SIA ENGINEERING COMPANY

1H FY20/21 Review

4 November 2020

Operational Review

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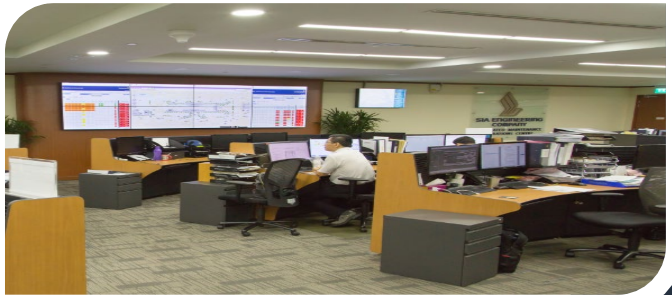
Core Business

Line Maintenance

- 29 airports in 7 countries
  (expanding to 40 airports in 9 countries)

Base Maintenance

- 6 hangars in Singapore
- 3 hangars in Philippines



Fleet Management

- 82 aircraft from 7 airlines

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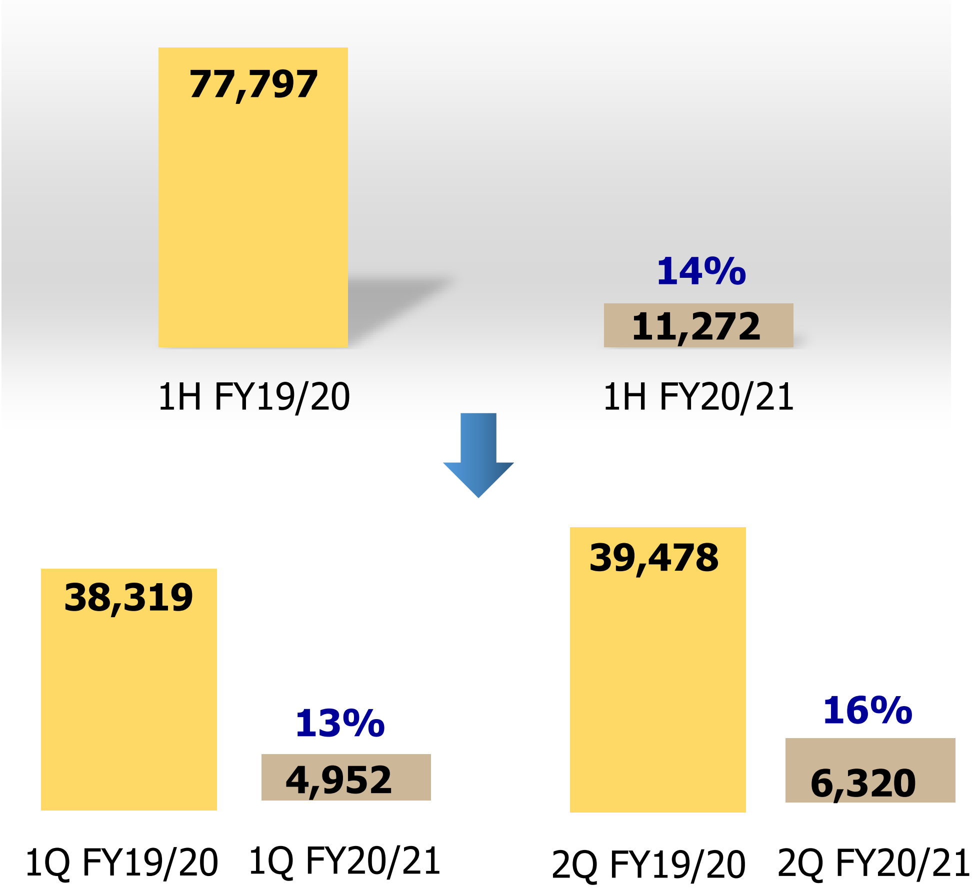
Core Business

