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WIDE-RANGING TRANSFORMATION CONTINUES TO DRIVE STRONG RESULTS

- Transformation delivers record revenue and strengthens operational resilience
- Double-digit rate of growth in operating profit and net profit for the quarter
- SIA Group well-positioned to weather current challenges posed by COVID-19 outbreak

GROUP FINANCIAL HIGHLIGHTS

The SIA Group delivered a strong set of results in the third quarter of the 2019/20 financial year. Group revenue for the quarter was at a record high of \$4,471 million, boosted by initiatives arising from the Transformation programme. Operating profit increased \$61 million (+15.7%) from last year to \$449 million, driving a Group net profit improvement of \$31 million (+10.9%) to \$315 million.

For the nine months ended 31 December 2019, Group operating profit rose \$48 million (+5.9%) to \$862 million and net profit was up \$40 million (+8.3%).

The Group financial performance is summarised as follows:

Group Financial Results	3 rd Quarter FY2019/20 (\$ million)	3 rd Quarter FY2018/19 (\$ million)	Better/ (Worse) (%)	9 months FY2019/20 (\$ million)	9 months FY2018/19 (\$ million)	Better/ (Worse) (%)
Total Revenue	4,471	4,342	3.0	12,795	12,248	4.5
Total Expenditure	4,022	3,954	(1.7)	11,933	11,434	(4.4)
Net Fuel Cost	1,207	1,252	3.6	3,556	3,487	(2.0)
<i>Gross Fuel Cost</i>	<i>1,199</i>	<i>1,354</i>	<i>11.4</i>	<i>3,624</i>	<i>3,873</i>	<i>6.4</i>
<i>Fuel Hedging Loss/(Gain)</i>	<i>8</i>	<i>(102)</i>	<i>n.m.</i>	<i>(68)</i>	<i>(386)</i>	<i>(82.4)</i>
Non-fuel Expenditure	2,815	2,702	(4.2)	8,377	7,947	(5.4)
Operating Profit	449	388	15.7	862	814	5.9
Net Profit	315	284	10.9	520	480	8.3

Note 1: The SIA Group's unaudited financial results for the third quarter and nine months ended 31 December 2019 were announced on 14 February 2020. 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.

Operating results of the main companies in the Group are shown below:

Operating Profit/(Loss)	3 rd Quarter FY2019/20 \$ million	3 rd Quarter FY2018/19 \$ million	Better/ (Worse) (%)	9 months FY2019/20 \$ million	9 months FY2018/19 \$ million	Better/ (Worse) (%)
Parent Airline Company	413	369	11.9	878	787	11.6
SilkAir	7	7	-	(12)	5	n.m.
Scoot	4	1	n.m.	(73)	(9)	n.m.
SIA Engineering	16	16	-	53	37	43.2

OUTLOOK

The growing scale of the COVID-19 outbreak poses significant challenges to the SIA Group. Demand for services to Mainland China has been severely affected. The Parent Airline Company and SilkAir have drastically reduced frequencies on all Mainland China routes in February and March 2020, while Scoot has suspended all flights to Mainland China until 28 March 2020 (end of the Northern Winter 2019/20 operating season). Amidst this challenging environment, the SIA Group will continue to be proactive and nimble in making appropriate network adjustments and managing costs tightly.

Ensuring the safety and well-being of our passengers and staff is always our highest priority. We have set up a high-level task force to closely monitor the COVID-19 situation and promptly roll out measures to minimise the risks to our passengers and staff. For instance, we have stepped up the cleaning and disinfection of our aircraft cabins, modified our in-flight service to improve safety for passengers and crew, and stopped layovers on flights to China.

Volatility in fuel prices is likely to persist, in view of recent geopolitical tensions and the demand-side uncertainties in the global oil market. However, the Group's hedging policy provides stability in net fuel costs. For the fourth quarter, the Group has hedged 79% of its fuel requirements in MOPS at a weighted average price of USD76. For FY2020/21, the Group has hedged 51% in MOPS and 22% in Brent at weighted average prices of USD74 and USD58 per barrel respectively [Note 2].

The Transformation programme has strengthened the Group's revenue generating capabilities and driven operational efficiencies while maintaining high service standards. Together with our strong liquidity, this provides the Group with the resilience to weather the current challenges.

