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OPERATING PROFIT OF \$193M DAMPENED BY STEEP RISE IN FUEL PRICE

- Underlying operating performance supported by stronger passenger and cargo flown revenue
- Good progress achieved under the transformation programme

GROUP FINANCIAL PERFORMANCE

First Quarter 2018/19

The SIA Group reported an operating profit of \$193 million in the April-June 2018 quarter, a \$212 million (-52.3%) reduction from prior year's restated operating profit of \$405 million [Note 2], which included non-recurring revenue items of \$175 million [Note 3]. Excluding these non-recurring items, the decrease would have been \$37 million (-16.1%). Although passenger and cargo flown revenue rose by \$178 million, the operating performance was adversely affected by increased net fuel costs (+\$154 million), which was driven by a 39.3% increase in the average jet fuel price.

Group revenue amounted to \$3,844 million, a \$20 million reduction (-0.5%). Passenger and cargo flown revenue increased by \$178 million, outweighing the absence of the non-recurring items in the same period last year. The growth in passenger flown revenue (+\$148 million, or +5.1%) was driven by an 8.3% increase in traffic, outpacing the decline in passenger yield (-3.2%). Cargo flown revenue was up \$30 million (+6.0%), as cargo yield rose 9.9%, albeit on lower loads carried (-3.5%). Revenue contribution by engineering services fell \$19 million (-14.9%) on lower airframe and line maintenance activities.

Note 1: The SIA Group's unaudited financial results for the first quarter ended 30 June 2018 were announced on 26 July 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.)

Note 2: As required by the Singapore Exchange listing rules, the Group has adopted International Financial Reporting Standards (IFRS) with effect from 1 April 2018. This has resulted in a reduction in book values for aircraft and aircraft spares. Prior year comparatives have been restated as required by the transition requirements. The consequential reduction in depreciation expense for the April-June 2017 quarter was \$124 million. For comparison, the IFRS impact for the April-June 2018 quarter was \$115 million.

Note 3: Non-recurring revenue items were in relation to KrisFlyer breakage rate adjustments and compensation for changes in aircraft delivery slots (\$175 million).

Group expenditure increased \$192 million to \$3,651 million (+5.6%), predominantly led by an increase in net fuel cost (+\$154 million). Fuel cost before hedging for the Group rose by \$312 million, mainly due to a US\$26 per barrel (+39.3%) increase in average jet fuel price. Half of this increase was alleviated by hedging gains versus losses last year (+\$158 million). Ex-fuel costs were slightly higher (+\$38 million or 1.5%), partly due to expansion by SilkAir and Scoot.

As a consequence of the weaker operating profit, Group net profit fell to \$140 million (-\$198 million or -58.6%). Excluding the one-off items in the prior year (post-tax), the Group net profit would have decreased by \$53 million (-27.5%).

First Quarter Operating Results of Main Companies

The operating results of the main companies in the Group for the three-month period were as follows:

	1 st Quarter FY2018/19 \$ million	1 st Quarter FY2017/18 \$ million
Operating Profit		
Parent Airline Company [Note 4]	181	370
SilkAir	-	8
Scoot	1	3
SIA Engineering	10	19

Operating profit for the Parent Airline Company fell \$189 million to \$181 million, in the absence of non-recurring revenue (\$175 million). Higher flown revenue (+\$117 million) was largely eroded by higher net fuel cost. The year-on-year increase in flown revenue was contributed by both passenger (+\$87 million) and cargo (+\$30 million) operations. The growth in passenger flown revenue was led by a 5.4% gain in passenger carriage (measured in revenue passenger-kilometres), which outpaced a 1.0% decline in yield. Passenger load factor rose 2.0 percentage points to 82.0%, on capacity growth of 2.8% (measured in available seat-kilometres).

Expenditure was up \$133 million (+4.8%), primarily driven by the increase in net fuel cost on higher fuel prices (+\$293 million), partially mitigated by fuel hedging gains (-\$130 million) and a weaker US dollar (-\$51 million).

