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E&OE – may be edited for grammar

Presentation

Mr. Nicholas Ionides: Good morning. Welcome to the analyst and media briefing for Singapore Airlines' second quarter and half-year financial results. My name is Nicholas Ionides, and I'll be moderating today's session. We'll follow the familiar format this morning. We will begin with a presentation by Mr. Chan Hon Chew, Senior Vice President Finance, with the parent airline company results. This will be followed by a presentation by Chief Executive, Mr. Goh Choon Phong, with the SIA Group results. We will then move to the Q&A segment which will be led by Mr. Goh. Joining him on the panel will be Mr. Chan, as well as our two Executive Vice Presidents, Mr Mak Swee Wah, EVP Commercial, and Ng Chin Hwee, EVP for HR & Operations. Before we begin, the usual reminder please. If you have a mobile telephone on, please put it to silent mode. I'll now invite Mr. Chan to the stage.

Mr. Chan Hon Chew: Thanks Nick. Good morning ladies and gentlemen. Once again, welcome to the briefing of the results for the second quarter and half year, for financial year 12/13, for Singapore Airlines. I will kick off with the numbers for the parent airline. Firstly the top line, for the second quarter of financial year 12/13, the parent earned total revenues of $3.14 billion. This is $108 million or 3.6% higher than the same quarter last year on the back of passenger carriage growth of about 6.5%. However, the growth in revenues was less than proportionate and this is because yields have come down by about 2.6% year-on-year in the second quarter. Demand for air travel continues to be dampened by the weak global economy. As a result promotional fares were necessary to stimulate demand and also at the same time to remain competitive. Yields have been coming down since the second half of the previous financial year.

On the cost side, expenditure also increased by an even larger amount of $113 million. And you can see here the biggest increase was in fuel cost. While fuel price receded in recent months, however the benefit of that was largely offset by a stronger US dollar. So therefore the increase in fuel costs arising from the capacity growth of 5.8% in the second quarter. This was partially offset by fuel hedging reduction by $24 million from a hedging loss of $10 million last year to a gain of $14 million this year. Ex-fuel cost also went up by $65 million or about 3.6%, largely driven by higher staff costs and variable costs arising from the 5.8% growth in capacity.

So with expenditure going up by a larger amount than revenues, our operating profit was down $5 million to $84 million for the second quarter. Compared to the first quarter, operating profit of $85 million; the second quarter's operating profit was therefore flat compared quarter-on-quarter. So adding up the two quarters, that gives us first half operating profit of $169 million. And compared to the first half of last year, this is $116 million higher or about 217% higher year-on-year. However, we have to look at this improvement in operating profit for the first half in context. As you might recall in the first quarter of last year, the parent airline's traffic was affected by the nuclear crisis in Japan following the tsunami in March 2011. In terms of operating profit margin at 2.7%, it's still at quite low levels by historical standards.

Moving on to operating performance, starting with capacity. In the second quarter the parent grew capacity by 5.8%. This was very well matched by passenger carriage growth of 6.5%, resulting in an improvement by half a percentage point to the passenger load factor to 79.8%, almost 80%. And adding the two quarters to give us the first half, similarly for the first half, load factor improved by 2.1 points. However, as noted earlier, we have to look at the first half improvement in load factor in context of the nuclear crisis in Japan in the first quarter of last year.

On the yield side for the second quarter, yields were at 11.4 cents. Year-on-year, this represents a 2.6% drop. And at 11.4 cents, this is the lowest yield in more than two years, back to the levels we last saw in the fourth quarter of financial year 09/10.

On the other hand, unit costs went down by 1.1%. However, it's not enough to offset the 2.6% drop in yields. So this translates to a breakeven load factor of 79.8%, 1.2 points higher than last year. Our breakeven now is almost 80%. And similarly, for the first half, breakeven also at 79.8% is 1.8 points higher than the same period last year.

So comparing the load factor to the last - the first half of the last four years - we can see in the chart the load factor for first half this year was actually the highest in the last five years. However, again take note that first quarter last year was impacted by the nuclear crisis.

In maintaining high load factor, of course we had to introduce promotional fares in order for us to stimulate demand and also to remain competitive. And that resulted in our yields falling by 3.4% in the first half, pushing our breakeven close to 80%. So at root level we are almost at breakeven. In fact, a negative 0.2 point lower than our breakeven.

Let's take a closer look at the yields on a monthly basis. First, starting with a recap of the yields for the previous financial year. The green line you see on the chart, and as you can see here, for the second half of the previous financial year, yields have been falling and continue to fall from March to April. April being the first month of the current financial year - another 3.4% drop in yields.

