

1st November 2016

SIA ENGINEERING GROUP POSTS PROFIT OF \$233.9M FOR 1st HALF FY2016-17

HIGHLIGHTS OF THE GROUP'S PERFORMANCE

| | 1 st Half FY2016-17 | | 2 nd Quarter FY2016-17 | |
|---|--------------------------------|--------------------------|-----------------------------------|--------------------------|
| | Apr - Sep 2016 | Year-on-Year % Change | Jul - Sep 2016 | Year-on-Year % Change |
| • Revenue | \$536.4M | - 1.3 | \$264.8M | - 0.5 |
| • Operating profit | | | | |
| - before divestment | \$44.2M | - 7.7 | \$24.5M | - 9.3 |
| - after divestment | \$22.9M | - 52.2 | \$24.5M | - 9.3 |
| • Share of profits of associated and joint venture companies, net of tax | \$37.9M | - 11.2 | \$17.2M | - 8.0 |
| • Profit attributable to owners of the parent | | | | |
| - before divestment | \$73.5M | - 14.3 | \$35.5M | - 20.2 |
| - after divestment | \$233.9M | + 172.6 | \$35.5M | - 20.2 |
| • Basic earnings per share | 20.83 cts | + 172.3 | 3.17 cts | - 19.9 |

GROUP EARNINGS

First Half FY2016-17

SIAEC Group recorded a profit attributable to owners of the parent of \$233.9 million for the half year ended 30 September 2016, an increase of \$148.1 million. Operating profit was \$22.9 million, a decrease of \$25.0 million or 52.2%. During the first quarter, the Group made a \$141.6 million gain from the divestment of its 10% stake in Hong Kong Aero Engine Services Ltd ("HAESL") to Rolls-Royce Overseas Holdings Limited ("RROH") and Hong Kong Aircraft Engineering Company Limited ("HAECO"). In addition, the Group received a special dividend of \$36.4 million from HAESL following the divestment of its 20% stake in Singapore Aero Engine Services Pte Ltd ("SAESL") to Rolls-Royce Singapore Pte Ltd ("RRS"), bringing the overall gain from divestment to \$178.0 million.

The gain on divestment gave rise to an increase in provision for the profit-linked component of staff remuneration. Before the impact of the gains on divestment and its corresponding impact on staff costs, operating profit would have been \$44.2 million, a decrease of \$3.7 million or 7.7%, while profit attributable to owners of the parent would have been \$73.5 million, a decrease of \$12.3 million or 14.3%.

Revenue at \$536.4 million was lower by \$6.9 million or 1.3%. The decrease in revenue was mainly from lower fleet management revenue, partially mitigated by higher revenue from line maintenance.

Expenditure rose by \$18.1 million or 3.7% to \$513.5 million, with a \$26.8 million or 11.5% increase in staff costs, partially offset by a decrease in subcontract costs. The increase in staff costs was due mainly to an additional provision for staff remuneration arising from the gain on divestment, based on profitability-related key performance indicators.

Note: The SIAEC Group's unaudited financial results for the second quarter and half year ended 30 September 2016 were announced on 1 November 2016. A summary of the financial statistics is shown in Annex A. (All monetary figures are in Singapore Dollars. The Group comprises the Company and its subsidiary, associated and joint venture companies.)

Share of profits of associated and joint venture companies fell \$4.8 million or 11.2% to \$37.9 million. Contributions from the engine repair and overhaul centres at \$21.7 million were \$1.2 million or 5.2% lower than the same period last year.

Basic earnings per share was 20.83 cents for the half year ended 30 September 2016.

Second Quarter FY2016-17

Profit attributable to owners of the parent was \$35.5 million for the quarter ended 30 September 2016, \$9.0 million or 20.2% lower than the corresponding quarter last year. Profit for the same quarter last year included a \$2.8 million gain arising from the partial disposal of an associated company, and a \$1.5 million dividend from HAESL which ceased upon its divestment.

Revenue of \$264.8 million decreased by \$1.2 million or 0.5%. Expenditure at \$240.3 million increased by \$1.3 million or 0.5%, mainly due to increases in material and staff costs, which were offset in part by lower subcontract costs. As a result, operating profit of \$24.5 million was lower by \$2.5 million or 9.3%.

Share of profits from associated and joint venture companies was \$17.2 million, \$1.5 million or 8.0% lower than the same quarter last year. Contributions from the engine repair and overhaul centres at \$9.5 million were \$2.2 million or 18.8% lower.

Basic earnings per share was 3.17 cents for the current quarter.

GROUP FINANCIAL POSITION

As at 30 September 2016, equity attributable to owners of the parent of \$1,496.3 million was \$10.8 million or 0.7% higher than at 31 March 2016, with profits earned for the quarter offset in part by a decrease in fair value reserves upon the divestment of the Group's interest in HAESL and the payment of the final dividend in respect of FY2015-16. The Group's cash balance increased \$145.9 million or 37.0% to \$539.8 million, mainly due to the cash consideration received from the divestment of HAESL and dividend received from HAESL following the divestment of its stake in SAESL, partially offset by payment of the final dividend. Total assets amounted to \$1,849.2 million.

