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THIRD QUARTER OPERATING PROFIT UP 13% TO \$330 MILLION

- Higher carriage and load factors for all passenger airlines
- Strong earnings for SIA Cargo as trade conditions continue to improve

GROUP FINANCIAL PERFORMANCE

Third Quarter 2017-18

The SIA Group reported an operating profit of \$330 million in the third quarter of the 2017-18 financial year, \$37 million (+12.6%) higher than last year.

Group revenue rose \$230 million year-on-year to \$4,077 million (+6.0%), with revenue improvements in all business segments. Passenger flown revenue was \$127 million (+4.2%) higher, with traffic growth (+6.9%) outpacing the reduction in passenger yield (-3.1%). Cargo revenue was up \$88 million on higher freight carriage (+4.4%) and yield (+12.1%). Engineering services registered revenue growth of \$8 million (+7.9%), largely attributable to line maintenance, and aircraft and component overhaul activities.

Group expenditure increased \$193 million to \$3,747 million (+5.4%). Net fuel cost rose by \$86 million (+9.2%) as average jet fuel prices were up 20.1%, partially offset by a hedging gain versus a loss last year (+\$86 million). Ex-fuel costs were up \$107 million (+4.1%), partly attributable to the enlarged operations of SilkAir and Scoot.

Note 1: The SIA Group's unaudited financial results for the third quarter and nine months ended 31 December 2017 were announced on 13 February 2018. A summary of the financial and operating statistics is shown in Annex A. (All monetary figures are in Singapore Dollars. The Company refers to Singapore Airlines, the Parent Airline Company. The Group comprises the Company and its subsidiary, joint venture and associated companies.)

Third Quarter Operating Results of Main Companies

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

Operating Profit	3 rd Quarter FY2017-18 \$ million	3 rd Quarter FY2016-17 \$ million
Parent Airline Company	155	151
SilkAir	19	30
Scoot	43	29
SIA Cargo	88	53
SIA Engineering	18	25

Operating profit for the Parent Airline Company rose by \$4 million or 2.6% year-on-year. Total revenue increased \$108 million, largely due to a \$72 million (+2.9%) improvement in passenger flown revenue, attributable to 4.4% growth in passenger carriage (measured in revenue passenger-kilometres), partially offset by a 1.0% reduction in yield. Passenger load factor rose 2.6 percentage points year-on-year to 81.6%, on the back of a 1.0% increase in capacity (measured in available seat-kilometres). Expenditure was up \$104 million (+3.9%), driven by net fuel cost, staff costs and handling charges.

Operating profit for SilkAir was down by \$11 million compared with the same period last year, as higher expenditure outpaced revenue gains. Total revenue was \$12 million higher (+4.5%), led by higher passenger carriage of 18.4%, partially offset by a 12.3% decline in yield. An enlarged operation (+12.9% in capacity) resulted in an expenditure increase of \$23 million (+9.8%), mainly from higher net fuel cost, aircraft maintenance and overhaul costs, and handling charges. Passenger load factor rose 3.5 percentage points to 74.8%.

Scoot recorded a \$14 million improvement in operating profit. Total revenue grew \$47 million (+12.9%), as passenger carriage and yield rose by 13.5% and 1.7% respectively. Expenditure was \$33 million higher (+9.7%), led by higher operating costs arising from capacity growth of 7.0%. Passenger load factor rose 5.0 percentage points to 87.0%.

Operating profit for SIA Cargo rose by \$35 million to \$88 million in the quarter (+66.0%). Revenue improved \$88 million as freight carriage growth of 4.4% was further supported by a 12.1% improvement in cargo yield. Expenditure was up \$53 million, partly due to a foreign exchange loss against a gain last year, higher staff costs, and higher depreciation from engine overhauls. Cargo load factor rose by 2.4 percentage points to 68.3%.

SIA Engineering posted an operating profit of \$18 million, a contraction of \$7 million year-on-year. The decline was mainly led by higher expenditure (+\$6 million) due to foreign exchange losses versus gains recorded in the same period last year, partially mitigated by a decrease in subcontract services. Revenue was relatively flat (-\$1 million).

Third Quarter Net Profit

The Group reported a net profit of \$286 million for the October-December 2017 quarter, an increase of \$109 million, or 61.6%, from the same period last year. The increase was attributable to a higher operating profit (\$37 million), further lifted by the absence of write-down of the Tigerair brand and trademark made last year (\$79 million), partially offset by a higher tax expense (\$14 million) on improved profitability.

