

1H FY21/22 REVIEW

08 NOVEMBER 2021



SIA ENGINEERING
COMPANY

Operational Review



Core Business



Line Maintenance

- 26 airports in 7 countries



Base Maintenance

- 6 hangars in Singapore
- 3 hangars in Philippines

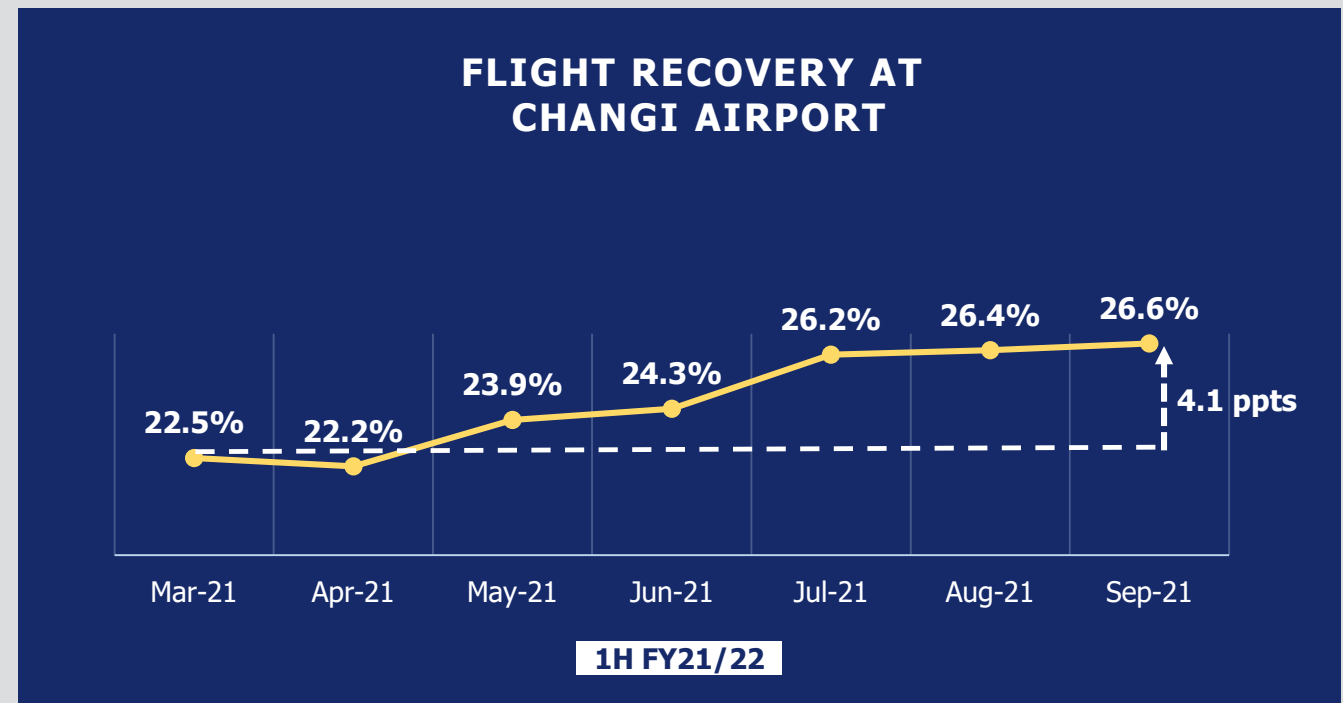
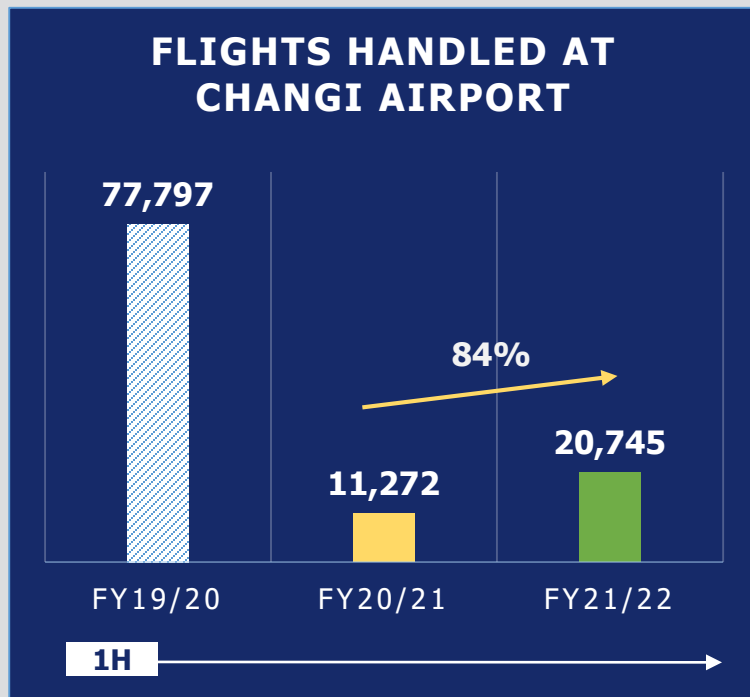


