

1H FY2019/20 Results Briefing

4 November 2019




SIA ENGINEERING
COMPANY

1H FY19/20 Financial Review



1H19/20 Financial Highlights

- The Group recorded a net profit of \$87.6 million for 1H19/20.
- Operating profit at \$37.3 million was \$15.8 million or 73.5% higher.
- Share of profits of associated and joint venture companies decreased \$9.0 million or 14.4% to \$53.4 million.

Summary of Group Results 1H19/20

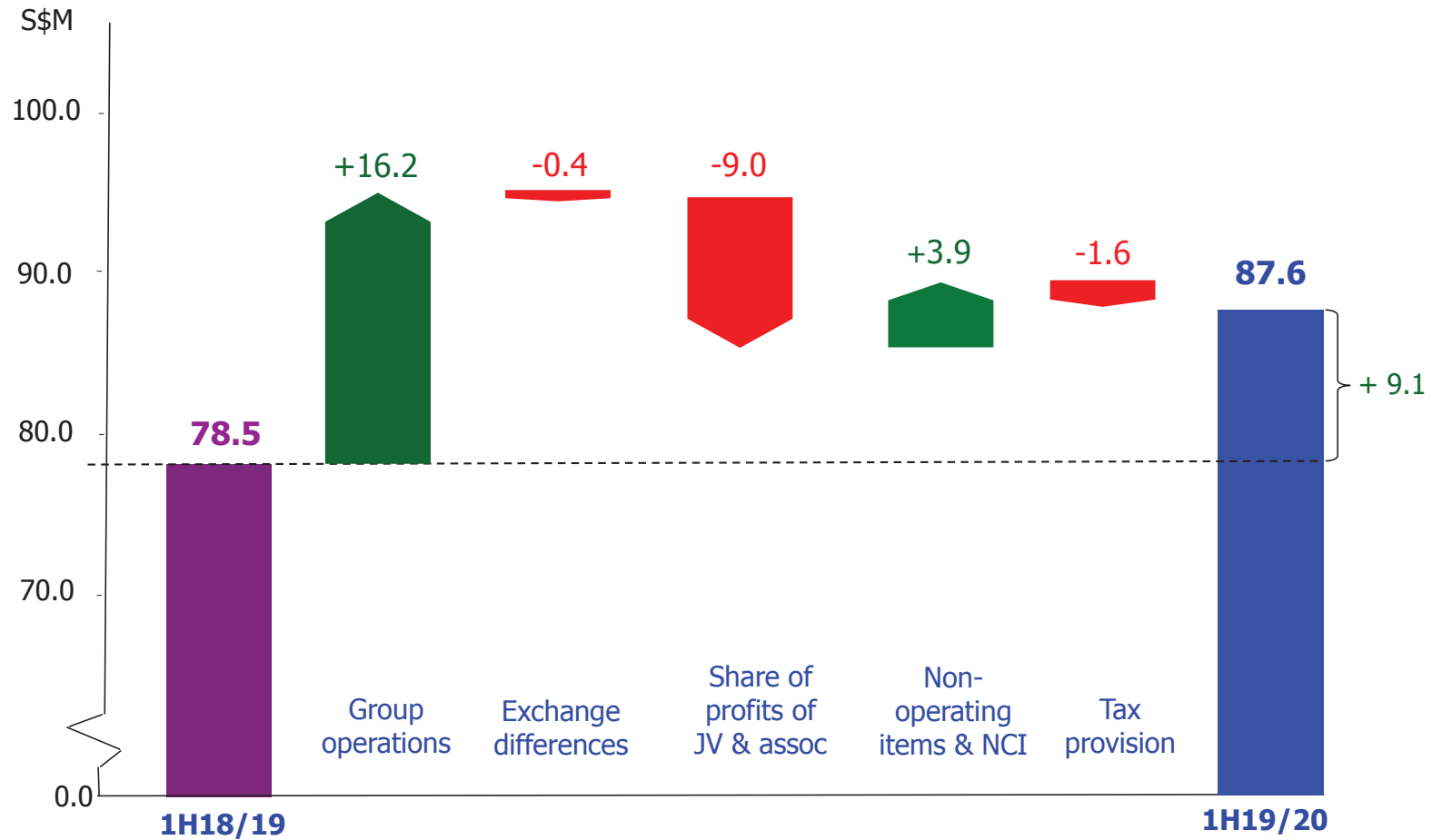
Group	1H19/20	1H18/19	Variance
	\$M	\$M	%
Revenue	512.7	509.0	+ 0.7
Expenditure	475.4	487.5	- 2.5
Operating profit	37.3	21.5	+ 73.5
Share of profits of JVs & Assoc	53.4	62.4	- 14.4
Provision for taxation	(10.0)	(8.4)	- 19.0
Net profit	87.6	78.5	+ 11.6