And in the months following, in the run-up to the summer peak travel season, there's some uplift in yields, narrowing the gap between the yields this year and last year. So the first quarter yields average 11.4 cents. However, the recovery in yields is not a straight line trajectory, as you can see in the second quarter, especially in the months of July and August, which is supposed to be the summer travel, summer peak season. Yields were actually range-bound and average 11.4 cents flat, quarter-on-quarter. So where we are now, the yields, as I mentioned earlier, are the lowest in more than two years, back to the levels we last saw in the fourth quarter of the financial 09/10. And you might recall 09/10 was the year most affected by the global financial crisis, and yields went down to as low as 9.7/9.8 cents as you can see on the chart here.

Next, just to look at the trends, in terms of jet fuel prices. As we mentioned earlier, our yields today are back to fourth quarter of 09/10 and you can see in the chart, fuel prices then were well under US$100 per barrel. Compared to where we are today, jet fuel prices are at US$130 per barrel levels.

Notwithstanding, there is some correction in fuel prices in recent months, however, you can see here for the second quarter the average jet fuel price is still at very high levels. And especially we still have many lingering geopolitical risks to keep fuel prices high, while at the same time demand continues to suffer from the weak global economy.

Next we move on to expenditure for the parent airline. In this pie chart it shows the top five expenditure. No surprise, fuel cost continues to be the biggest contributor to our expenditure at 41.1%. And comparing year-on-year, fuel cost has gone up by $111 million, or almost 5% - and the next chart will give you a little bit more details on the increase in fuel cost.

Aircraft depreciation and lease rental has come down by 9.6%. That's largely because of lower aircraft depreciation. As you know, we have decommissioned the B747s and have since sold the aircraft. Staff costs, on the other hand, has gone up by 8.4%, largely driven by variable staff costs such as crew allowances, quite in line with the growth in capacity of 5.1% for the first half. Apart from that, we also have increases in staff costs arising from service increments, salary scale adjustments and also increases in crew allowance rates arising from the conclusion of collective agreements.

The last two expenditure items are variable costs, handling charges and passenger costs. They have increased quite in line with the capacity growth of 5.1% and passenger carriage growth of 8.0% for the first half. However, just to highlight for passenger cost it's gone up more than proportionate, largely because of increase in in-flight meal costs, largely arising from increase in food prices as you know, and also from improvement in our food menu.

So this next chart is my last chart, just to give you a bit more details on the increasing fuel costs. As mentioned earlier, there was some correction in fuel price in recent months, so for the first half fuel prices were lower year-on-year by over

3%. That contributed to a reduction in fuel cost by about $89 million for the parent. However, as mentioned earlier as well, this was largely offset by a stronger US dollar. And as our capacity grew by over 5%, fuel volume uplift increased in tandem and that added $128 million to our fuel bill. Hedging loss for the first half, higher by just over $10 million and that gives us a fuel bill for the half year at $2.49 billion or over $100 million higher year-on-year.

On that note, I conclude this segment of the presentation. I'll hand over to our CEO, Mr. Goh Choon Phong.

Mr. Goh Choon Phong: Thank you Hon Chew. Well good morning ladies and gentlemen, once again welcome to this presentation. I'll be providing an outline of the Group results.

Revenue went up in the first quarter - this has been announced before, 5.6%; less so in the second quarter. For the full year it went up 4% - or rather for the full half-year. Expenditure, 3.9% for the first quarter; second quarter about the same magnitude. And for the half year also 4%.

In terms of operating profit, we see a huge improvement in operating profit in the first quarter. Hon Chew had outlined that from a passenger airline perspective, much of the increase was because it was comparing with a quarter previously affected very much by the Japanese crisis.

There was a decline in the second quarter performance for the group, largely because of Cargo, which I will elaborate on a little bit later. But on a whole, if you add up the two quarters, first half operating profit went up slightly, $8 million.

Here is the contribution from the various companies within the Group. So you can see here that for the first half, the parent airline actually saw a significant increase, again largely comparing with a first quarter result previous year affected by the tsunami - Japanese tsunami. Engineering Company, a slight decline in its operating profit. SilkAir an increase. SilkAir's increase is underpinned by strong revenue growth, which is in turn underpinned by a 23% increase in carriage.

Cargo has a tough time. Cargo profit is down almost $70 million. Largely because the Cargo revenue has come down 7.8% and that is contributed by both a decline in carriage of about 4.7% and also a decline in yield of 3.4%. So Cargo has a very tough time in the first half, and we will talk about the cargo outlook in a later slide.

Net profit wise, quarter one, second quarter. A huge decline in the second quarter and for the half year it was down 30%. So we saw earlier that the operating profit actually improved slightly, about 6%. But net profit actually came down 30%, so what accounts for that difference? This is a first half net profit. We saw earlier there was a higher operating profit this first half. But there was a decline in terms of surplus from sales of aircraft. In fact, last year we had benefited from surpluses from sales of engines, four GE engines, the three B747s which we sold to

Transaero and also a sales and leaseback of an A380. By the way, the GE engine is also a sales and leaseback arrangement. Also last year we benefited from return of capital from VAL, which is Virgin Atlantic.

