



26 January 2005

## NET PROFIT OF \$37.9 MILLION ACHIEVED IN THIRD QUARTER

### HIGHLIGHTS OF THE GROUP'S THIRD QUARTER PERFORMANCE

	3rd Quarter 2004-05	Year-on-Year % Change
• Revenue (\$ million)	195.3	+21.1
• Profit attributable to shareholders (\$ million)	37.9	-
• Basic earnings per share (cents)	3.7	-0.8

### GROUP EARNINGS

#### Third Quarter 2004-05

The Group generated revenue of \$195.3 million for the quarter ended 31 December 2004, a \$34.0 million (+21.1%) increase compared to the same period last year. This was mainly due to an increase in number of flights handled by line maintenance and higher workload for airframe and component overhaul.

Expenditure increased by 33.6% to \$182.6 million. Material costs and subcontract costs rose in line with higher workload. Staff costs increased by \$23.8 million (+33.7%) mainly due to provision for profit-sharing bonus under the profit-sharing bonus agreement (nil provision in third quarter 2003-04), higher overtime costs and once-off payments to staff under the new collective agreements during third quarter 2004-05. There was also a \$0.7 million provision for doubtful debts in the third quarter of this year compared to a \$4.0 million writeback of provision in the quarter ended 31 December 2003.

As a result, operating profit fell by \$11.9 million (-48.4%) to \$12.7 million.

**Note:** The SIAEC Group's unaudited financial results for the third quarter ended 31 December 2004 were announced on 26 January 2005. A summary of the financial statistics is shown in Annex A. (All monetary figures are in Singapore Dollars.)

Profit before taxation increased by \$5.8 million (+15.6%) mainly due to gain on sale of a long-term investment, dividend income received from an investee company and improved performance by our associated and joint venture companies. Share of profits increased by \$6.2 million (+53.4%) to \$17.8 million which represents 41.5% of the Group's pre-tax profits.

Profit attributable to shareholders for the quarter was \$37.9 million. Basic earnings per share was 3.7 cents (-0.8%).

#### Third Quarter 2004-05 vs Second Quarter 2004-05

The Group's operating profit in the third quarter ended 31 December 2004 was \$12.7 million, a decline of 55.7% compared to the previous quarter.

Revenue in third quarter 2004-05 fell by 5.5% to \$195.3 million compared to the previous quarter, mainly due to a planned one-time refurbishment of hangar dockings which resulted in a reduced level of airframe and component overhaul work. Expenditure increased by 2.6% mainly due to higher staff costs partially offset by lower material costs. Staff costs rose by \$7.4 million (+8.5%) contributed mainly by once-off payments to staff under the new collective agreements during third quarter 2004-05 and cost adjustments. In addition, there was a \$0.7 million provision for doubtful debts in the third quarter of this year compared to a \$1.7 million writeback of provision in the previous quarter.

Profit before taxation in third quarter 2004-05 decreased by a lower rate of 11.9% to \$42.9 million as the gain on sale of a long-term investment and dividend income received from an investee company partially offset the declines in operating profit and share of profits from associated and joint venture companies.

Profit attributable to shareholders in third quarter 2004-05 decreased by 12.7% to \$37.9 million.

### Year-to-date (April-December 2004)

The Group's operating profit for the 9 months ended 31 December 2004 was \$74.5 million, an increase of \$2.1 million (+2.9%) from the corresponding period last year.

Revenue rose by \$116.0 million (+23.8%) to \$603.3 million mainly due to higher workload. Expenditure increased by \$113.9 million (+27.5%) mainly due to higher staff costs, material costs and subcontract costs. Staff costs rose by \$74.8 million (+38.6%) mainly due to provision for profit-sharing bonus (nil provision in the 9 months ended 31 December 2003), higher overtime costs and once-off payments to staff under the new collective agreements during third quarter 2004-05. The increase was partially offset by a higher writeback of provision for doubtful debts and a lower exchange loss.

Profit before taxation increased by a higher amount of \$31.5 million (+28.9%) to \$140.4 million. This was due to a gain on sale of a long-term investment, higher dividend income received from investee companies and higher share of profits from associated and joint venture companies. Share of profits increased by \$15.0 million (+40.8%) to \$51.8 million.

Profit attributable to shareholders was \$125.0 million (+26.1%). Basic earnings per share for the 9 months was 12.4 cents (+25.2%).

### **GROUP FINANCIAL POSITION (as at 31 December 2004)**

As at 31 December 2004, shareholders' funds were \$796.5 million, 14.0% or \$129.3 million lower than the position at 31 March 2004. This was mainly due to the payment of \$227.4 million in August 2004 for the final and special dividend declared in respect of the last financial year.

Total assets decreased by \$99.2 million (-8.9%) to \$1,021.1 million. Net asset value per share was 78.7 cents, a decline of 13.4 cents (-14.5%) compared to 31 March 2004.

## **OUTLOOK**

With the rebound in air traffic and progressive recovery of the aviation industry, the outlook for the maintenance, repair and overhaul (MRO) business is improving.

Volatile fuel prices and intense competition, however, continue to pose significant challenges for airlines.

We expect revenue in the fourth quarter to improve over that of the third quarter.

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(For the complete 3rd quarter financial statements, please refer to 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

	3rd Quarter 2004-05	3rd Quarter 2003-04	9 Months 2004-05	9 Months 2003-04
<b>Financial results (\$ million)</b>				
Total revenue	195.3	161.3	603.3	487.3
Total expenditure	182.6	136.7	528.8	414.9
Operating profit	12.7	24.6	74.5	72.4
Non-operating items	3.4	0.9	5.1	2.8
Share of profits of associated companies	16.6	10.7	46.8	35.5
Share of profits of joint venture companies	1.2	0.9	5.0	1.3
Exceptional item				
- Gain on sale of long-term investment	9.0	-	9.0	-
- Retrenchment and early retirement costs	-	-	-	3.1
Profit before taxation	42.9	37.1	140.4	108.9
Profit attributable to shareholders	37.9	37.9	125.0	99.1
<b>Per Share Data</b>				
Earnings before tax (cents)	4.23	3.69	13.91	10.86
Earnings after tax (cents) - basic <sup>R1</sup>	3.74	3.77	12.38	9.89
- diluted <sup>R2</sup>	3.71	3.76	12.27	9.85

	As at 31 Dec 2004	As at 31 Mar 2004
<b>Financial position (\$ million)</b>		
Share capital	101.2	100.5
Distributable reserves:		
General reserve	696.6	829.3
Foreign currency translation reserve	(18.6)	(10.4)
Non-distributable reserve:		
Share premium	17.3	6.4
Shareholders' funds	796.5	925.8
Total assets	1,021.1	1,120.3
Net asset value per share (cents) <sup>R3</sup>	78.7	92.1

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