SINGAPORE AIRLINES

SIA ANALYST/MEDIA BRIEFING

Q4 and FY2017-18 Results

18 May 2018

THE PARENT AIRLINE Q4 AND FY17/18 RESULTS

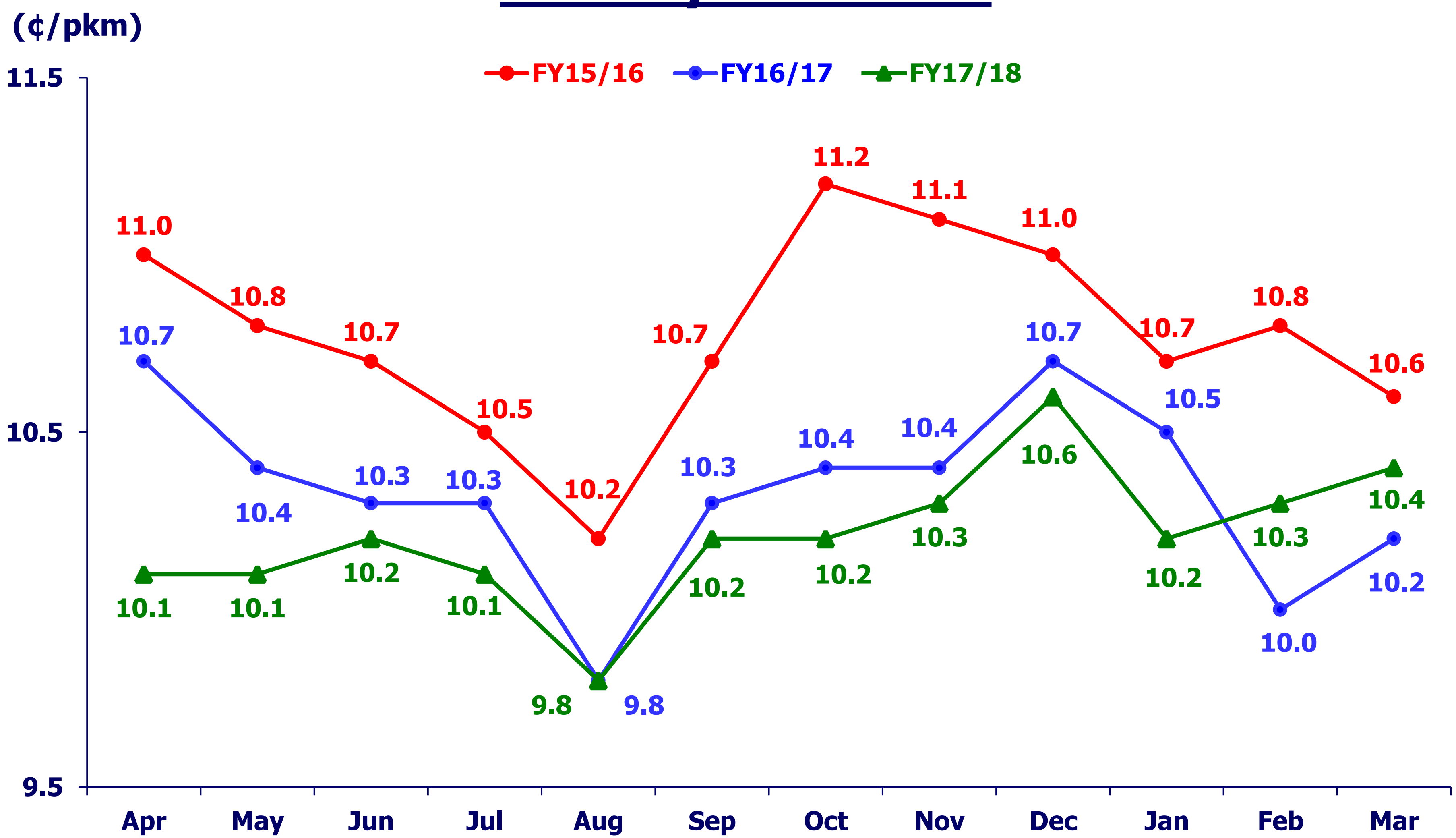
SINGAPORE AIRLINES

THE PARENT AIRLINE COMPANY OPERATING PERFORMANCE

	Q4 FY17/18	% Change	FY17/18	% Change
Available Seat-KM (million)	29,074	+0.8	118,127	+0.4
Revenue Pax-KM (million)	23,587	+1.4	95,855	+3.2
Passenger Load Factor (%)	81.1	+0.5 pt	81.1	+2.1 pts
Passenger Yield (¢/pkm)	10.3	+1.0	10.2	-1.0
Revenue per ASK (¢/ask)	8.4	+2.4	8.3	+1.2
Passenger Unit Cost (¢/ask)	8.7	-1.1	8.4	+1.2
Passenger Unit Ex-Fuel Cost (¢/ask)	6.0	-3.2	5.9	+1.7
Passenger Breakeven Load Factor (%)	84.5	-1.8 pts	82.4	+1.8 pts

THE PARENT AIRLINE COMPANY OPERATING PERFORMANCE

Monthly Pax Yields



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THE PARENT AIRLINE COMPANY RESULTS

	Q4 FY17/18 $million	Better/ (Worse) $million	FY17/18 $million	Better/ (Worse) $million
Total Revenue	**2,934**	**221**	**11,584**	**490**
Total Expenditure	**2,797**	**(43)**	**10,881**	**(173)**
- Net Fuel Cost	*771*	*(25)*	*2,971*	*(77)*
Fuel Cost	*835*	*(98)*	*3,044*	*(419)*
Fuel Hedging Gain	*(64)*	*73*	*(73)*	*342*
- Ex-fuel Cost	*2,026*	*(18)*	*7,910*	*(96)*
Operating Profit	**137**	**178**	**703**	**317**
Operating Profit Margin (%)	**4.7**	**6.2 pts**	**6.1**	**2.6 pts**