Net asset value per share as at 30 September 2016 was 133.3 cents.

DIVIDEND

The Company has declared an interim dividend of 4.0 cents per share.

OUTLOOK

In the face of global economic uncertainties and the challenging outlook of the MRO industry, the Group will continue to restructure and streamline operations to enhance operating efficiencies. During the quarter, we completed the merger of Singapore Aero Engine Services Pte Ltd and International Engine Component Overhaul Pte Ltd, and have approved the integration of International Aerospace Tubes-Asia Pte Ltd and Component Aerospace Singapore Pte Ltd. Heavy Maintenance Singapore Services Pte Ltd, the Company's joint venture with Airbus, was incorporated on 28 October 2016 and is expected to commence operations within this financial year.

The Group is also pursuing strategic partnerships and undertaking initiatives to strengthen its competitiveness for long term growth, including investing in new technologies and advancing innovation.

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(For the complete second quarter and first half FY2016-17 financial statements, please refer to our SGXNET Filing or the Investor Relations page of our website at www.siaec.com.sg).

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GROUP FINANCIAL STATISTICS

| | 1 st Half 2016-17 | 1 st Half 2015-16 | 2 nd Quarter 2016-17 | 2 nd Quarter 2015-16 |
|---|----------------------------------|----------------------------------|------------------------------------|------------------------------------|
| Financial Results (\$ million) | | | | |
| Total revenue | 536.4 | 543.3 | 264.8 | 266.0 |
| Total expenditure ^{R1} | 513.5 | 495.4 | 240.3 | 239.0 |
| Operating profit ^{R1} | 22.9 | 47.9 | 24.5 | 27.0 |
| Non-operating items | 1.5 | 3.5 | 0.6 | 3.2 |
| Surplus on disposal of non-current asset held for sale | 141.6 | - | - | - |
| Dividend income from non-current asset held for sale | 39.5 | 3.2 | - | 1.5 |
| Share of profits of associated companies, net of tax | 25.6 | 21.3 | 12.3 | 6.8 |
| Share of profits of joint venture companies, net of tax | 12.3 | 21.4 | 4.9 | 11.9 |
| Profit before taxation | 243.4 | 97.3 | 42.3 | 50.4 |
| Profit attributable to owners of the parent ^{R2} | 233.9 | 85.8 | 35.5 | 44.5 |
| Per Share Data | | | | |
| Earnings before tax (cents) | 21.68 | 8.67 | 3.77 | 4.49 |
| Earnings after tax (cents) - basic ^{R3} | 20.83 | 7.65 | 3.17 | 3.96 |
| - diluted ^{R4} | 20.79 | 7.63 | 3.16 | 3.95 |
| | As at 30 Sep 2016 | As at 31 Mar 2016 | | |
| Financial Position (\$ million) | | | | |
| Share capital | 420.0 | 416.5 | | |
| Treasury shares | (5.1) | (6.1) | | |
| Reserves | | | | |
| Capital reserve | 2.7 | 0.2 | | |
| Share-based compensation reserve | 14.1 | 18.4 | | |
| Foreign currency translation reserve | (81.5) | (87.9) | | |
| Fair value reserve | (1.5) | 140.7 | | |
| Equity transaction reserve | (2.4) | (2.4) | | |
| General reserve | 1,150.0 | 1,006.1 | | |
| Equity attributable to owners of the parent | 1,496.3 | 1,485.5 | | |
| Total assets | 1,849.2 | 1,822.1 | | |
| Net asset value per share (cents) ^{R5} | 133.3 | 132.4 | | |

^{R1} The expenditure of \$513.5 million in 1H FY2016-17 included a provision for the estimated increase in the profit-linked component of staff remuneration arising from the gain on divestment of Hong Kong Aero Engine Services Ltd ("HAESL"). Before the additional provision for staff costs, operating profit for the half year was \$44.2 million. After taking into account this one-time impact, the Group showed an operating profit of \$22.9 million in 1H FY2016-17.

^{R2} Profit attributable to owners of the parent of \$233.9 million included a gain on divestment of HAESL of \$178.0 million and its corresponding impact on staff costs (net of tax adjustments). Before the divestment, profit attributable to owners of the parent was \$73.5 million.

^{R3} Earnings after tax per share (basic) is computed by dividing profit attributable to owners of the parent by the weighted average number of ordinary shares in issue less treasury shares.

^{R4} Earnings after tax per share (diluted) is computed by dividing profit attributable to owners of the parent by the weighted average number of ordinary shares in issue less treasury shares, after adjusting for the dilutive effect on the exercise of all outstanding share options, performance shares and restricted shares granted to employees.

^{R5} Net asset value per share is computed by dividing equity attributable to owners of the parent by the number of ordinary shares in issue less treasury shares.