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E&OE – may be edited for grammar

Presentation

Mr Nicholas Ionides: Good morning and 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'll be following the usual format that we follow for these briefings at the half-year and full-year marks. We'll begin with a presentation by our Senior Vice President Finance, Mr Stephen Barnes, with the Parent Airline Company results. Our CEO, Mr Goh Choon Phong, will follow with a presentation on the SIA Group results. We'll then have a Q&A session. Joining Mr Goh and Mr Barnes on the stage will be our two Executive Vice Presidents, that's Mr Ng Chin Hwee, our Executive Vice President for Human Resources and Operations, and Mr Mak Swee Wah, our Executive Vice President Commercial. I'll now invite Mr Barnes to the stage. Thank you.

Mr Stephen Barnes: Many thanks Nick. Good morning ladies and gentlemen, colleagues. I'm very pleased to have the opportunity to share with you SIA's Q4 and full year results. You'll see unfortunately in the next couple of slides, quite a lot of red. We focus on the full year column. As you can see SIA produced slightly fewer ASKs, our measure of capacity, than in the prior year. Although we flew more frequently, around 1.2% more frequently, it did not quite compensate for having fewer seats on our aircraft or I should say, on many of our aircraft, as we continued to roll out the Premium Economy cabin. Carriage was down by a little bit more, 1.4%, which led to a slightly lower passenger load factor for the full year. But if you then look across at Q4, you'll see that the growth, there was growth in traffic during the quarter, up 2.1% leading to an improved passenger load factor also. But there's a price for everything. You can see that our yield, our yields were down year-on-year, and quarter-on-quarter, which you would expect in the current competitive environment.

I just, I think for perspective, you would have seen, if anyone follows the IATA industry-wide communiques, IATA estimates that yields during the first quarter, or our Q4, were down 10% for the industry as a whole. So that's double the reduction that SIA experienced.

And here, I referred just recently to, just a moment ago, to the roll-out of the Premium Economy cabin, essentially reducing seats on aircraft. The corollary, is they have helped to shore up our yields. Let me have a look at this graph. So the, if you recall the progression over the years, this is two years ago, our yields were fairly, well, they seem fairly stratospheric when looked at from today's perspective. They dropped pretty consistently through the year in FY2015/16. And very much the same pattern, unfortunately in FY2016/17.

So although passenger yield was down by 3.8%, passenger unit costs were down by 3.5%, clearly not quite compensating for the reduction in yield, and that left, led to a small increase of 0.2 percentage points in the breakeven load factor. As we'll see in a moment, fuel is, has been a significant contributor to a reduction in unit costs. If you take out fuel, the increase, we still had an increase in unit, sorry, I should say, ex-fuel unit costs of 3.6%. As net fuel costs began to rise in Q4, we saw that unit pax costs were up by 4.8%. And a breakeven load factor as a result, was the combination of the reduction in yield and the increase in the overall unit costs, caused a jump to 86.1% in our breakeven load factor.

I made a comment to our, my colleagues last night - that actually takes us back to levels which we last saw in the global financial crisis. So not a comfortable quarter. And this is the progression of achieved load factor. You can see it's evident over the last five years that we haven't been able to reach an achieved load factor anywhere in, anywhere like the mid-80s. In fact, we've consistently been operating, from a flown revenue perspective, below breakeven load factor.

Turning to the actual numbers for Q4, the combination of lower passenger carriage, lower yields naturally means that SIA's revenue during the quarter was down by $76 million. Net fuel costs also rose, as you can see. The higher price, some of 50%, 51% increase in the underlying fuel price, year-on-year obviously was the major contributor. But it was substantially mitigated by the reduction in hedging losses, which hedging losses you can see are down to $9 million for the quarter. If you look at the full year, revenue was again down on both reduction in carriage and yields. Costs were down on lower net fuel costs, partly, partially offset by a 2% or so increase in non-fuel costs. I am very sorry. I should have shown you that while I was talking to that. So there you can see a very substantial reduction in your passenger revenue, offset by net, the reduction in net fuel costs, which was partially itself, partially offset by the increase in non-fuel costs. So operating profit down $99 million to $386 million.

If we take a look at the revenue in slightly more detail, you can see that the main driver here is the reduction in passenger flown revenue, down $550 million. Bellyhold revenue for the passenger airline is substantially driven by fuel costs, as well. So as you would imagine those are down. Just a couple of words on the "Passenger - Other", "Passenger - Other Revenue". As a result of a change in the way in which we account for unused ticket revenue, we now, instead of waiting until the expiry of the validity of the ticket, which is two years, we have actually brought forward the point of recognition of those unused tickets by estimating based on past experience, the expected breakage. So we were able to book a $142 million one-time revenue.

The "Other – Revenue" declined primarily as a result of the absence of compensation that we received in the prior year from Airbus. The prior year we had, we had given up, given back to Airbus seven delivery slots for A350s.