Line Maintenance

Flights handled at Changi Airport



- Number of flights handled in 2Q was 16% of the same period last year - only three percentage points higher than 1Q
- Overseas Line Maintenance stations were similarly affected by the slow recovery from reduced number of flights handled

Core Business

Base Maintenance

Maintenance Checks at Singapore Base		
	1H FY19/20	**1H FY20/21**
Light Checks*	254	**109**
Heavy Checks	38	**24**

* Including 'A' checks performed by Line Maintenance at the apron

Maintenance Checks at Clark Base		
	1HFY19/20	**1HFY20/21**
Heavy Checks	23	**3**

Singapore Base

- Lower number of hangar checks tracked low flight activities and grounding of aircraft worldwide
- Some hangar checks were brought forward to fill up our hangar capacity in 1Q, although such opportunities were limited in 2Q

Clark Base

- Operations were affected by quarantine measures implemented by Philippines government since March 2020
- Restrictions have eased and half of the workforce was allowed on-site with safety and social distancing measures in place since June 2020

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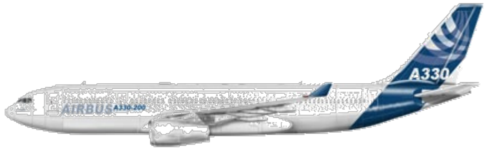
Core Business

Fleet Management

A320
44 aircraft

A330
8 aircraft



737
23 aircraft

747
7 aircraft

FMP Fleet: 82 aircraft

Customers

SilkAir

Singapore Airlines Cargo

Airbus (Tailored Support Package)

tigerair taiwan

Bamboo Airways

SalamAir

Aero K

- Workload and revenue were impacted by low flying hours
- Customers with domestic flights will be better positioned to continue with recovery subject to containment of second wave COVID-19 infections

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Customer Contracts

Line Maintenance	Base Maintenance
Renewed:	New:
AIR CHINA 中国国际航空公司	HAWAIIAN AIRLINES
cargolux	
air mauritius	
NCA Nippon Cargo Airlines	
Air Niugini	
THAI	

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Response to COVID-19

- Continually update staff on safe-management measures and WFH arrangements as post-circuit-breaker phases are implemented
- Safe Management Officers in place to ensure compliance with authorities' latest advisories

✓ Precautionary measures maintained for staff on company premises:-

  - ✓ Segregation into different teams for staff working onsite
  - ✓ Temperature taking and health declarations
  - ✓ Use of personal protection equipment at all times during work
  - ✓ Frequent cleaning and provision of hand sanitisers at common areas

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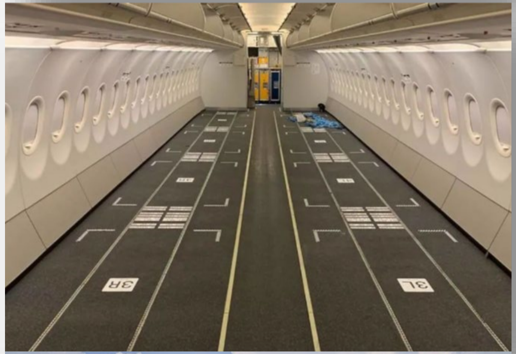
Response to COVID-19

- Increased cabin disinfection and fogging for airlines to protect passengers, crew and staff
- Solutions for passenger-to-cargo space conversion to increase cargo capacity of passenger aircraft
- Supporting hangar checks and engine changes for aircraft deleasing
- 3D printing of fixtures for hand sanitisers in aircraft cabins



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Reshaping our JV Portfolio

Heavy Maintenance Singapore Services (HMSS)

- HMSS became a wholly owned subsidiary after SIAEC acquired the remaining 35% stake in HMSS from Airbus Services Asia Pacific

SIA Engineering Philippines Corporation (SIAEP)

