

TRANSCRIPT

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SIA Training Centre

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E&OE – may be edited for
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Presentation

Mr Nicholas Ionides: A very good morning everyone. Welcome to the SIA Training Centre for the analyst and media briefing for Singapore Airlines' second quarter and first-half financial results. My name is Nicholas Ionides and I'll be moderating this morning's session again. We're going to start this morning with a presentation by Stephen Barnes, our Senior Vice President Finance. This time he will be presenting both the Parent Airline Company results and the Group results. That will be followed by a presentation by our CEO, Mr Goh Choon Phong. He'll be presenting an update on our strategic initiatives, before we move into a Q&A session. Joining Mr Barnes and Mr Goh on the stage will be our two Executive Vice Presidents, Mr Mak Swee Wah and Mr Ng Chin Hwee. I'll now invite Mr Barnes to the stage.

Mr Stephen Barnes: Thank you, Nick. Good morning ladies and gentleman, CEO, EVPs, colleagues. It's my pleasure to take you through the financial results for the half-year and the quarter, as Nick said for both the Parent and the Group. But we'll begin with, we'll begin with the Parent.

Just a few operating statistics. The capacity during the half was broadly flat, although it was up a little bit at 0.5% for the second quarter. Traffic, on the other hand, was solidly positive, up 3.4%. As a result the passenger load factor rose to 81.8% for the second quarter and 80.9% for the half year, which by the way, is a high for SIA.

Unfortunately, yields continue to decline. To the extent that if there is any silver lining in that, the decline is at a slower pace than we've become accustomed to seeing. And we can see that really is the - show the slide, showing the progression of yields over time. So here you'll see the, here you'll see the yields during the year, two years ago. You can see a significant drop during last year. And then this year there's, there's at least a narrowing of yield, although there's still a decline.

Passenger yield measures the revenue that we are able to achieve for each seat that we sell. Revenue per ASK, however, measures the revenue per, for every seat that we fly, and in many ways a more useful measure of our efficiency. Because we achieved a higher load factor, we're filling more seats that we, more of the seats that we fly. The RASK was

actually stable at 8.2 cents per ASK in the second quarter and was up 1.2% in the first half. Passenger unit cost and indeed passenger unit cost without fuel was stable quarter-on-quarter. But the unit, these units, same unit costs were up when you look at the full, for the full six months, so we're up 1.2% for pax unit yield, unit cost. If we look at, if we turn in a lower yield for a period, and we also have stable or rising unit costs, that means that our passenger breakeven load factor is going to rise, and you can see that in the bottom line. So, the breakeven load factor is up 2.6 percentage points to just over 81 for the half.

You've seen these, this presentation before. The breakeven load factor is indeed still higher than the achieved load factor. The gap is narrowing but the, this is the wrong way around. And in fact if you take it back another year, it is the same picture.

SIA's operating profit in Q2 rose by \$91 million, that's 115% to \$170 million. And it's driven really by growth in revenue and really from flat expenditure. So you can see that we had some benefit from our net fuel costs, a little bit offset by non-fuel costs, but essentially expenditure was flat. This largely continues the story of the first quarter. Operating profit in the first half rose by \$135 million, which is up 49% to \$411 million. And it was driven by revenue growth. Revenue growth was 2.8% year-on-year, significantly outweighing the 0.5% growth in expenditure.

If I focus on flown revenue, passenger traffic grew by 3.4%, mainly driven by Europe, consequence of stronger demand, and Southwest Pacific, also strong demand and significantly more capacity added. But the yield fell by 1.9% as you've seen, leading to growth in flown revenue of 1.2%.

The pick-up in cargo demand contributed to a higher share of bellyhold revenue to SIA. And if I have to pick out one item, one significant item in the Other Revenue category, really it's the \$60 million compensation that we recognised for the release of A350 delivery slots two years ago. So of that \$80 million, \$60 million is coming from that recognition.

Turning to costs. First we'll focus first on the depreciation and lease rentals. In the last year we received 11 A350s, all of which we own. This is the year to September and we returned nine leased aircraft to their owners. So the net effect, substantially flat. Aircraft maintenance and overhaul costs were down for the year. This is really on lower provisions, primarily on lower provisions relating to redelivery costs for leased aircraft and fewer C-checks being performed.

Staff costs were up on staff strength and service increments. And then on the left-hand side of the chart, handling. Handling costs were higher because we carried more people, 6.6% more people in fact. We flew to new destinations and we suffered of course, rate increases. Similarly landing, parking charges were up on rate increases and more flying.

