

FY21/22 REVIEW

06 May 2022



SIA ENGINEERING
COMPANY

Operational Review



Core Business



Line Maintenance

- 26 airports in 7 countries



Base Maintenance

- 6 hangars in Singapore
- 3 hangars in Philippines

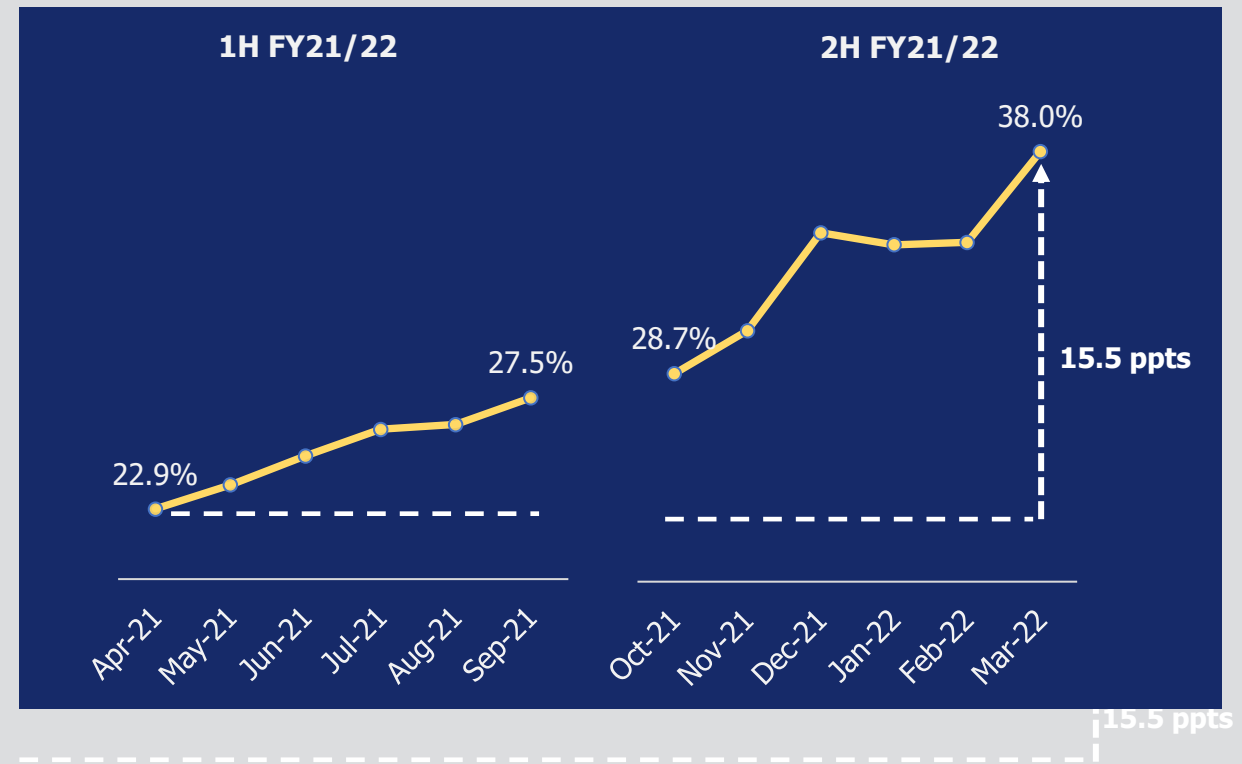
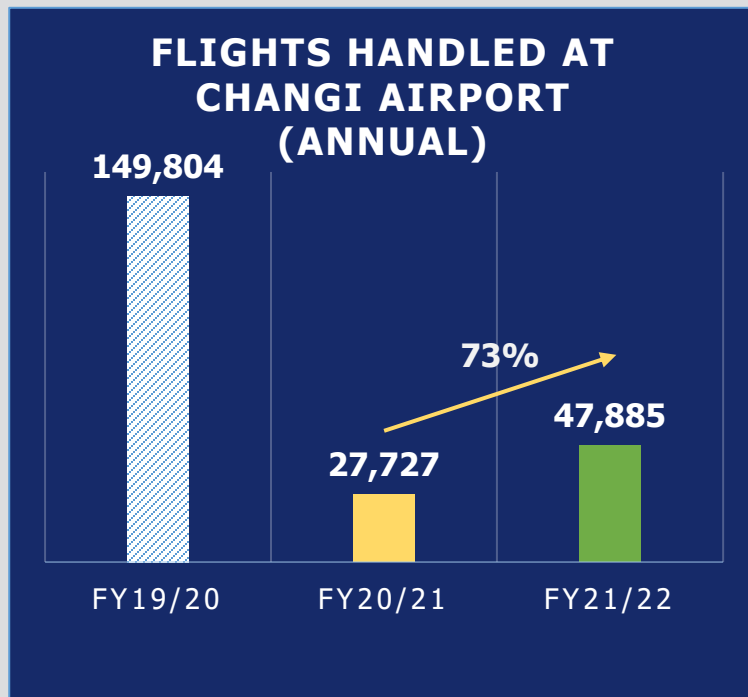


Fleet Management

- 95 aircraft from 9 airlines

Line Maintenance

- Number of flights handled in FY21/22 increased 73% YOY
- Over the year, flight recovery compared to pre-pandemic level was 15.5 percentage points
- Pace of recovery has been gradual, with stronger pick up in the second half



Base Maintenance

Maintenance Checks at Singapore Base

	FY20/21	FY21/22
Light Checks*	223	348
Heavy Checks	60	93



Maintenance Checks at Clark Base

	FY20/21	FY21/22
Heavy Checks	10	24

- Successful adoption of Lean practices has led to significant reduction in turnaround time, which created additional capacity
 - Secured and completed more checks this year, due to increase in demand and active marketing and management to fill the additional capacity
 - Wider application of Lean will gain further traction as volume increase with the return of business
-
- Gradual recovery of check volume at Clark, with the easing of travel restrictions previously implemented by the Philippines government

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

Fleet Management

- Work volume, which is largely driven by flight activities, was subdued in the first three quarters
- Signs of slight improvement seen in the 4th quarter due to gradual opening up of borders globally and lifting of air travel restrictions

FMP Fleet: 95 aircraft

A320
61 aircraft



A330
6 aircraft



737
21 aircraft



747
7 aircraft



Customers



FY21/22 Customer Contracts

Line Maintenance

Renewed



New



Line Maintenance International

New



Base Maintenance

New



Fleet Management

New



Building Capabilities for Growth

Engine Services

Sustainability

April 2021

Formed ESD to:

- Increase value to OEM partners and airline customers
- Enhance integration in the engine MRO value chain
- Strengthen engine services eco-system

December 2021

10-yr agreement with Safran Aircraft Engines to provide engine test services for CFM LEAP-1A & -1B engines

- This is in addition to the existing 10-year engine maintenance services agreement with SAE signed in December 2019