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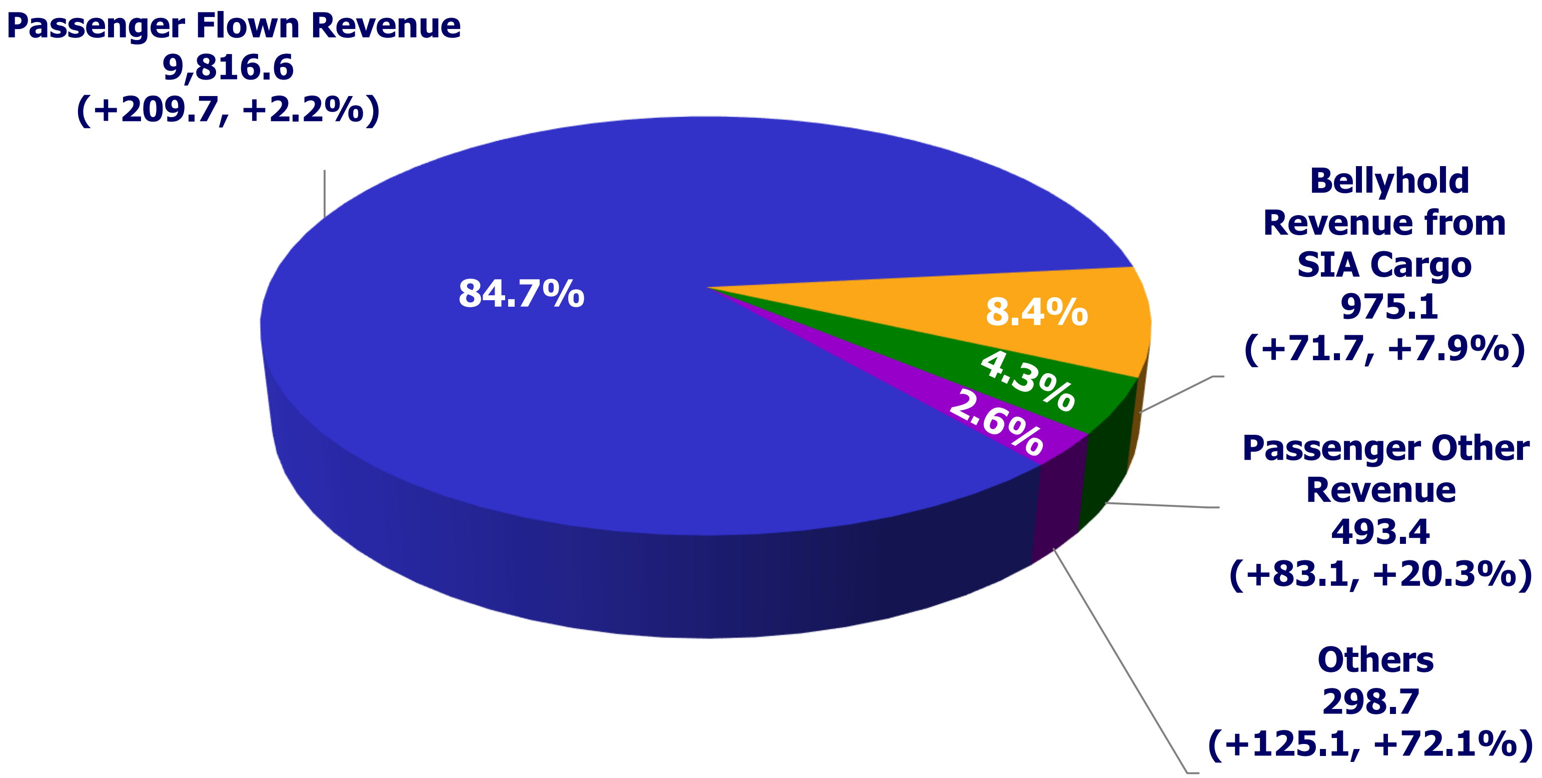
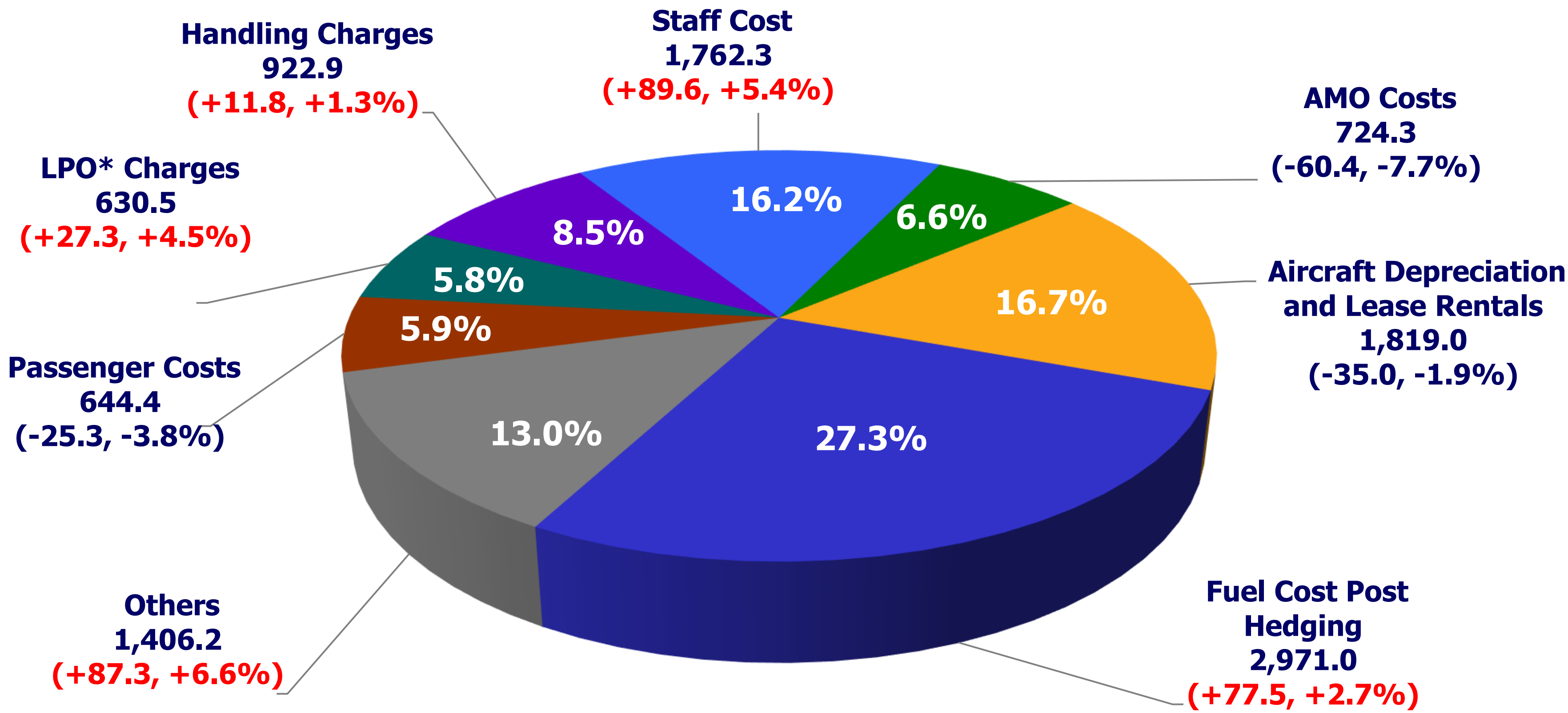
THE PARENT AIRLINE COMPANY REVENUE BREAKDOWN

