

1st Half FY18/19 Results Briefing



SIA ENGINEERING
COMPANY



1st Half FY18/19 Financial Review



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COMPANY



1H18/19 Financial Highlights

- The Group recorded a net profit of \$78.5 million for 1H18/19.
- Operating profit at \$21.5 million was \$17.3 million or 44.6% lower.
- Share of profits of associated and joint venture companies increased \$18.4 million or 41.8% to \$62.4 million.

Summary of Group Results

1H18/19

| Group | 1H18/19 | 1H17/18 (Restated)* | Variance |
|---------------------------------|----------------|--------------------------------|-----------------|
| | \$M | \$M | % |
| Revenue | 509.0 | 547.5 | - 7.0 |
| Expenditure | 487.5 | 508.7 | - 4.2 |
| Operating profit | 21.5 | 38.8 | - 44.6 |
| Share of profits of JVs & Assoc | 62.4 | 44.0 | + 41.8 |
| Provision for taxation | 8.4 | 9.8 | - 14.3 |
| Net profit | 78.5 | 75.3 | + 4.2 |

* Comparative figures were restated on adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) with effect from 1 April 2018.

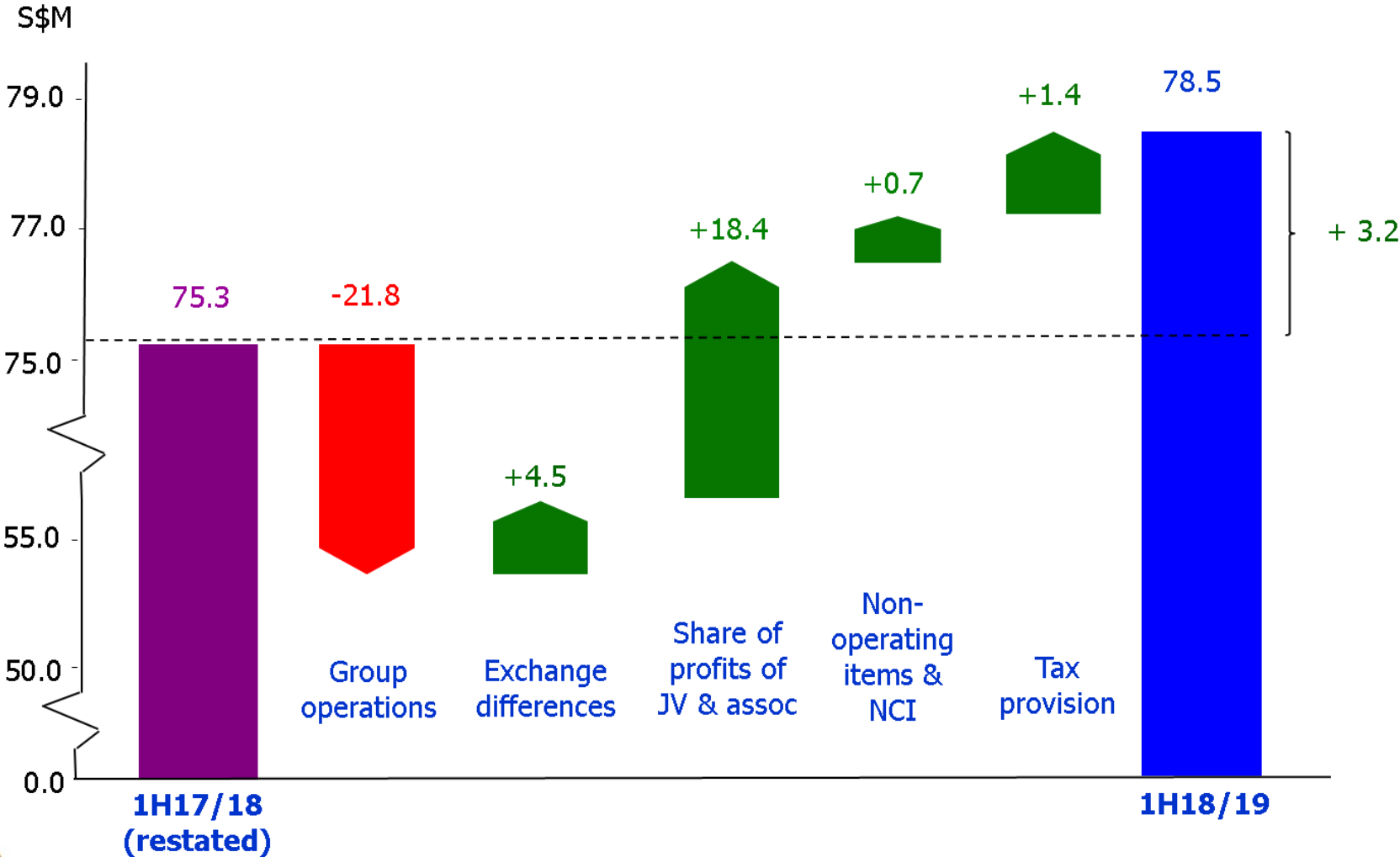
Summary of Group Results

2Q18/19

| Group | 2Q18/19 | 2Q17/18 | Variance |
|---------------------------------|----------------|----------------|-----------------|
| | (\$M) | (\$M) | (%) |
| Revenue | 251.3 | 274.7 | - 8.5 |
| Expenditure | 240.0 | 254.6 | - 5.7 |
| Operating profit | 11.3 | 20.1 | - 43.8 |
| Share of profits of JVs & Assoc | 30.0 | 22.9 | + 31.0 |
| Provision for taxation | 4.9 | 5.6 | - 12.5 |
| Net profit | 38.0 | 38.6 | - 1.6 |

The Group posted a net profit of \$38.0M for the second quarter of FY2018-19, \$0.6M or 1.6% lower than the same quarter last year.

Group Profit for 1H18/19



Joint Venture and Associated Companies

1H18/19

| Share of Profit After Tax | 1H18/19 | 1H17/18 | Variance |
|--------------------------------------|-------------|-------------|---------------|
| | \$M | \$M | % |
| Engine and component | | | |
| Engine centers | 42.8 | 22.5 | + 90.2 |
| Component centers | 19.3 | 21.6 | - 10.6 |
| | 62.1 | 44.1 | + 40.8 |
| Airframe and line maintenance | 0.3 | (0.1) | n.m. |
| | 62.4 | 44.0 | + 41.8 |

Contributions from the engine and component centres at \$62.1M were higher by \$18.0M or 40.8%, with higher share of profits from both engine centres SAESL and ESA.

