

SIA ENGINEERING COMPANY

FY17/18

Performance Review



SIA ENGINEERING COMPANY

FY17/18

Financial Review



FY17/18 Financial Highlights

- The Group posted a net profit of \$184.1M for FY17/18.
- Compared to FY16/17 which included the impact of HAESL divestment*, net profit was \$148.3M or 44.6% lower. Excluding the impact of divestment, profit was \$12.1M or 7.0% higher.
- Net profit included a \$14.3M gain on sale of ACTS.
- Operating profit was \$76.4M, an increase of \$4.4M or 6.1%. Excluding the impact of divestment, operating profit was \$16.9M or 18.1% lower.
- Share of profits from joint venture and associated companies increased \$13.3M or 13.8%.

* In FY16/17, 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.

Summary of Group Results

FY17/18

	FY17/18 \$M	FY16/17 \$M	Variance %	
Revenue	1,094.9	1,104.1	-	0.8
Expenditure	1,018.5	1,032.1	-	1.3
Operating profit	76.4	72.0	+	6.1
Surplus on disposal of non-current asset held for sale	-	141.6	-	100.0
Dividend income from non-current asset held for sale	-	39.5	-	100.0
Surplus on disposal/ partial disposal of an assoc company	14.3	2.3		n.m.
Share of results of Assoc/JVs, net of tax	109.8	96.5	+	13.8
Profit before tax	206.4	355.1	-	41.9
Net profit	184.1	332.4	-	44.6