Fleet Management

- 77 aircraft from 9 airlines

Line Maintenance

- Number of flights handled in 1H FY21/22 increased 84% YOY; only 25% of pre-pandemic workload
- Pace of recovery was slow; increase in flights were mainly from base carriers at Changi Airport
- In the six months up to September 2021, flight recovery was only 4.1 percentage points



Base Maintenance

Maintenance Checks at Singapore Base

	1H FY20/21	1H FY21/22
Light Checks*	109	162
Heavy Checks	24	46



- ➔
- Number of checks increased from active marketing efforts
 - Many of these checks were of lighter work content

Maintenance Checks at Clark Base

	1H FY20/21	1H FY21/22
Heavy Checks	3	7

- ➔
- Travel restrictions implemented by the Philippines government continued to affect check volume at Clark Base

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

Fleet Management

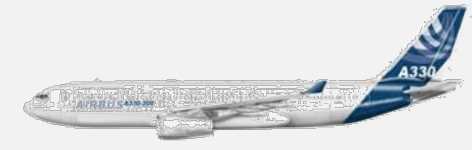
- Work volume, which is largely driven by flight activities, remained low due to low flight hours and retirement of customers' older aircraft.

FMP Fleet: 77 aircraft

A320
47 aircraft



A330
1 aircraft



737
22 aircraft



747
7 aircraft



Customers



1H Customer Contracts

Line Maintenance

Renewed

KOREAN AIR



New



AeroLogic



Line Maintenance International

New



HONGKONG AIRLINES
香港航空



Base Maintenance

New



Fleet Management

New



Ensuring Workplace Safety and Well-being of Staff

- 97% of the company workforce is fully vaccinated
- Staff are continually updated on safe-management measures and work-from-home arrangements
- To provide a conducive and safe working environment for continuing business and operations, we strictly enforce guidelines to proactively detect and manage positive cases
- Besides safe management practices, we have also implemented the following:
 - Flexible working hours and staggered reporting times
 - Split team arrangement for employees working on site
 - No cross-site deployments
 - Time-limited Rostered Routine Testing
- Regular disinfection was added on top of our cleaning and antimicrobial coating application regimes

Strategic Partnerships – JV Portfolio

22 JVs Across 7 Countries (Total Revenue in 1H FY21/22: S\$2.4B)

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%

- 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%

JV Partners:

■ Pratt & Whitney
 ■ Rolls-Royce
 ■ GE
 ■ Jamco
 ■ Safran
 ■ Collins
 ■ Line Maintenance International (LMI)
 ■ LMI (Pending)
 ■ Others

Transformation Phase 2 (2021-2023) Gaining Traction

Power Up with **Lean**



- Pervasive enterprise-wide implementation
- More than 20% improvement in turnaround time
- Lean Academy launched

Adding value to **Customers**

- Time saved for customers
- Reduce maintenance time through efficiency; improved service delivery through operations excellence
- Deepened synergy



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



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

Adding value to **Staff**

- Time saved for staff through Lean & Digital enablement
- Enhanced staff experience
- Professional development



Progressing in Digitalisation and Technology

- Enabling pervasive digitalisation through upgrade of digital infrastructure, innovation culture and adopting agile approach to project development
- Building upon Lean efforts to digitalise streamlined processes and leverage optimisation solutions
- Benefits from digital solutions and new technology-enabled services and equipment are progressively delivering higher efficiency and value for our customers

