

25th July 2017

**SIA ENGINEERING POSTS GROUP PROFIT OF \$36.2M
FOR 1st QUARTER 2017-18**

HIGHLIGHTS OF THE GROUP'S PERFORMANCE

	1 st Quarter		Year-on-Year % Change
	<u>2017-18</u>	<u>2016-17</u>	
• Revenue	\$272.8M	\$271.6M	+ 0.4
• Operating profit/(loss)			
- before divestment	\$18.1M	\$19.7M	- 8.1
- after divestment	\$18.1M	(\$1.6M)	<i>nm</i>
• Share of profits of associated and joint venture companies, net of tax	\$21.1M	\$20.7M	+ 1.9
• Profit attributable to owners of the parent			
- before divestment	\$36.2M	\$38.0M	- 4.7
- after divestment	\$36.2M	\$198.4M	- 81.8
• Basic earnings per share	3.24 cts	17.67 cts	- 81.7

GROUP EARNINGS

SIAEC Group posted a profit attributable to owners of the parent of \$36.2 million for the quarter ended 30 June 2017, compared to a profit of \$198.4 million for the same quarter last year. The profit in the same quarter last year was higher as it 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 in the quarter ended 30 June 2016, profit for the current quarter of \$36.2 million was \$1.8 million or 4.7% lower.

Revenue at \$272.8 million was comparable to the same quarter last year.

Expenditure decreased by \$18.5 million or 6.8% to \$254.7 million, mainly due to a provision made in the same quarter last year for the estimated increase in the profit-linked component of staff remuneration arising from the gain on divestment, based on profitability-related key performance indicators. Operating profit for the current quarter amounted to \$18.1 million, \$19.7 million higher compared to the operating loss of \$1.6 million last year.

Share of profits of associated and joint venture companies increased \$0.4 million or 1.9% to \$21.1 million. Contributions from Eagle Services Asia Private Limited and other associated companies increased, offset by lower contributions from Singapore Aero Engine Services Pte Ltd arising from the lower work content of engines shipped.

Basic earnings per share was 3.24 cents for the quarter ended 30 June 2017.

Note: The SIAEC Group's unaudited financial results for the first quarter ended 30 June 2017 were announced on 25 July 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, joint venture and associated companies.)

GROUP FINANCIAL POSITION

As at 30 June 2017, equity attributable to owners of the parent increased \$27.1 million or 1.7% to \$1,581.1 million, mainly due to profits earned for the quarter. Total assets amounted to \$1,959.1 million, an increase of \$40.8 million or 2.1%. The Group's cash balance was \$628.7 million as at 30 June 2017.

Net asset value per share as at 30 June 2017 was 141.3 cents.

OUTLOOK

The operating environment for the maintenance, repair and overhaul (MRO) industry remains challenging. Notwithstanding this, the Group has continued to pursue expansion opportunities for sustainable long-term growth.

During the quarter, we announced that we reached an in-principle agreement with GE Aviation to form an engine overhaul joint venture in Singapore. This marks our third engine overhaul facility with the world's leading engine manufacturers. This venture will further strengthen the Group's capabilities to provide MRO services to airlines' new-generation fleets on a wide range of engine models. We have also expanded our geographical network with the incorporation of a wholly-owned subsidiary in Osaka to provide line maintenance services at this key airport in Japan. The foregoing and other recent investments are not expected to be accretive in the near-term.

At the same time, the Company will continue with initiatives to increase productivity, enhance operational efficiencies and manage our costs to remain competitive.

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(For the complete first quarter 2017-18 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

	1st Quarter 2017-18	1st Quarter 2016-17
Financial Results (\$ million)		
Total revenue	272.8	271.6
Total expenditure ^{R1}	254.7	273.2
Operating profit/(loss) ^{R1}	18.1	(1.6)
Non-operating items	1.1	0.9
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	16.8	13.3
Share of profits of joint venture companies, net of tax	4.3	7.4
Profit before taxation	40.3	201.1
Profit attributable to owners of the parent ^{R2}	36.2	198.4
Per Share Data		
Earnings before tax (cents)	3.60	17.91
Earnings after tax (cents) - basic ^{R3}	3.24	17.67
- diluted ^{R4}	3.23	17.63
	As at 30 Jun 2017	As at 31 Mar 2017
Financial Position (\$ million)		
Share capital	420.0	420.0
Treasury shares	(18.9)	(15.2)
Reserves		
Capital reserve	2.8	2.7
Share-based compensation reserve	16.9	16.0
Foreign currency translation reserve	(77.1)	(68.0)
Fair value reserve	2.0	(0.6)
Equity transaction reserve	(2.4)	(2.4)
General reserve	1,237.8	1,201.5
Equity attributable to owners of the parent	1,581.1	1,554.0
Total assets	1,959.1	1,918.3
Net asset value per share (cents) ^{R5}	141.3	138.8

^{R1} The expenditure of \$273.2 million in Q1 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 quarter was \$19.7 million. After taking into account this one-time impact, the Group showed an operating loss of \$1.6 million in Q1 FY2016-17.

^{R2} Profit attributable to owners of the parent of \$198.4 million in Q1 FY2016-17 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 in Q1 FY2016-17 was \$38.0 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.