TRANSCRIPT
SINGAPORE AIRLINES FINANCIAL RESULTS BRIEFING

Full Year Ended 31 March 2014

(Read in conjunction with PowerPoint Presentation)

SIA Training Centre

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E&OE – may be edited for grammar

Presentation

Mr Nicholas Ionides: Good morning everyone. Welcome to the analyst and media briefing for Singapore Airlines' fourth quarter and full-year financial results. My name is Nicholas Ionides and I'll be moderating this morning's session. We will follow the familiar format today. We'll start with a presentation by our Senior Vice President Finance, that's Mr Stephen Barnes. He'll be presenting the Parent Airline Company results. We'll then move to a presentation by our CEO, Mr Goh Choon Phong. He'll be presenting the group results. After that we'll have a Q&A session, and joining Mr Goh and Mr Barnes on the panel will be our two EVPs, Mr Mak Swee Wah and Mr Ng Chin Hwee. I'll now invite Mr Barnes to the stage for his presentation, thank you.

Mr Stephen Barnes: Thank you very much Nick, and good morning everyone. It is my first time here so please bear with me. I will try and put across the Parent airline's fourth quarter and full-year results as clearly as I can. If we turn first of all to some of the operating statistics. In the fourth quarter, capacity was almost flat. It was up by 0.3%. However traffic was down by 1.8%. Recurring theme here is that we remain in a challenging market environment. So overall we had a lower passenger load factor of 77.0 %. The picture was different for the full year, however. Capacity was up by 1.9%, which is a measured rate of growth and reflects responsiveness during the year to difficult market conditions. Traffic also grew, but it trailed capacity by 0.5% points. So overall, the passenger load factor was down by 0.4% points.

Turning to yield. It was lower in the fourth quarter by 0.1 cents. This was more than offset, however, by lower passenger unit costs, which were down by 0.2 cents to 9.2 cents per ASK. As a result, the breakeven load factor was down by 1% point to 82.9%. For the full year, the yield was lower by a greater amount, 0.3 cents to 11.1 cents. Although passenger unit cost was lower by 0.1 cents, this obviously was trailing the reduction in yield. Accordingly for the full year, the breakeven load factor increased to 82.0%.

Trying to put some numbers on those operating statistics. For the fourth quarter, since both traffic and yields were down year-on-year, revenue reduced by $51 million. Expenditure happily was lower by more, $60 million. This was almost entirely attributable to a lower fuel bill. Hence SIA achieved a reduced operating loss.

For the full year - as we mentioned earlier - it's a different story. Revenue was up by $93 million year-on-year, with higher traffic and also higher incidental revenue, overcoming the effect of lower yields. Expenditure was also up, but by a smaller amount, so that operating profit increased by $69 million, which is by more than one third. As a consequence, operating margin edged up from 1.5% to 2%.

If we take a closer look at yields. By way of a reminder, the trough in yields was seen in the summer of 2009. In FY12/13, the prior year, yields ranged between 11.2 and 11.6 cents, averaging 11.4 cents. For the year just ended, for most of the year, yields were down by about 0.3 cents. And then in the last quarter, we have seen some sense of a convergence in the final quarter.

If we take a look back over the last 5 years, the actual passenger load factor exceeded breakeven load factor in only 1 year, FY10/11. And after this the breakeven load factor has exceeded the actual passenger load factor, and the gap has been growing. And the reason SIA has been able to achieve operating profits is the growth in other sources of revenue.

Turning to costs. This slide shows that fuel remains the airline's largest expenditure. Although in FY13/14 its share fell by 1.6 points. Staff expenses also reduced from 13.2% to 12.8%. Costs relating to aircraft - and you need here to look at the aircraft depreciation and lease rentals as well as the AMO costs together became more significant. They were up by 1.7 points to a little above 20% of total operating expenditure.

This is a different view of expenditure, showing the absolute amounts under each of the main expenditure headings and their change year-on-year. The fuel bill was lower by nearly $180 million. We will look in greater detail at that in a moment. Staff costs you will see were also down in absolute amounts by $43 million. Then if you look at the two aircraft-related costs, or the headings for aircraft-related costs, you can see that they grew by a total of just under $200 million. Lease rentals and various costs associated with leases were up since we added an additional 6 A330s. And we also had the full year effect of 2 A380 sale-leasebacks coming through. Depreciation was also up due to an increase in significant maintenance events.

This slide is a little busy. But I hope that if you look at the red line - which would be the fuel price before hedging - I think it shows clearly that jet fuel prices have been very elevated for a prolonged period. On the other hand they are range-bound. It also shows that in general, the fuel hedging programme has been able to reduce the fuel bill, if you look at the green line.

If we look a little deeper at fuel costs. Fuel expenditure was nearly $5 billion in FY12/13. In FY13/14 the volume uplifted was a little higher by a little less than 0.5%. And I'm sure a number of you will have noticed that the growth in fuel consumption was less than the 1.9% growth in capacity. This is largely attributable to the cancellation of the ultra-long-haul flights to the USA, which were operated by the A340-500s. Since the fuel bill is paid in US dollars - denominated and paid in US dollars - the strength of the US dollar during last year increased our costs by $60 million. However, prices were lower, and hedging gains were higher, leading to the $178 million reduction in fuel expenditure. And that's the end of my short section. I'd like to hand over to our CEO, Mr Goh Choon Phong, to take us through the group results.

