

3rd February 2017

**SIA ENGINEERING GROUP POSTS PROFIT OF \$52.6M
FOR 3rd QUARTER FY2016-17**

HIGHLIGHTS OF THE GROUP'S PERFORMANCE

	3 rd Quarter FY2016-17		9 months FY2016-17	
	Oct - Dec 2016	Year-on-Year % Change	Apr - Dec 2016	Year-on-Year % Change
• Revenue	\$272.3M	- 1.1	\$808.7M	- 1.2
• Operating profit				
- before divestment	\$25.2M	- 13.1	\$69.4M	- 9.8
- after divestment	\$25.2M	- 13.1	\$48.1M	- 37.5
• Share of profits of associated and joint venture companies, net of tax	\$31.6M	- 4.8	\$69.5M	- 8.4
• Profit attributable to owners of the parent				
- before divestment	\$52.6M	+ 6.5	\$126.1M	- 6.7
- after divestment	\$52.6M	+ 6.5	\$286.5M	+ 111.9
• Basic earnings per share	4.69 cts	+ 6.6	25.53 cts	+ 112.0

GROUP EARNINGS

Third Quarter FY2016-17

The Group posted a profit attributable to owners of the parent of \$52.6 million for the third quarter of FY2016-17, an increase of \$3.2 million or 6.5%. Profit this quarter included a \$2.3 million gain on the partial disposal of an associated company, while the same quarter last year was impacted by provisions for closure costs and impairment of two associated companies.

Operating profit of \$25.2 million was \$3.8 million or 13.1% lower than the same quarter last year. Revenue of \$272.3 million saw a decrease of \$2.9 million or 1.1%, mainly from lower fleet management and airframe and component overhaul revenue, mitigated in part by higher line maintenance revenue. Expenditure at \$247.1 million increased at a lower rate of 0.4% or \$0.9 million as the current quarter benefitted from an exchange gain of \$4.8 million, while increases in staff costs were mitigated by lower subcontract costs.

For the quarter, share of profits of joint venture companies was \$14.3 million, \$3.2 million lower than the same quarter last year. However, contributions from associated companies increased by \$1.6 million or 10.2% to \$17.3 million.

Basic earnings per share was 4.69 cents for the current quarter.

Note: The SIAEC Group's unaudited financial results for the third quarter and nine months ended 31 December 2016 were announced on 3 February 2017. 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 2016)

The Group recorded a profit attributable to owners of the parent of \$286.5 million for the nine months ended 31 December 2016. During the first quarter, the Group made a \$141.6 million gain from the divestment of its 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"). In addition, the Group received a special dividend of \$36.4 million from HAESL following the divestment of its 20% stake in SAESL to Rolls-Royce Singapore Pte Ltd ("RRS"), bringing the overall gain from divestment to \$178.0 million.

Revenue decreased by \$9.8 million or 1.2%, with lower fleet management revenue, partially mitigated by higher line maintenance revenue.

Expenditure at \$760.6 million was \$19.0 million or 2.6% higher. The increase in expenditure was mainly due to a \$35.5 million or 10.2% increase in staff costs, partially offset by lower subcontract costs. The increase in staff costs was due mainly to a provision made in the first quarter for the estimated increase in the profit-linked component of staff remuneration arising from the gain on divestment of HAESL, based on profitability-related key performance indicators. Operating profit before the provision was \$69.4 million, a decrease of \$7.5 million or 9.8%. Operating profit after taking into account the one-time impact on staff costs arising from divestment was \$48.1 million.

Share of profits of associated and joint venture companies was \$69.5 million, \$6.4 million or 8.4% lower than the corresponding period last year. Contributions from the engine repair and overhaul centres amounted to \$41.8 million, compared to \$42.5 million in the same period last year.

Basic earnings per share was 25.53 cents for the nine months ended 31 December 2016.

GROUP FINANCIAL POSITION

As at 31 December 2016, equity attributable to owners of the parent of \$1,525.4 million was \$39.9 million or 2.7% higher than at 31 March 2016, mainly due to profits earned for the period, which included the divestment gain, and a gain in foreign currency translation reserve as a result of the strengthening of the US dollar against the Singapore dollar. The increase was partially offset by a decrease in fair value reserve upon the divestment of the Group's interest in HAESL, and the payment of the final and interim dividends for FY2015-16 and FY2016-17 respectively. The Group's cash balance increased \$166.3 million or 42.2% to \$560.2 million, mainly from the cash received from the divestment of HAESL and cash flows generated from operations, offset in part by dividends paid. Total assets stood at \$1,888.0 million.

Net asset value per share as at 31 December 2016 was 136.1 cents.

OUTLOOK

The operating environment of the aerospace industry remains challenging in the face of persisting global economic uncertainties.

In line with our commitment to pursue strategic partnerships, during the quarter, we signed an agreement with Moog Inc. to establish a Singapore-based joint venture to overhaul Moog's products, which include components on flight control systems for new-generation aircraft, such as the Boeing 787 and the Airbus A350. With the incorporation of Heavy Maintenance Singapore Services Pte Ltd in October, the joint venture with Airbus will have access to a larger market. While these and other recently formed joint ventures position the company well for the future, they are not expected to be accretive in the near term.

As part of ongoing efforts to remain competitive, we will continue to enhance operating efficiencies and manage costs, including investing in new technologies and advancing innovation.

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(For the complete third quarter and nine months FY2016-17 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 2016-17	3 rd Quarter 2015-16	9 months 2016-17	9 months 2015-16
Financial Results (\$ million)				
Total revenue	272.3	275.2	808.7	818.5
Total expenditure ^{R1}	247.1	246.2	760.6	741.6
Operating profit ^{R1}	25.2	29.0	48.1	76.9
Non-operating items	3.1	(6.6)	4.6	(3.1)
Surplus on disposal of non-current asset held for sale	-	-	141.6	-
Dividend income from non-current asset held for sale	-	1.3	39.5	4.5
Share of profits of associated companies, net of tax	17.3	15.7	42.9	37.0
Share of profits of joint venture companies, net of tax	14.3	17.5	26.6	38.9
Profit before taxation	59.9	56.9	303.3	154.2
Profit attributable to owners of the parent ^{R2}	52.6	49.4	286.5	135.2

Per Share Data

Earnings before tax (cents)	5.34	5.06	27.02	13.73
Earnings after tax (cents) - basic ^{R3}	4.69	4.40	25.53	12.04
- diluted ^{R4}	4.68	4.39	25.48	12.01

As at **As at**
31 Dec 2016 **31 Mar 2016**

Financial Position (\$ million)

Share capital	420.0	416.5
Treasury shares	(13.1)	(6.1)
Reserves		
Capital reserve	2.7	0.2
Share-based compensation reserve	14.8	18.4
Foreign currency translation reserve	(47.2)	(87.9)
Fair value reserve	(7.2)	140.7
Equity transaction reserve	(2.4)	(2.4)
General reserve	1,157.8	1,006.1
Equity attributable to owners of the parent	1,525.4	1,485.5
Total assets	1,888.0	1,822.1
Net asset value per share (cents) ^{R5}	136.1	132.4

^{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 FY2016-17.

^{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.