

FIRST TO FLY
**DREAMLINER
787-10**



SIA ANALYST/MEDIA BRIEFING

Q4 and FY2017-18 Results

18 May 2018

THE PARENT AIRLINE Q4 AND FY17/18 RESULTS

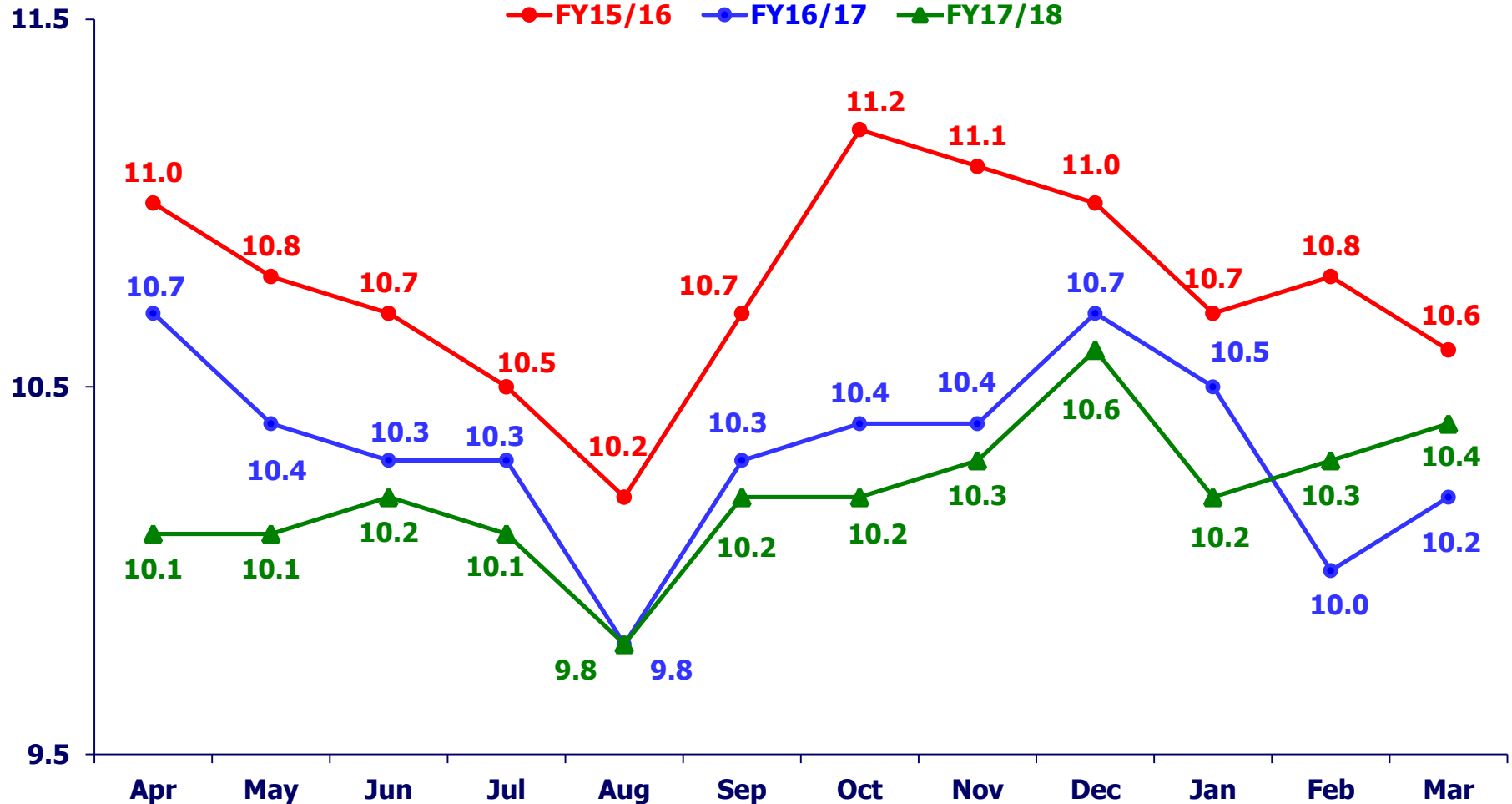
THE PARENT AIRLINE COMPANY OPERATING PERFORMANCE

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

THE PARENT AIRLINE COMPANY OPERATING PERFORMANCE

Monthly Pax Yields

(¢/pkm)