Turning to costs. You can see the primary, the major contribution to changes in cost really is on the fuel front, down $670 million. The aircraft depreciation and rentals, essentially the cost of owning our aircraft. That's a misnomer. The cost of actually having the aircraft in our fleet went down. The reason for that is that we, although we acquired 11 A350s during the year, and we own all of those, and have a depreciation charge associated with those, we handed back to lessors nine aircraft and the reduction in the associated rental and other costs associated with leasing more than offset the cost of owning the A350s.

Staff costs up 4.8%. Just to put that in perspective, the increase in headcount, which was substantially an increase in crew, was 5% for the, for the Airline. And also to put into context the handling, the increases in handling charges, and landing and parking charges, I mentioned earlier that we flew 1.2% more last year than the prior year. So you would expect that the costs would rise proportionately.

The large increase in "Others" is attributable to a FX loss. And that come from both hedging losses, as well as revaluation losses. We kind of like to look at our major cost item, fuel. So this is the fuel bill for FY2016/17. The primary and dominant feature was the reduction in hedging losses year-on-year. Also, year-on-year a reduction in price, but we consumed more, and the US dollar was marginally against us, year-on-year, overall leading to a $670 million reduction in the fuel bill.

And finally, just to break down a little bit the reduction in the passenger unit cost. This really came entirely from fuel, which you can see, that was down 0.5 cents per ASK. Unit staff costs were flat. Unit other costs up slightly, just under 5%, but 0.2 cents per ASK.

Now I would like to invite Mr Goh, our CEO, to talk through the Group results for you.

Mr Goh Choon Phong: Good morning ladies and gentlemen. Once again, welcome to our premises at STC. I will take the performance of the Group. I think most of it has been announced, but we'll go through it. At a Group level, revenue actually came down $370 million. As you could see from the earlier presentation by Stephen, that much of it actually came from the reduction in passenger revenue. And again, from on that part, largely from the reduction on the SIA side. In fact, both Scoot and MI, which is SilkAir, have seen increases in revenue.

Costs too came down by a smaller margin, 2.1%, $312 million. And again, you can deduce from Stephen's earlier presentation that much of that is as a result of a reduction in fuel costs. And much of that is in turn, a reduction in fuel price and also lower fuel hedging loss. If you subtract the two, you will see that the operating profit of the Group would have come down by 8.5%, $58 million.

Performance of the various, the key companies within the Group, SIA had been covered by Stephen. I'll just run through very briefly on the performance of the other subsidiaries. SilkAir, well SilkAir had expanded capacity-wise by about 10.6%. The carriage more or less in line, it went up 9.5%. But SilkAir too, saw headwind in terms of the competitive environment in the market. And yield, as a consequence, came down about 7.4%. And as a result of that, revenue went up of course, because of a lower yield, went up a smaller margin compared to capacity, about 2.5%. But the costs, the costs at SilkAir too have come down. Rather went up because of bigger operations, as we say, you know, capacity went up 10.6%. However, that's mitigated by a lower fuel price, and therefore a fuel cost advantage. And the net of it is that SilkAir costs went down only 1.7%. Smaller margin than the increase in revenue, hence the improvement of $10 million.

BAH, which comprises both Tigerair and Scoot, saw again, a sizeable expansion during the year, 23% increase in capacity. And carriage, more or less in line. It went up 21%. But even in the LCC sector, it's not safe from competitive environment pressure. And you see that you, that the BAH yield too come, came under pressure during the year. And the yield came down 6.3%. The consequence of that is revenue went up 14%. Here again, similar to SilkAir, while the capacity increased substantially, and the associated costs with the operation went up. That cost was mitigated by fuel cost reduction, and the consequence of that was the cost went up only roughly about 12%. So revenue went up 14%, 12% increase in cost, the consequence of that is an outcome that is improvement in operating profit, $25 million.

SIA Cargo saw the most, I suppose, dramatic improvement - from loss-making to breakeven essentially, and largely from demand, higher demand that SIA Cargo saw in the second half of the financial year. And in fact the cargo capacity went up about 3.8% during the course of the year. Demand went up almost 6%, but Cargo, too, has been under competitive pressure in terms of yield. So yield came down about 10.7% significantly. But costs again, because of, thanks to fuel, came down even more. And the consequence of that is that Cargo was able to make money.

EC, SIA Engineering Company, announced its results so we have more details but what you can see here, maybe just a high-level explanation of the results is that at the operating level, revenue-wise, it actually saw some reduction because of lower revenue, particularly from the FMP, which is the Fleet Management part of the business. But much of the reduction in, deterioration in the operating profit, actually came from costs and particularly from staff costs. There was a provision made for bonus payment to the staff. Why so? There is a big difference as you can see in Engineering Company's operating profit and its net profit. Actually net profit went up almost 90%, attributed largely to this, to SIA Engineering's sale of its stake in HAESL to Rolls-Royce, amounting to $170 over million which we will go, we will see later as well. That goes into the bottom line. That goes into a net profit level below the line. But because of that, it triggered off a payment of bonus, higher payment of bonus to the staff, and that goes into the operating line, and hence you see that disparity.