Fuel, our largest expense item. Significant drop in our hedging loss year-on-year. The average fuel price before hedging during the first half was 14.1% above the prior year, and the US dollar was stronger. But the net effect of all of that, essentially flat expenditure on fuel. And similarly, I think although the passenger unit costs, as presented to one decimal place, went from 8.1 to 8.2 cents per ASK, actually the increase was rather small.

If I could turn to the Group. Group revenue was at \$7.7 billion for the first half, which was up \$401 million, or 5.5% higher year-on-year. So to try and actually pick out the key points in there, the passenger flown revenue grew \$166 million or 2.9%. All the passenger airlines recorded higher revenue with increased traffic. Traffic as I mentioned was up 6.6%. So the increased traffic would outweigh the lower yields. Secondly, Cargo, cargo and mail revenue was up \$123 million. That's a 13% increase. Freight carriage was up 6.1% and cargo yield was up by 6.7%. So the combination led to a 13-plus percent increase in revenue.

I should also mention that third-party engineering services revenue grew by \$52 million, outweighing a reduction in revenue from other airlines within the SIA Group.

On the cost side, costs were up \$190 million, 2.7%. That's below the rate of growth of our capacity. Our capacity was up 3.1% as a Group. What I would highlight I think here is that we incurred higher handling charges from growth in capacity and growth in traffic, both in passenger and cargo sectors. Higher landing, parking and overflying charges as you would expect with more flying. Higher staff costs with growth. And higher commissions and incentives driving at least in part, driving the improvements in revenue.

Since revenue grew more rapidly than expenditure, operating profit also grew by 70%, in fact to \$513 million. Trying to actually break this down into the contribution of the principal entities within the Group. We've talked about Singapore Airlines itself, and you can see that it was in fact the, as you would hope, the largest contributor to the improvement in operating profit.

SilkAir's capacity grew by 13% year-on-year, and its traffic by 18%. So it clearly had an improvement in load factor up to 73% now. However, the tradeoff was in a lower yield, so the growth in revenue of \$16 million was insufficient to cover the \$39 million cost of expansion of the network and fleet.

In July, the integration of Tigerair and Scoot was completed, and if we look at the half-year operating statistics, Scoot as a combined entity grew by 14% in the first half. And traffic was up by 17% so again we see an improvement in load factor to 84.2%. The yield reduced slightly by 1.8%. The effect here is that revenue was up \$85 million, expenditure was up \$97 million, leading to a slightly lower operating profit for the half.

SIA Engineering, revenue was up, it's a combination, the improvement here really is a combination of two things, an improvement in revenue by \$11 million. As you can see the improvement in third-party revenue that I mentioned just now of \$52 million partially

offset by a reduction in revenue from SIA. And also a reduction in expenditure. Now the reduction in expenditure to a substantial extent, was a consequence of lower staff costs. Those lower staff costs in turn were a consequence of not having a relatively large profit-sharing bonus, which related to the disposal of SIAEC's share in HAESL last year.

And then I'll go back to Cargo. Sorry for skipping over Cargo, but essentially it is because it's the star performer and I wanted to leave you with an upbeat tone on this slide. So as I've mentioned 6.1% growth in loads, 6.7% growth in yield, so revenue was up by 13%, expenditure up by 5%, the net effect a \$77 million improvement from last year's profit.

When we move to the bottom line, net earnings in the first half, net profit was \$425 million, up \$103 million or 32%. Where did that come from? Well, we've already talked about operating profit so this is a significant contributor. As we have been expanding the fleets across the passenger airlines, we've had large capital expenditure. As a consequence we have been in the markets to raise funds and so our interest, our net interest expense, has risen.

Last year, we benefitted from the gain on disposal of SIAEC's share in HAESL. We didn't have that this year. Our associates performed better, in particular Virgin Australia. We also enjoyed a gain on sale of two 777-200s. We also did not have losses, that we suffered last year relating to impairments on 777 aircraft and the loss on the sale of one A319 by SilkAir. So the net effect, a positive 39. As a consequence of the improvement in operating profit really, we suffered higher, or expect higher tax and this last item actually is an offset against the \$178 million gain that we enjoyed last year. So the minority shareholders in Engineering Company benefitted last year, reduced our net earnings, we don't have that this year.