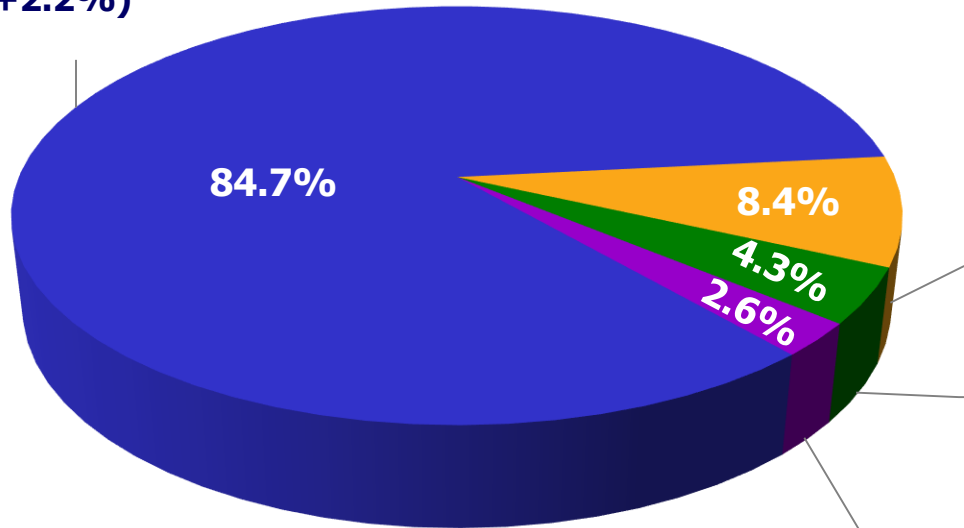
THE PARENT AIRLINE COMPANY RESULTS

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

THE PARENT AIRLINE COMPANY REVENUE BREAKDOWN

FY17/18 (\$'M)

Passenger Flown Revenue
9,816.6
(+209.7, +2.2%)



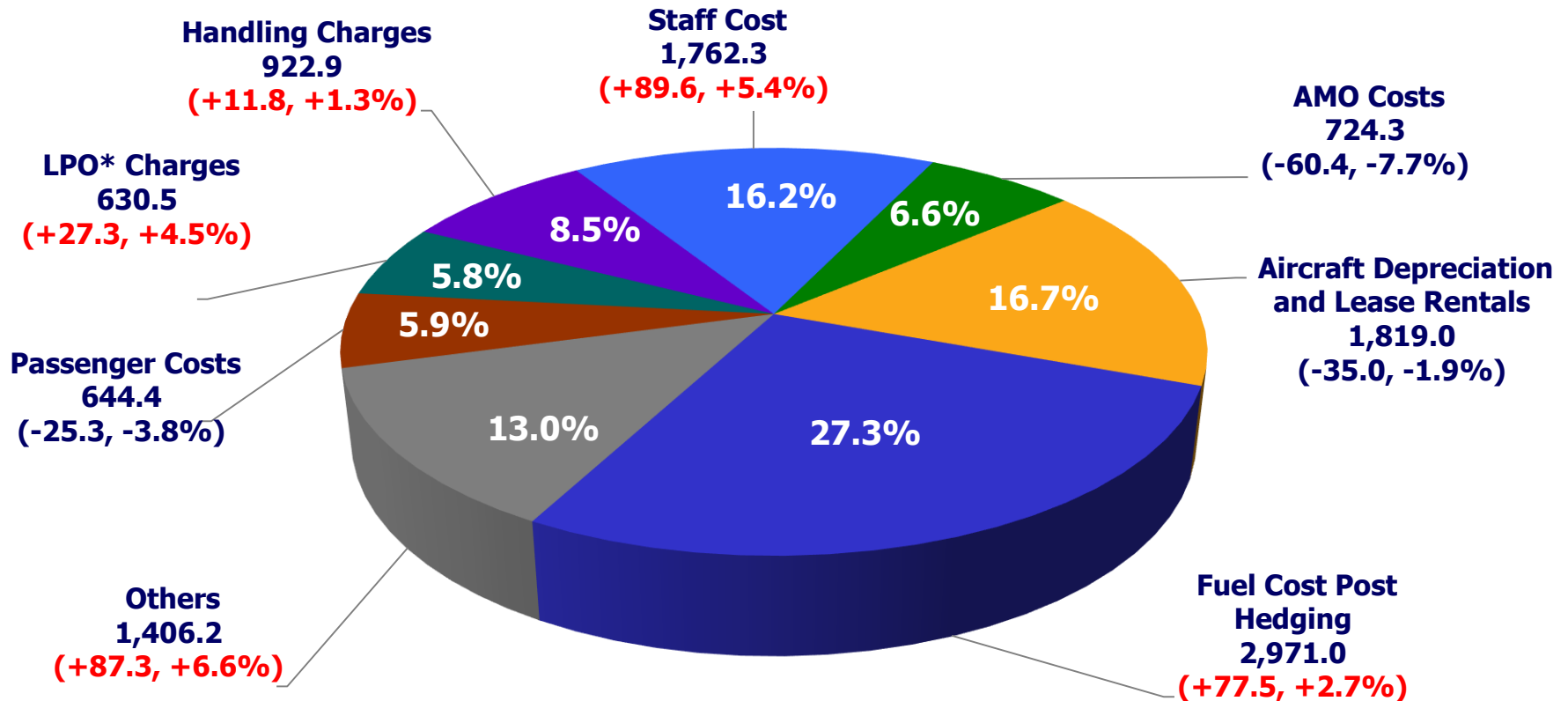
Bellyhold
Revenue from
SIA Cargo
975.1
(+71.7, +7.9%)

