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SIA REPORTS HIGHER FIRST HALF NET PROFIT OF \$206 MILLION

- Net profit for the second quarter rose 68 per cent to \$94 million
- Strong passenger traffic growth continues to support operating performance
- Cargo demand remains weak amid trade uncertainties
- Vistara accelerates expansion and commences international operations

GROUP FINANCIAL PERFORMANCE

First Half 2019/20

The SIA Group achieved a net profit of \$206 million in the first half of the financial year, \$10 million (+5.1%) higher than last year.

Revenue rose \$418 million (+5.3%), primarily from strong growth in passenger flown revenue, partially offset by a reduction in cargo flown revenue, while higher expenditure (+\$431 million or 5.8%) reflected enlarged operations. Accordingly, operating profit for the Group was \$413 million, down \$13 million or 3.1% compared to the same period last year.

The Group recorded a reduction in share of losses from associated companies (+\$36 million), mostly from Virgin Australia, and a higher share of profits from joint venture companies (+\$19 million). These were offset by increased net finance charges (-\$54 million) due to the recognition of interest expense arising from lease liabilities following the adoption of IFRS 16 *Leases* and additional financing for fleet renewal and expansion.

The Group financial performance is summarised below:

Group Financial Results	1 st Half FY2019/20 (\$ million)	1 st Half FY2018/19 (\$ million)	Better / (Worse) (%)	2 nd Quarter FY2019/20 (\$ million)	2 nd Quarter FY2018/19 (\$ million)	Better / (Worse) (%)
Total Revenue	8,325	7,907	5.3	4,222	4,062	3.9
Total Expenditure	7,912	7,481	(5.8)	4,009	3,829	(4.7)
Net Fuel Cost	2,349	2,236	(5.1)	1,176	1,156	(1.7)
<i>Gross Fuel Cost</i>	<i>2,425</i>	<i>2,520</i>	<i>3.8</i>	<i>1,195</i>	<i>1,308</i>	<i>8.6</i>
<i>Fuel Hedging Gain</i>	<i>(76)</i>	<i>(284)</i>	<i>(73.2)</i>	<i>(19)</i>	<i>(152)</i>	<i>(87.5)</i>
Non-fuel Expenditure	5,563	5,245	(6.1)	2,833	2,673	(6.0)
Operating Profit	413	426	(3.1)	213	233	(8.6)
Net Profit	206	196	5.1	94	56	67.9

Note 1: The SIA Group's unaudited financial results for the half year and second quarter ended 30 September 2019 were announced on 5 November 2019. 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.)

Passenger flown revenue for the Group was up \$514 million (+8.2%), lifted by 7.6% growth in traffic. Load factor improved 1.0 percentage point to 84.6%, a record for the first-half, as uplift outpaced the increase in capacity (+6.4%). Notwithstanding the significant capacity expansion, RASK (revenue per available seat-kilometre) continues its upward trend, improving 1.3% to 7.7 cents for the first half, the highest since the commencement of the Group's transformation programme. However, cargo flown revenue declined by \$138 million (-12.5%) as a result of poorer yields (-6.3%) and lower loads carried (-6.5%). The performance deterioration in the cargo segment was mainly due to an overall drop in airfreight demand amid US-China trade tensions, and a slowdown in exports from key manufacturing countries in Europe and Asia. Industry overcapacity on key trade lanes weighed on yields.

Expenditure for the Group increased \$431 million (+5.8%) to \$7,912 million, primarily due to non-fuel expenditure. Non-fuel costs were higher by \$318 million (+6.1%), mainly attributable to an expansion in operations. Net fuel costs rose by \$113 million (+5.1%) to \$2,349 million, primarily contributed by an increase in fuel volume consumed (+4.8% or \$119 million) on capacity growth.

