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FIRST HALF NET PROFIT UP 32% TO \$425 MILLION

- Improvement led by higher operating profit
- All passenger airlines recorded higher flown revenue
- Interim dividend of 10 cents per share

GROUP FINANCIAL PERFORMANCE

First Half 2017-18

The SIA Group reported a net profit of \$425 million in the first half of the 2017-18 financial year, \$103 million (+32.0%) higher than last year. This was the result of a higher Group operating profit (+\$211 million) and lower share of losses from associated companies (+\$46 million), in 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).

First half operating profit for the Group rose \$211 million, or 69.9% year-on-year to \$513 million on the back of a strong second quarter operating result (+112.8%).

Group revenue rose \$401 million year-on-year to \$7,712 million (+5.5%), with improvements seen in all business segments. Passenger flown revenue contributed \$166 million (+2.9%) on increased traffic (+6.6%), outpacing the reduction in passenger yield (-3.1%). Cargo revenue was up \$123 million on higher freight carriage (+6.1%) and yield (+6.7%). Engineering services registered revenue improvement of \$52 million (+26.9%) largely attributable to line maintenance, and aircraft and component overhaul activities.

Note 1: The SIA Group's unaudited financial results for the half year and second quarter ended 30 September 2017 were announced on 7 November 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.)

Group expenditure increased \$190 million to \$7,199 million (+2.7%). Net fuel costs rose by \$14 million (+0.8%), as a \$259 million reduction in fuel hedging loss largely offset a \$273 million increase in fuel cost before hedging, caused mainly by higher average jet fuel prices. Ex-fuel costs were up \$176 million (+3.4%), partly attributable to the enlarged operations of SilkAir and Scoot.

First Half Operating Results of Main Companies

The operating results of the main companies in the Group for the first half of the financial year were as follows:

Operating Profit/(Loss)	1 st Half FY2017-18 \$ million	1 st Half FY2016-17 \$ million
Parent Airline Company	411	276
SilkAir	21	44
Scoot	5	17
SIA Cargo	32	(45)
SIA Engineering	38	23

Operating profit for the Parent Airline Company rose \$135 million or 48.9% year-on-year. Total revenue increased \$161 million, in part due to a \$58 million (+1.2%) improvement in passenger flown revenue, further lifted by one-off items recognised in the April – June 2017 quarter [See Note 2]. The higher passenger flown revenue was attributable to 3.4% growth in passenger carriage (measured in revenue passenger-kilometres), partially offset by 1.9% weaker yield. Passenger load factor rose 2.8 percentage points year-on-year to 80.9%, on relatively flat capacity (-0.1%, measured in available seat-kilometres). Expenditure was up \$26 million (+0.5%) on higher staff costs, as well as higher handling, landing and parking charges.

SilkAir reported a \$23 million deterioration in operating performance compared with the same period last year, as higher expenditure arising from its enlarged operations (+13.0%) outstripped revenue gains. Total revenue was \$16 million higher (+3.4%), as passenger carriage grew 18.2%, partially offset by a 10.9% decline in yield. Expenditure rose \$39 million (+9.1%), mainly from higher net fuel cost, aircraft maintenance and overhaul costs, and handling charges. Passenger load factor rose 3.2 percentage points to 73.1%.

Scoot recorded a \$12 million decline in operating profit. Total revenue grew \$85 million (+13.3%) from 16.9% growth in passenger carriage, while yield was down by 1.8%, although this was insufficient to cover the increase in expenditure (+\$97 million, +15.6%) stemming from capacity growth of 14.1%. Passenger load factor rose 2.0 percentage points to 84.2%.

<p>Note 2: One-off items during the first quarter of the financial year 2017-18 include adjustments from the KrisFlyer programme (\$115 million), and higher compensation for changes in aircraft delivery slots (\$58 million), partly offset by the absence of up-front recognition of revenue from unutilised tickets recorded in the last financial year (\$145 million).</p>
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SIA Cargo turned around from a loss of \$45 million last year to an operating profit of \$32 million (+\$77 million). Revenue improved \$122 million as freight carriage growth of 6.1% was further supported by a 6.7% improvement in cargo yield. Expenditure was up \$45 million, partly due to higher handling costs from increased carriage and higher aircraft maintenance and overhaul costs. Cargo load factor rose by 3.2 percentage points to 64.8%.