Passenger Other
Revenue
493.4
(+83.1, +20.3%)

Others
298.7
(+125.1, +72.1%)

THE PARENT AIRLINE COMPANY COST COMPOSITION

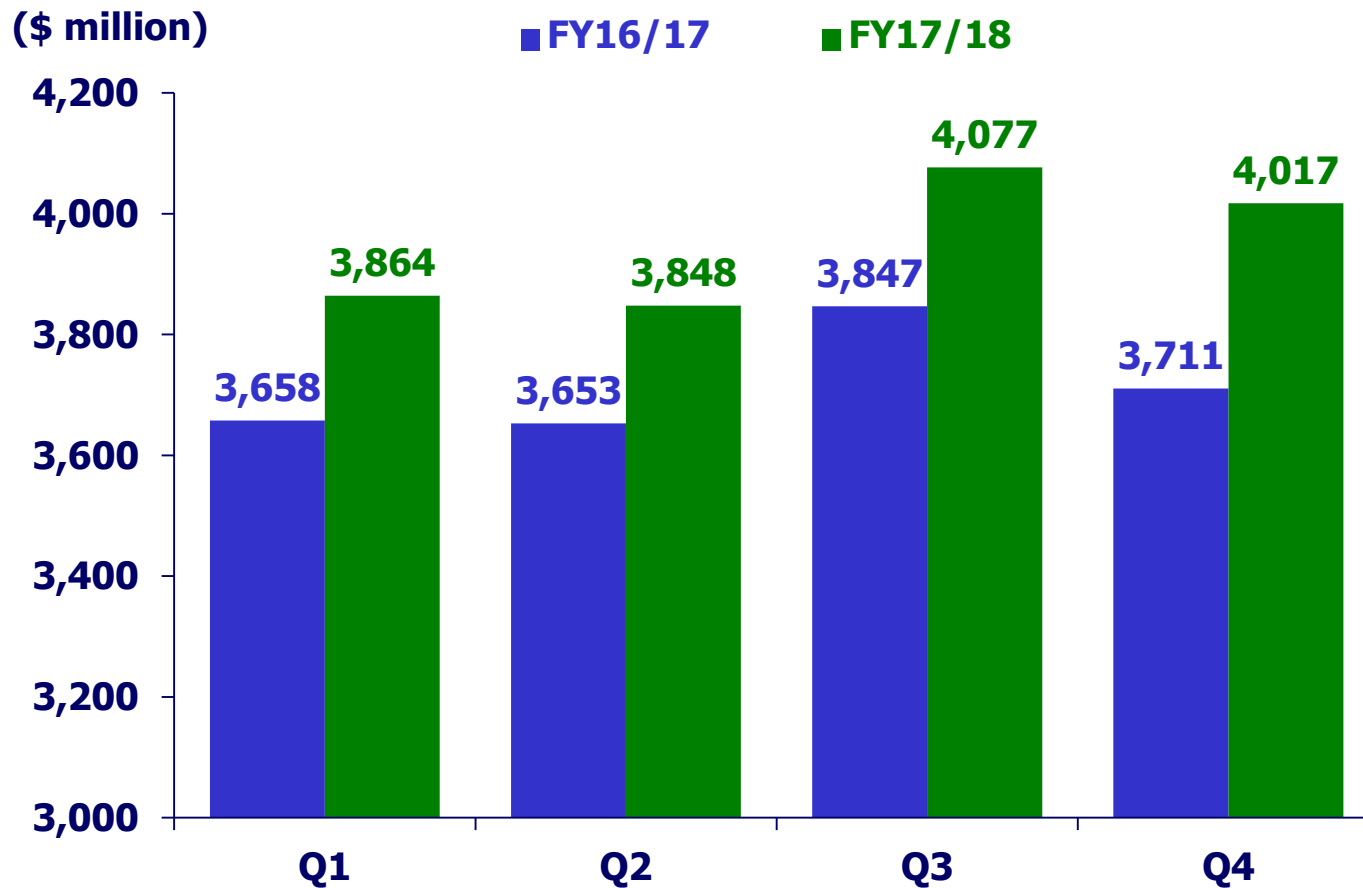
FY17/18 (\$'M)