Breakdown of Group Revenue

1H18/19

| Group Revenue | 1H18/19 | 1H17/18 | Variance |
|--|----------------|----------------|-----------------|
| | \$M | \$M | % |
| Airframe and line maintenance | | | |
| Airframe overhaul and line maintenance | 442.6 | 472.7 | - 6.4 |
| Fleet management programme | 50.8 | 61.6 | - 17.5 |
| | 493.4 | 534.3 | - 7.7 |
| Engine and component | 15.6 | 13.2 | + 18.2 |
| | 509.0 | 547.5 | - 7.0 |

Revenue decreased by \$38.5M or 7.0% , mainly due to lower airframe and fleet management revenue.

Group Expenditure

1H18/19

| Group Expenditure | 1H18/19 | 1H17/18 (Restated) | Variance |
|--------------------------|----------------|-------------------------------|-----------------|
| | \$M | \$M | % |
| Staff costs | 247.5 | 251.0 | - 1.4 |
| Material costs | 74.8 | 90.1 | - 17.0 |
| Subcontract costs | 61.4 | 70.0 | - 12.3 |
| Overheads | 103.8 | 97.6 | + 6.4 |
| | 487.5 | 508.7 | - 4.2 |

Expenditure was lower by 4.2%, mainly from lower material and subcontract services costs, as well as an exchange gain of \$1.7M compared to an exchange loss of \$2.8M in the corresponding period last year.

Group Operating Profit by Segment

1H18/19

| Group Operating Profit | 1H18/19 | 1H17/18 (Restated) | Variance |
|-------------------------------|----------------|-------------------------------|-----------------|
| | \$M | \$M | % |
| Airframe and line maintenance | 22.6 | 39.8 | - 43.2 |
| Engine and component | (1.1) | (1.0) | - 10.0 |
| | 21.5 | 38.8 | - 44.6 |

Group's operating profit in 1H18/19 was \$21.5M was \$38.8M or 44.6% lower.

SIA vs Non-SIA Revenue

1H18/19

| | SIA | Non-SIA |
|---|--------------|----------------|
| | \$M | \$M |
| SIA Engineering (SIAEC) | 273.2 | 164.4 |
| <i>% of non-SIA work</i> | | 38% |
| Subsidiary companies | 37.0 | 61.7 |
| <i>% of non-SIA work</i> | | 63% |
| Joint venture & associated companies | | |
| - Engine and component | 422.7 | 1,483.9 |
| - Airframe and line Maintenance | 49.6 | 19.1 |
| | 472.3 | 1,503.0 |
| <i>% of non-SIA work</i> | | 76% |
| Combined Group revenue | 782.5 | 1,729.1 |
| <i>% of non-SIA work</i> | | 69% |

% of non-SIA revenue increased by 2ppt from 67% in 1H17/18 to 69% in 1H18/19.