We had this year a higher share of the profit from associated companies and JVs, largely from EC. And then we have a lower interest cost this year. This is in part because towards the end of 2011 we had paid out the $900 million fixed rate notes previously issued, hence the 30% decline in net profit for the first half.

The various ratio, because of the lower net profit, EBITDAR per share came down; earnings per share came down. The Board has declared a dividend of $0.06, lower than that of last year's interim dividend of $0.10. This is in part reflecting the weaker performance in the first half, but also the challenging outlook going forward for the remaining half of the year. But because there was a profit, you see that the NAV has gone up slightly.

Business outlook. This was touched on by Hon Chew, but it is an important aspect because it does account for a huge part of our cost, more than 40% for the parent airline and for Cargo it is in the region of 50%. Fuel cost, while it has moderated lately, remains high by historical standards. Just as an indication of how it impacts the group, every dollar - US dollar increase in fuel cost per barrel, will contribute almost $45 million Singapore dollars in terms of cost to the Group. So the swing in fuel cost, or fuel price, does have very strong impacts and significant impact on the Group's performance.

And of course the weak global economy. One of the leading indicators that we track is the PMI and in particular this is very relevant for cargo. This is what it was, the PMI of the various key economies in the world. In March, and this is what it is. So you can see that almost every economy has deteriorated, particularly for the key economies where you have a shaded line across. All have deteriorated and even China has dipped into a slight negative in terms of national PMI.

So we can expect that going forward the economy will continue to be very challenging, or perhaps even more challenging than it is now and we don't see any reprieve in terms of improvement, especially from economies such as Europe.

In terms of our fleet development, we expect for the remaining half year to have one delivery. This is the start of the 15 A330s that we ordered previously and it will be delivered towards the end of this financial year. So at the end of this financial year we'll see a fleet of 102 aircraft for SIA; SilkAir and Scoot remain the same as what it is now.

Going forward - and this includes the recent orders that we have made. For SIA you'll continue to see the delivery of the A330s and the B777-300ERs that we have ordered. And also the A350s and the A380s that we announced recently. So here are all the orders that we have announced so far.

For SilkAir, a major growth and re-fleeting exercise was also announced, and for Scoot it was announced that we have transferred 20 B787s, which is very well suited to Scoot's type of operations, to Scoot, and that will take place from 2014 onwards.

This is our capital expenditure projection. Based on this projection we expect to be able to finance this capital expenditure internally, however of course we are open to any attractive offer of financing and will consider them as it comes.

Fuel hedging position. Up to this point we have hedged about 43% of our requirement for the second half at $123 US dollars per barrel.

The second half, the immediate future, the second half will be very challenging, as I have just sketched out and we will continue as we mentioned in our press release to be very vigilant in the way we manage our cost. But also importantly, to be very flexible and nimble in the way we react to the market changes. However, you may recall at the last presentation I've outlined some initiatives, some strategic directions that the Group will take. I would like to spend some time to go through what has happened since to update some of the pieces that have been put in place. I am able to do so now as a result of some of the recent announcements that we have made.

I believe the group here is well aware of the greater, more synergy that we want to have between MI - which is SilkAir - and SIA at a premium level, that we have been promoting greater integration and co-operation particularly at the planning and sales and marketing fronts. This is to enable greater connectivity between the two carriers and also to provide greater cost efficiency, sharing of cost - the backroom operation cost.

The outcome of that is encouraging. On a year-on-year basis we have seen cross selling between the two carriers up by 25% and it has actually allowed both SQ and MI to grow because SQ now has more connectivity within the regions to sell into and MI too is able to provide more traffic connecting onto SQ's longer haul flights. So that has gone very well and we'll continue to see what else and what more can we do.

We have also set up Scoot, the long-haul, medium-haul, low-cost carrier. And as you know, Scoot has been looking for partners in the region to provide greater connectivity and of course Tiger, being an associated company, is an obvious and preferred choice. So since the early part of October, they have announced an interline relationship. So if you recall in the early part of October it was announced that Scoot is able to sell into three points of Tiger's regional routes. But as of 31st October, they have an updated announcement that says this arrangement has been expanded to 16 points of Tiger's route network in the region. And the results so far have been encouraging between Tiger and Scoot in terms of connectivity and in terms of passenger transfer between the two airlines.

So Tiger and Scoot will have to look at – they are independent entities - they will have to look at their own commercial requirements and to explore what else they can do together for the benefits of both carriers.

So if you look at it from the Group perspective, we have this portfolio of airlines. And the recent announcement of the purchase of aircraft is actually an important piece to provide the foundation for this portfolio of airlines. So we have MI, we have SilkAir announcing about its new purchases, re-fleeting so that it has a much more efficient fleet and also growth of SilkAir. SIA, we have announced more A350s which suits our type of operations. And that again provides an ability for us to refresh our fleet and also provide growth for the SIA main airline itself.