**Landing, Parking and Overflying*

SIA GROUP Q4 AND FY17/18 RESULTS

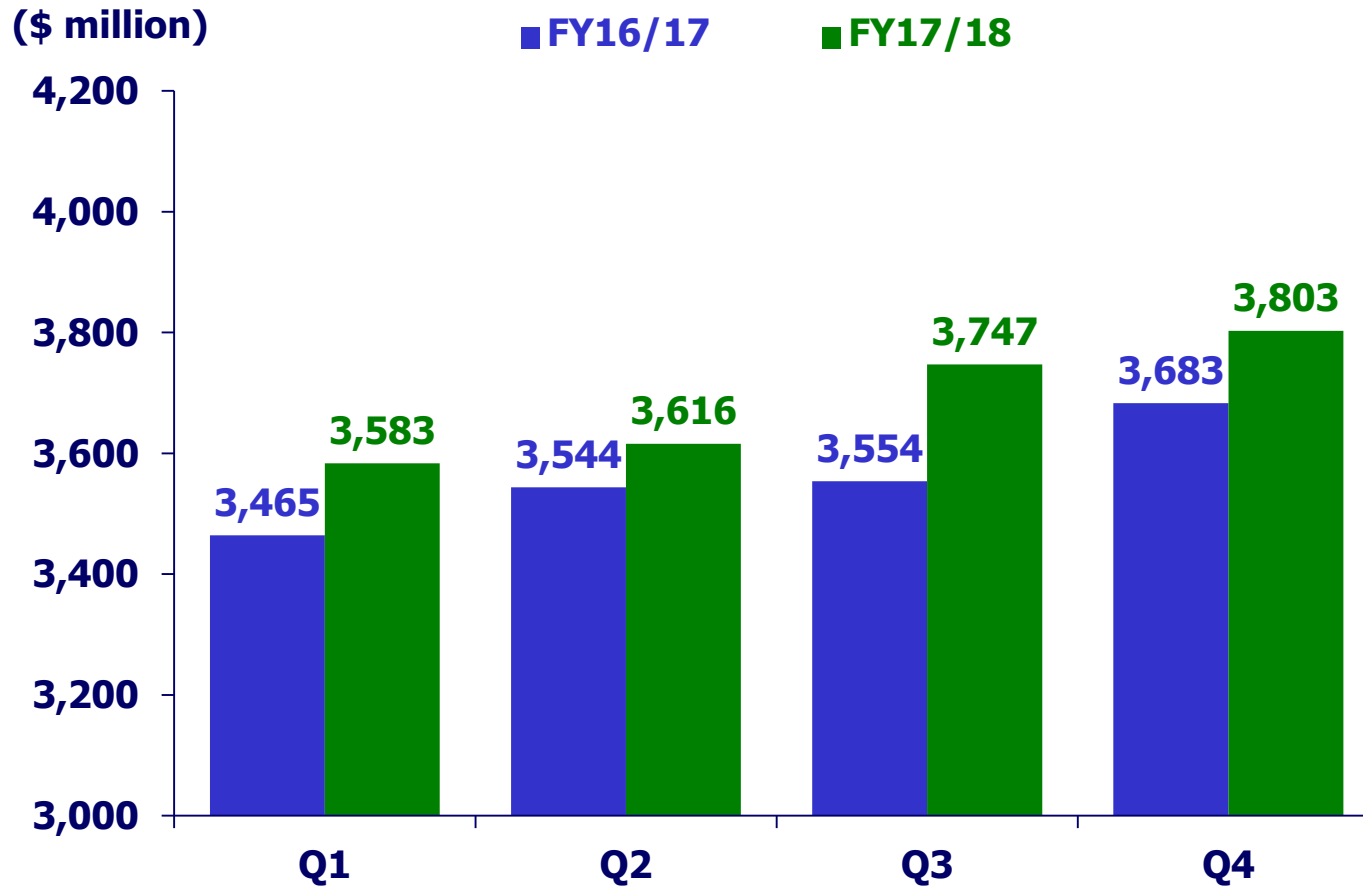
GROUP REVENUE



