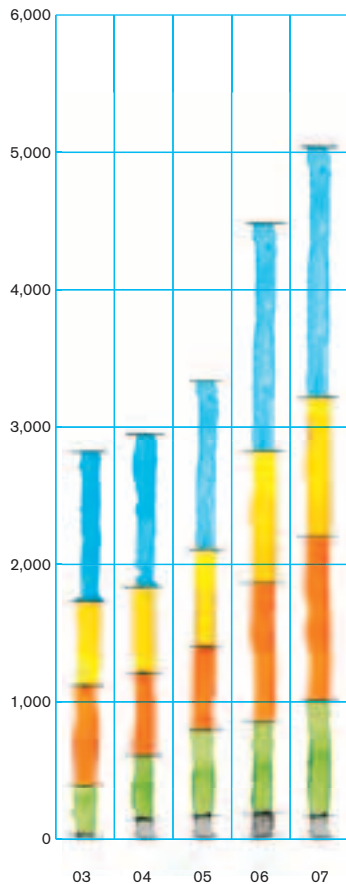


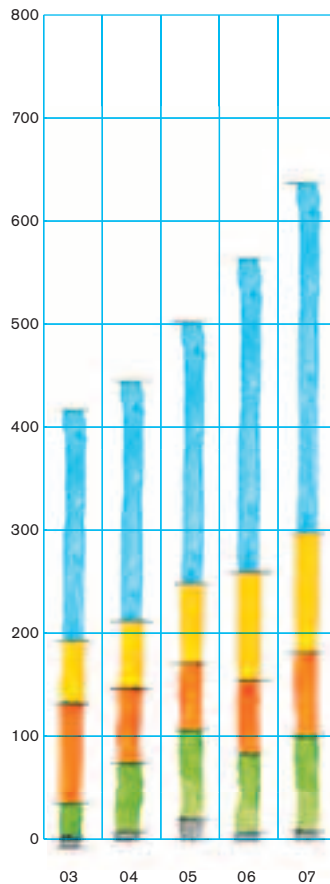
financial highlights

Group turnover, PBT and PATMI rose 13% to \$5,051m, \$638.1m, and \$503.5m respectively. EBIT increased by 20% to \$550.3m. Order book as at end December 2007 was \$9.49b. Return on equity crossed the 30% mark, improving from 28.4% for FY2006 to 30.8% for FY2007. The Board is proposing to pay 100% of FY2007 earnings to shareholders as dividends or a total of 16.88 cents per share for the full year.

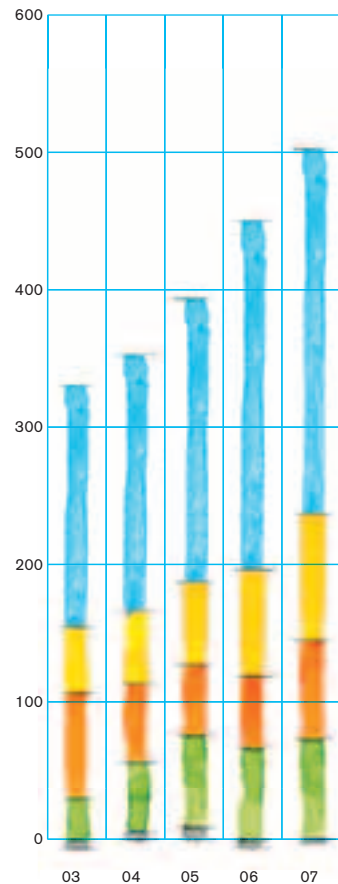
TURNOVER BY SECTOR (\$m)



PROFIT BEFORE TAX BY SECTOR (\$m)



PROFIT AFTER TAX AND MINORITY INTERESTS BY SECTOR (\$m)



■ AEROSPACE
 ■ ELECTRONICS
 ■ LAND SYSTEMS
 ■ MARINE
 ■ OTHERS

key financial data

TURNOVER BY SECTOR (\$m)

	2007		2006		2005		2004		2003	
GROUP	5,051	100%	4,486	100%	3,338	100%	2,948	100%	2,819	100%
AEROSPACE	1,835	36%	1,673	37%	1,236	37%	1,118	38%	1,092	39%
ELECTRONICS	1,023	20%	951	21%	701	21%	626	21%	614	22%
LAND SYSTEMS	1,178	23%	1,002	22%	600	18%	591	20%	717	25%
MARINE	863	17%	702	16%	660	20%	484	16%	387	14%
OTHERS	152	4%	158	4%	141	4%	129	5%	9	-

PROFIT BEFORE TAX BY SECTOR (\$m)