FY17/18 ($'M)



THE PARENT AIRLINE COMPANY COST COMPOSITION

FY17/18 ($'M)

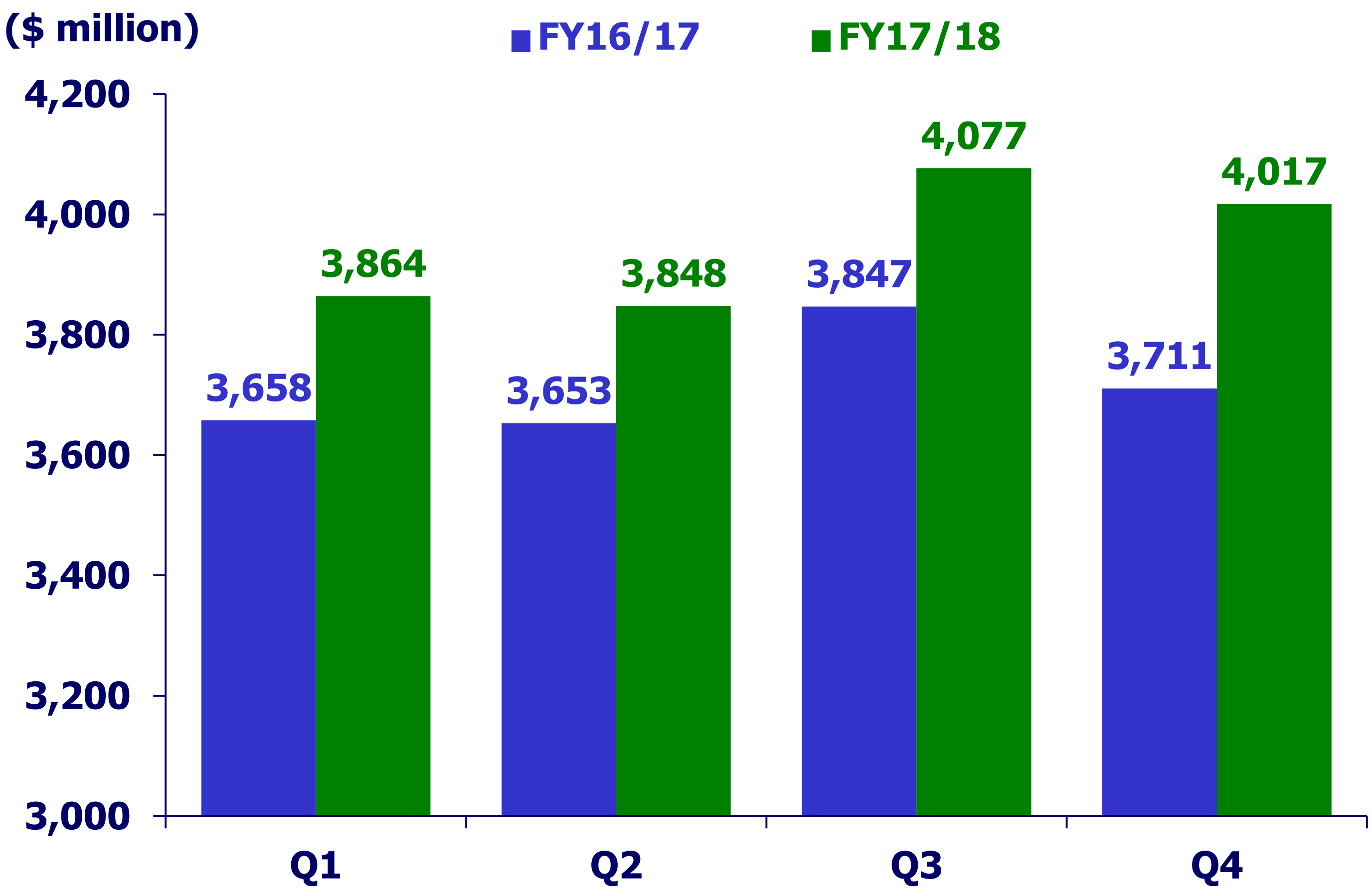


*Landing, Parking and Overflying

SIA GROUP
Q4 AND FY17/18
RESULTS

