SINGAPORE AIRLINES

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FIRST QUARTER OPERATING PROFIT RISES TO $281 MILLION

- **Revenue improvement seen for all SIA Group airlines, but pressure on yields remains**
- **Earnings supported by one-off items**
- **Costs rose mainly on expanded operations**
- **Integration of low-cost subsidiaries under Scoot brand completed; airline portfolio well positioned for growth**
- **Group network to grow, including new service by Scoot to Honolulu, Hawaii**

GROUP FINANCIAL PERFORMANCE

First Quarter 2017-18

The SIA Group reported an operating profit of $281 million in the April-June 2017 quarter, $88 million or 45.6% higher compared with the same period last year.

Group revenue rose $206 million year-on-year to $3,864 million (+5.6%). Excluding one-off items in both financial years, Group revenue increased year-on-year by $184 million (+5.2%), and Group operating profit rose by $66 million from $42 million to $108 million.

Passenger flown revenue contributed $121 million (+4.3%) on increased traffic (+7.6%), outstripping the reduction in passenger yield (-3.1%). Cargo revenue was up $57 million on higher freight carriage (+6.9%), further supported by yield improvement of 4.8%. Other revenue was stable, as the absence of the adjustment upon up-front revenue recognition for unutilised tickets recorded in the last financial year ($151 million) was mitigated by revenue adjustments from the KrisFlyer programme ($115 million) [See Note 2] and further recognition of compensation for changes in aircraft delivery slots ($58 million).

Note 1: The SIA Group's unaudited financial results for the first quarter ended 30 June 2017 were announced on 27 July 2017. A summary of the financial and operating statistics is shown in Annex A. (All monetary figures are in Singapore Dollars. The Company refers to Singapore Airlines, the Parent Airline Company. The Group comprises the Company and its subsidiary, joint venture and associated companies).

Note 2: During the period, the Company reviewed the actual expiry of miles against the expected breakage rate determined in financial year 2013/14, when the Pay With Miles option to the KrisFlyer programme was introduced. In addition, a downward revision to the estimated breakage rate was made pursuant to recent changes made to the PPS Club programme that include non-expiry of KrisFlyer miles.

Group expenditure increased $118 million to $3,583 million (+3.4%). Net fuel costs rose by $30 million (+3.4%), as a $115 million reduction in fuel hedging loss partially offset the $145 million increase in fuel cost before hedging, caused mainly by higher average jet fuel prices. Ex-fuel costs were up $88 million (+3.4%), partly attributable to the enlarged operations of SilkAir and Budget Aviation Holdings, the parent company of Scoot and Tiger Airways.

Group net profit for the quarter was $235 million, down $22 million (-8.6%) from last year. However, the deterioration was attributable to the absence of last year's gain on SIA Engineering's divestment of its 10.0% stake in Hong Kong Aero Engine Services Ltd (HAESL) and special dividends received from HAESL (-$178 million), partially offset by higher Group operating profit (+$88 million), and lower share of losses from associated companies (+$47 million).

First Quarter Operating Results of Main Companies

The operating results of the main companies in the Group for the three-month period were as follows:

Operating Profit/(Loss)	1st Quarter FY2017-18 $ million	1st Quarter FY2016-17 $ million
Parent Airline Company	241	197
SilkAir	7	27
Budget Aviation Holdings	3	9
SIA Cargo	6	(34)
SIA Engineering	18	(2)

Operating profit for the Parent Airline Company rose $44 million or 22.3% year-on-year. Total revenue increased $71 million, mainly driven by a $62 million (+2.7%) improvement in passenger flown revenue. Other revenue was higher, supported by KrisFlyer revenue adjustments and compensation for changes in aircraft delivery slots, partially negated by the absence of the adjustment upon up-front revenue recognition on unutilised tickets made in the first quarter of last year. The stronger passenger flown revenue was attributable to 4.7% growth in passenger carriage (measured in revenue passenger-kilometres), partially offset by 1.9% yield contraction. Passenger load factor increased 4.2 percentage points to 80.0%, as capacity (measured in available seat-kilometres) fell by 0.8%. Expenditure was up $27 million (+1.0%) on higher net fuel cost, landing, parking and handling charges.