- SIAEP became a wholly owned subsidiary after SIAEC acquired Cebu Air's 35% stake in SIAEP
- SIAEC divested its 51% stake in Aviation Partnership (Philippines) Corporation to Cebu Air

Line Maintenance Partnership (Thailand), a JV with NokScoot Airlines, is in the process of dissolution

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Strategic Partnerships - JV Portfolio

23 JVs Across 7 Countries
Total Revenue in 1H FY20/21: S$2.0B

Airframe and Line Maintenance

SIA Engineering (USA) (SEUS)	United States 100%
SIA Engineering Japan (SIAEJ)	Japan 100%
PT JAS Aero-Engineering Services (PT JAES)	Indonesia 49%
Pan Asia Pacific Aviation Services (PAPAS)	Hong Kong 40%
Southern Airports Aircraft Maintenance Services (SAAM)	Vietnam 49%
Pos Aviation Engineering Services (PAES)	Malaysia 49%
Line Maintenance Partnership (Korea)	Korea 51%
SIA Engineering (Philippines) (SIAEP)	Philippines 100%[1]
Boeing Asia Pacific Aviation Services (BAPAS)	Singapore 49%
Singapore Aero Support Services (SASS)	Singapore 100%

Engine and Component

Singapore Aero Engine Services (SAESL)	Singapore 50%
Eagle Services Asia (ESA)	Singapore 49%
Component Aerospace Singapore (CAS)	Singapore 46.4%
GE Aviation, Overhaul Services – Singapore (GEAOSS)	Singapore 49%
Asian Surface Technologies (AST)	Singapore 39.2%
Turbine Coating Services (TCS)	Singapore 24.5%
Goodrich Aerostructures Service Center-Asia (GASCA)	Singapore 40%
Fuel Accessory Service Technologies (FAST)	Singapore 49%
Panasonic Avionics Services Singapore (PACSS)	Singapore 42.5%
Safran Landing Systems Services Singapore (SLSSS)	Singapore 40%
Safran Electronics & Defense Services Asia (SEA)	Singapore 40%
Additive Flight Solutions (AFS)	Singapore 60%
JAMCO Aero Design & Engineering (JADE)	Singapore 45%
Moog Aircraft Services Asia (MASA)	Singapore 49%
Aerospace Component Engineering Services (ACES)	Singapore 51%

JV Partners: Pratt & Whitney, Rolls-Royce, GE, Jamco, Safran, Collins, Line Maintenance International (LMI), LMI (pending), Others

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Transformation Phase 2

- As we manage the current challenges, we remain focused on the future in the post COVID-19 world

POWER UP & BREAK THROUGH

1. Boost competitiveness & emerge stronger
2. Create value for stakeholders
3. Strengthen ecosystem & improve culture

Transformation Phase 2

Delivering value to

Operations | Customers | Workforce | Suppliers/Partners

through

Enhanced operating system | **New products and services**

via the 4 key thrusts

LEAN | **Digitalisation** | **Technology** | **Organisation Design**

and enabled by

- **Staff Empowerment**
- **Staff Enablement**
- **Ownership & participation**
- **In-house teams of specialists**

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Financial Review

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1H20/21 Financial Highlights

- The Group recorded a net loss of $19.0 million for 1H20/21 as compared to a net profit of $87.6M for 1H19/20.
- Group operating loss was $27.2 million for 1H20/21 as compared to an operating profit of $37.3M for 1H19/20.
- Share of profits of associated and joint venture companies decreased 46.8% to $28.4 million.
- Non-cash impairment loss on base maintenance unit's assets of $35.0 million.
- No interim dividends declared in view of weak performance and need to conserve cash to sustain business.

Due to significant decline in hangar revenue projections brought about by lower flight hours; large number of aircraft taken out of operations and parked; and the likelihood that some of the parked older generation aircraft will not return to operation, the Group recognised a non-cash impairment loss on its base maintenance unit's assets.