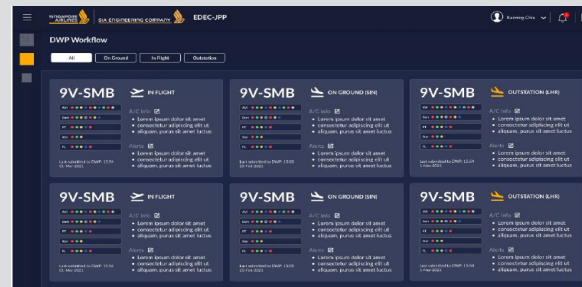
Project Examples

Digital infrastructure



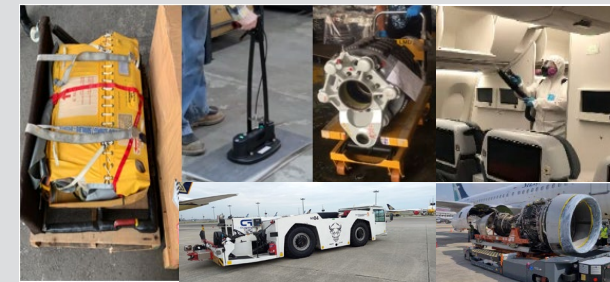
Upgrade of digital architecture and roll-out of data marts are supporting digital applications and data analytics to optimise processes

Joint Planning Platform



Joint Planning Platform at Line Maintenance leads to manhour savings for our customers and staff; and ensures higher service level through enhanced integration, prioritisation and coordination

Operations Technologies



Assistive technologies deployed to daily operations help overcome physically demanding work, increase productivity and staff experience.

Power Up with Lean

- Under Transformation Phase 2, over \$10M will be invested to accelerate and sustain a Lean transformation enterprise-wide
- Launched Lean Academy on 7 September 2021
- Aim to have 100% of our workforce trained in Lean by early 2023
- Training to be extended to the wider aerospace MRO community in the longer term



Engineering a Sustainable Future

Responsible business practices to drive positive change in the community



Reducing Emissions

Reduction in scope 1 and 2 emissions intensity (against revenue)

25%

- ❖ Compared to base year FY13/14
- ❖ 23% reduction compared to FY20/21 as emissions intensity was significantly impacted by revenue reduction caused by Covid-19

Sustainable Aviation Fuel

Planned trial on engine tests



Electric Vehicles

- ❖ Ongoing trial on electric tow tractors
- ❖ Planned to roll out in 2022



Tapping Clean Energy

25%

Of electricity is supplied by **solar panels** installed on roofs of our hangars and buildings



Green Building

Hangar 3

- ❖ Certified PUB Water Efficient Building (WEB)
- ❖ Application for BCA Green Mark certification ongoing

Hangar 2 FY20/21

Obtained

- ❖ Green Mark (Platinum, Super Low Energy Building)
- ❖ PUB WEB



Recycling

Proportion of waste recycled

24%

- ❖ Recycling rate increased 11% compared to FY20/21



Corporate Social Responsibility (CSR)

- ❖ Continual engagement with social organisations
- ❖ Step up **environmental awareness**