Note 4: SIA Cargo is a division within the Parent Airline Company with effect from 1 April 2018. Prior year comparatives have been adjusted to account for its re-integration. Please refer to Annex B for more details.

SilkAir reported a marginal profit of \$0.2 million against a profit of \$8 million in the same period last year. Total revenue rose \$12 million (+5.0%) as the 15.3% growth in passenger carriage was partially offset by a 10.3% contraction in yield. However, expenditure rose \$20 million, contributed by higher net fuel cost (+\$10 million) and ex-fuel costs, partly attributable to 10.0% growth in capacity. Passenger load factor rose 3.4 percentage points to 75.0%.

Scoot recorded an operating profit of \$1 million, a deterioration of \$2 million year-on-year. Passenger traffic growth of 17.1%, partially offset by a 1.8% reduction in yield, contributed to a \$58 million (+16.1%) improvement in revenue. However, this was negated by expenditure increase of \$60 million (+16.7%) from higher net fuel costs (+\$32 million) and an expanded operation (capacity rose 14.2%). Passenger load factor was 2.1 percentage points higher at 86.1%.

Operating profit for SIA Engineering fell to \$10 million, a decline of \$9 million from a year ago, mainly due a reduction in revenue on lower airframe and fleet management activities. The deterioration was partially cushioned by foreign exchange gains against losses last year, and lower subcontract services costs.

FLEET DEVELOPMENT

During the April-June 2018 quarter, five 787-10s and two A380-800s entered into service at the Parent Airline Company. The sixth 787-10 received during the quarter began commercial service on 1 July 2018. One A380-800 was removed from the operating fleet in preparation for lease return, while two 777-200ERs were taken out of service for retirement from SIA's fleet. As at 30 June 2018, the operating fleet of the Parent Airline Company comprised 111 passenger aircraft (five 787-10s, 46 777s, 21 A330-300s, 18 A380-800s and 21 A350-900s), with an average age of 7 years.

SilkAir removed one A320 from service in preparation for sale during the quarter, and added two 737 MAX 8s, ending the quarter with 33 aircraft in operation – eight A320s, three A319s, 17 737-800s and five 737 MAX 8s – with an average age of 4 years and 5 months.

Scoot added a 787-9, and removed two A320s for return to a lessor during the quarter. One A320 that was subleased to IndiGo returned to the fleet and commenced operations in the same period. The operating fleet as at 30 June 2018 comprised 40 aircraft - 17 787s (10 787-8s and seven 787-9s), 21 A320s and two A319s - with an average age of 4 years and 9 months.

The operating fleet for SIA Cargo remained at seven 747-400 freighters as at 30 June 2018.

ROUTE DEVELOPMENT

The Parent Airline Company will launch the world's longest commercial flights to New York on 11 October 2018, with non-stop Singapore-Newark services, using the new A350-900ULR. The route will initially be served thrice weekly, and subsequently stepped up to a daily operation from 18 October 2018.

Non-stop Singapore-Los Angeles flights are scheduled to commence on 2 November 2018. Similarly, the initial three-times-weekly services will be stepped up to daily operations from 9 November 2018. A further three services per week will be added from 7 December 2018. Along with the existing one-stop service to Los Angeles via Tokyo, Los Angeles will be served 17 times per week. The current Los Angeles via Seoul daily service will make its final departure from Singapore on 30 November 2018, and cease operations thereafter. With the introduction of a new Singapore-Seoul tranche, the frequency to South Korea will be maintained at four flights per day.

Three more weekly flights on the existing non-stop Singapore-San Francisco route will also be added from 28 November 2018.

In addition, selected services will be added in the Northern Winter operating season (28 October 2018 to 30 March 2019). From 28 October 2018, a joint service with Air New Zealand will see a third daily flight between Singapore and Auckland being offered, while a fourth daily Haneda service will be introduced from 28 December 2018. These are subject to regulatory approvals.

With these changes, the number of destinations in SIA's network will increase to 63, in 32 countries and territories, including Singapore.