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Summary of Group Results 1H20/21

Group	1H20/21 $M	1H19/20 $M	Variance %
Revenue	223.0	512.7	- 56.5
Expenditure	250.2	475.4	- 47.4
Operating (loss)/profit	**(27.2)**	**37.3**	**n.m.**
Share of profits of JV & Assoc	28.4	53.4	- 46.8
Other non-operating items and taxation	(20.2)	(3.1)	n.m.
Group (loss)/profit after tax	**(19.0)**	**87.6**	**n.m.**

- Group's business activities declined drastically due to low flight activities and massive grounding of aircraft.
- Weak operating performance cushioned by government grants and cost mitigation measures.
- Performance of joint venture and associated companies similarly impacted. Some of the group companies also incurred one-time staff redundancy costs during the period.

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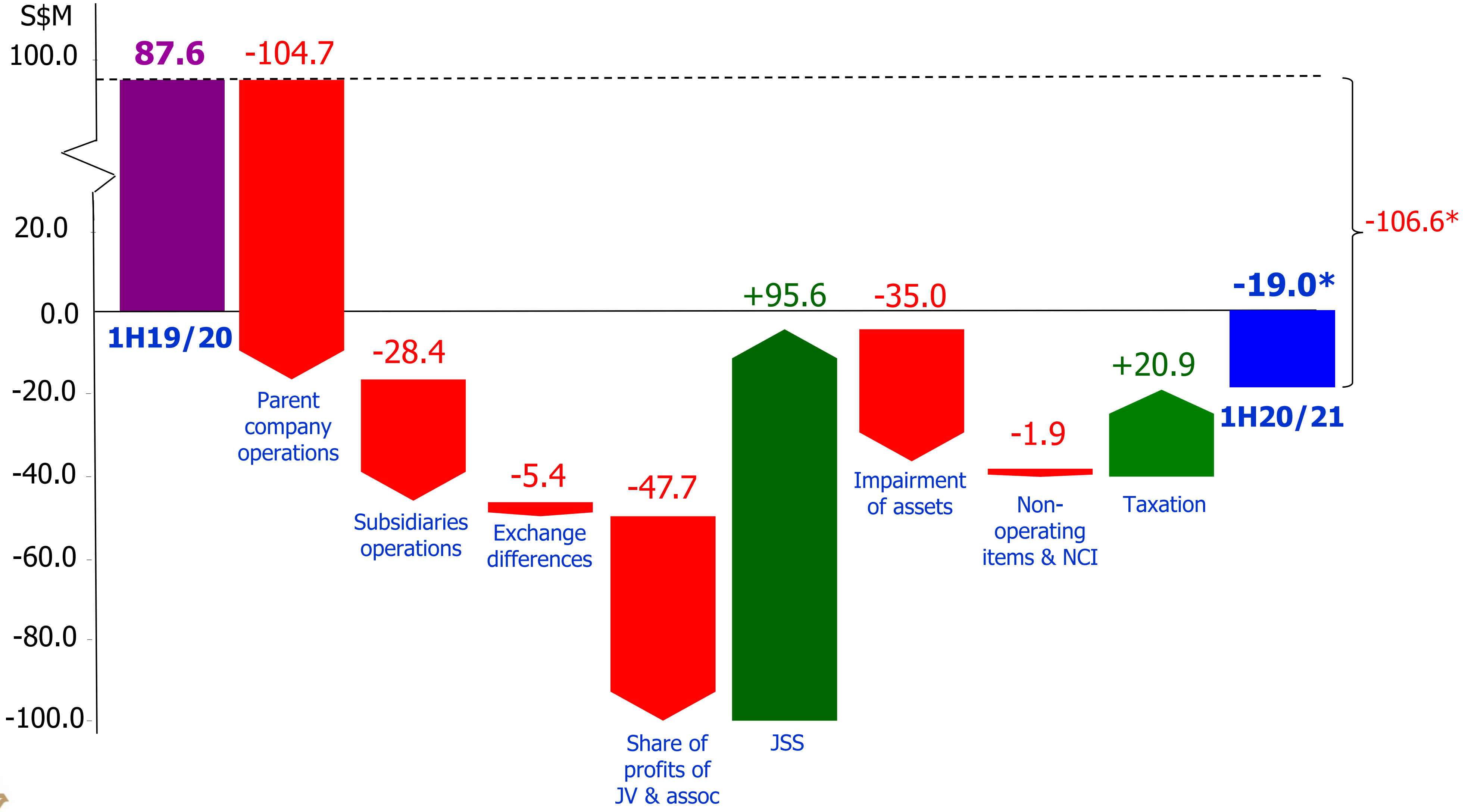
Analysis of Group Profit – 1H20/21