Mr Goh Choon Phong: Thank you Stephen. A very good morning ladies and gentlemen. Welcome again to the Singapore Airlines Training Centre. Here's the Group result. The Group revenue first. Revenue went up by 1%, largely contributed from the passenger side of the business. Passenger revenue in total went up 2.3%. It is offset partially by the decline in cargo revenue, which came down during the year by 6.9%, as a result of very stringent capacity control.

On the cost side, expenditure went up by a smaller percentage of 0.8%. As you heard from Stephen earlier, a large part of that was associated with the aircraft standing charges, particularly on leases of aircraft. During the year we took on 6 - well towards the end the 7th A330 joined us as well – all on leases, and we did 2 sales and leasebacks on the A380s. At the same time there was increase in the AMO cost - as Stephen has pointed out as well. That was mitigated by the reduction in fuel cost, as Stephen has pointed out as well. So hence this result of 0.8%. But because revenue has gone up more than cost, and revenue was also on a larger base, the year ended with an operating profit for the group of 13.1% - $30 million higher.

If you look at the quarters, you'll find that the first three quarters, the operating performance of the Group was actually better than the corresponding quarters last year. But in Q4 you found that it's the reverse. This is in part contributed by the poorer performance of SilkAir in that quarter. SilkAir's profit came down by almost $19 million.

Here is the summary of the performance at the operating level by the various companies. Stephen has covered the Parent Company performance. Engineering has announced its result earlier. Engineering of course saw an improvement in revenue of about 2.7% because of airframe and component services. But Engineering saw a bigger increase in cost of 4.3%, largely associated with labour cost, and hence the decline in operating performance for the year. SilkAir is largely a case of a decline in yield as it goes out with promotions to try to attract more carriage.

And Cargo. Cargo saw improvement and I alluded to that earlier that it is largely a result of a very stringent capacity reduction. And of course you will recall that we actually took off 4 freighters from cargo operations during the year as well.

Here's the Group's net profit. Net profit actually saw a decline of 5.3%; $20 million lower compared to the year prior, and here's why. This is what it was last year. And we saw that there was a $30 million improvement in operating profit. We also saw a gain with respect to tax credit. There was a tax credit of $57 million this year, versus a tax expense of $28 million last year. A large part of the tax credit this year was due to the $50 million tax credit that we got from the impairment of 4 freighters. Another $26 million or so that we get from writeback of deferred tax liability arising from payment of dividends using foreign earned [interest] income.

Then we have a huge decline - a huge loss - associated with the share of losses of associated companies. And I suppose everybody would know that that is entirely due to Tiger. Tiger reported earlier a loss for the year of $223 million. We equity accounted for that loss, and our share of that loss is $118 million. And that is why we saw such a big decline here.

Exceptional items. Well there are quite a few big items in there. One of them is the impairment charge that we have taken for the writedown of the 4 freighters, or the removal of the 4 freighters from cargo operations. That was just over $290 million. Of course we also made some provisions for the settlement of the class action suits associated with Cargo. Both in the US and in Australia. And that amounted to about $85 million. All these charges were partially offset by the gain that we have from selling Virgin Atlantic. And there was some lower payment of dividends as well, and here you are, a lower net profit of $20 million, or 5.3%.

Earnings per share, lower as a consequence. You'll recall that we have declared an interim dividend of 10 cents. The Board will be proposing to the shareholders a final dividend of 11 cents. And after having reviewed our capital structure in detail, and having regard to our need for organic growth, and also various strategic initiatives that we might be involved in - already in, and also might be involved in in the future - the Board has decided to propose a 25 cents special dividend for the year. So total dividend, a very respectable 46 cents.

In terms of fleet development, we - for the Parent Company we look at receiving another 5 A330s this year. And then the 3 more new 777-300ERs, the return of 2 777-200s from lease to RBA. We're decommissioning 7 of the 777s and 1 A330. Two of the 777-200s are meant to be returned to lessors. And so is the A330-300. So the fleet at the end is 105.

For SilkAir, it will take more deliveries of the 737. We will decommission more of the A320. The net is 27. One of the A320s is to be returned to lessor.

Scoot, it's an exciting year for Scoot. It will be taking delivery of the brand new 787. And we expect 2 of them to come in towards the end of the financial year. One expected to come in in November, and another one in December. It will decommission 1 of the existing 777-200 and ending the financial year at 7.

Capital expenditure.

Fuel hedging. So we have also entered into hedging of brand crude. Particularly for between 12 to 24 months forward because there is greater availability of liquidity for Brent than with Jet. And this still follows the usual declining wedge hedge that we do. And at this point in time for the full year, FY14/15, the hedging position. So you see that if you combine the Jet and the Brent hedge together is about 52% hedged for the year. For perspective, the crack for Brent at this point in time is about $13.

Business outlook. Well, you know, this is not something surprising to everybody. We all know that it is a challenging condition now, especially for Asia Pacific. But over the last few years we have gone through quite a few of these reviews, and during those times, we have also been introducing initiatives that SIA has taken to address some of these key issues.

I would like to take this opportunity now, given that we have announced many of these initiatives, to sort of put them together and present, perhaps in a more holistic manner, how we actually address some of these key issues and considerations.