SIA Engineering posted an operating profit of \$38 million, \$15 million higher year-on-year. The improvement was due to revenue growth (+\$11 million or 2.1%) from line maintenance activities, partially offset by lower fleet management programme revenue. Expenditure was \$4 million lower, as the absence of a profit sharing bonus related to the gain on divestment of HAESL was offset by annual salary increments and increase in headcount at subsidiaries.

Second Quarter 2017-18

Group net profit was \$190 million, \$125 million (+192%) higher than the second quarter last year led largely by stronger operating results. Operating profit for the second quarter rose \$123 million to \$232 million (+112.8%), as a \$195 million improvement in revenue surpassed a \$72 million increase in expenditure.

The operating results of the main companies in the Group for the second quarter of the financial year were as follows:

Operating Profit/(Loss)	2 nd Quarter FY2017-18 \$ million	2 nd Quarter FY2016-17 \$ million
Parent Airline Company	170	79
SilkAir	14	17
Scoot	2	8
SIA Cargo	26	(11)
SIA Engineering	20	25

Companies in the Group recorded mixed results. The Parent Airline Company and SIA Cargo posted earnings growth, while Scoot and SilkAir recorded weaker earnings as they continued to invest for expansion.

Operating profit for the Parent Airline Company rose \$91 million year-on-year in the second quarter. The Company registered a \$90 million improvement in operating revenue, partly contributed by higher passenger flown revenue (\$26 million) from a 2.3% increase in passenger traffic, offset by a 2.0% reduction in passenger yield. Revenue was further supported by higher other incidental income. Expenditure declined by \$1 million on lower aircraft maintenance and overhaul costs, partially negated by higher staff costs.

SIA Cargo reported an operating profit of \$26 million, reversing its loss of \$11 million (+\$37 million) in the same quarter last year. Revenue grew \$65 million as freight carriage grew 5.4%, further lifted by a 9.1% improvement in cargo yield on the back of improved trade conditions. Expenditure increased by \$28 million, partially contributed by higher handling and aircraft maintenance and overhaul costs.

INTERIM DIVIDEND

The Company is declaring an interim dividend of 10 cents per share (tax exempt, one-tier), amounting to \$118 million, for the half-year ended 30 September 2017. The interim dividend will be paid on 5 December 2017 to shareholders as of 23 November 2017.

FLEET DEVELOPMENT

During the July-September quarter, the Parent Airline Company took delivery of three A350-900s. Two went into service within the quarter, while the third began operations in October 2017. One 777-200 and one A380-800 were removed from service in preparation for lease to NokScoot and lease return respectively. As at 30 September 2017, the operating fleet of the Parent Airline Company comprised 108 passenger aircraft (52 777s, 22 A330-300s, 17 A380-800s and 17 A350-900s), with an average age of 7 years and 7 months.

SilkAir's fleet profile was unchanged during the quarter. As at 30 September 2017, SilkAir operated 30 aircraft – 10 A320s, three A319s and 17 737-800s – with an average age of 4 years and 9 months.

Scout added one 787-8, fitted with crew rest bunks for long-haul services, during the quarter, which led to an operating fleet size of 38 aircraft - 15 787s (nine 787-8s and six 787-9s), 21 A320s and two A319s - with an average fleet age of 4 years and 7 months.

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

ROUTE DEVELOPMENT

During the current Northern Winter operating season, (29 October 2017 to 24 March 2018), flights to Paris will increase from seven to 10 times per week, and additional frequencies to Adelaide, Christchurch and Sydney will be mounted to cater to higher demand. Seasonal services to Sapporo will be operated from 2 December 2017 to 6 January 2018. In addition, the Parent Airline Company will deploy its new A380 with all-new cabin products on one of the Sydney tranches from December 2017. The number of destinations in the network will remain at 62, across 32 countries, including Singapore.

SilkAir transferred its Kuching services to Scoot on 29 October 2017, and will also be transferring Palembang services to the low-cost carrier from 23 November 2017. Conversely, from 29 October 2017, SilkAir took over five-times-weekly services to Yangon from Scoot, adding to its existing 10 non-stop flights a week. On 30 October 2017, SilkAir launched thrice-weekly services to Hiroshima using its new 737 MAX 8 aircraft. With these changes, SilkAir will fly to 52 destinations in 16 countries.