* Without JSS ($95.6M), Group loss would have been $114.6M, decrease of $202.2M.

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Breakdown of Group Revenue 1H20/21

Group Revenue	1H20/21 $M	1H19/20 $M	Variance %
Airframe and line maintenance			
Airframe overhaul and line maintenance	186.5	456.4	- 59.1
Fleet management programme	30.1	43.9	- 31.4
	216.6	**500.3**	**- 56.7**
Engine and component	6.4	12.4	- 48.4
	223.0	**512.7**	**- 56.5**

Revenue decline mainly due to reduction in number of flights handled and fewer aircraft checks performed.

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Group Expenditure 1H20/21

Group Expenditure	1H20/21 $M	1H19/20 $M	Variance %
Staff costs	105.5	248.9	- 57.6
Material costs	30.1	69.2	- 56.5
Subcontract costs	24.0	55.2	- 56.5
Overheads	90.6	102.1	- 11.3
	250.2	**475.4**	**- 47.4**

Excluding government support, decrease in staff costs would be 27.9%.

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Group Operating Profit 1H20/21

Group Operating (Loss)/Profit	1H20/21 $M	1H19/20 $M	Variance %
Airframe and Line Maintenance	(25.1)	39.4	n.m.
Engine and Component	(2.1)	(2.1)	-
	(27.2)	**37.3**	**n.m.**

Losses in the Airframe and Line Maintenance segment mainly due to reduction in revenue being outpaced by reduction in operating costs.

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Joint Venture and Associated Companies 1H20/21

Share of Profit/(Loss) After Tax	1H20/21 $M	1H19/20 $M	Variance %
Engine and component			
Engine centers	22.4	35.7	- 37.3
Component centers	15.5	19.4	- 20.1
	37.9	**55.1**	**- 31.2**
Airframe and line maintenance	(9.5)	(1.7)	n.m.
	28.4	**53.4**	**- 46.8**

- Performance of associated and joint venture companies similarly impacted by low flight activities, resulting in low number of flights handled and fall in repair demand. This was partially mitigated by cost saving measures and government grants.
- Some of the group companies also incurred one-time staff redundancy costs.

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Group Revenue 1H20/21
(SIAEC, Subsidiaries, JV and Associated Companies)

Group Revenue	Company and subsidiaries $M	Associated companies * $M	Joint venture company * $M	Total $M	%
Airframe & line maintenance	216.6	24.8	-	241.4	- 57.8
Engine and component	6.4	958.2	988.0	1,952.6	- 22.6
	223.0	983.0	988.0	2,194.0	- 29.1

* Not equity accounted for in the Group's Income Statement

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Group Balance Sheet

	Sep-20 $M	Mar-20 $M	Variance %
Equity attributable to owners of the parent	1,537.9	1,628.8	- 5.6
Non-controlling interests	26.3	32.2	- 18.3
Total equity	**1,564.2**	**1,661.0**	- 5.8
Non-current liabilities	**93.0**	**103.7**	- 10.3
	1,657.2	**1,764.7**	- 6.1
Represented by:			
Non-current assets	**942.0**	**1,007.4**	- 6.5
Cash	514.9	519.7	- 0.9
Other current assets	424.1	478.4	- 11.4
Current assets	**939.0**	**998.1**	- 5.9
Current liabilities	**(223.8)**	**(240.8)**	+ 7.1
Net current assets	**715.2**	**757.3**	- 5.6
	1,657.2	**1,764.7**	- 6.1

- The Group balance sheet remains strong with low borrowings.
- The strong position provides support for eventual recovery as well as our search for opportunities to strengthen or bring new capabilities to the Group.