So this is what we've announced as well, which at the net level, the group made $360 million. And the next slide I'll go through what were the key factors that contributed to this. We saw that, $58 million reduction in operating profit. This was announced in previous quarters as well. This relates largely to the restructuring costs associated with Virgin Australia.

Disposal of aircraft, this one relates to SilkAir. In the prior year, SilkAir actually did four sale-and-lease-back on its 737s and made a surplus from that arrangement. But this year, SilkAir made a loss in selling one A320 and one A319. And the consequence of that is this loss on disposal.

This is the one I was referring to, the sale of stake by SIA Engineering Company. The stake that it had in HAESL.

This is well publicised. I don't think I need to say more. The re-imposition of the fine by EC on Cargo, as opposed to the prior year where it was a refund.

This was announced in the previous quarter as well. We have integrated, and in the process of going into, merging into one brand, Scoot, and therefore we have to account for the trademark and also the brand value.

And of course, you would recall that we sold in the year prior, we sold our stake in Abacus. And that resulted in dividend payment. While of course, none of this happened this year. "Others", here you have it, a 55% reduction at the net level.

Next we touch on fleet development and this again, it was, it's in the press release. But you can see that at the end of the financial year, 31 March of this year, we have 11 A350s. So, in the course of this financial year, we'll have 10 more. That means at the end of it, we'll have 21. So it's a rapid addition in terms of our A350 fleet. In fact, currently at this point in time, we have 13 A350s that's operating, and the 14th is going to be joining us over the weekend. So we will also be releasing four of the, first four A380s, which were on lease, and basically returning back to the lessor. Same thing for the A330s, and then for the 777, it will be for disposal or other arrangement.

SilkAir is basically adding more of the 737s. While BAH, it says four here. Two of the four 787s have already been delivered to Scoot. And those are in configurations that allow Scoot to operate long-haul. Two more will be delivered during the course of year, again in configurations that allow Scoot to do long-haul operations. Cargo fleet, in terms of freighter, remains unchanged.

Capital expenditure-wise, we have shown these slides previously, but this is updated with the latest order that we made of the 777X, as well as more 787-10s.

Fuel hedging position, I think this is self-explanatory. I don't need to elaborate more. You can see that our longer-term hedge that we've put in place is now between 40% to 45%, depending on which year. Earnings per share as a result of the lower profit, lower net profit, earnings per share came down. And as you know from the press release, that the Board will be recommending to the shareholders to pay a final dividend of 11 cents.

This just went up this morning. I believe most of you would have read it. What we will be doing is to re-integrate, basically de-corporatise Cargo. So Cargo will, over the course of next, this year be starting the process to be re-integrated back to SIA. And Cargo will become a Division. Why? I think if you look at when Cargo was first corporatised in 2001, it was a very different environment for Cargo. The competitive environment, the market environment, was totally different. In fact, at that point in time, freighter capacity, as a percentage of total cargo capacity that, which is including bellyhold, was about 60%. Today, with the combination of both a reduction in freighter numbers - oh, incidentally, at its peak, we actually owned 17 freighters. Today, we have 7 freighters. So it's a deliberate action that we have taken over the years, because even back then, we recognised that there are signs of weaknesses and changes in the market, and we have taken proactive steps to actually over time reduce that number. And I think that's the right thing that we have done. So anyway, so today, the cargo capacity in terms of contribution from freighters is about, it's just below 30%. So it's a big switch. This integration we believe would benefit Cargo in terms of streamlining and be able to leverage the synergies that SIA already have in terms of both the business side, as well as support functions, organisationally. And at that same time, it will also allow our Cargo colleagues to have more mobility in terms of career movement within the Group. So we announced this, and this re-integration back to SIA will actually be a process that have, that will take place over the course of next year. We expect it to be completed by the first half of next year.

Strategic, this is what the re-integration, I should have shown this slide earlier. Okay. Strategic developments, I just want to give some updates. This by now should be familiar topics to most of you. But here are the updates. Firstly, we continue to strengthen premium positioning for the Parent Airline in particular. As you know, we have gone ahead to order more aircraft for our needs in the future. The 777-9 is expected to join us in FY2021/22, that financial year timeframe. While the 787-10 is expected to come and to be delivered starting from FY2020/21.

The 787-10, we have the option of actually converting them to -8 or -9, and thus, give us the flexibility of also offering the aircraft, depending on needs, to Scoot. So for the 787, that flexibility is important because as you know, part of the reason why we have the portfolio approach is to provide more nimbleness, more flexibility for the Group to respond and to deploy the right vehicle to the right market.

