



**SIA ENGINEERING GROUP POSTS
PROFIT OF \$25.0M FOR 1st HALF FY2021-22**

- **Turnaround from the first half’s loss last year, due to better operating performance and absence of impairment**
- **Sustaining this performance is dependent on steady flight recovery to offset tapering off of government wage support**

HIGHLIGHTS OF THE GROUP’S PERFORMANCE

	1st half FY2021-22			2nd Quarter FY2021-22		
	Apr – Sep	Year-on-Year		Jul - Sep	Year-on-Year	
	2021	Change		2021	Change	
	\$'M	\$'M	%	\$'M	\$'M	%
• Revenue	263.5	+40.5	+18.2	138.2	+33.7	+32.2
• Operating loss	(6.7)	+20.5	+75.4	(3.8)	+14.8	+79.6
• Share of profits of associated and joint venture companies, net of tax	26.8	-1.6	-5.6	12.0	-2.7	-18.4
• Profit attributable to owners of the parent	25.0	+44.0	n.m.	10.5	+40.2	n.m.
• Basic earnings per share (cents)	2.23	+3.92	n.m.	0.94	+3.59	n.m.

GROUP EARNINGS

First Half FY2021-22

The Group recorded a revenue of \$263.5 million for the first half of the financial year ended 30 September 2021, an increase of \$40.5 million (+18.2%) year-on-year. The increase was largely driven by higher flight activities. Group expenditure at \$270.2 million was \$20.0 million (+8.0%) higher year-on-year mainly due to lower government wage support and the phased rollback of manpower management measures as flight activities increased and in preparation for further recovery. Consequently, the Group incurred a lower operating loss of \$6.7 million as compared to the operating loss of \$27.2 million in the same period last year.

Share of profits of associated and joint venture companies at \$26.8 million, consists of \$32.3 million profit contribution from the engine and component segment offset by a \$5.5 million loss from the airframe and line maintenance segment. Share of profits was \$1.6 million (-5.6%) lower year-on-year. Contributions from the engine and component segment declined \$5.6 million (-14.8%) while the airframe and line maintenance segment recorded an improvement of \$4.0 million (+42.1%).

Note 1: The SIAEC Group’s unaudited financial results for the half year ended 30 September 2021 were announced on 5 November 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.

The Group net profit for the first half ended 30 September 2021 was \$25.0 million, an improvement of \$44.0 million over the loss of \$19.0 million recorded in the same period last year. Included in last year's poorer performance was an impairment provision of \$35.0 million on Base Maintenance unit's assets.

Government wage support recognised during the period was lower than the same period last year as wage support has been progressively stepped down. Nonetheless, it continued to significantly mitigate the costs of retaining staff. Without this support, the Group would have recorded a loss of \$39.5 million.

Basic earnings per share was 2.23 cents for the current period.

Second Quarter FY2021-22

The Group incurred an operating loss of \$3.8 million in the second quarter, an improvement of \$14.8 million year-on-year as revenue increased 32.2% to \$138.2 million, while expenditure increased at a lower rate of 15.4% to \$142.0 million. The increase in revenue was largely driven by higher number of flights handled. Expenditure increased mainly due to lower grants from government wage support and the progressive rollback of manpower measures.

Share of profits of associated and joint venture companies was \$12.0 million, a reduction of \$2.7 million (-18.4%) year-on-year. Contributions from the engine and component segment was \$4.5 million lower (-24.3%) at \$14.0 million, while the airframe and line maintenance segment turned in a lower loss of \$2.0 million, an improvement of \$1.8 million (+47.4%) year-on-year.

The Group recorded a net profit of \$10.5 million for the quarter ended 30 September 2021, an improvement of \$40.2 million year-on-year.

Basic earnings per share for the second quarter was 0.94 cents.

GROUP FINANCIAL POSITION

As at 30 September 2021, equity attributable to owners of the parent was \$1,568.0 million, an increase of \$34.4 million (+2.2%) from 31 March 2021, mainly due to profits earned for the period.

Total assets stood at \$1,842.7 million as of 30 September 2021, an increase of \$32.9 million (1.8%) from 31 March 2021. The Group's cash balance was \$685.7 million.

Net asset value per share as at 30 September 2021 was 139.7 cents.

INTERIM DIVIDEND

The Group's financial performance for the half year would have been loss-making had it not been for the government wage support. Flight recovery had been slow and gradual, and its outlook remains uncertain. In view of these, the Company will not be declaring any interim dividend.

BUSINESS UPDATE

Against the low base last year, the number of flights handled by our Line Maintenance unit in Singapore in the first half of the financial year FY2021-22 increased 84%. However, this volume represents only 25% of pre-pandemic workload. The pace of recovery remained slow, as the increase in flights were mainly from the base carriers at Changi Airport. In the six months up to September 2021, flight recovery was only 4.1 percentage points. For our overseas Line Maintenance stations, which were supported by faster recovery in domestic travel, the rate of increase in the number of flights handled was higher than our Singapore base.

At Base Maintenance, the number of aircraft maintenance checks performed during the first half was higher year-on-year. However, many of these checks were of lighter work content. Work volume for the fleet management business, which is largely driven by flight activities, remained low due to low flight hours and retirement of customers' older aircraft. As overhaul cycles are partly time-based, demand recovery for engine and component repair was slightly higher than the recovery in flight activities.