April to December 2017

Group operating profit for the nine months to December 2017 improved by \$248 million to \$843 million (+41.7%). Revenue grew by \$631 million (+5.7%) on stronger passenger and cargo flown revenue, partially offset by higher expenditure (+\$383 million or 3.6%).

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

	9 months FY2017-18 \$ million	9 months FY2016-17 \$ million
Operating Profit		
Parent Airline Company	566	427
SilkAir	40	74
Scoot	48	46
SIA Cargo	120	8
SIA Engineering	56	48

All major entities in the Group except SilkAir reported better operating results, led by the Parent Airline Company and SIA Cargo. SilkAir saw higher costs in categories such as fuel, handling, and aircraft maintenance and overhaul, a consequence of the 13.0% expansion in operations, which outstripped growth in revenue. This resulted in the \$34 million deterioration in earnings.

Operating profit for the Parent Airline Company rose \$139 million or 32.6% year-on-year. Operating revenue rose by \$269 million, with passenger flown revenue contributing nearly half (\$130 million) of the gains. Passenger traffic grew 3.8%, offset by a 1.9% reduction in passenger yield. Revenue was further supported by higher other incidental income [See Note 2]. Expenditure was \$130 million higher, led largely by higher fuel and staff costs.

SIA Cargo reported an operating profit of \$120 million, a \$112 million increase compared to the same period last year. Revenue grew \$210 million as freight carriage rose 5.5%, and cargo yield improved 8.9% on the back of stronger market conditions. Expenditure increased by \$98 million, due in part to a foreign exchange loss against a gain last year, higher handling cost due to increased loads and higher staff costs.

April to December 2017 Net Profit

Group net profit rose \$212 million or 42.5% to \$711 million for the nine months ended December 2017, contributed largely by the improvement in operating profit.

Note 2: Other incidental income includes one-off items recognised during the first half of the financial year 2017-18 pertaining to adjustments from the KrisFlyer programme (\$115 million), higher compensation for changes in aircraft delivery slots (\$58 million), partly offset by the absence of up-front recognition of revenue from unutilised tickets recorded in the last financial year (\$145 million).

FLEET DEVELOPMENT

The Parent Airline Company saw three A350-900s entering into service, two of which were delivered during the quarter. One new A380-800 with the latest cabin products was also received and deployed to Sydney, while two A380-800s were removed from service in preparation for lease return. In addition, one 777-200ER was taken out of service in preparation for sale. As at 31 December 2017, the operating fleet of the Parent Airline Company comprised 109 passenger aircraft (51 777s, 22 A330-300s, 16 A380-800s and 20 A350-900s), with an average age of 7 years and 6 months.

Three 737 MAX 8s were added to SilkAir's fleet and began operations during the quarter. As at 31 December 2017, SilkAir operated 33 aircraft – 10 A320s, three A319s and 17 737-800s and three 737 MAX 8s – with an average age of 4 years and 7 months.

Scout added one 787-8, fitted with crew rest bunks for long-haul services, during the quarter. Two A320s previously subleased to IndiGo were returned to Scout. The operating fleet as at 31 December 2017 comprised 41 aircraft - 16 787s (10 787-8s and six 787-9s), 23 A320s and two A319s - with an average age of 4 years and 9 months.

SIA Cargo operated a fleet of seven 747-400 freighters as at 31 December 2017, unchanged from last quarter.

ROUTE DEVELOPMENT

Following the successful launch of the new A380 with all-new cabin products to Sydney, the Parent Airline Company will introduce the enhanced A380 to London and Hong Kong on selected services from 16 February 2018 and 18 February 2018 respectively. In the Northern Summer operating season (25 March 2018 to 27 October 2018), services to Cape Town via Johannesburg will be increased from the current four-times-weekly to a daily service to meet growing travel demand. Dusseldorf will be served four times a week, up from the current thrice-weekly frequency. Hanoi services will increase from seven to 10 flights a week, due to a partial transfer from SilkAir.

With effect from 1 May 2018, the existing four-times-weekly service to Canberra-Wellington will be de-linked. This will be substituted by a four-times-weekly Wellington to Singapore via Melbourne flight, and a daily circular routing service to Canberra through Sydney. The number of destinations in the network will remain at 62, across 32 countries and territories, including Singapore.