A350-900, we expect our ultra-long-range to join us next year. That is still on track. And we will be doing whatever necessary to prepare both operationally and the market. But our current A350s, as you can see have already enabled us to open up quite a number of new markets, including what is coming up, coming online, Stockholm, as well as what was previously served, which is Dusseldorf.

New cabin products, we have mentioned it before, exciting new products await us with the new A380s coming in, we expect to be able to launch it by the end of this year. And then next year, we will have a new product, not the same as the A380 product on the new aircraft, but a new medium-haul product to be launched with the 787-10.

Partnership, again, something continuing to be important for us. In fact, after having a very strong push to actually establish more partners and more codeshares, we continued that push and this year, the number of codeshares went up further by 19%, significant on a bigger base now.

And of course, you are aware of the deeper co-operation, and we continue that with various carriers such as Virgin, Lufthansa, Scandinavian Airlines, Air New Zealand, and all that. They will continue to build on that and do even more. Some of these here are self-explanatory. I wouldn't, I wouldn't delve deeper. Well, for Lufthansa, however, we are working towards a fourth quarter implementation of the joint venture arrangement. But beyond what I've highlighted here of the four, we obviously also continue to push that front with new partnerships that has been organised, such as the one that we have announced with Air France-KLM Group that enables us to tap on their network beyond Paris to, at this point in time, 10 more points that weren't quite well-connected to our, to our service. So this enabled us again to expand our network through the partners.

Portfolio, well, the update here is that, the good news here is that Scoot and Tigerair integration are well on track, and we are still targeting to have a single AOC achieved in the second half of this year. And that's still on target.

What is important to note here is that with that portfolio, we were able last year, in a year that was quite challenging, to add 14 new destinations for the Group. And these are, well, okay, add or announce. Most of these are actually already in operations except for two, Stockholm as well as Athens. Athens, Scoot's operation, will start next month in June, while as you know, Stockholm will be end of this month. So this again illustrates why the portfolio is useful for the organisation.

Now of course, as we mentioned earlier, the key focus of Scoot now is really to integrate what Scoot and Tigerair network has been, and to make it more seamless in terms of connectivity between their two operations and basically operate as one. But as we do that, we are also continuing to look at how we can facilitate better and more seamless connectivity between the full service carrier and the LCC. And particularly for those non-overlapping destinations, that means new destinations, destinations for example that SIA doesn't serve, but they're served by the LCC segment. These are the clear ones that we should push. We'll be progressing this in a careful manner, again to ensure that there isn't any brand confusion.

This is again not new but underscores our belief that the Singapore market itself is not going to be sufficient in the long term. There are geographical limitations on what you can serve from Singapore, hence the multi-hub strategy. And as you can see here, both are progressing. Vistara in particular will have 13 A320s, in fact by the end of this month, or early next month, the 14th aircraft, which is its first A320neo, will join the fleet. And somewhere in the middle of next year, they would have reached 20. And as you know, when Vistara reaches 20, they can then spread their wing overseas. And that's something, that's exactly what the Vistara Board and Management are looking at and planning to do. So we can expect that we would want, we can expect to see Vistara adding international operations going forward.

And NokScoot, despite the challenges in the market, particularly also the constraints imposed by the ICAO inspection of the Thai authorities, the Thai CAAT, it continues to be able to see opportunities for growth, particularly to China. And we again expect NokScoot to also look at growth opportunities.

And the other part of our strategy was in exploring adjacent business or new business. And here again, it has been one year from setting up AATC and it's more than doubled its clientele. The plan was for AATC to add two more simulators by 2019, but looking at the pace in which the business has been coming in, it is possible that the AATC management and board might be looking at advancing the simulators. But that is something that would, they would make a call.

KrisFlyer, we continue to push for more revenue from KrisFlyer, and you can see here that the revenue has significantly increased year-on-year and that is something that we will continue to push. And it is on a significant base we're talking about. I mean we are talking about revenue in terms of hundreds of millions.

So you can see that over the last few years, five, six years, we actually have recognised that the environment has changed and we have responded with very different strategies from what we used to do before - to branch out into LCCs, to go overseas, to set up bases for future growth platforms, to look at other revenue streams. And I think all those things that we have done actually put us in a good foundation to now go on to the next phase of our transformation, which I have also announced both in our in-house magazine *Outlook,* as well as, we have incorporated some of that in the press release this time, as well.

So why? Because the portfolio now actually allows us to fundamentally relook at our network, our product, our deployment of aircraft, and to question and to be able to have the ability to now really say this is a market for what kind of vehicle and how do we grow from there. And with that, we have embarked in a very determined manner on our next phase to build on this platform, to go into the next phase of our transformation.