I think at the kind of fuel prices we are looking at, this is an important exercise to ensure that we will continue to provide a very efficient fleet for growth. Similarly for Scoot, Scoot would require a good fleet to provide a very competitive operation for it to grow and to compete in that segment of the market. So with these four pieces - and of course Tiger has its own growth plan - so with these four pieces you can see that as a Group, SIA is now able to participate in the growth of any - virtually any of the segments in the business - in the airline business. And as you know, at different points in time, different segments of the airline portfolio actually grow at different rates and are affected in a different manner.

It is also important to point out that we have deliberately positioned the SilkAir, SIA and the Scoot propositions very distinctly. So we make a clear distinction that the SilkAir-SIA propositions are for premier service and we hold it up there. And that Scoot stays true to its mission of providing affordable, budget travel. And that is important. We do not want any confusion in the value propositions, nor in the branding of either of these carriers.

The distinct market positioning is also important as we believe that it would actually lower the risk of cannibalisation, which of course is something that has been pointed out by many people. So if there is any cannibalisation, we believe that firstly, other LCCs would be cannibalised by Scoot and its preferred partner. And then because of the distinct and deliberate positioning, we believe that the next level of cannibalisation will affect other full service carriers who might not be at as premium a position as SIA's own positioning. And also that it would also channel some of the traffic that's currently going through other hubs for budget reason to also come through Singapore and to connect through Tiger-Scoot type of co-operation.

This is coming into shape and as there are more updates, obviously in future briefings I will brief accordingly. The SQ-MI co-operation has indeed seen benefits in terms of feed for both SIA and SilkAir. So SilkAir is able to grow because SIA provides the connectivity - more of the global connectivity into SilkAir routes. SIA, in turn, is able to tap into the secondary points in Southeast Asia and other points in India and China through the type of operations that MI is able to mount with its aircraft.

At the same time, we allow, if the route becomes thicker, as it makes sense for bigger aircraft, SIA will then have the ability to actually provide a bigger capacity aircraft for the route for the benefit of the group. So you see the case of Yangon recently, where one tranche of SilkAir routes has been replaced by the widebody aircraft of SIA's operations. But you can see here that since last year, because of that combination and integration, we're able to provide a higher rate of growth for the combination of the two airlines.

In terms of growth to the growth markets that we operate to, this is what it was in 2010 and you can see that there has been aggressive growth since then to all these growth markets. Of course to the markets like US and Europe, the growth is relatively slower because of the weaker demand there. But we will see later that we are not - it doesn't mean that we're not looking for opportunity to grow. We are continuing to look for opportunity to grow and that comes in the form of partnership, which I also mentioned last year. But I can say more about it because of, again, the recent announcements. So you can see here that here are some of the key partnerships that we have been pursuing to deepen or start since last year, and the announcement of our investment into Virgin Australia is the step in that direction, to cement the relationship and as an indication of our commitment to continue to have a long-term presence and growth to Australia. We have also announced recently the approval by the Singapore Competition Commission of the JV we are going to have with Scandinavian Airlines. It is very promising. With this JV we now are able to increase our frequency starting Northern Summer. But it's not going to stop there, we're going to push ahead and see what else we can do to serve to either increase more frequency to the same points or increase points or both in Scandinavia.

Again we continue to look for opportunity to grow even to an economy like Europe where it's under a lot of stress, such as our recent announcement of the fourth daily service to London. So we'll continue to push along that network connectivity as well as partnership growth direction.

But at the same time I'll also mention that we will not ever neglect the other core pillars of Singapore Airlines, which are product and services. So again, some of those things that previously when I talked about it, I could only talk in general, but we have since announced quite a lot of initiatives along those lines. So product, for example, we have announced that we have engaged designers to help out with the improvement on First Class and Business Class, and that improved product will be launched next year together with introduction of B777-300ERs. We have also announced that we are having a $400 million co-operation with Panasonic and will be a launch customer in the next generation system, next year, this will also be launched together with B777-300ERs and this will ensure that we'll continue to lead in the provision of in-flight entertainment to our customers. And we also announced the connectivity onboard, the wireless connectivity onboard.

We're not stopping there. Lounges – we're looking at how we can revamp completely to better suit the needs of the travellers today and to ensure at the same time that our customers continue to have a nice, warm place to rest. It's a $20 million investment over the next five years. It will be a complete redesign of our current lounge, and we expect to be able to pilot the new design with the Sydney lounge from 2013.

