



29 July 2005

## NET PROFIT UP 27% TO \$55M FOR 1ST QUARTER 2005-06

### HIGHLIGHTS OF THE GROUP'S PERFORMANCE

	1 <sup>st</sup> Quarter		Year-on-Year % Change
	2005-06	2004-05 (Restated <sup>R1</sup> )	
• Revenue	\$223.5M	\$201.3M	+11.0
• Operating profit	\$33.0M	\$32.8M	+0.6
• Profit after taxation	\$55.3M	\$43.5M	+27.1
• Basic earnings per share	5.42 cents	4.31 cents	+25.8

<sup>R1</sup> Financial results for FY2004-05 have been restated to account for share options to employees in compliance with Financial Reporting Standard (FRS) 102.

### GROUP EARNINGS

With increased contributions from our associated and joint venture companies, the Group turned in a 27.1% increase in net profit to \$55.3 million for the first quarter of FY2005-06. Operating profit was unchanged at \$33.0 million, as revenue growth of 11.0% was offset by a higher expenditure increase of 13.1%.

Revenue gained \$22.2 million or 11.0% to \$223.5 million. Revenue for the current quarter included an amount of \$5.7 million for overhaul work on a customer's engine. On occasional instances like this when engine overhaul work is received as part of an aircraft overhaul package, the Company subcontracts the engine overhaul work to an engine maintenance facility. Growth in airframe and component overhaul workload and an increase of more than 10% in the number of flights handled by Line Maintenance division also contributed to the increase in revenue. Fleet management work also grew during the quarter, increasing its contribution to the Group's revenue to 3% from 2% in the corresponding period last year. Airframe and component overhaul and line maintenance contributed 65% and 32% to the Group's revenue respectively.

Note: The SIAEC Group's unaudited financial results for the first quarter ended 30 June 2005 were announced on 29 July 2005. A summary of the financial statistics is shown in Annex A. (All monetary figures are in Singapore Dollars.)

Expenditure increased by 13.1% to \$190.5 million, caused in part by higher subcontract and overtime costs in line with higher workload. In addition, expenditure for the same quarter last year was offset by a write-back of provision for doubtful debts of \$2.4 million and an exchange gain of \$5.3 million. Expenditure for the current quarter included a provision for doubtful debts of \$2.9 million and was offset by a smaller exchange gain of \$1.6 million.

Share of profits from our associated and joint venture companies surged 85.1% (+\$12.6 million) to \$27.4 million. Boosted by the share of profits, which made up 44.2% of the Group's pre-tax profits, profit before taxation increased 27.8% to \$62.0 million.

With effect from 1 June 2004, the Company's tax incentives have come under the Development Expansion Incentive scheme (Relief from Income Tax). Tax is payable at the prevailing corporate tax rate on a defined tax base and at a concessionary tax rate of 10% on profits in excess of the tax base. Prior to 1 June 2004, there was no tax payable on profits in excess of the defined tax base. The defined tax base is significantly higher with effect from 1 June 2005 under the terms of the Development Expansion Incentive scheme.

Profit attributable to shareholders for the quarter was \$55.2 million (+27.2% or \$11.8 million). Basic earnings per share increased 25.8% to 5.42 cents.

#### **CHANGES IN FINANCIAL REPORTING STANDARDS (FRS)**

The Council on Corporate Disclosure and Governance (CCDG) adopted several new and revised FRSs, which are applicable for financial year 2005-06. For the SIA Engineering Group, the main changes are in the recognition and fair value measurement of financial instruments (FRS 39) and the expensing of share options to employee (FRS 102). The adoption of these FRSs resulted in a net negative impact of \$1.5 million to operating profit.

#### **GROUP FINANCIAL POSITION**

Total equity stood at \$935.6 million as at 30 June 2005, 8.7% or \$74.8 million higher than at 31 March 2005.

Total assets increased by \$118.5 million (+10.8%) to \$1,218.9 million. Net asset value per share was 91.0 cents, an increase of 6.6 cents (+7.8%) from 31 March 2005.

## **OUTLOOK**

While the maintenance, repair and overhaul (MRO) business environment remains challenging, strategic initiatives undertaken by the Company to strengthen its Total Support Services have led to a healthy pipeline of new customers and products.

With airlines facing mounting pressure from escalating fuel costs, the pressure on MRO rates is expected to continue unabated.

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(For the complete first quarter 2005-06 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

Financial Results (S\$ million)	1 <sup>st</sup> Qtr 2005-06	1 <sup>st</sup> Qtr 2004-05 (Restated*)
Total revenue	223.5	201.3
Total expenditure	190.5	168.5
Operating profit	33.0	32.8
Non-operating items	1.6	0.9
Share of profits of associated companies	24.2	13.2
Share of profits of joint venture companies	3.2	1.6
Profit before taxation	62.0	48.5
Profit attributable to shareholders	55.2	43.4
 <b>Per Share Data</b>		
Earnings before tax (cents)	6.08	4.82
Earnings after tax (cents) - basic <sup>R1</sup>	5.42	4.31
- diluted <sup>R2</sup>	5.35	4.30
Financial Position (S\$ million)	As at 30-Jun-05	As at 31-Mar-05 (Restated*)
Share capital	102.2	101.8
Distributable reserves:		
General reserve	797.3	741.0
Foreign currency translation reserve	(10.1)	(15.5)
Share-based compensation reserve	7.1	5.6
Non-distributable reserve:		
Share premium	32.4	25.6
Equity attributable to shareholders	928.9	858.5
Minority interest	6.7	2.3
Total equity	935.6	860.8
Total assets	1,218.9	1,100.4
Net asset value per share (cents) <sup>R3</sup>	91.0	84.4

\* Certain comparative figures have been restated to conform to current year's presentation.

<sup>R1</sup> Earnings after tax per share (basic) is computed by dividing the profit attributable to shareholders by the weighted average number of shares in issue.

<sup>R2</sup> Earnings after tax per share (diluted) is computed by dividing the profit attributable to shareholders 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>R3</sup> Net asset value per share is computed by dividing equity attributable to shareholders by the number of ordinary shares in issue.