At the same time we will continue to pursue ongoing strategic initiatives including the integration of the Parent Airline Company and SilkAir, growing the low cost airline Scoot, investing in the Indian joint-venture Vistara, and developing new sources of revenue such as KrisShop. These will further strengthen the foundation for future growth and success.

Operating our business in a sustainable manner has always been a priority for the Group. We have invested heavily in a young fuel-efficient fleet, and constantly seek ways to further improve efficiency by optimising flight routings, reducing aircraft weight and leveraging data analytics to optimise fuel uplift. We have rolled out measures to reduce the amount of single-use plastics and minimise waste both on board our aircraft and in our facilities. Steps have been taken to increase our use of renewable energy and lower our electricity consumption. We will aggressively pursue opportunities and embark on initiatives that will help the Group to further reduce its overall carbon footprint.

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MANAGEMENT COMMENTARY ON FINANCIAL RESULTS

Third Quarter 2019/20

Group operating profit of \$449 million was \$61 million (+15.7%) higher than last year.

Group revenue rose \$129 million (+3.0%) year-on-year to \$4,471 million, primarily driven by strong growth in passenger revenue and partly offset by lower cargo revenue. Passenger flown revenue was \$239 million (+7.0%) higher, boosted by robust traffic growth (+8.3%). Load factor was up 2.6 percentage points to 85.6%, the highest on record for the third quarter, as traffic outpaced capacity injection of 4.9% (measured in available seat-kilometres). Notwithstanding the capacity growth, RASK (revenue per available seat-kilometre) improved 1.3% to 8.0 cents. Cargo flown revenue declined by \$112 million as both cargo yield and load factor fell, by 9.3% and 4.6 percentage points respectively, due to weaker cargo demand amid trade uncertainties and an export manufacturing slowdown in Europe and Asia.

Group expenditure increased \$68 million (+1.7%) to \$4,022 million as a result of higher non-fuel expenditure. Non-fuel costs were up \$113 million (+4.2%), attributable to both the increase in capacity as well as higher traffic. This was partially offset by lower net fuel costs (-\$45 million or 3.6%), mainly due to a decrease in average jet fuel price post-hedging.

Group net profit for the October-December 2019 quarter improved \$31 million (+10.9%) to \$315 million. The stronger results were driven by better operating performance (+\$61 million) as well as an improvement in share of results of joint venture and associated companies (+\$16 million), partly offset by an increase in net finance charges (-\$28 million) and other non-operating losses (-\$22 million). Net finance charges were higher due to the recognition of interest expense arising from lease liabilities with the adoption of IFRS 16 *Leases* and additional financing for fleet renewal and growth. Non-operating losses mainly pertained to the recognition of expected credit losses in relation to a loan and a financial guarantee for NokScoot [Note 3].

Third Quarter Operating Results of Main Companies

Operating profit for the Parent Airline Company rose \$44 million or 11.9% year-on-year to \$413 million.

Total revenue was up \$120 million, predominantly due to growth in passenger flown revenue (+\$225 million or 8.2%) on the back of a 9.7% increase in passenger carriage (measured in revenue passenger-kilometres). Notwithstanding a significant capacity growth of 6.9%, the passenger operations achieved a record high load factor for the third quarter of 85.6% (+2.2 percentage points) and an improvement in RASK of 1.1%. However, lower cargo revenue of \$112 million negated some of the improvements.

Total expenditure increased on higher ex-fuel costs (+\$116 million or 5.5%), arising from costs related to expansion such as aircraft standing charges as well as staff and sales costs. This was partly offset by a decline in net fuel costs (-\$40 million or 3.8%), primarily due to lower post-hedging fuel prices. As the increase in total expenditure was contained within overall capacity expansion, overall unit cost fell by 1.6%.

SilkAir recorded an operating profit of \$7 million, flat against last year. During the quarter, capacity for the carrier fell 8.2%, primarily attributable to the grounding of the 737 MAX 8 fleet as well as the progressive transfer of routes to Scoot. However, traffic fell by a smaller extent (-2.9%), which led to an improvement in passenger load factor of 4.4 percentage points. Passenger flown revenue fell \$12 million, as yield decreased 1.8% in addition to the lower traffic. Non-scheduled services revenue and incidental revenue fell \$5 million as well, contributing to the overall revenue decline of \$18 million (-6.6%). Expenditure was down \$18 million, largely due to a decrease in net fuel costs (-\$8 million) as well as other ex-fuel costs from capacity reduction.

