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SIA REPORTS FIRST QUARTER OPERATING PROFIT OF \$200 MILLION

- Strong passenger traffic growth drove improvements in RASK and revenue
- Outlook for travel demand remains healthy in near term
- Grounding of 737 MAX 8 fleet slows expansion

GROUP FINANCIAL PERFORMANCE

First Quarter 2019/20

The SIA Group reported an operating profit of \$200 million in the April-June 2019 quarter, \$7 million or 3.6% higher compared to the same period last year. Growth in Group revenue of \$258 million outpaced the \$251 million rise in expenditure.

The Group financial performance for the first quarter 2019/20 is summarised as such:

Group Financial Results	1 st Quarter FY2019/20 (\$ million)	1 st Quarter FY2018/19 (\$ million)	Better / (Worse) (%)
Total Revenue	4,102	3,844	6.7
Total Expenditure	3,902	3,651	(6.9)
Net Fuel Cost	1,173	1,079	(8.7)
<i>Fuel Cost (before hedging)</i>	<i>1,230</i>	<i>1,211</i>	<i>(1.6)</i>
<i>Fuel Hedging Gain</i>	<i>(57)</i>	<i>(132)</i>	<i>(56.8)</i>
Non-fuel Expenditure	2,729	2,572	(6.1)
Operating Profit	200	193	3.6
Net Profit	111	140	(20.7)

Note 1: The SIA Group's unaudited financial results for the first quarter ended 30 June 2019 were announced on 31 July 2019. 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 revenue amounted to \$4,102 million, a 6.7% gain year-on-year. Flown revenue was up \$226 million (+6.3%), with passenger flown revenue improving \$271 million (+8.8%), led by traffic growth of 8.1%, on a 6.6% increase in capacity. Despite the significant capacity injection, RASK (revenue per available seat-kilometre) improved 1.3%. Cargo flown revenue declined \$45 million (-8.4%), as both cargo yield and cargo load factor fell by 4.2% and 2.7 percentage points respectively due to weak cargo demand amid trade uncertainties.

Expenditure for the Group increased \$251 million (+6.9%) to \$3,902 million. Ex-fuel costs rose by \$157 million (+6.1%), in line with the capacity increase. Net fuel cost rose \$94 million, led by an increase in volume uplifted (+5.9% or \$70 million) on capacity expansion, and a stronger US dollar (+\$33 million). The Group continued to benefit from fuel hedging gains during the quarter.

Group net profit for the quarter was \$111 million, down \$29 million or 20.7% from last year. The reduction was largely attributable to a higher share of losses from associated companies (-\$31 million), as an improvement in Vistara's performance was offset by higher estimated losses from Virgin Australia [Note 2]. Net finance charges also increased (-\$26 million) due to the recognition of interest expense arising from lease liabilities following the adoption of IFRS 16 *Leases*, and additional financing for fleet renewal and growth. These were partially alleviated by an improvement in Group operating profit (+\$7 million), a higher share of profit from joint venture companies (+\$9 million) and lower provision for taxation (+\$8 million).

First Quarter 2019/20 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)	1 st Quarter FY2019/20 \$ million	1 st Quarter FY2018/19 \$ million	Better / (Worse) (%)
Parent Airline Company	232	181	28.2
SilkAir	(16)	-	n.m.
Scoot	(37)	1	n.m.
SIA Engineering	18	10	80.0

Note 2: Virgin Australia's results have been estimated based on the published financial results as at 31 December 2018, and the company's trading updates to the Australian Securities Exchange (most recently on 17 May 2019).

Operating profit for the Parent Airline Company increased \$51 million to \$232 million, as strong revenue growth outpaced higher expenditure. The year-on-year increase in revenue of \$250 million was mainly attributable to robust growth in passenger flown revenue (+\$258 million). The higher passenger flown revenue was driven by a 9.0% increase in passenger traffic (measured in revenue passenger-kilometres). Passenger load factor rose 1.2 percentage points to 83.2%, the highest on record for the first quarter, notwithstanding the capacity growth of 7.4% (measured in available seat-kilometres). RASK improved 2.4%, or 4.9% on a constant currency basis.

Expenditure was up \$199 million (+6.8%). Ex-fuel costs increased \$118 million (+5.8%), attributable largely to the growth in passenger capacity. Net fuel cost also rose, by \$81 million (+9.2%), largely due to a higher volume uplifted (+6.2%) and a stronger US dollar.

SilkAir was significantly impacted by the grounding of its six 737 MAX 8 aircraft during the period. Measures have been taken to mitigate the effects, however, which contained the reduction in capacity to 1.6%. This capacity reduction, together with a 2.9% yield contraction, contributed to a \$10 million decline in revenue. Passenger load factor rose on the back of 2.4% traffic growth, driving a 1.3% improvement in unit revenues (RASK). Expenditure rose \$6 million (+2.5%), primarily due to costs related to the MAX 8 grounding. Consequently, an operating loss of \$16 million was recorded by SilkAir for the quarter, against a marginal profit of \$0.2 million in the same period last year.