SINGAPORE AIRLINES

GROUP REVENUE



FY17/18 Revenue

$15,806M

Year-on-Year

↑ $937M +6.3%

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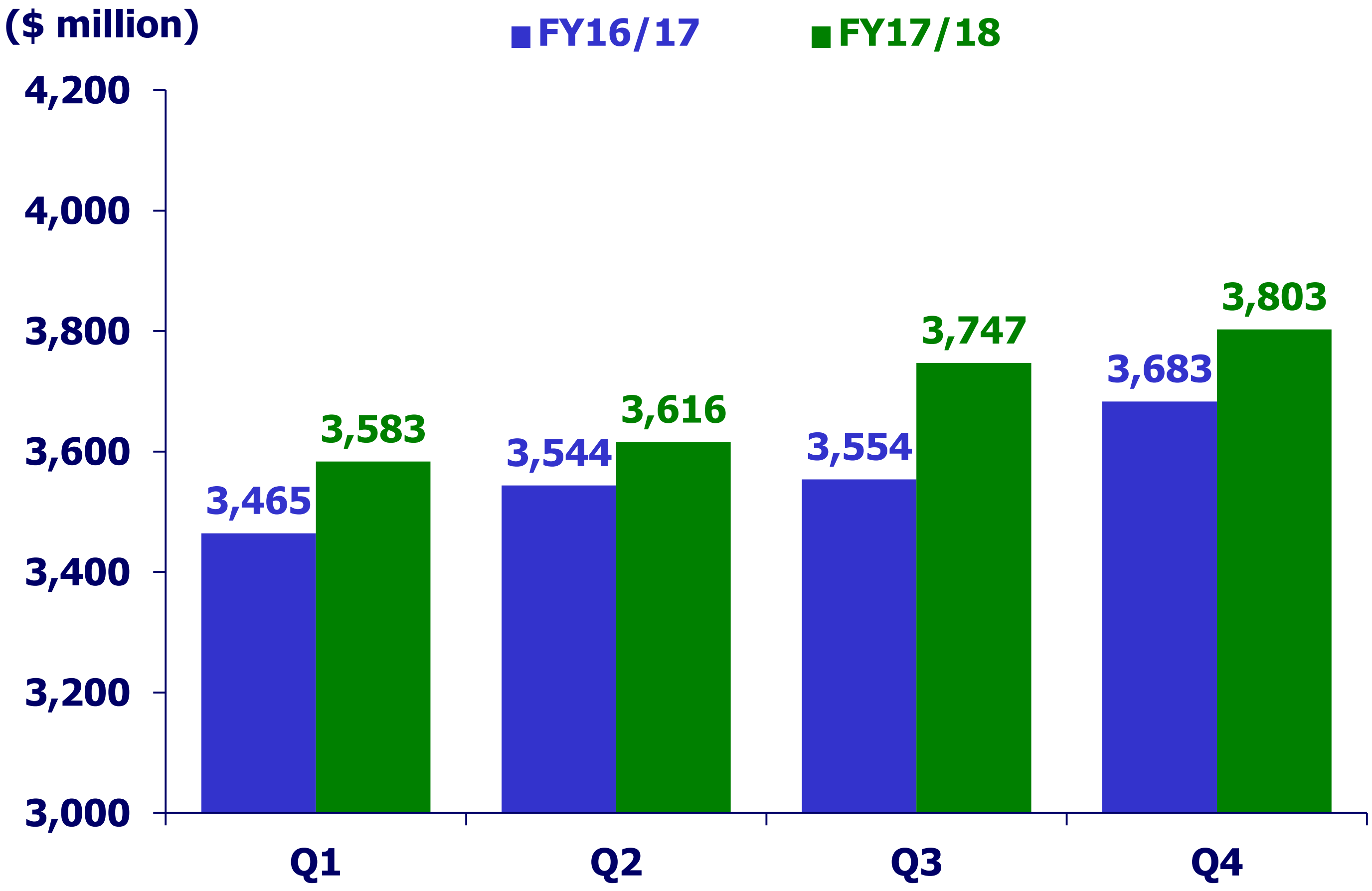
GROUP EXPENDITURE