January 2022

10-yr agreement with Rolls-Royce to provide line maintenance and in-field services

- Extension of existing on-wing care services for Rolls-Royce Trent 1000, 900, 800 and 700 engines
- Expanded scope includes new capabilities for the Trent 7000 and Trent XWB engines

February 2022

New Aircraft Engine Services (AES) facility for the CFM LEAP-1A & -1B engines

- Amongst the first engine MRO shops in the region to provide engine Quick Turn (QT) & modification embodiment services for CFM LEAP-1A and -1B powered aircraft
- Currently serving SAE with a view to extend services to a wider market in future as global air travel recovers

February 2022

Signed agreement with North American Aerospace Industries to provide services for Aircraft recycling solutions

- New services include the provision of aircraft parking and storage, component harvesting and dismantling activities on aircraft that NAAI parts-out and recycles

February 2022

Use of Sustainable Aviation Fuel for engine tests

- Successful trial with 32% lower carbon emissions compared to fossil fuels
- Part of SIAEC's efforts as a sustainability-centric MRO service provider

Building Capabilities for Growth

Component Services

December 2021

Signed agreement with Iacobucci HF Aerospace S.P.A to vertically integrate suite of cabin services

- Extended collaboration in APAC to distribute and sell spare parts for IHFA's galley inserts such as Espresso Maker, Beverage Maker and Trash Compactor featured on premium cabins of major airlines
- Faster and enhanced support on cabin spare parts supply chain in APAC

February 2022

Formed the new Component Services Division (CSD)

- To position for recovery and growth in demand for component MRO
- All component repair services and fleet management services will be integrated into CSD wef 1 April 2022
- Complementary to extensive network of component JV with established OEM partners
- Enhances value to airline customers and OEM partners, through acquisition and development of new capabilities

February 2022

Acquiring a 75% stake in SR Technics in Malaysia to form a component MRO JV

- Acquisition consideration: US\$3.75 million
- Broadens scope and network of our component repair and overhaul services
- Complements our existing portfolio of engine and component JVs with leading OEMs



Strategic Partnerships – JV Portfolio

22 JVs Across 7 Countries (Total Revenue in FY21/22: S\$4.8B)

Airframe and Line Maintenance

SIA Engineering (USA) (SEUS)
United States 100%

SIA Engineering Japan (SIAEJ)
Japan 100%

PT JAS Aero-Engineering Services (PT JAES)
Indonesia 49%

Pan Asia Pacific Aviation Services (PAPAS)
Hong Kong 40%

Southern Airports Aircraft Maintenance Services (SAAM)
Vietnam 49%

Pos Aviation Engineering Services (PAES)
Malaysia 49%

Line Maintenance Partnership (Korea)
Korea 51%

SIA Engineering (Philippines) (SIAEP)
Philippines 100%

Boeing Asia Pacific Aviation Services (BAPAS)
Singapore 49%

Singapore Aero Support Services (SASS)
Singapore 100%

- Acquiring 75% of SR Technics Malaysia Sdn Bhd
- Divested entire 39.2% shareholding in Asian Surface Technologies

Engine and Component

Singapore Aero Engine Services (SAESL)
Singapore 50%

Eagle Services Asia (ESA)
Singapore 49%

Component Aerospace Singapore (CAS)
Singapore 46.4%

GE Aviation, Overhaul Services – Singapore (GEOSS)
Singapore 49%

JAMCO Aero Design & Engineering (JADE)
Singapore 45%

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%

Moog Aircraft Services Asia (MASA)
Singapore 49%

Aerospace Component Engineering Services (ACES)
Singapore 51%

SR Technics Malaysia
Malaysia 75%

JV Partners:



Pratt & Whitney



Rolls-Royce



GE



Jamco



Safran



Collins



Line Maintenance International (LMI)

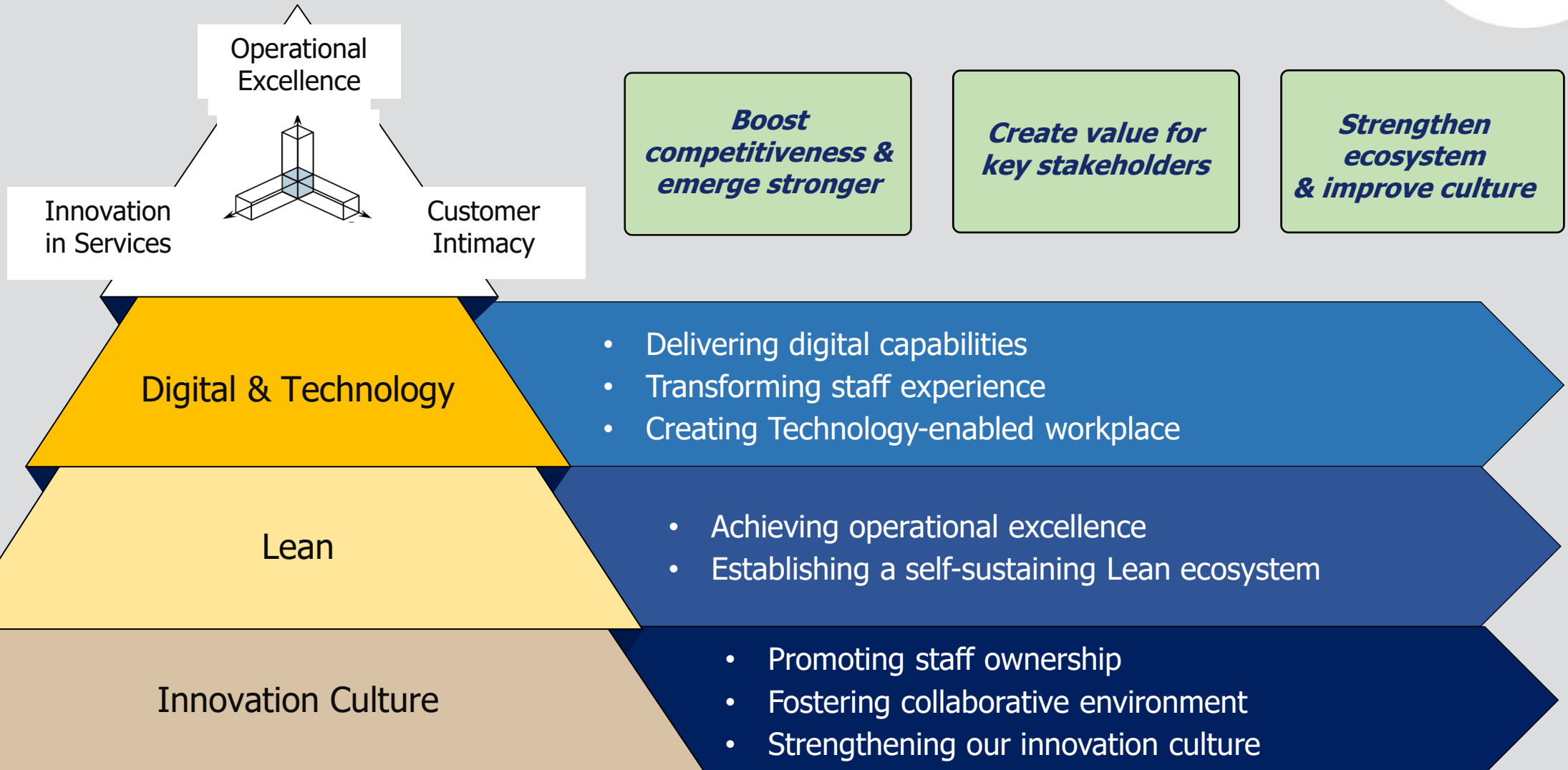


LMI (Pending)



