TRANSCRIPT
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Half-Year Ended 30 September 2015

(Read in conjunction with PowerPoint Presentation)

SIA Training Centre

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E&OE – may be edited for grammar

Presentations

Mr Nicholas Ionides: Good morning and welcome to the analyst and media briefing for Singapore Airlines' second quarter and first half financial results. My name is Nicholas Ionides. I'll be moderating the session again today. The usual format will apply here this morning. We'll begin with a presentation by our Senior Vice President Finance, Mr Stephen Barnes. He'll be presenting the Parent Airline Company results. We'll follow that with a presentation by our CEO Mr Goh Choon Phong. He'll be presenting the Group results. The Q&A will follow again as usual. That will be led by Mr Goh, and joining him on the panel will be Mr Barnes, as well as Executive Vice President Commercial, Mr Mak Swee Wah, and Executive Vice President for HR and Operations, Mr Ng Chin Hwee. I'll now invite Mr Barnes to the stage. Thank you.

Mr Stephen Barnes: Thank you Nick. Good morning everyone. I'll be talking about the Parent Airline over the last six months. I think the themes that we have seen in play for much of this year will continue to dominate SIA's performance at least. So it will be three-fold. One is pressure on yields. The second, the tailwind that we have from lower fuel prices. And the third would be the stronger US dollar which affects primarily our US dollar costs.

So if I move into the presentation. At the half year, looking back at the two quarters, it's really a tale of two quarters. In the first quarter, the numbers are not on the slide but you can infer them. Traffic was down 4.2% on 2.5% lower capacity and the load factor was just 76.3%. In the second quarter as you can see, traffic was up 0.6%, on 1.6% lower capacity, and with a high load factor of 83.7%. That actually is historically a very high load factor for SIA's operations. In Q1 yield was 10.7 and was down 1.8% year-on-year. And you can see that in Q2 the reduction in yield was greater. And so the stronger traffic that you saw on the prior slide is really being driven by promotional activity leading to lower yields.

So if you take a look at the sort of history. It's always quite interesting to sort of look back in history I find, this was the progression of yields during FY13/14. And this is what we saw in FY14/15, and you can see that we had a rather encouraging second half last year. But that gave way to a steady decline in yields in the last six months. We had a lot of promotional activity in a market that was very aggressive with a lot of capacity. Although the increase in September appears a lot, it's actually the same sort of increase we've seen in the two prior years, 0.5 cents, but obviously from a much lower base.

So when you then sort of try and actually put the whole picture together we're seeing lower yields but offset by lower unit costs. And that all came from fuel. If you look at the ex-fuel unit costs, they actually rose quite sharply, and I'll come back to this. And so the breakeven load factor for the half was 81.9%. And we always look back at the breakeven load factor from a historical perspective, and you can see that over the last four years it's essentially been a flat performance for the achieved load factor.

The breakeven load factor on the other hand has been really quite variable and you can see that in the half just past, it increased. The gap, the shortfall, increased to 1.9 percentage points. So then beginning to put some numbers on this. You can see that revenue was down by $225 million and it was down by more than the reduction in expenditure.

You can see that the reduction in revenue and the reduction in fuel were very, very closely aligned and so the reduction in operating profit in the quarter, of $40 million, came about from higher non-fuel costs. And I'll come back to that too.

For the full half, the reduction of fuel costs outpaced the reduction in revenue, thereby leading to a rise in operating profit of $23 million.

Breakdown of revenue. It's a fairly simple story really. A significant reduction in passenger revenue. That's driven by yields. The reduction in bellyhold revenue from SIA Cargo is almost entirely due to passing through the lower fuel costs. And then the other sources of revenue, essentially flat, they're up $11 million. We continue to drive increases in service fees, charges, ancillary revenue you might even say.