**FY17/18
Revenue
\$15,806M**

**Year-on-Year
↑ \$937M
+6.3%**

GROUP EXPENDITURE

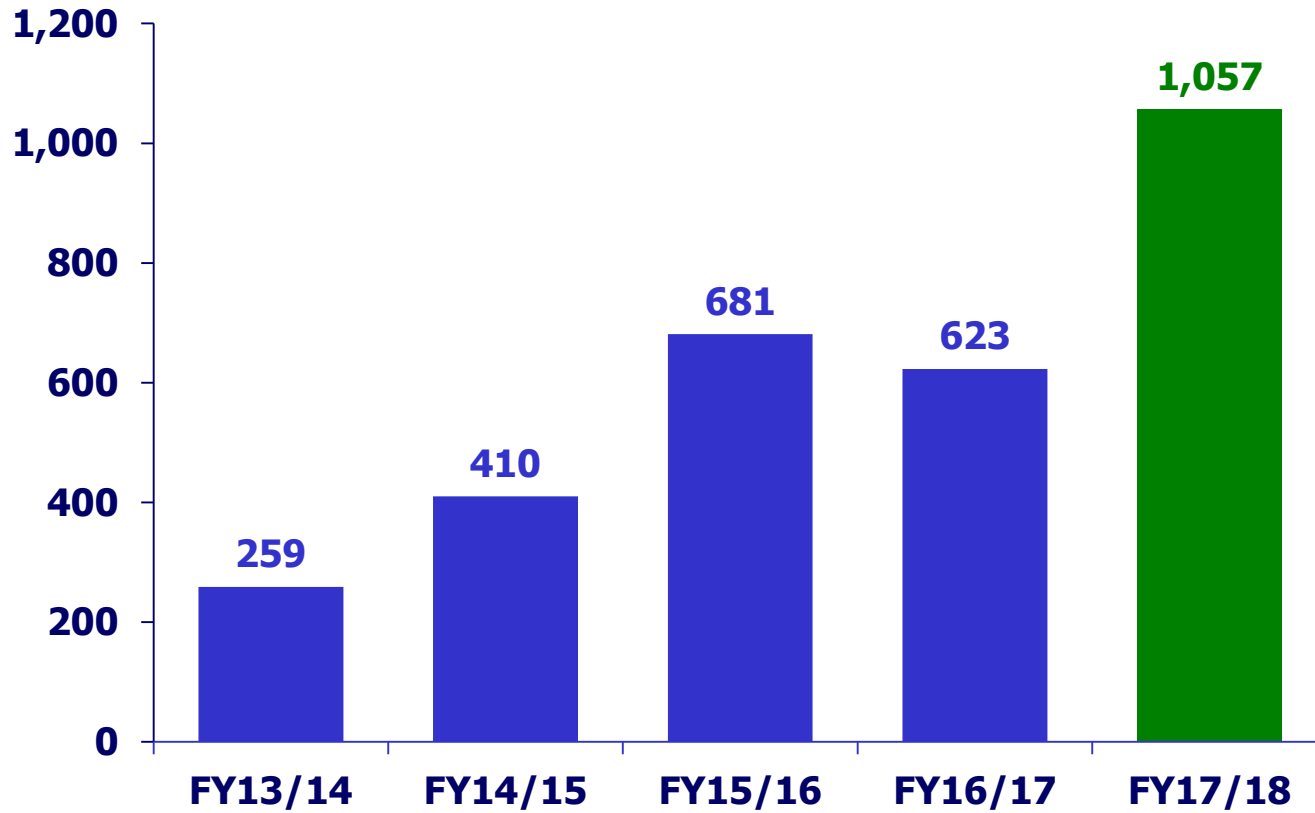


**FY17/18
Expenditure