Others

Transformation Phase 2 (2021 – 2023)



Transformation Phase 2 (2021-2023) – Gaining Momentum

Planned investments of S\$40M in Lean and Digital Product Development

Power Up with **Lean**



- Successes in project sustainment with continuous ramp-up of projects for end-to-end process improvement
- More than 20% improvement in turnaround time
- High Lean awareness across company with extensive Lean basics training rolled out to all staff



Power Up with **Digital and Technology**

- Launched new digital applications, workflow and RPA solutions
- Progress made on major platform upgrade
- Rolled out data lake, data mart and analytics to business units

INN VATE FOR GROWTH



新航工程落实数码转型 员工学新技能工资更高

陈伟强 报道

新航工程积极推行数码化转型，哈德尔 (Hajar Mahd Ali, 39岁) 原来的工作被淘汰了。可是她很高兴的接受挑战。这是因为她透过再培训和技能提升，成功转换了职业跑道。在新航工程 (SIARC) 的企业培训计划下，她不仅完成了从文员到工程师，成为公司首批的技术革新之一。

全国总工会会长黄志明昨天为新航工程的数码转型主持推介大会。他鼓励员工，愿意接受新航工程管理层提出的企业创新，带来了更高的薪酬和更好的工作前景。哈德尔就是一个很好的例子。

黄志明：
创新让员工有更好的机会

他说，能去年疫情期间阻止新航工程停工，很多工人是否愿意接受工作调整和培训，所以“创新”这个概念有所体现。创新是企业的生命线，创新是企业的核心竞争力。只有不断创新，企业才能在激烈的市场竞争中生存下来。只有不断创新，企业才能在激烈的市场竞争中生存下来。

新航工程管理层表示，他们计划在未来三年内，将研发投入增加一倍。这将是新航工程历史上最大的研发投入。新航工程管理层表示，他们计划在未来三年内，将研发投入增加一倍。这将是新航工程历史上最大的研发投入。

是数码这个概念。而且工资与公司管理理念一起为数码转型奠定基础。哈德尔说，她相信如果她充分利用每一次机会，一旦从她机走出时，就能比现在更强。

新航工程去年采用了“任务与技能提升” (E-Track)，公司将大量培训与改善部的策略与数码化转型相结合。这个改变提升了行政规划的工作，公司为她提供了更多的培训机会。她通过不断学习与技能提升，提高了工作效率。她通过不断学习与技能提升，提高了工作效率。

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新航工程也在航线维护部设立创新工作室，让员工有更多资源与空间去研发新方案和新创意。航线维护部团队通过创新工作室推出了一些创新方案，比如改良用于安装与拆卸发动机的吊钩机，将原本需要三个人操作的时间缩短为一人操作，而且也更安全。

项目，使公司运作更有效率，而且更具竞争力。他说，这些创意也符合公司的转型目标。他相信如果她充分利用每一次机会，一旦从她机走出时，就能比现在更强。

员工自发推进创新方案

“特别在第二阶段注重改善公司生产力的运作，并未用数码技术来提高整个工作层面和效率。在下来的第三阶段，数码化仍是我们的重点。但会建立更强大的公司创新文化。一些令人瞩目的创新方案都是员工自发的。如果我们能建立起数码创新的文化，那我们的发展会更加持续。”

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Innovation Week 2022

- Launch of new tagline "Innovate for Growth" that will trigger a series of events year long
- Attended by more than 2000 staff, union Reps and guests
- Opening ceremony with NTUC Secretary General, Mr Ng Chee Ming
- Award ceremonies held to recognize staff for their contributions in transformation initiatives

Sustainability

Environment

Sustainable Aviation Fuel



Successful trial conducted on engine tests at test cell facility, with 32% lower carbon emissions compared to conventional fossil fuels

Electrification



Trial of electric vehicles in operational environment completed. Plan underway to scale up adoption of electric tractors in FY22/23

Facilities



Two of our hangars have been Certified Green Mark (**Platinum, Super Low Energy Building**) and PUB **Water Efficient Building**

Recycling



Subsidiary in Philippines signed an agreement with an aircraft part-out specialist, to provide **sustainable, end-to-end aircraft recycling solutions**

Sustainability

Social



Training

In our focus to upskill our employees despite the downturn, we have continued to exceed our training hours per employee



Engagement

Continual engagement with organisations to create positive impact to community and raise environmental awareness

❖ *Community projects, upcycling workshops, beach clean-ups*



The Straits Times and global data firm Statista ranked SIAEC in the **top 200 of Singapore's Best Employers 2022**

Governance



Appointment of Chief

Sustainability Officer to focus and advance Sustainability agenda within the organisation



