



No. 01/17

7 February 2017

THIRD QUARTER OPERATING PROFIT MARGINALLY UP AT \$293 MILLION

- Fuel cost savings more than offset lower passenger flown revenue stemming from yield erosion
- Cargo performance improved, backed by strong year-end freight demand
- Stable operating performance by subsidiary passenger airlines
- Outlook remains challenging for loads and yields

GROUP FINANCIAL PERFORMANCE

Third Quarter 2016-17

The SIA Group reported an operating profit of \$293 million in the third quarter of the 2016-17 financial year, \$5 million higher compared to the same period last year (+1.7%).

Group revenue fell \$97 million year-on-year to \$3,844 million (-2.5%), mainly attributable to lower passenger flown revenue in a weak-yield environment. The Parent Airline Company saw its flown revenue decline by \$167 million, which was partly compensated by growth from Scoot (+\$45 million). Cargo and mail revenue improved by \$8 million (+1.5%), boosted by stronger freight carriage.

Group expenditure contracted by \$102 million to \$3,551 million (-2.8%). Net fuel costs declined \$200 million (-17.6%), largely due to a \$256 million reduction in fuel hedging loss. Fuel costs before hedging rose \$56 million, on the back of a higher average jet fuel price (+\$36 million) and higher fuel volume uplifted (+\$29 million), partially offset by a weaker US Dollar against the Singapore Dollar compared to one year ago (-\$9 million). Ex-fuel costs increased \$98 million or 3.9%, partly attributable to capacity expansion by SilkAir and Scoot.

Note 1: The SIA Group's unaudited financial results for the third quarter and nine months ended 31 December 2016 were announced on 7 February 2017. 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).

Third Quarter Operating Results of Main Companies

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

Operating Profit/(Loss)	3rd Quarter FY2016-17 \$ million	3rd Quarter FY2015-16 \$ million
Parent Airline Company	151	181
SilkAir	30	33
Scoot	20	18
Tiger Airways	9	9
SIA Cargo	53	2
SIA Engineering	25	29

Operating profit for the Parent Airline Company fell \$30 million year-on-year (-16.6%). Total revenue slipped by \$173 million, largely attributed to a \$167 million reduction in passenger flown revenue, as passenger yield declined 5.5%. Passenger carriage (measured in revenue passenger-kilometres) dipped 1.3% against flat capacity (measured in available seat-kilometres), resulting in a one percentage-point drop in passenger load factor to 79.0%. Expenditure decreased \$143 million, mainly due to a \$170 million reduction in net fuel costs, partly offset by higher aircraft depreciation, and aircraft maintenance and overhaul costs.

SilkAir's operating profit was \$3 million lower than last year (-9.1%). Total revenue increased \$3 million, as passenger carriage rose 10.1%, partly offset by a 7.4% slide in passenger yield. Capacity expanded 10.4% and passenger load factor fell by 0.3 percentage points to 71.3%. Expenditure increased \$6 million on the back of capacity expansion, overshadowing growth in revenue.

Scoot saw its operating profit increase by \$2 million compared to the same quarter in the last financial year. Total revenue was up \$49 million (+35.5%), bolstered by a 44.3% increase in passenger carriage, albeit diluted by weaker passenger yield (-7.1%). Capacity expanded more rapidly, by 51.8%, resulting in a passenger load factor decline of 4.2 percentage points to 80.8%. Expenditure rose \$47 million (+39.2%), while unit cost dropped 8.9%.

Tiger Airways' operating result remained flat year-on-year. Passenger carriage was constant on the back of a marginal capacity drop (-0.9%), and passenger load factor inched up 0.8 percentage points to 83.9%. Revenue declined by \$7 million, primarily due to weaker passenger yield (-5.5%). This was offset by a reduction in expenditure, which was mostly attributable to lower net fuel costs.

SIA Cargo achieved an operating profit of \$53 million, its best third quarter performance in nine years. Yield remained under pressure (-5.2%), but freight carriage grew 6.6%, boosted by stronger-than-expected peak demand. Consequently, revenue increased \$8 million. Capacity rose 5.1%, trailing the growth in traffic, and cargo load factor was one percentage point higher at 65.9%. Expenditure fell \$43 million mainly arising from lower fuel costs.

