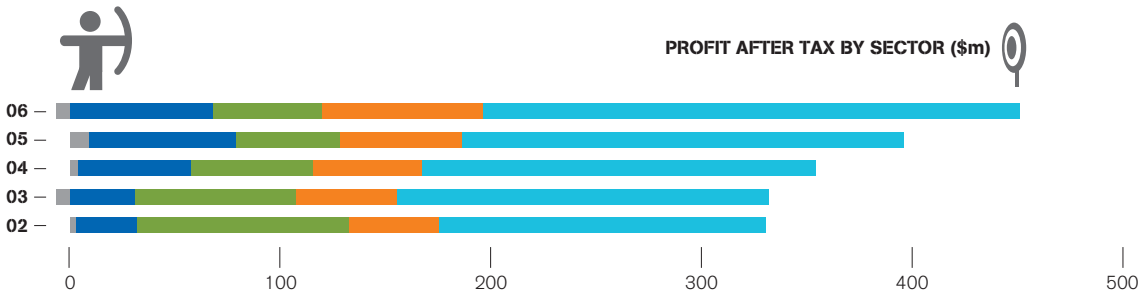
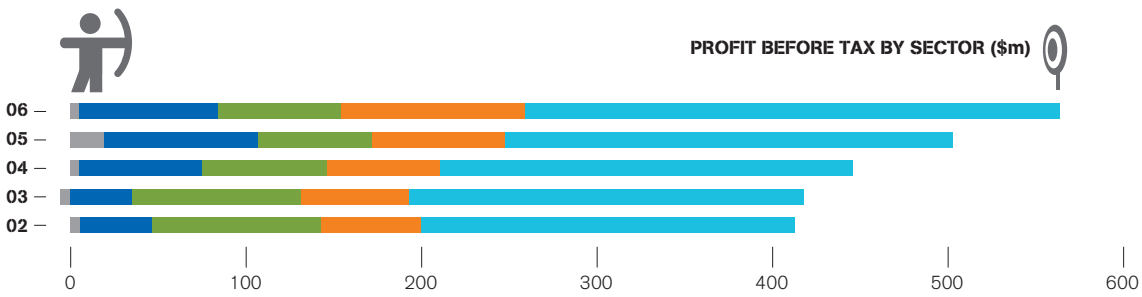
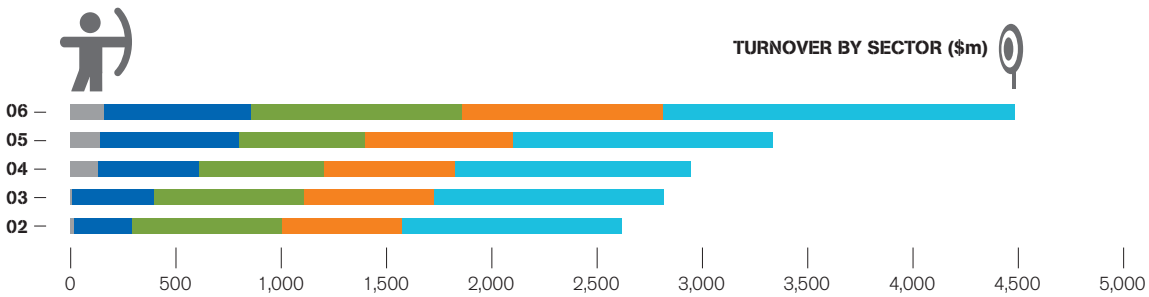


## Financial Highlights

Group turnover rose 34% to \$4,486m. EBIT, PBT and PATMI were \$457.6m, \$564.3m and \$445.1m, representing growth rates of 17%, 12% and 12% respectively. Order book rose to a new high at \$7.37b. Return on equity improved from 26.5% for FY2005 to 28.4% for FY2006. The Board is proposing to pay 100% of net profits as dividends or 15.11 cents per share.