One of them that has always been brought up and well appreciated by everyone I'm sure, is the competition in the full service carrier sector. There are full service carriers who are continuing to upgrade their products. Full service carriers continue to inject capacity. So we have been talking about what we have been doing, but perhaps we weren't able to put them together because the initiatives come at different time. And until they have some concrete outcome, we aren't able to comment very much about it. But perhaps now is a good time for me to put them together, what we are doing about this.

So it continues to be a case where we focus on all the three key pillars that we have always been doing. Service, Product, and Network. We have been expanding quite aggressively, our network reach and connectivity through partnerships. Here are just some of those that we have done so and announced in recent times. But on the whole, you'll find that we actually at this point in time – as at March, end of March - we actually have over 5,000 codeshare flights. Which means that we're able to extend our network in this case, if you compare with the total number of flights that SIA have ex-Singapore, by over 6 times. That gives us a lot more reach to allow our customers the convenience of travelling between points. And this is still an ongoing effort. There are still a few - a number of codeshare partners that we're working with and we are negotiating. And we would like to expand and continue to expand this network with our partners for the benefit of seamless connectivity for our customers.

Then on the service side, we have announced this as well, that we are embarking - this is about 2 years ago now - we're embarking on this ambitious project that would allow our staff at the various touch points to be able to do more proactive and personalised service to our customers. And we are at the stage right now to be able to say that the first of such initiatives, the systems implementation, are well on track. And the first of such initiatives that will be equipped, our frontline staff, will come in sometime in the third quarter of this year, and we are all very excited to see that happen. And after that there will be a whole series of follow-up initiatives that will enable our staff to take our service level to the next leap.

Then of course we have made various improvements to our programme - our FFP programme as well as our loyalty program in terms of PPS. And here are just some examples. Of course you would have heard about "Pay with Miles", which is an initiative that has been very well appreciated by our customers.

On the ground itself, lounge is an important area where our customers rest and chat with their friends. And we have made very significant efforts to introduce this whole new concept for our lounges. And it started, of course with - you might recall that we have engaged ONG&ONG for this particular initiative. And the new concept was introduced in Sydney. From all our surveys that is done with our customers in Sydney, it has been a very resounding success in terms of the appreciation of the new facilities and the way it's laid out. Of course we have learned a lot from the Sydney experience as well. We'll apply those learnings in subsequent lounges in London, Hong Kong, Manila for the rest of this 2014. And I would also add that we are going to bring this new concept to the flagship lounge in T3 Singapore. That's something that we can all look forward to.

Then we launched our new products on the new 777-300ERs that we brought in. We're not stopping there. We're going to spend over US$300 million over the next few years to equip our existing 777-300ER, the 19 of them with these new products. And there is already a work in progress, and the first of those retrofitted aircraft will come into service in the beginning of next year - in February of next year.

The next thing I wanted to share is something that we have received questions on from time to time, and that is premium economy class. This is something I shared with this forum and other forums with the press and investors before, that we are actually reviewing the premium economy class on a regular basis. A decision was taken last year, having gotten the latest review, and also feedback from customers etc, that we think it's time for us to introduce the premium economy. So a lot of work has since been done between then and now, and we're now able to say that we are looking at introducing it in the second half of next year.

First it will be equipped on our 777-300ERs and around that time, very soon then, will also be equipped on our A380s. And then at the end of the financial year, when A350s join us, the new aircraft would also be equipped with premium economy. At this point in time I will not be able to share much details about what it looks like and so forth. But you can be rest assured that when we set our mind to do something it will be done well. And we will of course announce the product as it becomes more available. Because we're still in the process of finalising some of the details.

Then the other key questions that have always been asked is LCC competition. And in this part we have always explained it in the context of a portfolio approach that we have taken. Firstly, we recognise that the LCC segment is a distinct segment, and it is a growth segment and we want to be part of that growth. Hence, the setup of Scoot as you might recall. And Scoot has progressed well. It now has 6 aircraft. It's looking forward to equip itself with much more fuel efficient aircraft come end of the year. And of course you're aware of our investment in Tiger. We believe Tiger is an important part of the LCC network where it covers the region, whereas Scoot covers the medium to long haul. I don't have to elaborate on the investment that we have taken in Tiger.

The idea, as I have pointed out in earlier presentations and briefings, is that Tiger and Scoot make natural partners in connectivity. One with narrowbody aircraft servicing largely the region. And the other with the ability to go medium, and potentially in the future perhaps long haul, and operating widebodies, and for them to connect with each other. So of course you're aware that both airlines have applied for antitrust immunity with the competition authority. And we're hopeful that we'll hear from them on a decision within the next few months. This is just a pictorial depiction of the 2 networks, and even if you just visually look at it, it makes sense for them to do the connectivity.

This actually therefore allows SIA to be present in virtually all the different segments of the travel industry. And what needs to be done, as we have done for Singapore Airlines and SilkAir, is closer integration so that the portfolio could actually benefit from each other in an even more integrated manner.