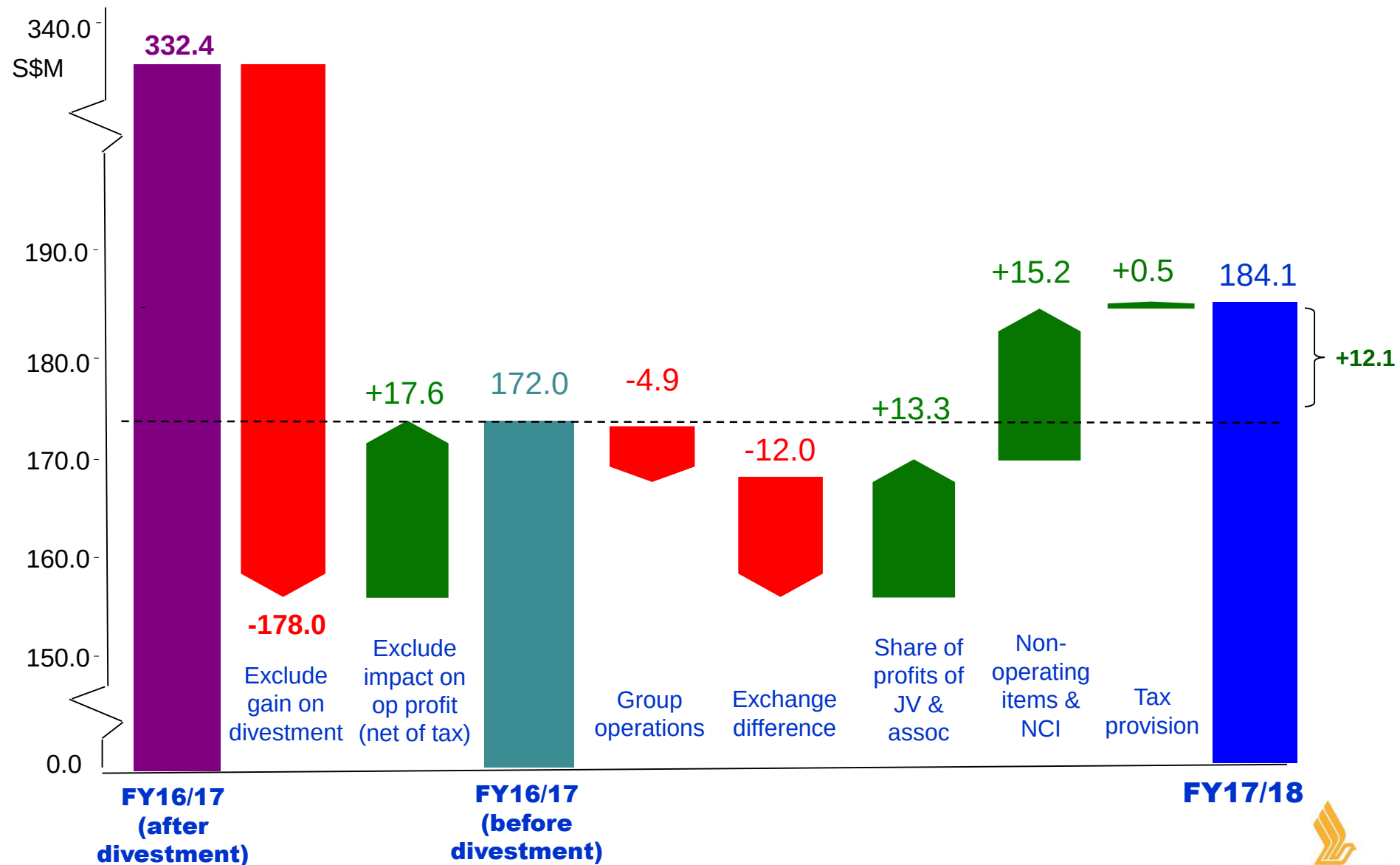
Summary of Group Results

4Q17/18

	4Q17/18 \$M	4Q16/17 \$M	Variance %	
Revenue	276.4	295.4	-	6.4
Expenditure	255.8	271.5	-	5.8
Operating profit	20.6	23.9	-	13.8
Surplus on disposal of an assoc company	14.3	-		n.m.
Share of results of Assoc/JVs, net of tax	25.0	27.0	-	7.4
Profit before tax	61.9	51.8	+	19.5
Net profit	55.0	45.9	+	19.8
Net profit margin (%)	19.9	15.5	+	4.4 pts

The Group posted a profit attributable to owners of \$55.0M for the fourth quarter ended 31 March 2018, an increase of \$9.1 million or 19.8%.

Group Profit for FY17/18



Joint Venture and Associated Companies

FY17/18

	FY17/18 \$M	FY16/17 \$M	Variance %
<u>Share of profits after tax</u>			
Engine and Component			
- Engine Centres	69.3	53.7	+ 29.1
- Component Centres	40.6	41.9	- 3.1
	109.9	95.6	+ 15.0
Airframe and Line Maintenance	(0.1)	0.9	n.m.
	109.8	96.5	+ 13.8

Contributions from the engine and component centres at \$109.9M were higher by \$14.3M or 15.0%, with higher share of profits from both engine centres SAESL and ESA.

Breakdown of Group Revenue

FY17/18

	\$M	\$M		%
Airframe Overhaul and Line Maintenance	942.5	933.1	+	1.0
Fleet Management	124.7	147.5	-	15.5
	1,067.2	1,080.6	-	1.2
Engine and Component	27.7	23.5	+	17.9
	1,094.9	1,104.1	-	0.8

Revenue decreased by \$9.2M or 0.8% , mainly due to lower fleet management revenue.

Group Expenditure

FY17/18

	FY17/18	FY16/17	Variance	
	\$M	\$M		%
Staff costs	494.3	512.5	-	3.6
Material costs	186.5	187.6	-	0.6
Subcontract costs	133.9	138.4	-	3.3
Overheads	203.8	193.6	+	5.3
Expenditure	1,018.5	1,032.1	-	1.3

Expenditure was lower by 1.3%, with decrease in staff and subcontract costs partially offset by an exchange loss of \$6.5M compared to a \$5.5M exchange gain last year.

Group Operating Profit by Segment

FY17/18

	FY17/18	FY16/17 (Before divestment of HAESL)	FY16/17 (After divestment of HAESL)	FY17/18 vs FY16/17 (Before divestment of HAESL)
	\$M	\$M	\$M	%
Airframe and Line Maintenance	79.5	94.9	73.6	-16.2
Engine and Component	(3.1)	(1.6)	(1.6)	-93.8
	76.4	93.3	72.0	-18.1

Group's operating profit in FY17/18 was \$4.4M or 6.1% higher. Excluding the profit-linked component of staff remuneration arising from the gain on divestment of HAESL in FY16/17, the profit was \$16.9M or 18.1% lower.

SIA vs Non-SIA Revenue

FY17/18

	SIA \$M	Non-SIA \$M	Total \$M
SIAEC	596.0	365.8	961.8
<i>% of non-SIA work</i>		38%	
Subsidiary Cos	71.6	115.2	186.8
<i>% of non-SIA work</i>		62%	
JV & Associated Cos			
- Engine and Component	1,025.6	2,836.2	3,861.8
- Airframe and Line Maintenance	33.7	33.6	67.3
	1,059.3	2,869.8	3,929.1
<i>% of non-SIA work</i>		73%	
Combined revenue	1,726.9	3,350.8	5,077.7
<i>% of non-SIA work</i>		66%	

% of non-SIA revenue decreased by 1ppt from 67% in FY16/17 to 66% in FY17/18.