Upcycling workshop, beach clean-up



Financial Review



1H21/22 Financial Highlights

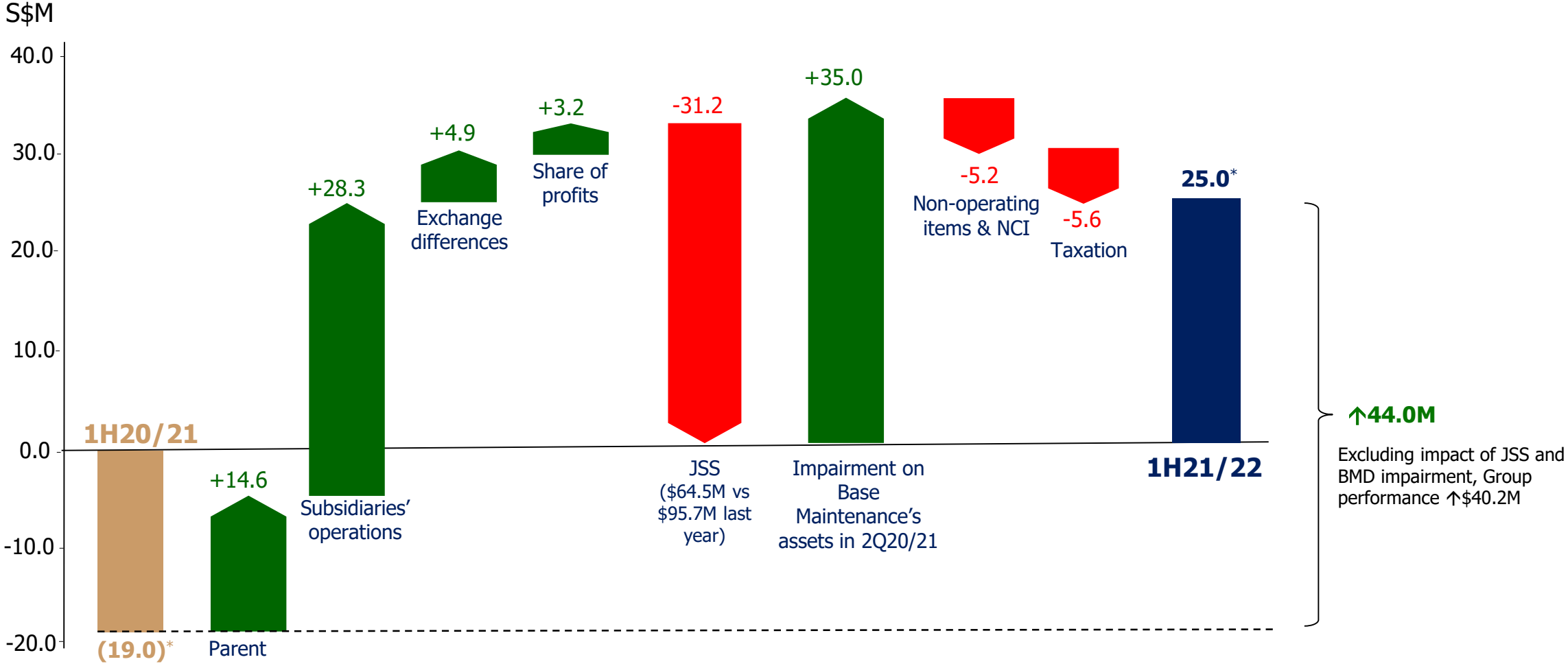
- Smaller operating loss year-on-year as revenue increased with recovery in flight activities, albeit recovery of flight activities had been low.
- Group operating loss of \$6.7 million as compared to loss of \$27.2 million for 1H20/21.
- Share of profits of associated and joint venture companies at \$26.8 million was 5.6% lower year-on-year.
- Net profit of \$25.0 million as compared to a net loss of \$19.0 million for 1H20/21; last year's results included a \$35.0 million impairment on base maintenance's assets.
- No dividend proposed in view of weak performance excluding government wage support and uncertain outlook for substantial flight recovery.

Summary of Group Results 1H21/22

Group	1Q	2Q	1H21/22	1H20/21	Variance	
	\$M	\$M	\$M	\$M	\$M	%
Revenue	125.3	138.2	263.5	223.0	+40.5	+18.2
Expenditure	128.2	142.0	270.2	250.2	+20.0	+8.0
Operating loss	(2.9)	(3.8)	(6.7)	(27.2)	+20.5	+75.4
Share of profits of JV & Assoc	14.8	12.0	26.8	28.4	-1.6	-5.6
Other non-operating items and taxation	2.6	2.3	4.9	(20.2)	+25.1	n.m.
Group profit/(loss) after tax	14.5	10.5	25.0	(19.0)	+44.0	n.m.

- Revenue increased 18% with higher flight activities.
- Expenditure increased with lower government wage support and progressive rollback of staff cost management measures.

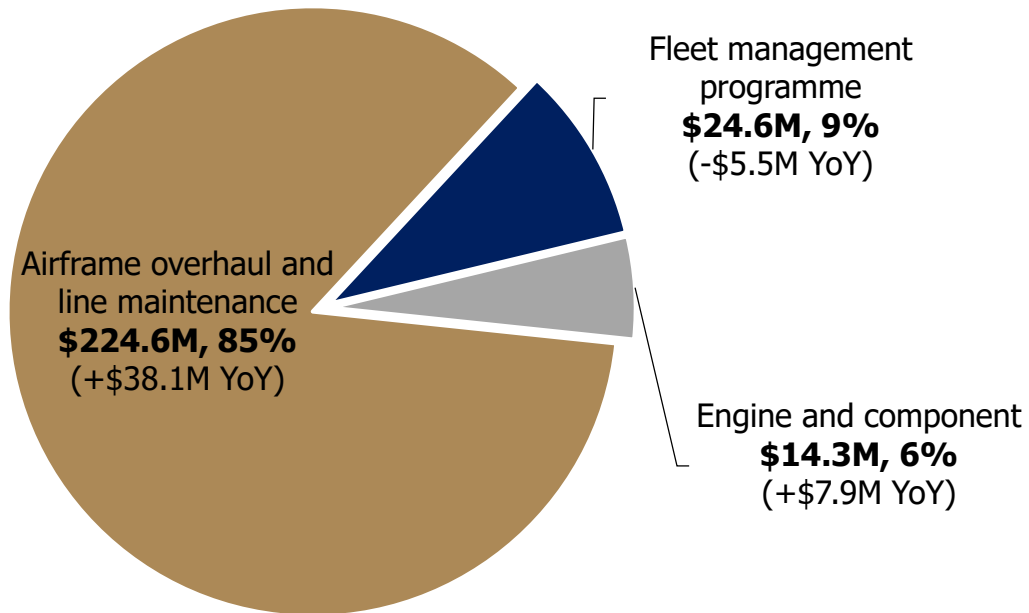
Analysis of Group Profit – 1H21/22



* Excluding JSS, Group would have incurred a net loss of \$39.5M in 1H21/22 (net loss of \$114.7M in 1H20/21)

