

2nd February 2018

**SIA ENGINEERING GROUP POSTS PROFIT OF \$54.8M
FOR 3rd QUARTER FY2017-18**

HIGHLIGHTS OF THE GROUP'S PERFORMANCE

	3 rd Quarter FY2017-18		9 months FY2017-18	
	Oct - Dec 2017	Year-on-Year % Change	Apr - Dec 2017	Year-on-Year % Change
• Revenue	\$271.0M	- 0.5	\$818.5M	+ 1.2
• Operating profit				
- before divestment	\$18.2M	- 27.8	\$55.8M	- 19.6
- after divestment	\$18.2M	- 27.8	\$55.8M	+ 16.0
• Share of profits of associated and joint venture companies, net of tax	\$40.8M	+ 29.1	\$84.8M	+ 22.0
• Profit attributable to owners of the parent				
- before divestment	\$54.8M	+ 4.2	\$129.1M	+ 2.4
- after divestment	\$54.8M	+ 4.2	\$129.1M	- 54.9
• Basic earnings per share	4.90 cts	+ 4.5	11.54 cts	- 54.8

GROUP EARNINGS

Third Quarter FY2017-18

The Group posted a profit attributable to owners of the parent of \$54.8 million for the third quarter of FY2017-18, an increase of \$2.2 million or 4.2% year on year.

Revenue of \$271.0 million was lower by \$1.3 million or 0.5%, with the decrease in fleet management revenue partially mitigated by an increase in line maintenance revenue. Expenditure at \$252.8 million was \$5.7 million or 2.3% higher, mainly due to an exchange loss of \$1.7 million incurred against an exchange gain of \$4.8 million in the corresponding quarter last year, partially mitigated by a decrease in subcontract services. The resulting operating profit of \$18.2 million was \$7.0 million or 27.8% lower.

Share of profits of associated and joint venture companies grew \$9.2 million or 29.1%. Contributions from the repair and overhaul centres increased \$9.1 million or 29.6% to \$39.8 million, while share of profits from the line maintenance segment was comparable to the same period last year.

Basic earnings per share was 4.90 cents for the current quarter.

Note: The SIAEC Group's unaudited financial results for the third quarter and nine months ended 31 December 2017 were announced on 2 February 2018. A summary of the financial statistics is shown in Annex A. (All monetary figures are in Singapore Dollars. The Group comprises the Company and its subsidiary, associated and joint venture companies.)

Year-to-date (April – December 2017)

The Group recorded a profit attributable to owners of the parent of \$129.1 million for the nine months ended 31 December 2017. Profit in the same period last year included a gain from the divestment of the Group's 10% stake in Hong Kong Aero Engine Services Ltd ("HAESL") to Rolls-Royce Overseas Holdings Limited ("RROH") and Hong Kong Aircraft Engineering Company Limited ("HAECO"). Excluding the impact of the divestment, profit for the current period of \$129.1 million was \$3.0M or 2.4% higher. After including the impact of the divestment, profit for the current period was lower by \$157.4 million or 54.9% compared to the corresponding period last year.

Revenue increased by \$9.8 million or 1.2% to \$818.5 million with higher line maintenance revenue, partially offset by lower fleet management revenue.

Expenditure at \$762.7 million was \$2.1 million or 0.3% higher, mainly due to an exchange loss of \$4.5 million incurred against an exchange gain of \$9.8 million in the same period last year, offset in part by lower staff costs. The decrease in staff costs was primarily due to the absence of the provision made for the profit-linked component of staff remuneration arising from the gain on divestment last year, offset by annual salary increments and increase in headcount at subsidiaries. Operating profit of \$55.8 million was \$7.7 million or 16.0% higher. Excluding the profit-linked component of staff remuneration arising from the gain on divestment last year, operating profit was lower by \$13.6 million or 19.6%.

Share of profits of associated and joint venture companies was \$84.8 million, \$15.3 million or 22.0% higher than the corresponding period last year. Contributions from the repair and overhaul centres amounted to \$82.1 million, an increase of \$15.1 million or 22.5%, while share of profits from the line maintenance segment was comparable to the same period last year.

Basic earnings per share was 11.54 cents for the nine months ended 31 December 2017.