SilkAir reported a $20 million deterioration in operating performance compared with the same period last year. Total revenue was marginally higher (+$2 million or 0.8%), as growth in passenger carriage of 13.8% was largely offset by an 8.6% decline in yield. Expenditure, on the other hand, increased $22 million as the 11.6% expansion in operations led to higher operating costs such as maintenance and fuel costs. Passenger load factor rose 1.5 percentage points year-on-year to 71.6%.

Budget Aviation Holdings recorded an operating profit of $3 million, declining $6 million compared to the same period last year. Total revenue grew $49 million (+15.8%) from 18.2% growth in passenger carriage, but this was overtaken by a $55 million (+18.3%) increase in expenditure on the back of 16.5% capacity growth. Yield was 1.7% lower, while passenger load factor rose 1.2 percentage points to 84.0%.

SIA Cargo reported an operating profit of $6 million, reversing its loss of $34 million (+$40 million) in the same quarter last year. Revenue received a $57 million boost from freight carriage growth of 6.9%, further lifted by a 4.8% improvement in cargo yield. Expenditure was up $17 million, largely due to higher handling cost with carriage growth and higher aircraft maintenance and overhaul cost. Cargo load factor rose by 3.7 percentage points, as the increase in freight carriage outpaced capacity expansion of 0.9%.

SIA Engineering posted an operating profit of $18 million, turning around from a loss of $2 million in the same period last year. The improvement was led by lower expenditure, which fell by $19 million (-7.0%) mainly due to the absence of a profit sharing bonus related to HAESL's divestment gain. Revenue was relatively flat (+$1 million).

FLEET DEVELOPMENT

During the April-June quarter, the Parent Airline Company put four more A350-900s into service. One A330-300 and one A380-800 were removed from service in preparation for lease return. As at 30 June 2017, the operating fleet of the Parent Airline Company comprised 108 passenger aircraft (53 777s, 22 A330-300s, 18 A380-800s and 15 A350-900s), with an average age of 7 years and 7 months.

SilkAir's fleet profile was unchanged during the quarter. As at 30 June 2017, SilkAir operated 30 aircraft – 10 A320s, three A319s and 17 737-800s – with an average age of 4 years and 6 months.

Budget Aviation Holdings added two 787-8s fitted with crew rest bunks for long-haul services during the quarter, which led to an operating fleet size of 37 aircraft - 14 787s (eight 787-8s and six 787-9s), 21 A320s and two A319s - with an average fleet age of 4 years and 5 months.

SIA Cargo operated a fleet of seven 747-400 freighters as at 30 June 2017.

ROUTE DEVELOPMENT

The Parent Airline Company introduced five-times-weekly A350-900 services to Stockholm via Moscow on 30 May 2017. With this addition, the number of destinations in the network expanded to 62 across 32 countries, including Singapore.

During the Northern Winter operating season (29 October 2017 to 24 March 2018), flights to Paris will increase from seven to 10 times per week. Frequency to Adelaide, Christchurch and Sydney will be stepped up to cater to higher demand. Seasonal services to Sapporo will be operated from 2 December 2017 to 6 January 2018.

SilkAir will be launching thrice-weekly flights to Hiroshima on 30 October 2017. In addition, SilkAir will be transferring its four-times-weekly and thrice-weekly services to Kuching and Palembang to Scoot from 29 October 2017 and 23 November 2017 respectively. With these changes, SilkAir will fly to 52 destinations in 16 countries.

In addition to Scoot's maiden European long-haul service to Athens on 20 June 2017, the airline plans to add five new destinations by the end of the financial year. Among them are Honolulu, its first long-haul service to the USA, as well as Harbin in Northeast China. The remaining new destinations are short-haul services to Kuantan, Kuching and Palembang. The addition of these destinations will grow its network to 66 destinations across 18 countries.

Taking into account the announced destinations and service transfers, the Group will fly to 137 destinations across 37 countries, including Singapore, by the end of the financial year.

SIA Cargo will continue to pursue charter opportunities and deploy capacity to match demand.

OUTLOOK

The business outlook for the airline industry remains challenging, as the uncertain global economic climate and geopolitical concerns, coupled with over-capacity in our key markets, continue to dampen yield performance.