Breakdown of Group Revenue 1H21/22

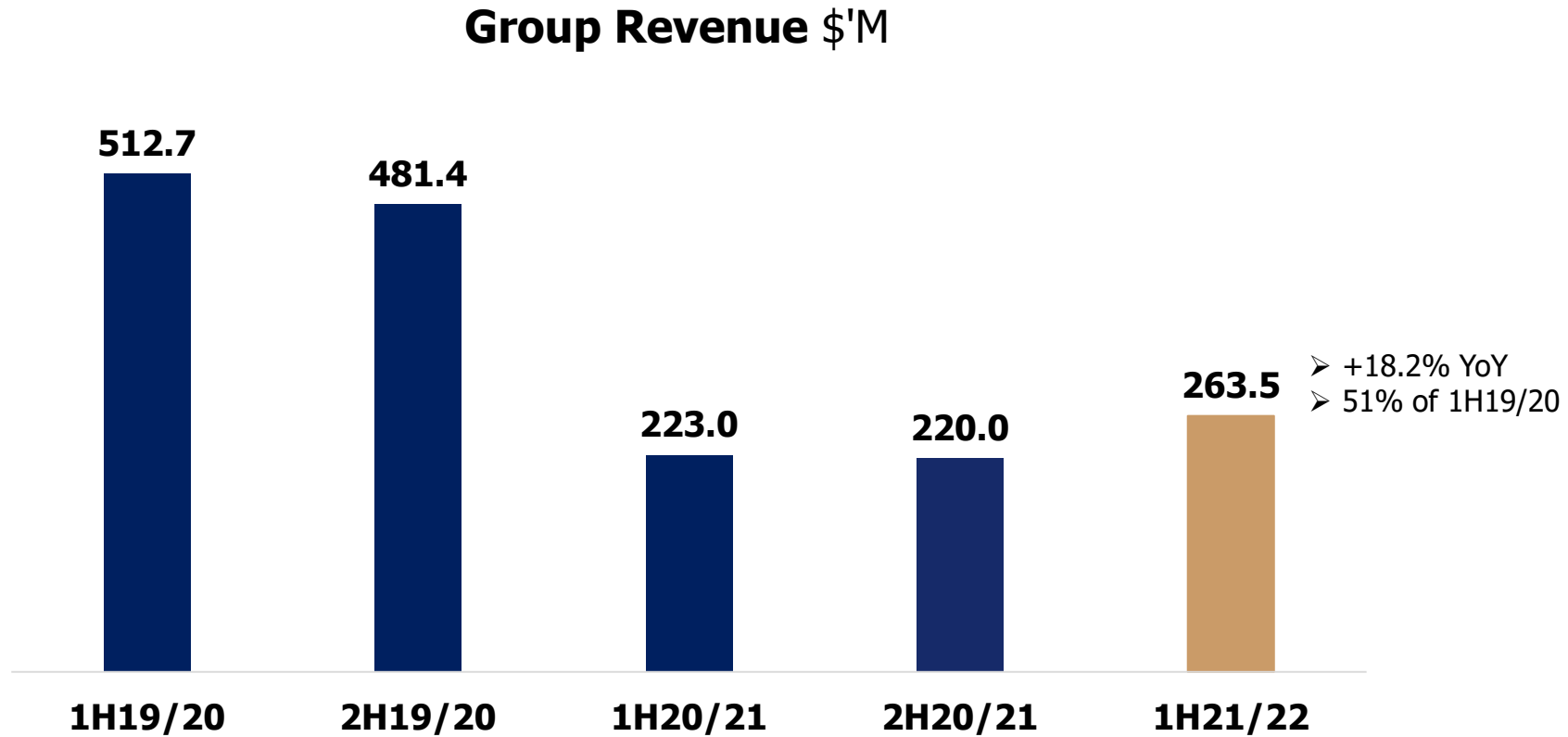
Group Revenue increased \$40.5M year-on-year (+18.2%) to \$263.5M



Group Revenue (\$M)	<u>1Q</u>	<u>2Q</u>
Airframe overhaul and line maintenance	107.6	117.0
Fleet management programme	10.8	13.8
Airframe and line maintenance	118.4	130.8
Engine and component	6.9	7.4
	125.3	138.2
		+\$12.9M, +10% QoQ

Airframe overhaul and line maintenance revenue increased with higher number of flights handled. Fleet management revenue remained low.