Scot's operating performance also reversed from last year's operating profit of \$1 million to a loss of \$37 million this year. Scot proactively reduced aircraft utilisation during the period to improve operational resilience, and has recorded improvements in its on time performance. As a result, capacity growth was restrained to 6.5%. This was matched by passenger traffic growth, resulting in an unchanged passenger load factor of 86.1%. Flown revenue grew by \$14 million (+3.6%), lagging capacity growth, as RASK contracted by 2.1% on lower yields. Other operating revenue declined by \$10 million. Expenditure rose \$42 million (+10.1%), arising from the expansion of Scot's fleet and operations, including higher net fuel cost (+7.9%).

Operating profit for SIA Engineering rose to \$18 million, an increase of \$8 million year-on-year. Revenue was flat against last year, as a \$2 million revenue improvement in the airframe and line maintenance segment was offset by a decrease in the engine and component overhaul segment. Expenditure fell, mainly from a reduction in material costs.

ROUTE DEVELOPMENT

To mitigate the disruption in services on SilkAir due to the grounding of the Boeing 737 MAX 8 fleet, the Parent Airline Company has been operating supplementary services to existing SilkAir destinations such as Kuala Lumpur, Yangon, and (from 1 July 2019) Phuket. SIA will also see the addition of four-times-weekly Seattle services during the Northern Summer operating season (31 March 2019 to 26 October 2019). As at 30 June 2019, SIA served 63 destinations, including Singapore.

SilkAir completed the transfer of services to Scoot, for Trivandrum in India, Luang Prabang and Vientiane in Laos, and Changsha, Fuzhou, Kunming and Wuhan in China. Chiang Mai, Coimbatore and Visakhapatnam are on track for transfer in October 2019, subject to regulatory approvals. Including its inaugural services to Busan launched on 1 May 2019, SilkAir served 43 destinations as at 30 June 2019, including Singapore.

Scoot's presence in China continues to expand with the commencement of its four new destinations transferred from SilkAir. Kota Bharu services were also launched on 2 July 2019, becoming Scoot's seventh destination in Malaysia. Following a network review, services to Lucknow and Kalibo were discontinued, while Bengaluru and Shenzhen services were transferred to SIA and SilkAir, respectively. Scoot ended the quarter with 66 destinations, including Singapore.

As at 30 June 2019, the portfolio of airlines in the Group served 135 destinations in 37 countries and territories, including Singapore.

SIA's cargo operations will continue to pursue charter opportunities and deploy capacity to match demand. The freighter network covers 19 cities, including Singapore.

OUTLOOK

Passenger bookings in the forward months are tracking closely against capacity growth, supported by premium cabin traffic to key markets. Air freight demand has softened amid ongoing trade disputes and uncertain global economic conditions. These headwinds also cloud the outlook for passenger demand over the longer term. The Group will actively capture revenue opportunities and exercise cost discipline to boost profitability in this challenging macroeconomic environment.

Fuel price volatility is expected to persist in the near term, but the Group's strong hedge position will help to mitigate any spike in prices. For the second quarter of the financial year, the Group has hedged 79% of its fuel requirements in MOPS at a weighted average price of USD75. For the remainder of the financial year, the Group has hedged 70% of its fuel requirements in MOPS and 5% in Brent at weighted average prices of USD76 and USD52 respectively [Note 3]. The Group will continue to enter into longer-dated hedges extending to FY2024/25.

The grounding of the 737 MAX 8 fleet has disrupted the Group's operations and rate of expansion. While the fleet remains out of service, the Group continues to take active measures to mitigate the effects of the grounding.

Significant progress has been made following two years of transformation efforts. The Group is pushing ahead in its third year of the programme with a continued focus to enhance products and services, to further strengthen revenue-generation capabilities, and to improve operational excellence and staff productivity, underpinned by a strong drive towards digitalisation.

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A STAR ALLIANCE MEMBER 

GROUP FINANCIAL STATISTICS

	1 st Quarter 2019/20	1 st Quarter 2018/19
Financial Results (\$ million)		
Total revenue	4,102.2	3,844.5
Total expenditure	3,902.2	3,651.4
Operating profit	200.0	193.1
Non-operating items	(51.6)	(9.1)
Profit before taxation	148.4	184.0
Profit attributable to Owners of the Company	111.1	139.6
Per Share Data		
Earnings per share (cents)		
- Basic ^{R1}	9.4	11.8
- Diluted ^{R2}	9.3	11.8
	As at 30 Jun 2019	As at 31 Mar 2019
Financial Position (\$ million)		
Share capital	1,856.1	1,856.1
Treasury shares	(171.5)	(171.5)
Capital reserve	(124.3)	(124.3)
Foreign currency translation reserve	(35.7)	(33.2)
Share-based compensation reserve	29.8	24.9
Fair value reserve	209.7	459.7
General reserve	10,836.8	11,275.1
Equity attributable to Owners of the Company	12,600.9	13,286.8
Total assets ^{R3}	32,370.9	30,505.2
Total debt ^{R3}	8,829.8	6,654.4
Total debt : equity ratio (times) ^{R4}	0.70	0.50
Net asset value (\$) ^{R5}	10.65	11.22

^{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 vesting of all outstanding share-based incentive awards granted.