Looking at the costs, I suppose the first point to make is that variable costs declined in line with the lower capacity in traffic. The two items that really stand out - I'm going to come back to fuel - but the two items that stand out in terms of red numbers would be aircraft depreciation and lease rentals. We have more aircraft. More aircraft on lease. We're beginning to incur charges in relation to cabin retrofits, and we had a stronger US dollar to deal with. When we look at the AMO costs, we had many more checks, we had in some areas higher rates, and we had a stronger US dollar to deal with. So let me just pause for a moment on the US dollar impact. For SIA - the numbers are a little bit different and a little bit higher obviously for the Group - but for SIA the total effect is around $118 million, negative, or sorry, to be much more specific, the total effect was really an increase in expenditure by $118 million, attributable to the stronger US dollar. Now all of that is in fuel. But approximately $40 million of it sits in the ex-fuel costs. And those increases sit primarily in aircraft ownership costs and maintenance. Now that increase in US dollar cost was mitigated substantially but not entirely by FX hedging gains of around $52 million. They appear in the ‘others’ quadrant. So on a net basis, we had a $66 million drag for the half from US dollar strength.

Turning to that big fuel number, it's always interesting to look back at the significant change I think that we have seen in the last year in fuel pricing. This red line shows the actual prices that we paid to our suppliers and then when you layer on, in this green line, this represents the net of hedging effect. So we've got a gap currently of around $30 to $33 dollars a barrel. And then looking at the usual waterfall, this is our fuel expenditure in the first half last year. If there had been no other effect then our fuel bill would have gone down by little bit shy of a billion dollars. The fuel hedging loss came in at $466 million. We had a $118 million effect from the stronger US dollar, slightly offset by lower fuel uplifted, and then minor other effects.

I think maybe I'll pause just for a moment. As we saw in the previous slide, oil prices started to decline essentially at the end of September 2014. So we've had a year. So roughly half of SIA's hedges which were at historical prices that were put in place before that time, have now run through the books. And so the hedges that we now have in place, again approximately half of our hedges that we now have in place, reflect current or this year's market prices. So we should begin to see the fuel hedging losses decline. And then my final slide, just to look at the composition of our unit costs, you can see this major reduction in unit fuel costs, flat unit staff costs, and then this rise in unit other costs.

We talked about the factors behind that. It comes from aircraft ownership and maintenance costs, the strong US dollar, and I would also add that we had a smaller capacity base, so the denominator declined. So that has a marginal effect in actually pushing up unit costs as well. So that wraps up SIA. I'd like to invite Mr Goh Choon Phong, our CEO, to the stage to talk about the Group.

Mr Goh Choon Phong: Good morning ladies and gentlemen, welcome to the SIA Training Centre. I shall begin the Group performance presentation. So for the SIA Group you can see in the bar chart the latest two quarters and if you add up the two quarters to a half year, you'll find that relative to last year's first half results it is slightly down, $9 million.

But this is not exactly a comparison of like with like, because as you may recall we consolidated Tiger's results in the third quarter of last year. So the first two quarters this year is with Tiger, while the first two quarters of last year was without. So for a meaningful comparison I should strip out the Tiger contributions and this is what it is.

You will see that the revenue actually saw a significant reduction of $345 million and that reduction is largely a result of a reduction in contribution from the passenger side of the business by about $204 million, but there were also contributions from cargo and mails, that revenue came down by $87 million or so, and also by the Engineering Company.

On the expenditure side, it's down 1.1%. Then again for a meaningful comparison we should strip out Tiger and we will see that the expenditure came down by a much bigger number, $424 million. All these could be largely accounted for by the reduction in fuel costs. In fact fuel costs came down more than $424 million. It came down by $458 million for the Group.

If you put the two together on the operating profit level, $240 million, and this is with Tiger, again for meaningful comparison, the profit would have been $250 million. As you may recall in Tiger's announcement of their results, it was down by about $10 million at the half-year point.

The performance by the various companies within the Group, half-year point, is all positive. Stephen has given the performance presentation for Singapore Airlines, the Parent Airline itself. SIA Engineering has announced its results. The improvement in the operating performance of SIA Engineering comes largely from the second quarter where even though there was revenue decline of about $19 million, costs came down more, by $30 million or so, largely from reduction in costs of contract labour, staff costs as well as material costs, hence the improvement.

SilkAir has done well. The profit went up fivefold at the half-year point. SilkAir had seen an increase in revenue of about 9% on the back of improvement in yield, 0.8%, as well as improvement in load. In fact SilkAir's load factor went up about 1.6 points, while costs went up at less than half the rate of improvement in yield, by about 4.3%. So SilkAir has done well.