Then there is also this question of geography. Singapore it's about 5-over million people. And geographically it's situated in a position where we might not be able to tap traffic that is not originating or destined in this part of the world. Take for example, if you are wanting to tap traffic between India and Europe, Singapore would not be a natural position to tap it, even though that is a very big market. There's of course the other thing about the constraint of air services agreements that Singapore has with other jurisdictions, other countries that would limit some of the growth that we would like to do. So to break out of all that constraints, we look at how we can diversify ourselves geographically, and we are all aware of what we have done so far. Tata-SIA would give us the ability to participate directly in the growth and future growth of India. Not just between Singapore and India, and for that matter, not for the airline to feed into the Singapore hub, but for it to grow in its own right and tap all the traffic between India and the rest of the other economies.

I'm glad to say that the application has been progressing well with the support of the authorities in India, which we are very appreciative of. We have been working very well with our partner, Tata Sons. And No-Objection Certificate, latest development. No-Objection Certificate has been granted, and we're now in a process of applying for AOP.

Then of course you have NokScoot, which is an opportunity for Scoot to expand as well beyond Singapore. And here's the interesting one, because even though Bangkok is very close to Singapore, it is actually a very different destination. I think we can all appreciate that Bangkok is an even more popular destination, especially for budget travellers. And also that the co-operation with Nok allows NokScoot, which is the airline to be set up, access to a network that will connect passengers to the rest of Thailand as well as Indochina. The fact that the Bangkok hub and the Singapore hub actually cater to slightly different types of customers, actually allow us to ‘twin’ them, and the whole idea is that NokScoot and Nok will work in terms of connectivity, just like what we would like to see Tiger and Scoot to do so. Of course it's got to be in the manner that is win-win for all. And a twin hub can then eventually look at how we can leverage both Singapore and Bangkok's quite different attractions to provide even greater propositions for the customers. But that's something that we have to work out.

So those are largely the initiatives directly related to airline operations. We have also announced that we want to go beyond that. We are serious about tapping new revenue sources for the Group, and we have actually set up a new revenue unit last year, and this unit is very actively looking at what else we can do to generate revenue beyond just ticket sales. I just listed about 3 of the initiatives that we're pursuing, but there are more that's been done. And we have undisclosed but ambitious targets for that unit to meet.

But beyond this new unit, we're also looking at new business ventures that are adjacent to airlines, for which we have expertise in. And the one that we have announced, it's the Airbus Asia Training Centre, it's an exclusive joint venture with Airbus for this region, which means that Airbus will not have another venture with someone else in this region. And with the kind of growth of aircraft - and this is, we're talking long-term now - with the kind of growth of aircraft demand in this part of the world, both ourself and Airbus believe that this will be a business that would have great potential growth prospects. With that I end my presentation, thank you.

<u>Q & A</u>

Mr. Nicholas Ionides: Now we'll move to the Q & A segment of this morning's session. As the tables are being moved into position, just a few reminders if I would. The usual housekeeping notes. If you have a question, please direct it through me. Just give me a signal that you'd like to ask a question and I will call upon you. We'll also be recording this morning's session for the benefit of those who cannot attend. We will be uploading a transcript to SGX on Monday morning. So if you could wait for a microphone to come to you. And also identify yourself and the organisation that you're representing. Thank you. Okay. We'll now take the first question. First one here is second row from the front; center. The other gentleman first. Thank you.

Mr. Michael Beer, Citi Research: Good morning. Michael Beer from Citi Group. I just want to get a little bit more clarity regarding the rationale around the special dividend. If I were to strip out all of the one-time items, impairments, and the very large tax benefit in the period, core results by my account, were down year-over-year. Further, the one-time gain associated with the Virgin Atlantic sale was really not a gain by any means, because you had already impaired that. So I'm just trying to get a sense as to how you view the fairly substantial one-time special dividend. And then I have a follow-up question.

Mr. Goh Choon Phong: I mentioned that the special dividend was proposed by the Board after review of the capital structure. So it's not about this year's performance, but more so of the assessment of capital adequacy for the company's need for the longer term.

Mr. Michael Beer, Citi Research: Okay. And then just as a follow-up, I think you're decommissioning 7 B777-200s in the coming year? Have those already been depreciated? Or is there a potential for an impairment at this stage?

Mr. Stephen Barnes: No, at the moment we don't expect an impairment on those.

Mr. Nicholas Ionides: Okay you can just pass that to your left please.

Mr Mark Webb, HSBC: Hello. Mark Webb from HSBC. Just in terms of the capacity growth rate, although you've got a modest 1% growth for this year, given the relatively poor profitability, why grow at all? Why not try and shrink the business. Try and boost yields by increasing load factors and shrinking certain routes. And also the CAPEX plans, I mean they're accelerating as you go out into the later years to over $4 billion again. Considering the level of return on the assets, why so continue at that level of CAPEX? Would there be an argument for pushing back some of those deliveries, and again constraining capacity that way?

Mr. Goh Choon Phong: So I take the first part, which is this question about why we do not moderate our growth. Is that what you're saying? Yeah. Actually we do. Firstly the - there is a planned growth of course, every year, but at the operating level there is a fairly dynamic adjustment of capacity by our colleagues in Planning. In fact, that is done all the time. For example when the issues with regard to stability in Bangkok came about, there was a drastic change in our capacity as well. So there's ongoing efforts to make sure that we adjust our capacity to growth. And that's the reason why you see the actual growth was actually quite moderate for the year.