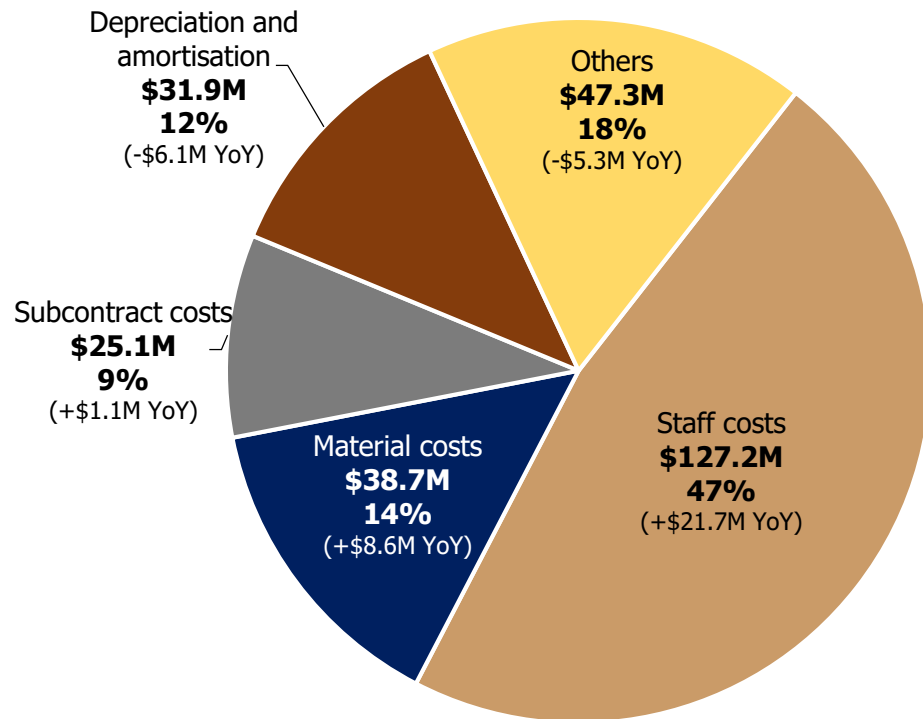
Group Revenue Trend



Gradual improvement from with slow flight recovery.

Group Expenditure 1H21/22

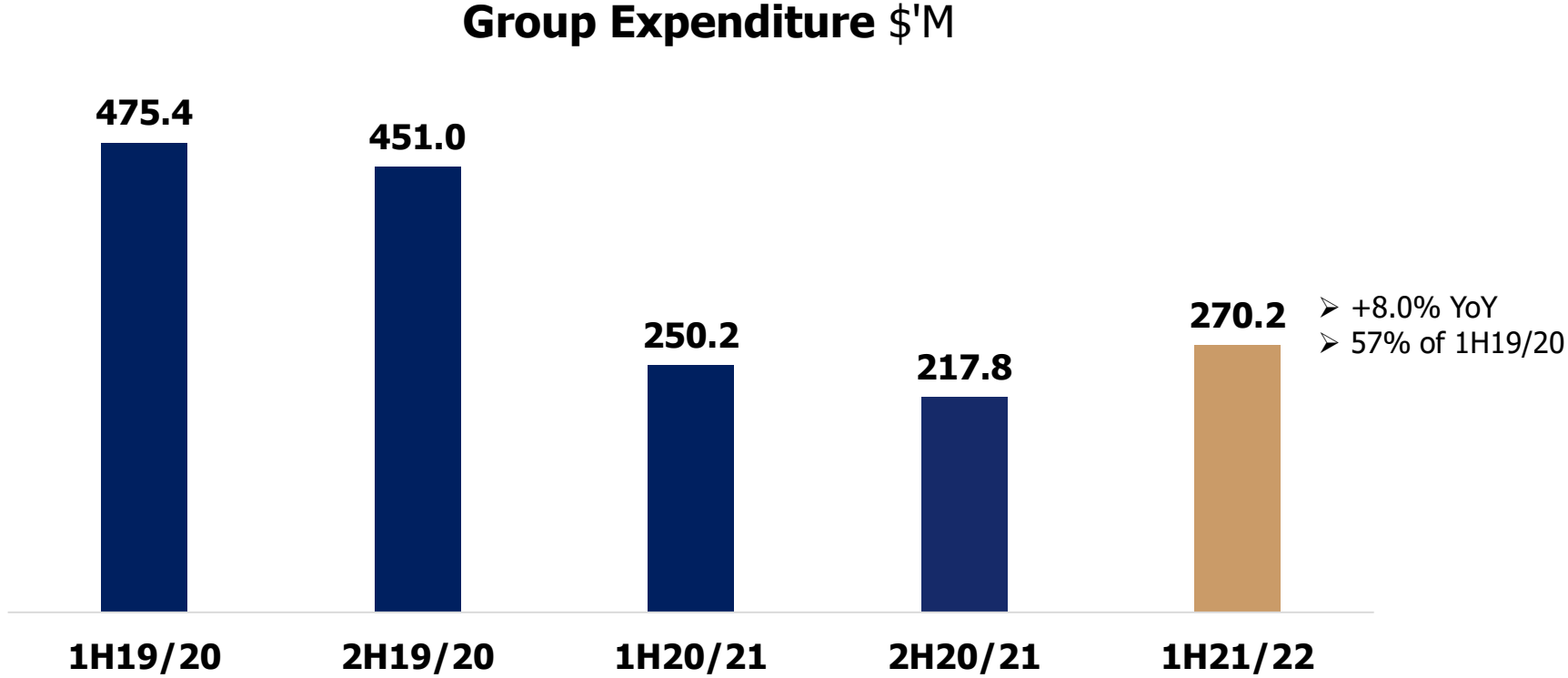
**Group Expenditure increased \$20.1M
year-on-year (+8.0%) to \$270.2M**