Scoot registered an operating profit of \$4 million, \$3 million higher than a year ago. Passenger flown revenue increased \$26 million (+6.0%), supported by higher passenger traffic (+6.8%). RASK improved 4.1%, on the back of an increase in passenger load factor of 3.7 percentage points. Although passenger revenue growth was tempered by declines in cargo revenue (-\$4 million) and other operating revenue (-\$7 million), total revenue was \$15 million higher against last year. Expenditure rose \$12 million (+2.5%), in line with capacity growth.

Note 3: Expected credit losses, recognised during the quarter, in relation to NokScoot total \$61 million, of which \$32 million is recorded in operating expenses and \$29 million is recorded in non-operating items.

Operating profit for SIA Engineering was stable year-on-year at \$16 million. Revenue fell \$4 million (-1.5%), mainly attributable to a reduction in airframe and line maintenance revenue. A reduction in expenditure of \$4 million, primarily from lower material costs cushioned the reduction in revenue.

April to December 2019

Group operating profit for the nine months to December 2019 improved by \$48 million to \$862 million (+5.9%). Revenue grew \$547 million (+4.5%), attributable to stronger passenger flown revenue (+\$754 million or 7.8%) on traffic growth of 7.8%, partially offset by lower cargo revenue (-\$250 million). Expenditure rose \$499 million (+4.4%), mainly due to higher ex-fuel costs of \$430 million (+5.4%) arising from passenger capacity expansion (+5.9%). Net fuel costs were also up \$69 million (+2.0%), contributed by an increase in fuel volume consumed (+3.6% or \$146 million) on higher capacity and a stronger USD against SGD.

Group net profit for the nine months ended 31 December 2019 rose \$40 million (+8.3%) to \$520 million, attributable to higher operating profit (+\$48 million) and an improvement in share of results from associates and joint ventures (+\$71 million), partially offset by higher net finance charges (-\$81 million).

ROUTE DEVELOPMENT

Busan services, originally launched by SilkAir in May 2019, became part of SIA's network from 28 October 2019, bringing the number of destinations SIA served, including Singapore, to 66 as at 31 December 2019. During the quarter, the Parent Airline Company also announced the addition of Brussels as its latest European destination. Operations will begin from 25 October 2020, subject to regulatory approvals.

As part of the upcoming integration with SIA, SilkAir completed the transfer of Chiang Mai, Coimbatore, Visakhapatnam and Kota Kinabalu services to Scoot, in addition to the Busan services to SIA, in the quarter. As at 31 December 2019, SilkAir operated 38 destinations, including Singapore. SilkAir will cease services to Kolkata from 29 March 2020, in conjunction with an increase in the frequency of SIA's Singapore-Kolkata route from four to five times weekly.

Scoot's network continues to grow, with the transfer of services from SilkAir as well as planned frequency additions on several routes such as Tokyo and Seoul (both via Taipei) from February 2020. During the quarter, Scoot also suspended services to Male and transferred Kochi services to SilkAir. Scoot ended the quarter with 68 destinations, including Singapore.

Overall, the portfolio of airlines in the Group served 137 passenger destinations in 37 countries and territories, including Singapore, as at 31 December 2019.

SIA's cargo operations will continue to pursue charter opportunities and deploy capacity to match demand. The freighter network covers 19 cities, including Singapore, as at 31 December 2019.

