excellence

2002 Winner