Group Expenditure (\$M)	<u>1Q</u>	<u>2Q</u>
Staff costs	57.0	70.2
Material costs	18.5	20.2
Subcontract costs	11.8	13.3
Depreciation and amortisation	16.0	15.9
Overheads	24.9	22.4
	128.2	142.0

Excluding JSS support, staff costs was 3.1% lower year-on-year.

Group Expenditure Trend



Increase in expenditure due to progressive step-down in JSS support and rollback of manpower measures.

Group Operating Profit 1H21/22

Group Operating Loss	1Q	2Q	1H21/22	1H20/21	Variance	
	\$M	\$M	\$M	\$M	\$M	%
Airframe and Line Maintenance	(0.9)	(0.9)	(1.8)	(25.1)	+23.3	+92.8
Engine and Component	(2.0)	(2.9)	(4.9)	(2.1)	-2.8	-133.3
	(2.9)	(3.8)	(6.7)	(27.2)	+20.5	+75.4

Joint Venture and Associated Companies

1H21/22

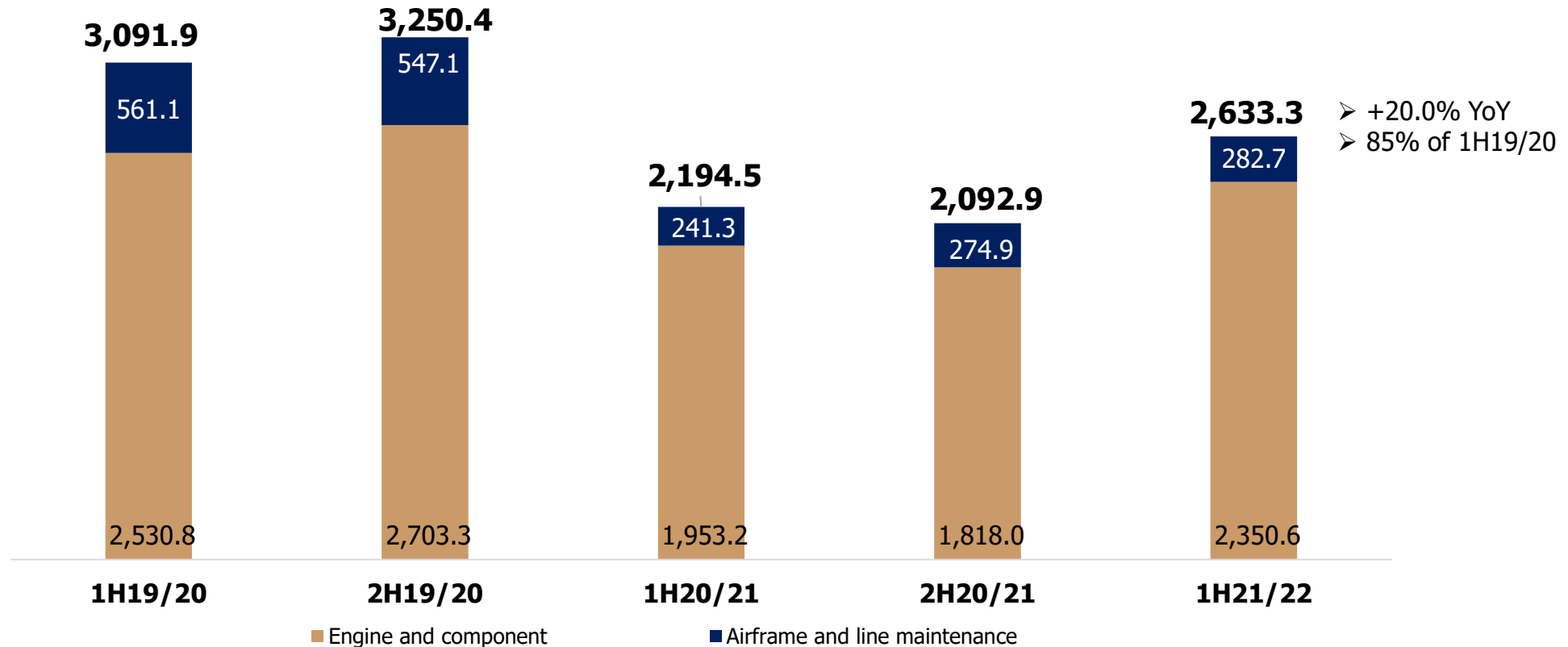
Share of Profit/(Loss) After Tax	1Q	2Q	1H21/22	1H20/21	Variance	
	\$M	\$M	\$M	\$M	\$M	%
Engine centers	11.3	6.0	17.3	22.4	-5.1	-22.8
Component centers	7.0	8.1	15.0	15.5	-0.5	-3.2
Engine and component	18.3	14.1	32.3	37.9	-5.6	-14.8
Airframe and line maintenance	(3.5)	(2.1)	(5.5)	(9.5)	+4.0	+42.1
	14.8	12.0	26.8	28.4	-1.6	-5.6

- Lower contribution from engine and component segment
- Offset by lower losses from the airframe and line maintenance segment, due to higher flight activities.

Aggregated Revenue of the Group 1H21/22

(Company, Subsidiaries, JV and Associated Companies)

Aggregated Revenue of Company, Subsidiaries, JV and Associated Companies \$'M



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

Group Balance Sheet

	Sep-21 \$M	Mar-21 \$M	Variance	
			\$M	%
Total equity	1,578.3	1,544.2	+34.1	+2.2
Non-current liabilities	70.1	56.5	+13.6	+24.1
Current liabilities	194.3	209.1	-14.8	-7.1