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A STAR ALLIANCE MEMBER 

GROUP FINANCIAL STATISTICS

	3 rd Quarter 2019/20	3 rd Quarter 2018/19	9 months 2019/20	9 months 2018/19
Financial Results (\$ million)				
Total revenue	4,470.6	4,341.5	12,795.1	12,248.1
Total expenditure	4,022.1	3,953.9	11,933.5	11,434.5
Operating profit	448.5	387.6	861.6	813.6
Non-operating items	(50.6)	(21.5)	(177.2)	(159.0)
Profit before taxation	397.9	366.1	684.4	654.6
Profit attributable to Owners of the Company	314.8	284.1	520.4	480.1
Per Share Data				
Earnings per share (cents)				
- Basic ^{R1}	26.6	24.0	43.9	40.6
- Diluted ^{R2}	26.4	23.9	43.7	40.4
	As at 31 Dec 2019	As at 31 Mar 2019		
Financial Position (\$ million)				
Share capital	1,856.1	1,856.1		
Treasury shares	(156.0)	(171.5)		
Capital reserve	(126.3)	(124.3)		
Foreign currency translation reserve	(41.5)	(33.2)		
Share-based compensation reserve	20.6	24.9		
Fair value reserve	(52.6)	459.7		
General reserve	10,649.2	11,275.1		
Equity attributable to Owners of the Company	12,149.5	13,286.8		
Total assets ^{R3}	32,638.1	30,505.2		
Total debt ^{R3}	9,626.3	6,654.4		
Total debt : equity ratio (times) ^{R4}	0.79	0.50		
Net asset value (\$) ^{R5}	10.25	11.22		

^{R1} Earnings per share (basic) is computed by dividing profit attributable to owners of 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 owners of the Company by the weighted average number of ordinary shares in issue less treasury shares, adjusted for the dilutive effect on the vesting of all outstanding share-based incentive awards granted.

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

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

^{R5} Net asset value per share is computed by dividing equity attributable to owners of the Company by the number of ordinary shares in issue less treasury shares.

OPERATING STATISTICS

	3 rd Quarter 2019/20	3 rd Quarter 2018/19	Change %	9 months 2019/20	9 months 2018/19	Change %		
SIA								
<u>Passenger Operations</u>								
Passengers carried (thousand)	5,892	5,323	+	10.7	17,032	15,572	+	9.4
Revenue passenger-km (million)	28,851.8	26,302.6	+	9.7	83,795.0	76,905.2	+	9.0
Available seat-km (million)	33,708.9	31,537.9	+	6.9	98,684.5	92,057.5	+	7.2
Passenger load factor (%)	85.6	83.4	+	2.2 pts	84.9	83.5	+	1.4 pts
Passenger yield (cents/pkm)	10.3	10.4	-	1.0	10.1	10.1	-	-
Revenue per available seat-km (cents/ask)	8.8	8.7	+	1.1	8.6	8.4	+	2.4
Passenger unit cost (cents/ask)	8.1	8.4	-	3.6	8.2	8.3	-	1.2
Passenger unit cost ex-fuel (cents/ask)	5.3	5.4	-	1.9	5.4	5.4	-	-
<u>Cargo Operations</u>								
Cargo and mail carried (million kg)	325.3	345.0	-	5.7	941.6	995.3	-	5.4
Cargo load (million tonne-km)	1,732.1	1,906.4	-	9.1	4,997.4	5,398.9	-	7.4
Gross capacity (million tonne-km)	2,823.3	2,886.4	-	2.2	8,411.0	8,478.1	-	0.8
Cargo load factor (%)	61.4	66.0	-	4.6 pts	59.4	63.7	-	4.3 pts
Cargo yield (cents/ltk)	30.2	33.3	-	9.3	29.8	32.2	-	7.5
Cargo unit cost (cents/ctk)	16.5	17.2	-	4.1	16.3	16.7	-	2.4
<u>Overall Operations</u>								
Overall load (million tonne-km)	4,406.4	4,346.8	+	1.4	12,752.9	12,527.8	+	1.8
Overall capacity (million tonne-km)	6,277.4	6,079.4	+	3.3	18,454.4	17,772.5	+	3.8
Overall load factor (%)	70.2	71.5	-	1.3 pts	69.1	70.5	-	1.4 pts
Overall yield (cents/ltk)	79.1	77.6	+	1.9	78.0	75.8	+	2.9
Overall unit cost (cents/ctk)	50.8	51.6	-	1.6	51.3	50.8	+	1.0
SilkAir								
Passengers carried (thousand)	1,254	1,278	-	1.9	3,683	3,707	-	0.6
Revenue passenger-km (million)	2,240.1	2,307.4	-	2.9	6,825.2	6,769.1	+	0.8
Available seat-km (million)	2,749.5	2,994.1	-	8.2	8,569.0	8,877.9	-	3.5
Passenger load factor (%)	81.5	77.1	+	4.4 pts	79.6	76.2	+	3.4 pts
Passenger yield (cents/pkm)	11.0	11.2	-	1.8	10.6	10.8	-	1.9
Revenue per available seat-km (cents/ask)	8.9	8.6	+	3.5	8.5	8.2	+	3.7
Passenger unit cost (cents/ask)	8.9	8.6	+	3.5	8.7	8.5	+	2.4
Passenger unit cost ex-fuel (cents/ask)	6.7	6.3	+	6.3	6.6	6.3	+	4.8