Group Balance Sheet

| | Sep-18 | Mar-18 (Restated) |
|---|----------------|----------------------|
| | \$M | \$M |
| Equity attributable to owners of the parent | 1,485.4 | 1,483.7 |
| Non-controlling interests | 32.8 | 31.3 |
| Total equity | 1,518.2 | 1,515.0 |
| Non-current liabilities | 38.7 | 41.5 |
| | 1,556.9 | 1,556.5 |
| <u>Represented by:</u> | | |
| Non-current assets | 902.7 | 899.7 |
| Cash | 455.0 | 499.7 |
| Other current assets | 433.4 | 404.5 |
| Current assets | 888.4 | 904.2 |
| Current liabilities | (234.2) | (247.4) |
| Net current assets | 654.2 | 656.8 |
| | 1,556.9 | 1,556.5 |

Financial Statistics

| Financial Statistics | 1H18/19 | 1H17/18 (Restated) | Variance | |
|---|----------------|-------------------------------|-----------------|-----|
| Return on shareholders' funds (%) (MAA) | 13.0 | 11.8 | + 1.2 | ppt |
| Basic earnings per share (cents) | 7.02 | 6.72 | + 4.5 | % |
| | Sep-18 | Mar-18 (Restated) | Variance | |
| Net asset value per share (cents) | 132.7 | 132.7 | - | |

Interim Dividend

Interim Dividend

| | 1H18/19 | 1H17/18 |
|----------------------------------|---------|---------|
| Ordinary (in cents per share) | 3.0 | 4.0 |

Interim dividend to be paid on 29 November 2018

1st Half FY18/19 Operational Review



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Core Business



Line Maintenance

- 39 airports in 8 Countries



Aircraft & Component Services

- 6 hangars in Singapore
- 3 hangars in Philippines

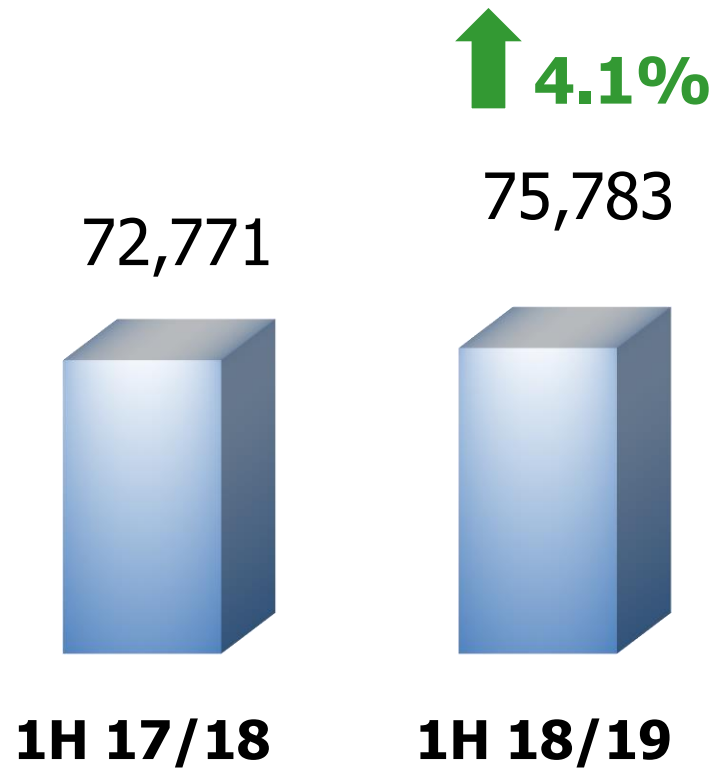


Fleet Management

- 88 aircraft from 8 airlines

Line Maintenance

Flights handled at Changi Airport



Line Maintenance

2
New
Contracts



6
Renewed
Contracts



Aircraft & Component Services

9

New/Renewed
Contracts at
Singapore
base



Aircraft & Component Services



| Maintenance Checks at Singapore Base | | |
|--------------------------------------|------------|------------|
| | 1H FY18/19 | 1H FY17/18 |
| 'A' Checks | 223* | 219 |
| 'C' Checks | 31 | 45 |

| Maintenance Checks at Clark Base | | |
|----------------------------------|------------|------------|
| | 1H FY18/19 | 1H FY17/18 |
| 'C' Checks | 30 | 30 |