Cargo saw a reduction in the losses at the half-year point. Cargo revenue came down but costs again came down more than that, a result largely from fuel cost reduction. Scoot halved its loss at the half-year point. Scoot continued to grow well. In the first half it grew revenue by 16%. Both yield and load factor has gone up. Load factor went up about 3 points, while yield has gone up by almost 2%. And the introduction of the new aircraft fleet in Scoot has seen good results in terms of improving its cost efficiency.

At a group net level, and this was in the release, it's seen a very good improvement, and this is, we'll go through the charts to show you where the improvement came from. So this was last year, first-half result. There was lower share of losses largely because Tiger was an associate last year, and this year it's consolidated, hence a large part of this improvement is really not having to account for Tiger's loss then as an associate in its restructuring costs. So that amounted to about $129 million year-on-year.

We had higher dividend from Abacus Holding. Now you may have seen the announcement by Sabre on this and it pertains to this GDS, Abacus, and I'm sure most of you are familiar with it, where Abacus Holding held 65% of the GDS and Sabre the remaining 35%, and Sabre bought over the share from Abacus Holding and as part of that transaction Abacus Holding in which we have a share then distributed out the gain as a dividend and we obtained about $99 million from that transaction as dividend.

Higher operating profit, we have seen how that has been arrived. This is not so much a loss in the sale this year, but more so because we had significant gains from the sales and leaseback of three 777-300ERs as well as five 737s last year. Tax differences, others, and here you have it, $305 million net. As a result of the improvement of course the EBITDAR share went up and so has the earnings per share, and all of you will be aware that the Board has declared the interim dividend that is twice that of last year.

Now some fleet development, and again everybody is aware that the A350s are coming to join the fleet starting the beginning of next year. And then we are also replacing some of the older aircraft that we have, the 777s as well as the A330s. All these four aircraft that you see here actually are going to be returned to lessors. For SilkAir, no net increase. It's a replacement. Scoot, we continue to see increased deliveries of the 787s into Scoot and it continues its growth path. And Tiger.

This is the projected capital expenditure over the next five years.

Hedging position, this was also is in the announcement, 50.7% hedged at US$93, for the rest of the year, and then, I think Stephen has touched on that going forward the amount hedged and the dollar hedged will continue to come down.

I'd like to take this opportunity to talk about some of the strategic developments that we have undertaken over the last five years, and just to touch on a few key ones. Firstly, within SIA itself. All these are really updates to what we have done over the last few years. On the service side we continue for the Parent Company to push service and a key part of that effort is really in the introduction of the CEM, which is Customer Experience Management system.

It's not so much an introduction of an IT system, as it is to introduce a tool to allow all our staff to be able to personalise service and be able to proactively offer that to our customers and across the whole service chain including all the touch points, so that everybody has a consistent way of giving our customers a personalised experience. The cutover of the first phase was in the end of 2014 and since then with the cutover we've gotten very good feedback from customers who were able to experience such a personalised treatment, as well as from staff who have been using it in a proactive manner. So the next phase of cutover will be by the middle of next year. That would provide our staff even more facilities to prompt actions so that they consider at every touch point what action might be considered in order to delight our customers.

This was an ambitious project that started way back in 2011. We are very glad that it has moved on very smoothly. There was also a lot of training for our staff to be able to use the system. In fact the whole system was designed with very intimate interaction both with our customers as well as staff. And that has come along very well.

Product-wise, of course everybody knows that over the last few years we have, in terms of cabin products, introduced the enhanced First, Business Class and Economy Class on our new 777-300ERs and they are now progressively being retrofitted on to the older 777-300ERs. We have introduced PEY. PEY has despite the short span that we have introduced it, it has garnered a very good response. In fact the average load factor for the PEY that we have seen has been around the mid-80s, so that's quite encouraging.

We are also introducing progressively new lounges. For some of you who have experienced it, you probably can see the difference. We've gotten very good feedback, again from our customers who have used the lounges and the satisfaction indexes have significant improvements in terms of percentage points. Some in excess of 10 percentage points. And we'll continue to introduce the new lounge concept, improve it, to other lounges that we have around the world, including SilverKris. Product-wise, we also introduced a new inflight entertainment system on the 777-300ER, and we'll continue to improve that as well.