SilkAir took over Scoot's five-times-weekly service to Yangon and transferred its Kuching and Palembang services to Scoot during the quarter. In January 2018, the 737 MAX 8 aircraft commenced services to Darwin and Cairns. SilkAir will transfer Langkawi, Pekanbaru and Kalibo flights to Scoot during the Northern Summer operating season. With these changes, SilkAir will fly to 49 destinations in 16 countries.

Scoot commenced flights to Kuching, Honolulu, Harbin and Palembang during the quarter, and launched services to Kuantan on 2 February 2018. The low-cost carrier plans to spread its wings to its second European and third long-haul destination, Berlin, Germany, on 20 June 2018. Along with the transfers from SilkAir and suspension of services to Jaipur from 12 March 2018, Scoot's network will grow to 66 destinations across 18 countries and territories.

Overall, the portfolio of airlines in the Group will fly to 137 destinations across 37 countries and territories, including Singapore.

SIA Cargo will continue to pursue charter opportunities and deploy capacity to match demand. Currently, SIA Cargo's freighter network covers 19 cities in 13 countries and territories, including Singapore.

OUTLOOK

Despite a stabilisation in yields in recent months, pressure on yields remains as competitors mount significant capacity in key markets with aggressive pricing. These challenging market conditions have been exacerbated by recent fuel price movements.

Fuel prices have been trending higher and volatility is expected to persist in the months ahead, as the market continues to balance demand and supply. For the fourth quarter of the financial year, the Group has hedged 40.7% of its fuel requirements at a weighted average jet fuel price of USD65 per barrel. Longer-dated Brent hedges with maturities extending to the financial year 2022-23 cover up to 47% of the Group's projected annual fuel consumption, at average prices ranging from USD53 to USD59 per barrel.

The Parent Airline Company will take delivery of the world's first Boeing 787-10 aircraft in March 2018, with all-new medium-haul cabin products for regional deployment. The introduction of the new regional cabin products reaffirms the Group's commitment to continuously enhance the premium travel experience for customers through product innovation and leadership.

The Group's three-year transformation programme is well on track, with initiatives already bearing fruit in terms of enhancement of customer experience, revenue generation and improvements in operational efficiency. New initiatives are being actively explored. Digital innovation is an important enabler of the transformation programme, with significant investments being made to lift the Group's digital capabilities.

Through the various key strategic initiatives and strength of the portfolio of airlines serving both full-service and low-cost market segments, the SIA Group is well positioned to meet the ongoing competitive challenges.

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A STAR ALLIANCE MEMBER



GROUP FINANCIAL STATISTICS

	3 rd Quarter 2017-18	3 rd Quarter 2016-17	9 months 2017-18	9 months 2016-17
Financial Results (\$ million)				
Total revenue	4,076.7	3,846.9	11,788.8	11,157.6
Total expenditure	3,747.3	3,554.0	10,946.0	10,562.4
Operating profit	329.4	292.9	842.8	595.2
Non-operating items	19.6	(66.2)	21.7	55.5
Profit before taxation	349.0	226.7	864.5	650.7
Profit attributable to the Company	286.1	177.2	711.1	498.7
Per Share Data				
Earnings per share (cents)				
- Basic ^{R1}	24.2	15.0	60.2	42.2
- Diluted ^{R2}	24.1	14.9	59.9	42.0
	As at 31 Dec 2017	As at 31 Mar 2017		
Financial Position (\$ million)				
Share capital	1,856.1	1,856.1		
Treasury shares	(183.5)	(194.7)		
Capital reserve	(149.9)	(147.6)		
Foreign currency translation reserve	(155.2)	(123.7)		
Share-based compensation reserve	76.4	88.5		
Fair value reserve	279.8	(234.4)		
General reserve	12,308.2	11,838.8		
Equity attributable to the Company	14,031.9	13,083.0		
Total assets	26,841.0	24,720.0		
Total debt	3,141.5	1,567.8		
Total debt : equity ratio (times) ^{R3}	0.22	0.12		
Net asset value (\$) ^{R4}	11.87	11.07		

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

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

^{R3} Total debt : equity ratio is total debt divided by equity attributable to the Company.