Summary of Group Results 2Q19/20

Group	2Q19/20	2Q18/19	Variance Y-o-Y	1Q19/20	Variance Q-o-Q
	\$M	\$M	%	\$M	%
Revenue	254.6	251.3	+ 1.3	258.1	- 1.4
Expenditure	235.0	240.0	- 2.1	240.4	- 2.2
Operating profit	19.6	11.3	+ 73.5	17.7	+ 10.7
Share of profits of JVs & Assoc	27.4	30.0	- 8.7	26.0	+ 5.4
Provision for taxation	(5.5)	(4.9)	- 12.2	(4.5)	- 22.2
Net profit	46.0	38.0	+ 21.1	41.6	+ 10.6

The Group posted a net profit of \$46.0M for the second quarter of FY19/20, \$8.0M or 21.1% higher year-on-year; \$4.4M or 10.6% higher quarter-on-quarter.

Group Profit for 1H19/20



Breakdown of Group Revenue 1H19/20

Group Revenue	1H19/20	1H18/19	Variance
	\$M	\$M	%
Airframe and line maintenance			
Airframe overhaul and line maintenance	456.4	442.6	+ 3.1
Fleet management programme	43.9	50.8	- 13.6
	500.3	493.4	+ 1.4
Engine and component	12.4	15.6	- 20.5
	512.7	509.0	+ 0.7

Revenue increased by \$3.7M or 0.7%, mainly due to higher airframe and line maintenance revenue, offset by lower engine and component revenue.

Group Expenditure 1H19/20

Group Expenditure	1H19/20 \$M	1H18/19 \$M	Variance %
Staff costs	248.9	247.5	+ 0.6
Material costs	69.2	74.8	- 7.5
Subcontract costs	55.2	61.4	- 10.1
Overheads	102.1	103.8	- 1.6
	475.4	487.5	-2.5

Expenditure was lower by \$12.1M or 2.5%, mainly from lower subcontract and material costs.

Group Operating Profit 1H19/20

Group Operating Profit	1H19/20	1H18/19	Variance
	\$M	\$M	%
Airframe and line maintenance	39.4	22.6	+ 74.3
Engine and component	(2.1)	(1.1)	- 90.9
	37.3	21.5	+ 73.5

Group's operating profit in 1H19/20 of \$37.3M was \$15.8M or 73.5% higher.

Joint Venture and Associated Companies

1H19/20

Share of Profit After Tax	1H19/20	1H18/19	Variance
	\$M	\$M	%
Engine and component			
Engine centers	35.7	42.8	- 16.6
Component centers	19.4	19.3	+ 0.5
	55.1	62.1	- 11.3
Airframe and line maintenance	(1.7)	0.3	n.m.
	53.4	62.4	- 14.4

Contributions from the engine and component centres at \$55.1M were lower by \$7.0M or 11.3%, with lower share of profits from ESA as it gears up for new engine capabilities.

SIA vs Non-SIA Revenue 1H19/20

	SIA \$M	Non-SIA \$M
SIA Engineering (SIAEC)	272.4	171.4
<i>% of non-SIA work</i>		39%
Subsidiary companies	34.0	66.5
<i>% of non-SIA work</i>		66%
Joint venture & associated companies		
- Engine and component	648.9	1,869.5
- Airframe and line maintenance	38.5	22.3
	687.4	1,891.8
<i>% of non-SIA work</i>		73%
Combined Group revenue	993.8	2,129.7
<i>% of non-SIA work</i>		68%

% of non-SIA revenue decreased by 1ppt from 69% in 1H18/19 to 68% in 1H19/20.

