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SIA ENGINEERING POSTS INTERIM PROFIT OF \$97.6M ON TURNOVER OF \$417.5M

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First-half revenue boosted by increased workload in airframe & component overhaul, and line maintenance services

Tackling difficult period ahead through operational efficiencies and cost reduction

SINGAPORE – 26 October 2001 – Mainboard-listed SIA Engineering Company Limited (SIAEC), a leading provider of aircraft maintenance, repair and overhaul (MRO) services in Asia-Pacific, today announced its performance for the half-year ended 30 September 2001.

For the six-month period, the Group posted a 61.7% increase in net profit attributable to shareholders to \$97.6 million on the back of a 35.9% growth in revenue to \$417.5 million.

The 35.9% increase in turnover, amounting to \$110.3 million, was derived mainly from its two core activities, namely, airframe and component overhaul, and line maintenance. Revenue from airframe and component overhaul grew by 38.6%, supported by strong workload increase, while revenue from line maintenance grew by 31.9%, boosted by intensified efforts on specialised cabin maintenance services.

Expenditure increased 32.6% to \$331.4M, contributed mainly by increases in material, subcontract and staff costs, and partially offset by nil provision for profit-sharing bonus. The Company's formula for profit-sharing bonus is based on SIA Group's after-tax profit. Additionally, the recovery of \$6.6M for doubtful debts compared to an unusual doubtful debt recovery of \$22.1M last year also contributed to the increase in expenditure.

The resulting Group operating profit for the 6 months ended 30 September 2001 increased by 47.8% to \$89.7 million.

In addition, a 128.6% rise in the share of profits from the Group's associated companies and joint ventures, contributing a total of \$16.0 million, increased the Group's net profit by 61.7% to \$97.6

million.

Based on the latest interim results, earnings per share rose by 61.7%, from 6.0 Singapore cents to 9.8 cents, while net tangible assets backing per share increased 22.8% from 44.7 cents to 54.9 cents.

The Company is proposing an interim dividend of 1.5 cents per share (with a par value of 10 cents), which translates into a gross dividend yield of 1.5% and a payout ratio of 13.4%.

Commenting on the interim results, Mr William Tan, SIAEC's CEO said, "Our fundamentals are strong. The recent crisis in the US, however, with its resultant impact on the global aviation industry, has thrust us into one of the most challenging times of the Company's history. With looming uncertainties in the next few months, we are taking prompt measures to reduce operating costs and improve efficiency even further."

In a bid to be more competitive and meet customers' needs, SIA Engineering will leverage on its access to the technology of new aircraft models and a comprehensive suite of capabilities to develop new products and services. With the commissioning of its third hangar in October 2001, SIAEC will offer specialised maintenance services for B777 aircraft, thus enabling the Company to establish an early and firm presence in the heavy maintenance of this new-generation aircraft, which is becoming one of the most popular in the world.

Besides airframe maintenance, SIAEC is also expanding its B777 component and engine repair and overhaul services. Trent engines for B777 will be overhauled at the Company's new facility at Singapore Aero Engine Services Limited (SAESL). With the launch of SAESL in the second half of the fiscal year, the Company will have Singapore-based joint ventures with two of the world's largest engine makers – Rolls Royce and Pratt & Whitney.

Moving forward, the Company plans to increase revenue streams by introducing new services, such as "On-Site Technical Support", an aircraft inspection service marketed specifically to aircraft leasing companies, thus widening its customer base beyond airlines and cargo carriers. In addition, its "power-by-the-hour" services, in which customers are charged based on actual flying hours, will be welcomed by customers concerned about managing their cash flow more efficiently.

"We will continue to look out for external opportunities that fit into our overall growth strategy and complement the main-base operations in Singapore, albeit with increased prudence, focusing on regions less affected by the current global economic difficulties," Mr Tan added.

About SIA Engineering Company

SIA Engineering Company is a major provider of aircraft maintenance, repair and overhaul (MRO) services in Asia-Pacific. The Company provides line maintenance services in Singapore Changi Airport for over 200 flights daily, with a client base of more than 50 international carriers. It also provides airframe and component repair on some of the most advanced and widely-used commercial aircraft. Fifteen joint ventures with airlines and original equipment manufacturers (OEMs) in Singapore and overseas increase the depth and breadth of the Company's services.

SIA Engineering Company has approvals from 25 national aviation regulatory authorities to provide MRO services for aircraft registered in the United States of America, major European countries and Japan, among others.

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