

21<sup>st</sup> February 2022

## **SIA ENGINEERING GROUP BUSINESS UPDATE FOR 3<sup>rd</sup> QUARTER FY2021/22**

- Group performance for the quarter significantly boosted by one-time write-back of tax provisions
- Pace of revenue recovery remains uncertain

### **BUSINESS UPDATES**

With international flight activities continuing to recover with progressive relaxation of border restrictions and establishment of bilateral travel arrangements, the number of flights handled at the Group's Singapore base was 65% higher year-on-year and 17% higher quarter-on-quarter. While this volume of flights handled is only at 31% of pre-pandemic volume, the continuing recovery trend is encouraging. With this recovery, demand for transit services and aircraft return-to-service work increased while demand for aircraft preservation work reduced as more aircraft return to service.

At Base Maintenance, more aircraft maintenance checks were performed during the quarter as compared to last year, but the work content of these checks was lighter as a higher proportion of the checks performed were for young new-generation aircraft.

The Engine Services Division formed at the start of the financial year is making progress in growing its suite of engine-related capabilities. Its new facility to provide quick turn maintenance on CFM LEAP engines will start operations towards the end of this financial year. During the quarter, long-term contracts were signed to provide CFM LEAP engine testing services to Safran Aircraft Engines and expanded on-wing services for Rolls-Royce Trent engines. Preparations to strengthen these capabilities are in progress before the engine maintenance activities commence and will gradually pick up in the next financial year.

With higher flying activities, business volume at our joint venture ("JV") companies is also gradually recovering. Total engine inductions and shipments at our engine JVs is about 25% below the pre-pandemic levels.

We continue to make good progress in our Phase 2 Transformation programme with pervasive implementation of Lean methodology, digital solutions and technology-enabled services across operational and business support processes. These are improving work efficiency, enhancing our staff experience and in turn delivering productivity gains and boosting our service delivery to our customers. While productivity gains have been registered, we expect to reap further benefits from such implemented initiatives as business volume picks up.

## **OUTLOOK**

The Group's revenue recovery remains uncertain even with progressive opening of Vaccinated Travel Lanes as the recent spikes in Covid-19 cases caused by the more contagious Omicron variant has disrupted international air travels which have been gradually building up. Performance outlook depends on the extent of revenue recovery outpacing costs and the tapering of government wage support.

To strengthen our MRO eco-system and sustainable growth beyond the pandemic, we are focused on initiatives to strengthen our core competency through Transformation and have been actively pursuing business expansion through capabilities building and extending our geographical reach. The recently announced acquisition of a 75% stake in SR Technics Malaysia is a strong addition to our newly formed Component Services Division and broadens our range of component repair capabilities. Together with the capabilities of our portfolio of joint ventures and subsidiaries, we will cement our position as a leading global MRO player.

In line with our sustainability efforts, we have successfully tested the use of sustainable aviation fuel ("SAF") to perform engine tests at our engine test facility. The trial paves the way for more engine tests to be performed using SAF when the adoption of SAF scales up in the future. In addition, our wholly-owned subsidiary, SIA Engineering (Philippines) Corporation, also recently signed an agreement to collaborate with an aircraft part-out specialist to provide sustainable, end-to-end aircraft recycling solutions.

## **GROUP FINANCIAL PERFORMANCE**

The Group revenue for the third quarter of FY2021-22 increased 33.8% year-on-year to \$140.0 million. The increase was largely driven by increase in transit handling-related revenue due to the higher number of flights handled. Expenditure increased at a higher rate of 42.8% to \$147.8 million, mainly due to reduction in government wage support. Excluding the impact of government wage support, expenditure increased 12.4%.

Share of profits of associated and joint venture companies was \$40.1 million, an increase of \$27.8 million (+226.0%) year-on-year with higher contributions from the engine and component segment (+\$22.4 million), and lower losses from the airframe and line maintenance segment (+\$5.4 million). The increase for the engine and component segment was mainly due to a one-time writeback of tax provisions by certain associated companies. The increase for the airframe and line maintenance segment was mainly due to increase in flight activities.

Net profit was \$33.2 million for the quarter ended 31 December 2021, an increase of \$25.5 million year-on-year. Excluding government wage support and the one-time writeback of tax provisions, the Group would have been in a loss position of \$7.0 million.

As at 31 December 2021, equity attributable to owners of the parent was \$1,598.0 million, an increase of \$64.4 million (+4.2%) from 31 March 2021, mainly due to profits earned in the first nine months of the financial year.

Total assets at \$1,835.2 million as of 31 December 2021 represented a \$25.4 million (+1.4%) increase from 31 March 2021. The Group's cash balance was \$656.1 million with low borrowings. With recovery trajectory remaining uncertain, the Group continues to exercise prudence in our cash management.

Basic earnings per share and net asset value per share as at 31 December 2021 were 2.96 cents and 142.4 cents respectively.

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## GROUP FINANCIAL STATISTICS

	3Q21/22 (\$'M)	3Q20/21 (\$'M)	9M21/22 (\$'M)	9M20/21 (\$'M)
<b>Financial Results</b>				
Revenue	140.0	104.6	403.5	327.6
Operating (loss)/profit	(7.8)	1.1	(14.5)	(26.1)
Share of profits of associated and joint venture companies, net of tax	40.1	12.3	66.9	40.7
Net profit/(loss)	33.2	7.7	58.2	(11.3)
<b>Per Share Data</b>				
Earnings/(loss) after tax (cents) - basic <sup>R1</sup>	2.96	0.69	5.19	(1.01)
- diluted <sup>R2</sup>	2.94	0.68	5.17	(1.01)
	<b>As at 31 Dec 2021 (\$'M)</b>	<b>As at 31 Mar 2021 (\$'M)</b>		
<b>Financial Position</b>				
Share capital	420.0	420.0		
Treasury shares	(5.8)	(9.8)		
Capital reserve	1.5	2.7		
Share-based compensation reserve	4.3	4.8		
Foreign currency translation reserve	(21.2)	(23.8)		
Fair value reserve	(0.9)	(2.2)		
Equity transaction reserve	(2.2)	(2.2)		
General reserve	1,202.3	1,144.1		
Equity attributable to owners of the parent	1,598.0	1,533.6		
Cash and bank balances	656.1	616.0		
Receivables <sup>R3</sup>	180.6	223.9		
Total assets	1,835.2	1,809.8		
Total liabilities	226.9	265.6		
Net asset value per share (cents) <sup>R4</sup>	142.4	136.8		
Return on equity holders' funds (%) <sup>R5</sup>	3.7	(0.7)		

## COMPANY OPERATING STATISTICS AT SINGAPORE BASE

	3Q21/22	3Q20/21	9M21/22	9M20/21
Flights handled at Changi Airport by line maintenance	12,860	7,807	33,605	19,079
Number of heavy checks performed at Singapore base	25	16	71	40
Number of light checks performed at Singapore base	92	53	254	162
Fleet size managed by fleet management business	76	79	76	79

R1 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.

R2 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 vesting of all outstanding performance shares, restricted shares and deferred shares granted to employees.

R3 Receivables comprises trade debtors, contract assets, amount owing by immediate holding company and amounts owing by related parties.

R4 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.

R5 Return of equity holders' funds is profit attributable to the Company expressed as a percentage of the average equity holders' funds.