First Half Operating Results of Main Companies

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

	1 st Half FY2019/20 \$ million	1 st Half FY2018/19 \$ million	Better / (Worse) (%)
Operating Profit/(Loss)			
Parent Airline Company	465	418	11.2
SilkAir	(19)	(3)	n.m.
Scoot	(77)	(10)	n.m.
SIA Engineering	37	21	76.2

Operating profit for the Parent Airline Company rose by \$47 million (+11.2%) to \$465 million on passenger revenue growth. Total revenue increased \$406 million, driven by passenger flown revenue (+\$481 million), on an 8.6% increase in passenger carriage (measured in revenue passenger-kilometres), against a capacity expansion of 7.4% (measured in available seat-kilometres). Passenger load factor rose 1.0 percentage point year-on-year to 84.6%, while RASK was up 2.4%. Higher non-scheduled services revenue (+\$38 million) supported the revenue improvements as well. However, lower cargo revenue (-\$138 million) and an increase in expenditure of \$359 million offset some of the gains.

Ex-fuel costs were up \$258 million (+6.3%), largely on higher staff costs and aircraft standing charges, below the growth in passenger capacity (+7.4%). Net fuel cost also increased \$101 million (+5.5%), partly resulting from higher volume uplifted (+5.1%) and a stronger US dollar.

SilkAir continues to be adversely affected by the global grounding of the Boeing 737 MAX 8 aircraft, clocking an operating deficit of \$19 million for the period. Notwithstanding a reduction in capacity (-1.1%) from route transfers to Scoot and the withdrawal of the 737 MAX 8s from service, the carrier achieved passenger flown revenue growth of \$4 million (+0.9%). Passenger load factor rose on the back of a 2.8% increase in traffic, driving a 1.2% improvement in RASK. However, this was negated by lower non-scheduled services revenue and incidental revenue, leading to a \$6 million decline in operating revenue. Expenditure was up \$10 million, partially attributable to 737 MAX 8 related costs, along with higher net fuel cost.

Total revenue for Scoot improved \$7 million, driven by passenger flown revenue growth of \$29 million as capacity expansion (+5.6%) was matched by higher passenger traffic (+5.8%). However, passenger revenue improvements were tempered by weaker RASK (-2.1%) on lower yields, declines in cargo revenue (-\$4 million or 13.0%) and other operating revenue (-\$18 million). Expenditure rose \$74 million (+8.5%), mainly a result of higher depreciation from a larger fleet. In addition, Scoot continued to proactively reduce aircraft utilisation during the period to improve operational resilience. As a result, the carrier recorded an operating loss of \$77 million, a deterioration of \$67 million year-on-year.

SIA Engineering posted an operating profit of \$37 million, \$16 million higher than last year. Revenue from the airframe and line maintenance segment increased \$7 million, but was partly offset by lower revenue from the engine and component segment, resulting in an overall increase in revenue of \$4 million. Expenditure reduced by \$12 million, largely due to lower subcontract and material costs, further contributing to the improvement in operating performance.

Second Quarter 2019/20

Group net profit for the second quarter rose \$38 million (+67.9%) to \$94 million, mainly attributable to improvement in share of results from associates and joint ventures (+\$78 million), partially offset by higher net finance charges (-\$28 million) for the quarter.

Operating profit for the second quarter contracted \$20 million (-8.6%) to \$213 million, as expenditure increased \$180 million (+4.7%), mainly from capacity injection, outweighing revenue growth of \$160 million (+3.9%). Passenger revenue grew \$244 million (+7.5%), while cargo revenue declined \$93 million (-16.3%). Ex-fuel cost rose \$160 million (+6.0%), following a 6.2% increase in capacity, while net fuel costs were \$20 million (+1.7%) higher.