So overall, an improvement of \$103 million to \$425 million. So if we look at the changes in some key metrics relating to our shares, EBITDAR per share, a loose proxy for operating profit, was up 7% to \$1.53. Earnings per share were up 32% to 36 cents per share. And we have announced an interim dividend of 10 cents per share, again, an improvement on last year. And the net asset value per share is now up to \$11.39 per share.

We started this half, so the end of September, the Group had a total of 183 aircraft. It's going to increase by six, to 189 aircraft at the end of the year. That includes an increase of three 737 MAX aircraft in SilkAir. And an increase of three aircraft in Scoot, which includes a 787-8 in December. We have three aircraft coming back to Scoot from Indigo in India at the end of leases. They will come back in the, commencing in January. And we will take out of service one aircraft, one A320 aircraft, in preparation for return to the lessor.

What has been in the news of course last week has been the A380 cabin features. We will have by the end of this year, in service, two of those aircraft. We will have also added

four A350s to the SIA fleet. In the process, we will also have taken out three A380 aircraft from our operating fleet. They will in due course be replaced by new aircraft. And we're returning or selling one A330, one 777-200 and one 777-200ER.

This is an update of our capital expenditure commitments over the course of the next five years. The numbers are actually a little bit lower than you would have, than we last reported them in May. The reason is two-fold. There've been some movements in delivery positions, small number of movements in delivery positions. And at the moment, the US dollar is a little bit weaker and so that has an impact on our Singapore dollar capital commitments. These will be on the website.

And finally just to update the hedge position. We are currently, for the second half of this financial year, hedged 41%, as you can see, at prices that are currently, that are below current prices. And then we have hedges going out to Financial Year 2022/23 of up to 47% on an annual basis, and the price range - this is all in Brent - the price range is between \$53 and \$59.

At this point, I would like to hand over to our CEO, Mr Goh Choon Phong, to talk about more strategic issues.

Mr Goh Choon Phong: Good morning ladies and gentlemen. Welcome again to this briefing at our premises. I'll provide a high-level review of the strategic initiatives that I'm sure all of you by now would be very familiar with. And I think all, if not most of you, would have seen our new products that were launched last week. Very well received by the market, and we believe that it will be very well received by our customers eventually when they're launched.

Just a few highlights about this launch. I'm sure all of you would have realised that not only have we improved the product in each of the cabins, to bring better comfort, better convenience, to our customers, more personalised services to our customers, but at the same time, we are also able to take the opportunity to have more efficient use of the space on the A380, thereby increasing the capacity that we can offer on the A380, from the current two configurations of 441, as well as 379, to the new configuration of 471. So it's 441 and 379, to 471. So that will allow us to, at the same time, be able to leverage more revenue opportunities for this aircraft type.

So we're not, obviously, we're not stopping there. In terms of new aircraft we have made the announcement earlier in the year, as well as recently, with the signing at the White House, of more orders of the Boeing aircraft 787-10, for which we are the launch customer, as well as the 777-9. And then we are introducing the ultra-long range A350-900ULR in the second half of next year. And in the first half of next year, we'll be launching as the first customer for Boeing's 787-10, which is an aircraft configured, as well as built for regional, medium-haul operation. This particular aircraft will come with a

new Business Class configuration as well, which we'll launch. We think it's a very good product for our customers for that range of travel. And I would encourage all of you to come for the launch and see it for yourself. So what is shown here is that this process for us to push the boundary on bringing the best to our customers in terms of product as well as service, will continue.

We talked about portfolio of course, Scoot, the development of Scoot is, I think by now well known to all of you. The completion of the integration in July of this year, and at the same time, Scoot has announced various new destinations including Honolulu. And so far we have very good reception also on the Honolulu flight, which is via Osaka.

So we, again, we continue to leverage the portfolio so as to provide the best vehicle for the route. So for example, we have announced that Palembang and Kuching will be transferred from MI, SilkAir, to Scoot. At the same time, Scoot will transfer its Yangon services to MI. And SIA, too [transferred some] Colombo services to MI. So these are adjustments that we are able to do in a very nimble, flexible manner because of the portfolio that we have.

And highlighted on this graph are some of the new destinations for the respective carriers. So with that we're able to serve this number of destinations. It's probably useful to point out that, you know, the key markets such as China will continue to grow. Our points to China, by our portfolio carriers. So for example based on the points that have been announced, including Harbin, SIA Group will be serving 26 points in China, which is quite a significant number, relative to any other carriers not based in China.