Improvement in ESG scores of sustainability ratings agencies

Financial Review

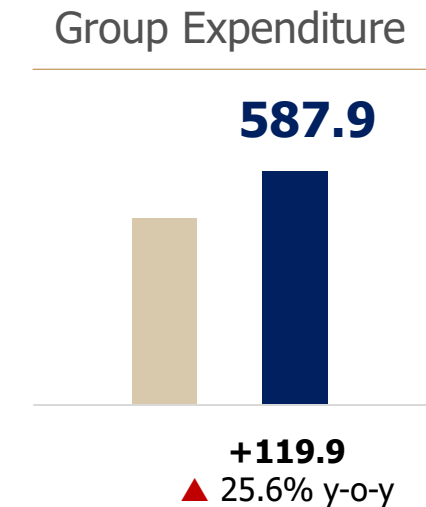
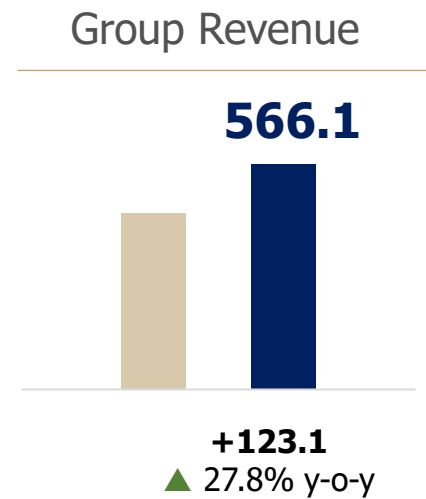
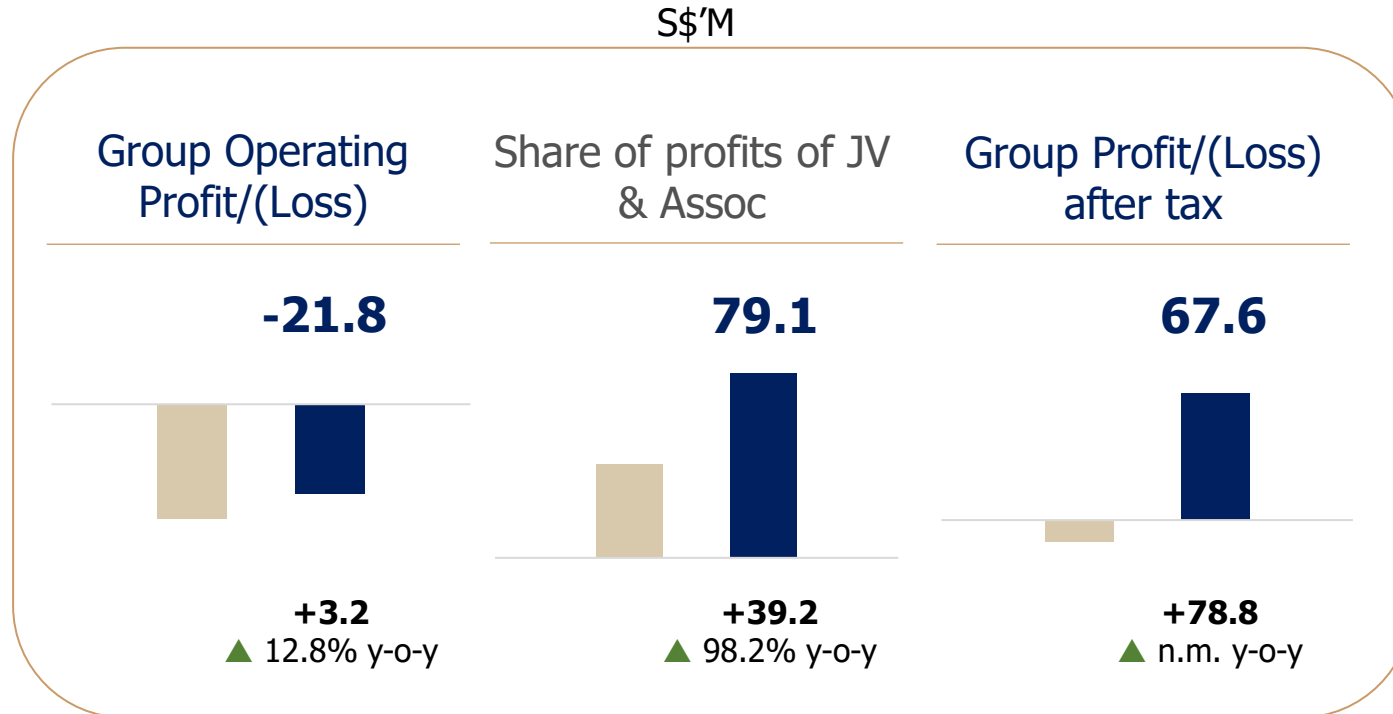


Key Highlights

- Gradual recovery of flight activities during the year with faster pace of recovery in the second half.
- Slight reduction in operating loss as revenue recovery and cost management kept pace with tapering of government support.
- Higher share of profits mainly due to tax write-back as compared to tax charge taken last year.
- Lower impairments year-on-year, mainly due to impairment of base maintenance assets made last year.
- Group recorded a net profit of \$67.6 million for FY21/22 as compared to a net loss of \$11.2 million for FY20/21.
- Without wage support, Group performance remain in loss position.
- No dividend proposed in view of above and continuing uncertainties on the trajectory to full recovery.

