4th May 2021

SIA ENGINEERING GROUP
FULL YEAR RESULTS FOR FY2020-21

- **Gradual recovery of flight activities continued into the second half**
- **Group revenue for the full year fell 55% due to impact of the COVID-19 pandemic on air travel**

HIGHLIGHTS OF THE GROUP'S PERFORMANCE

	FY2020-21			2nd Half FY2020-21		
	Apr 2020 - Mar 2021	Year-on-Year Change		Oct 2020 - Mar 2021	Year-on-Year Change	
	$'M	$'M	%	$'M	$'M	%
• Revenue	443.0	-551.1	-55.4	220.0	-261.4	-54.3
• Operating (loss)/profit	(25.0)	-92.7	n.m.	2.2	-28.2	-92.8
• Share of profits of associated and joint venture companies, net of tax	39.9	-88.0	-68.8	11.5	-63.0	-84.6
• (Loss)/profit attributable to owners of the parent	(11.2)	-205.0	n.m.	7.8	-98.4	-92.7
• Basic (loss)/earnings per share (cents)	(1.00)	-18.30	n.m.	0.69	-8.79	-92.7

GROUP EARNINGS

Financial Year 2020-21

Group revenue of $443.0 million for the financial year ended 31 March 2021 was $551.1 million (-55.4%) lower than in the previous financial year as low flight activities and widespread grounding of aircraft resulted in a sharp and severe reduction in business volume.

Group expenditure was also lower year-on-year, falling from $926.4 million to $468.0 million (-49.5%), due to grants from government support schemes and cost-saving measures. Staff costs and subcontract costs fell due to actions taken to match manpower requirements to lower business volume. Government wage support resulted in a further reduction in manpower costs. Non-manpower related costs fell due to tight control over expenses and deferment of non-critical expenses. As such reduction in expenditure could not keep pace with the sharp decline in revenue, the Group's operating performance deteriorated from a profit of $67.7 million in the previous financial year to a loss of $25.0 million in the financial year ended 31 March 2021.

Share of profits of associated and joint venture companies of $39.9 million was $88.0 million (-68.8%) lower year-on-year, with a positive contribution of $49.8 million from the engine and component segment but a loss of $9.9 million from the airframe and line maintenance segment. The decline in performance was largely due to reduction in business volume as a result of low flying hours and extension of aircraft maintenance intervals. In addition, a one-time increase in tax provision in the fourth quarter [Note 2] contributed to the reduction in the share of profits from the engine and component segment.

The adverse impact of COVID-19 on the aerospace industry also resulted in provisions being made for impairment of asset values during the financial year, the most significant being a $35.0 million impairment provision made on Base Maintenance unit's assets and an $11.4 million impairment provision on the investment in an engine programme.

The Group recorded a net loss of $11.2 million for the financial year ended 31 March 2021, compared to a profit of $193.8 million in the previous year.

The decline of the Group's financial performance was substantially cushioned by grants from government support schemes, most significantly, the Jobs Support Scheme ("JSS"). Without this support, the Group would have recorded a loss of $192.4 million.

Basic loss per share was 1.00 cent for the financial year.

Second Half FY2020-21

With the pace of recovery of flight activities remaining slow, Group revenue of $220.0 million in the second half was $261.4 million (-54.3%) lower year-on-year. Expenditure was $217.8 million, a decline of $233.2 million (-51.7%), mainly due to lower staff, subcontract and material costs. Cost-saving measures implemented early in the financial year continued into the second half.

Operating profit for the period was $2.2 million, $28.2 million (-92.8%) lower year-on-year.

Share of profits from associated and joint venture companies amounted to $11.5 million compared to $74.5 million last year (-84.6%). Contributions from the engine and component segment were $66.5 million lower, in part due to a one-time increase in tax provision [Note 2]. Contributions from the airframe and line maintenance segment increased by $3.5 million.

Group net profit declined by $98.4 million (-92.7%) to $7.8 million for the second half of the year.

Basic earnings per share was 0.69 cents for the period.

Note 1: The SIAEC Group's audited financial results for the financial year ended 31 March 2021 were announced on 4 May 2021. 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.

Note 2: Staff rationalization measures and impact of the COVID-19 pandemic affected certain qualifying criteria of the tax incentive scheme at these associated companies. In the absence of a waiver for these criteria, a one-time tax charge was made to revise the tax provision from the concessionary tax rate to the prevailing corporate tax rate.

GROUP FINANCIAL POSITION

As at 31 March 2021, equity attributable to owners of the parent was $1,533.6 million, a reduction of $95.2 million (-5.8%) from 31 March 2020, due to the payment of the final dividend in respect of FY2019-20, a loss in the foreign currency translation reserve due to the weakening of the US dollar and losses incurred for the period.

Total assets stood at $1,809.8 million at 31 March 2021, a decline of $195.7 million (-9.8%) from a year ago.

Low borrowings and a cash balance of $616.0 million at 31 March 2021 place the Group in a strong position to face the continuing market uncertainty.

Net asset value per share at 31 March 2021 was 136.8 cents.

IMPACT OF COVID-19

The start of the financial year saw the most severe impact of the COVID-19 pandemic on flight activities with a record low number of flights handled in April and May 2020. Since then, the number of flights handled has been recovering, albeit at a slow pace. All business segments were gravely affected throughout the financial year.

For the financial year FY2020-21, the total number of flights handled by our Line Maintenance unit in Singapore was only 18.5% of the flights handled in the previous year. At Base Maintenance, fewer aircraft maintenance checks were performed as low flight activities and the grounding of aircraft by airlines resulted in the extension of maintenance intervals and hence lower base maintenance activities. Work volume for our fleet management business and engine and component joint venture companies also fell sharply as a result of low flight hours.