Some of the hub, the multi-hub strategies, some of the other JVs that we have overseas, Vistara will be getting its 20th aircraft sometime at the end of the financial year, that is by March 2018. And that as you know would enable Vistara to then look at how, to look at operating internationally. And Vistara is expecting two more aircraft to be delivered sometime in the middle of the 2018 calendar year, and after which they will be deploying their aircraft on the international routes. As to what exactly are the destinations that will be served, in case you're going to ask later, I will just say now that, that is something that Vistara will announce in due course.

I think it's also useful to point out that besides Vistara, the NokScoot JV has also been expanding, so NokScoot, as you know has been operating with three aircraft leased from SIA for a while now but in October, just last month, it has taken its fourth aircraft and because of the, also because of the lifting of restriction from ICAO on the Thailand carriers, Thai carriers, NokScoot will be looking at further expansion beyond their current footprint in China and Taiwan. The Chinese traffic to Thailand has been, has been very buoyant, very strong, so that also allowed NokScoot to grow more into China, as well. So we are seeing in both cases significant growth coming on board for both carriers. In the case of NokScoot, they're expecting the fifth 777 to come in during 2018, as well.

This is, we know about AATC, this is the new one that we have signed a few months ago, which is really focusing - the AATC as you know is focusing on Airbus training, but this particular venture is focusing on all the Boeing aircraft. So with these two we would have completed the bulk of commercial aircraft offering, training on the simulators.

Just to touch a little bit on the transformation, to be sure the, we announced it, I think formally in May, so it's a three-year programme. It's still early days, although I would say that some of the initiatives actually started before we made a formal announcement. For example, in commercial areas, we have previously touched on, we have already introduced and cut over to a new revenue management system in the early part of the year, plus also some restructuring in the way we conduct our pricing in the market to be more nimble. And some of the results are coming through, not in full yet, but some results are coming through as you can see. That for the first time in, since 2013, we are actually seeing growth in terms of flown revenue for first half, not total revenue, but flown revenue, which is important because this is really the revenue you get from selling tickets to our customers.

As we mentioned previously, this transformation is not about, not merely about cutting costs. In fact cutting cost is probably not the right term either. We're really talking about restructuring our cost base to see how we can be a lot more effective. But importantly it's also about looking for opportunities to grow our revenue, and also to make sure that the organisation can be a lot more effective in the way we do, or conduct our decision-making and in the way we conduct our reviews on projects.

So take for example, recently we have just implemented an approval process that requires any approval to be, to take no more than three levels to get the final go-ahead. So in the past, typically when approval - because in an organisation as big as SIA, you could imagine that there are always multiple approvals. And sometimes when it comes to my level, it might take up to seven or eight levels of approval, but we have done a complete review of that and set an audacious target of setting up something that would require no more than three levels. And we have achieved it and it's just been implemented from 1 November. And that would definitely cut down a lot of decision-making, bureaucratic processes and ensure that we are a lot more effective and prompt.

It's a three-year programme as I said. Up to this point, it's an ongoing programme. Up to this point we have more than 60 projects that are ongoing in various areas. And importantly every, in every area, every division, the Senior Vice President, which is my management team, part of the senior management team members actually head that particular division's initiative. And they are actually the ones to sign off on the initiative to ensure the execution of those initiatives. We say over 200 staff are involved so far directly, but of course, if we're talking about more indirect involvement, in terms of contribution and so forth to ideas that we can follow up, is a lot more. And we tend - as I say, you know, this is really just the beginning. It's only about since May that we formally launched it. There is a lot more that we are doing. There's a lot more engagement that we

are also doing with our staff to encourage more participation and to ensure that this transformation mindset goes through and reaches everyone in the organisation.

These are some of the ideas that have already been explored. I won't go through each of them but you can see from there that it covers many areas. Again, it is not merely about cost. It's about revenue. It's about improving our processes. Making it much more effective so that we can actually provide overall a better and more effective way of organising ourselves. This is my last slide and thank you for the attention.

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, just give me a signal that you'd like to ask a question and I'll call upon you. Please also do wait for a microphone to come to you and state your name and the name of the organisation that you're representing. Finally, please limit your questions to two each time that I call upon you, that is so that we can give more people a chance to ask questions. If there is time of course, I will return to you for more. All right, with that, I can invite the panellists to the stage. If we're ready, I will take the first question. We have two in the centre section, in the third row from the front. I will start with the gentleman in the middle in the jacket. And then when you're done, can you pass the microphone to your left? Thank you.