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

Fleet Management

A320



22 aircraft

737



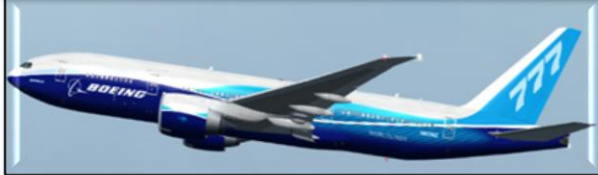
26 aircraft

A330



20 aircraft

777



10 aircraft

747



10 aircraft

Fleet Management

FMP Fleet: 88 aircraft



26 JVs Across 8 Countries

Airframe and Line Maintenance

Aircraft Maintenance Services Australia (AMSA)

Australia 100%

Pan Asia Pacific Aviation Services (PAPAS)

Hong Kong 47.1%

Singapore Jamco Services (SJS)

Singapore 80%

Aviation Partnership (Philippines) (APLUS)

Philippines 51%

SIA Engineering (USA) (SEUS)

United States 100%

Southern Airports Aircraft Maintenance Services (SAAM)

Vietnam 49%

Boeing Asia Pacific Aviation Services (BAPAS)

Singapore 49%

SIA Engineering (Philippines) (SIAEP)

Philippines 65%

SIA Engineering Japan (SIAEJ)

Japan 100%

PT JAS Aero-Engineering Services (PT JAES)

Indonesia 49%

Heavy Maintenance Singapore Services (HMS Services)

Singapore 65%

Engine and Component

Singapore Aero Engine Services (SAESL)

Singapore 50%

GE JV (not incorporated)

Singapore 49%

JAMCO Aero Design & Engineering (JADE)

Singapore 45%

Goodrich Aerostructures Service Center-Asia (GASCA)

Singapore 40%

Safran Landing Systems Services Singapore (SLSSS)

Singapore 40%

Eagle Services Asia (ESA)

Singapore 49%

Asian Surface Technologies (AST)

Singapore 39.2%

Jamco Singapore (JS)

Singapore 20%

Fuel Accessory Service Technologies (FAST)

Singapore 49%

Safran Electronics & Defense Services Asia (SEA)

Singapore 40%

Component Aerospace Singapore (CAS)

Singapore 46.4%

Turbine Coating Services (TCS)

Singapore 24.5%

Panasonic Avionics Services Singapore (PACSS)

Singapore 42.5%

Additive Flight Solutions (AFS)

Singapore 60%

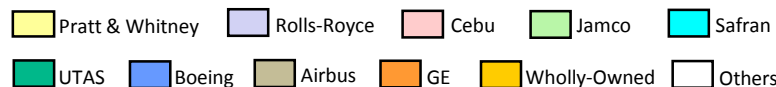
Aerospace Component Engineering Services (ACES)

Singapore 51%

Moog Aircraft Services Asia (MASA)

Singapore 49%

JV Partners



Key Developments



Incorporation Of Additive Flight Solutions (JV with Stratasys)

- **Leverage additive manufacturing technology to produce plastic aircraft cabin interior parts as well as tooling for MRO providers**
- **Commenced operations in 2018**



Non-binding LOI with Cebu Air to expand MRO Services in the Philippines

- **Two existing JVs in the Philippines with Cebu Air**
- **Explore feasibility of potential growth through expansion of line maintenance operations and training academy services, and growth of hangar facilities**



Key Developments



Services Agreement with SilkAir

- **37 Boeing 737 MAX aircraft**
- **12 year-term with option to renew for 5 years**



Agreement with Thales

- **In-Flight Entertainment and Connectivity Agreement to maintain Singapore Airlines' A350 XWB aircraft fitted with Thales' AVANT IFE system**
- **10-year term**

Outlook

- **With longer maintenance intervals and lighter work content arising from new-generation aircraft, coupled with keen competition, the operating environment will remain challenging.**
- **The transformation journey we have started has been gaining momentum with the progressive implementation of a wide range of measures including innovation and technology. The full benefits will materialise over time.**
- **Our initiatives to build new capabilities and enter into synergistic partnerships have served us well. The engine and component businesses of some of our major joint ventures and associated companies are expected to continue to contribute positively to our bottom line.**

End of Performance Review



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