\$14,749M**

**Year-on-Year
↑ \$503M
+3.5%**

GROUP OPERATING PROFIT

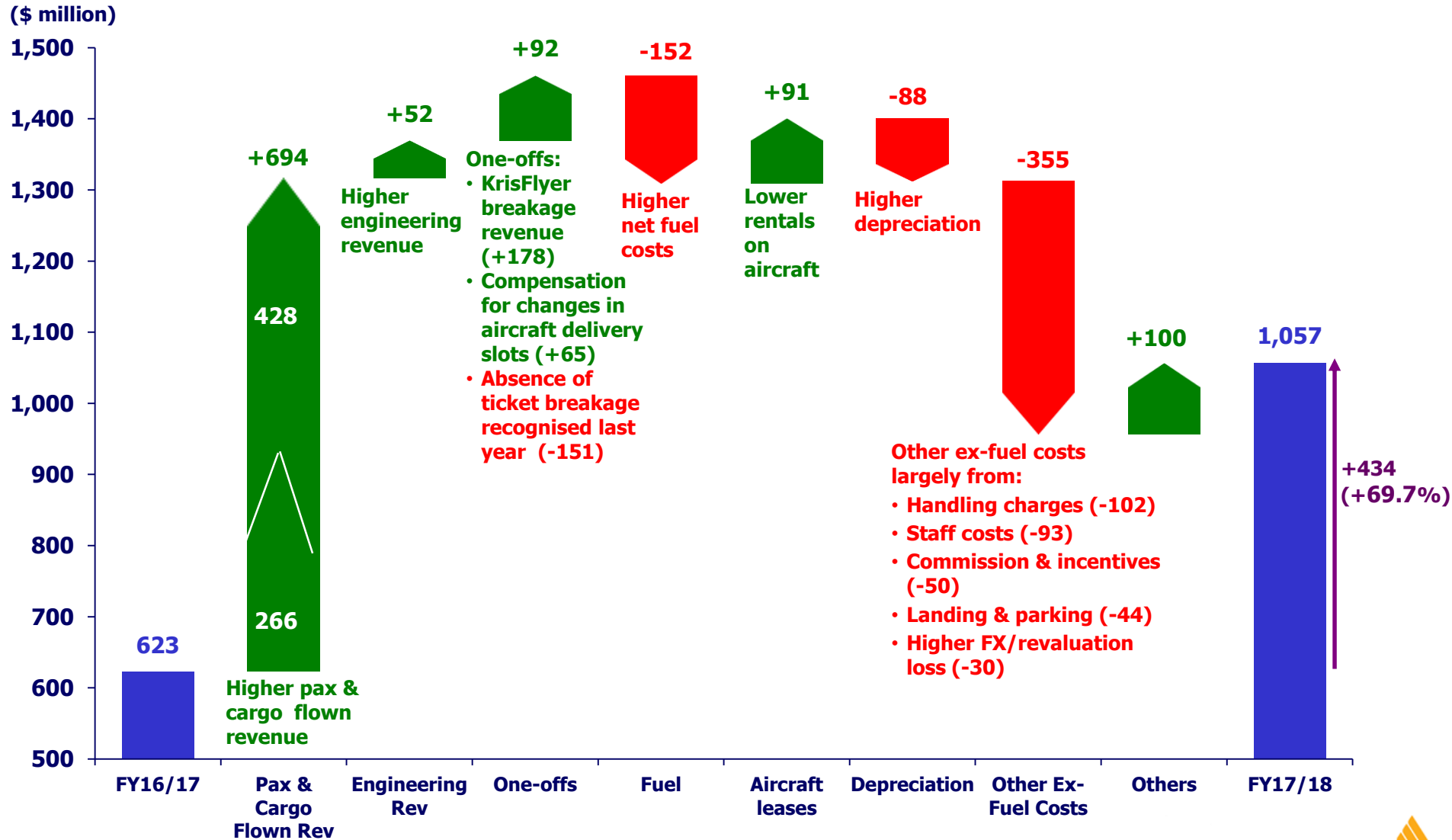
(\$ million)



