

SIA ENGINEERING COMPANY

1st Half FY17/18

Performance Review



SIA ENGINEERING COMPANY

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Financial Review



1H17/18 Financial Highlights

- The Group posted a net profit of \$74.3M for 1H17/18.
- Compared to 1H16/17 which included the impact of HAESL divestment*, net profit was \$159.6M or 68.2% lower. Excluding the impact of divestment, profit was \$0.8M or 1.1% higher.
- Operating profit was \$37.6M, an increase of \$14.7M or 64.2%. Excluding the impact of divestment, operating profit was \$6.6M or 14.9% lower.
- Share of profits increased \$6.1M or 16.1%.

* In 1H16/17, the Group made a \$141.6M gain from divestment of HAESL and received a special dividend of \$36.4M from HAESL. Staff costs increased with a provision for profit-linked staff remuneration arising from the gain on divestment.

Summary of Group Results

1H17/18

	1H17/18 \$M	1H16/17 \$M	Variance %
Revenue	547.5	536.4	+ 2.1
Expenditure	509.9	513.5	- 0.7
Operating profit	37.6	22.9	+ 64.2
Surplus on disposal of non-current asset held for sale	-	141.6	- 100.0
Dividend income from non-current asset held for sale	-	39.5	- 100.0
Share of results of Assoc/JVs, net of tax	44.0	37.9	+ 16.1
Profit before tax	84.2	243.4	- 65.4
Net profit	74.3	233.9	- 68.2
Net profit margin (%)	13.6	43.6	- 30.0 pts