	2007		2006		2005		2004		2003	
GROUP	638.1	100%	564.3	100%	503.2	100%	446.2	100%	412.7	100%
AEROSPACE	341.2	53%	305.3	54%	255.4	51%	235.4	53%	225.2	55%
ELECTRONICS	115.3	18%	104.6	19%	76.0	15%	64.5	14%	61.4	15%
LAND SYSTEMS	80.0	13%	70.0	12%	65.0	13%	71.5	16%	96.4	23%
MARINE	96.6	15%	79.5	14%	87.9	17%	69.8	16%	35.2	9%
OTHERS	5.0	1%	4.9	1%	18.9	4%	5.0	1%	(5.5)	(2%)

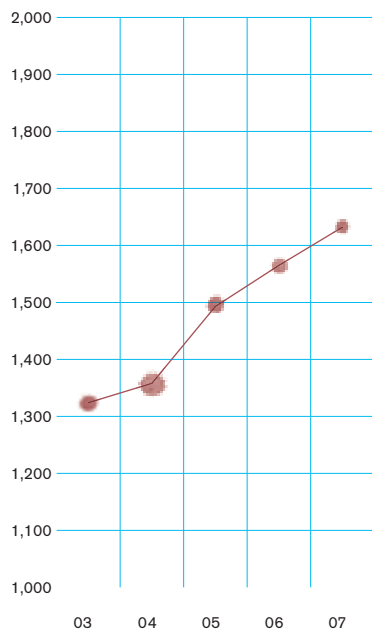
PROFIT AFTER TAX AND MINORITY INTERESTS BY SECTOR (\$m)

	2007		2006		2005		2004		2003	
GROUP	503.5	100%	445.1	100%	396.3	100%	354.2	100%	325.6	100%
AEROSPACE	270.5	54%	255.0	57%	210.3	53%	187.3	53%	176.3	54%
ELECTRONICS	88.2	17%	76.3	17%	58.0	15%	51.6	15%	48.0	15%
LAND SYSTEMS	70.8	14%	51.9	12%	49.0	12%	58.1	16%	76.5	24%
MARINE	75.3	15%	67.8	15%	70.3	18%	53.7	15%	30.8	9%
OTHERS	(1.3)	-	(5.9)	(1%)	8.7	2%	3.5	1%	(6.0)	(2%)

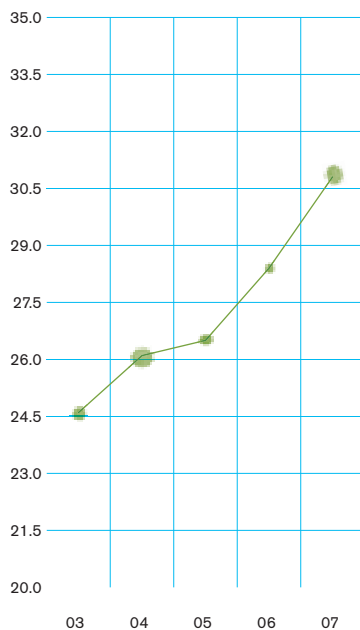
key financial data

	2007	2006	2005	2004	2003
Shareholders' funds (\$m)	1,632	1,565	1,493	1,358	1,324
Total assets (\$m)	6,043	5,578	4,566	4,042	4,122
Net tangible assets (\$m)	996.9	980.7	1,131	1,296	1,266
Gross dividend per share (cents)	16.88	15.11	13.60	12.39	11.30
Dividend yield (%)	4.94	5.09	5.24	5.67	6.12
Dividend cover	1.00	1.00	1.00	1.00	1.00
Earnings per share (cents)	16.95	15.15	13.64	12.26	11.29
Return on sales (%)	10.4	10.2	12.3	12.2	11.6
Return on equity (%)	30.8	28.4	26.5	26.1	24.6
Return on total assets (%)	8.7	8.2	9.0	8.9	7.9
Net tangible assets per share (cents)	33.4	33.3	38.8	44.8	43.9

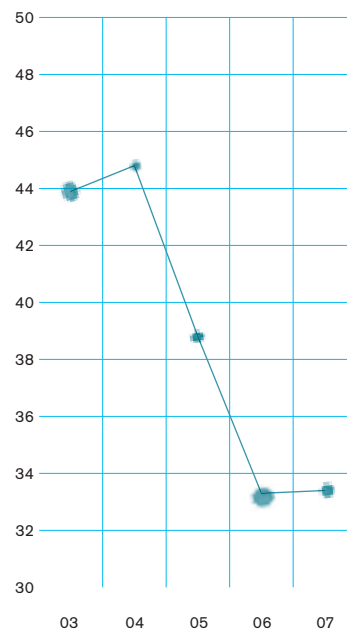
SHAREHOLDERS' FUNDS (\$m)