And looking forward really there are a lot of exciting products for SIA Group itself. So as we know the A350s are going to be introduced next year with some features that we will be sharing soon, and that is 2016. And in 2017, we are going to have that new batch of A380s to be introduced and everybody knows that we have commenced on a ground-up design for our cabin and seats for the A380s which we believe will again set the industry standard for products in their respective classes.

And in 2018, we'll also take delivery of the 787-10, which is the medium-haul product, as well as some A350s meant for medium-haul, with again new products on the medium-haul, which we can look forward to, and the exciting announcement we made just recently about the non-stop operation aircraft, the A350s ultra-long haul. All seven of them are planned for delivery in the year 2018 and this will allow us to again operate non-stop from Singapore to the U.S. It takes time for the aircraft to be delivered, orders that were made in the past, but all these new aircraft deliveries will open up again new opportunities for SIA to grow its operations, routes particularly also in the long haul.

So the A350s for example would enable to allow us to open up new destinations perhaps in Europe where it is more feasible commercially to be able to operate because A350s obviously have a smaller capacity than the 777s, at the same time it's got great fuel efficiency to allow us to actually venture into new points.

And these non-stop operations will provide us with a competitive advantage over anyone who has to stop in between, which means that as we all know, premium traffic, particularly business traffic, would actually prefer non-stops. So that would allow us to actually capture that traffic. There will be a preference for those non-stops. Similarly for the A350 ultra-long haul, ultra-long range, when we mount it all the way non-stop to the US. With the seven aircraft everybody would know that we don't need seven to operate to two points, so obviously we'll be introducing other points. Two points that we used to operate was LAX and New York. We'll be looking at beyond that, obviously. And beyond the seven, whether we grow further, we shall see, but we'll keep our options open on that.

Now all this organic growth enabled by the new aircraft deliveries is not the only things that will happen for our network. From the network side we continue to look at forging partnerships with like-minded strong partners where we can actually grow the market together, and that would actually offer very compelling propositions for travellers because at both ends there are very strong connectivity, there are very strong programmes to support both consumers in the FFP programme and also corporate in terms of the network we can offer.

So this will continue to be something that we push for and we have established quite a few already. All of you are aware, you know, Air New Zealand, with Scandinavian, Turkish Airlines improved co-operations, deep commercial co-operation with Virgin Australia, and we'll continue to push that front, so watch this space. So for SIA itself there are going to be quite a lot of exciting developments over the next few years, fruits of what we've been doing over the last few years.

Then beyond that, of course the portfolio strategy, which we have adopted. We have established Scoot. We are now a majority owner of Tiger. Tiger is our subsidiary. And this, we have repeated often, that this allows us the nimbleness to actually operate to various parts of the world with the right vehicles and you have seen examples of how we have done this.

Nanjing used to be operated by SIA but it's not a route that is really suitable to support full-service operations, so when Scoot went in it has done well. And if you look at China, which is a very important market, the full-service segment of the portfolio, which is SilkAir and SIA, have always been operating no more than a dozen points, 12 points in particular, but if you add Scoot and Tiger, the network doubles to 24 points. This is significant.

We are tapping different markets leveraging the ability of the vehicles that could offer commercially feasible ways to operate and we see of course various benefits. I've highlighted those before, like FFP and all that, for the Group to synergise and work together. So we would like to do more here. Hence you saw this morning our announcement of the offer to gain 90% of Tiger. We'll touch on that more after I finish off the Group presentation.

The other strategy we have undertaken over the last few years was multi-hub and again this is something that is beginning to take shape. Vistara is one that we set up and it continues to grow. It now has eight aircraft, it will be nine next month, and it will continue to grow from there. Now everybody knows that Vistara's constraint is currently not being able to operate international.

Oh by the way, from all the customer feedback that we have on Vistara, those who have tried it have all very good comments about the service levels, its efficiencies, on-time performance, et cetera. So if any of you travel domestically in India, please try Vistara and give us the feedback. We'll be very happy to see what else we can improve. But the key point is Vistara is not meant to just operate domestic. It is a full-service carrier that has every capability of going international. At this point in time of course it's unable to do so because of the famous 5-20 rule that India has, and you may be aware that the government has issued a review of the policy, of the aviation policy. And that was issued I think last Friday, the industry, the public, will be given 21 days to comment and then they will make a decision from there. The 5-20 rule is one of the items in that policy review and of course we continue to encourage the Indian Government to remove 5-20 rule and allow the Indian carriers to actually operate internationally and compete and grow the market for India.