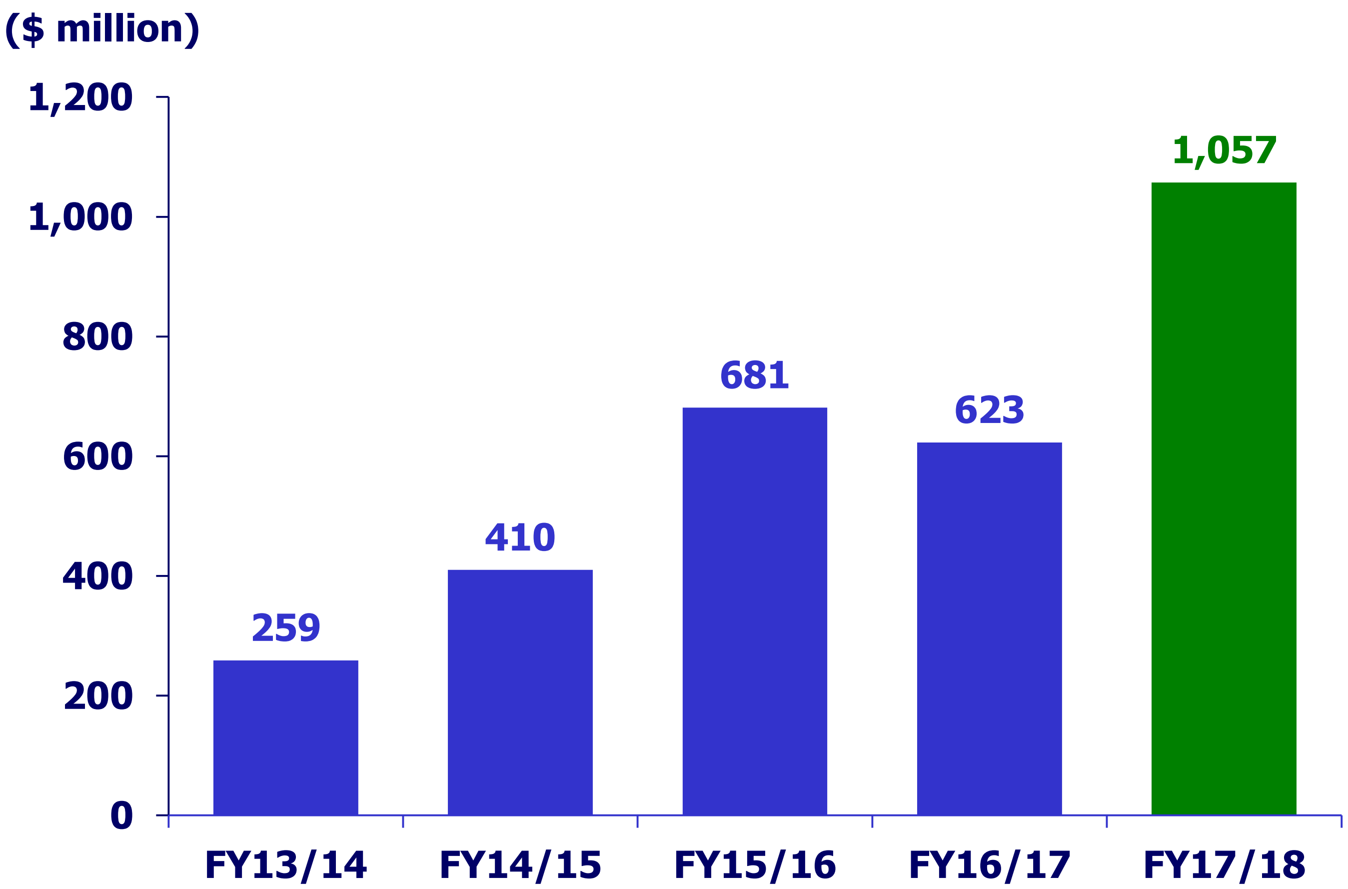
FY17/18 Expenditure

$14,749M

Year-on-Year

$503M
+3.5%

GROUP OPERATING PROFIT



FY17/18
Op Profit
$1,057M

Year-on-Year
$434M
+69.7%

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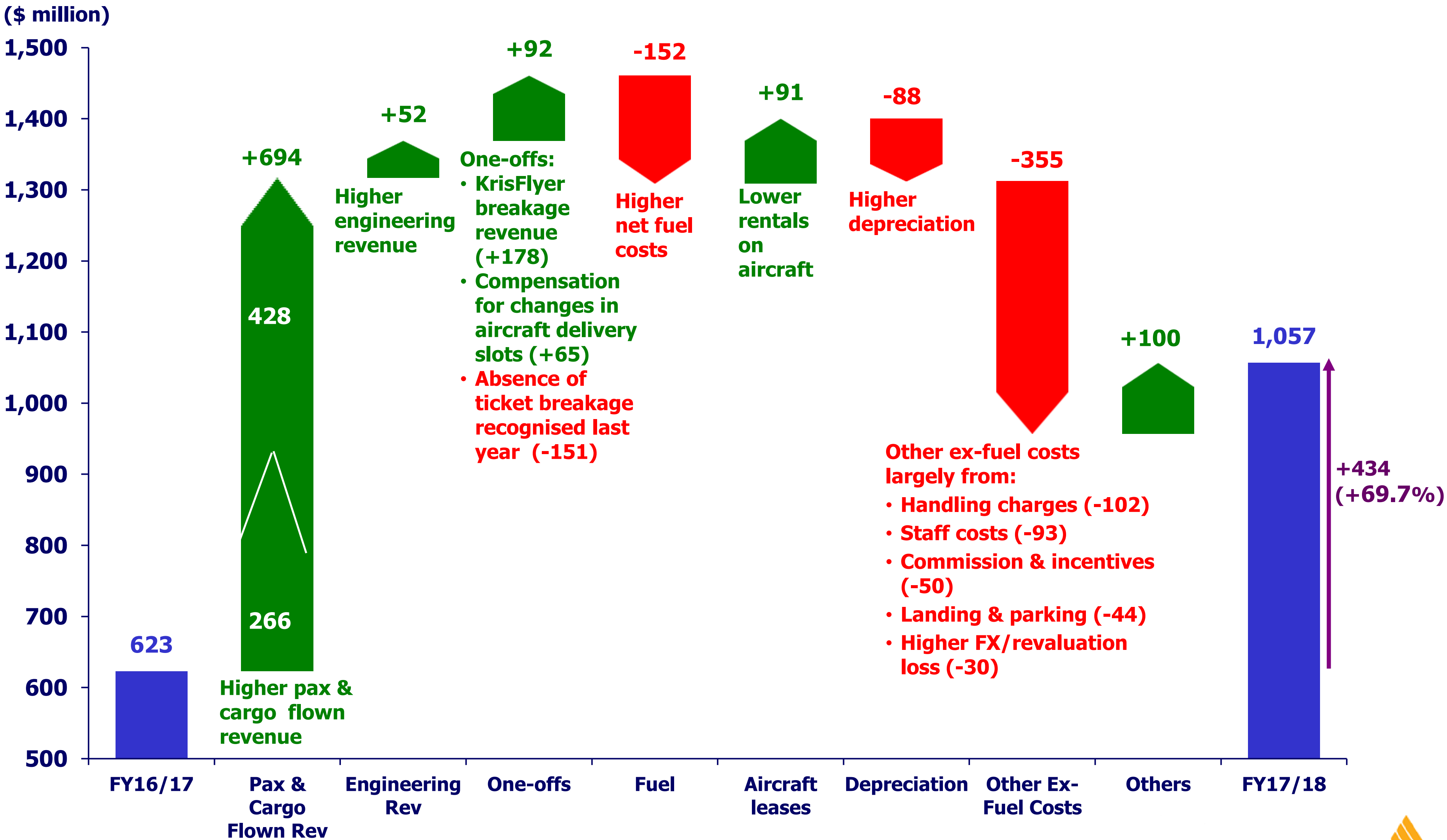
GROUP OPERATING PROFIT