Mr. Stephen Barnes: Yeah as far as the capital expenditure is concerned, it's very much linked to new technology aircraft, and hence more efficient aircraft. And hence driving down operating costs. The net growth we can moderate. The net growth in aircraft, if at all, by reference to the market conditions at the time. So we have a degree of flexibility both built in through operating leases that we already have, as well as through, obviously a more active disposal program, if that's appropriate. So really having - taking advantage of the introduction of new technology from 2016 and so on onwards.

Mr. Nicholas Ionides: Okay we'll go to this side of the room please. Gentleman in the white shirt.

Mr Jeremy Grant, Financial Times: Thank you very much. Jeremy Grant at the Financial Times. Obviously you operate a strategy of being - as you described earlier on in various segments - premium, medium, you know, down to Scoot. That of course ultimately only works if all the moving parts are profitable. Which they are not. Tiger Airways obviously is - looks pretty troubled at the moment. You increased your investment in them not that long ago. SilkAir obviously has been around much longer, but again, is now undergoing some overhaul, and didn't do well in the last earnings. Could you just give us your assessment of when these businesses can be turned around? Especially bearing in mind the quite serious over capacity in the LCC sector now, many analysts would say. And then finally, tacked onto the end of that, when will Scoot break even and become profitable? Thank you.

Mr. Goh Choon Phong: I think, you asked about the LCC segment and Tiger's performance, and as a major shareholder of Tiger, we are of course concerned with its performance. And that is the reason why when Tiger's Board approached us, to ask if we could allow one of our senior executive to join Tiger and to help Tiger with its turnaround, we have agreed to do so. And of course we believe that the closer cooperation between Tiger and Scoot would also go a long way in strengthening both carriers. But I think in all this we need to put in context, and that is, at this point in time - I think if you look around and look at operators in this part of the world, it is particularly difficult for operators here. In part because there's such a big growth in capacity. And of course capacity growth is not something that any one carrier could control. It is the market, right? But I believe you also read that in a market there has been announcement by various carriers acknowledging that they are over capacity, and how they might want to bring those capacity back. So I wouldn't say that this is something that will be, you know, in perpetuity because ultimately, one have to look at demand and supply and that would have to find its own balance.

As for Scoot, we - Scoot is on track in terms of business plan. And we believe that the addition of fuel efficient B787 would put Scoot in a very strong standing for future growth.

Mr. Nicholas Ionides: We'll take the next question. We'll go to this side of the room please. Third - fourth from the back. Yes. Thank you.

Ms Karamjit Kaur, The Straits Times: Hi. Karam from The Straits Times. Premium economy, very interesting. It's been talked about for many, many years internally within SIA but management has always resisted. I assume for fear that it might eat into your Business segment. So I'm just trying to get an idea of what is the thinking behind the decision to now go ahead with this? What do you hope to achieve by launching a premium economy sector? And you mentioned, Mr. Goh that this will be for your B777-300ER's - the A380s, as well as the A350s. The other aircraft, you have no plans to introduce that as well?

Mr. Goh Choon Phong: Okay I'll get my colleague, Mr. Mak to answer those questions.

Mr. Mak Swee Wah: I don't think it's right to say that we have resisted. I think it's something that we have said we have been watching and reviewing for quite a long time. Because I think this is a big step forward, and I think we want to be absolutely sure that when we introduce it, it will be at the right time with the right positioning. With the right product. So having studied this for a number of years, we made the decision last year that it has come to a stage - I think the market has matured in a way in premium economy. And we think that it's right for us to now embark on this. And the market segment that we are targeting, I think we have identified. We are now designing the product to fit that segment. And I think we will come up with something that will be interesting, in a year's time. More details will be announced in due course.

Ms Karamjit Kaur, The Straits Times: Which is the market segment you are targeting?

Mr. Mak Swee Wah: Well the premium economy is basically a mixture of both leisure as well as corporate travelers who want a bit more comfort than the usual economy. So there is a niche there and I think that it is quite established in the market now. And as for the planes that we're talking about, again, the market segment that favor this product are generally for those medium to longer haul segments where the markets exist. So that's why our initial plan will be to roll out this product on the medium to long haul planes.

Mr. Nicholas Ionides: Okay, second row from the front please.

Ms Corrine Png, JP Morgan: Hi. I'm Corrine from JP Morgan. I have two questions. The first one is on your SIN-New York flights - or SIN-US flights, you've been operating the transit flights for about 6 months now. Do you think Singapore Airlines have managed to maintain market share after, you know, scrapping the direct flights? My second question is on brands. I understand you have a portfolio strategy for your Group, but some investors think that there may be brand confusion. What's stopping Singapore Airlines, for example, from dropping the SilkAir name and having a combined feeder and medium and long-haul service on the full service side. And also for the low cost side, privatising Tiger Airways? Thank you.

Mr. Goh Choon Phong: Okay I will address your second question. I will ask Mr. Mak Swee Wah to address the first one. So on brands, I think that is the reason why right at the outset we have made sure that there is a good separation in terms of brand. And you may recall that when we launched Scoot that we made it very clear that it is a separate company. Independent management. Makes its own decision on how it positions its product, and it is not SIA. So that has to be clear. You're absolutely right, because we should not allow brand confusion between what SIA provides and what Scoot provides. Of course the alignment between Scoot and Tiger is a lot stronger, and that's the reason why we believe also from the outset that it makes sense for both entities to cooperate closely together and hence the ATI cooperation and so forth.