Mr Eric Lin, UBS Securities: Thank you. Good morning. Eric Lin from UBS. Thanks for taking my questions. So my first question is about the yield. What factors would you attribute to this lower decline or even stabilisation in yield? Is that going to be an easing of competition, your new revenue management system or anything I may have missed like FX, et cetera? So that's my first question on yield outlook. And then my second question actually comes to a bit more finance about Scoot. The \$97 million cost increase as Stephen just introduced, were there any non-recurring - I just want to get a sense of what they are because I have the impression that Tiger, Scoot, now the combined entity, would they achieve cost synergy with something actually costs being lower instead of higher, we have seen in the past quarter? So if you can share a bit more colour about any cost synergy achieved on the back of that Tiger and Scoot combination, that would be great. Thanks.

Mr Goh Choon Phong: So the integration, as you know, the integration has just been officially completed in July, but you would probably also expect that during the integration itself there will be some cost involved as well, because you're merging the two, you have to change quite a lot of things, livery of the plane, the uniform, et cetera. So, but part of the costs as you saw there is also contributed because of higher fuel cost associated with the quarter and half year, relative to the previous year. So I would say that as Scoot expands, they will, especially with the new aircraft that are coming in, they

will be working on bringing their cost, those that are non-fuel related to something that is lower than what it is currently. But it's the direction.

Mr Mak Swee Wah: On the relatively slower decline in yield, I think I will attribute it to two factors. One is the market has generally been a bit more buoyant than before. I mean we are talking about relative terms, although there is still a lot of capacity in the market and there's still a lot of pressure but I think because of the firmer demand, we have been able to hold some of the yields better. In particular for example, corporate traffic, we are seeing a better take-up, the banking sector, the professional services sector. The other factor would be something which has been alluded to by Mr Goh. We have a new revenue management system, which allows us a bit more granular targeting of the different segments and to be able to manage our overall mix better. So these are the two main reasons.

Mr Nicholas Ionides: Okay. We're sticking to the same row. Sorry you have a follow-up? A brief follow-up please. Thanks.

Mr Eric Lin, UBS Securities: Sorry about that. Just on the follow-up about Tigerair-Scot integration, considering the fleet is still going to expand. There'll be more new destinations, is it fair to say that this relatively high cost will carry on for maybe, a few more quarters?

Mr Goh Choon Phong: I think one, when we start the new destinations, there again of course will be investment costs to actually introduce the brand and sort of the breaking into the market itself. So there will be some amount of that, but I think these markets for example, our Honolulu flight, it's actually quite a good market to serve from here and from Japan. We expect that the demand and the revenue generation will outshine the cost increase.

Mr Nicholas Ionides: All right and we'll stick to that same row, the gentleman in the pink shirt.

Mr Daniel Lau, Morgan Stanley: Good morning, this is Daniel from Morgan Stanley. Thanks for this briefing. Just two questions. The first one is actually on load, following up on Eric's question. I think if you look at what Stephen and Mr Goh has mentioned in the presentation, we have seen an overall improvement in passenger flown revenues and a big part of that was also driven by load factors and, you know, even though your yields are down, I think your loads are up and Mr Mak actually did mention that there seems to be a stronger demand as well, going forward how should we think about this? Are we continuing to see fairly healthy load factors? Where's the strength coming from? This is the first question.

Mr Goh Choon Phong: I'll just answer the question and Mak can supplement it if there is anything to add, which is, yes. It's fair to say that going forward, we are still seeing the demand, but we are also seeing more capacity being added. How that is going to balance

out is something that we have to watch very closely, but we do now have a better tool in the form of the RM system that Mak has mentioned. Plus also a more nimble organisation in response to pricing in the market. Anything to add?

Mr Mak Swee Wah: No, I think those are the main features.

Mr Goh Choon Phong: Okay.

Mr Daniel Lau, Morgan Stanley: The follow-up question is, another question is on the transformation programme. I guess it's still early days but any potential numbers or targets that you have made?

Mr Goh Choon Phong: Unfortunately, I'm not able to give you this, any target number. Just watch this space.

Mr Nicholas Ionides: All right. I have a question queued up in the same row as well. The gentleman closest to you.

