



## SIA ENGINEERING GROUP POSTS PROFIT OF \$332.4M FOR FY2016-17

### HIGHLIGHTS OF THE GROUP'S PERFORMANCE

	FY2016-17		4 <sup>th</sup> Quarter FY2016-17	
	Apr 2016 – Mar 2017	Year-on-Year % Change	Jan - Mar 2017	Year-on-Year % Change
• Revenue	1,104.1	- 0.8	295.4	+ 0.4
• Operating profit				
- before divestment	93.3	- 10.6	23.9	- 13.1
- after divestment	72.0	- 31.0	23.9	- 13.1
• Share of profits of associated and joint venture companies, net of tax	96.5	+ 2.4	27.0	+ 47.5
• Profit attributable to owners of the parent				
- before divestment	172.0	- 2.6	45.9	+ 10.9
- after divestment	332.4	+ 88.2	45.9	+ 10.9
• Basic earnings per share	29.63	+ 88.2	4.09	+ 10.8

### GROUP EARNINGS

#### Financial Year 2016-17

The Group recorded a profit attributable to owners of the parent of \$332.4 million for the financial year ended 31 March 2017. 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 Singapore Aero Engine Services Ltd ("SAESL") to Rolls-Royce Singapore Pte Ltd ("RRS"), bringing the overall gain from divestment to \$178.0 million.

Revenue decreased by \$8.6 million or 0.8% to \$1,104.1 million. Fleet management revenue decreased, partially mitigated by higher line maintenance revenue.

Expenditure increased by \$23.8 million or 2.4%, mainly due to increases in staff costs, offset in part by lower subcontract costs. The increase in staff costs was due mainly to a provision made in the first quarter for the increase in the profit-linked component of staff remuneration arising from the gain on divestment of HAESL, based on profitability-related key performance indicators. Salary increments and an increase in overtime as more staff are released for training on new aircraft types also contributed to the increase in staff costs. Operating profit before the provision was \$93.3 million, a decrease of \$11.1 million or 10.6%. Operating profit after taking into account the one-time impact on staff costs arising from divestment was \$72.0 million.

Share of profits of associated and joint venture companies increased by \$2.3 million or 2.4% to \$96.5 million. Contributions from the engine repair and overhaul centres increased \$3.0 million or 5.9%, with higher share of profits from Eagle Services Asia Pte Ltd ("ESA") partially offset by lower contributions from SAESL as the work content of engines shipped for the current year was lower.

Basic earnings per share was 29.63 cents for the current financial year.

Note: The SIAEC Group's audited financial results for the financial year ended 31 March 2017 were announced on 12 May 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.)

## Fourth Quarter FY2016-17

The Group posted a profit attributable to owners of \$45.9 million for the fourth quarter ended 31 March 2017, an increase of \$4.5 million or 10.9%.

Revenue for the quarter was \$295.4 million, comparable to the same period last year. Expenditure rose \$4.8 million or 1.8% to \$271.5 million, due mainly to an increase in staff costs partially offset by a reduction in subcontract costs and lower exchange losses. The resulting operating profit of \$23.9 million was \$3.6 million or 13.1% lower.

Share of profits of associated and joint venture companies of \$27.0 million were higher by \$8.7 million or 47.5%. Contributions from the engine repair and overhaul centres amounted to \$12.6 million, an increase of \$4.4 million or 53.7%.

Basic earnings per share was 4.09 cents for the current quarter.

### **GROUP FINANCIAL POSITION**

As at 31 March 2017, equity attributable to owners of the parent of \$1,554.0 million was \$68.5 million or 4.6% higher than at 31 March 2016, mainly due to profits earned for the period which included the divestment gain. The increase was offset in part by a decrease in fair value reserves 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 \$207.8 million or 52.8% to \$601.7 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 amounted to \$1,918.3 million.

Net asset value per share as at 31 March 2017 was 138.8 cents.