Group Balance Sheet

	31 Mar 2018	31 Mar 2017
	\$M	\$M
Equity attributable to owners of the parent	1,495.9	1,554.0
Non-controlling interests	31.3	34.0
Total equity	1,527.2	1,588.0
Non-current liabilities	43.8	51.0
	1,571.0	1,639.0
<u>Represented by:</u>		
Non-current assets	913.1	938.9
Cash	499.7	601.7
Other current assets	405.8	377.7
Current assets	905.5	979.4
Current liabilities	(247.6)	(279.3)
Net current assets	657.9	700.1
	1,571.0	1,639.0

Financial Statistics

	FY17/18	FY16/17 (Before divestment of HAESL)	FY16/17 (After divestment of HAESL)	FY17/18 vs FY16/17 (Before divestment of HAESL)
Financial Statistics				
Return on shareholders' funds (%)	12.1	11.4	21.9	+ 0.7 ppt
Basic earnings per share (cents)	16.45	15.33	29.63	+ 7.3 %
			Mar 18 vs Mar 17	
Net asset value per share (cents)	Mar 18 133.8	Mar 17 138.8	- 3.6	%

Dividend

	FY17/18	FY16/17
<u>(in cents per share)</u>		
Interim	4.0	4.0
Final	9.0	9.0
Special	-	5.0
Total	13.0	18.0

Final dividend to be paid on 7 August 2018

SIA ENGINEERING COMPANY

FY17/18

Operational Review



Core Business



Line Maintenance

39 airports in 8 countries



Aircraft & Component Services

6 hangars in Singapore
3 hangars in Philippines



Fleet Management

89 aircraft from 8 airlines

Line Maintenance

Flights handled at Changi Airport

↑ 3.7%



4 New Contracts



8 Renewed Contracts



Aircraft & Component Services

10 New/ Renewed Contracts at Singapore Base



Maintenance checks at Singapore base

	<u>FY17/18</u>	<u>FY16/17</u>
'A' checks	455*	427
'C' checks	87	89

Maintenance checks at Clark base

	<u>FY17/18</u>	<u>FY16/17</u>
'C' checks	56	35

Fleet Management



A320

24 aircraft



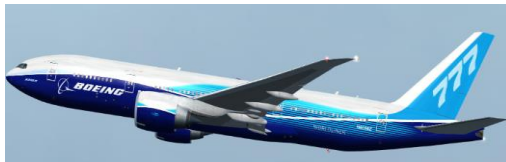
737

24 aircraft



A330

22 aircraft



777

9 aircraft



747

10 aircraft

FMP fleet: 89 aircraft



25 JVs Across 8 Countries

Airframe and Line Maintenance

Heavy Maintenance Singapore Services

SIA Engineering (Philippines)

Boeing Asia Pacific Aviation Services

Aircraft Maintenance Services Australia

Aviation Partnership (Philippines)

Pan Asia Pacific Aviation Services

PT JAS Aero-Engineering Services

SIA Engineering Japan

SIA Engineering (USA)

Singapore Jamco Services

Southern Airports Engineering Services

Engine and Component

Singapore Aero Engine Services

Eagle Services Asia

Asian Surface Technologies

Component Aerospace Singapore

Turbine Coating Services

Aerospace Component Engineering Services

Fuel Accessory Service Technologies

Goodrich Aerostructure Service Center - Asia

Moog Aircraft Services Asia

Jamco Aero Design & Engineering

JAMCO Singapore

Panasonic Avionics Services Singapore

Safran Electronics & Defense Services Asia

Safran Landing Systems Services Singapore

Legend:

Key Developments



Services Agreement with SilkAir

- 37 Boeing 737 MAX aircraft
- 12 year-term with option to renew for 5 years

Maintenance Agreement with Thales



- In-Flight Entertainment and Connectivity Agreement to maintain Singapore Airlines' A350 XWB aircraft fitted with Thales' AVANT IFE system
- 10-year term

Key Developments

MOUs to collaborate in Data Analytics



- Collaborate with CaseBank Technologies on research, development and commercialisation of advanced diagnostic software



- Collaborate with Safran Analytics on research and development of software for predictive maintenance

Key Developments



New Shareholder in Line Maintenance JV

- Hong Kong Airlines is new shareholder of our line maintenance JV in Hong Kong, Pan Asia Pacific Aviation Services



Non-binding LOI with Cebu Air to expand MRO Services in the Philippines

- Two existing JVs in the Philippines with Cebu Air
- Explore feasibility of potential growth through expansion of line maintenance operations and training academy services, and growth of hangar facilities

Key Developments



Joint Venture Agreement with GE Aviation to form Engine Overhaul JV

- SIAEC 49%, GE Aviation 51%
- Full range of engine MRO services for the GE90 and GE9X engines

Joint Venture Agreement with Stratasys to form Additive Manufacturing JV



- SIAEC 60%, Stratasys 40%
- Leverage additive manufacturing technology to produce plastic aircraft cabin interior parts as well as tooling for MRO providers

Outlook

- To strengthen our position as a leading MRO, the Company has embarked on a transformation journey to enhance productivity, streamline processes and increase competitiveness.
- Continue to invest in innovation and technology to stay at the forefront of the industry.
- Our portfolio of JVs further augment the Group's business, enabling us to gain access to new products, markets and technology.

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