Customer service, this is an ambitious project, which we call internally Customer Experience Management. Really it's about how we can be even more proactive, how we can be even more customised and personalised in our service to our customers and not just in the plane itself, but across all touch points. It is an ambitious project because I don't think anyone has yet taken on the project at this scale. It does involve quite a bit of investment in IT systems, but importantly also a re-look at how our servicing processes need to be adapted to ensure that we continue to have training provided to our staff to best utilise all these processes and IT systems.

That's my last slide. Thank you.

Q & A

Mr. Nicholas Ionides: Thank you Mr. Goh. We will now move to the Q&A segment. As the tables are being moved into position, a few more requests please. Kindly direct your questions through me by giving me a signal that you would like to ask a question and I will call upon you. We will also be recording today's session to prepare a transcript, so I would ask that you please wait for a microphone to be brought to you. In addition, kindly identify yourself as well as the organisation that you are representing. I would now like to invite our executives to the stage. Thank you, we will now take the first question. We'll begin in the centre of the room, the third row from the front please. The gentleman in the black jacket.

Mr. Eric Lin, UBS: Thank you. Good morning. Eric Lin from UBS. Thanks for seeing us today. My questions are focusing on two areas. Number one is the yield, and second one is the investment in Virgin Australia. The first question about yield is that I understand that normally you don't give the breakdown on yield but just if I may can you tell me how the fuel surcharge and the FX affected your yield in the past quarter? And if I strip out these two items, how does the underlying yield look like for the past quarter? Also, focusing back on slide number nine, I have seen that actually, on a sequential basis, yield, based on past year experience, should have picked up right now. So I just want to know for this year right now how has it looked like versus the past quarter, based on slide number nine? Secondly is about the investment on Virgin Australia. I just want to know how would SIA shareholders, from a financial perspective, benefit from this investment? If you don't spend this, and you spend the $100 million Australian dollars on something else, how does that compare? Why did you decide to spend that money on this investment? Thank you.

Mr. Chan Hon Chew: I'll take your first question on the second quarter yield compared year-on-year. As I mentioned earlier, second quarter yields were down 2.6%. That's largely because the underlying fares were lower. So in terms of percentage points that's about -5 percentage points. Fuel surcharge - the last fuel surcharge increase was in March 2012, so that accounted for about 1 or so percentage point. And so that gives us about -4 or so. The remaining difference really comes from benefit from improvement in the passenger mix on a PKM basis, so that plus about 1 percentage point or so. So that gives us about 2.6%.

Mr. Goh Choon Phong: Okay I take your questions on the Virgin Australia investment. As you know, Australia is a very, very important market for us. I have shown in the presentation earlier that we intend to have 124 services a week to Australia by the end of this financial year and that of course includes all three airlines in the portfolio that I mentioned earlier. And I think one has to appreciate that within Australia, there are many secondary points and it's important for us to reach those many secondary points to be effective and to provide that convenience for connectivity, both for our customers going to Australia, and also for our Australian customers coming out to other parts of our network.

Our investment in Virgin cements our relationship with Virgin Australia. Virgin Australia is a partner that we've chosen to provide the kind of connectivity to the domestic points in Australia. And you can be rest assured that the benefits one can expect from this very tight synergy that we can have with Virgin more than outweighs the investments that we put in there. Thank you.

Mr. Nicholas Ionides: We will move to this side of the room. The fourth from the front please.

Mr. Timothy Ross, Credit Suisse: Hello. Timothy Ross from Credit Suisse. Good morning gentlemen. Just a couple more questions I guess on your sort of portfolio. When we look back at history and we look at airlines that have taken a portfolio approach, notably Qantas in Australia, British Airways when it had Go, they failed to prevent cannibalisation of the main airline brand by investing in other points on the airline spectrum. It has been the parent airline company that has failed. How do you intend to insulate yourself from those pressures? That's my first question. The other one - within your portfolio of investments the one that stands out I guess is Tiger as having an independent ownership structure. Is there scope to bring that 100% in-house? Thank you.

Mr. Goh Choon Phong: Thank you Tim. I am not in the position to comment on the experience that other airlines have. In some sense, we actually take the portfolio approach to an even greater extent. I don't think you have an airline that actually has a portfolio whereby you have a full-service, regional and also long-haul, widebody aircraft. At the same time a regional operation in low-cost as well as a medium and long-haul operation in low cost. So we, in some sense, take that concept - sharpen that concept further to have these four different types of businesses covered.

I explained earlier that there are, of course, concerns over cannibalisation and the way we ensure that it is mitigated is by ensuring that there is no dilution. There is a clear distinction between the two, I suppose, two types of operations, the full-service and the budget operations that we do not - we're not going to allow any confusion or dilution between the two types of operations. So they would have to ensure that they continue to grow in those segments and exploit whatever opportunities they have in those segments. And by maintaining them at a big separation, one stays true to really premium service, and the other stays true to really budget service, we increase the difference in the kind of service that they provide, and therefore as I mentioned earlier if there are cannibalisations we expect that cannibalisation to take place with some of the other carriers first before it affects us.