^{R3} The significant increase in asset and debt balances against 31 March 2019 is largely due to the adoption of IFRS 16. Please refer to SGXNET announcement for more details.

^{R4} Total debt : equity ratio is total debt divided by equity attributable to the Company.

^{R5} 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 Quarter 2019/20	1 st Quarter 2018/19		Change %
<u>SIA</u>				
<u>Passenger Operations</u>				
Passengers carried (thousand)	5,475	5,015	+	9.2
Revenue passenger-km (million)	26,628.3	24,429.0	+	9.0
Available seat-km (million)	32,002.7	29,783.9	+	7.4
Passenger load factor (%)	83.2	82.0	+	1.2 pts
Passenger yield (cents/pkm)	10.1	10.0	+	1.0
Revenue per available seat-km (cents/ask)	8.4	8.2	+	2.4
Passenger unit cost (cents/ask)	8.3	8.2	+	1.2
Passenger unit cost ex-fuel (cents/ask)	5.5	5.4	+	1.9
<u>Cargo Operations</u>				
Cargo and mail carried (million kg)	307.7	318.1	-	3.3
Cargo load (million tonne-km)	1,645.4	1,721.3	-	4.4
Gross capacity (million tonne-km)	2,805.1	2,801.7	+	0.1
Cargo load factor (%)	58.7	61.4	-	2.7 pts
Cargo yield (cents/ltk)	29.7	31.0	-	4.2
Cargo unit cost (cents/ctk)	16.2	16.1	+	0.6
<u>Overall Operations</u>				
Overall load (million tonne-km)	4,112.3	3,990.8	+	3.0
Overall capacity (million tonne-km)	6,051.7	5,805.2	+	4.2
Overall load factor (%)	68.0	68.7	-	0.7 pt
Overall yield (cents/ltk)	77.4	74.4	+	4.0
Overall unit cost (cents/ctk)	51.2	49.6	+	3.2
<u>SilkAir</u>				
Passengers carried (thousand)	1,195	1,225	-	2.4
Revenue passenger-km (million)	2,302.1	2,247.6	+	2.4
Available seat-km (million)	2,949.5	2,996.6	-	1.6
Passenger load factor (%)	78.1	75.0	+	3.1 pts
Passenger yield (cents/pkm)	10.2	10.5	-	2.9
Revenue per available seat-km (cents/ask)	8.0	7.9	+	1.3
Passenger unit cost (cents/ask)	8.7	8.2	+	6.1
Passenger unit cost ex-fuel (cents/ask)	6.5	6.2	+	4.8

	1 st Quarter 2019/20	1 st Quarter 2018/19		Change %
<u>Scoot</u>				
Passengers carried (thousand)	2,688	2,515	+	6.9
Revenue passenger-km (million)	7,410.3	6,956.4	+	6.5
Available seat-km (million)	8,607.0	8,078.3	+	6.5
Passenger load factor (%)	86.1	86.1		-
Revenue per revenue seat-km (cents/pkm)	5.5	5.6	-	1.8
Revenue per available seat-km (cents/ask)	4.7	4.8	-	2.1
Cost per available seat-km (cents/ask)	5.3	5.1	+	3.9
Cost per available seat-km ex-fuel (cents/ask)	3.6	3.4	+	5.9
<u>Group Airlines (Passenger)</u>				
Passengers carried (thousand)	9,358	8,755	+	6.9
Revenue passenger-km (million)	36,340.7	33,633.0	+	8.1
Available seat-km (million)	43,559.2	40,858.8	+	6.6
Passenger load factor (%)	83.4	82.3	+	1.1 pts
Passenger yield (cents/pkm)	9.2	9.1	+	1.1
Revenue per available seat-km (cents/ask)	7.6	7.5	+	1.3

GLOSSARYSIAPassenger Operations

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	=	Passenger operating expenditure divided by available seat-km
Passenger unit cost ex-fuel	=	Passenger operating expenditure less fuel cost, divided by available seat-km

Cargo Operations

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	=	Cargo operating expenditure divided by gross capacity (in tonne-km)

Overall Operations

Overall load	=	Passenger, cargo and mail load carried (in tonnes) x distance flown (in km)
Overall capacity	=	Passenger and cargo capacity production (in tonnes) x distance flown (in km)
Overall load factor	=	Overall load (in tonne-km) expressed as a percentage of overall capacity (in tonne-km)
Overall yield	=	Passenger, cargo and mail revenue from scheduled services divided by overall load (in tonne-km)
Overall unit cost	=	Operating expenditure divided by overall capacity

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 unit cost ex-fuel	=	Operating expenditure (less cargo, mail revenue and fuel) divided by available seat-km

Scot

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
Cost per available seat-km ex-fuel	=	Operating expenditure less fuel divided by available seat-km

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
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