Group Balance Sheet

	Sep-19 \$M	Mar-19 \$M
Equity attributable to owners of the parent	1,539.1	1,528.6
Non-controlling interests	34.0	35.4
Total equity	1,573.1	1,564.0
Non-current liabilities	123.2	35.7
	1,696.3	1,599.7
<u>Represented by:</u>		
Non-current assets	998.3	880.2
Cash	503.5	521.6
Other current assets	438.4	443.4
Current assets	941.9	965.0
Current liabilities	(243.9)	(245.5)
Net current assets	698.0	719.5
	1,696.3	1,599.7

Financial Statistics

Financial Statistics	1H19/20	1H18/19	Variance	
Return on shareholders' funds (%) (MAA)	11.2	13.0	- 1.8	ppt
Basic earnings per share (cents)	7.82	7.02	+ 11.4	%
	Sep-19	Mar-19	Variance	
Net asset value per share (cents)	137.4	136.6	+ 0.6	%

Interim Dividend

Interim Dividend	1H19/20	1H18/19	Variance
Ordinary (in cents per share)	3.0	3.0	% -

Interim dividend to be paid on 22 November 2019

1H FY19/20 Operational Review

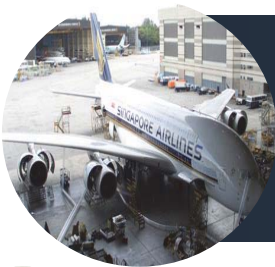


Core Business



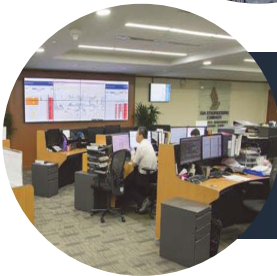
Line Maintenance

- 35 airports in 7 countries



Aircraft & Component Services

- 6 hangars in Singapore
- 3 hangars in Philippines



Fleet Management

- 75 aircraft from 6 airlines

Core Business

Line Maintenance

Flights handled at Changi Airport



↑ 2.7%

77,797

75,783

1H 18/19

1H 19/20



Aircraft & Component Services

Maintenance Checks at Singapore Base

	1HFY19/20	1HFY18/19
'A' Checks*	241	223
'C' Checks	37	31

* Including 'A' checks performed by Line Maintenance at the apron

Maintenance Checks at Clark Base

	1HFY19/20	1HFY18/19
'C' Checks	23	30



Fleet Management

A320

23 aircraft



737

23 aircraft



A330

15 aircraft



747

7 aircraft



777

7 aircraft



FMP Fleet: 75 aircraft

Company Initiatives

Strategic Partnerships

2016

2017

2018

2019

2020

2021

Investing for the Future

Innovation and Technology

Transforming for the Future













Transformation

Strategic Partnerships - JV Portfolio

Airframe and Line Maintenance

SIA Engineering (USA) (SEUS) United States 100%	SIA Engineering Japan (SIAEJ) Japan 100%	Singapore Aero Support Services (SASS) Singapore 100%
Pan Asia Pacific Aviation Services (PAPAS) Hong Kong 40%	Southern Airports Aircraft Maintenance Services (SAAM) Vietnam 49%	PT JAS Aero-Engineering Services (PT JAES) Indonesia 49%
Boeing Asia Pacific Aviation Services (BAPAS) Singapore 49%	Heavy Maintenance Singapore Services (HMS Services) Singapore 65%	Line Maintenance Partnership (Thailand) (LMPT) Thailand 49%
Aviation Partnership (Philippines) (APPC) Philippines 51%	SIA Engineering (Philippines) (SIAEP) Philippines 65%	

JV Partners

 Pratt & Whitney	 Rolls-Royce	 Cebu	 Jamco	 Safran	 Collins
 Boeing	 Airbus	 GE	 NokScoot	 Wholly-Owned	 Others