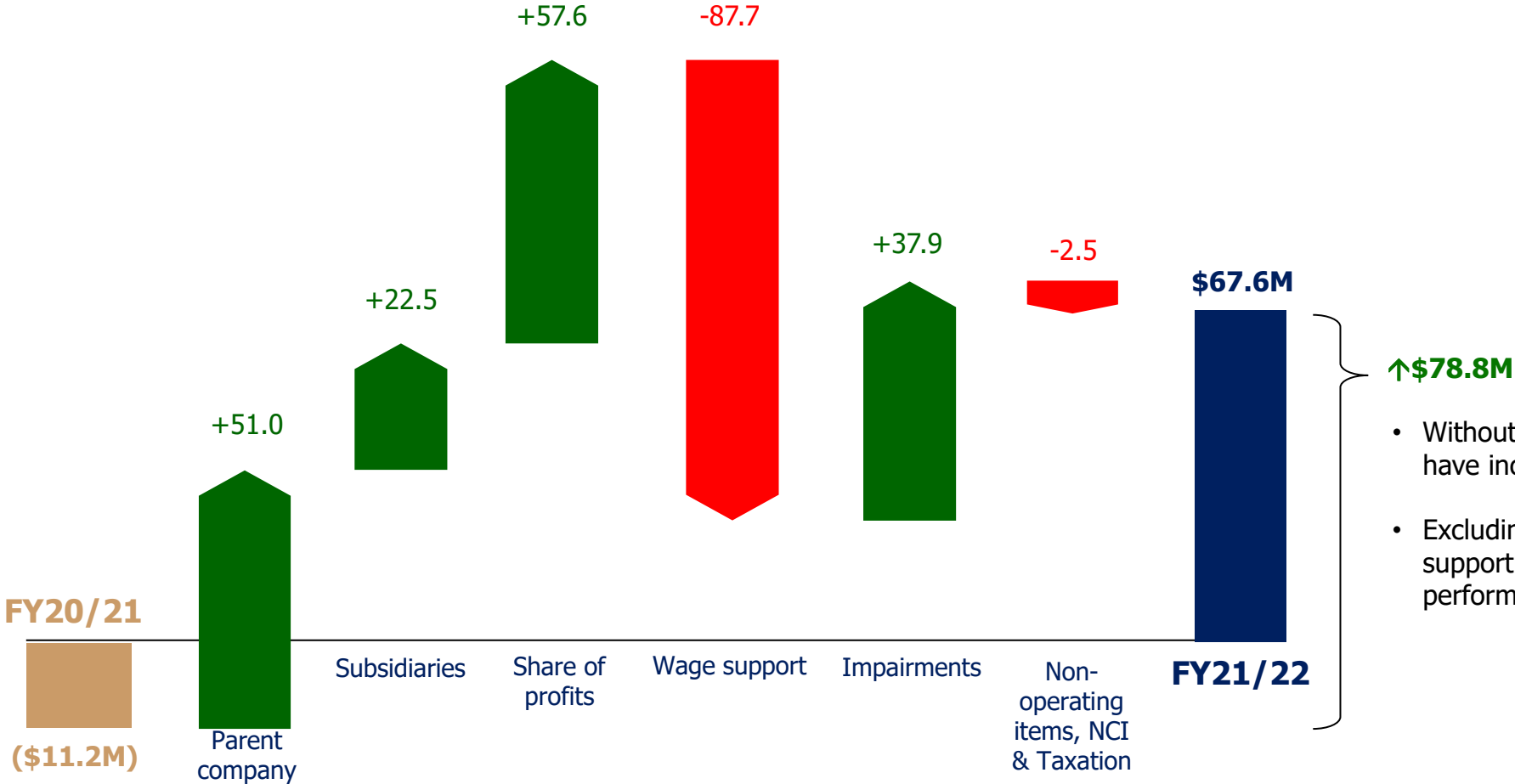
Summary of Group Results FY21/22

■ FY20/21 ■ FY21/22



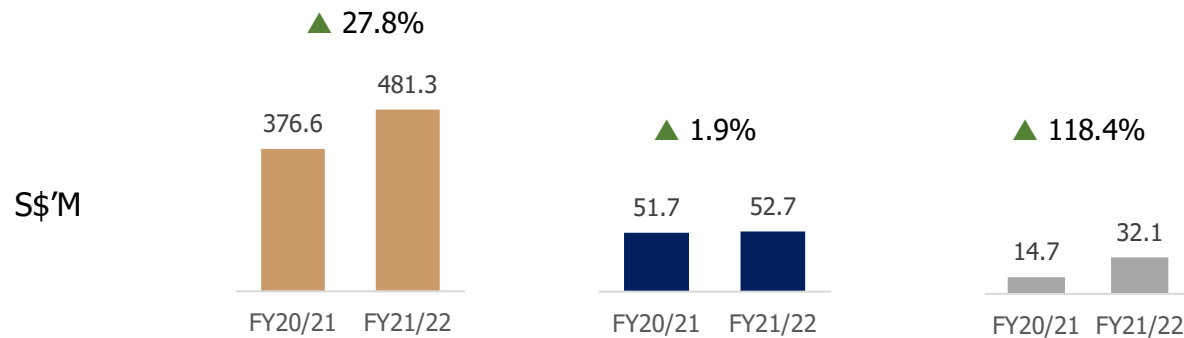
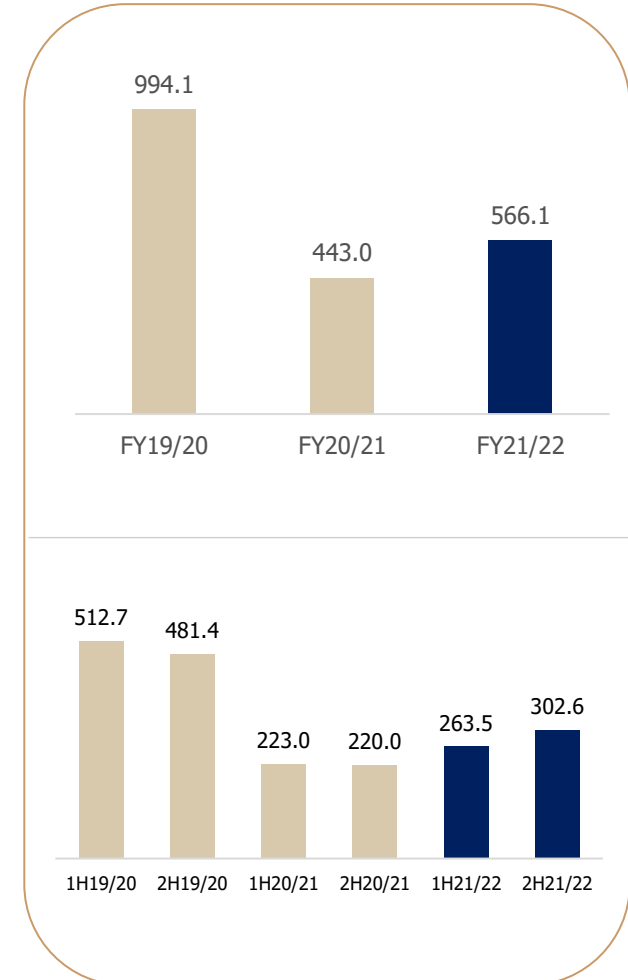
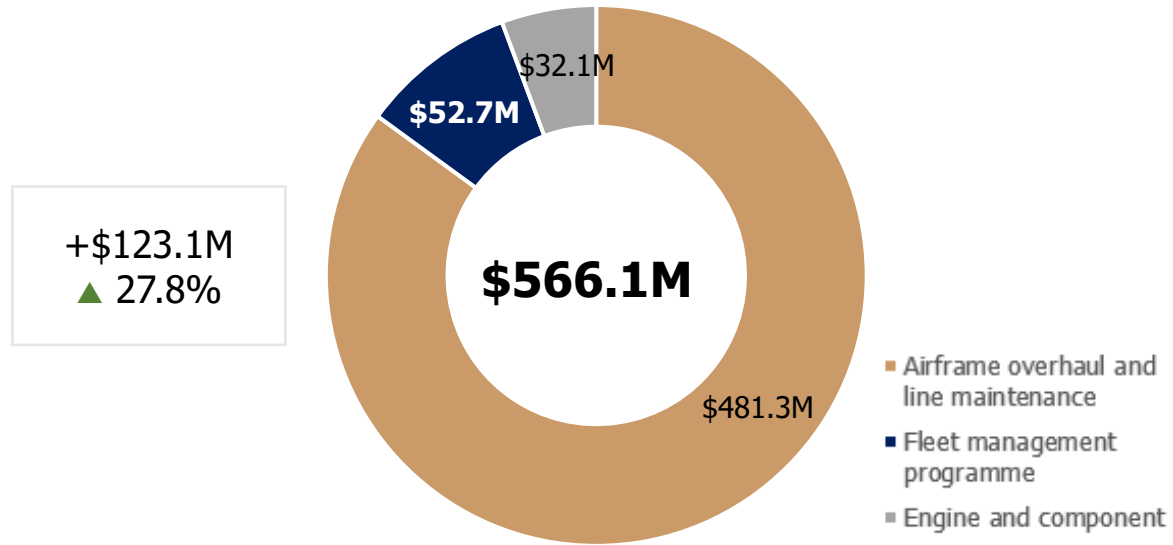
- Revenue increased 28% with higher flight activities.
- Expenditure increased with lower government wage support and progressive rollback of staff cost management measures.
- Increase in share of profits mainly due to one-time writeback of tax provisions, compared to a one-time tax charge last year