With the progressive step-down in government wage support, cost management remains a high priority. Measures taken earlier to mitigate manpower surpluses and manage manpower cost were rolled back in phases with the uptick in flight activities and in preparation for further flight recovery. The compulsory no-pay-leave for non-managerial staff and pay cuts for managerial staff was lifted in September 2021. Pay cuts for the Senior Management team were maintained, albeit reduced by 10 percentage points, as operating performance remains loss-making. We are grateful to our Unions and all our staff for their unwavering support, commitment and resilience.

To provide a conducive and safe working environment for continuing business and operations, we strictly enforce government guidelines to proactively detect and manage positive cases and have added regular disinfection on top of our regular cleaning and protection of work areas with antimicrobial coating. 97% of the company workforce is fully vaccinated.

Good progress in the implementation of Phase 2 Transformation initiatives has resulted in productivity gains. We will be able to enjoy further benefits of these initiatives when business volume fully recovers. We officially launched our Lean Academy in September 2021, which will facilitate the ramp up of Lean training for our staff and the enterprise-wide adoption of Lean methodology to optimise operational and business support processes. Coupled with the progressive roll-out of digital solutions and the development of new technology-enabled products and services, we are seeing improvements in efficiency, customer satisfaction and staff experience.

OUTLOOK

While high vaccination levels achieved in major developed markets have enabled the easing of travel restrictions, there remain uncertainties for a sustained global recovery. The risks of new variants, spikes in infection rates or tightening of restrictions are reminders of the uncertain and uneven impact of the pandemic on the trajectory, timeline and levels of recovery in air travel across the world.

We are encouraged by the Singapore government's strategy to stimulate air travel with the expansion of bilateral agreements for quarantine-free travel for fully vaccinated travellers. While we are ensuring our readiness to scale up at the appropriate levels to meet the changing demands for MRO services, the performance going forward will be dependent on the revenue recovery outpacing the tapering off of government wage support and our gradual and prudent reinstatement of manpower management measures. We will continue to exercise financial discipline in managing our cost.

Alongside efforts to develop new businesses and reshape our portfolio of joint ventures, we are pressing ahead with the various pillars of our Phase 2 Transformation programme to enhance our efficiency and create value for our customers. We will continue in our pursuit to emerge stronger through investments in new capabilities, technologies and services to expand our market growth and reach.

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(For the complete first half FY2021-22 financial statements, please refer to Interim Financial Statements or the Investor Relations page of our website at www.siaec.com.sg.)

For more information, please contact:

Tan May Lyn
Manager Corporate
SIA Engineering Company Limited
Tel: (65) 6548 1157
E-mail: maylyn_tan@singaporeair.com.sg

Company Registration No: 198201025C

GROUP FINANCIAL STATISTICS

	1H21/22 (\$'M)	1H20/21 (\$'M)
Financial Results		
Revenue	263.5	223.0
Operating loss	(6.7)	(27.2)
Share of profits of associated and joint venture companies, net of tax	26.8	28.4
Net profit/(loss)	25.0	(19.0)
Per Share Data		
Earnings/(loss) after tax (cents) - basic ^{R1}	2.23	(1.69)
- diluted ^{R2}	2.22	(1.69)

	1Q21/22 (\$'M)	2Q21/22 (\$'M)	2Q20/21 (\$'M)
Financial Results			
Revenue	125.3	138.2	104.5
Operating loss	(2.9)	(3.8)	(18.6)
Share of profits of associated and joint venture companies, net of tax	14.8	12.0	14.7
Net profit/(loss)	14.5	10.5	(29.7)
Per Share Data			
Earnings/(loss) after tax (cents) - basic ^{R1}	1.30	0.94	(2.65)
- diluted ^{R2}	1.29	0.93	(2.65)

	As at 30 Sep 2021 (\$'M)	As at 31 Mar 2021 (\$'M)
Financial Position		
Share capital	420.0	420.0
Treasury shares	(5.8)	(9.8)
Capital reserve	1.5	2.7
Share-based compensation reserve	3.5	4.8
Foreign currency translation reserve	15.5	(23.8)
Fair value reserve	(2.7)	(2.2)
Equity transaction reserve	(2.2)	(2.2)
General reserve	1,169.2	1,144.1
Equity attributable to owners of the parent	<u>1,568.0</u>	<u>1,533.6</u>
Cash and bank balances	685.7	616.0
Receivables ^{R3}	170.8	223.9
Total assets	1,842.7	1,809.8
Total liabilities	264.4	265.6
Net asset value per share (cents) ^{R4}	139.7	136.8
Return on equity holders' funds (%) ^{R5}	2.1	(0.7)

COMPANY OPERATING STATISTICS AT SINGAPORE BASE

	1H21/22	1H20/21
Flights handled at Changi Airport by line maintenance	20,745	11,272
Number of heavy checks performed at Singapore base	46	24
Number of light checks performed at Singapore base	162	109
Fleet size managed by fleet management business ^{R6}	77	82

	1Q21/22	2Q21/22	2Q20/21
Flights handled at Changi Airport by line maintenance	9,755	10,990	6,320
Number of heavy checks performed at Singapore base	21	25	9
Number of light checks performed at Singapore base	85	77	56
Fleet size managed by fleet management business ^{R6}	79	77	82

R1 Earnings/(loss) after tax per share (basic) is computed by dividing profit/(loss) attributable to owners of the parent by the weighted average number of ordinary shares in issue less treasury shares.

R2 Earnings/(loss) after tax per share (diluted) is computed by dividing profit/(loss) 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.