I think - you may also recall that in the past we have presented how we change in some sense the way SilkAir integrates with SIA. And now SilkAir and SIA is very integrated in terms of planning, in terms of sales and marketing in the field as well, including pricing. And that allows us to get the seamless - ability to provide a seamless travel experience for our customers. And that will continue too. As to should SilkAir be merged to SIA and all that? At this point in time we don't see the need, because SilkAir is able, at this point in time, to operate the narrow body aircraft very efficiently as a separate entity. And until such time where we think that there is other compelling reasons, we believe that this model will continue.

Ms Corrine Png, JP Morgan: Thank you.

Mr. Mak Swee Wah: On the question of US - of course market share is inevitably driven also by capacity share. So if you cut flights you will lose some of the market. But most importantly, I think it's a question of how much of the market have we managed to recover? If you recall, we have over the last 2 years converted our flights to the US to A380. So now we have the A380 to both New York as well as to Los Angeles. So that has given us the capacity to retain some of the market that we have lost. And I think maybe we have managed to do so especially - even in the premium segment because we have more Economy, Business class seats.

But on top of that we are also in line with the partnership strategy outlined by our CEO. We have also been working with our partners. For example, we make use of our London gateway to sell the US. And we have also now got a codeshare with our partner, with Asiana, to make use of the Korea. So these are all means to retain as much of the US market as we can while we have to cut back on the unprofitable long haul, ultra long haul flights.

Ms Corrine Png, JP Morgan: Thank you

Mr. Nicholas Ionides: And we'll go to this side of the room please? Just 5 seats - straight. Thank you.

Mr Brendan Sobie, CAPA: Hi. Good morning. Brendon Sobie with CAPA Center for Aviation. I was hoping you could expand a little bit more on partnerships. You keep on talking this briefing and the last briefing about the number of destinations; number of flights. But the devil is in the details with these agreements. What are you seeing in actual volumes of passengers on a codeshare basis increasing? And as a follow-up, specifically with the Turkish deal, which is I think just implemented a few days ago and announced a couple months ago, how do you see that opening up new destinations in some places that you didn't have good access to? Like parts of Europe. Parts of Africa. Parts of Central Asia etcetera.

Mr. Mak Swee Wah: Well obviously the key objective of partnership is to reach - access markets that we don't operate on our own. So by giving our customers a lot more options to travel beyond the gateways that we operate, we will be able to give them more routing options. So I don't have the overall global number to give you, but we have – looked at the performance of our arrangements with our partners, and we are satisfied that they are growing well. For example, some of the big ones like what we have done with Virgin, I mean clearly there are good numbers being shown both on our sale in Virgin as well as Virgin's sale on SIA. And also our penetration of the corporate market. So those are the key matrix which we watch closely, and I think we are quite satisfied that they are progressing in the right direction.

Mr. Goh Choon Phong: Can I just add that these - the partnership - one aspect of it is called the FFP cooperation, which actually would benefit both parties very well as well.

Mr. Brendan Sobie, CAPA: And the second question was Turkish in particular, and that's the latest deal. And it seems like it would open up a lot of destinations you don't have. Can you provide any more detail on it?

Mr. Mak Swee Wah: Yes. Turkish is early days. We have just concluded that. I think the key point about Turkish will be access to the markets around there. For example, Eastern Europe; the Balkans. Parts of North Africa, which we will not be flying on our own. So these are new areas for us, which we have not been able to access previously or with other partners.

Mr. Nicholas Ionides: Okay we'll switch to the other side of the room, second row from the front please, aisle seat.

Mr. Mark Laudi, Investor Central: Hello. Good morning, Mark Laudi; Investor Central. I have a couple of questions, but I'd like to start with one from one of our subscribers who'd like to know what Singapore Airlines is doing in view of MH370. What changes internally have you undertaken when the aircraft - since the aircraft disappeared? How do you view, for example, the extra expenditure that might need to be incurred in order to provide that ongoing tracking? So how's your thinking changed about airline safety or aircraft safety since the disappearance?

Mr. Goh Choon Phong: Can I – all right, being in airline industry; airline business, of course we look at all the incidents that happen, not merely with one particular airline or incident, but everything that happens that relates to airline operations. And we have a thorough review of what we know at any point in time, and then we look at what is it that we can do. What is it that we can learn. And we don't publish what those are. Some of that, of course, would require us to work with various parties; OEM's, the authorities and so forth. And also the parties that were affected. Because anything that regards safety, it's not about competitive advantage anymore. It's about sharing with everybody. So we're very open with that. And the community is very open. And of course, as you're aware, IATA as a body has been roped in to try to coordinate some of these efforts in learning. So that is ongoing and I think it's inappropriate for me to comment specific on any particular incident. But rest assured that such things are taken very, very seriously. We have dedicated resources to look at what we can learn, and we share those with our friends in other airlines.

Mr. Mark Laudi, Investor Central: Thank you. I have a second question in relation to SIA Cargo. I note that for the full year you've taken a total of $87 million in provisions, just over $6.4 million in the 4th quarter. My understanding is that there is still one claim outstanding from South Korea relating to allegations of a conspiracy for fuel hedging charges at the time that you were president of SIA Cargo. How much longer is this nightmare going to drag on? How many more provisions are we going to see?