At the same time of course, you find that at the group level - SIA Group level, between SilkAir, SIA, and also Scoot, there is some internal co-ordination in the background, more looking at how we can ensure that each of those airlines within the Group are given the maximum support to make them successful. So a case in point is the way we have actually arranged for the different fleet to the different airlines in the recent aircraft order. Thank you.

Oh sorry, Tiger. Well, at this point we have no plans for any change in the holding. Thank you.

Mr. Nicholas Ionides: We'll move to the second row from the front please, the gentleman in the white, and then we'll go to you in the dark jacket.

Mr. Mark Webb, HSBC: Hello, morning, Mark Webb, HSBC. Just a question about the cargo business. Now Singapore as a hub is quite far south away from the manufacturing areas. Your fleet is now relatively old – your freighter fleet. And also you are heavily exposed to the European routes which are particularly impacted by the B777s with large amounts of bellyspace. So thinking about those three challenges, are there structural problems with the cargo business going forward, and if there are how do you intend to solve those problems?

Mr. Ng Chin Hwee: Well I think fundamentally there is a structural problem, not in SIA Cargo *per se*, but really the cargo industry. You look at the economies, as I think presented by CEO, PMIs of all of the major economies are still down. We are seeing a fairly protracted form of slowdown in the economy and the production and therefore trade flows as well. The capacity in the market obviously was put on based on a far more buoyant outlook in a few years back when the orders were made. So there is, indeed, an excess of capacity and I think we will have to ride out these current challenges that we are facing so that when the economy picks up, I think then we'll start to see the cargo business coming back up again.

Mr. Goh Choon Phong: Incidentally, I forgot to introduce that Chin Hwee is the Chairman for SIA Cargo.

Mr. Ng Chin Hwee: But may I add perhaps that certainly we have - we're not sitting there and just watching this whole scenario play out without doing anything. As we've announced, some time back we've cut back on about 20% of our planned freighter capacity growth and just a few days ago we've announced that we are parking one aircraft possibly in one of the deserts and we'll have to continue to monitor the situation and make the adjustments to capacity as and when required.

Mr. Kelvin Lau, Daiwa: Thank you management, this is Kelvin from Daiwa. I have two questions. One is, as you see the yields are not really very promising, do you plan for any more further capacity cuts, and what is the full-year guidance for capacity for passenger and cargo for this year? And also second question, you are planning to cut the US direct flights late next year. So are you reviewing your portfolio, any time that you are looking for, are there some chances to resume, or…do you not expect any resumption of those direct flights?

Mr. Mak Swee Wah: Yields are under pressure because of the state of the market and as has been outlined just now, we are monitoring the capacity situation closely. Right now we don't foresee any major cuts in our capacity although on an adhoc or tactical basis during periods of low demand there could be some adjustments done. For example, post-Christmas or before Chinese New Year. But at the same time, periods like Chinese New Year peak we are looking at how we can maybe swap around some aircraft to increase seats on routes on which are strong. So all this will be done and we'll be watching very closely and done tactically.

On the US routes, as we have announced, with the phasing out of the A345, the non-stop services will cease in about a year's time. Right now we are looking at what are the options in terms of our capacity to USA. But I should point out that over the last year or so, we have in fact increased capacity through the deployment of A380s to both Frankfurt-New York and from Tokyo to LA. We have to see this in that context. But since there's no replacement for the non-stop plane, the non-stop services will cease in a year's time.

Mr. Chan Hon Chew: The passenger side, the guidance for the full financial year 12/13 is about 4%. For cargo, as you know we are constantly reviewing the capacity and we have just announced we are parking one aircraft. So for the full year we are looking at capacity to be between flat and -3% for cargo - the overall cargo capacity for 12/13.

Mr. Nicholas Ionides: We'll move to this side of the room please. Second row from the front, black jacket.

Mr. Siva Govindasamy, Flightglobal: Good morning, Siva from Flightglobal. Two questions. After the Virgin Australia investment, what other opportunities are you looking at? We have talked about this before I know. But now that you have sorted out a lot of hardware issues, you know aircraft and so on, this is the new growth market perhaps for SIA. Specifically would you be re-looking China, maybe, re-looking India - what is the potential for airline investments there? The second question, could I get something more substantial on Scoot? How has that been doing in terms of load factors, yields - anything you could give us on Scoot would be appreciated. Thank you very much.

Mr. Goh Choon Phong: Thank you. We have always said that we're open to opportunities, including investment opportunities, and are certainly very open and in fact actively pursuing partnership initiatives. So in all the growth areas, whether it is India or China and also other parts of Southeast Asia. However, if and when there are opportunities and if and when we are able to announce them we will certainly do so.

