

SIA ENGINEERING COMPANY

FY1617

Performance Review



SIA ENGINEERING COMPANY

FY1617

Financial Review



FY1617 Financial Highlights

- The Group recorded a profit attributable to owners of the parent of \$332.4M, an increase of \$155.8M
- In the year, the Group made a \$141.6M gain from divestment of HAESL and received a special dividend of \$36.4M from HAESL. Staff costs increased with a provision for profit-linked staff remuneration arising from the gain on divestment
- Operating profit before the provision was \$93.3M, a decrease of \$11.1M or 10.6%
- Before the impact of divestment, net profit was \$172.0M, a decrease of \$4.6M or 2.6%



Summary of Group Results

FY1617

	FY1617 \$M	FY1516 \$M	Variance %	
Revenue	1,104.1	1,112.7	-	0.8
Expenditure	1,032.1	1,008.3	+	2.4
Operating profit	72.0	104.4	-	31.0
Surplus on partial disposal of an assoc company	2.3	2.8	-	17.9
Loss on liquidation of an assoc company	-	(4.3)		n.m.
Surplus on disposal of non-current asset held for sale	141.6	-		n.m.
Provn for impairment in an assoc company	-	(2.5)		n.m.
Dividend income from non-current asset held for sale (divestment)	36.4	-		n.m.
Dividend income from non-current asset held for sale (before divestment)	3.1	6.1	-	49.2
Share of results of Assoc/JVs, net of tax	96.5	94.2	+	2.4
Profit before tax	355.1	202.0	+	75.8
Net profit	332.4	176.6	+	88.2
Net profit margin (%)	30.1	15.9	+	14.2 ppt