Analysis of Group Profit – FY21/22

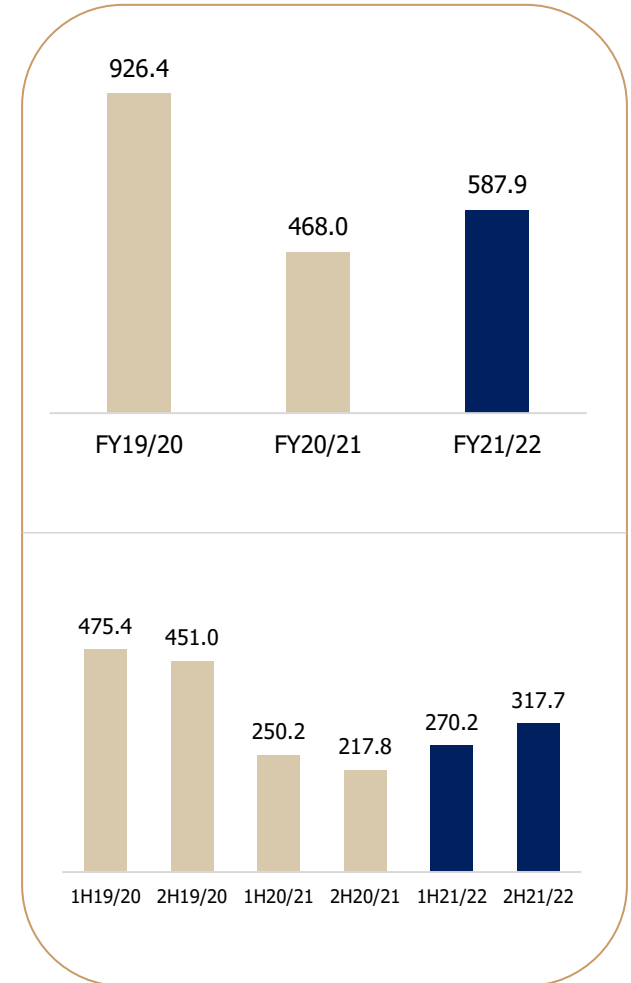
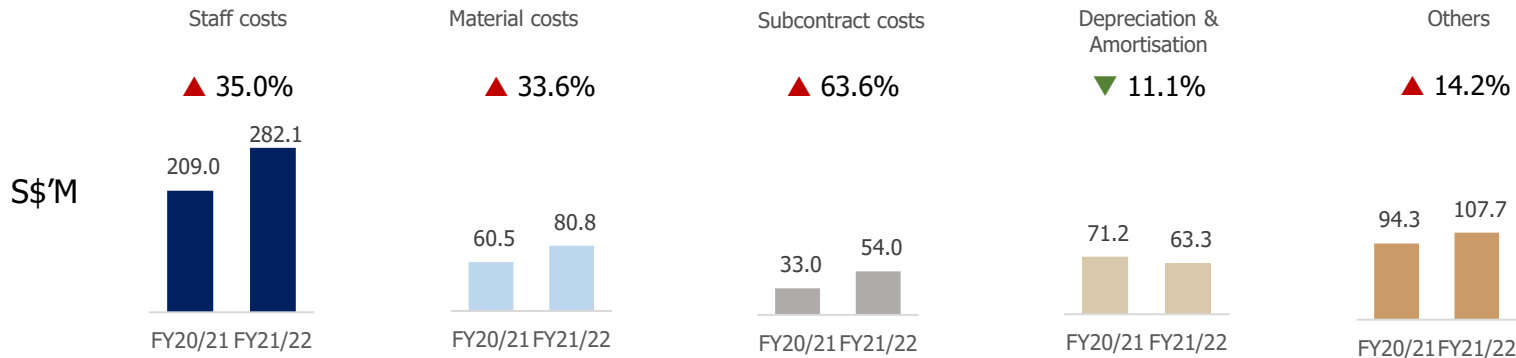
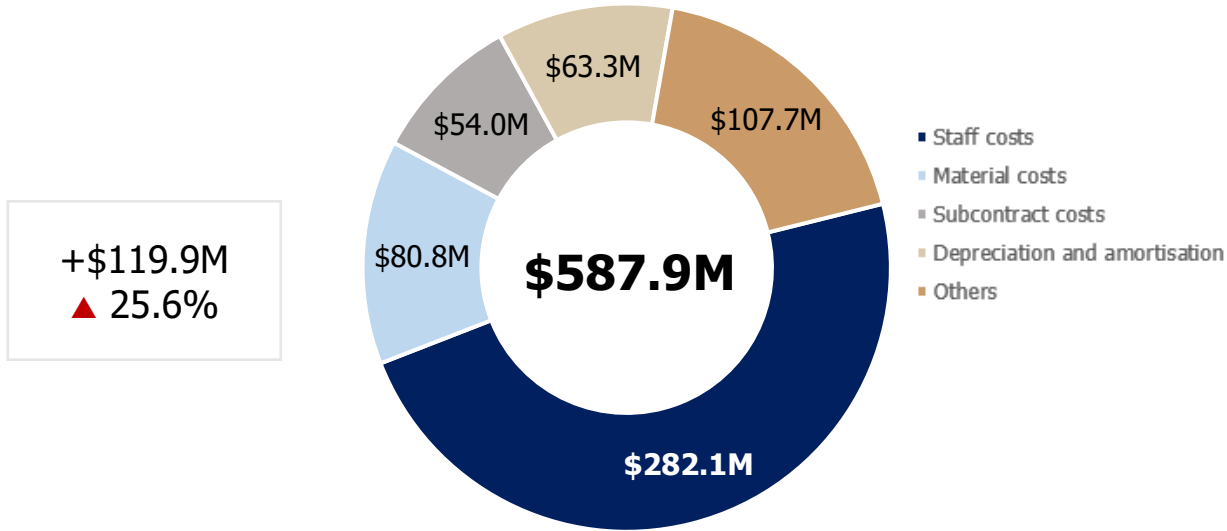


- Without wage support, Group would have incurred a net loss of \$25.9M
- Excluding impact of lower wage support and impairments, Group performance ↑128.6M

Analysis of Group Revenue FY21/22



Analysis of Group Expenditure FY21/22



- Excluding wage support, staff costs was 0.8% higher year-on-year.
- Expenditure increase due to recovery of business activities and progressive step-down in government support and rollback of manpower measures.

