



14 May 2004

SIAEC proposes special dividend

- Shareholders to receive 20 cents per share in special dividend and 2.5 cents per share in ordinary dividend totaling \$226 million

HIGHLIGHTS OF THE GROUP'S PERFORMANCE

- Profit attributable to shareholders \$139.9 million (-31.8%)
- Earnings per share 14.0 cents (-31.7%)

OVERVIEW

In a year in which the aviation industry suffered from the series of terrorist attacks, war in Iraq and Sars, the group saw its performance significantly affected by low demand and depressed rates.

GROUP EARNINGSFinancial Year 2003/04

Revenue for the year fell 22.7% to \$678.7 million. Due to lower aircraft utilisation and downsizing by customers, revenue from airframe maintenance and component overhaul decreased 21.3% to \$431.3 million. The decline in flights, especially during the first half of the financial year, reduced line maintenance revenue by 25.0% to \$247.4 million.

Note: The SIAEC Group's audited financial results for the year ended 31 March 2004 were announced on 14 May 2004. A summary of the financial statistics is shown in Annex A. (All monetary figures are in Singapore Dollars.)

Compared to the last financial year, expenditure decreased 18.6% to \$599.8 million. Staff costs declined by 15.5%, although the accounts have provided for staff to be paid a one-off lump sum payment to make up for the wage cut taken in 2003, plus 15%, and a bonus of 2.05 months of basic salary, in accordance with the profit sharing bonus agreement.

The Company has recently signed a 3-year Collective Agreement with the engineers' union. Negotiations with the other two staff unions are currently in progress.

Share of profits from our associated companies and joint venture companies fell by 31.1% to \$48.8 million, as the performance of these companies was impacted by the downturn in the aviation industry.

During the financial year, the Company reversed a tax contingency provision amounting to \$21.2 million which is no longer required. The provision was made to cover for potential tax liability that might arise from the disposal of fixed assets to Eagle Services Asia Private Limited.

Profit attributable to shareholders for the year was \$139.9 million (-31.8%). Earnings per share for the financial year was 14.0 cents (-31.7%).

ISSUED SHARE CAPITAL AND SHARE OPTIONS

During the financial year, the Company issued 4,194,900 new ordinary shares pursuant to the exercise of share options under the Employee Share Option Plan. As at 31 March 2004, the issued and paid-up capital of the Company increased to \$100,463,190.

On 1 July 2003, the Company made a fifth grant of share options to employees. 7,526,300 share options were accepted by eligible employees to subscribe for ordinary shares at the price of \$1.75 per share for the exercise period from 1 July 2004 to 30 June 2013. As at 31 March 2004, options to subscribe for 62,637,100 ordinary shares remain outstanding under the Employee Share Option Plan.

DIVIDENDS

On 28 November 2003, a tax-exempt interim dividend of 2.0 cents per share amounting to \$20.1 million was paid for the half year ended 30 September 2003.

The Directors propose a final dividend of 22.5 cents per share comprising:-

- (i) a tax-exempt ordinary dividend of 2.5 cents per share (amounting to \$25.1 million); and
- (ii) a tax-exempt special dividend of 20.0 cents per share (amounting to \$200.9 million)

to be paid in respect of the financial year ended 31 March 2004.

Subject to shareholders' approval at the Annual General Meeting on 26th July 2004, the final dividend will be paid on 11th August 2004.

OUTLOOK FOR FY 2004/05

The recovery of traffic at Changi Airport to pre-Sars levels should have a favourable impact on our line maintenance business.

Taking advantage of the downturn in 2003, the Company restructured its airframe maintenance and component overhaul product mix to align its service offerings with new aircraft types introduced by major customers. The streamlining of our operations to meet the future needs of our customers has been completed; with the maturing and growing numbers of new-generation aircraft, the Company expects to see an increase in major maintenance checks.

Going forward, order books are healthy, with bookings for airframe maintenance, component overhaul and fleet management programmes from more than a dozen customers, such as Northwest Airlines, Air Pacific, Debis AirFinance and China Northern Airlines. These airlines, from the United States, Europe, China and the Middle East, form our growing base of third-party customers.

New service offerings being planned include specially packaged maintenance checks to cater for the needs of low-cost carriers, passenger-to-freighter conversions and aircraft interior modifications. Two new hangars are currently being constructed, which will increase airframe maintenance capacity by 30%.

Despite the competitive environment in the aviation industry, our rates have stabilised across the board.

A joint venture that we embarked on last year, PT JAS Aero-Engineering Services, has commenced line maintenance operations at 10 airports in Indonesia. The Company will continue to pursue the growth of its external wing, with a strong focus on the Asia-Pacific, such as China and India. Currently, our stable of 17 joint ventures is spread across five countries, namely, China, Indonesia, Ireland, Taiwan and Singapore. For the financial year ended 31 March 2004, these joint ventures generated S\$2.0 billion in revenue, with 77% derived from airlines outside the Singapore Airlines group

Against this backdrop, the Company is optimistic that revenue in the first quarter and full year would improve.

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(For the complete full year financial statements, please refer to MASNET Filing or the Investor Relations page of our website at www.siaec.com.sg).

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GROUP FINANCIAL STATISTICS ^{R1}

Financial Results (\$ million)	FY 2003-04	FY 2002-03	4th Qtr 2003-04	4th Qtr 2002-03
Total revenue	678.7	878.1	191.4	218.7
Total expenditure	599.8	737.1	184.9	185.8
Operating profit	78.9	141.0	6.5	32.9
Non-operating items	4.3	4.6	1.5	0.8
Share of profits of associated companies	45.9	69.0	10.4	18.1
Share of profits of joint venture companies	2.9	1.8	1.6	0.6
Retrenchment and early retirement costs	3.1	-	-	-
Profit before taxation	128.9	216.4	20.0	52.4
Profit attributable to shareholders	139.9	205.2	40.8	51.7
Share capital	100.4	100.0		
Distributable reserves:				
General reserve	829.3	731.9		
Foreign currency translation reserve	(10.4)	5.0		
Non-distributable reserve:				
Share premium	6.4	0.8		
Shareholders' funds	<u>925.7</u>	<u>837.7</u>		
Return on shareholders' funds (%) ^{R2}	15.9	27.0		
Total assets	1,120.2	1,089.8		
Value added	453.6	569.7		
Dividends				
Interim dividend (cents per share)	2.0	2.0		
Proposed final dividend (cents per share)				
- ordinary	2.5	2.5		
- special	20.0	-		
Dividend cover (times) ^{R3}	0.6	5.4		
Per Share Data				
Earnings before tax (cents)	12.9	21.6		
Earnings after tax (cents) - basic ^{R4}	14.0	20.5		
- diluted ^{R5}	13.9	20.4		
Net asset value (cents) ^{R6}	92.1	83.7		

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

^{R2} Return on shareholders' funds is the profit attributable to shareholders expressed as a percentage of the average shareholders' funds.

^{R3} Dividend cover is profit attributable to shareholders divided by total dividends.

^{R4} Earnings after tax per share (basic) is computed by dividing the profit attributable to shareholders by the weighted average number of shares in issue.

^{R5} 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.

^{R6} Net asset value is computed by dividing shareholders' funds by the number of ordinary shares in issue at 31 March.