SIA Engineering's operating profit declined \$4 million year-on-year. Revenue fell \$3 million, mainly from fleet management programme and airframe and component overhaul revenue, partially offset by higher line maintenance revenue. Expenditure was marginally up by \$1 million, as higher staff costs were partially offset by a decrease in subcontract costs.

Third Quarter Net Profit

The Group reported a net profit of \$177 million for the October-December 2016 quarter, a decline of \$98 million (-35.6%) from the same period last year.

During the quarter, the Group recognised a \$79 million write-down of the Tigerair brand and trademark following the announcement by Budget Aviation Holdings that Tiger Airways and Scoot would operate under the common "Scoot" brand from the second half of 2017. In addition, there was an absence of a gain from SilkAir's sale and leaseback of four 737-800s reported last year (-\$52 million). These were partially compensated by a reduction in tax expense (+\$30 million).

April to December 2016

Group operating profit for the nine months to December 2016 improved \$67 million to \$595 million (+12.7%). Expenditure shrunk \$437 million (-4.0%), surpassing revenue reduction of \$370 million (-3.2%) that arose mainly from a decline in passenger flown revenue.

The operating results of the main companies in the Group for the nine months were as follows:

Operating Profit/(Loss)	9 months FY2016-17 \$ million	9 months FY2015-16 \$ million
Parent Airline Company	427	387
SilkAir	74	59
Scoot	26	(4)
Tiger Airways	20	(1)
SIA Cargo	8	(10)
SIA Engineering	48	77

Most companies in the Group recorded moderate improvements in operating results year-on-year. SIA Engineering reported a lower operating profit, due to higher expenditure, coupled with a fall in revenue. Expenditure rose predominantly from a provision for profit sharing bonus following the divestment of Hong Kong Aero Engine Services Ltd (HAESL), partly offset by lower production overheads. Revenue reduced mainly from fleet management programme revenue, alleviated by an increase in line maintenance revenue.

Group net profit fell \$81 million (-14.0%) to \$499 million. Improvement in operating profit was negated by lower dividends from long-term investments (-\$108 million) [see Note 2], write-down of the Tigerair brand and trademark (-\$79 million), share of losses from associated companies against share of profits last year (-\$60 million), and loss on disposal of aircraft, spares and spare engines versus a surplus one year ago (-\$67 million). The decline in net profit was partially cushioned by a \$142 million gain from SIA Engineering's divestment of HAESL, and \$36 million special dividends received from HAESL following the sale of its 20% stake in Singapore Aero Engine Service Ltd.

FLEET DEVELOPMENT

During the third quarter, the Parent Airline Company took delivery of five A350-900s, of which four entered into service by the end of December. As at 31 December 2016, the operating fleet of the Parent Airline Company comprised 108 passenger aircraft (54 777s, 26 A330-300s, 19 A380-800s and nine A350-900s), with an average age of 7 years and 8 months.

Note 2: This was primarily due to lower dividends received from Everest Investment Holdings Limited (formerly known as Abacus International Holdings Limited), which declared a special dividend arising from sale of its 65% investment in Abacus International Pte Ltd to Sabre Technology Enterprises II Ltd last year.

SilkAir took delivery of one 737-800 during the quarter. As at 31 December 2016, SilkAir operated 31 aircraft – 11 A320s, three A319s and 17 737-800s – with an average age of 4 years and 2 months.

Scout maintained a fleet of 12 787s (six 787-9s and six 787-8s) in the third quarter. Its average fleet age as at 31 December 2016 was 1 year and 4 months.

Tiger Airways operated 23 aircraft – 21 A320s and two A319s – with an average age of 5 years and 8 months as at 31 December 2016.

During the quarter, SIA Cargo returned one 747-400 freighter to its lessor. As at 31 December 2016, SIA Cargo operated a fleet of eight 747-400 freighters.