Mr. Ng Chin Hwee: Well specifically on the Korean court decision, obviously Korean court is - rather Korean agency has taken the determination and we have submitted an appeal. So we are waiting for the decision. So we don't - at this point in time I can't comment further.

Now it's really hard to tell, right? As to how long this whole process will end. Obviously, with each legislation they have their own respective laws. And we have been seeing investigations opening up in some countries. Some of this - and all of them in fact we have been contesting obviously. The process, as you imagine, for every country has got its own timeline. And I would not be in the position to tell you which country, you know, will have - or which legislation will have the process completed. As you're aware, there's essentially 2 processes. One, that's the legislation investigation by authorities. And then usually there will be also followed up by civil actions as well. So I would not be in the position to tell you how long this process would take. Naturally, our position is pretty clear, and we are contesting all the allegations. And settle - offering a settlement where it makes sense for us.

Mr. Nicholas Ionides: All right, we have - one row behind - we have several questions already queued up, and about 10 minutes left. So we'll go straight to there, please?

Ms. Mayuko, Nikkei: Hi, this is Mayuko from Nikkei. Good morning. It's regarding the performance of the SIA parent airline, last year. Would you please give us a color a little bit on the performance by region? I know you didn't give us a breakdown of the numbers, but is it still the case that the long haul is dragging and the short haul is helping? Or is the over capacity that is in the short haul is affecting you? Just one more question to follow up is about Tiger. There was an earlier question if you have an option - thinking of privatising it. And if you could - with a separate brand, would you think of increasing the share even after the conversion of the PCCS?

Mr. Goh Choon Phong: Okay the Tiger question I can answer first. I mean at this point in time, there's no plan of any of that sort. And I would say that as a shareholder, our main concern and focus is to see how Tiger could turn around. On your second question, we don't give up the performance necessarily by region - and I eluded to in past presentation - that because of the current fuel price environment, it actually burned more fuel, to carry fuel to burn more fuel for long haul. And of course long haul necessarily costs us more. And the yield picture, it's - while it's improving both in Europe and the US, it is not quite strong enough to actually make all of the flights to US and to Europe profitable. So some are; some not. Yeah.

Ms. Mayuko, Nikkei: How about in the case of the overcapacity of the region?

Mr. Goh Choon Phong: I think the region you can see the impact on SilkAir. I don't think I need to elaborate further.

Mr. Nicholas Ionides: Okay the gentleman just to your left.

Mr. Boyong Liu, Jefferies Hong Kong: Hi I'm Boyong from Jefferies. I have a few questions, one is regarding your capacity growths. You're expecting 1% for the main line and 13% for SilkAir. Just could you give us some colors in terms of the regional breakdown for those growth. Where you will increase the capacity; where you would reduce the capacity. I'll have another two questions after that.

Mr. Goh Choon Phong: Okay I think this year, at least, we expect SIA to be fairly flat. There'll be some - perhaps some opportunity for growth. I mean for example we are putting our A380s to India. But there could be also some other adjustment that come about. So I would say that for SIA it's quite flat.

Mr. Mak Swee Wah: Well, for SilkAir's growth, I mean SilkAir will continue to grow. Of course whether it's high or low is also relative to what has been before. I mean given the capacity situation, we have moderated it somewhat. We will also be more selective as to where the markets are. But as has been eluded just now, I think the capacity situation in Southeast Asia is also changing. Some carriers are talking about scaling back. So if there are opportunities we will then strengthen our presence there. So I think we will still have some growth. Maybe not as high as a couple of years ago.

Mr. Boyong Liu, Jefferies Hong Kong: Just follow up on the main line, there's some improvement we see on the long haul destinations. The US, Europe, definitely a passenger seems to be recovering. But you know, in the past few years you've been adding a lot of capacity into Australia which are suffering. So I mean in the next year are you expecting to reduce the capacity in those regions and more to the developed market?

Mr. Goh Choon Phong: No I think you might also be aware that also are adjusting down our capacity to Australia. For example, A380s will be taken out of some of the Australian points. So there are adjustments. We look at the market. We do want to be able to match demand - product supply to demand. So that's something that we'll continue to do.

Mr. Boyong Liu, Jefferies Hong Kong: Okay. I've got another question in terms of premium class. When you say second half to 2015 - is fiscal year, 2015 right? The - are you reducing your capacity in terms of normal economy class and transfer that to premium economy right?

Mr. Mak Swee Wah: Well the Premium Economy, I mean by definition, will take up a bit more space than Economy class. So there will be a bit of displacement, yeah. So I think some about the - it all depends on the aircraft. Because different aircraft have different configuration and different floor plan. So with the Premium Economy taking more space, we will have to take out some Economy class, but at the end of the day, Premium Economy is a product that we think can command a better premium than the equivalent Economy.

Mr. Goh Choon Phong: So in short, basically the bottom line is that we believe the business case will be better with the Premium Economy despite the displacement.

Mr. Boyong Liu, Jefferies Hong Kong: Right. Maybe just the last question in terms of the special dividends. The - just a very quick respond from you - has that become more regular? Because definitely the gross profile for the whole airline industry is getting slow. And then are you expecting to increase your special dividends going forward if you don't have a lot of growth?

Mr. Goh Choon Phong: The dividend and capital structure is being reviewed, of course, by the Board regularly, and they will then make a decision accordingly. I think we need to [Inaudible].