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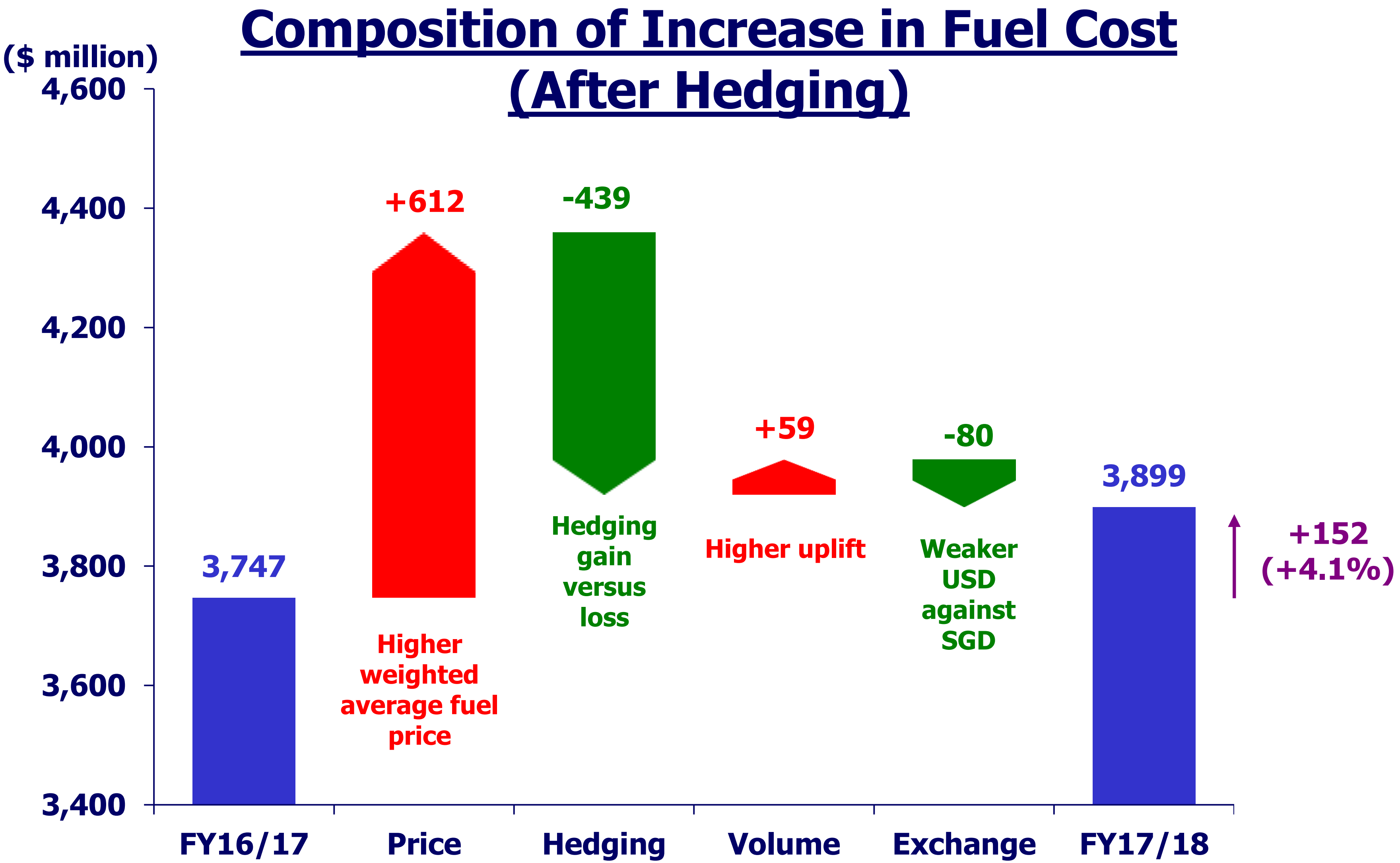
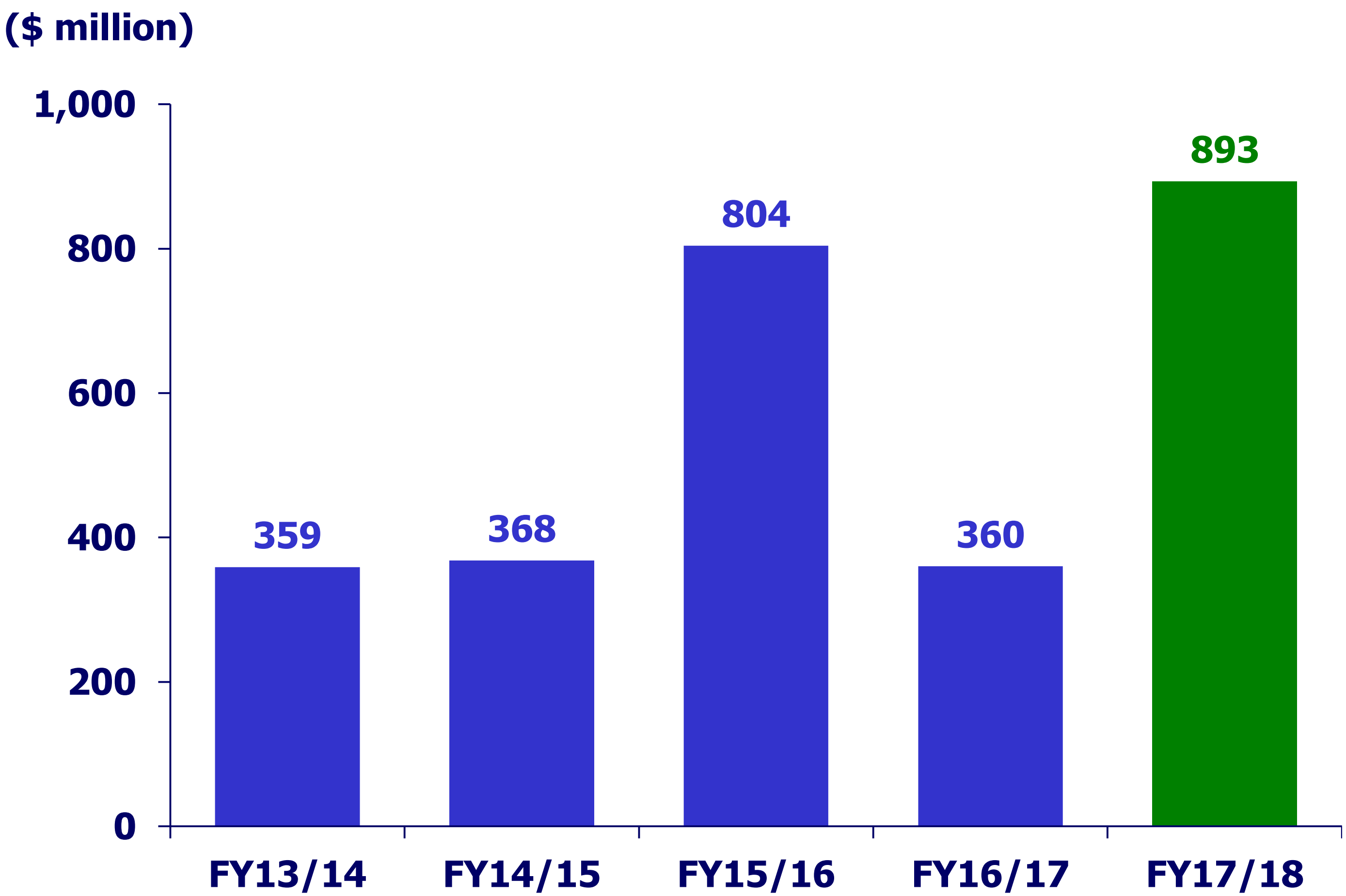
GROUP FUEL EXPENDITURE



CONTRIBUTION TO GROUP OPERATING PROFIT

($ million)	FY17/18	FY16/17	Change	% Change
Singapore Airlines	703	386	317	+ 82.1
SilkAir	43	101	-58	- 57.4
Scoot	77	67	10	+ 14.9
SIA Cargo	148	3	145	n.m.
SIAEC	76	72	4	+ 5.6