ROUTE DEVELOPMENT

The Parent Airline Company will introduce services to a second Scandinavian city, Stockholm (via Moscow), from 30 May 2017. Frequency to Moscow will therefore increase from four to five times a week, as flights, which will be operated with A350-900s, continue on to Stockholm. The Parent Airline Company's route network will then expand to 62 destinations across 32 countries, including Singapore.

Frequency to various points, including Ahmedabad, Bangkok, Brisbane, Dhaka, Ho Chi Minh City, Melbourne, Rome and Sydney, will also increase during the Northern Summer season (26 March 2017 – 28 October 2017) to meet growing travel demand.

SilkAir commenced services to Fuzhou on 21 November 2016. It will commence thrice-weekly services to Colombo from 8 April 2017, operating alongside the Parent Airline which will retain daily services to the Sri Lankan city. This will grow SilkAir's network to 53 destinations across 15 countries, including Singapore.

Scout's network will increase to 24 destinations across 10 countries with the commencement of new services to Athens from 20 June 2017.

Tiger Airways maintains a network of 40 destinations in 12 countries, including Singapore.

Overall, including the announced new routes, the portfolio of airlines in the Group will be serving 133 destinations across 37 countries.

OUTLOOK

2017 is expected to be another challenging year amid tepid global economic conditions and geopolitical concerns, alongside other market headwinds such as overcapacity and aggressive pricing by competitors. Loads and yields for both the passenger and cargo businesses are projected to remain under pressure.

Fuel prices have trended upward since the last quarter and are expected to remain volatile as uncertainty lingers around global oil production output. The Group regularly reviews and adapts its fuel hedging policy to manage volatility in fuel prices. For the fourth quarter of the financial year, the Group has hedged 37.4% of its jet fuel requirements in Singapore Jet Kerosene (MOPS) at a weighted average price of USD67 per barrel. The Group has also entered into longer dated Brent hedges with maturity extending to 2022, covering between 33% and 39% of our projected annual fuel consumption, at average prices ranging from USD53 to USD59 per barrel.

An expanding, fuel-efficient A350-900 fleet has enabled the addition of more long-haul routes for SIA. At the same time, with a deeper integration between Scoot and Tiger Airways, the Group can capitalise on new opportunities to boost network connectivity and growth in the low-cost airline segment. The Group will maintain vigilance over its costs, and its strong balance sheet positions it well to weather the many challenges ahead.

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A STAR ALLIANCE MEMBER 

GROUP FINANCIAL STATISTICS

	3rd Quarter 2016-17	3rd Quarter 2015-16	9 months 2016-17	9 months 2015-16
Financial Results (\$ million)				
Total revenue	3,843.8	3,941.0	11,148.5	11,519.1
Total expenditure	3,550.9	3,653.0	10,553.3	10,991.1
Operating profit	292.9	288.0	595.2	528.0
Non-operating items	(66.2)	74.9	55.5	201.2
Profit before taxation	226.7	362.9	650.7	729.2
Profit attributable to owners of the Parent	177.2	274.9	498.7	579.7
Per Share Data				
Earnings per share (cents)				
- Basic ^{R1}	15.0	23.6	42.2	49.7
- Diluted ^{R2}	14.9	23.5	42.0	49.5
	As at 31 Dec 2016	As at 31 Mar 2016		
Financial Position (\$ million)				
Share capital	1,856.1	1,856.1		
Treasury shares	(194.7)	(381.5)		
Capital reserve	(152.6)	(129.2)		
Foreign currency translation reserve	(115.9)	(151.3)		
Share-based compensation reserve	85.2	123.7		
Fair value reserve	382.8	(498.6)		
General reserve	11,982.2	11,935.5		
Equity attributable to owners of the Parent	13,843.1	12,754.7		
Total assets	24,618.7	23,769.7		
Total debt	1,581.8	1,347.5		
Total debt : equity ratio (times) ^{R3}	0.11	0.11		
Net asset value (\$) ^{R4}	11.72	10.96		

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

^{R2} Earnings per share (diluted) is computed by dividing profit attributable to owners of the Parent 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.