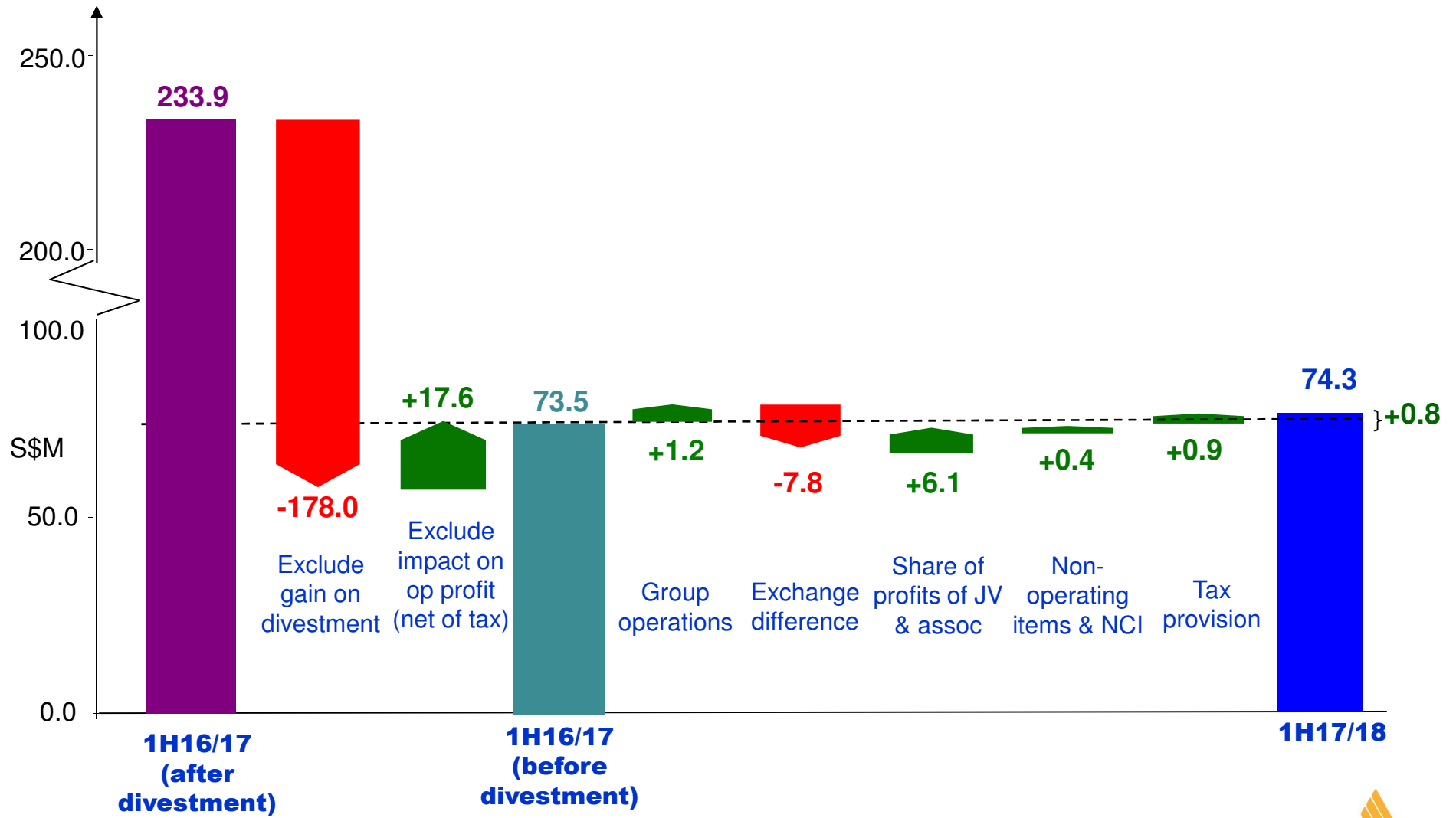
Summary of Group Results

2Q17/18

	2Q17/18 \$M	2Q16/17 \$M	Variance	
				%
Revenue	274.7	264.8	+	3.7
Expenditure	255.2	240.3	+	6.2
Operating profit	19.5	24.5	-	20.4
Share of results of Assoc/JVs, net of tax	22.9	17.2	+	33.1
Profit before tax	43.9	42.3	+	3.8
Net profit	38.1	35.5	+	7.3
Net profit margin (%)	13.9	13.4	+	0.5 ppt

The Group posted a profit attributable to owners of \$38.1M for the second quarter ended 30 September 2017, an increase of \$2.6 million or 7.3%.

Group Profit for 1H17/18



Joint Venture and Associated Companies

1H17/18

	1H17/18 \$M	1H16/17 \$M	Variance %
<u>Share of profits after tax</u>			
Repair and Overhaul			
- Engine Repair & Overhaul Centres	22.5	22.4	+ 0.4
- Others	19.7	13.9	+ 41.7
	42.2	36.3	+ 16.3
Line Maintenance	1.8	1.6	+ 12.5
	44.0	37.9	+ 16.1

Share of profits from the engine repair and overhaul centres at \$22.5M was comparable to 1H16/17. ESA's contributions increased, partially offset by lower contributions from SAESL.

Breakdown of Group Revenue

1H17/18

	1H17/18 \$M	1H16/17 \$M	Variance %
Airframe & Component Overhaul	217.2	218.6	- 0.6
Fleet Management	61.6	72.2	- 14.7
Repair & Overhaul	278.8	290.8	- 4.1
Line Maintenance	268.7	245.6	+ 9.4
	547.5	536.4	+ 2.1

Revenue was higher by 2.1%. The increase in line maintenance revenue was offset in part by lower fleet management revenue.

Group Expenditure

1H17/18

	1H17/18 \$M	1H16/17 \$M	Variance %	
Staff costs	251.0	259.0	-	3.1
Materials	90.1	93.0	-	3.1
Subcontract costs	70.0	66.8	+	4.8
Overheads	98.8	94.7	+	4.3
Expenditure	509.9	513.5	-	0.7

Expenditure fell by 0.7%. Staff costs decreased by 3.1% due mainly to the absence of the provision made for the profit-linked component of staff costs arising from the gain on divestment of HAESL in 1H16/17, offset by annual salary increments and increase in headcount at subsidiaries.

Group Operating Profit by Segment

1H17/18

	1H17/18 \$M	1H16/17 (Before divestment of HAESL) \$M	1H16/17 (After divestment of HAESL) \$M	1H17/18 vs 1H16/17 (Before divestment of HAESL) %
Repair & Overhaul	(11.3)	(8.7)	(21.1)	-29.9
Line Maintenance	48.9	52.9	44.0	-7.6
	37.6	44.2	22.9	-14.9

Group's operating profit in 1H17/18 was \$14.7M or 64.2% higher. Excluding the profit-linked component of staff remuneration arising from the gain on divestment of HAESL in 1H16/17, the profit was \$6.6M or 14.9% lower.

SIA vs Non-SIA Revenue

1H17/18

	SIA \$M	Non-SIA \$M	Total \$M
SIAEC	292.5	189.0	481.5
<i>% of non-SIA work</i>		39%	
Subsidiary Cos	35.9	56.6	92.5
<i>% of non-SIA work</i>		61%	
JV & Associated Cos			
- Repair & Overhaul	429.1	1,278.5	1,707.6
- Line Maintenance	8.1	16.5	24.6
	437.2	1,295.0	1,732.2
<i>% of non-SIA work</i>		75%	
Combined revenue	765.6	1,540.6	2,306.2
<i>% of non-SIA work</i>		67%	

% of non-SIA revenue decreased by 1ppt from 68% in 1H16/17 to 67% in 1H17/18.