GROUP PROFIT ATTRIBUTABLE TO OWNERS OF PARENT



FY17/18 Net Profit

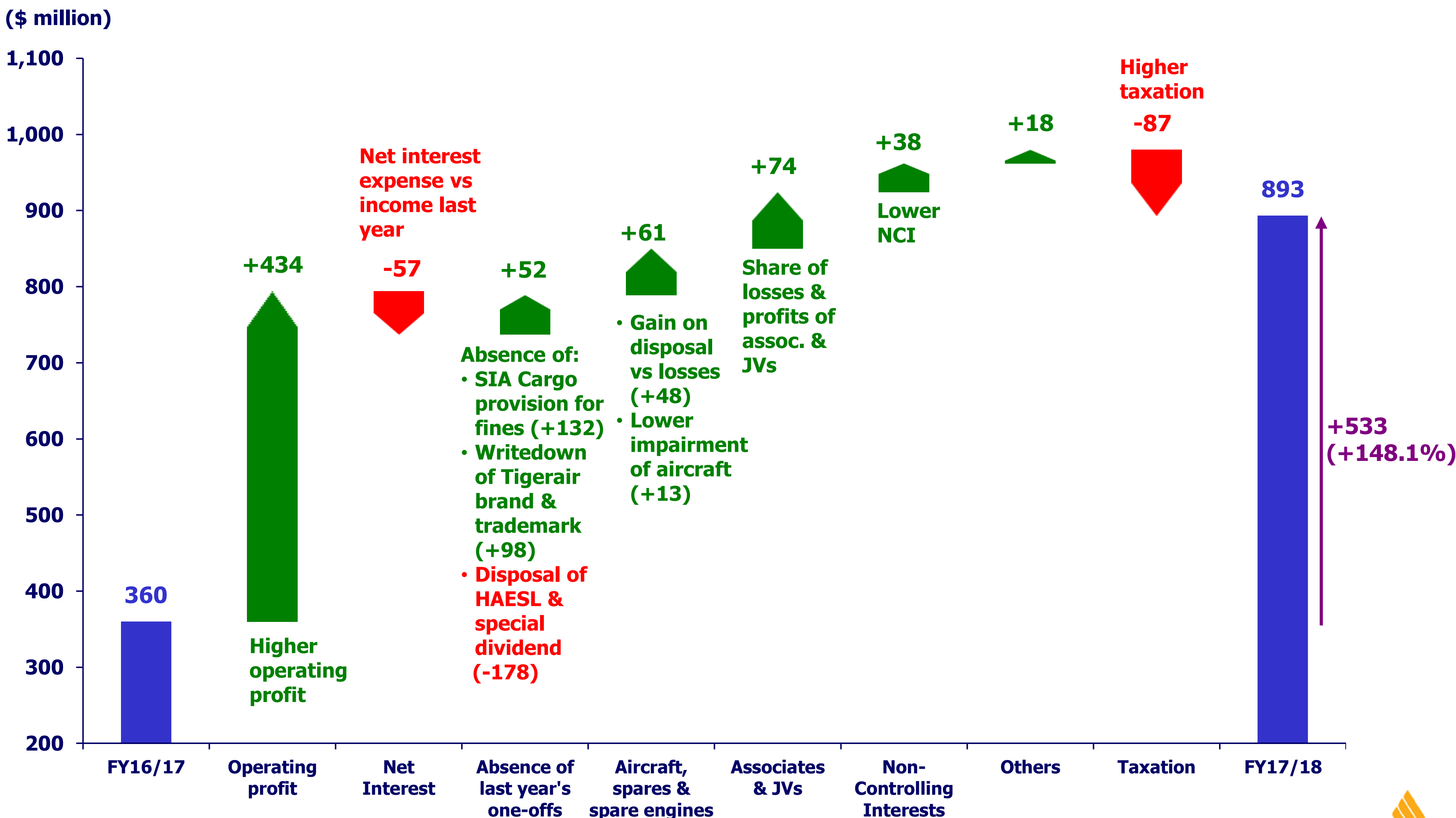
$893M

Year-on-Year

$533M

+148.1%

GROUP PROFIT ATTRIBUTABLE TO OWNERS OF PARENT



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FLEET DEVELOPMENT

	SIA	SilkAir	Scoot	Cargo
Operating Fleet as at 31 March 2018	107	32	40	7
IN:				
A380-800	+3			
A350-900	+3			
A350-900ULR	+7			
787-10	+8			
787-9			+2	
737 MAX 8		+3		
A320			+10^	
OUT:				
A380-800	-1			
A330-300	-4			
777-200	-1			
777-200ER	-5			
A320		-1	-4	
A319		-1		
Operating Fleet as at 31 March 2019	117	33	48	7

^ Eight A320s subleased to IndiGo to be returned and two new A320neos to be delivered

CAPACITY GROWTH

Projected capacity growth for FY18/19 vs FY17/18

- Passenger operations (in ASK):

SIA	**5%**
SilkAir	**9%**
Scoot	**17%**
Group	**8%**

- Cargo operations (in CTK) : **6%**

GROUP CAPITAL EXPENDITURE

($'million)	FY18/19	FY19/20	FY20/21	FY21/22	FY22/23
Aircraft	5,700	5,900	5,800	5,000	4,100
Other Assets	500	400	300	300	300
Total	6,200	6,300	6,100	5,300	4,400

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GROUP FUEL HEDGING POSITION

Q1 FY18/19	Jet Fuel	Brent
Percentage hedged (%) Average hedged price (USD/BBL)	42.9 64	- -

FY18/19	Jet Fuel	Brent
Percentage hedged (%) Average hedged price (USD/BBL)	20.0 65	25.2 54

Maturities Up To 2022-23	Jet Fuel	Brent
Percentage hedged (%) Average hedged price (USD/BBL)	- -	Up to 46% 55-58

DIVIDENDS – FY17/18

	FY17/18	FY16/17
Earnings Per Share (¢)	75.5	30.5
Interim Dividend Per Share (¢)	10.0	9.0
Proposed Final Dividend Per Share (¢)	30.0	11.0
Total Dividend Per Share (¢)	40.0	20.0

ADOPTION OF IFRS 1

IFRS 1 - BACKGROUND

- **SGX listed companies are required to adopt International Financial Reporting Standards (IFRS) beginning 1 January 2018**

- **SIA Group's effective date of implementation is 1 April 2018**

- **Opportunity to make the following allowable adjustments, as at 1 April 2017, that have an impact on financial statements:**
  - ✓ Using fair values of certain aircraft & aircraft spares as their new costs
  - ✓ Resetting the foreign currency translation reserve

IFRS 1 - RATIONALE

Using fair values of certain aircraft & aircraft spares as their new costs

- Under IFRS 1, the Group may measure an asset at its market value as at 1 Apr'17 and use this market value as its deemed cost
- For certain aircraft with significantly higher book values than market values, the Group made the above adjustment for better alignment of values of its largest asset class
- Market value is based on the expected value of the aircraft if it had been sold on 1 Apr'17

Resetting the foreign currency translation reserve (FCTR)

- Opportunity to reset the FCTR to zero
- The Group will only be exposed to future foreign currency translation risk

IFRS 1 – FINANCIAL IMPACT

- The estimated impact of applying the adjustments on 1 Apr'17 is set out below:

	Increase/(decrease) ($'M)	
	General Reserve	Impact on Restated FY17/18 Profit
Adjustment to aircraft & aircraft spares	(2,147.0)	490.7^
Cumulative translation differences (FCTR)	(123.7)	-
Total (pre-tax)	(2,270.7)	490.7
Tax effect	365.6	(83.3)
Total (post-tax)	**(1,905.1)**	**407.4**

^ reduction in depreciation expense

IFRS 1 – FINANCIAL IMPACT

- Assuming the adjustments had been effected in the FY17/18 financial statements, the pro forma financial effects on the Group's financial ratios would be as follows:

Financial Metrics	FY17/18	FY17/18 (Restated)
EPS (basic, cents per share)	75.5	110.0
EPS (diluted, cents per share)	75.3	109.6
Net Asset Value (dollars per share)	12.05	10.55
Price to Book Value^	0.90	1.03

^ Based on closing share price on 31 March 2018

- The write down will reduce the net asset value per share
- The current price to book ratio would be within the historical range for SIA
- The pro forma EPS would be higher

IFRS 1 – FINANCIAL IMPACT

- The estimated depreciation expense impact on Group P&L for the next three financial years is as follows:

	Increase ($'M)
	Operating Profit
FY18/19	425.6
FY19/20	322.3
FY20/21	234.5

- The depreciation impact will decline over time, until all affected aircraft have been disposed

STRATEGIC DEVELOPMENTS

KEY STRATEGIES

- Strengthening Premium Positioning
- Portfolio
- Multi-Hub
- New Business Opportunities

STRENGTHENING PREMIUM POSITIONING

Delivery of A380 with all new cabin products

- Services to Sydney, London and Hong Kong
- A380 fleet to be progressively retrofitted
- New industry leading cabin products, with enhanced KrisWorld experience




STRENGTHENING PREMIUM POSITIONING

First to fly 787-10 with new regional Business Class

- First airline group in the world to operate all three variants of Boeing's Dreamliner family of aircraft
- Fully lie-flat beds and direct aisle access for Business Class
- Scheduled services to Osaka and Perth, more to follow

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STRENGTHENING PREMIUM POSITIONING

Fleet renewal and investment

- Nearly US$50B worth of aircraft on order as a Group

A350-900ULR

- Late 2018 – Expansion of non-stop services to USA, including New York and Los Angeles

777-9 & 787-10

- US$13.8B order signed with Boeing for 20 777-9s and 19 787-10s
- Caters for additional growth and fleet modernisation through the next decade

PORTFOLIO

Completion of Scoot and Tigerair Integration

- Enhanced synergies with both LCCs under a single brand from 25 July 2017
- New destinations include Athens (Jun'17), Honolulu (Dec'17), Berlin (Jun'18), Pekanbaru (Jun'18) and Nanchang (Jul'18)

Completion of SIA Cargo Re-integration

- Seamless reintegration on 01 April 2018
- Greater efficiencies through support functions being handled by respective SIA Divisions

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PORTFOLIO

The SIA Group serves 138 destinations in 37 countries and territories

MULTI-HUB

- Investments in strategic markets
- Complements and strengthens Singapore hub through synergies

- Serving 22 destinations across India
- 20th A320 aircraft delivered in Apr'18, with two more to be delivered by Jul'18
- Preparing to launch international operations from 2H 2018

- 8 destinations and 5 B777-200s
- Network to expand following ICAO safety upgrade of Thai aviation sector
- Launch of new services to Hangzhou (Jun'18*), Tokyo (Narita) (Jun'18), New Delhi (end-Oct'18*)

** Subject to regulatory approvals*

NEW REVENUE & BUSINESS OPPORTUNITIES

SIA-CAE Flight Training Centre

- Equally-owned JV for pilot training in Singapore
- Operations expected to commence from 2H 2018
- Provides full range of initial type rating and recurrent training programmes for Boeing 737 MAX, 747, 777 and 787 aircraft types

Travel Retail Joint Venture

- Travel retail JV with DFASS and SATS under KrisShop and Scootalogue brands
- Transforms existing programmes into omni-channel e-commerce platforms

TRANSFORMATION

POSITIONING SIA FOR GROWTH

Revenue Uplift	Sustainable Operational Excellence	Enablers
Revenue Mgt & Pricing *(KM3, Fare Family)*	Cabin Crew	Sales Force Effectiveness
Pricing Playbook	Pilot	
	Overseas Ground Handling & Catering	Customer Experience
Future Group Network Strategy	Inflight Services	
Ancillary *(e.g., cabin upgrade, insurance)*	SIA – SATS Joint Program	Simplify@SIA
	Engineering	
Loyalty *(e.g., sales of miles)*	SIA – EC Joint Program	Digital
Merchandising Platform *(incl. personalization)*	Customer Contact Center	
	Fuel Efficiency	Organisational Redesign
KrisShop	Ground Services	

Staff Engagement / Communication

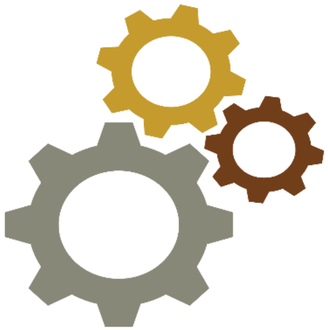
Transformation PMO

POSITIONING SIA FOR GROWTH

A few illustrative examples…

Revenue growth

- Rollout of new fare management system (KM3) and airfare pricing structure
- Centralisation of pricing unit overlaid with introduction of new pricing playbook
- Data-driven decision making through application of test and learn techniques

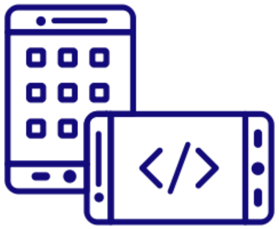


Customer service and operational excellence

- Establishment of Customer Experience Division alongside Customer Service & Operations to drive greater focus on development and service delivery
- Future contact centre blueprint
- Integrated crew planning
- Working differently with strategic partners
- Improving fuel efficiency

POSITIONING SIA FOR GROWTH

A few illustrative examples…



Investing in digital capabilities

- Launch of Digital Innovation Blueprint
- Ramping up IT staff recruitment to build capacity and new competencies
- New digital curriculum for staff

Organisational effectiveness

- Organisational redesign
- Adoption of agile and new processes
- Simplification
- Review of staff benefits and working environment

POSITIONING SIA FOR GROWTH

- **Transformation programme on track with good progress**
- **Key mid-term initiatives have been completed or are work-in-progress**
    - Future Group network
    - Customer experience
    - Simplify@SIA
    - Organisational redesign
    - Going digital

SILKAIR

- **More than S$100M investment to enhance customer experience**
  - Lie-flat Business Class seats
  - Seat-back IFE in Business Class and Economy Class
  - Cabin upgrades expected to start in 2020, based on availability by seat suppliers

- **SilkAir to be merged entirely into SIA after sufficient number of aircraft have been fitted with new cabin products**

- **Will help drive growth for SIA Group**

FIRST TO FLY
DREAMLINER
787-10

SINGAPORE AIRLINES

THANK YOU