And it is not about one thing. It is about a comprehensive review of whatever we are doing and to actually leave no stones unturned, in how we can better position ourselves for growth, and much of it will be touching on legacy practices and current ways of doing things. Not incremental change that we do every year, but really fundamentally look at and question ourselves, is this still the right approach, the right platform in the future, leveraging what we have already done in those other initiatives I outlined earlier. So it is about revenue, how we can actually generate more revenue for the Group. It is about how we can improve our processes to make it a lot more effective, a lot more efficient. It is about how we can rebase our cost structure so that it can be a lot more competitive going forward.

A Transformation Office with dedicated staff has been set up. In fact, it will be headed by a VP for Business Transformation with full-time staff, six full-time staff in fact, within that organisation. And that Transformation Office reports directly to me. There is also direct guidance from the Board. This is something that the Board has endorsed, and in fact have worked with Management together to launch this. And we have taken active steps to communicate that to all the staff. So you can expect that there will be a lot more activities in this area going forward. And that would include organisational restructuring, of course.

That was my last slide. Thank you.

Q&A

Mr Nicholas Ionides: Thank you Mr Goh. As the tables are being moved into position, allow me to make a few requests. Please direct your questions through me, by giving me a signal that you would like to ask a question and I will call upon you. Please also wait for a microphone to come to you, and please state your name and the name of the organisation that you are representing. And finally, please limit your questions to two each time I call upon you. This is to give more people a chance to ask questions. Of course if there is time I can always return to you later. I can now invite the executives to the stage. All right, I can now take the first question, please. So we'll go to this side of the room. One, two, three, four from the front.

Ms Mavis Toh, Flightglobal: Hi, I'm Mavis, from Flightglobal. Can I just check with you Mr Goh, regarding the transformation. Can you give us a timeline on when can we expect some findings to be released and also, it sounds quite big scale, large scale. Will this be on par with what we've seen Cathay gone through? Thank you.

Mr Goh Choon Phong: The second one is easier, so I don't comment on what Cathay had gone through and you do the judgement on how much there is relative to other transformations. But what I can say is that internally, certainly the entire management team is aligned on this effort and that we have determined to leave no stone unturned in this review. How long it will take is premature to actually set a timeline now, as you know, this Transformation Office and all that has just been set up. And I think we will be able to reveal more details in due time.

Mr Nicholas Ionides: All right. We'll go one row behind, the gentleman in the aisle. Thank you.

Mr Daniel Lau, Morgan Stanley: Hi, Mr Goh. This is Daniel from Morgan Stanley. It's on the Transformation Office as well.

Mr Goh Choon Phong: Yes.

Mr Daniel Lau, Morgan Stanley: Just want to understand, you mentioned that there might be some radical -- could be some radical change in the way that you do things. Just, maybe could you give us an example of what are the things that you think can be improved right now, and in your mind, something that's radical that might be changed and gets you excited with this Transformation Office?

Mr Goh Choon Phong: I would suggest that we all wait for more details to be revealed because actually we are keeping a very open mind, that in fact, you may be aware that we've actually set up a dedicated site for staff to submit ideas since we started this effort. And, everyone is encouraged to submit. Over the course of the last few months, we have received close to 500 ideas submitted from staff. So it is still early days. But what you can see is that it is not going to be an effort where we just do and be done with it. But it is an effort that we will put a lot of attention in also how to implement it. And you expect some of this to have longer-term implications for us.

Mr Daniel Lau, Morgan Stanley: Sorry, just a follow-up on that then. Can we think about - how should we think about this? Could you even potentially buy a new business altogether and that could create synergies with your airline business?

Mr Goh Choon Phong: I will not rule out anything at this point in time.

Mr Nicholas Ionides: Okay, I've got four queued up, so if we can go two in front, to the lady there. Thanks.

Ms Rumi Hardasmalani, TODAY: Hi, this Rumi from Today Newspaper. You spoke about an organisation restructuring at the end of the presentation. Could you give us more details on that, the need for it and what would it entail? Would it also entail staff retrenchment, and any major initiatives?

Mr Goh Choon Phong: Okay. As I mentioned in the presentation, this is not just targeted at cost. It cannot be just cost. It's targeted at how we can generate more revenue for the Group. And really we are having quite a different Group structure now, and as the gentleman has suggested, we are also open to look at what other areas of business we should add to the Group. So therefore, we need - first need to have some greater clarity on what that looks like, then we can talk about how we can restructure to ensure that it makes sense with the future that we want to build. So I think again, here it's early days. But we will need to see what comes out of that review and how we will then communicate accordingly.

Mr Nicholas Ionides: Okay, all the next questions are in the centre section. To the very back row - very back row, the lady on the aisle. Thanks.

Ms Karamjit Kaur, The Straits Times: Hi, Karam from the Straits Times. I'm sorry, just going back again to the Transformation Office. I mean I understand it's early days and you're not able to share details but when you say that the intention is to take bold actions to address both revenue and cost, you can imagine that there would be concerns among your customers, for one. And whether this might in some way lead to cost-cutting in terms of services, in-flight products and all, and you would imagine that your staff would also be concerned about whether cost would impact them. So while you cannot, or while you may not be in a position to give details, can you give some assurance to both these groups of people that it is not going to impact them in any adverse way?