Fuel prices are expected to remain volatile in the months ahead, as the global oil market continues to adjust to demand and supply conditions. For the second quarter of the financial year, the Group has hedged 41.9% of its fuel requirements in MOPS at a weighted average price of USD63 per barrel. Longer-dated Brent hedges with maturities extending to the financial year 2022-23 cover up to 47% of the Group's projected annual fuel consumption, at average prices ranging from USD53 to USD59 per barrel.

The Group will continue to take delivery of modern and fuel-efficient aircraft to further expand its network and enhance its competitiveness in both the full-service and low-cost market segments.

With the completion of the Scoot-Tigerair integration under the Scoot brand name on 25 July 2017, there will be more expansion opportunities for the low-cost segment of the Group portfolio, as the merged entity's strong Southeast Asia presence will help to generate connecting traffic with long-haul flights.

The Group's transformation programme is also ongoing, to identify new opportunities for revenue generation, and to re-structure its cost base.

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GROUP FINANCIAL STATISTICS

	1st Quarter 2017-18	1st Quarter 2016-17
Financial Results ($ million)		
Total revenue	3,864.2	3,657.7
Total expenditure	3,583.4	3,464.5
Operating profit	280.8	193.2
Non-operating items	12.1	148.1
Profit before taxation	292.9	341.3
Profit attributable to the Company	235.1	256.6
Per Share Data		
Earnings per share (cents)		
- Basic [R1]	19.9	21.7
- Diluted [R2]	19.8	21.6

	As at 30 Jun 2017	As at 31 Mar 2017
Financial Position ($ million)		
Share capital	1,856.1	1,856.1
Treasury shares	(194.7)	(194.7)
Capital reserve	(147.6)	(147.6)
Foreign currency translation reserve	(136.7)	(123.7)
Share-based compensation reserve	91.7	88.5
Fair value reserve	(417.3)	(234.4)
General reserve	12,072.8	11,838.8
Equity attributable to the Company	13,124.3	13,083.0
Total assets	25,424.4	24,720.0
Total debt	2,259.5	1,567.8
Total debt : equity ratio (times) [R3]	0.17	0.12
Net asset value ($) [R4]	11.11	11.07

[R1] Earnings per share (basic) is computed by dividing profit attributable to the Company by the weighted average number of ordinary shares in issue less treasury shares.

[R2] Earnings per share (diluted) is computed by dividing profit attributable to the Company by the weighted average number of ordinary shares in issue less treasury shares, adjusted for the dilutive effect on the exercise of all outstanding share options granted.

[R3] Total debt : equity ratio is total debt divided by equity attributable to the Company.

[R4] Net asset value per share is computed by dividing equity attributable to the Company by the number of ordinary shares in issue less treasury shares.

OPERATING STATISTICS

	1st Quarter 2017-18	1st Quarter 2016-17		Change %
SIA				
Passengers carried (thousand)	4,771	4,631	+	3.0
Revenue passenger-km (million)	23,176.1	22,136.9	+	4.7
Available seat-km (million)	28,962.9	29,187.9	-	0.8
Passenger load factor (%)	80.0	75.8	+	4.2 pts
Passenger yield (cents/pkm)	10.1	10.3	-	1.9
Passenger unit cost (cents/ask)	8.3	8.0	+	3.8
Passenger breakeven load factor (%)	82.2	77.7	+	4.5 pts
SilkAir				
Passengers carried (thousand)	1,117	994	+	12.4
Revenue passenger-km (million)	1,949.6	1,713.0	+	13.8
Available seat-km (million)	2,724.3	2,442.2	+	11.6
Passenger load factor (%)	71.6	70.1	+	1.5 pts
Passenger yield (cents/pkm)	11.7	12.8	-	8.6
Passenger unit cost (cents/ask)	8.4	8.5	-	1.2
Passenger breakeven load factor (%)	71.8	66.4	+	5.4 pts
Budget Aviation Holdings				
Passengers carried (thousand)	2,253	2,014	+	11.9
Revenue passenger-km (million)	5,938.9	5,026.0	+	18.2
Available seat-km (million)	7,070.8	6,068.1	+	16.5
Passenger load factor (%)	84.0	82.8	+	1.2 pts
Revenue per revenue seat-km (cents/pkm)	5.7	5.8	-	1.7
Cost per available seat-km (cents/ask)	4.9	4.8	+	2.1
Breakeven load factor (%)	86.0	82.8	+	3.2 pts
SIA Cargo				
Cargo and mail carried (million kg)	318.9	306.9	+	3.9
Cargo load (million tonne-km)	1,783.2	1,668.1	+	6.9
Gross capacity (million tonne-km)	2,713.9	2,690.5	+	0.9
Cargo load factor (%)	65.7	62.0	+	3.7 pts
Cargo yield (cents/ltk)	26.4	25.2	+	4.8
Cargo unit cost (cents/ctk)	17.6	17.3	+	1.7
Cargo breakeven load factor (%)	66.7	68.7	-	2.0 pts
Group Airlines (Passenger)				
Passengers carried (thousand)	8,141	7,639	+	6.6
Revenue passenger-km (million)	31,064.6	28,875.9	+	7.6
Available seat-km (million)	38,758.0	37,698.2	+	2.8
Passenger load factor (%)	80.2	76.6	+	3.6 pts