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Financial Statistics

Financial Statistics	1H20/21	1H19/20	Variance	
Return on shareholders' funds (%)	5.7	11.2	- 5.5	ppts
Basic (loss)/earnings per share (cents)	(1.69)	7.82	n.m.	
	Sep-20	**Mar-20**	**Variance**	
Net asset value per share (cents)	137.1	145.4	- 5.7	%

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Impact of COVID-19 and Positioning for the Future

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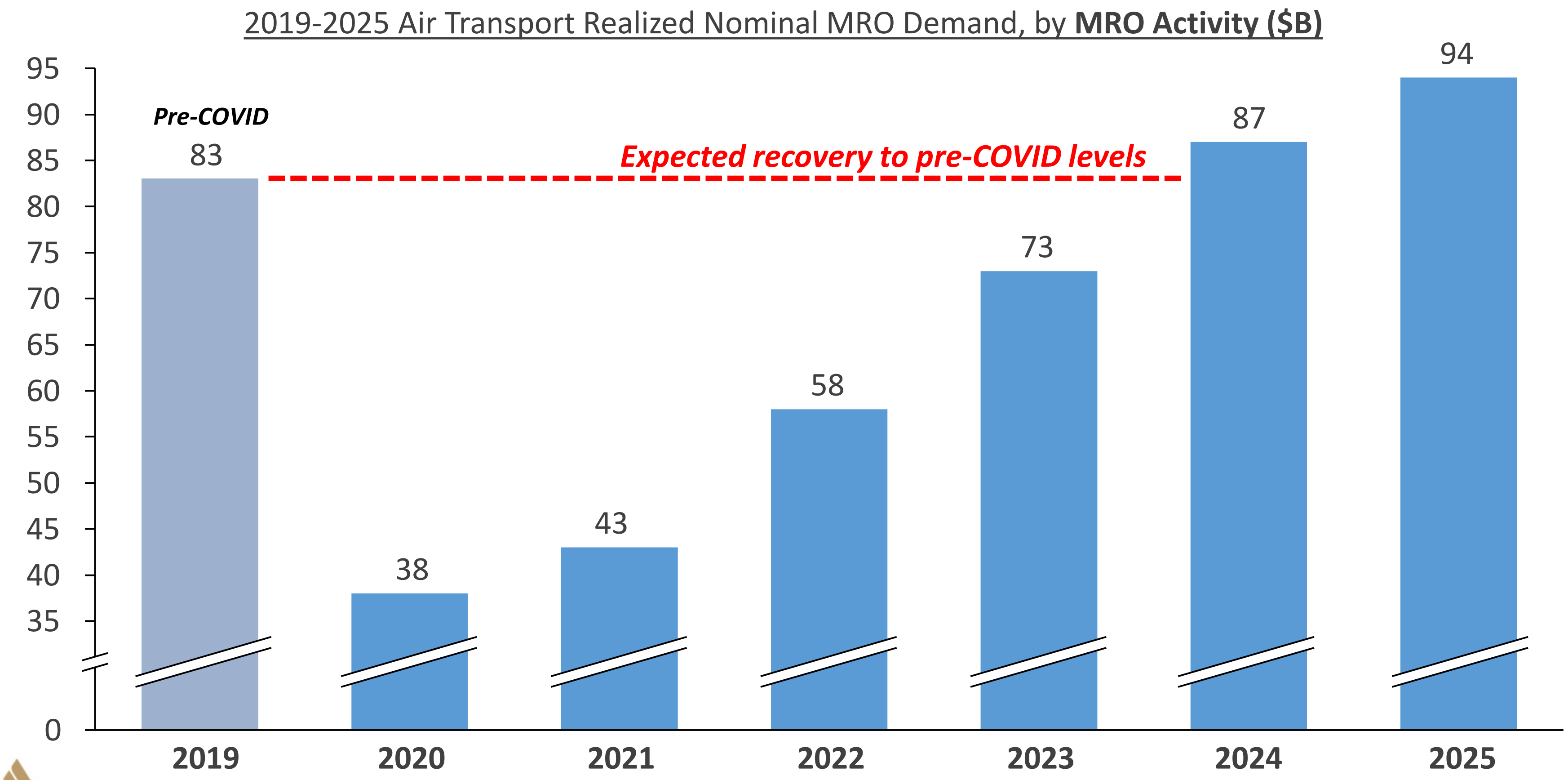
Outlook