Non-current assets	908.2	883.8	+24.4	+2.8
Cash	685.7	616.0	+69.7	+11.3
Other current assets	248.8	310.0	-61.2	- 9.7

- Increase in equity mainly due to profits earned in the half year.
- Cash balance remains healthy and places the Group in a strong position to face the continuing market uncertainties.

Financial Statistics

Financial Statistics	1H21/22	1H20/21	Variance
Return on shareholders' funds (%)	2.1	5.7	-3.6 ppt
Basic earnings/(loss) per share (cents)	2.23	(1.69)	n.m.

	Sep-21	Mar-21	Variance
Net asset value per share (cents)	139.7	136.8	+2.1 %

Powering Up for Growth



Summary of 1H FY21/22



~27% Improvement in Operating Profit

comparing 1H year-on-year, excluding JSS



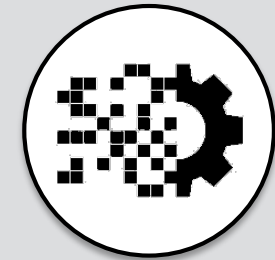
Prudent Cost Management

through cost-saving measures, and with support from government wage support



Absence of Impairment

improved net profit after tax



Transformation Efforts Gained Traction

with Lean and Digital projects improving overall productivity by ~ 20%

Outlook

Challenges Remain



Pace of recovery remains uncertain amidst surge in COVID-19 positive cases and new variant concerns



Government Wage Support tapering off



Rising operating cost from rollback of manpower management measures and preparation for further recovery

Positioning for Recovery and Future Growth

Remain vigilant and disciplined in the management of costs

Accelerate Transformation - invest in digitalisation, automation and adoption of Lean frameworks to raise productivity

Reshape our portfolio and invest in new capabilities and services

Pursue new opportunities for organic growth and strengthen our JV portfolio

Thank you