Summary of Group Results

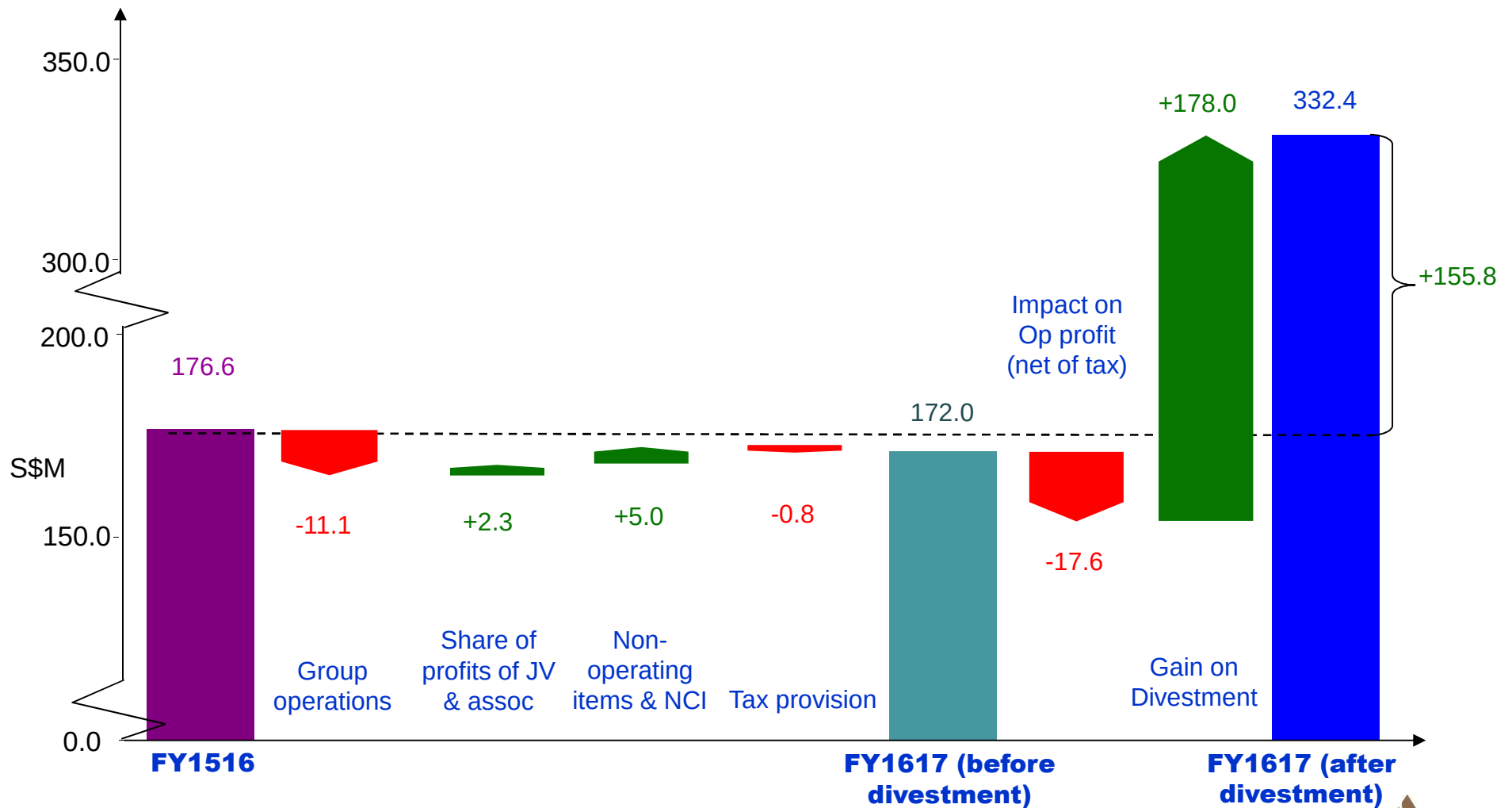
4Q FY1617

	4Q FY1617 \$M	4Q FY1516 \$M	Variance %	
Revenue	295.4	294.2	+	0.4
Expenditure	271.5	266.7	+	1.8
Operating profit	23.9	27.5	-	13.1
Dividend income from non-current asset held for sale	-	1.6		n.m.
Share of results of Assoc/JVs, net of tax	27.0	18.3	+	47.5
Profit before tax	51.8	47.8	+	8.4
Net profit	45.9	41.4	+	10.9
Net profit margin (%)	15.5	14.1	+	1.4 ppt

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



Group Profit for FY1617



Joint Venture and Associated Companies

FY1617

	FY1617 \$M	FY1516 \$M	Variance %
<u>Share of profits after tax</u>			
Repair and Overhaul			
- Engine Repair & Overhaul Centres	53.7	50.7	+ 5.9
- Others	39.5	40.6	- 2.7
	93.2	91.3	+ 2.1
Line Maintenance	3.3	2.9	+ 13.8
	96.5	94.2	+ 2.4

Contributions from the engine repair and overhaul centres at \$53.7M were higher by \$3.0M or 5.9%, with higher share of profits from ESA, partially offset by lower contributions from SAESL.



Breakdown of Group Revenue

FY1617

	FY1617 \$M	FY1516 \$M	Variance %
Airframe & Component Overhaul	443.6	450.9	- 1.6
Fleet Management	147.5	201.7	- 26.9
Repair & Overhaul	591.1	652.6	- 9.4
Line Maintenance	513.0	460.1	+ 11.5
	1,104.1	1,112.7	- 0.8

Revenue decreased by \$8.6M or 0.8%. The decrease in fleet management revenue was partially mitigated by higher line maintenance revenue.



Group Expenditure

FY1617

	FY1617 \$M	FY1516 \$M	Variance %
Staff costs	512.5	462.9	+ 10.7
Materials	187.6	188.8	- 0.6
Subcontract costs	138.4	161.3	- 14.2
Overheads	193.6	195.3	- 0.9
Expenditure	1,032.1	1,008.3	+ 2.4

Expenditure increased by 2.4%, mainly due to a 10.7% increase in staff costs, offset in part by lower subcontract costs.



Group Operating Profit by Segment

FY1617

	Before divestment of HAESL \$M	After divestment of HAESL \$M	\$M	Before divestment of HAESL vs FY1516 %
	FY1617	FY1617	FY1516	Variance
Repair & Overhaul	(10.0)	(22.4)	(3.4)	-194.1
Line Maintenance	103.3	94.4	107.8	-4.2
	93.3	72.0	104.4	-10.6



SIA vs Non-SIA Revenue

FY1617

	SIA \$M	Non-SIA \$M	Total \$M
SIAEC	661.9	327.5	989.4
<i>% of non-SIA work</i>		33%	
Subsidiary Companies	63.2	101.8	165.0
<i>% of non-SIA work</i>		62%	
JV & Associated Companies			
- Repair & Overhaul	750.1	2,588.9	3,339.0
- Line Maintenance	15.0	32.1	47.1
	765.1	2,621.0	3,386.1
<i>% of non-SIA work</i>		77%	
Combined revenue	1,490.2	3,050.3	4,540.5
<i>% of non-SIA work</i>		67%	

% of non-SIA revenue increased by 1ppt from 66% in FY1516 to 67% in FY1617.