Engine and Component

Singapore Aero Engine Services (SAESL) Singapore 50%	Eagle Services Asia (ESA) Singapore 49%	Component Aerospace Singapore (CAS) Singapore 46.4%
JV with GE (to be incorporated) Singapore 49%	Asian Surface Technologies (AST) Singapore 39.2%	Turbine Coating Services (TCS) Singapore 24.5%
Goodrich Aerostructures Service Center-Asia (GASCA) Singapore 40%	Fuel Accessory Service Technologies (FAST) Singapore 49%	Panasonic Avionics Services Singapore (PACSS) Singapore 42.5%
Safran Landing Systems Services Singapore (SLSSS) Singapore 40%	Safran Electronics & Defense Services Asia (SEA) Singapore 40%	Additive Flight Solutions (AFS) Singapore 60%
JAMCO Aero Design & Engineering (JADE) Singapore 45%	Moog Aircraft Services Asia (MASA) Singapore 49%	Aerospace Component Engineering Services (ACES) Singapore 51%

25 JVs Across 8 Countries
Total Revenue in 1H FY19/20: S\$2.7B

Strengthening our JV Portfolio

Incorporated Line Maintenance Partnership (Thailand)



- Line Maintenance JV with NokScoot incorporated on 10 July 2019
- Shareholding: 51% by NokScoot, 49% by SIAEC
- Target to commence operations in 2H FY19/20 in Dong Mueang International Airport

Investments in New Capabilities – Eagle Services Asia



- Built up GP7200 and GTF engine capabilities to rejuvenate growth
- Invested nearly US\$85 million to upgrade the facility, including advanced machinery, and to train employees to perform new engine work

New JVs in Gestation Period

Airframe Overhaul & Line Maintenance

**BOEING ASIA PACIFIC
AVIATION SERVICES
PTV. LTD.**

HMS SERVICES
by SIAEC and AIRBUS

SIA ENGINEERING (JAPAN)



Engine & Component

 **GE Aviation**
(JV to be incorporated)

MOOG
AIRCRAFT SERVICES ASIA

**ADDITIVE FLIGHT
SOLUTIONS**

Innovation and Technology

The Innovation & Technology Group was established in 2016 to spearhead innovation drive with a commitment to invest up to \$50 million over 5 years

Developed an Operations & Technology Capability Roadmap (OTCR) in 2018

Digital Collaboration

- Improve information accessibility and enhance connectivity on the go

Smart Control Centre

- Industry 4.0 to improve visibility of work processes

Machine Vision

- Enable automated inspection, analysis and continuous monitoring
- Video analytics for safety, security and surveillance

Automation & Robotics

- Strengthen ability to optimize operations and conduct all weather operations



**Enhance Quality
and Safety**



**Increase
Efficiency**



**Develop New Products
and Capabilities**

Innovation and Technology

People are at the Core of Innovation
- "Made in SIAEC" ideas showcased at Innovation Week 2019



Driving simulator

VR based on actual airport terrain with 35 training and test scenarios. Delivered in July 2019.



Brakes heat extraction system

A more efficient and cost effective way to cool brakes. Prototype testing in June 2019.