Scoot's maiden long-haul US service to Honolulu, via Osaka, is expected to commence on 19 December 2017. Seasonal thrice-weekly operations to a new destination, Harbin in Northeast China, will be deployed from 1 December 2017 to 23 March 2018. Short-haul services to Kuantan and Palembang will come online in the coming months, while Yangon services will be transferred to SilkAir. With these changes, Scoot will serve 65 destinations across 17 countries.

Taking into account the announced destinations and service transfers, the SIA 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. Currently, SIA Cargo's freighter network covers 19 cities in 13 countries, including Singapore.

SUBSEQUENT EVENTS

On 17 October 2017, the Company issued \$200 million notes under the Multicurrency Medium Term Note Programme. The notes are consolidated with the existing \$430 million, Series 004 notes. The notes bear interest at a fixed rate of 3.13 per cent, and will mature on 17 November 2026.

SIA Engineering Company announced on 27 October 2017 that it has, with its joint venture partners, entered into an agreement with MB Aerospace Newton Abbot Limited for the sale of 100% share of Asian Compressor Technology Services Company Limited. The gain on sale is expected to be approximately \$14.3 million. The closing of the transaction shall be subject to the satisfaction (or waiver) of the conditions precedent contained in the agreement with MB Aerospace.

OUTLOOK

Headwinds remain as competitors mount significant capacity in key markets. Yields continue to be under pressure, despite some stabilisation in recent months.

The SIA Group is taking delivery of modern and fuel-efficient aircraft, and further expanding its network across the low-cost and full-service market segments. The significant investment in new technology aircraft, as well as the recent launch of new cabin products, underscore our commitment and confidence in the future of premium full-service air travel. The successful completion of the merger of Scoot and Tigerair under the Scoot brand during the first half has also strengthened the Group's fast-growing low-cost operations. The Group will continue to exercise nimbleness and flexibility in deploying the various vehicles in its portfolio to cater to opportunities in the appropriate markets.

Fuel prices are expected to remain volatile in the months ahead as the industry outlook for oil demand improves and supply constraints persist. For the second half of the financial year, the Group has hedged 29.5% of its fuel requirements in MOPS and 11.7% in Brent, at weighted average prices of USD65 and USD53 per barrel for MOPS and Brent respectively. 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's three-year transformation programme is progressing on track, with the first wave of initiatives, each with detailed action plans, underway. The Group is identifying new opportunities for revenue generation, re-structuring of its cost base and enhancement of organisational effectiveness under the programme.

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A STAR ALLIANCE MEMBER



GROUP FINANCIAL STATISTICS

	1 st Half 2017-18	1 st Half 2016-17	2 nd Quarter 2017-18	2 nd Quarter 2016-17
Financial Results (\$ million)				
Total revenue	7,712.1	7,310.7	3,847.9	3,653.0
Total expenditure	7,198.7	7,008.4	3,615.3	3,543.9
Operating profit	513.4	302.3	232.6	109.1
Non-operating items	2.1	121.7	(10.0)	(26.4)
Profit before taxation	515.5	424.0	222.6	82.7
Profit attributable to the Company	425.0	321.5	189.9	64.9
Per Share Data				
Earnings per share (cents)				
- Basic ^{R1}	36.0	27.2	16.1	5.5
- Diluted ^{R2}	35.8	27.0	16.0	5.5
	As at 30 Sep 2017	As at 31 Mar 2017		
Financial Position (\$ million)				
Share capital	1,856.1	1,856.1		
Treasury shares	(183.5)	(194.7)		
Capital reserve	(149.9)	(147.6)		
Foreign currency translation reserve	(141.1)	(123.7)		
Share-based compensation reserve	73.2	88.5		
Fair value reserve	(124.2)	(234.4)		
General reserve	12,141.8	11,838.8		
Equity attributable to the Company	13,472.4	13,083.0		
Total assets	26,317.2	24,720.0		
Total debt	2,949.6	1,567.8		
Total debt : equity ratio (times) ^{R3}	0.22	0.12		
Net asset value (\$) ^{R4}	11.39	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