Group Balance Sheet

	31 Mar 2017 \$M	31 Mar 2016 \$M
Equity attributable to owners of the parent	1,554.0	1,485.5
Non-controlling interests	34.0	26.4
Total equity	1,588.0	1,511.9
Non-current liabilities	51.0	54.0
	1,639.0	1,565.9
<u>Represented by:</u>		
Non-current assets	938.9	895.8
Cash	601.7	393.9
Non-current asset held for sale	-	156.5
Other current assets	377.7	375.9
	979.4	926.3
Less: Current liabilities	(279.3)	(256.2)
Net current assets	700.1	670.1
	1,639.0	1,565.9



Financial Statistics

	Before divestment of HAESL	After divestment of HAESL		Before divestment of HAESL vs FY1516
	FY1617	FY1617	FY1516	Variance
Basic earnings per share (cents)	15.33	29.63	15.74	-2.6 %
Return on average shareholders' funds (%)	11.4	21.9	12.6	-1.2 ppt
	Mar17	Mar17	Mar16	Variance
Net asset value per share (cents)	137.1	138.8	132.4	+3.5 %

Before the impact of HAESL divestment, earnings per share was 15.33 cents. Earnings per share after divestment was 29.63 cents.



Dividend

	FY1617	FY1516
<u>(in cents per share)</u>		
Interim	4.0	6.0
Final	9.0	8.0
Special	5.0	-
Total	18.0	14.0

Final dividend to be paid on 8 August 2017



SIA ENGINEERING COMPANY

FY1617

Operational Review



Core Business

Line Maintenance



36 airports in 7 countries

Aircraft & Component Services



**6 hangars in Singapore
3 hangars in Philippines**

Fleet Management

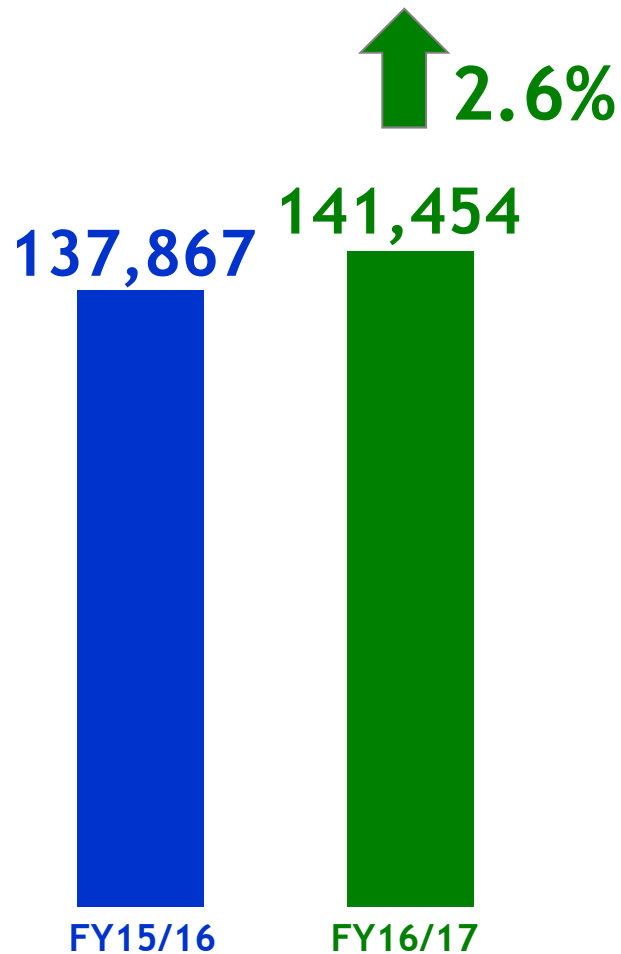


129 aircraft from 9 airlines



Line Maintenance

Flights handled at Changi Airport



7 New Contracts



20 Renewed Contracts



Aircraft & Component Services

11 New/ Renewed Contracts at Singapore Base



Maintenance checks at Singapore base:

	<u>FY16/17</u>	<u>FY15/16</u>
'A' checks	427	373
'C' checks	75	74
'D' checks	14	16

Maintenance checks at Clark base:

	<u>FY16/17</u>	<u>FY15/16</u>
'C' checks	35	25



Fleet Management



63 aircraft



26 aircraft



21 aircraft



11 aircraft



8 aircraft

As at 31 Mar 2017

FMP fleet: 129 aircraft



A stylized world map with a blue background and white landmasses, centered on the Pacific Ocean. The map is framed by a dark blue border with rounded corners.