Mr Goh Choon Phong: So, as far as the customer is concerned, this does not detract us from being customer-focused. The customers will still be at the centre of what we want to do. It's about, if you want to look at it, it's about providing the right type of service and product to really what the customer wants. As far as the staff is concerned, we have internal communications that have to take place. And I have - actually yesterday, when I addressed the staff part of this, it's not the first time that the staff have heard about transformation. But yesterday in our internal meeting, I've told the staff that as the result of this transformation, there will certainly be changes in the way we do things, and staff would have to pick up new skills and the company would certainly want to look at how best to support their retraining and redeployment.

Mr Nicholas Ionides: Okay, we'll stick to the same aisle, third row from the front. The gentleman in the aisle seat. And then the next one is one in front. Thanks. So you can go first. Thanks.

Mr Christopher Siow, Credit Suisse: Hi, Christopher from Credit Suisse. Can we just understand on your Premium Economy programme. What stage of the implementation are you already at and on top of that, what other ways or strategies do you have to cut the yield decline condition right now? And also, one more question on the transformation plan. Any other - any cost items that you are currently focusing on and on MRO, is it possible that you can actually do every - on a third party basis, means not doing any MRO business with SIAEC? Thank you.

Mr Goh Choon Phong: I'll take the transformation question, and my colleague Mak will take the other question on Premium Economy. Again, on transformation, we leave no stone unturned. So it's not about going in with a preconceived idea of what it should be like, or what cannot be touched. We're going in with a clean slate, and whatever the best outcome is that best supports the growth of the Group for the future and get the right foundation, we will do it. Even if it means we have to incur costs in the beginning.

Mr Mak Swee Wah: On Premium Economy, the retrofit of aircraft has been going on for a while now. And we still have a couple of - few Boeing 777s to complete the programme. But largely, I think the product has been deployed on most of or all our major long-haul routes. So, certainly the product has gained traction and we are quite pleased with the results, especially on the long-haul routes. And with regard to yield, about - in this competitive environment, we are doing our utmost to see how best we can ensure that we get to the market and get to the passenger at the right price. Yes. And we're enhancing our revenue management and pricing capabilities as well.

Mr Goh Choon Phong: Maybe I'll just add a little bit to this transformation thing, just to bear in mind two things. One is that, it is not that we have not been doing any transformation. As you know, over the last five, six years, we have done quite a bit in transforming the business model itself, enhanced LCC, the overseas and all that, which is a very marked departure from what we used to do. And that is - the reason for doing that is because we have observed that the industry has basically changed structurally, and we need to do things differently. And even in that effort, we will need the organisation to actually rally behind it to support it. And as I mentioned in the past, I was very heartened to see that the organisation and everyone within it are able to support it. And that's why we have seen, I would say at this point in time, all the strategies taking shape nicely up to this point in time. And within the organisation - within the SIA organisation - transformation also has taken place in different areas of SIA already. For example, in the commercial area, we have looked at how we can do pricing differently. As a result, a new pricing unit has been set up. We have looked at how to do revenue management differently. As a result, we are now in - have actually introduced a new revenue management system. And other activities that are taking place elsewhere in the organisation as well. But now what we're saying is that we're going to put everything together and take a holistic look to see what else we must change. And some of it could be radical, but if it is, so be it. If it's the right thing to do, we'll do it.

Mr Nicholas Ionides: We've got three questions queued up. The second row, and then we'll go to the third row, the gentleman one over from the aisle.

Mr K Ajith, UOB Kay Hian Research: Hi, Ajith from UOB Kay Hian. Mr Goh, I've got one question for you. Would you consider cutting capacity on some of your long-haul routes? Clearly some of your long-haul routes are not profitable and you do not seem to have pricing power. So would you consider cutting capacity, especially in routes where you don't have the competitive advantage?

Mr Goh Choon Phong: I think this is, should we look at it holistically, when you look at an airline, especially one that is operating from a hub, it's not - it's not just about a single route. It's looking at the network implications. And as I alluded to earlier, with the portfolio, we now have the flexibility of seeing, not necessarily just cuts, but looking at which is the right vehicle to serve that particular market. An example is Athens, right? SIA couldn't make it work commercially, but Scoot is now going in. And the other example is that you can see in the way we have organised our network. So part of what we are doing in transformation is also to look at how we can leverage now with all this different vehicles within the Group to better deploy the right resources to the right market on a sustainable basis.

Mr Nicholas Ionides: One behind there. Thanks.

Mr Gerald Wong, Credit Suisse: Hi, Gerald from Credit Suisse. Mr Goh, you mentioned that the transformation programme has been ongoing for a number of years now. So what has radically changed within the business for you to decide that a Transformation Office needs to be set up at this point in time to the extent that no stone has been left unturned? Thank you.