The other one is NokScoot that we have formed. Again, there is this issue of the Thai civil aviation not meeting some of the standards that ICAO has stipulated and they are now working through the process to get recertification again and because of that NokScoot operations have been constrained. At this point in time, they are operating or planning to operate mainly targeting China and Taipei. But we believe NokScoot again has good potential, once we get over all this, to be able to tap the substantial traffic in the budget segment in Thailand.

We have also embarked beyond our core airline business to adjacent businesses and AATC is one of those that we have announced, and I would like to also congratulate the team who have formed AATC on a good job in actually forming this venture. We have attracted nine airlines and I think the growth will be quite promising from here on.

Let me pause a little bit to put in perspective all these key initiatives that we have been working on over the last few years. I think for decades, for 60-over years, SIA's success has been focusing on being full-service, focusing on the premium segment of the travel business, focusing on operations in Singapore, and focusing on just the core airline business. You can see that over the last five years we have actually broadened that. We have gone to form a portfolio of airlines involving not just one but two types of operations for budget. We decidedly went overseas to form ventures. We have bought Virgin, 20-over percent of Virgin Australia. We have formed the joint venture in India, in Bangkok. Anything else, we'll keep our options open. And we have gone beyond just the core airline business to look at adjacent businesses. Businesses that we have expertise in but we are not quite leveraging it yet. I think this is a reflection of how the market has changed that necessitates all these changes and these are fairly fundamental changes for the SIA Group.

To have a success formula that has enabled us to continue to be successful, reputable for 60-over years, and to move from there to something else quite different requires quite a bit of mindset change and to do all that at the same time over the last five years, I think is something that is quite remarkable and I give the credit of all these changes to all my staff, all the people in the SIA Group. The ability to actually realise that the situation has completely changed and the need for all of us to now move on and move into new models so that we can build the right foundation for the next 20 years. So again credit goes to all the people in SIA for being able to do so, because those are very fundamental changes.

Ok, I'll touch on the next topic. This just went out this morning so some of you may not have had the chance to read through the entire document so this summarises what has been released to the SGX and to the public.

So we have made a voluntary conditional general offer for Tigerair. And this is the overview of the offer. So a few key points. One is that our intention really is to delist Tiger. We have 55.8%. You can see it on the first page - top part of the presentation, 55.8%. To be able to delist Tiger, we would have to reach 90%. So of course, if we can we would like to not just delist but privatise Tiger, but at the minimum we would like to be able to reach a level where we can actually delist Tiger. The offer price, you can see there, 41 cents. Tiger traded at 31 cents at close of market yesterday.

In the offer there is also an opportunity, an option, for the shareholders of Tiger to pick up SIA shares. I will touch more on it later on how that is being offered. The last part here, we have verified, clarified with SGX, there's no need for us to seek SIA shareholders' approval for this offer.

Here, the summary of the benefits. First for SIA, then for Tiger shareholders, and thirdly for Tiger itself. I will want to elaborate on each of them in the following slides.

As everybody knows, since Tiger was made a subsidiary last year, we have been encouraging greater co-operation commercially, especially between Tiger and Scoot. We have also looked at ways to allow Tiger to participate in some of the Group benefits, for example by extending the KrisFlyer programme for both redemption and later accrual for Tiger.

What we want to do through this exercise, when we get to delist Tiger, is to attain full integration among the four carriers within the SIA Group. We believe that this is a very compelling offer, as you can see there. This, at 41 cents, it represents a 32% premium from the last traded price of Tiger, and if you look at the various VWAPs across 3, 6, 12 months, they're all in excess of 30%.