GROUP FINANCIAL POSITION

As at 31 December 2017, equity attributable to owners of the parent of \$1,451.7 million was \$102.3 million or 6.6% lower than at 31 March 2017, mainly due to payment of the final and interim dividends for FY2016-17 and FY2017-18 respectively and higher foreign currency translation losses as a result of the weakening of the US dollar against the Singapore dollar, partially offset by profits earned for the period. The Group's cash balance decreased \$152.1 million or 25.3% to \$449.6 million, mainly due to dividends paid, offset in part by dividends received from associated and joint venture companies. Total assets amounted to \$1,780.8 million.

Net asset value per share as at 31 December 2017 was 129.8 cents.

OUTLOOK

The operating environment remains challenging with intense competition in the region and lighter maintenance arising from technological advancements of the new-generation aircraft.

To overcome the challenges, the Company has been investing in innovation and technology to improve our capabilities and sharpen our competitive edge. We have developed a roadmap to review all our business processes, organisation structure and services to identify transformative initiatives to better serve our customers and improve our performance.

We continue to engage with our joint venture partners, and seek new partnerships, to seize opportunities that come with the disruptions in the MRO industry.

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(For the complete third quarter and nine months FY2017-18 financial statements, please refer to our SGXNET Filing or the Investor Relations page of our website at www.siaec.com.sg).

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GROUP FINANCIAL STATISTICS

	3 rd Quarter 2017-18	3 rd Quarter 2016-17	9 months 2017-18	9 months 2016-17
Financial Results (\$ million)				
Total revenue	271.0	272.3	818.5	808.7
Total expenditure ^{R1}	252.8	247.1	762.7	760.6
Operating profit ^{R1}	18.2	25.2	55.8	48.1
Non-operating items	1.3	3.1	3.9	4.6
Surplus on disposal of non-current asset held for sale	-	-	-	141.6
Dividend income from non-current asset held for sale	-	-	-	39.5
Share of profits of associated companies, net of tax	17.9	17.3	52.9	42.9
Share of profits of joint venture companies, net of tax	22.9	14.3	31.9	26.6
Profit before taxation	60.3	59.9	144.5	303.3
Profit attributable to owners of the parent ^{R2}	54.8	52.6	129.1	286.5

Per Share Data

Earnings before tax (cents)	5.39	5.34	12.91	27.02
Earnings after tax (cents) - basic ^{R3}	4.90	4.69	11.54	25.53
- diluted ^{R4}	4.89	4.68	11.52	25.48

As at **As at**
31 Dec 2017 **31 Mar 2017**

Financial Position (\$ million)

Share capital	420.0	420.0
Treasury shares	(21.0)	(15.2)
Reserves		
Capital reserve	2.8	2.7
Share-based compensation reserve	6.4	16.0
Foreign currency translation reserve	(94.2)	(68.0)
Fair value reserve	2.9	(0.6)
Equity transaction reserve	(2.4)	(2.4)
General reserve	1,137.2	1,201.5
Equity attributable to owners of the parent	1,451.7	1,554.0
Total assets	1,780.8	1,918.3
Net asset value per share (cents) ^{R5}	129.8	138.8

^{R1} The expenditure of \$760.6 million in 9M FY2016-17 included a provision for the estimated increase in the profit-linked component of staff remuneration arising from the gain on divestment of Hong Kong Aero Engine Services Ltd ("HAESL"). Before the additional provision for staff costs, operating profit for the nine months was \$69.4 million. After taking into account this one-time impact, the Group showed an operating profit of \$48.1 million in 9M FY2017-18.

^{R2} Profit attributable to owners of the parent of \$286.5 million included a gain on divestment of HAESL of \$178.0 million and its corresponding impact on staff costs (net of tax adjustments). Before the divestment, profit attributable to owners of the parent was \$126.1 million.

^{R3} Earnings after tax per share (basic) is computed by dividing profit attributable to owners of the parent by the weighted average number of ordinary shares in issue less treasury shares.

^{R4} Earnings after tax per share (diluted) is computed by dividing profit attributable to owners of the parent by the weighted average number of ordinary shares in issue less treasury shares, after adjusting for the dilutive effect on the exercise of all outstanding share options, performance shares and restricted shares granted to employees.

^{R5} Net asset value per share is computed by dividing equity attributable to owners of the parent by the number of ordinary shares in issue less treasury shares.