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

	2 nd Quarter FY2019/20 \$ million	2 nd Quarter FY2018/19 \$ million	Better / (Worse) (%)
Operating Profit/(Loss)			
Parent Airline Company	233	237	(1.7)
SilkAir	(3)	(3)	-
Scoot	(39)	(11)	n.m.
SIA Engineering	19	11	72.7

Operating performance for the companies in the Group was mixed. The Parent Airline Company and SilkAir's profitability were largely unchanged against last year. Operating profit for the Parent Airline Company was \$233 million (-1.7%), as revenue and expenditure were higher by similar magnitudes. Revenue improvements were led by growth in uplift (+8.2%), but offset by weaker cargo revenue as well as higher net fuel and other expenditure. Similarly, SilkAir's higher revenue, largely from traffic growth (+3.1%), was matched by an increase in expenditure partly contributed by the 737 MAX 8 grounding. Operating loss of \$3 million was flat against last year.

Passenger revenue for Scoot was up \$15 million, driven by a 5.0% increase in passenger carriage on capacity growth of 4.7%. However, this was offset by higher costs (+7.0%), including fuel. Consequently, the operating deficit was \$39 million for the second quarter.

SIA Engineering reported an improvement in operating profit (+\$8 million) for the second quarter, mainly due to higher revenue from the airframe and line maintenance segment, lower subcontract costs and a favourable exchange variance, partly offset by lower revenue from the engine and component segment.

INTERIM DIVIDEND

The Company is declaring an interim dividend of 8 cents per share (tax exempt, one-tier), amounting to \$95 million, for the half-year ended 30 September 2019. The interim dividend will be paid on 27 November 2019 to shareholders as of 15 November 2019.

ROUTE DEVELOPMENT

During the quarter, the Parent Airline Company began operations of its inaugural Seattle services on 3 September 2019, its fourth non-stop service to the US, following the successful launch of Newark flights a year ago. In addition, Busan services launched by SilkAir in May, were taken over by SIA from 28 October 2019, boosting seat capacity to cater to growing demand. Seasonal services to Sapporo will also be operated from 30 November 2019 to 6 January 2020. As at 30 September 2019, SIA served 65 destinations, including Singapore.

SilkAir continues to see network changes as part of the planned merger with SIA, completing the transfer of Chiang Mai, Coimbatore and Visakhapatnam operations to Scoot in October. It is also on track to transfer Kota Kinabalu in December 2019, subject to regulatory approvals. Conversely, SilkAir took over Kochi services from Scoot from 27 October 2019, adding four more services to its existing 10 non-stop flights a week. As at 30 September 2019, SilkAir served 43 destinations, including Singapore.

Following the commencement of Fuzhou and Kota Bharu services in July 2019, Scoot added two new destinations in India, Coimbatore and Visakhapatnam, to its network from 27 October 2019. Scoot also suspended services to Quanzhou and Male, along with adjusting Harbin flight frequency to a Northern Winter (October to March) only seasonal service, to better match demand and capacity. Seasonal frequency additions will also be made for Melbourne, Perth, Phuket and Sydney during the Northern Winter peak period. Scoot ended the quarter with 67 destinations, including Singapore.

Overall, the portfolio of airlines in the Group served 137 passenger destinations in 37 countries and territories, including Singapore, as at 30 September 2019.

Following the launch of Vistara's first international route, to Singapore in August 2019, SIA and SilkAir signed an agreement with Vistara to expand codesharing to international destinations, subject to regulatory approvals. Vistara increased its fleet from 22 to 32 aircraft during the first half of the financial year, and commenced international operations to Singapore, Dubai and Bangkok. Vistara is set to continue rapid fleet growth in the second half as it takes delivery of new A320neo and A321neo aircraft, and inducts its first two widebody aircraft (787-9). As a result, it will almost double its fleet size during the financial year. This will allow Vistara to quickly increase its domestic and international networks and, importantly, to commence medium to long haul international operations in 2020.

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

OUTLOOK

Passenger bookings in the coming months are expected to be stronger year-on-year, with yields supported by premium cabin traffic. However, headwinds persist in the form of intensifying competition in key operating markets, as well as an uncertain global economic outlook. Cargo demand is likely to remain weaker year-on-year, despite the seasonal peak, amid ongoing trade tensions and a manufacturing slowdown in key export economies.