And if you look at the analysts′ target price for Tiger which is reflected in the graph to the right, and in fact it represents a 42% premium over the average analyst target price. And even if you take the highest projected target price it represents a 14% premium. So we believe that this is a very compelling offer. I mentioned about the option for Tiger shareholders to subscribe to the SIA shares. So what will happen is that this is a cash offer, so if the Tiger shareholders accept the offer they will be given the cash based on 41 cents per share and they'll be given a period of 15 days to decide whether they would like to subscribe to SIA shares at the price that was the VWAP of yesterday's closing price which was 11 point something - yes, right there. Unfortunately I can't see it on this screen because it's too small. So you can see it over there, and what this option represents is, I'm sure there are shareholders who say, you know, I really believe in this industry and I really believe in this company, and I would like to continue to participate in the growth of this company, in this growth of this industry. We offer the shareholders the ability to participate through subscribing to a bigger entity with all the airlines integrated which we believe will offer a very good growth potential story.

As you can see there, this price that we offer relative to the one-year high is a good potential premium. This is an illustration. I don't think I need to go into the details. If you have 1,000 shares, this is the amount of cash you get, and if you choose to convert, or subscribe to the SIA shares, that is the equivalent of the SIA shares. And of course, you are aware of the PCCS that Tiger issued. This is the equivalent computation illustration for PCCS holders.

The third reason why we believe that this is a good opportunity for Tiger shareholders is in recognition that Tiger share has traditionally been trading at low volumes and this we believe gives the Tiger shareholders a good opportunity to realise the gain of their investment, realise the benefit of their investment. For Tiger itself, we also believe that the SIA Group offers the best option for its growth.

If Tiger were to operate independently, it would have limitations on how much it can grow from here. So without being part of the bigger group that would be a challenging thing for Tiger to do beyond its current operations. Of course from an SIA perspective, to fully realise the potential of the synergy, it would require us to have, to allow Tiger to openly access our resources, our systems and all that.

And also for us to invest substantial commitment in resource, systems, et cetera, and this would not be something we want to do if we do not have a substantial stake increase in Tiger, and to arrive at the position where we have the greater ability and flexibility to actually do those integrations. At the same time for Tiger, it allows more flexibility for the management of Tiger, and also reduction in cost of having to maintain its status as a listed entity. So it is win, win, win for all parties.

This is the expected timeline. And I've been advised that I need to flash this out for you to read, so you can read it, and I will leave it there. Thank you very much.

Q&A

Mr Nicholas Ionides: Thank you Mr Goh. We'll now shift to the Q&A segment of this morning's session. As the tables are being moved into position, allow me to make the usual requests. Please direct your questions through me by giving me a signal that you would like to ask a question and I will call upon you. Please also wait for one of the microphones to be brought to you, and state your name and the organisation that you are representing. I'd also like to make a new request for this session, that you limit your questions to two each time I call upon you. This is based on feedback from previous briefings, that some did not get a chance to ask questions. Of course if there is time I can always return to you later. Ok with the tables now in place I would like to invite the executives to the stage. Thank you. All right, if we're ready, I will take the first question, the second row from the front please.

Mr Timothy Ross, Credit Suisse AG: Thanks Nick, and thanks Choon Phong and Stephen for your presentations. Timothy Ross from Credit Suisse. And I will use my full quota of two questions if that's okay. The first one is a perennial favourite and probably directed more at Stephen. Could you give us some more background as to the disaggregation of passenger yield for the Parent Company? How did it break down in terms of I guess local yields, currency mix, et cetera. And my second one, perhaps more for the CEO, is the synergy benefits that we might realistically expect from the Tiger acquisition in dollar terms. Thank you.

Mr Stephen Barnes: I think we can guide a little bit in terms of yield. The more challenging markets for us have been the long-haul markets and in particular in this period, Europe. So generally a challenging market because of the macroeconomic environment there but also because of the significant amount of capacity that's been added by some carriers into Europe. So that's the more challenging area. And the more encouraging area has in fact been Southwest Pacific for us, which has been relatively strong, despite the weak Australian dollar. And Asia had been tending to be relatively stable when you look at it as a whole.