During the quarter, SilkAir transferred its Langkawi and Pekanbaru services to Scoot, and terminated Kalibo flights. SilkAir currently flies to 49 destinations in 16 countries, including Singapore.

Scoot recently commenced services to its third long-haul destination, Berlin. In July, it also added services to Nanchang, China. Services to Kalibo were suspended during the planned six-month closure of Boracay, which commenced on 26 April 2018. The carrier's network covers 67 destinations in 18 countries and territories.

Overall, the portfolio of airlines in the Group will serve 139 destinations in 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

Passenger traffic is expected to grow in the coming months, although competition in key operating markets persists. Costs remain under pressure, especially from higher fuel prices. Cargo demand in the near term is steady despite concerns over global trade tensions, the escalation of which could potentially have a longer-term impact on air cargo demand.

The Group continues to hedge its fuel requirements. For the remaining nine months of the financial year, the Group has hedged 46.3% of its fuel requirements in MOPS (21.8%) and Brent (24.5%) at weighted average prices of USD65 and USD54 per barrel respectively.

Good progress was achieved in the first year of the SIA Group's three-year transformation programme. The Group will continue to focus its efforts on initiatives to grow revenue, enhance customer experience and improve operational efficiency. The recent announcement on the significant investments to improve SilkAir's product offering, and its ultimate full merger with SIA, is another key initiative of the transformation programme. At the same time, SIA Group will continue to leverage its portfolio of airlines in Singapore to grow its network. Our joint venture airline in India, Vistara, recently announced the purchase and lease of 56 narrowbody and widebody aircraft to drive its route expansion plan, including international operations.

As part of the SIA Group's digital blueprint, we have launched KrisPay, the world's first blockchain-based airline loyalty digital wallet. The digital blueprint also includes collaborations with research institutions and companies in the start-up community, and creating a more innovative and digital culture within SIA through staff training and involvement in digital projects.

The establishment of adjacent businesses such as the Singapore CAE Flight Training pilot training joint venture, as well as development of new e-commerce channels through KrisShop, are well on-track.

These initiatives will further strengthen the SIA Group's leadership position and bolster its competitive edge, amid continuing challenges in the operating environment.

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A STAR ALLIANCE MEMBER 

GROUP FINANCIAL STATISTICS

	1 st Quarter 2018/19	1 st Quarter 2017/18 ^{R1}
Financial Results (\$ million)		
Total revenue	3,844.5	3,864.2
Total expenditure	3,651.4	3,459.6
Operating profit	193.1	404.6
Non-operating items	(9.1)	12.1
Profit before taxation	184.0	416.7
Profit attributable to Owners of the Company	139.6	337.9
Per Share Data		
Earnings per share (cents)		
- Basic ^{R2}	11.8	28.6
- Diluted ^{R3}	11.8	28.5
	As at 30 Jun 2018	As at 31 Mar 2018 ^{R4}
Financial Position (\$ million)		
Share capital	1,856.1	1,856.1
Treasury shares	(183.5)	(183.5)
Capital reserve	(139.4)	(139.4)
Foreign currency translation reserve	(32.1)	(52.4)
Share-based compensation reserve	23.3	79.5
Fair value reserve	1,235.6	313.5
General reserve	11,186.9	10,986.5
Equity attributable to Owners of the Company	13,946.9	12,860.3
Total assets	27,677.5	25,892.5
Total debt	3,604.0	3,127.3
Total debt : equity ratio (times) ^{R5}	0.26	0.24
Net asset value (\$) ^{R6}	11.79	10.88

^{R1} Prior year comparatives have been restated to account for the adoption of IFRS.

^{R2} 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.

^{R3} 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.

^{R4} Balances and figures as at 31 March 2018 have been restated due to the adoption of IFRS.

^{R5} Total debt : equity ratio is total debt divided by equity attributable to the Company.