RETURN ON EQUITY (%)



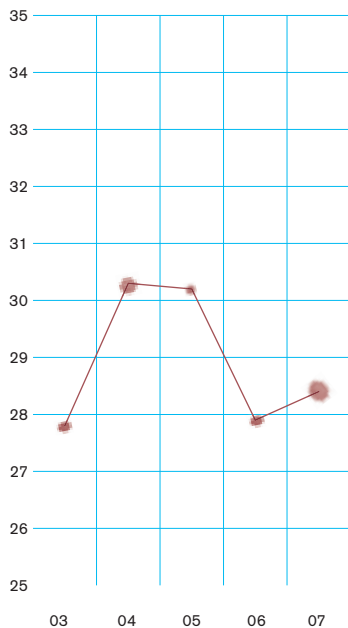
NET TANGIBLE ASSETS PER SHARE (cents)



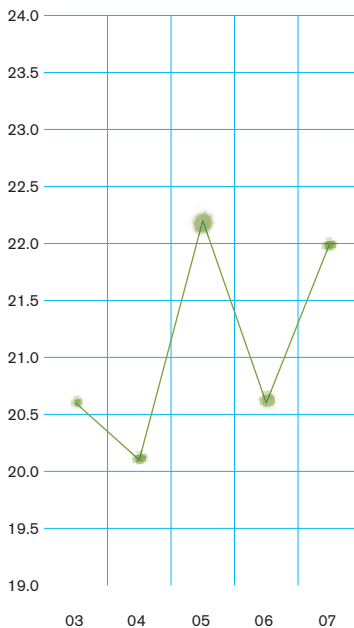
productivity data

	2007	2006	2005	2004	2003
Average staff strength	17,750	15,912	13,099	11,684	11,702
Sales per employee (\$)	284,570	281,910	254,821	252,333	240,898
Profit after tax per employee (\$)	28,367	27,974	30,255	30,316	27,823
Employment costs (\$m)	1,360.3	1,243.0	899.9	826.9	798.0
Employment costs per \$ of turnover (\$)	0.27	0.28	0.27	0.28	0.28
Economic Value Added (\$m)	388.8	327.8	290.6	234.5	240.9
Economic Value Added spread (%)	13.2	12.3	16.2	13.7	13.9
Economic Value Added per employee (\$)	21,904	20,598	22,187	20,075	20,587
Value added (\$m)	2,190.8	1,990.8	1,500.6	1,363.1	1,337.0
Value added per employee (\$)	123,432	125,112	114,559	116,668	114,253
Value added per \$ of employment costs (\$)	1.61	1.60	1.67	1.65	1.68
Value added per \$ of gross property, plant and equipment (\$)	1.00	0.98	1.02	1.03	1.05
Value added per \$ of turnover (\$)	0.43	0.44	0.45	0.46	0.47

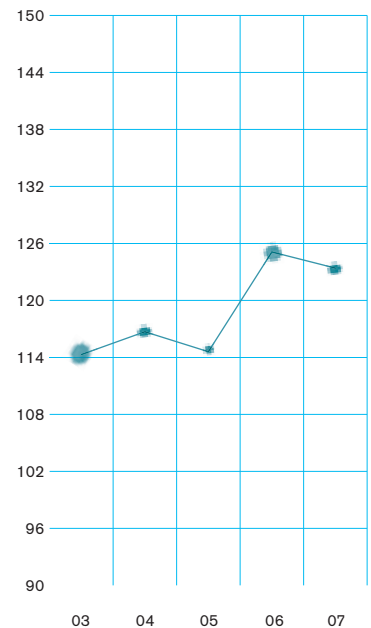
PROFIT AFTER TAX PER EMPLOYEE (\$'000)



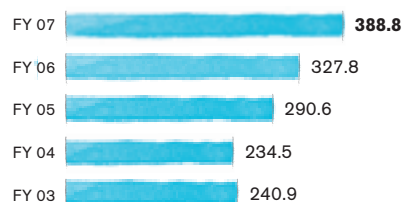
ECONOMIC VALUE ADDED PER EMPLOYEE (\$'000)



