

**ANNOUNCEMENT**

The Board of Directors of SIA Engineering Company Limited is pleased to make the following announcement: -

1 UNAUDITED RESULTS FOR THE FIRST QUARTER ENDED 30 JUNE 2003

	GROUP		
	1st Quarter 2003-04 S\$M	1st Quarter 2002-03 S\$M	% Change
Revenue	169.5	213.8	-20.7
Less: Expenditure	153.8	182.1	-15.5
OPERATING PROFIT	15.7	31.7	-50.5
Interest income	0.8	0.9	-10.6
Surplus on sale of fixed assets	0.1	-	n.m.
Amortisation of goodwill on acquisition of associated companies	(0.1)	-	n.m.
Share of losses of joint venture companies	(0.1)	(1.4)	-92.9
Share of profits of associated companies	12.5	18.6	-32.8
PROFIT BEFORE EXCEPTIONAL ITEM	28.9	49.8	-42.0
Retrenchment and early retirement costs	(3.1)	-	n.m.
PROFIT BEFORE TAXATION	25.8	49.8	-48.2
Current taxation	(2.9)	(5.4)	-46.3
Adjustment for reduction in Singapore corporate tax rate	-	2.7	n.m.
PROFIT AFTER TAXATION	22.9	47.1	-51.4
Minority interest	-	(0.1)	n.m.
PROFIT ATTRIBUTABLE TO SHAREHOLDERS	22.9	47.0	-51.3
EARNINGS PER SHARE (CENTS) - Basic *	2.29	4.70	-51.3
- Diluted #	2.28	4.66	-51.0

n.m. = not meaningful

* Based on the weighted average number of fully paid shares in issue.

Based on the weighted average number of fully paid shares in issue after adjusting for dilution of shares under the share option plan.

2 REVENUE BY BUSINESS ACTIVITY

The Group operates in Singapore in one business segment, that of maintenance, repair and overhaul of aircraft and aircraft engines. A breakdown of revenue by airframe and component overhaul and line maintenance and technical ground handling activities is as follows:

<u>Business Activity</u>	GROUP	
	1st Quarter 2003-04 S\$M	1st Quarter 2002-03 S\$M
	Airframe and component overhaul services	113.9
Line maintenance and technical ground handling	55.6	82.2
	169.5	213.8

3 UNAUDITED SUMMARISED BALANCE SHEETS AS AT 30 JUNE 2003

	GROUP		COMPANY	
	30 Jun 2003 S\$M	31 Mar 2003 S\$M	30 Jun 2003 S\$M	31 Mar 2003 S\$M
Fixed assets	197.4	194.8	193.2	190.6
Subsidiary companies	-	-	5.3	5.3
Associated companies	255.2	244.4	160.7	160.7
Joint venture companies	52.4	52.6	57.5	57.5
Long term investments	23.6	23.6	23.6	23.6
Current assets	583.8	574.4	579.9	570.4
Less: Current liabilities	(239.6)	(239.4)	(237.2)	(237.0)
	872.8	850.4	783.0	771.1
Share capital	100.0	100.0	100.0	100.0
Distributable				
General reserve	754.8	731.9	671.2	659.3
Foreign currency translation reserve	4.5	5.0	0.3	0.3
Non-distributable				
Share premium	0.8	0.8	0.8	0.8
Shareholders' funds	860.1	837.7	772.3	760.4
Minority interest	2.0	2.0	-	-
Deferred taxation	10.7	10.7	10.7	10.7
	872.8	850.4	783.0	771.1

	GROUP		
	30 Jun 2003	31 Mar 2003	% Change
Net asset value per share based on issued share capital at the end of the financial period (cents)	86.0	83.7	+2.7

4 GROUP BORROWINGS

	Loans – unsecured	
	30 Jun 2003 S\$M	31 Mar 2003 S\$M
Repayable within one year	1.0	1.0
Repayable after one year	-	-

5 COMMENTS ON GROUP RESULTS

- 5.1 The loss of confidence in air travel demand resulting from recent developments, particularly the SARS outbreak, has severely impaired the Company's first quarter April to June 2003 financial performance. As compared to the corresponding period last year, the Group's operating profit for the first quarter decreased by \$16.0 million (or 50.5%) to \$15.7 million.
- 5.2 Revenue decreased \$44.3 million (or 20.7%) to \$169.5 million. This was due to decreased workload and softening of rates.
- 5.3 Responding to the business downturn, the Company has taken cost-cutting measures and all planned expenditure, except for those which are essential, were deferred, slowed down or cancelled. As a result, expenditure decreased by \$28.3 million (or 15.5%) to \$153.8 million.
- 5.4 Profit before exceptional item decreased at a lower rate of 42.0% (or \$20.9 million) to \$28.9 million, mainly due to share of profits from associated companies and joint venture companies. For the quarter ended 30 June 2003, our 16 associated companies and joint ventures in Singapore, China, Hong Kong, Taiwan and Ireland generated about \$0.6 billion in revenue, with 79.0% derived from airlines outside the Singapore Airlines Group, and employ about 4,600 staff. The Group's share of associated companies' profits of \$12.5 million and share of joint venture companies' losses of \$0.1 million represented 48.1% of its pre-tax profit.
- 5.5 Profit before tax decreased \$24.0 million (or 48.2%) to \$25.8 million. This was due to the exceptional item of \$3.1 million incurred for the retrenchment and early retirement exercises carried out in June 2003. Arising from these exercises, the Company would have a savings of \$3.1 million annually, which is realised from July 2003 onwards.
- 5.6 The Group's shareholders' funds rose 2.7% to \$860.1 million as compared to 31 March 2003. The moving annual average return on shareholders' funds was 22.8%, a decrease of 10.2

percentage points as compared to the same period last year. Basic earnings per share was 2.29 cents, a decrease of 51.3% over the corresponding quarter last year.

- 5.7 There were no gains or losses arising from the acquisitions or disposals of investments.
- 5.8 No transaction or event of a material and unusual nature has arisen between 30 June 2003 and the date of this report that would substantially affect the results of the Group.

6 OUTLOOK FOR FINANCIAL YEAR 2003/2004

- 6.1 In the aftermath of SARS, with the rapid decline in air travel demand, airlines reduced flight schedules, grounded aircraft and cancelled or deferred major overhauls. As a consequence, not only our line maintenance but also our airframe and component overhaul businesses suffered significantly.
- 6.2 In June and July, however, 18 airlines have partially restored flights. As a result, our line maintenance business at Changi Airport has seen a restoration of a quarter of flight cuts instituted in April and May.
- 6.3 The impact of cancelled and deferred maintenance checks, however, continues to bear heavily on our airframe and component overhaul businesses. Rates remain soft due to intense competition and pressure from airlines to minimise maintenance costs.
- 6.4 In the near term, with low demand and depressed rates, the operating performance for the July-September quarter is likely to be comparable to the April-June quarter. The prospects for the second half of the financial year remain uncertain.

BY ORDER OF THE BOARD

Devika Rani Davar
Company Secretary

30 July 2003
Singapore