Mr Vincent Lim, Goldman Sachs: Right, hi, thanks. This is Vincent from Goldman. Right. So, I wanted to ask about the transformation programme except but, I mean, you've already answered it. So the other two questions that I have would be, can you give us a sense of the scale of the Indonesian transit market? How big is it to SIA? That's the first question. And then second question would be, can you give us an update of the load factors for the Scoot Athens route. Has it broken even already? Thank you.

Mr Goh Choon Phong: Athens route, I think - I don't think we - sorry, I'm afraid we cannot give you specific stats on the route basis, especially on whether a particular route is breakeven and all that. But - maybe Mak, you can take the other question?

Mr Mak Swee Wah: Well, I think Indonesia is an important market for us. We have a very big operation there for the entire Group, SIA, SilkAir and even Scoot. So I don't have the exact number but I think suffice to say that the traffic from Indonesia is an important component of our transit traffic through Singapore.

Mr Nicholas Ionides: Okay. I'll take the next question. So we'll go right to the back on the right side.

Ms Karamjit Kaur, The Straits Times: Hi, morning, Karam from The Straits Times. Thanks. Mr Goh, you mentioned earlier that you're planning to launch a new cabin product for your medium-haul planes. Please, can you just tell me when was the last time you upgraded the products in that category? And are we expecting like a major overhaul, like what you did for the A380s, or are we talking about small touches here and there? That's one. And my second question is that even as you upgrade your aircraft and other products, there are some who say that the quality of services of on the ground have not perhaps kept up and you've not talked very much about that, so I'm just wondering what

plans you have to also improve ground services so that, you know, it becomes like a seamless experience for your customers? Thank you.

Mr Goh Choon Phong: Sure, the first question, yes, it will be a significant overhaul of our current medium and regional product, which is really, I suppose, you can take the A330 as the bulk of it. And A330 was how long now?

Mr Mak Swee Wah: Almost 10 years, or so.

Mr Goh Choon Phong: Yeah. So it's been, it's been a while, but this is going to be a significant upgrade to that product. So again watch this space. I think, we think it's a very good product for our customers and again, we invite all of you to witness it when we launch it. On the second question -

Mr Stephen Barnes: It was ground service.

Mr Goh Choon Phong: Ground services, yes. Actually, you're absolutely right. I think, we think that the entire customer journey is important, every touch point is important for our customers and we want to ensure that the, there is service consistency, as well as appropriate, meaningful personalisation at each touch point. For that we have a few things of course. We have also touched on the CEM before, Customer Experience Management system, but it's only a system to provide the information. We ultimately need the interface, to be done in a meaningful manner by our staff and our service agents, so that would include, that would require us also to work with our service partners, such as SATS. So all these are things that we pay a lot of attention to and you can be rest assured that they are being worked on.

Mr Nicholas Ionides: Right. We'll, the centre row, I think the third from the back, the gentleman in the white shirt with his hand up, and then we'll go to the aisle on my left there.

Mr Foo Zhiwei, UOB Kay Hian: Hi, I am Zhiwei from UOB. I have two questions for Stephen. One on SIA and the second one on SIA Cargo. On SIA, I think there was some incidental income, so I was wondering whether I could get some colour on the quantum of it and how they compare against the previous period, as well as what was it due to? On the second question on SIA Cargo, how should we think about the cargo traffic and yields since we are approaching the peak season, you know, Christmas and Thanksgiving this quarter? Thank you.

Mr Goh Choon Phong: May I direct your second question, instead of Stephen, may I get my colleague Chin Hwee to answer and then Stephen can answer the other question. So maybe Chin Hwee can start while Stephen looks for the information.

Mr Ng Chin Hwee: Okay. Cargo obviously have been seeing pretty buoyant market conditions as explained by Stephen, both loads and yields are up. But obviously we're happy with this development. Looking forward at least this coming peak, I think the trend

is still there. We are seeing pretty buoyant demand and we expect that, that will help us in this coming quarter. I think this point is important also to note that whilst we had nine freighters last year, we are only operating with seven for this coming peak period. But nonetheless for this whole year our capacity growth is projected at about 4% for cargo capacity, that's including the bellyhold. I can only go so far as to see what's ahead of us up to this coming peak. January to March obviously is the traditional weak, low season, so it's a bit hard to predict what comes ahead of us.