VALUE ADDED PER EMPLOYEE (\$'000)



group economic value added statement



**EVA ATTRIBUTABLE TO
ORDINARY SHAREHOLDERS (\$m)**

(\$m)	2007	2006	2005	2004	2003
Net profit before tax	591.5	512.8	457.3	387.8	367.4
Adjust for:					
Share of results of associated companies and joint ventures	46.6	51.5	45.9	58.4	45.3
Interest expense	53.2	45.1	10.4	8.0	3.7
Others	10.3	11.6	2.2	(4.8)	18.4
Adjusted profit before interest and tax	701.6	621.0	515.8	449.4	434.8
Cash operating taxes (Note 1)	(112.4)	(112.8)	(99.3)	(85.7)	(84.7)
Net operating profit after tax (NOPAT) – (a)	589.2	508.2	416.5	363.7	350.1
Average capital employed (Note 2)	2,988.5	2,691.9	1,865.4	1,725.0	1,712.1
Weighted average cost of capital (Note 3) (%)	6.5	6.6	6.1	7.4	6.5
Capital charge – (b)	(194.3)	(177.7)	(113.8)	(127.6)	(111.3)
Economic Value Added (EVA) – [(a) – (b)]	394.9	330.5	302.7	236.1	238.8
Minority share of EVA	(6.1)	(2.7)	(12.1)	(1.6)	2.1
EVA attributable to ordinary shareholders	388.8	327.8	290.6	234.5	240.9
Unusual items (UI) (gains)/losses (Note 4)	(10.8)	(30.7)	(7.0)	6.1	0.7
EVA attributable to ordinary shareholders (exclude UI)	378.0	297.1	283.6	240.6	241.6

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:

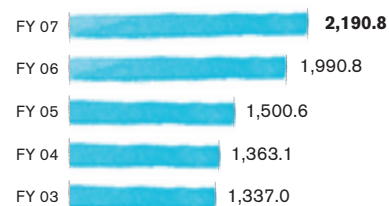
	\$m
Long term debt	1,011.5
Short term debt	233.0
Equity	1,522.3
Others	221.7
	2,988.5

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

- i) Cost of Equity using Capital Asset Pricing Model with market risk premium at 6.0% (2006 @ 6.0%);
- ii) Risk-free rate of 3.05% (2006 @ 3.31%) based on yield-to-maturity of Singapore Government 10 years Bonds;
- iii) Ungeared beta at 0.67 (2006 @ 0.65) based on Singapore Technologies Engineering risk categorisation; and
- iv) Cost of Debt rate at 3.62% (2006 @ 3.54%) using 5-year Singapore dollar Swap Offered Rate plus 25 basis point (2006 @ 25 basis point).

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

group value added statement



TOTAL VALUE ADDED (\$m)

(\$m)	2007	2006	2005	2004	2003
Value added from:					
Revenue earned	5,051.0	4,485.8	3,337.9	2,948.1	2,819.0
Bought in materials and services	(2,998.3)	(2,644.0)	(1,959.0)	(1,698.6)	(1,578.5)
	2,052.7	1,841.8	1,378.9	1,249.5	1,240.5
Income from investments and interest	81.7	79.9	49.4	36.2	32.1
Exchange loss, net	(5.4)	(3.9)	(1.8)	(2.1)	(1.2)
Other non-operating income	15.2	21.5	28.2	21.1	20.3
Share of results of associated companies and joint ventures	46.6	51.5	45.9	58.4	47.3
Amortisation of goodwill on acquisition of associated companies	-	-	-	-	(2.0)
Total value added	2,190.8	1,990.8	1,500.6	1,363.1	1,337.0
Distribution of total value added					
To employees in wages, salaries and benefits	1,358.0	1,241.0	898.3	826.2	797.4
To government in income and other taxes	123.7	116.8	99.6	93.8	93.1
To providers of capital on:					
• Interest paid on borrowings	50.3	42.3	8.0	4.2	2.2
• Dividends to shareholders	508.2	399.5	359.8	326.5	449.9
	2,040.2	1,799.6	1,365.7	1,250.7	1,342.6
Balance retained in/(applied from) business					
Depreciation	126.5	130.7	79.1	77.7	86.4
Impairment of assets	(0.1)	9.3	16.5	1.0	1.1
Retained profits	(53.5)	(15.6)	5.3	(0.6)	(149.7)
	72.9	124.4	100.9	78.1	(62.2)
Non-production cost and income					
Bad debts	1.4	(9.2)	(13.6)	0.2	25.7
Income from investments and interest	81.7	79.9	49.4	36.2	32.1
Exchange loss, net	(5.4)	(3.9)	(1.8)	(2.1)	(1.2)
	77.7	66.8	34.0	34.3	56.6
Total distribution	2,190.8	1,990.8	1,500.6	1,363.1	1,337.0