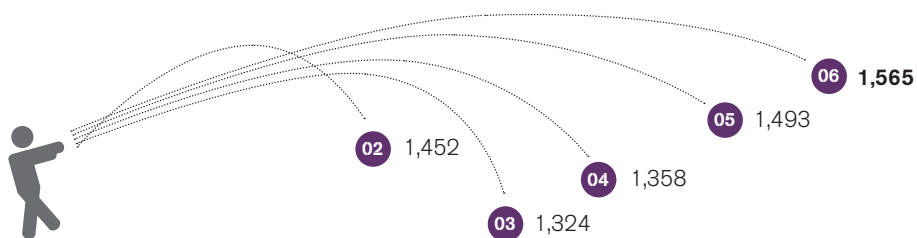
● Aerospace ● Electronics ● Land Systems ● Marine ● Others

## Key Financial Data

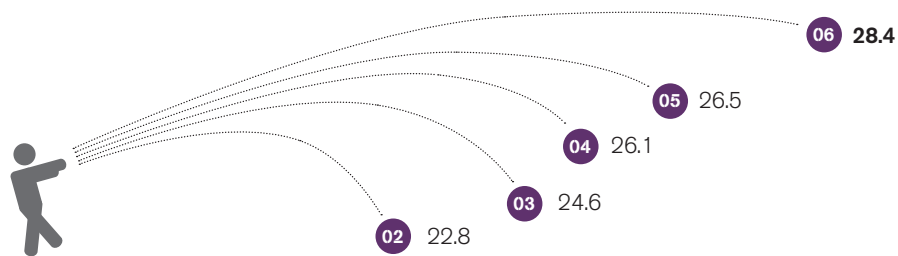
	2006		2005		2004		2003		2002	
<b>TURNOVER BY SECTOR (\$m)</b>	<b>4,486</b>	<b>100%</b>	<b>3,338</b>	<b>100%</b>	<b>2,948</b>	<b>100%</b>	<b>2,819</b>	<b>100%</b>	<b>2,619</b>	<b>100%</b>
<b>Aerospace</b>	1,673	37%	1,236	37%	1,118	38%	1,092	39%	1,043	40%
<b>Electronics</b>	951	21%	701	21%	626	21%	614	22%	571	22%
<b>Land Systems</b>	1,002	22%	600	18%	591	20%	717	25%	710	27%
<b>Marine</b>	702	16%	660	20%	484	16%	387	14%	280	11%
<b>Others</b>	158	4%	141	4%	129	5%	9	–	15	–
<b>PROFIT BEFORE TAX BY SECTOR (\$m)</b>	<b>564.3</b>	<b>100%</b>	<b>503.2</b>	<b>100%</b>	<b>446.2</b>	<b>100%</b>	<b>412.7</b>	<b>100%</b>	<b>413.0</b>	<b>100%</b>
<b>Aerospace</b>	305.3	54%	255.4	51%	235.4	53%	225.2	55%	213.0	52%
<b>Electronics</b>	104.6	19%	76.0	15%	64.5	14%	61.4	15%	56.7	14%
<b>Land Systems</b>	70.0	12%	65.0	13%	71.5	16%	96.4	23%	96.9	23%
<b>Marine</b>	79.5	14%	87.9	17%	69.8	16%	35.2	9%	41.1	10%
<b>Others</b>	4.9	1%	18.9	4%	5.0	1%	(5.5)	(2%)	5.3	1%
<b>PROFIT AFTER TAX BY SECTOR (\$m)</b>	<b>445.1</b>	<b>100%</b>	<b>396.3</b>	<b>100%</b>	<b>354.2</b>	<b>100%</b>	<b>325.6</b>	<b>100%</b>	<b>330.7</b>	<b>100%</b>
<b>Aerospace</b>	255.0	57%	210.3	53%	187.3	53%	176.3	54%	155.6	47%
<b>Electronics</b>	76.3	17%	58.0	15%	51.6	15%	48.0	15%	42.8	13%
<b>Land Systems</b>	51.9	12%	49.0	12%	58.1	16%	76.5	24%	100.6	30%
<b>Marine</b>	67.8	15%	70.3	18%	53.7	15%	30.8	9%	29.2	9%
<b>Others</b>	(5.9)	(1%)	8.7	2%	3.5	1%	(6.0)	(2%)	2.5	1%