Mr Stephen Barnes: I probably need to address the one-off questions. The one-off items that - right - the one-off items that we see this year relate to two main sources. We had an opportunity - it's three years since we introduced Pay with Miles. Pay with Miles is part of the KrisFlyer programme and enlarged the range of things that you can do with miles. So we revisited the rate of, the rate at which miles expire. And that gave us an opportunity to actually ensure that we are providing for the right amount of breakage on an ongoing basis. We concluded that we actually needed to, essentially were being too conservative on an ongoing basis. We had an, we had an estimate that we're below the actual rate of breakage. And so therefore, we had to true up to actually compensate for the last three years. So that's one aspect. The second aspect is that we have, we received compensation from Airbus, which I mentioned. So that total. And we recognised \$60 million of that in this year. So the total effect of those two items was a positive \$176 million. But that was offset by, we have to deduct essentially the one-off item that we did not have, we didn't, did not have this year because the prior year we had revised estimates of our revenue breakage, our ticket breakage, those tickets that actually expire unused. And we had recognised in FY16/17 a one-off adjustment for that. The net effect of those three items, which is probably what you're looking for, the net effect is positive, a positive impact on revenue of \$26 million. Did that help to explain? Or was that not what you were looking for?

Mr Foo Zhiwei, UOB Kay Hian: May I clarify some of the points, with you later, after?

Mr Stephen Barnes: Yes, of course.

Mr Foo Zhiwei, UOB Kay Hian: Thank you.

Mr Nicholas Ionides: All right. We'll go to the gentleman in the dark suit, right in front of you, on the, our left side.

Mr Greg Waldron, Flightglobal: I am Greg Waldron from Flightglobal. I've got two very different questions. The first relates to NokScoot in Thailand. Can you confirm that the fourth and fifth aircraft will be coming from SIA's existing 777-200 fleet? And given the age restrictions Thailand has in place for used aircraft, how will you fuel NokScoot's fleet growth in the future? And you know, if you can give me some sense of how fast their fleet will grow into 2018, 2019? Second question, very different. The A350-900ULR is coming in and will that aircraft - I think there's six of those that you're getting - will that

have the same cabin product as your existing A350-900 fleet, or will you try to go for a more premium, heavy configuration given the missions that, that aircraft will be used for? Thanks.

Mr Goh Choon Phong: Okay. So on the NokScoot aircraft, so far they have taken three-plus-one that's just been delivered to them. And I also mentioned that there's another one that's going in by the middle of next year. These are the 777s from SIA. And I have to add that those are competitive decisions made by the NokScoot board. So, nothing to do with us being the joint venture partner. Beyond that any requirements would have to be determined by the NokScoot board and where they acquire aircraft all that will be subject again to competitive bidding for those aircraft. So I suppose at this point I can only say that it will be announced when there is a decision by the board. Obviously the board would have to consider, given the lifting of the restriction, what are the opportunities out there for NokScoot. The other question on the ultra-long-range product, there was actually something brought up at the A380 launch as well, and it's the same answer that I'm going to give which is that this is something that we have not announced yet, and we will announce nearer the time of the launch as to exactly what product we'll be offering on the aircraft.

Mr Nicholas Ionides: Okay. We'll go to the right side of, our right side of the room, second row.

Ms Kyunghee Park, Bloomberg: Hi, I'm Kyunghee Park from Bloomberg. I wanted to ask you a question regarding those A380s that you'll be returning. How much of a cost are you expecting to put into returning these aircraft given that my understanding is the lessor had requested that these planes be returned at, in a complete new or setting, as well. So what sort of a cost are you expecting in that?

Mr Goh Choon Phong: Just a quick answer to your question. These are actually agreements contractually, confidential agreements so I cannot release anything, except to tell you that any cost associated with the return are actually fully provided for in our account.

Mr Nicholas Ionides: Let's go to the middle section, fourth row from the front, the lady in the red.

Ms Jamie Freed, Thomson Reuters: Hello, it's Jamie Freed from Reuters. My question is about Virgin Australia. At their AGM today, their chairman mentioned there has been talk of privatisation. Do you believe that it will be positive or negative for Virgin Australia to go private, and if it did go private would you like to increase your share, keep it the same or decrease your share?

Mr Goh Choon Phong: Virgin Australia, well, it is a listed entity at this point in time. It has a separate board. We will, when they actually reach us and ask us for opinion, we will provide it but at this point in time, there's not much we can comment on what the

chairman has just said. In fact we are very clear on the governance process, which is, you know, we play our role as shareholders quite strictly and ensure that, you know, we get the same information as any other shareholders. So when they finally come to us with some proposal, we'll look at it and we'll decide from there.

Mr Nicholas Ionides: Okay. We'll go back to the right side of the room, the third row from the front, lady in the aisle.