Mr. Nicholas Ionides: Yeah. I've got time for two more. We've got one on this side of the room. And then we'll go to the aisle seats over there. The gentleman - I think you had a question, yes.

Mr Daniel Lau, Morgan Stanley: Hi, this is Daniel Lau from Morgan Stanley. Just three very quick questions. The first one will be on yields. I think the decline in yields has been moderating over the past 3 quarters. Is there a reason why? Is it because your strategy of focusing on North Asia and shorter haul flights is working? Secondly on the cost side, what other levers can you pull to reduce your cost in the coming year? And the last part will be the investments that you are making on product enhancements, for example, retrofitting the new aircraft with the new product, as well as the business lounges. I understand that so far you have been doing it on a very small scale. So far how is the response like? You mentioned that just now the business lounge in Sydney, that the feedback from passengers have been very positive, but is it because just of existing passengers? How much more do you think can drive passenger flow through improving your product. Yeah. That's all for me. Thanks.

Mr. Goh Choon Phong: Actually I would disagree that the pace has been slow. It is a major undertaking to actually change the entire lounge. And we don't take it lightly. And so you can probably surmise that when we built the Sydney lounge with a new concept. One of the objective was to learn as much as possible because it's a brand new concept, and there will be feedback from customers and all that. So all this improvement can then be applied to subsequent lounges. And that's exactly what we have done. And I think it's fair to say that the positive feedback has been very consistent. But we have discovered and learnt quite a few things that we will be applying to the new lounges elsewhere. You mentioned about yield.

Mr Daniel Lau, Morgan Stanley: Yeah, well it's cost.

Mr. Stephen Barnes: Let me address the cost issues. The big one in the near to medium term relates to fuel efficiency and the technology available now in new aircraft. It is showing up currently in SilkAir. The B737s have more seats than the A320s. Scoot is going to be taking delivery, as you know, of the B787s from the end of this year. Further new technology aircraft will come to SIA in the form of the A350s in 2016. So that's the big one. There are opportunities that we see for increasing what we would call shared services across different divisions to improve productivity throughout the organisation. We have identified a number of areas in which we can streamline and improve productivity even without shared services, again throughout the organisation.

And I guess the one that I can't leave unsaid, although we don't have a - I'm not going to suggest we have any numbers to share with you - would be to focus on aircraft cost. As you saw in the results, they are - they have become an important growth in our cost base. So we are focusing on that right now.

Mr. Goh Choon Phong: Just to add to cost, you would probably realise that we - SIA has always been very, very cost conscious and cost efficient. And if you were to do a comparison you'd find that our unit cost probably one of the lowest of the full service carriers. Now on the yield, yes this conscious efforts to try to balance capacity with demand in various parts of the world would help us in managing yield better. Because if you put in too much capacity when there is excess obviously, it will drive your yield lower - and hence, I mentioned that some of the adjustment we're making for Australia, for example. And that we have not actively grow much of Europe is for the same reason. But Europe, as I say, yield has been - has seen some improvement, especially ex-Europe countries.

Mr Daniel Lau, Morgan Stanley: Actually the investment question, I just want to clarify with a - I mean what are the load factors, for example, on your new product that you're flying to London and Tokyo for example, because you're going to increase the investments across 19 more aircraft, right? So what's the key rationale for that? Because the loads have been improving or yields have been strong on those? So any color on those two - on this question; investment question?

Mr. Goh Choon Phong: Well if you look at our load factors, our load factor's actually quite good in general. And of course where we've mount the new product - which is B777-300ER. Actually not just new product in general, those are two places where it is some of the major metros. And demand has been there. But of course we must always - as I mentioned earlier - that we must always seek to improve our products, because if you stand still, then after some time you will find that you're overtaken by everybody else. And it's too late then to try to recover. So the reason why we're continuously looking forward. And continuously looking at how to improve our product is for exactly that reason. To stay ahead of competition.

Mr. Nicholas Ionides: Okay we'll switch to the other side of the room for the last question. The gentleman in the aisle seat there.

Mr Jeremy Torr, Aviation Week: Good morning, Jeremy Torr from Aviation Week. I note that there's some positive moves to increase your coverage and reduce your costs. Appeal to a greater audience with premium economy. With codeshare with various airlines like Turkish. Like Virgin. Like Ethiopian. The key question that rises - that brings to my mind is how is Singapore Airlines going to maintain its absolute premium brand image if you are spreading your load; if you are lowering your perception of absolute quality?

Mr. Goh Choon Phong: Well we don't believe that by working with others we are lowering the perception of Singapore Airlines. If you look at it, I mean this is - the world is such that - there's no one, single airline that could cover the world. No matter how big you are. And especially if you want to serve the tertiary - the smaller destinations beyond the metros. And of course we will continue to want to be able to operate and grow our operations in metros. But beyond the metros, where we want to go to places where it just doesn't support to the kind of OD traffic we could actually put on those routes. It makes perfect sense to work with partner. Of course the choice of partners is important for us, in terms of also their service level and their ability to do seamless connectivity. And those are all important considerations. So we do select our partners in careful manner, and as you can see the partners that we have gone into.

Mr. Nicholas Ionides: And with that we'll bring this morning's session to a close. We thank you all for attending.

(ENDS)