With the progressive step-down in Government support from the JSS, cost management remains a high priority. We have maintained measures taken earlier to mitigate manpower surpluses and manage operating cost, and will continue to be prudent with capital expenditure, without losing focus on opportunities to invest in capability and capacity expansion to lay the foundation for future recovery and growth.

Initiatives under Phase 2 of our Transformation programme to enhance our competitiveness in the post-COVID-19 landscape have gained traction. The adoption of Lean methodology to optimise certain operational processes has achieved double-digit improvements in productivity in the pilot phase. Employees are being equipped with Lean skillsets to lead more Lean projects across the organisation as part of transformation efforts. Planned investments over the next three years in digitalisation and automation, and the development of new technology-enabled products and services, will also enhance efficiency and create value for customers.

A new Engine Services Division ("ESD") was formed to consolidate, develop and grow the Company's engine services business. ESD will provide a comprehensive suite of engine-related value-added services which will increase our participation in the engine MRO value chain, strengthen our engine services eco-system and our value proposition to customers.

The Company continues to adopt the necessary safe management measures to ensure workplace safety and the well-being of all employees. Currently, over 80% of our workforce has been vaccinated against COVID-19. Employees have been strongly encouraged to receive the vaccination.

The profound impact of the COVID-19 pandemic on the aviation industry has put our resilience, collective strength and agility to the test over the last financial year. With the solidarity and tenacity of our employees and unions, the SIAEC Group has judiciously strengthened safety measures and processes, transformed in response to the new MRO landscape and supported our airline customers, Original Equipment Manufacturer (OEM) partners and the aviation community.

DIVIDEND

The Board will not be recommending a dividend for FY2020-21. COVID-19 has adversely impacted the Group's financial results. The Board has taken into consideration the losses incurred, the imperative to sustain the business through the continuing uncertainties, and the need to retain financial flexibility to pursue business opportunities.

OUTLOOK

Vaccination programmes across the world continue to gather pace, while bilateral discussions between countries to implement air travel bubbles and green lanes have raised optimism for a sustained recovery. Growing adoption by countries and airlines of the International Air Transport Association (IATA) Travel Pass, which integrates COVID-19 test results with passengers' boarding credentials will hopefully strengthen public confidence as air travel resumes. These encouraging developments for the safe resumption of international air travel bolster prospects for a more meaningful increase in flight frequencies and the subsequent demand for MRO services.

The path to recovery of the aviation and aerospace sector, however, is still fraught with risks. The emergence of new COVID-19 strains, concerns over the efficacy of the vaccines against these variants and a resurgence of infections are driving some governments to implement renewed lockdowns.

Government support, especially the JSS, has been critical during these difficult times. The JSS support for aerospace companies has been extended for a further six months, albeit at reduced levels. Prudent cash management continues to be a major priority.

Amid the uncertainties and challenging operating environment, we will continue in our pursuit to emerge stronger through investment in new capabilities, technologies and services to expand our market reach. We will also accelerate the pace of our digitalisation, automation and adoption of Lean frameworks under our ongoing Transformation programme.

To position ourselves for the post COVID-19 aviation landscape, we will continue the diligent review and rationalisation of our portfolio of companies as well as seek out new opportunities, such as the recently-announced potential acquisition of SR Technics Malaysia, to expand our capabilities and geographic reach.

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(For the complete FY2020-21 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

	FY20/21 ($'M)	FY19/20 ($'M)	2H20/21 ($'M)	2H19/20 ($'M)
Financial Results				
Revenue	443.0	994.1	220.0	481.4
Operating (loss)/profit	(25.0)	67.7	2.2	30.4
Share of profits of associated and joint venture companies, net of tax	39.9	127.9	11.5	74.5
Net (loss)/profit	(11.2)	193.8	7.8	106.2
Per Share Data				
(Loss)/earnings after tax (cents) - basic [R1]	(1.00)	17.30	0.69	9.48
- diluted [R2]	(1.00)	17.26	0.69	9.45

	As at 31 Mar 2021 ($'M)	As at 31 Mar 2020 ($'M)
Financial Position		
Share capital	420.0	420.0
Treasury shares	(9.8)	(13.7)
Capital reserve	2.7	2.8
Share-based compensation reserve	4.8	5.4
Foreign currency translation reserve	(23.8)	16.0
Fair value reserve	(2.2)	(8.7)
Equity transaction reserve	(2.2)	(4.5)
General reserve	1,144.1	1,211.5
Equity attributable to owners of the parent	1,533.6	1,628.8
Cash and bank balances	616.0	519.7
Receivables [R3]	223.9	400.1
Total assets	1,809.8	2,005.5
Total liabilities	265.5	344.5
Net asset value per share (cents) [R4]	136.8	145.4
Return on equity holders' funds (%) [R5]	(0.7)	12.3

COMPANY OPERATING STATISTICS AT SINGAPORE BASE

	FY20/21	FY19/20	2H20/21	2H19/20
Flights handled at Changi Airport by line maintenance	27,727	149,804	16,455	72,007
Number of heavy checks performed at Singapore base	60	72	36	34
Number of light checks performed at Singapore base	223	515	114	261
Fleet size managed by fleet management business [R6]	80	92	80	92

R1 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.

R2 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 vesting of all outstanding performance shares, restricted shares and deferred shares granted to employees.

R3 Receivables comprises trade debtors, contract assets, amount owing by immediate holding company and amounts owing by related parties.

R4 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.

R5 Return of equity holders' funds is profit attributable to the Company expressed as a percentage of the average equity holders' funds.

R6 Fleet size as at end of reporting period