On Scoot, we can say that Scoot has been performing up to expectation and it has been achieving a passenger load factor in the region of 80%, and we are generally happy with the way it is progressing.

Mr. Nicholas Ionides: Just behind, one row behind please.

Mr. Calvin Yew, CIMB: Hi, Calvin from CIMB. I think twice you mentioned that the A350 is more suited for SIA while the B787s are more suited for Scoot. Is that the only rationale, or is it more on a timing issue? And for the delivery of the B787s could you give a breakdown?

Mr. Goh Choon Phong: Well we did mention that B787s will be delivered from 2014 and A350s from 2015.

Mr. Calvin Yew, CIMB: Any breakdown you can…

Mr. Goh Choon Phong: No, at this point we cannot provide any breakdown.

Mr. Calvin Yew, CIMB: What's the rationale for Scoot using the B787?

Mr. Goh Choon Phong: When I sketch out the portfolio of airlines, a very important part of any airline's success is really the equipment that it has to operate. Of course there are other things, but the equipment, especially in the context of today's fuel price, that it has to be one that is competitive from a fuel efficiency perspective. And the B787 with its kind of capacity and with the kind of configuration that Scoot has in mind is one aircraft that has been deemed from our internal analysis to be best suited for Scoot's operations. And the A350 with its greater capacity than the B787 correspondingly, is also better suited for SIA's configuration with its premium positioning in terms of products. So that's how it was arrived at.

But certainly, whatever it is each of the airlines must be provided with the best, modern efficient aircraft for it to be able to compete effectively. That's our belief.

Mr. Calvin Yew, CIMB: Sorry one last question. For the B777-200 that SIA is transferring over to Scoot, what is the average age of those aircraft? And I think in the statement it said that when the B787s come in that these would replace the B777s. What does SIA plan to do with this old fleet? If you plan to dispose, why not just let Scoot operate and grow more aggressively?

Mr. Goh Choon Phong: Well there is - no, Scoot could in fact choose to retain them if they want to grow more aggressively. There's no hard and fast rule about it. But on the age?

Mr. Chan Hon Chew: The average age is about 15 years.

Mr. Calvin Yew, CIMB: Is that the reason why it is going to be replaced?

Mr. Goh Choon Phong: I think I answered that question earlier.

Mr. Calvin Yew, CIMB: Thank you.

Mr. Nicholas Ionides: To this side of the room please, third row.

Mr. Tim Bacchus, China Construction Bank: Thanks, Tim Bacchus from China Construction Bank. I have some more fleet questions, so we can just stay on that topic. SIA Group has always been a premier customer of both manufacturers and you are obviously continuing to buy from both. But if I look at the Singapore Airlines main brand it looks like the orderbook is heavily weighted to Airbus, and presumably you will be drawing down more of the B777 fleet. So I wonder, while SilkAir will be all Boeing and Scoot looks like it will be all Boeing, are there any concerns that you have about maintaining parity with the manufacturers and your bargaining power with them? The second part of that question would be also on the B777 fleet. As the previous questioner asked, while you have given a slide showing what the orderbook looks like for SQ mainline, you haven't given much of a profile in when the B777 fleet, the B777-200s, the B777-300ERs and the B777-300 non ERs will come out, as it is still quite a significant fleet. And I think maybe the last question, not to make it too long, but perhaps back to the Cargo chairman, the question previously mentioned fleet and it is quite old. You are not investing in B747-800s, you are not investing in A330 freighters for regional flights or B777 freighters. Do you think you need to do that to remain competitive in the marketplace with today's fuel prices?

Mr. Goh Choon Phong: Thank you for the observation and suggestions on the mix between the two manufacturers. You can be assured that we have considered all aspects when we make our aircraft orders. On the replacement of the B777 aircraft, in our planning of our fleet, there's always flexibility between how fast you want to renew the fleet versus how much growth is needed at that point in time. And that flexibility is important because as you can see, the market changes so dynamically and part of that is in when you retire certain aircraft and when you bring in the new aircraft and how they combine with each other in terms of replacement and growth. So that is ongoing. So therefore we don't provide an exact date on when aircraft get retired, unless and until it is finalised as in the case of the A345 for example. I think the third part is on freighter.

Mr. Ng Chin Hwee: Well we're certainly open to any offer from either Boeing or Airbus on replacing our B747 fleet. As it stands right now, the economics doesn't quite stack up. You weigh against the cost and the fuel efficiency, but we remain open to any offer that is sufficiently competitive for us to consider.

Mr. Tim Bacchus, China Construction Bank: But you don't have any RFP outstanding?

Mr. Ng Chin Hwee: Not at the moment, but it does not mean that we are not open to any interesting offers.

Mr. Tim Bacchus, China Construction Bank: [Off microphone – unintelligible].

Mr. Ng Chin Hwee: Yes, certainly not to add, I mean given that we are parking our aircraft, it would not be kosher.