Fan cowl jig

Reduce storage footprint of fan cowls by 75%



Foldable radome transporter

Reduce storage footprint

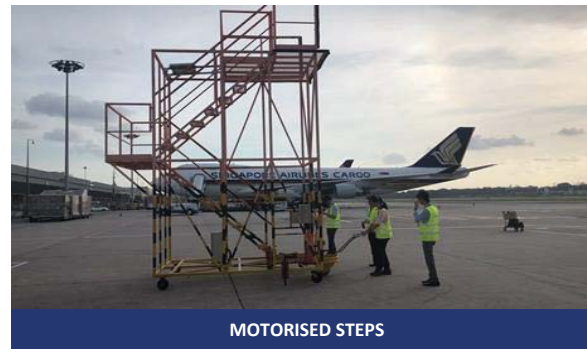
Innovation and Technology

ENHANCING SAFETY AND OPERATIONS

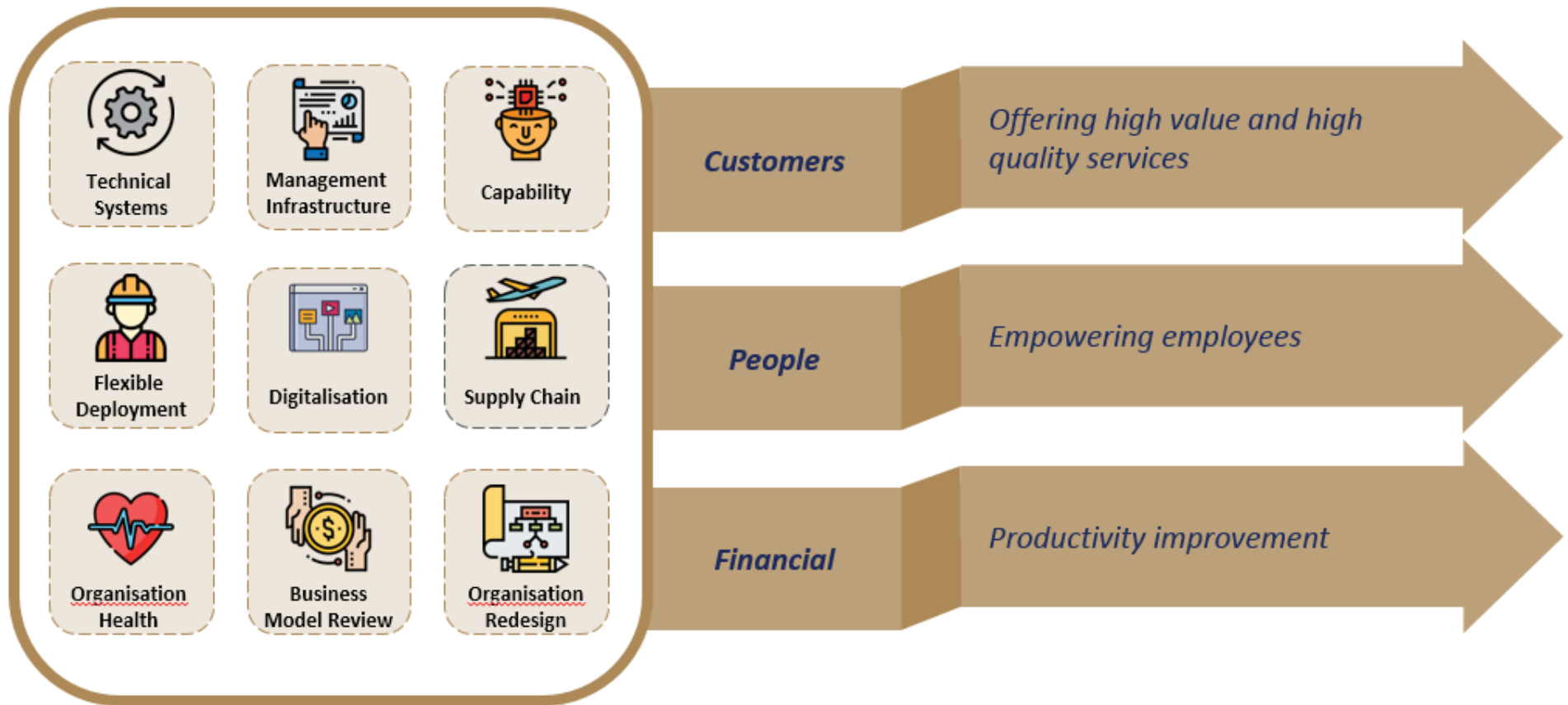
CHANGI AIRPORT ANNUAL SAFETY AWARDS

Recognition for staff from the airport community who have contributed towards improving airport safety

- FY17/18:
 - Gold award for our Aircraft Towing Simulator
- FY18/19:
 - Best Safety Exhibition Partner award
 - Gold award for our VR Training project
 - Bronze award for our Motorised Steps project



Transformation



Transformation



Process changes are brought about by the implemented initiatives



Operational improvement



Financial improvement

Outlook

Our Transformation efforts are translating into improvements in our operating performance through reduced costs and better manpower utilization. In addition, our digital initiatives are gaining traction Company-wide. These efforts better position us to meet the ongoing challenges of an uncertain and difficult operating environment.

We will continue to strengthen our portfolio of strategic joint ventures and alliances to sustain our growth as a trusted partner in global MRO.

End of Performance Review