Group Operating Profit by Segment FY21/22

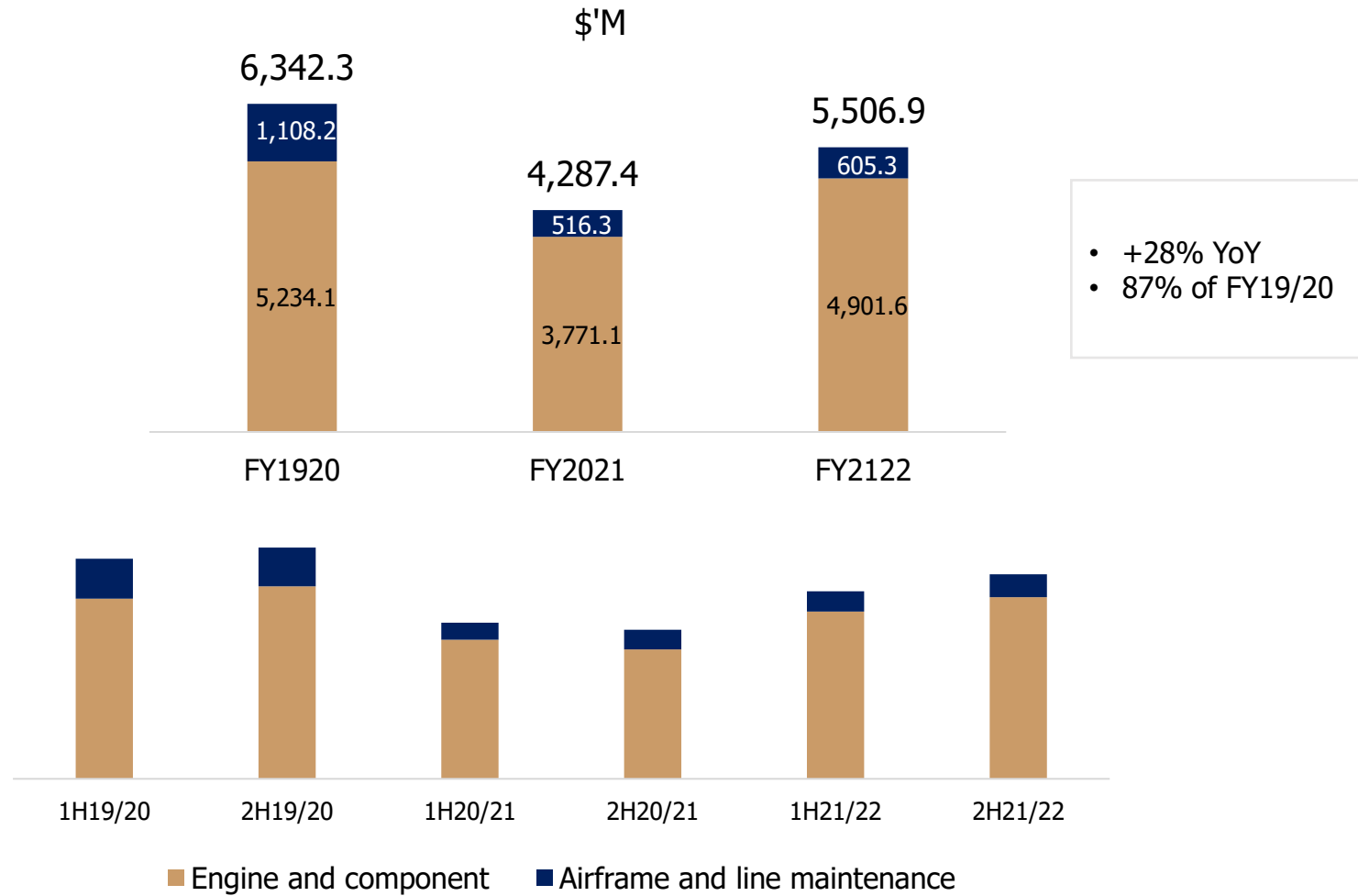
Group Operating Loss	FY21/22	FY20/21	Variance	
	\$M	\$M	\$M	%
Airframe and Line Maintenance	(9.1)	(20.8)	+ 11.7	+ 56.3
Engine and Component	(12.7)	(4.2)	- 8.5	- 202.4
	(21.8)	(25.0)	+ 3.2	+ 12.8

Joint Venture and Associated Companies

FY21/22

Share of Profit/(Loss) After Tax	FY21/22	FY20/21	Variance	
	\$M	\$M	\$M	%
Engine centers	57.1	23.0	+ 34.1	+ 148.3
Component centers	32.7	26.8	+ 5.9	+ 22.0
Engine and component	89.8	49.8	+ 40.0	+ 80.3
Airframe and line maintenance	(10.7)	(9.9)	- 0.8	- 8.1
	79.1	39.9	+ 39.2	+ 98.2

Group Revenue FY21/22 (SIAEC, Subsidiaries, JV and Associated Companies)



* Revenue of associated and joint venture companies are not consolidated in the Group's Income Statement as they are equity accounted.

Group Balance Sheet

	Mar-22 \$M	Mar-21 \$M	Variance	
			\$M	%
Total equity	1,621.3	1,544.2	+ 77.1	+ 5.0
Non-current liabilities	39.0	56.5	- 17.5	- 31.0
Current liabilities	177.9	209.1	- 31.2	- 14.9
Non-current assets	925.5	883.8	+ 41.7	+ 4.7
Cash	625.5	616.0	+ 9.5	+ 1.5
Other current assets	287.2	310.0	- 22.8	- 7.4

- Increase in equity due to profits earned in the financial year.
- Net cash outflow from operations was cushioned by receipts from government grants.

Financial Statistics

Financial Statistics	FY21/22	FY20/21	Variance
Return on shareholders' funds (%)	4.3	(0.7)	+5.0 ppt
Basic earnings/(loss) per share (cents)	6.02	(1.00)	n.m.

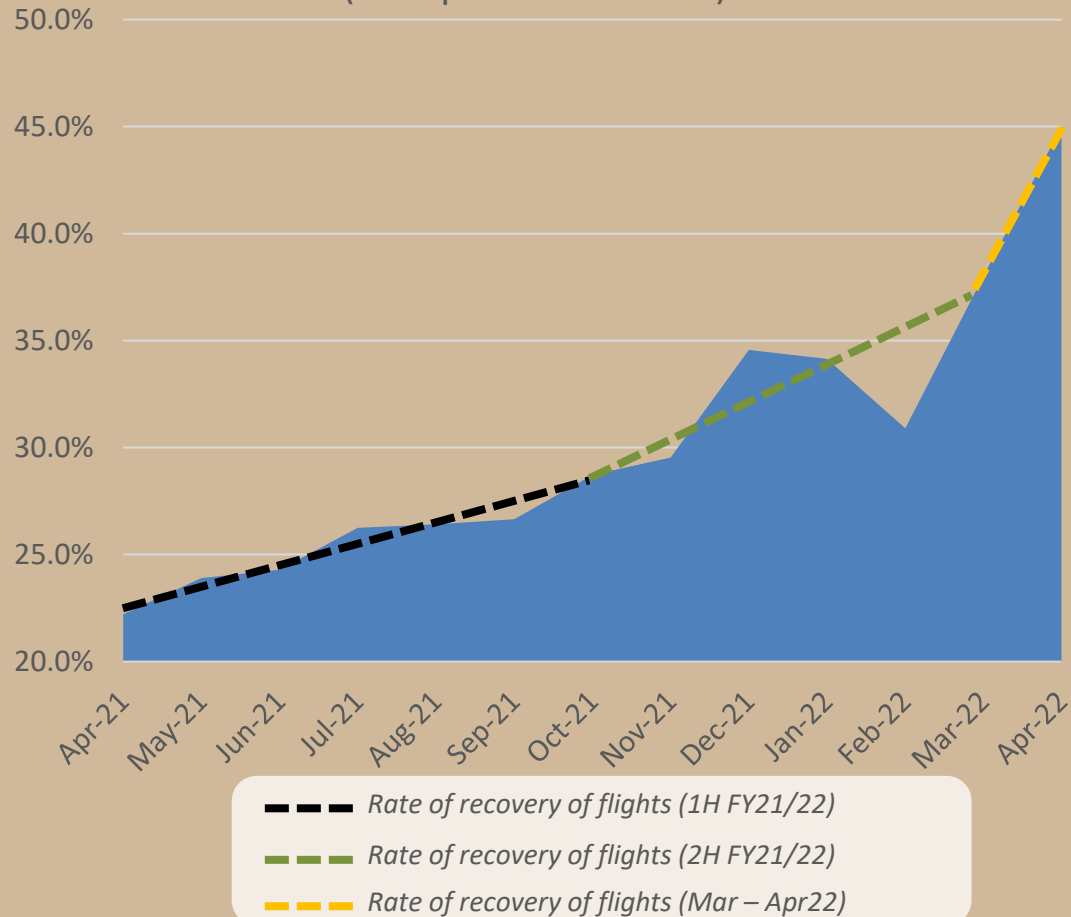
	Mar-22	Mar-21	Variance
Net asset value per share (cents)	143.5	136.8	+4.9 %