“Recovery delayed as international travel remains locked down. Global passenger traffic will not return to pre-COVID-19 levels until 2024.”

– *July 2020*

Outlook

Aggregate MRO Demand is Only Expected to Recover to Pre-COVID-19 Levels in 2024



Source: Adapted from AeroDynamic Advisory, Sept 2020

- Recovery of the MRO business is contingent on the recovery of the aviation industry, which remains uncertain
- IATA's forecast for full recovery to pre-pandemic levels is now 2024, one year later than their previous forecast

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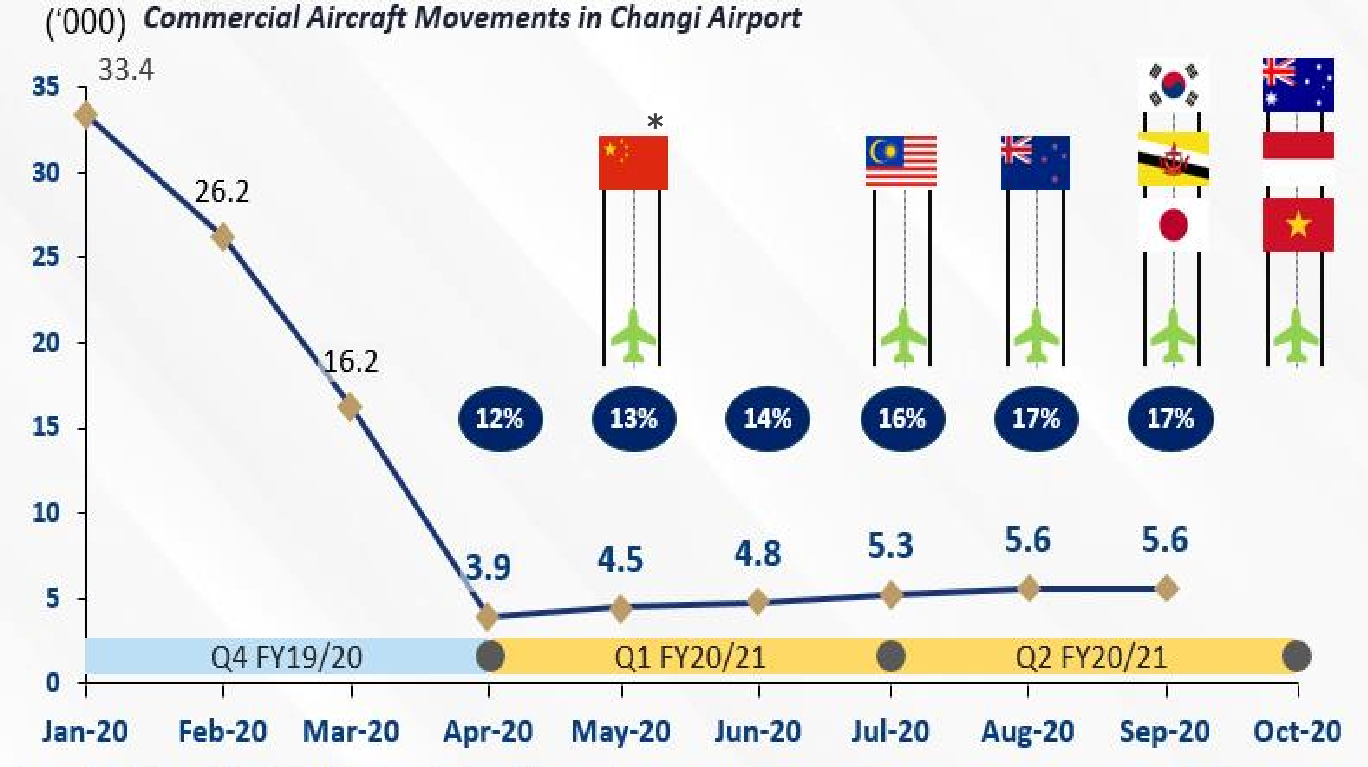
Outlook