## Key Financial Data

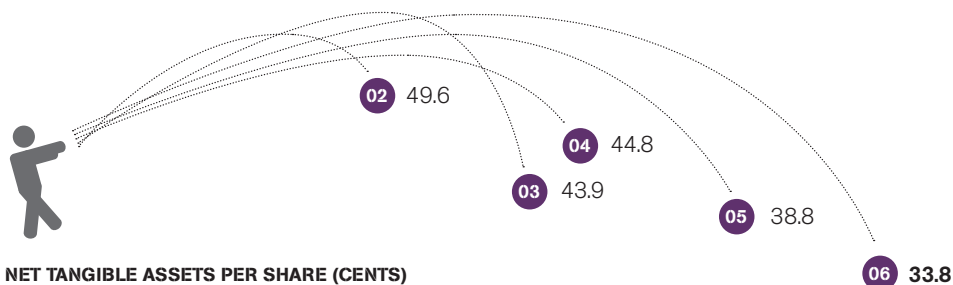
	2006	2005	2004	2003	2002
Shareholders' funds (\$m)	<b>1,565</b>	1,493	1,358	1,324	1,452
Total assets (\$m)	<b>5,514</b>	4,566	4,042	4,122	4,351
Net tangible assets (\$m)	<b>996.4</b>	1,131	1,296	1,266	1,431
Gross dividend per share (cents)	<b>15.11</b>	13.60	12.39	11.30	18.50
Dividend yield (%)	<b>5.09</b>	5.24	5.67	6.12	9.25
Dividend cover	<b>1.00</b>	1.00	1.00	1.00	0.74
Earnings per share (cents)	<b>15.15</b>	13.64	12.26	11.29	11.47
Return on turnover (%)	<b>10.2</b>	12.3	12.2	11.6	12.7
Return on equity (%)	<b>28.4</b>	26.5	26.1	24.6	22.8
Return on total assets (%)	<b>8.3</b>	9.0	8.9	7.9	7.7
Net tangible assets per share (cents)	<b>33.80</b>	38.80	44.80	43.90	49.60



SHAREHOLDERS' FUNDS (\$m)



RETURN ON EQUITY (%)



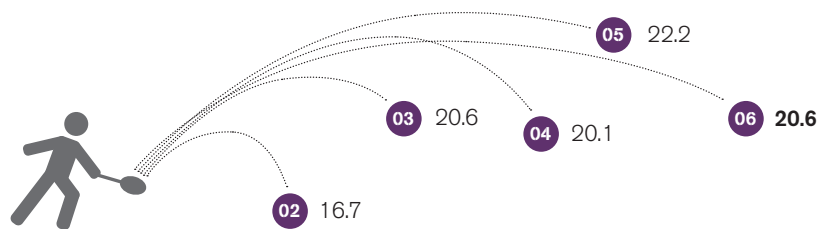
NET TANGIBLE ASSETS PER SHARE (CENTS)

## Productivity Data

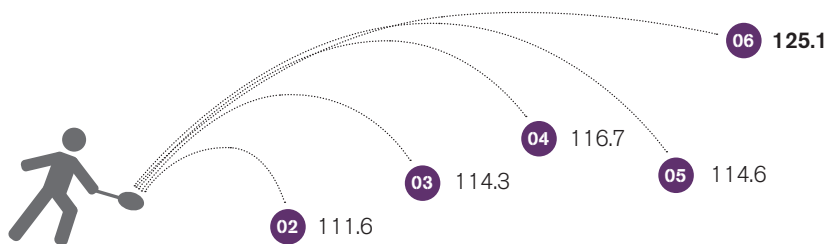
	2006	2005	2004	2003	2002
Average staff strength	<b>15,912</b>	13,099	11,684	11,702	11,413
Sales per employee (\$)	<b>281,910</b>	254,821	252,333	240,898	229,492
Profit after tax per employee (\$)	<b>27,974</b>	30,255	30,316	27,823	28,977
Employment costs (\$m)	<b>1,243.0</b>	899.9	826.9	798.0	759.1
Employment costs per \$ of turnover (\$)	<b>0.28</b>	0.27	0.28	0.28	0.29
Economic Value Added (\$m)	<b>327.8</b>	290.6	234.5	240.9	190.2
Economic Value Added spread (%)	<b>12.3</b>	16.2	13.7	13.9	11.3
Economic Value Added per employee (\$)	<b>20,598</b>	22,187	20,075	20,587	16,664
Value added (\$m)	<b>1,990.8</b>	1,500.6	1,363.1	1,337.0	1,274.2
Value added per employee (\$)	<b>125,112</b>	114,559	116,668	114,253	111,646
Value added per \$ of employment costs (\$)	<b>1.60</b>	1.67	1.65	1.68	1.68
Value added per \$ of gross property, plant and equipment (\$)	<b>0.99</b>	1.02	1.03	1.05	1.03
Value added per \$ of turnover (\$)	<b>0.44</b>	0.45	0.46	0.47	0.49