Powering Up for Growth



Outlook

Flights Handled by SIAEC LM
(% of pre-Covid levels)



- **Stronger recovery of flights in 2H**
 - Recovery in air travel is picking up as governments in many parts of the world lift travel restrictions
- **Achieved 45% recovery in flights handled at Changi Airport for April 2022**

Challenges Ahead



Tapering off of government wage support

- Recognition of wage support will end in July 2022



Potential new variants or unexpected surges in infections

- New variants, if resistant to existing vaccines, could reset progress of opening up borders



Full recovery in air travel not expected by FY22/23

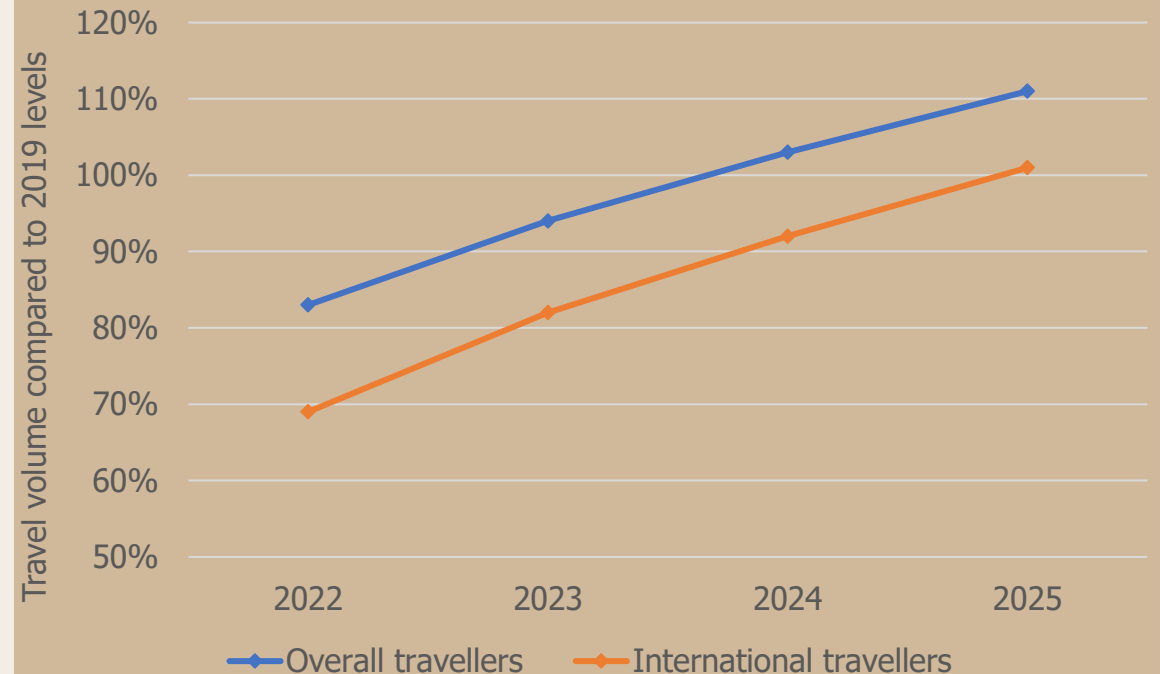
- IATA expects global flight recovery of up to 83% of 2019 levels by 2023
- Slower recovery in Asia Pacific region over uncertainty with China, which is showing little signs of relaxing its zero-COVID strategy



Russia-Ukraine conflict

- Disruption to crude oil supplies lead to inflation in global markets, pushing up operating costs
- Propensity to travel could be dampened by risk of stagflation in many countries that are potentially facing high inflation rates against slower or no growth

IATA Projected Travel Recovery



Source: Adapted from IATA, Mar 2022

Priorities Ahead



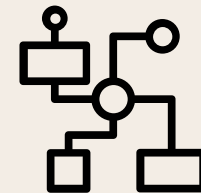
Remain vigilant and prudent in managing increase in costs



Ramp up manpower recruitment in preparation for further flight recovery



Invest in digitalisation, automation, and optimisation and decision support capabilities



Scale up Lean initiatives across the Company to raise productivity

Year in Review

Growth Opportunities Captured

Engine Services



- Growth in engine services business with new contracts and investments in **new capabilities and facilities**
- Secured new long-term contracts and opened our engine Quick Turn facility on 18 Feb 2022

Component Services



- Formation of Component Services Division to grow component MRO business & **broaden repair capabilities** for new generation aircraft
- Acquisition of 75% stake in SR Technics Malaysia to form an MRO Joint Venture (JV)

Line Maintenance



- Expansion of Line Maintenance International (LMI) network
 - Korea: JV with Air Innovation Korea
 - Malaysia: JV with Pos Aviation Engineering Services

Base Maintenance

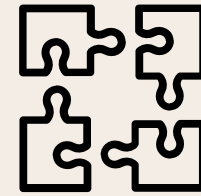


- Signed a non-binding Memorandum of Understanding (MOU) with Impeccable Vintage Properties (IVP) — a wholly-owned subsidiary of Malaysia's sovereign wealth fund Khazanah Nasional Bhd — to potentially lease two hangars in Subang, Malaysia
- **Expansion of our regional base maintenance network**, complementing other acquisitions in the region

Drivers for Growth



Invest in new capabilities and services for new generation aircraft



Size opportunities for organic growth and strengthen JV portfolio in the region

Thank you