Mr. Nicholas Ionides: We have time for 2-3 more. I'll go over to this side of the room please.

Mr. Rigan Wong, Citi: Hi, Rigan Wong from Citi. I have two questions about your portfolio of airlines. You mentioned the clear distinction between premium and low cost, and I understand this is from a product perspective, but how about from a network perspective? Do you see opportunities for better or more centralised network planning between the premium and low-cost segments? And also what is your philosophy about more opportunities for collaboration between premium and low cost, because apparently this is also a model adopted by some other airlines? So what is your philosophy and how do you balance the cost and benefits?

Mr. Goh Choon Phong: I think from the network perspective, you are already seeing Scoot operating into quite a few points that SIA doesn't, in China, in Australia. But bear in mind that the idea and indeed the case of a low-cost or budget carrier is really about generating a new set of demand, demand that wasn't there because it was a different price point. And you see that happening. That's why the low-cost carrier is able to grow so aggressively. Not because it's all taking up passengers that would have gone on full-service, it's because it now has created its own demand and that's a very important point to note. And that is what we continue to do.

And with regard to your second question, passengers are, of course, free to choose to travel - to combine on their own, full-service and then going on to take a low-cost in a region and so on. They are free to do that. But as I mentioned earlier, we within the group itself, we do want to ensure there's a distinction and there is no confusion in branding. And therefore we are not actively promoting the two brands together.

Mr. Nicholas Ionides: We have two more. One at the very back row, behind you.

Mr. Brendan Sobie, CAPA: Hi, Brendan with CAPA, Centre for Aviation. Two questions. One's a follow up on Scoot. I noticed in the first quarter you had a Scoot figure in the slides, like a separate Scoot figure, but there is no Scoot figure in this quarter. Has there been a decision to not report Scoot separately? And if so, where is the Scoot figure? Is it within the SIA or is it associates, even though it's not associates? Any colour on that? And also just a second question about partnerships. I was just wondering if you had any thought about anti-trust immunity and - anti-trust immunity, ATI and metal-neutral agreements? Over the last few years there's been a lot of movements in the North Atlantic and the transpacific. I think the SAS venture is still not to that level exactly, because SAS doesn't operate to Singapore, so you wouldn't have metal neutrality. But is there thought about perhaps going into that in the future, especially as the world changes with deals like Emirates and Qantas?

Mr. Goh Choon Phong: Okay I think just to clarify, we don't provide Scoot numbers, not even in the first quarter, but the second question I'll let my colleague Swee Wah to answer.

Mr. Mak Swee Wah: I think we continue to seek partnership opportunities. First of all you've got to find a partner on the route where you can - where we have mutual interests that we can deepen our corporation. So the ATI and the JVs are just a mechanism to achieving that. We have done so with Virgin in Australia where we have got immunity. We have got approval from the authorities. Even for the operation to Scandinavia we have a JV arrangement which has approval from the authorities. So as we expand this and to seek partners in other parts of the world, which we are continuing to do so, and where opportunities arise for such deep cooperation, we will definitely explore the models that are required to carry it out.

Mr. Nicholas Ionides: Okay this same side of the room, last question. Gentleman in the black jacket.

Mr. Leithen Francis, Aviation Week: Mr. Goh I just wanted to check with you, my name's Leithen Francis, Aviation Week. With this initiative to bring about a closer relationship between SilkAir and SIA, helping to grow the business, with SilkAir, there's already a lot of people who fly SilkAir that are already booked on SIA, I think it's like 58%. So with this new initiative, what do you anticipate it will increase to? And I also wanted to check, with Scoot, in today's presentation it looks like Scoot's not going to be adding an aircraft next year, where the initial plan was to maybe add one aircraft a year. What's the reason for holding back on Scoot for next year?

Mr. Goh Choon Phong: Actually we did not mention about Scoot's growth next year, next year as in the next financial year, so that will come, so when it's been determined we will certainly announce it. On the questions on SilkAir-SIA co-operation, I think we'll continue to deepen that. You saw the first - not first, but you saw one of these example where Yangon, which was formerly all SilkAir operations, it's now SilkAir-SIA operations with one of the tranches, which is a heavily demanded tranche, replaced with the widebody aircraft, providing more capacity and therefore more growth for the group.

You have seen also combination of that in India, for example, in the case of Kolkata. This combination of SIA and SilkAir operations, where in those days - those days of operations in a week where demands are relatively weaker you have SilkAir operations with the small aircraft and in those days where you actually have more demand you have a widebody aircraft of SIA. So there are various combinations and we'll continue to actually move that along. And things are not static and things, the changeability, the interoperability between SIA and SilkAir will continue to grow.

Mr. Nicholas Ionides: With that we will bring this morning's session to a close. Thank you to our panellists and thank you all for coming.

(ENDS)