^{R6} 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

	1 st Quarter 2018/19	1 st Quarter 2017/18		Change %
<u>SIA</u>				
<u>Passenger Operations</u>				
Passengers carried (thousand)	5,015	4,771	+	5.1
Revenue passenger-km (million)	24,429.0	23,176.1	+	5.4
Available seat-km (million)	29,783.9	28,962.9	+	2.8
Passenger load factor (%)	82.0	80.0	+	2.0 pts
Passenger yield per passenger-km (cents)	10.0	10.1	-	1.0
Revenue per available seat-km (cents/ask)	8.2	8.1	+	1.2
Passenger unit cost (cents/ask)	8.2	8.0	+	2.5
Passenger breakeven load factor (%)	82.0	79.2	+	2.8 pts
<u>Cargo Operations</u>				
Cargo and mail carried (million kg)	318.1	318.9	-	0.3
Cargo load (million tonne-km)	1,721.3	1,783.2	-	3.5
Gross capacity (million tonne-km)	2,801.7	2,713.9	+	3.2
Cargo load factor (%)	61.4	65.7	-	4.3 pts
Cargo yield (cents/ltk)	31.0	28.2	+	9.9
Cargo unit cost (cents/ctk)	16.1	16.7	-	3.6
Cargo breakeven load factor (%)	51.9	59.2	-	7.3 pts
<u>Overall Operations</u>				
Overall load (million tonne-km)	3,990.8	3,935.3	+	1.4
Overall capacity (million tonne-km)	5,805.2	5,634.8	+	3.0
Overall load factor (%)	68.7	69.8	-	1.1 pts
Overall yield (cents/ltk)	74.4	72.5	+	2.6
Overall unit cost (cents/ctk)	49.6	49.0	+	1.2
Overall breakeven load factor (%)	66.7	67.6	-	0.9 pt
<u>SilkAir</u>				
Passengers carried (thousand)	1,225	1,117	+	9.7
Revenue passenger-km (million)	2,247.6	1,949.6	+	15.3
Available seat-km (million)	2,996.6	2,724.3	+	10.0
Passenger load factor (%)	75.0	71.6	+	3.4 pts
Passenger yield (cents/pkm)	10.5	11.7	-	10.3
Revenue per available seat-km (cents/ask)	7.9	8.4	-	6.0
Passenger unit cost (cents/ask)	8.2	8.4	-	2.4
Passenger breakeven load factor (%)	78.1	71.8	+	6.3 pts
<u>Scoot</u>				
Passengers carried (thousand)	2,515	2,253	+	11.6
Revenue passenger-km (million)	6,956.4	5,938.9	+	17.1
Available seat-km (million)	8,078.3	7,070.8	+	14.2
Passenger load factor (%)	86.1	84.0	+	2.1 pts
Revenue per revenue seat-km (cents/pkm)	5.6	5.7	-	1.8
Revenue per available seat-km (cents/ask)	4.8	4.8	-	-
Cost per available seat-km (cents/ask)	5.1	4.9	+	4.1
Breakeven load factor (%)	91.1	86.0	+	5.1 pts

GLOSSARY**S/A****Passenger 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 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 of passenger operations

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)
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 of cargo operations

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
Overall breakeven load factor	= Overall unit cost expressed as a percentage of overall yield. This is the theoretical load factor at which flown revenue equates to the operating expenditure.

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

PARENT AIRLINE COMPANY FINANCIAL RESULTS

	1 st Quarter 2018/19 (Actual)	1 st Quarter 2017/18 ^{R1} (Pro Forma Restated)
Financial Results (\$ million)		
Total revenue	3,093	3,149
Fuel costs	884	772
Staff costs	449	438
Depreciation	254	230
Handling charges	295	306
Aircraft maintenance and overhaul costs	209	217
Inflight meals and other passenger costs	160	166
Rentals on leased aircraft	127	154
Airport and overflying charges	169	168
Sales costs	103	99
Communication and information technology costs	26	24
Other costs	236	205
Total expenditure	2,912	2,779
Operating profit	181	370

^{R1} Prior year comparatives have been restated to account for the adoption of IFRS.