Mr Goh Choon Phong: Okay, the difference, again, I alluded to earlier is that the transformation that we've undertaken over the last few years, we're looking at new models, really apart from what we are doing right now. But - and then this is important because you lay the foundation. For example, the portfolio now allows us to look at how actually we should structure our network and product across the whole Group, which we didn't have the options before. And this time around, the transformation would actually touch even more intimately with the operations that we are doing, SIA is doing. It's not just about setting up new units and set up elsewhere. So that is really the key difference. I can see how one leap to the ability to do the other in a more comprehensive manner.

Mr Nicholas Ionides: Okay, same row but on the other side. The gentleman in the blue, third row from the front.

Mr Gaurav Raghuvanshi, The Wall Street Journal: Hi Gaurav from The Wall Street Journal. Two questions. At a time when you've seen the pressure on your yields continue and you reported a surprise loss, do you think it's time for you to actually look at the aircraft acquisition plans, because you're spending - you're committed to spend USD21 billion over the next five years. Is it - is it really - is there any need to sort of revisit that plan and see if you really need all these aircraft? And my second question is on Vistara. What kind of help and advice are you going to give to Vistara on their fleet and expansion plans?

Mr Goh Choon Phong: Aircraft acquisitions as you can see, all the aircraft that we acquire are new technology aircraft. It will bring very significant efficiencies, especially on fuel. On top of that, it is also sized correctly for us to serve markets that we couldn't serve with the existing aircraft. And you can see that from the plan of aircraft coming in and those leaving, part of it is also for renewal. I think they are necessary because if you - as you want for example, we make this bold step of equipping Scoot with all new aircraft, 787s, and as it has turned out, as you can see from the results up to this point in time, is the right way to do it, so as to position the airline in a very competitive - with a competitive grounding for any competitions that it can take on. And I can share with the meeting here that all our A350 routes up to this point are all doing well. So there is no question about it, this renewal and so forth. It also gives us an opportunity to provide upgraded products for our customers, which is important as well. The other question you had on start-up, the fleet that we have and so forth. As a shareholder of course we have discussion with the various companies that we have joint - that we set up as a joint venture with partners. But it's important to note here that ultimately, firstly, the Board and the Management of the start-ups, of the various companies, have to be responsible. We have of course representatives on the respective boards with a wealth of experience that could guide them. For example, on the NokScoot Board, Chin Hwee is on that Board and on the Vistara Board, Mak is on the Board, some very senior people with the right experience. And we also have provided expertise in areas that we believe they would require more help in, in terms of the secondment of staff and so on. Ultimately, when they expand, they would need - say, if they need capital, obviously they will go back to their shareholders and there will be a separate discussion on that. But that's how it works.

Mr Nicholas Ionides: Okay, second from the back there. Thank you.

Mr Paul Yong, DBS: Good morning, gentlemen. I'm Paul from DBS. I have two questions. I think the first is in regards to our fourth quarter performance. Our Parent Airline company actually reported a loss, I think for the first time in three years, mainly due to soft yields, and as well as some cost pressures. Can you give us an update on what the yield, as well as cost sort of environment looks currently, and how it's going to be? And what we are doing to address that. And my second question is with regards to our startups, Vistara and NokScoot. Given that Vistara is aiming to reach 20 aircraft by the middle of next year, and that NokScoot is currently a negative equity position, do we expect to make some capital contribution to these startups and when can we expect them to make a positive contribution to our pool? Thanks.

Mr Goh Choon Phong: I think for Vistara, we have announced that we will be injecting more capital. As I say, first it has to - the Boards and the Management of the respective companies have to review their situations, what needs to be done, and then it comes to the shareholders for whatever they're proposing, whether they need more capital injections or other arrangement. What we can say is that we're committed, as a shareholder, we're committed to those JVs. We are not in for the short term. These are long-term investments. We believe in the potential of the markets and we believe that we can make a good, tangible contribution to the joint ventures, and we want to be able to support them, to grow and expand.

Mr Mak Swee Wah: On yield, I think maybe a general comment first. I think the sharp drop in yield over the last two years partly can be attributed to the sharp drop in oil price, which has given the carriers some room to price more aggressively. And of course, they price more aggressively because there has been a lot of capacity that continues to be injected in the market. So what does the future hold? Hard to speculate but if you look around, fuel price is on its way up, slightly. Some major players in the market, for example in the Middle East are also experiencing a bit of strain. So what does that mean in terms of further capacity injection? And some industry indicators are saying that yield decline maybe in some areas have bottomed out. So I think we have to watch carefully. I think there will still be pressure, but to what extent, hard to say, and hopefully there will be some early signs of some stability and hopefully a turnaround.