Fuel prices are expected to remain volatile, as a result of geopolitical and economic risks. For the second half of the financial year, the Group has hedged 75% of its fuel requirements in MOPS and 3% in Brent at weighted average prices of USD76 and USD54 per barrel respectively [Note 2]. The Group will continue to enter into longer-dated hedges extending to FY2024/25.

As it enters the final lap of its three-year Transformation programme, the SIA Group remains committed to enhancing customer experience, improving operational efficiency and boosting revenue by strengthening digital capabilities. The recent expansion of the KrisConnect programme is one significant milestone. Utilising technology enablers such as NDC (New Distribution Capability), and APIs (Application Program Interface), KrisConnect facilitates integration and exchange of content between the Group and its partners, enabling customers to access personalised offerings across more distribution channels in addition to traditional owned channels.

KrisShop, the airline's flagship travel retailer, has been restructured to become a premium omni-channel e-commerce retailer. It will continue to expand its range of products and services through its themed concept stores and official brand stores on the new website. Optimised by advanced technological and logistics capabilities, KrisShop has introduced multiple consumer-centric initiatives for convenient payment, pre-order and delivery services. Additionally, the new SIA mobile app, designed for faster performance and improved usability to give customers a seamless and more personalised experience, was launched in August 2019. These initiatives are testament to the Group's aggressive digital transformation efforts.

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A STAR ALLIANCE MEMBER 

GROUP FINANCIAL STATISTICS

	1 st Half 2019/20	1 st Half 2018/19	2 nd Quarter 2019/20	2 nd Quarter 2018/19
Financial Results (\$ million)				
Total revenue	8,324.5	7,906.6	4,222.3	4,062.1
Total expenditure	7,911.4	7,480.6	4,009.2	3,829.2
Operating profit	413.1	426.0	213.1	232.9
Non-operating items	(126.6)	(137.5)	(75.0)	(128.4)
Profit before taxation	286.5	288.5	138.1	104.5
Profit attributable to Owners of the Company	205.6	196.0	94.5	56.4
Per Share Data				
Earnings per share (cents)				
- Basic ^{R1}	17.4	16.6	8.0	4.8
- Diluted ^{R2}	17.3	16.5	7.9	4.7
	As at 30 Sep 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	(21.2)	(33.2)		
Share-based compensation reserve	15.5	24.9		
Fair value reserve	(198.8)	459.7		
General reserve	10,429.5	11,275.1		
Equity attributable to Owners of the Company	<u>11,798.8</u>	<u>13,286.8</u>		
Total assets ^{R3}	31,594.3	30,505.2		
Total debt ^{R3}	8,770.3	6,654.4		
Total debt : equity ratio (times) ^{R4}	0.74	0.50		
Net asset value (\$) ^{R5}	9.96	11.22		