Ms Nisha Ramchandani, Business Times: Hi, Nisha from BT. With NokScoot and with Vistara expanding in the coming year or so, what does that mean? How will the SIA Group leverage on that, and also what will that mean for contributions to the Group?

Mr Goh Choon Phong: Both are, to be quite frank, they started not too long ago, and they are in the phase of growing. I think the main focus will be how they can grow to meaningfully serve the market. I mean Vistara for the Indian market, they're still a very small airline, given the size of the market. So that will be their focus to see how they can actually grow in a meaningful manner that they can better serve the market. So as to what kind of contribution and all that, at this point in time, you can probably expect that the contribution isn't big, given the size of the fleet. But in due course as they become a sizeable presence in their respective market, we expect that to be obviously a significant contribution. But, we'll see. This is something that I mentioned way back that all these investments and joint ventures come with this risk and certainly, especially for India, you know, this definitely is not a walk in the park. There are lot of things that we have to deal with and it is by no mean a risk-free investment. So we would have to see how it develops, but what we can commit to is to give it full support with our partners to grow it to the extent that it's able to meaningfully serve the market.

Mr Nicholas Ionides: We have time for two more questions and we have two queued up. So the centre section, fourth row from the front, lady there. And then, yeah, the lady in dark there, in black. And then down to the second row.

Ms Maria Dias, Thomson Reuters: Hi, this is Maria Clara from Reuters Breaking Views. I'd like to ask whether your restructuring as you see it now could encompass some change to your organisation structure? So for instance, the much debated integration of SilkAir, how you would see that in the future, whether you're considering? And perhaps also the Engineering side, could you give us a sense of how much of that would be encompassed in the current review? Thank you.

Mr Goh Choon Phong: Okay. The restructuring, I mentioned earlier that part of it is really to look at the organisational structure and to see what is, what makes more sense to allow us to be more effective as an organisation. For example, it was announced, at least internally that recently that we are actually forming a new division. And that new division is called the Customer Experience Division. And that division is headed by the former CEO of Vistara. He came back from Vistara and he's heading that division right now. And it

focuses on, we talk about that, I think Karam mentioned about customer experience, complete journey and so forth. That's precisely why we formed that division, to have a dedicated, to have a focused attention on how we can ensure that the customers get consistently good, personalised experience throughout the whole journey end-to-end. And therefore, we actually created a dedicated division for that. There are ongoing reviews on what else we want to do with regard to the rest of the organisation and this will be done on a progressive basis, but certainly the objective is really to make it so that the decision-making, the working, the workflows are going to be a lot more efficient. On the question of SilkAir and Engineering Company, if there is anything that we, significant that we need to, we want to change, we'll certainly announce it, but at this point in time there's nothing more I can add.

Mr Nicholas Ionides: Okay. We'll take the final question, second row from the front.

Ms Mayuko Tani, Nikkei: Thank you. Mayuko from Nikkei. I have two questions. One is about the premium product, for the premium market how you see the outlook, now you come out with very new A380 products but the number of the First Class has been reduced. So is in your outlook for the longer term, do you see this is the trend that you're going to deal with maybe less number, less revenue from the premium class? Another question is about announcement by Qatar Airways investing into Cathay. They are taking close to 10%. So there seems to be increasing equity partnership between airlines. And it's coming into this region as well, so looking at this situation, do you, do you want to be a buyer? Are you looking at investing into other airlines, is the question?

Mr Goh Choon Phong: I want to correct the perception that we're reducing the premium product offerings. In terms of the capacity, that's not true. For the A380, for example, I mentioned earlier that, you know, actually the total number of seats was, is going to be increased. But for the Business Class, the total Business Class capacity that's offered is also going to be increased because if you look carefully, part of our fleet on the A380 is currently, actually only having 60 Business Class seats. This particular new configuration has 78. And of course there are other aircraft that have 86 Business Class. But what we are doing overall, is actually a significant increase in our Business Class offering, and not a reduction. So it demonstrates our confidence in the prospect of the premium segment of the travel demand. That's first. Second part of course on Qatar and CX, you've got to ask both of them, but in terms of our own appetite for investment in other airlines, I think we have said that before, I will continue say that it is, if there is opportunity and it makes sense for us, we are very, we will be open to any of such opportunities.

Mr Nicholas Ionides: Okay, that brings this morning's session to a close. Thank you very much for attending.

(ENDS)