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

OPERATING STATISTICS

	3 rd Quarter 2017-18	3 rd Quarter 2016-17	Change %	9 months 2017-18	9 months 2016-17	Change %		
<u>SIA</u>								
Passengers carried (thousand)	5,022	4,819	+	4.2	14,712	14,254	+	3.2
Revenue passenger-km (million)	24,513.1	23,484.7	+	4.4	72,267.9	69,648.5	+	3.8
Available seat-km (million)	30,042.6	29,738.7	+	1.0	89,052.3	88,810.8	+	0.3
Passenger load factor (%)	81.6	79.0	+	2.6 pts	81.2	78.4	+	2.8 pts
Passenger yield per passenger-km (cents)	10.4	10.5	-	1.0	10.2	10.4	-	1.9
Revenue per available seat-km (cents/ask)	8.5	8.3	+	2.4	8.3	8.1	+	2.5
Passenger unit cost (cents/ask)	8.4	8.1	+	3.7	8.3	8.1	+	2.5
Passenger breakeven load factor (%)	80.8	77.1	+	3.7 pts	81.4	77.9	+	3.5 pts
<u>SilkAir</u>								
Passengers carried (thousand)	1,248	1,075	+	16.1	3,530	3,042	+	16.0
Revenue passenger-km (million)	2,224.0	1,877.7	+	18.4	6,262.3	5,293.1	+	18.3
Available seat-km (million)	2,972.1	2,632.3	+	12.9	8,492.8	7,518.2	+	13.0
Passenger load factor (%)	74.8	71.3	+	3.5 pts	73.7	70.4	+	3.3 pts
Passenger yield (cents/pkm)	11.4	13.0	-	12.3	11.4	12.9	-	11.6
Revenue per available seat-km (cents/ask)	8.5	9.3	-	8.6	8.4	9.1	-	7.7
Passenger unit cost (cents/ask)	8.2	8.4	-	2.4	8.2	8.5	-	3.5
Passenger breakeven load factor (%)	71.9	64.6	+	7.3 pts	71.9	65.9	+	6.0 pts
<u>Scoot</u>								
Passengers carried (thousand)	2,440	2,200	+	10.9	6,986	6,288	+	11.1
Revenue passenger-km (million)	6,582.6	5,800.1	+	13.5	18,711.2	16,178.8	+	15.7
Available seat-km (million)	7,563.3	7,069.1	+	7.0	21,970.7	19,694.8	+	11.6
Passenger load factor (%)	87.0	82.0	+	5.0 pts	85.2	82.1	+	3.1 pts
Revenue per revenue seat-km (cents/pkm)	6.0	5.9	+	1.7	5.7	5.8	-	1.7
Revenue per available seat-km (cents/ask)	5.2	4.9	+	6.1	4.9	4.8	+	2.1
Cost per available seat-km (cents/ask)	4.8	4.7	+	2.1	4.9	4.7	+	4.3
Breakeven load factor (%)	80.0	79.7	+	0.3 pts	86.0	81.0	+	5.0 pts
<u>SIA Cargo</u>								
Cargo and mail carried (million kg)	347.2	333.5	+	4.1	989.0	946.7	+	4.5
Cargo load (million tonne-km)	1,960.8	1,878.4	+	4.4	5,535.8	5,246.5	+	5.5
Gross capacity (million tonne-km)	2,871.5	2,852.2	+	0.7	8,385.4	8,320.3	+	0.8
Cargo load factor (%)	68.3	65.9	+	2.4 pts	66.0	63.1	+	2.9 pts
Cargo yield (cents/ltk)	30.6	27.3	+	12.1	28.2	25.9	+	8.9
Cargo unit cost (cents/ctk)	18.0	16.6	+	8.4	17.5	16.8	+	4.2
Cargo breakeven load factor (%)	58.8	60.8	-	2.0 pts	62.1	64.9	-	2.8 pts
<u>Group Airlines (Passenger)</u>								
Passengers carried (thousand)	8,710	8,094	+	7.6	25,228	23,584	+	7.0
Revenue passenger-km (million)	33,319.7	31,162.5	+	6.9	97,241.4	91,120.4	+	6.7
Available seat-km (million)	40,578.0	39,440.1	+	2.9	119,515.8	116,023.8	+	3.0
Passenger load factor (%)	82.1	79.0	+	3.1 pts	81.4	78.5	+	2.9 pts

GLOSSARYSIA

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

SilkAir

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

Scoot

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

SIA Cargo

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

Group Airlines
(Passenger)

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