



11 May 2007

## Group Profit up 5.0% to \$242.1M for FY2006-07

### HIGHLIGHTS OF THE GROUP'S PERFORMANCE

	FY 2006-07	Year on Year % Change
• Revenue	\$977.4M	+ 1.9
• Operating profit	\$102.0M	- 24.3
• Share of profits from associated and joint venture companies	\$139.5M	+ 32.1
• Profit attributable to equity holders of the Company	\$242.1M	+ 5.0
• Basic earnings per share	22.97 cts	+ 2.3

### GROUP EARNINGS

#### Financial Year 2006-07

The Group posted a profit attributable to equity holders of \$242.1 million for financial year 2006-07. Associated and joint venture companies continued to perform well, contributing a substantial 51.5% to the year's pre-tax profits.

Revenue grew \$18.3 million (+1.9%) to \$977.4 million, mainly due to higher Fleet Management Programme (FMP) revenue. FMP revenue grew by 65.8% or \$30.2 million to \$76.1 million. This was eroded by a drop in Airframe Maintenance and Component Overhaul revenue. The depreciation of the USD has also impacted revenue from third party airline customers as such business is transacted in USD. Increase in FMP revenue was due to new contracts secured, a greater number of aircraft handled and a compensation payment of \$5.5 million for early termination of a contract arising from a change in ownership of a FMP customer.

Expenditure increased by 6.2% to \$875.4 million mainly due to higher staff costs from a larger provision for profit-sharing bonus (attributable to a linkage to the SIA Group profit-sharing formula; this being the last year of such linkage) and expensing of share options. Increase in staff costs was mitigated by savings in overtime pay, due to a workplace restructuring agreement reached with staff unions. Freight and subcontract costs also rose in line with the increased FMP revenue.

As a result, operating profit decreased by \$32.7 million (-24.3%) to \$102.0 million.

Note: The SIAEC Group's audited financial results for the financial year ended 31 March 2007 were announced on 11 May 2007. A summary of the financial statistics is shown in Attachment A. (All monetary figures are in Singapore Dollars. The Company refers to SIA Engineering Company Limited. The Group comprises the Company, its subsidiaries, associated and joint venture companies.)

Share of profits from our associated and joint venture companies grew by \$33.9 million (+32.1%) to \$139.5 million. As at 31 March 2007, the group had equity interests in 19 joint ventures with original equipment manufacturers and airlines in Singapore, Ireland, Hong Kong, Taiwan, Indonesia and the Philippines, covering a comprehensive range of high-technology aero-services.

Profit before taxation increased by \$7.7 million (+2.9%) to \$271.0 million. Provision for taxation was \$3.5 million (-10.6%) lower mainly due to the impact of the Government's reduction of corporate tax rate to 18% from Year of Assessment 2008.

As a result, profit attributable to equity holders of the Company for the financial year ended 31 March 2007 was \$242.1 million, an increase of \$11.5 million (+5.0%). Basic earnings per share rose 2.3% to 22.97 cents.

#### Fourth Quarter 2006-07

The Group posted a profit attributable to equity holders of the Company of \$48.4 million in the three months ended 31 March 2007, a decrease of \$23.4 million (-32.6%) compared to the same period last year.

Operating profit for the fourth quarter was \$7.7 million, \$45.0 million (-85.4%) lower than in the corresponding quarter last year.

Revenue decreased by \$21.6 million (-8.3%) to \$238.7 million, due to lower workload in Airframe Maintenance and Component Overhaul services. This was partly offset by the increase of \$8.3 million in Line Maintenance and FMP revenue for the quarter. Airframe Maintenance and Component Overhaul, Line Maintenance, and Fleet Management Programme contributed 58%, 33% and 9% respectively to the Group's revenue during the quarter.

Expenditure increased at a higher rate of \$23.4 million (+11.3%) to \$231.0 million mainly due to a higher provision for profit-sharing bonus (attributable to a linkage to the SIA Group profit-sharing formula; this being the last year of such linkage) and expensing of share options.

#### **GROUP FINANCIAL POSITION (as at 31 March 2007)**

As at 31 March 2007, equity attributable to equity holders of the Company amounted to \$997.1 million, \$41.7 million (-4.0%) lower than 31 March 2006 due to the payment of special dividend for financial year 2005-06 in August 2006.