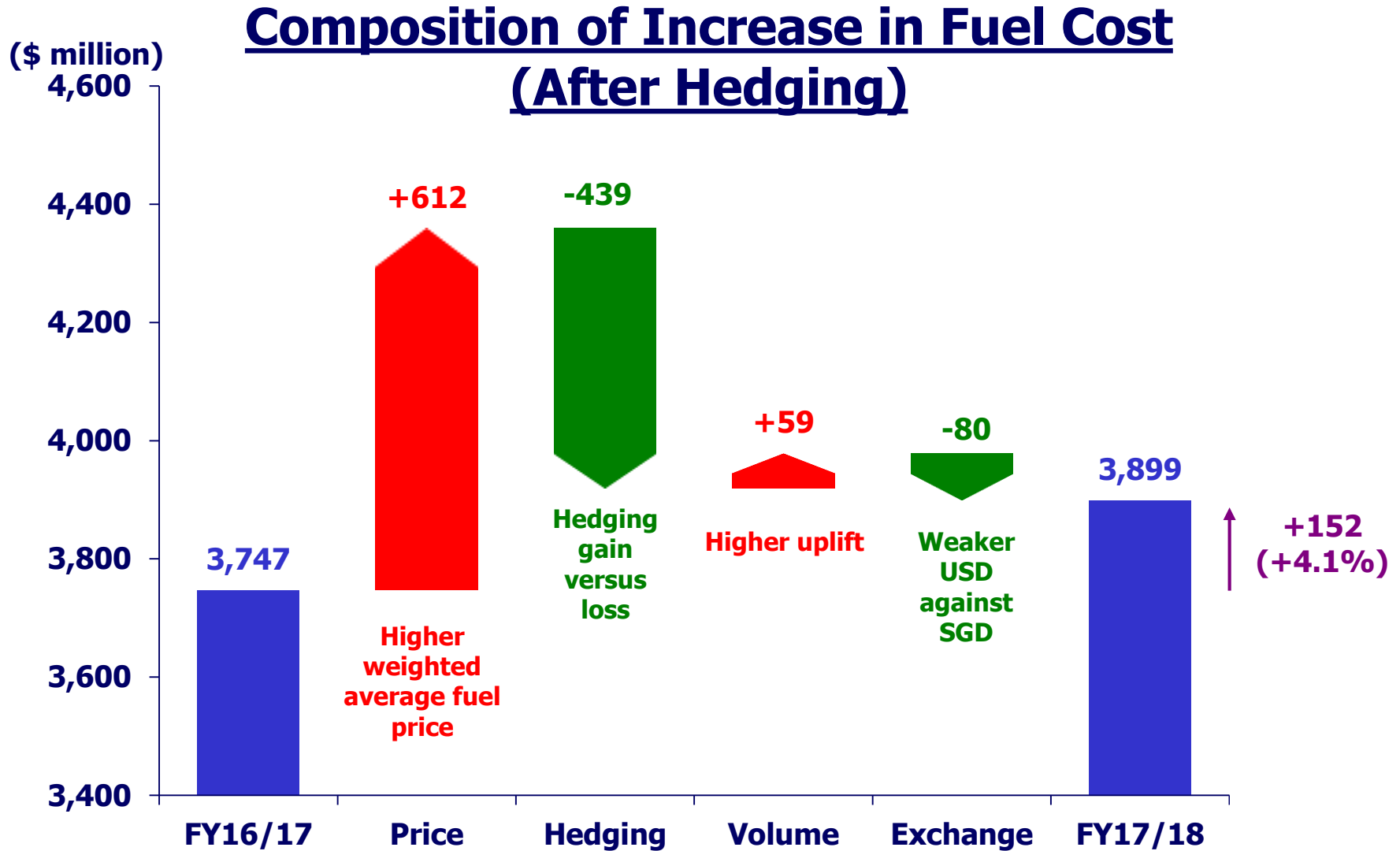
**FY17/18
Op Profit
\$1,057M**

Year-on-Year
↑ **\$434M**
+69.7%

GROUP OPERATING PROFIT



GROUP FUEL EXPENDITURE

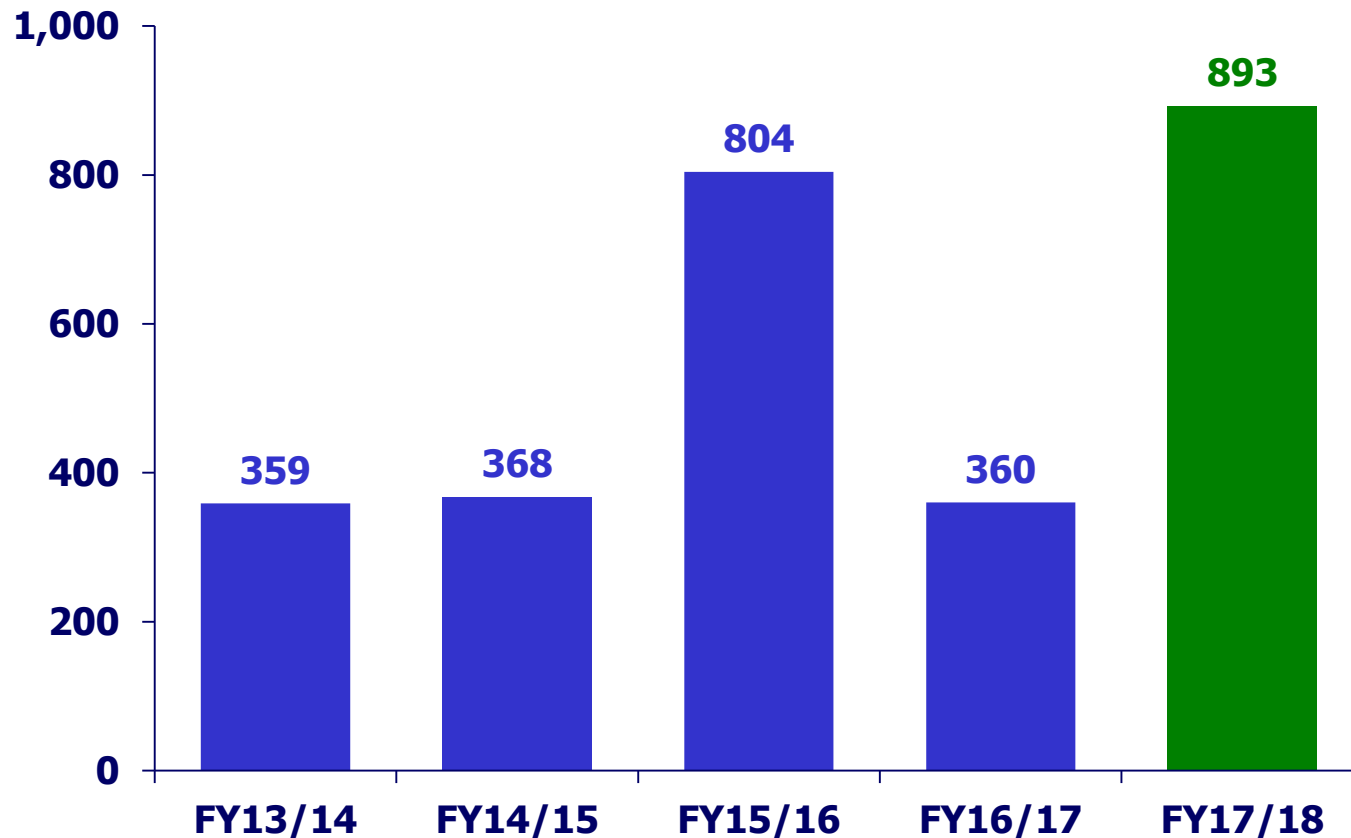


CONTRIBUTION TO GROUP OPERATING PROFIT

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

GROUP PROFIT ATTRIBUTABLE TO OWNERS OF PARENT

(\$ million)



**FY17/18
Net Profit
\$893M**

**Year-on-Year
↑ \$533M
+148.1%**

GROUP PROFIT ATTRIBUTABLE TO OWNERS OF PARENT

(\$ million)



FLEET DEVELOPMENT

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

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

CAPACITY GROWTH

Projected capacity growth for FY18/19 vs FY17/18

- Passenger operations (in ASK):

| | |
|----------------|------------|
| SIA | 5% |
| SilkAir | 9% |
| Scoot | 17% |
| Group | 8% |

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

GROUP CAPITAL EXPENDITURE

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

GROUP FUEL HEDGING POSITION

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

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

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

DIVIDENDS – FY17/18

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

ADOPTION OF IFRS 1

IFRS 1 - BACKGROUND

- **SGX listed companies are required to adopt International Financial Reporting Standards (IFRS) beginning 1 January 2018**
- **SIA Group's effective date of implementation is 1 April 2018**
- **Opportunity to make the following allowable adjustments, as at 1 April 2017, that have an impact on financial statements:**
 - ✓ Using fair values of certain aircraft & aircraft spares as their new costs
 - ✓ Resetting the foreign currency translation reserve

IFRS 1 - RATIONALE

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

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

Resetting the foreign currency translation reserve (FCTR)

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

IFRS 1 – FINANCIAL IMPACT

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

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

[^] reduction in depreciation expense

IFRS 1 – FINANCIAL IMPACT

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

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

[^] Based on closing share price on 31 March 2018

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

IFRS 1 – FINANCIAL IMPACT

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

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

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