Group Balance Sheet

	30 Sep 2017 \$M	31 Mar 2017 \$M
Equity attributable to owners of the parent	1,452.5	1,554.0
Non-controlling interests	31.3	34.0
Total equity	1,483.8	1,588.0
Non-current liabilities	47.8	51.0
	1,531.6	1,639.0
<u>Represented by:</u>		
Non-current assets	917.7	938.9
Cash	467.2	601.7
Other current assets	404.4	377.7
Current assets	871.6	979.4
Current liabilities	(257.7)	(279.3)
Net current assets	613.9	700.1
	1,531.6	1,639.0

Financial Statistics

	1H17/18	1H16/17 (Before divestment of HAESL)	1H16/17 (After divestment of HAESL)	1H17/18 vs 1H16/17 (Before divestment of HAESL)
Basic earnings per share (cents)	6.63	6.55	20.83	+ 1.2 %
Return on average shareholders' funds (%) (MAA)	11.7	11.7	22.9	-
	Sep 17	Mar 17 (Before divestment of HAESL)	Mar 17 (After divestment of HAESL)	Sep 17 vs Mar 17 (Before divestment of HAESL)
Net asset value per share (cents)	129.8	137.1	138.8	- 5.3 %

Interim Dividend

Interim Dividend

(in cents per share)