^{R3} Total debt : equity ratio is total debt divided by equity attributable to owners of the Parent.

^{R4} Net asset value per share is computed by dividing equity attributable to owners of the Parent by the number of ordinary shares in issue less treasury shares.

OPERATING STATISTICS

	3rd Quarter 2016-17	3rd Quarter 2015-16	9 months 2016-17	9 months 2015-16
<u>SIA</u>				
Passengers carried (thousand)	4,819	4,830	14,254	14,379
Revenue passenger-km (million)	23,484.7	23,788.5	69,648.5	71,479.0
Available seat-km (million)	29,738.7	29,738.0	88,810.8	89,340.4
Passenger load factor (%)	79.0	80.0	78.4	80.0
Passenger yield (cents/pkm)	10.4	11.0	10.2	10.7
Passenger unit cost (cents/ask)	8.1	8.5	8.0	8.6
Passenger breakeven load factor (%)	77.9	77.3	78.4	80.4
<u>SilkAir</u>				
Passengers carried (thousand)	1,075	996	3,042	2,862
Revenue passenger-km (million)	1,877.7	1,706.2	5,293.1	4,865.6
Available seat-km (million)	2,632.3	2,384.5	7,518.2	6,814.1
Passenger load factor (%)	71.3	71.6	70.4	71.4
Passenger yield (cents/pkm)	12.6	13.6	12.5	13.4
Passenger unit cost (cents/ask)	8.1	8.7	8.2	9.1
Passenger breakeven load factor (%)	64.3	64.0	65.6	67.9
<u>Scoot</u>				
Passengers carried (thousand)	879	635	2,441	1,689
Revenue passenger-km (million)	3,359.2	2,327.5	9,071.0	6,056.0
Available seat-km (million)	4,159.2	2,739.3	11,145.9	7,228.5
Passenger load factor (%)	80.8	85.0	81.4	83.8
Revenue per revenue seat-km (cents/pkm)	5.2	5.6	5.1	5.4
Cost per available seat-km (cents/ask)	4.1	4.5	4.2	4.9
Breakeven load factor (%)	78.8	80.4	82.4	90.7
<u>Tiger Airways</u>				
Passengers carried (thousand)	1,321	1,306	3,847	3,874
Revenue passenger-km (million)	2,440.9	2,439.8	7,107.8	7,217.4
Available seat-km (million)	2,909.9	2,936.8	8,548.9	8,636.6
Passenger load factor (%)	83.9	83.1	83.1	83.6
Revenue per revenue seat-km (cents/pkm)	6.9	7.3	6.7	6.9
Cost per available seat-km (cents/ask)	5.5	5.8	5.5	5.8
Breakeven load factor (%)	79.7	79.5	82.1	84.1
<u>SIA Cargo</u>				
Cargo and mail carried (million kg)	333.5	312.5	946.7	877.1
Cargo load (million tonne-km)	1,878.4	1,762.5	5,246.5	4,902.5
Gross capacity (million tonne-km)	2,852.2	2,714.4	8,320.3	7,889.0
Cargo load factor (%)	65.9	64.9	63.1	62.1
Cargo yield (cents/ltk)	27.3	28.8	25.9	29.7
Cargo unit cost (cents/ctk)	16.6	19.0	16.8	19.2
Cargo breakeven load factor (%)	60.8	66.0	64.9	64.6
<u>Group Airlines (Passenger)</u>				
Passengers carried (thousand)	8,094	7,767	23,584	22,804
Revenue passenger-km (million)	31,162.5	30,262.0	91,120.4	89,618.0
Available seat-km (million)	39,440.1	37,798.6	116,023.8	112,019.6
Passenger load factor (%)	79.0	80.1	78.5	80.0

GLOSSARY*SIA*

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
Passenger unit cost	=	Operating expenditure (less bellyhold revenue from SIA Cargo) 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 bellyhold revenue from SIA Cargo)

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
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
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

Tiger Airways

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
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

SIA Cargo

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	=	Operating expenditure (including bellyhold expenditure to SIA) 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 (including bellyhold expenditure to SIA)

*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