### **DIVIDEND**

The Board is recommending a final ordinary dividend of 9.0 cents and a special dividend of 5.0 cents per share for FY2016-17. Together with the interim dividend of 4.0 cents per share paid earlier, the total dividend payment for FY2016-17 will be 18.0 cents per share.

Payment of the final ordinary and special dividend, which amounts to approximately \$156.8 million, is subject to shareholders' approval at the Annual General Meeting on 20 July 2017. The dividend will be paid on 8 August 2017.

## **OUTLOOK**

In spite of global uncertainties and the challenges the Company already faces in the maintenance, repair and overhaul sector from excess capacity and aggressive pricing, there remain growth opportunities. The Company continues to invest in strategic partnerships and advancing innovations, and maintain vigilance on costs.

During the year, a Joint Venture Agreement was signed with Moog Incorporated to establish a joint venture for repair and overhaul services of Moog's products on the new-generation Boeing 787 and Airbus A350 aircraft. This followed earlier strategic tie-ups with Boeing on fleet management and Airbus on heavy maintenance business. We also signed a Memorandum of Understanding with Stratasys Ltd., a leading 3D printing and additive manufacturing solutions company, to offer design, engineering, certification support and parts production to our global network of airline customers. These investments are not expected to be accretive in the near term.

These initiatives will strengthen the Group's core competencies and service offerings, and position us well to seize emerging opportunities for long-term growth.

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(For the complete fourth quarter and financial year FY2016-17 financial statements, please refer to our SGXNET Filing or the Investor Relations page of our website at [www.siaec.com.sg](http://www.siaec.com.sg)).

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## GROUP FINANCIAL STATISTICS

	FY 2016-17	FY 2015-16	4 <sup>th</sup> Quarter 2016-17	4 <sup>th</sup> Quarter 2015-16
<b>Financial Results (\$ million)</b>				
Total revenue	1,104.1	1,112.7	295.4	294.2
Total expenditure <sup>R1</sup>	1,032.1	1,008.3	271.5	266.7
Operating profit <sup>R1</sup>	72.0	104.4	23.9	27.5
Non-operating items	5.5	(2.7)	0.9	0.4
Surplus on disposal of non-current asset held for sale	141.6	-	-	-
Dividend income from non-current asset held for sale	39.5	6.1	-	1.6
Share of profits of associated companies, net of tax	64.9	50.4	22.0	13.4
Share of profits of joint venture companies, net of tax	31.6	43.8	5.0	4.9
Profit before taxation	355.1	202.0	51.8	47.8
Profit attributable to owners of the parent <sup>R2</sup>	332.4	176.6	45.9	41.4

### Per Share Data

Earnings before tax (cents)	31.65	18.00	4.62	4.26
Earnings after tax (cents) - basic <sup>R3</sup>	29.63	15.74	4.09	3.69
- diluted <sup>R4</sup>	29.57	15.70	4.09	3.69

**As at**                      **As at**  
**31 Mar 2017**   **31 Mar 2016**

### Financial Position (\$ million)

Share capital	420.0	416.5
Treasury shares	(15.2)	(6.1)
Reserves		
Capital reserve	2.7	0.2
Share-based compensation reserve	16.0	18.4
Foreign currency translation reserve	(68.0)	(87.9)
Fair value reserve	(0.6)	140.7
Equity transaction reserve	(2.4)	(2.4)
General reserve	1,201.5	1,006.1
Equity attributable to owners of the parent	1,554.0	1,485.5
Total assets	1,918.3	1,822.1
Net asset value per share (cents) <sup>R5</sup>	138.8	132.4

<sup>R1</sup> The expenditure of \$1,032.1 million in 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 year was \$93.3 million. After taking into account this one-time impact, the Group showed an operating profit of \$72.0 million in FY2016-17.

<sup>R2</sup> Profit attributable to owners of the parent of \$332.4 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 \$172.0 million.

<sup>R3</sup> 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.

<sup>R4</sup> 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.

<sup>R5</sup> 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.