	3 rd Quarter 2019/20	3 rd Quarter 2018/19		Change %	9 months 2019/20	9 months 2018/19		Change %
<u>Scoot</u>								
Passengers carried (thousand)	2,905	2,656	+	9.4	8,423	7,816	+	7.8
Revenue passenger-km (million)	7,879.8	7,377.0	+	6.8	23,191.6	21,855.2	+	6.1
Available seat-km (million)	9,047.8	8,845.8	+	2.3	26,746.3	25,605.3	+	4.5
Passenger load factor (%)	87.1	83.4	+	3.7 pts	86.7	85.4	+	1.3 pts
Passenger yield (cents/pkm)	5.8	5.9	-	1.7	5.6	5.7	-	1.8
Revenue per available seat-km (cents/ask)	5.1	4.9	+	4.1	4.8	4.8		-
Cost per available seat-km (cents/ask)	5.3	5.2	+	1.9	5.3	5.1	+	3.9
Cost per available seat-km ex-fuel (cents/ask)	3.6	3.5	+	2.9	3.6	3.4	+	5.9
<u>Group Airlines (Passenger)</u>								
Passengers carried (thousand)	10,051	9,257	+	8.6	29,138	27,095	+	7.5
Revenue passenger-km (million)	38,971.7	35,987.0	+	8.3	113,811.8	105,529.5	+	7.8
Available seat-km (million)	45,506.2	43,377.8	+	4.9	133,999.8	126,540.7	+	5.9
Passenger load factor (%)	85.6	83.0	+	2.6 pts	84.9	83.4	+	1.5 pts
Passenger yield (cents/pkm)	9.4	9.5	-	1.1	9.2	9.2		-
Revenue per available seat-km (cents/ask)	8.0	7.9	+	1.3	7.8	7.7	+	1.3

GLOSSARYSIAPassenger Operations

Revenue passenger-km	=	Number of passengers carried x distance flown (in km)
Available seat-km	=	Number of available seats x distance flown (in km)
Passenger load factor	=	Revenue passenger-km expressed as a percentage of available seat-km
Passenger yield	=	Passenger revenue from scheduled services divided by revenue passenger-km
Revenue per available seat-km	=	Passenger revenue from scheduled services divided by available seat-km
Passenger unit cost	=	Passenger operating expenditure divided by available seat-km
Passenger unit cost ex-fuel	=	Passenger operating expenditure less fuel cost, divided by available seat-km

Cargo Operations

Cargo load	=	Cargo and mail load carried (in tonnes) x distance flown (in km)
Gross capacity	=	Cargo capacity production (in tonnes) x distance flown (in km)
Cargo load factor	=	Cargo and mail load (in tonne-km) expressed as a percentage of gross capacity (in tonne-km)
Cargo yield	=	Cargo and mail revenue from scheduled services divided by cargo load (in tonne-km)
Cargo unit cost	=	Cargo operating expenditure divided by gross capacity (in tonne-km)

Overall Operations

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

SilkAir

Revenue passenger-km	=	Number of passengers carried x distance flown (in km)
Available seat-km	=	Number of available seats x distance flown (in km)
Passenger load factor	=	Revenue passenger-km expressed as a percentage of available seat-km
Passenger yield	=	Passenger revenue from scheduled services divided by revenue passenger-km
Revenue per available seat-km	=	Passenger revenue from scheduled services divided by available seat-km
Passenger unit cost	=	Operating expenditure (less cargo and mail revenue) divided by available seat-km
Passenger unit cost ex-fuel	=	Operating expenditure (less cargo, mail revenue and fuel) divided by available seat-km

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

Group Airlines (Passenger)

Revenue passenger-km	=	Number of passengers carried x distance flown (in km)
Available seat-km	=	Number of available seats x distance flown (in km)
Passenger load factor	=	Revenue passenger-km expressed as a percentage of available seat-km
Passenger yield	=	Passenger revenue from scheduled services divided by revenue passenger-km
Revenue per available seat-km	=	Passenger revenue from scheduled services divided by available seat-km