STRATEGIC DEVELOPMENTS

KEY STRATEGIES



Strengthening Premium Positioning



Portfolio



Multi-Hub



New Business Opportunities

STRENGTHENING PREMIUM POSITIONING



Delivery of A380 with all new cabin products

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



STRENGTHENING PREMIUM POSITIONING



First to fly 787-10 with new regional Business Class

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

STRENGTHENING PREMIUM POSITIONING



Fleet renewal and investment

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



A350-900ULR

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



777-9 & 787-10

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

PORTFOLIO



Completion of Scoot and Tigerair Integration

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

Completion of SIA Cargo Re-integration

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

PORTFOLIO



**The SIA Group serves 138 destinations
in 37 countries and territories**

MULTI-HUB

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



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



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

** Subject to regulatory approvals*

NEW REVENUE & BUSINESS OPPORTUNITIES



SIA-CAE Flight Training Centre

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

Travel Retail Joint Venture

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



TRANSFORMATION

POSITIONING SIA FOR GROWTH

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

POSITIONING SIA FOR GROWTH

A few illustrative examples...



Revenue growth

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

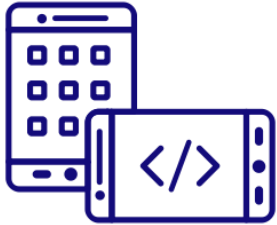


Customer service and operational excellence

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

POSITIONING SIA FOR GROWTH

A few illustrative examples...



Investing in digital capabilities

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



Organisational effectiveness

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

POSITIONING SIA FOR GROWTH

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

SILKAIR

- **More than S\$100M investment to enhance customer experience**
 - Lie-flat Business Class seats
 - Seat-back IFE in Business Class and Economy Class
 - Cabin upgrades expected to start in 2020, based on availability by seat suppliers
- **SilkAir to be merged entirely into SIA after sufficient number of aircraft have been fitted with new cabin products**
- **Will help drive growth for SIA Group**

FIRST TO FLY
DREAMLINER
787-10



SINGAPORE
AIRLINES

THANK YOU