PROFIT AFTER TAX PER EMPLOYEE (\$'000)



ECONOMIC VALUE ADDED PER EMPLOYEE (\$'000)



VALUE ADDED PER EMPLOYEE (\$'000)

## Group Economic Value Added Statement

(\$m)	2006	2005	2004	2003	2002
Net profit before tax	512.8	457.3	387.8	367.4	370.7
Adjust for:					
Share of results of associated companies and joint ventures	51.5	45.9	58.4	45.3	42.3
Interest expense	45.1	10.4	8.0	3.7	5.0
Others	11.6	2.2	(4.8)	18.4	5.3
Adjusted profit before interest and tax	621.0	515.8	449.4	434.8	423.3
Cash operating taxes (Note 1)	(112.8)	(99.3)	(85.7)	(84.7)	(76.3)
<b>Net operating profit after tax (NOPAT) – (a)</b>	<b>508.2</b>	<b>416.5</b>	<b>363.7</b>	<b>350.1</b>	<b>347.0</b>
Average capital employed (Note 2)	2,691.9	1,865.4	1,725.0	1,712.1	1,685.8
Weighted average cost of capital (Note 3) (%)	6.6	6.1	7.4	6.5	9.3
<b>Capital charge – (b)</b>	<b>(177.7)</b>	<b>(113.8)</b>	<b>(127.6)</b>	<b>(111.3)</b>	<b>(156.8)</b>
<b>Economic Value Added (EVA) – [(a) – (b)]</b>	<b>330.5</b>	<b>302.7</b>	<b>236.1</b>	<b>238.8</b>	<b>190.2</b>
Minority share of EVA	(2.7)	(12.1)	(1.6)	2.1	–
<b>EVA attributable to ordinary shareholders</b>	<b>327.8</b>	<b>290.6</b>	<b>234.5</b>	<b>240.9</b>	<b>190.2</b>
Unusual items (UI) gains/(losses) (Note 4)	(30.7)	(7.0)	6.1	0.7	7.9
<b>EVA attributable to ordinary shareholders (exclude UI)</b>	<b>297.1</b>	<b>283.6</b>	<b>240.6</b>	<b>241.6</b>	<b>198.1</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 impaired/amortised, and present value of operating leases.

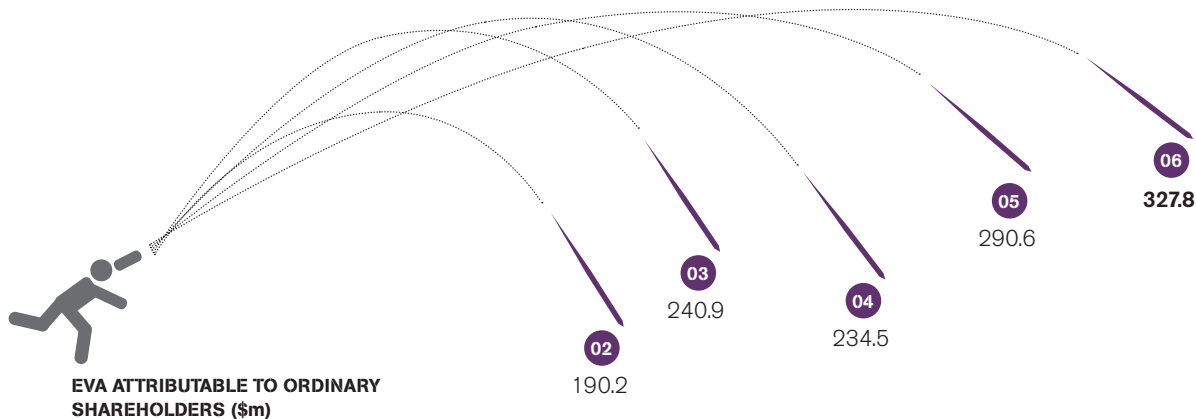
Major Capital Components:

	\$m
Long term debt	834.1
Short term debt	178.5
Equity	1,438.0
Others	241.3
	2,691.9

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

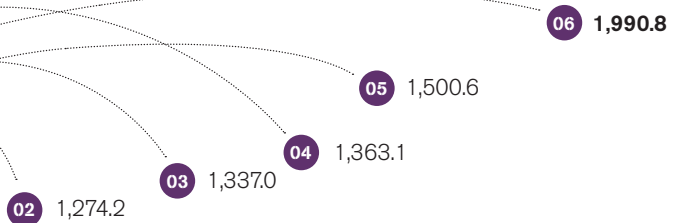
- Cost of Equity using Capital Asset Pricing Model with market risk premium at 6.0% (2005 @ 6.0%);
- Risk-free rate of 3.31% (2005 @ 2.62%) based on yield-to-maturity of Singapore Government 10 years Bonds;
- Ungeared beta at 0.65 (2005 @ 0.65) based on Singapore Technologies Engineering risk categorisation; and
- Cost of Debt rate at 3.54% (2005 @ 3.03%) using 5-year Singapore dollar Swap Offered Rate plus 25 basis point (2005 @ 75 basis point).

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



## Group Value Added Statement

(\$m)	2006	2005	2004	2003	2002
<b>Value added from:</b>					
Revenue earned	4,485.8	3,337.9	2,948.1	2,819.0	2,619.2
Bought in materials and services	(2,644.0)	(1,959.0)	(1,698.6)	(1,578.5)	(1,452.1)
	<b>1,841.8</b>	<b>1,378.9</b>	<b>1,249.5</b>	<b>1,240.5</b>	<b>1,167.1</b>
Income from investments and interest	79.9	49.4	36.2	32.1	49.6
Exchange loss	(3.9)	(1.8)	(2.1)	(1.2)	(4.2)
Other non-operating income	21.5	28.2	21.1	20.3	19.4
Share of results of associated companies and joint ventures	51.5	45.9	58.4	47.3	43.8
Amortisation of goodwill on acquisition of associated companies	-	-	-	(2.0)	(1.5)
<b>Total value added</b>	<b>1,990.8</b>	<b>1,500.6</b>	<b>1,363.1</b>	<b>1,337.0</b>	<b>1,274.2</b>
<b>Distribution of total value added</b>					
To employees in wages, salaries and benefits	1,241.0	898.3	826.2	797.4	758.5
To government in income and other taxes	116.8	99.6	93.8	93.1	83.8
To providers of capital on:					
• Interest paid on borrowings	42.3	8.0	4.2	2.2	2.9
• Dividends to shareholders	399.5	359.8	326.5	449.9	247.8
	<b>1,799.6</b>	<b>1,365.7</b>	<b>1,250.7</b>	<b>1,342.6</b>	<b>1,093.0</b>
<b>Balance retained in/(applied from) business</b>					
Depreciation	130.7	79.1	77.7	86.4	78.6
Impairment of assets	9.3	16.5	1.0	1.1	1.9
Retained profits	(15.6)	5.3	(0.6)	(149.7)	44.2
	<b>124.4</b>	<b>100.9</b>	<b>78.1</b>	<b>(62.2)</b>	<b>124.7</b>
<b>Non-production cost and income</b>					
Bad debts	(9.2)	(13.6)	0.2	25.7	11.1
Income from investments and interest	79.9	49.4	36.2	32.1	49.6
Exchange loss	(3.9)	(1.8)	(2.1)	(1.2)	(4.2)
	<b>66.8</b>	<b>34.0</b>	<b>34.3</b>	<b>56.6</b>	<b>56.5</b>
<b>Total distribution</b>	<b>1,990.8</b>	<b>1,500.6</b>	<b>1,363.1</b>	<b>1,337.0</b>	<b>1,274.2</b>



TOTAL VALUE ADDED (\$m)