Ordinary

1H17/18

1H16/17

4.0

4.0

Interim dividend to be paid on 28 November 2017

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Operational Review



Core Business

Line Maintenance



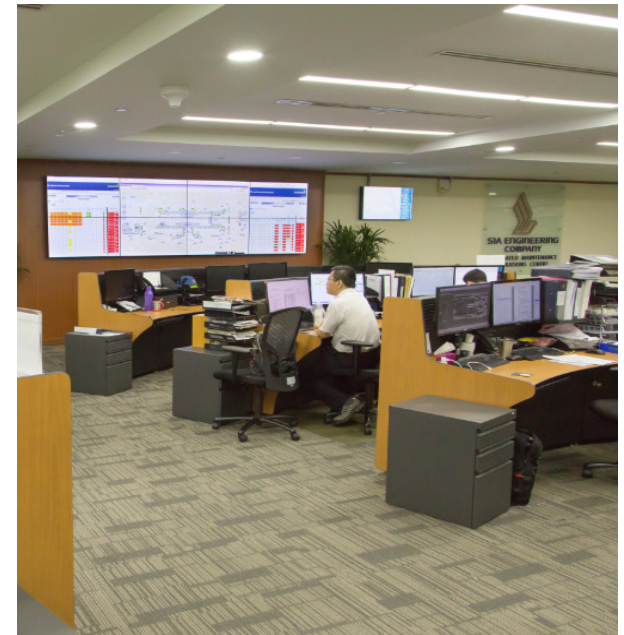
37 airports in 8 countries

Aircraft & Component Services



6 hangars in Singapore
3 hangars in Philippines

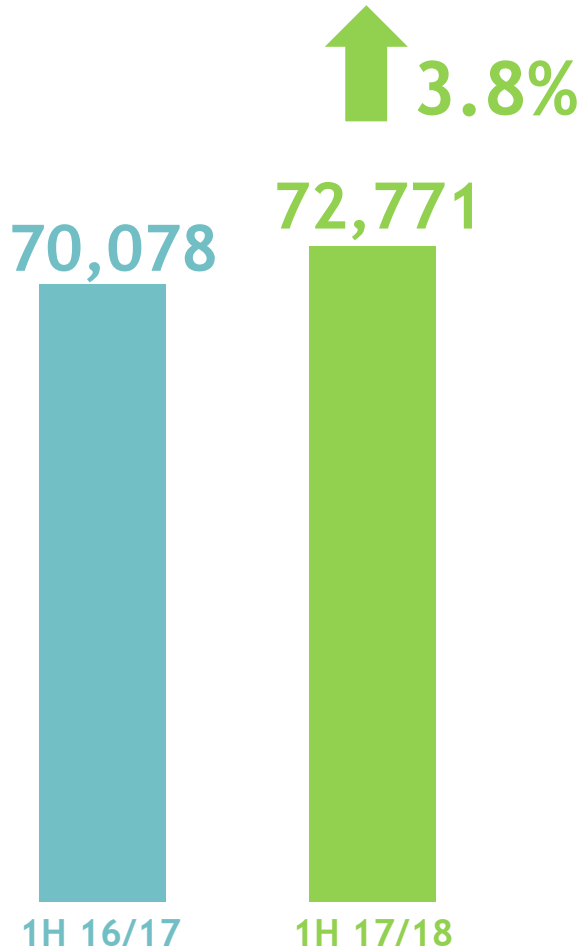
Fleet Management



84 aircraft from 8 airlines

Line Maintenance

Flights handled at Changi Airport



2 New Contracts



6 Renewed Contracts



Aircraft & Component Services

7 New/ Renewed Contracts at Singapore Base



Maintenance checks at Singapore base:

	<u>1H 17/18</u>	<u>1H 16/17</u>
'A' checks	219	215
'C' checks	45	50

Maintenance checks at Clark base:

	<u>1H 17/18</u>	<u>1H 16/17</u>
'C' checks	30	16

Fleet Management



23 aircraft



21 aircraft



22 aircraft



8 aircraft



10 aircraft

FMP fleet: 84 aircraft



Portfolio of JVs

Line Maintenance



- Aircraft Maintenance Services Australia
- Aviation Partnership (Philippines)
- Pan Asia Pacific Aviation Services
- PT JAS Aero-Engineering Services
- SIA Engineering (Japan)
- SIA Engineering (USA)
- Singapore JAMCO Services
- Southern Airports Aircraft Maintenance Services

Engine & Components



- Asian Compressor Technology Services
- Asian Surface Technologies
- Component Aerospace Singapore
- Eagle Services Asia
- NexGen Network (1) Holding
- NexGen Network (2) Holding
- Singapore Aero Engine Services
- Turbine Coating Services

Airframe Maintenance



- Heavy Maintenance Singapore Services
- SIA Engineering (Philippines)

Aircraft Component & Services



- Aerospace Component Engineering Services
- Boeing Asia Pacific Aviation Services
- Fuel Accessory Service Technologies
- Goodrich Aerostructures Service Centre-Asia
- JAMCO Aero Design & Engineering
- JAMCO Singapore
- Moog Aircraft Services Asia
- Panasonic Avionics Services Singapore
- Safran Electronics and Defense Services Asia
- Safran Landing Systems Services Singapore

Subsidiaries

Key Developments



MOU with Air India Engineering Services to Provide MRO Services in India

- Line maintenance, ancillary services and engineering training
- Draw upon partner's infrastructure, resources within India and their local knowledge and expertise in the India market



Collaboration with Boeing to Provide Maintenance Training Services with Boeing

- Provide maintenance training services on behalf of Boeing
- Training for current and new generation aircraft types

Key Developments



Line Maintenance Subsidiary in Japan

- Incorporation of SIA Engineering (Japan)
- Wholly-owned
- Provides line maintenance services at Osaka



Joint Venture with Moog

- Incorporation of Moog Aircraft Services Asia
- SIAEC 49%, Moog 51%
- MRO services for Moog's components on flight control systems
- Centre of Excellence in Asia Pacific



Pratt & Whitney

A United Technologies Company

Divestment of Asian Compressor Technology Services

- SIAEC 24.5%, Pratt & Whitney 51%, China Airlines 24.5%



Key Developments

Eagle Services Asia Selected to Overhaul for PurePower® PW1100G-JM GTF Engines



- PW1100G-JM is one of the two engine types that power the A320neo aircraft
- ESA will invest US\$85 million to equip the facility with advanced capabilities



SIA Engineering (Philippines) Appointed as Embraer E-Jets Authorised Service Centre

- E-Jets family consists of the E170, E175, E190 and E195 aircraft
- Increase SIAEC's overall capabilities and expand our customer base

Key Developments



Engine Overhaul JV with GE

- **SIAEC 49%, GE 51%**
- **Full range of engine MRO services for the GE90 (exclusively for Boeing 777-300ER) and GE9X engines (sole engine selection for Boeing 777X)**

Outlook

- Challenges of new-generation aircraft and engines requiring less frequent maintenance and lighter work content, and intense regional competition. Significant increase in aircraft fleet will result in growth for the MRO industry.
- Continues to invest in new technologies, pursue initiatives to enhance productivity and manage costs.
- Focus on building capabilities for new-generation aircraft and engines, and aligning our portfolio of JVs to tap new opportunities.

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