Mr Stephen Barnes: Yes, on the cost front, to be honest it feels internally as if we're constantly focusing on cost reduction and trying to find ways to be more efficient. So it's really a continuing effort. But the transformation project is an opportunity for us to step back and to think more radically, how can we be smarter in the way in which we deploy our assets, in the way in which we organise ourselves, the way in which we make decisions. Procurement will come into this. All of the usual areas that you would expect us to be examining for opportunities to make a step change in our cost space will be on the table for the Transformation Office to examine.

Mr Nicholas Ionides: Right, we'll move to my right side of the room, fourth row from the front, aisle seat, gentleman there.

Mr Brendan Sobie, Centre for Aviation: Hi, Brendan from CAPA. I was hoping you could provide some more colour on region by region what you're seeing competitively in yield-wise. And specifically, I wanted to bring up Australia and the US. With Australia, you're adding capacity this fiscal year. It's a difficult market. What justifies that and what kind of - how do you think you can do that without losing money basically? And US, with the new flights coming up next year, you're going to add a lot of Premium Economy capacity. Premium Economy cabin is going to be three times the size of what you have now. What have you seen with Premium Economy in the US that justifies that kind of Premium Economy capacity and how do you think you can get away with that without losing money again?

Mr Mak Swee Wah: I think in terms of capacity, I mean you know Australia is a major market for us - for us for both inbound and outbound. So in terms of capacity allocations, we have been growing Australia all this while. It supports the entire network. So while we have added quite aggressively in the last year, I think we are quite confident that this capacity will be well utilised eventually. And with regard to the US, it's an ultra-long-haul route, and from our non-stop service, I think we are very encouraged by what we have seen so far, and so we are quite fairly confident that when we put on the new aircraft next year, the flights and the product should be - should be right for the market.

Mr Goh Choon Phong: Maybe I'll just add that as you can see because of the importance of Australia and New Zealand that we have very strong partnerships with local players there, Air New Zealand and Virgin Australia. And this is something that is an advantage, competitive advantage that not many other airlines have.

Mr Nicholas Ionides: Okay, we should have time for two more. The lady on the aisle seat, third row from the front.

Ms Mayuko Tani, Nikkei: Thank you, Mayuko Tani from Nikkei. I'd like to ask about the outlook you mentioned in the press release. You said, intense competition arising from excess capacity in major markets. Can you specify major markets, especially where are you feeling excess capacity and the pressure? And Mr Mak mentioned some feeling of bottoming the yield pressure. Where do you see the bottom and where else is harder? How is the new entry for the long-haul LCC from Scandinavian region, how is it affecting your outlook? And another question is about the transformation. You mentioned that you will start with a clean slate but what will you leave as it is? Do you have like brand image of Singapore Airlines, premium carrier, that kind of things should remain, right? I don't know how - where you start. Thank you.

Mr Goh Choon Phong: Okay. I'll take the transformation one and again, I'll ask my colleague Mak to address the market issues that you're asking. If you ask whether the transformation would lead to us not having a premium airline, my answer at this point is no, that they will - we will still be operating a premium airline. And I would add, that we will still be operating the budget airline. Now in what form, how do they interact with each other, how do we deploy resources between the two, and more potentially, that is something that we will have to leave open for this transformation review to take place.

Mr Mak Swee Wah: Yes, back to your question about capacity and yield. You asked where the excess capacity is, but I think you just have to see which airlines have been growing very aggressively like the Middle Eastern carriers, the Chinese carriers, the LCCs in this region. So that will give you indication of where the excesses are. And so yield - I think, I just want to clarify what

I meant was, when you look at the situation ahead where you see potentially oil price coming back again and you look at some of the major players in the market also reporting a bit of stress in their financials and making adjustments to their plan, maybe all these kinds of factors will lead to a bit more stability in the yield environment. And from our side - I mean from our business we see that maybe there's some pockets of corporate traffic which has seen a bottom out in their decline. So it's hard to say - premature to say - that it's definitely a turnaround but we hope that sanity will prevail.

Mr Nicholas Ionides: I can take one final question, please. Gentleman in the back. Thank you.

Mr Daniel Lau, Morgan Stanley: Hi, Mr Goh. Hi, Mr Mak. Just one question on Premium Economy. So I think what Stephen just - when he shared his - it did show that Premium Economy did help support your yields, but I guess it also increased the unit cost as well. So can we - how can we think about this? If you remove Premium Economy from the equation, would your, the decline in yields have been bigger or smaller than declining costs?

Mr Goh Choon Phong: So let me answer your question in another way. If for example, if you have asked whether we are happy with the introduction, with the decision to introduce Premium Economy, having done that review of benefits, our answer would be yes. So which means that on a net basis, it is our assessment that it actually brings in more benefit than the unit cost impact.

Mr Nicholas Ionides: All right, and with that we will bring the morning's session to a close. Thank you very much for attending.

(ENDS)