GLOSSARY

SIA

Revenue passenger-km	=	Number of passengers carried x distance flown (in km)
Available seat-km	=	Number of available seats x distance flown (in km)
Passenger load factor	=	Revenue passenger-km expressed as a percentage of available seat-km
Passenger yield	=	Passenger revenue from scheduled services divided by revenue passenger-km
Passenger unit cost	=	Operating expenditure (less bellyhold revenue from SIA Cargo) divided by available seat-km
Passenger breakeven load factor	=	Passenger unit cost expressed as a percentage of passenger yield. This is the theoretical load factor at which passenger revenue equates to the operating expenditure (less bellyhold revenue from SIA Cargo)

SilkAir

Revenue passenger-km	=	Number of passengers carried x distance flown (in km)
Available seat-km	=	Number of available seats x distance flown (in km)
Passenger load factor	=	Revenue passenger-km expressed as a percentage of available seat-km
Passenger yield	=	Passenger revenue from scheduled services divided by revenue passenger-km
Passenger unit cost	=	Operating expenditure (less cargo and mail revenue) divided by available seat-km
Passenger breakeven load factor	=	Passenger unit cost expressed as a percentage of passenger yield. This is the theoretical load factor at which passenger revenue equates to the operating expenditure (less cargo and mail revenue)

Budget Aviation Holdings

Revenue passenger-km	=	Number of passengers carried x distance flown (in km)
Available seat-km	=	Number of available seats x distance flown (in km)
Passenger load factor	=	Revenue passenger-km expressed as a percentage of available seat-km
Revenue per revenue seat-km	=	Passenger revenue from scheduled services divided by revenue passenger-km
Cost per available seat-km	=	Operating expenditure divided by available seat-km
Passenger breakeven load factor	=	Cost per available seat-km expressed as a percentage of revenue per revenue seat-km. This is the theoretical load factor at which passenger revenue equates to the operating expenditure

SIA Cargo

Cargo load	=	Cargo and mail load carried (in tonnes) x distance flown (in km)
Gross capacity	=	Cargo capacity production (in tonnes) x distance flown (in km)
Cargo load factor	=	Cargo and mail load (in tonne-km) expressed as a percentage of gross capacity (in tonne-km)
Cargo yield	=	Cargo and mail revenue from scheduled services divided by cargo load (in tonne-km)
Cargo unit cost	=	Operating expenditure (including bellyhold expenditure to SIA) divided by gross capacity (in tonne-km)
Cargo breakeven load factor	=	Cargo unit cost expressed as a percentage of cargo yield. This is the theoretical load factor at which cargo revenue equates to the operating expenditure (including bellyhold expenditure to SIA)

Group Airlines (Passenger)

Revenue passenger-km	=	Number of passengers carried x distance flown (in km)
Available seat-km	=	Number of available seats x distance flown (in km)
Passenger load factor	=	Revenue passenger-km expressed as a percentage of available seat-km