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

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

^{R5} 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 Half 2019/20	1 st Half 2018/19	Change %	2 nd Quarter 2019/20	2 nd Quarter 2018/19	Change %
SIA						
<u>Passenger Operations</u>						
Passengers carried (thousand)	11,140	10,249	+	8.7	5,665	5,234 + 8.2
Revenue passenger-km (million)	54,943.2	50,602.6	+	8.6	28,314.9	26,173.6 + 8.2
Available seat-km (million)	64,975.6	60,519.6	+	7.4	32,972.9	30,735.7 + 7.3
Passenger load factor (%)	84.6	83.6	+	1.0 pt	85.9	85.2 + 0.7 pt
Passenger yield per passenger-km (cents/pkm)	10.0	9.9	+	1.0	9.9	9.9 -
Revenue per available seat-km (cents/ask)	8.5	8.3	+	2.4	8.5	8.4 + 1.2
Passenger unit cost (cents/ask)	8.3	8.2	+	1.2	8.3	8.3 -
Passenger unit cost ex-fuel (cents/ask)	5.5	5.4	+	1.9	5.5	5.5 -
<u>Cargo Operations</u>						
Cargo and mail carried (million kg)	616.3	650.3	-	5.2	308.6	332.2 - 7.1
Cargo load (million tonne-km)	3,265.3	3,492.5	-	6.5	1,619.9	1,771.2 - 8.5
Gross capacity (million tonne-km)	5,587.7	5,591.7	-	0.1	2,782.6	2,790.0 - 0.3
Cargo load factor (%)	58.4	62.5	-	4.1 pts	58.2	63.5 - 5.3 pts
Cargo yield (cents/ltk)	29.6	31.6	-	6.3	29.5	32.2 - 8.4
Cargo unit cost (cents/ctk)	16.1	16.4	-	1.8	16.1	16.8 - 4.2
<u>Overall Operations</u>						
Overall load (million tonne-km)	8,346.5	8,181.0	+	2.0	4,234.2	4,190.2 + 1.1
Overall capacity (million tonne-km)	12,177.0	11,693.1	+	4.1	6,125.3	5,887.9 + 4.0
Overall load factor (%)	68.5	70.0	-	1.5 pts	69.1	71.2 - 2.1 pts
Overall yield (cents/ltk)	77.5	74.8	+	3.6	77.5	75.2 + 3.1
Overall unit cost (cents/ctk)	51.5	50.4	+	2.2	51.8	51.2 + 1.2
SilkAir						
Passengers carried (thousand)	2,429	2,429	-	-	1,234	1,204 + 2.5
Revenue passenger-km (million)	4,585.1	4,461.7	+	2.8	2,283.0	2,214.1 + 3.1
Available seat-km (million)	5,819.5	5,883.8	-	1.1	2,870.0	2,887.2 - 0.6
Passenger load factor (%)	78.8	75.8	+	3.0 pts	79.5	76.7 + 2.8 pts
Passenger yield (cents/pkm)	10.4	10.6	-	1.9	10.7	10.7 -
Revenue per available seat-km (cents/ask)	8.2	8.1	+	1.2	8.5	8.2 + 3.7
Passenger unit cost (cents/ask)	8.6	8.4	+	2.4	8.6	8.5 + 1.2
Passenger unit cost ex-fuel (cents/ask)	6.5	6.3	+	3.2	6.4	6.4 -

	1 st Half 2019/20	1 st Half 2018/19		Change %	2 nd Quarter 2019/20	2 nd Quarter 2018/19		Change %
<u>Scoot</u>								
Passengers carried (thousand)	5,518	5,160	+	6.9	2,830	2,645	+	7.0
Revenue passenger-km (million)	15,311.8	14,478.2	+	5.8	7,901.5	7,521.8	+	5.0
Available seat-km (million)	17,698.5	16,759.5	+	5.6	9,091.5	8,681.2	+	4.7
Passenger load factor (%)	86.5	86.4	+	0.1 pt	86.9	86.6	+	0.3 pt
Revenue per revenue seat-km (cents/pkm)	5.5	5.6	-	1.8	5.5	5.6	-	1.8
Revenue per available seat-km (cents/ask)	4.7	4.8	-	2.1	4.8	4.8		-
Cost per available seat-km (cents/ask)	5.3	5.1	+	3.9	5.3	5.2	+	1.9
Cost per available seat-km ex-fuel (cents/ask)	3.6	3.4	+	5.9	3.7	3.4	+	8.8
<u>Group Airlines (Passenger)</u>								
Passengers carried (thousand)	19,087	17,838	+	7.0	9,729	9,083	+	7.1
Revenue passenger-km (million)	74,840.1	69,542.5	+	7.6	38,499.4	35,909.5	+	7.2
Available seat-km (million)	88,493.6	83,162.9	+	6.4	44,934.4	42,304.1	+	6.2
Passenger load factor (%)	84.6	83.6	+	1.0 pt	85.7	84.9	+	0.8 pt
Passenger yield (cents/pkm)	9.1	9.1		-	9.0	9.0		-
Revenue per available seat-km (cents/ask)	7.7	7.6	+	1.3	7.7	7.6	+	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 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

Scot

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
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