24 Subsidiaries & JVs in 8 Countries



Portfolio of Subsidiaries & Joint Ventures

Line & Heavy Maintenance

Aircraft Maintenance Services Australia (AMSA)	SIA Engineering (USA) (SEUS)
Australia 100%	United States 100%
Pan Asia Pacific Aviation Services (PAPAS)	SIA Engineering (Philippines) (SIAEP)
Hong Kong 47.1%	Philippines 65%
PT JAS Aero-Engineering Services (PT JAES)	Aviation Partnership (Philippines) (APlus)
Indonesia 49%	Philippines 51%
Southern Airports Aircraft Maintenance Services (SAAM)	Heavy Maintenance Singapore Services (HMS Services)
Vietnam 49%	Singapore 65%

Engine & Engine Components

Singapore Aero Engine Services (SAESL)	Eagle Services Asia (ESA)
Singapore 50%	Singapore 49%
Asian Surface Technologies (AST)	Component Aerospace Singapore (CAS)
Singapore 39.2%	Singapore 46.4%
Asian Compressor Technology Services (ACTS)	Turbine Coating Services (TCS)
Taiwan 24.5%	Singapore 24.5%

Aircraft Component & Services

Jamco Singapore (JS)	Fuel Accessory Service Technologies (FAST)
Singapore 20%	Singapore 49%
JAMCO Aero Design & Engineering (JADE)	Goodrich Aerostructures Service Centre-Asia (GASCA)
Singapore 45%	Singapore 40%
Singapore Jamco Services (SJS)	Aerospace Component Engineering Services (ACES)
Singapore 80%	Singapore 51%
Safran Electronics and Defense Asia (SEA)	Panasonic Avionics Services Singapore (PACSS)
Singapore 40%	Singapore 42.5%
Safran Landing Systems Services Singapore (SLSSS)	Boeing Asia Pacific Aviation Services (BAPAS)
Singapore 40%	Singapore 49%

JV Partners

Pratt & Whitney
 Rolls-Royce
 Cebu Pacific
 Jamco
 Safran
 UTAS
 Wholly-Owned
 Others



Key Developments in FY1617



Formation of Heavy Maintenance JV

- ✓ Incorporation of Heavy Maintenance Singapore Services Pte Ltd
- ✓ SIAEC 65%, Airbus 35%
- ✓ Airframe maintenance, cabin upgrade and modification services for A380, A350 and A330 in Asia-Pacific and beyond
- ✓ Centre of Excellence for A380 and A350 heavy maintenance in Asia



Key Developments in FY1617



Joint Venture with Moog

- ✓ SIAEC 49%, Moog 51%
- ✓ MRO services for Moog's components on flight control systems of new-generation aircraft, including Boeing 787 and Airbus A350
- ✓ Moog's Centre of Excellence in Asia Pacific



Key Developments in FY1617



MOU with Stratasys

- ✓ Strategic partnership specialising in Additive Manufacturing to accelerate the adoption of 3D printed parts for commercial aviation
- ✓ JV to be majority-owned by SIAEC
- ✓ Strengthens SIAEC's comprehensive suite of MRO solutions and enhance our support to customers, especially in the region



Key Developments in FY1617



SIAEC appointed as On-site Support Provider for CFM LEAP-1A and -1B Engines in Asia Pacific

- ✓ The LEAP-1A is one of two engine options for the Airbus A320neo family, while the LEAP-1B is the exclusive engine for the Boeing 737 MAX
- ✓ Adds to the growing capabilities of SIAEC on next-generation aircraft



Key Developments in FY1617



Amalgamation of SAESL & IECO

- ✓ SAESL will be able to generate greater operational efficiencies, economies of scale & synergies
- ✓ SAESL positioned to compete more effectively for the global engine & component repair business
- ✓ Strategy to streamline & rationalise engine component JVs



Key Developments in FY1617



Pratt & Whitney

A United Technologies Company

Integration of CAS & IAT-A

- ✓ Strategy to streamline & rationalise engine component JVs
- ✓ Improve allocation of resources & streamlining of business processes
- ✓ Enhance operational efficiencies, economies of scale & synergies



Key Developments in FY1617



SIAEC signs Maintenance Agreement with Tigerair Australia

- ✓ Heavy maintenance services for A320-200
- ✓ Services will be performed at facilities of SIAEC in Singapore and SIA Engineering (Philippines) Corporation in Clark
- ✓ 2-year term, with option to renew for 1 year



Key Developments in FY1617



SIAEC signs \$250 million Services Agreement with SIA Cargo

- ✓ **Renewal of current Services Agreement**
- ✓ **3-year term, with options to renew for 3 years and a further 2 years**
- ✓ **Covers MRO services**



Outlook

- In spite of global uncertainties and challenges in the MRO sector from excess capacity and aggressive pricing, there remain growth opportunities.
- Continue to invest in strategic partnerships and advancing innovations, and maintain vigilance on costs.
- 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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