Slow Lifting of Border and Travel Restrictions

Changi falls from 7th to 58th on the World's Busiest Airport list



Source: Changi Airport Air Traffic Statistics, https://safetravel.ica.gov.sg/

* Selected cities

- Slow recovery and lack of a domestic travel market
- Encouraging efforts by Singapore and various countries to revive air travel through green lanes and air travel bubbles
- Hopeful that this will stimulate travel demand and stronger uptick in flight frequencies into Singapore

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Reshaping our JV Portfolio

In response to changing market environment and to ensure the long-term sustainability of our investment portfolio

Heavy Maintenance Singapore Services	• Acquisition and re-integration into Base Maintenance operations for greater efficiency and competitiveness
Line Maintenance Partnership (Thailand)	• Dissolution is consequent to dissolution of JV partner and depressed air traffic movement in Thailand

Joint review of Philippines JVs with JV partner

SIA Engineering Philippines Corporation (SIAEP) Aviation Partnership (Philippines) Corporation (APPC)	• Huge market for narrow-body work in the APAC region • Short-haul travel, which are serviced by the narrow-body fleet, will recover earlier • Acquisition of SIAEP to be SIAEC Group's Centre of Excellence and low-cost base for narrow-body aircraft MRO offerings • Divestment of APPC part of discussions with JV partner

Adapting to Changing Market Environment

Business Continuity Measures

- As post-circuit breaker phases are implemented:
  - continually update staff on safe-management measures and WFH arrangements
  - ensure compliance with authorities' latest advisories

Prudent Cost Management

- Tighten control of expenditure, operating costs and cashflow
- Deeper salary cuts for Management
- Costs cushioned by the government's wage support under the Job Support Scheme, which has been extended

Manage Surplus Manpower

- Furlough, voluntary and compulsory no pay leave, voluntary early retirement
- Release of contract staff in response to sustained reduction in work demand

Working Closely with Customers

- Cabin disinfection and fogging
- Passenger-to-cargo space conversion of passenger aircraft
- Supporting hangar checks and engine changes for aircraft deleasing
- 3D printing of fixtures for hand sanitisers in aircraft cabins

- Resilient workforce and close relationship with customers and partners help to mitigate the full effects of the pandemic
- Continue to stay flexible and nimble
- Respond quickly to market changes and uptick in flight activities

Positioning for the Future

1. **Planned investments of $40M to deepen and broaden scope of Transformation efforts over the next 3 years**
   - **digitalisation, automation and data analytics**
   - **strengthen culture of continuous improvement through LEAN programme and capability development**
2. **Look out for new opportunities to strengthen our JV portfolio**
3. **Strong balance sheet with low borrowings to support**
   - **eventual recovery**
   - **opportunities to bring new capabilities to the Group**

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Thank you