	1 st Half 2017-18	1 st Half 2016-17	Change %	2 nd Quarter 2017-18	2 nd Quarter 2016-17	Change %
SIA						
Passengers carried (thousand)	9,690	9,435	+ 2.7	4,919	4,804	+ 2.4
Revenue passenger-km (million)	47,754.8	46,163.8	+ 3.4	24,578.7	24,026.9	+ 2.3
Available seat-km (million)	59,009.7	59,072.1	- 0.1	30,046.8	29,884.2	+ 0.5
Passenger load factor (%)	80.9	78.1	+ 2.8 pts	81.8	80.4	+ 1.4 pts
Passenger yield per passenger-km (cents)	10.1	10.3	- 1.9	10.0	10.2	- 2.0
Revenue per available seat-km (cents/ask)	8.2	8.1	+ 1.2	8.2	8.2	-
Passenger unit cost (cents/ask)	8.2	8.1	+ 1.2	8.2	8.2	-
Passenger breakeven load factor (%)	81.2	78.6	+ 2.6 pts	82.0	80.4	+ 1.6 pts
SilkAir						
Passengers carried (thousand)	2,282	1,967	+ 16.0	1,165	973	+ 19.7
Revenue passenger-km (million)	4,038.3	3,415.4	+ 18.2	2,088.7	1,702.4	+ 22.7
Available seat-km (million)	5,520.7	4,885.9	+ 13.0	2,796.4	2,443.7	+ 14.4
Passenger load factor (%)	73.1	69.9	+ 3.2 pts	74.7	69.7	+ 5.0 pts
Passenger yield (cents/pkm)	11.4	12.8	- 10.9	11.1	12.8	- 13.3
Revenue per available seat-km (cents/ask)	8.4	9.0	- 6.7	8.3	8.9	- 6.7
Passenger unit cost (cents/ask)	8.3	8.6	- 3.5	8.2	8.6	- 4.7
Passenger breakeven load factor (%)	72.8	67.2	+ 5.6 pts	73.9	67.2	+ 6.7 pts
Scoot						
Passengers carried (thousand)	4,546	4,088	+ 11.2	2,293	2,074	+ 10.6
Revenue passenger-km (million)	12,128.6	10,378.7	+ 16.9	6,189.7	5,352.7	+ 15.6
Available seat-km (million)	14,407.4	12,625.7	+ 14.1	7,336.6	6,557.6	+ 11.9
Passenger load factor (%)	84.2	82.2	+ 2.0 pts	84.4	81.6	+ 2.8 pts
Revenue per revenue seat-km (cents/pkm)	5.6	5.7	- 1.8	5.5	5.7	- 3.5
Revenue per available seat-km (cents/ask)	4.7	4.7	-	4.6	4.6	-
Cost per available seat-km (cents/ask)	4.9	4.8	+ 2.1	4.9	4.7	+ 4.3
Breakeven load factor (%)	87.5	84.2	+ 3.3 pts	89.1	82.5	+ 6.6 pts
SIA Cargo						
Cargo and mail carried (million kg)	641.8	613.2	+ 4.7	322.9	306.3	+ 5.4
Cargo load (million tonne-km)	3,575.0	3,368.1	+ 6.1	1,791.8	1,700.0	+ 5.4
Gross capacity (million tonne-km)	5,513.9	5,468.1	+ 0.8	2,800.0	2,777.6	+ 0.8
Cargo load factor (%)	64.8	61.6	+ 3.2 pts	64.0	61.2	+ 2.8 pts
Cargo yield (cents/ltk)	26.9	25.2	+ 6.7	27.5	25.2	+ 9.1
Cargo unit cost (cents/ctk)	17.3	16.9	+ 2.4	17.1	16.4	+ 4.3
Cargo breakeven load factor (%)	64.3	67.1	- 2.8 pts	62.2	65.1	- 2.9 pts
Group Airlines (Passenger)						
Passengers carried (thousand)	16,518	15,490	+ 6.6	8,377	7,851	+ 6.7
Revenue passenger-km (million)	63,921.7	59,957.9	+ 6.6	32,857.1	31,082.0	+ 5.7
Available seat-km (million)	78,937.8	76,583.7	+ 3.1	40,179.8	38,885.5	+ 3.3
Passenger load factor (%)	81.0	78.3	+ 2.7 pts	81.8	79.9	+ 1.9 pts

GLOSSARYSIA

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
Revenue per available seat-km	=	Passenger revenue from scheduled services divided by available seat-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
Revenue per available seat-km	=	Passenger revenue from scheduled services divided by available seat-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)

Scoot

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
Revenue per available seat-km	=	Passenger revenue from scheduled services divided by available seat-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