Total assets decreased by \$12.6 million (-0.9%) to \$1,315.0 million. Net asset value per share was 93.9 cents, a decrease of 6.3 cents (-6.3%).

## **DIVIDENDS**

The Board is proposing a final dividend of 8 cents per share (tax exempt one-tier), which together with the interim dividend of 4 cents (tax exempt one-tier) paid earlier, make a dividend payment of 12 cents per share for financial year 2006-07. Payment of the final dividend, which amounts to \$85.0 million, is subject to shareholders' approval at the Annual General Meeting on 20 July 2007. The dividend will be paid on 7 August 2007.

## **OUTLOOK**

For financial year 2007-08, the Group's prospects for its aircraft maintenance, repair and overhaul (MRO) business remain strong. The Company's core businesses, namely Line Maintenance, Airframe Maintenance and Component Overhaul, and Fleet Management Programme (FMP), are expected to improve on the strength of current contracts as well as further productivity improvements.

The Group's 19 joint ventures, spread across 6 countries, are expected to sustain their strong contributions to our profits and customer base, barring unforeseen circumstances.

Ongoing strategic initiatives to enhance capacity and capabilities, such as the inception of the A380, freighter conversions and FMP services, will spur growth and strengthen the Group's competitiveness.

Nevertheless, pressure on rates remain a concern given the increasingly competitive environment and the weakening US dollar.

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(For the complete FY 2006-07 financial statements, please refer to our SGXNET Filing or the Investor Relations page of our website at [www.siaec.com.sg](http://www.siaec.com.sg)).

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## GROUP FINANCIAL STATISTICS <sup>R1</sup>

	FY 2006-07	FY 2005-06	4th Qtr 2006-07	4th Qtr 2005-06
<b>Financial Results (S\$ million)</b>				
Total revenue	977.4	959.1	238.7	260.3
Total expenditure	875.4	824.4	231.0	207.6
Operating profit	102.0	134.7	7.7	52.7
Non-operating items	14.0	11.1	3.2	4.7
Dividend income from long term investment	15.5	11.9	2.0	-
Share of profits of associated companies	106.1	85.7	29.4	19.4
Share of profits of joint venture companies	33.4	19.9	10.3	5.5
Profit before taxation	271.0	263.3	52.6	82.3
Profit attributable to equity holders of the Company	242.1	230.6	48.4	71.8
	<b>As at 31-Mar-07</b>	<b>As at 31-Mar-06</b>		
<b>Financial Position (S\$ million)</b>				
Share capital	214.5	163.1		
Reserves:				
General reserve	811.7	885.5		
Foreign currency translation reserve	(47.1)	(21.7)		
Share-based compensation reserve	18.0	11.9		
Equity attributable to equity holders of the Company	997.1	1,038.8		
Return on shareholders' funds (%) <sup>R2</sup>	23.8	24.3		
Value added	717.0	670.8		
Total assets	1,315.0	1,327.6		
<b>Dividends</b>				
Interim dividend (cents per share)	4.0	4.0		
Proposed final dividend (cents per share)				
- ordinary	8.0	6.0		
- special	-	20.0		
Dividend cover (times) <sup>R3</sup>	1.9	0.7		
<b>Per Share Data</b>				
Earnings before tax (cents)	25.7	25.6		
Earnings after tax (cents) - basic <sup>R4</sup>	23.0	22.5		
- diluted <sup>R5</sup>	22.5	22.1		
Net asset value (cents) <sup>R6</sup>	93.9	100.2		

<sup>R1</sup> SIAEC Group's financial year is from 1 April to 31 March. Throughout this report, all figures are in Singapore Dollars, unless stated otherwise.

<sup>R2</sup> Return on shareholders' funds is profit attributable to equity holders of the Company expressed as a percentage of the average equity attributable to equity holders of the Company.

<sup>R3</sup> Dividend cover is profit attributable to equity holders of the Company divided by total dividends.

<sup>R4</sup> Earnings after tax per share (basic) is computed by dividing profit attributable to equity holders of the Company by the weighted average number of shares in issue.

<sup>R5</sup> Earnings after tax per share (diluted) is computed by dividing profit attributable to equity holders of the Company by the weighted average number of shares in issue after adjusting for the dilutive effect on the exercise of all outstanding share options granted to employees.

<sup>R6</sup> Net asset value per share is computed by dividing equity attributable to equity holders of the Company by the number of ordinary shares in issue at 31 March.