Mr Goh Choon Phong: Synergy benefits, well Tim, I'm afraid I won't be able to give you any quantitative number, but qualitatively - and this is something that I've mentioned before - Tiger is an integral part of the Group strategy, the portfolio strategy. It will allow us to use the right vehicle for the right market and it has been demonstrated, I mentioned it in my presentation, of how Tiger actually enhances, for example our access into China. And it also gives us the flexibility to actually swap in the future if necessary when the market develops and you can see some of that happening between Scoot and Tiger. At the same time, I think I also mentioned that this portfolio of airlines allows us to establish a much wider reach in terms of the FFP programme, which means that our FFP programme and customer data will be enriched by that extent as well.

Mr Timothy Ross, Credit Suisse AG: Sorry, but perhaps if I think about it this way, you paid $150 million dollars more than the market value of the company for those synergies. You trade on a forward multiple at 15 times, so to be accretive, I guess you've got to generate $10 million a year. If I think about it that way, are you short or better than that number?

Mr Goh Choon Phong: Well if we are making this offer, you must believe that we have done and SIA always do that, we have done all our sums, and we must deem it as something that is accretive for us to do.

Mr Timothy Ross, Credit Suisse AG: Thank you very much.

Mr Nicholas Ionides: I'll call that two and half questions, shall I? [Laughter]. All right. We'll stick to the same second row with the lady there please.

Ms Kyunghee Park, Bloomberg: Hi, Kyunghee from Bloomberg. I wanted to ask a question on Tiger. You've mentioned before that you wouldn't be taking Tiger private. And now you've decided that you will. Why now? What has changed since then, and second question is, would you ever consider maybe merging Scoot and Tiger?

Mr Goh Choon Phong: To your first question, we consolidated Tiger as we became the majority owner of Tiger third quarter of last year, and since then, of course we have been encouraging Scoot and Tiger to co-operate and to commercially integrate as much as possible. We have seen that progress and we think now is the time, in order to take the integration, the synergies to the next level, that this step, what we are doing now is necessary. Your question two was on...

Ms Kyunghee Park, Bloomberg: Scoot and Tiger merging.

Mr Goh Choon Phong: Oh, okay. Well, our assessment is that these two companies, we see benefit at the moment for these two companies to be operated in parallel.

Ms Kyunghee Park, Bloomberg: So will there be a possibility in the…

Mr Goh Choon Phong: In the future, who knows, right? But at this point in time we believe that it makes sense for both of them to operate in parallel.

Mr Nicholas Ionides: Okay, we'll go to the gentleman, fourth row from the front. Right next to you Sasha. And then we will go back there right next to Kyunghee. Thank you.

Mr Daniel Lau, Morgan Stanley: Hi Mr. Goh. This is Daniel Lau from Morgan Stanley. Just two questions from me. One on the maybe the Premium Economy. A little bit more colour on demand. Where is it coming from? Is it the leisure market or the business market? The second question's on the Tiger acquisition. So what are the plans that you have put in place, or have planned to turn Tiger around in terms of say, cost savings? You know, you did mention that there's some cost savings and flexibility for the management to reduce costs as well, so what are the concrete plans for that?

Mr Mak Swee Wah: Premium Economy we launched on August the 9th, and well, it's early days yet, but the signs are encouraging. We have seen a good take-up on our flights, particularly the long-haul ones like to Australia and to London, which are prime routes. Apart from the corporate traffic, we see good take-up from what we call the premium leisure, so we see quite strong bookings in the year-end as well. So early days yet, but very encouraging.

Mr Goh Choon Phong: This exercise to bring Tiger into the fold as an entity that we can delist and work more flexibly with, is not one that is targeted at cost savings. It's one that is targeted at growth. We believe that with greater synergies that could be enabled through this exercise, that it will benefit both parties and indeed the entire Group in terms of growing the business. Of course there will be also synergies in the cost side by, we mentioned in general about backroom and operational activities, and that certainly will be something we will pursue but we will not comment on specific items.

Mr Nicholas Ionides: Okay, the lady there, right in front of you. Thank you.

Ms Corrine Png, JP Morgan: Hi I am Corrine Png from JP Morgan. I have one question on cargo. Have you seen any pick-up in air cargo demand for the fourth quarter or has it been very dull so far? Thank you.

Mr Ng Chin Hwee: Yes, I am happy to report that there is Christmas for the cargo industry this year. So demand is decidedly stronger than previous quarters. Of course, set against this background is a lot more capacity coming to the market to take advantage of the stronger demand for this quarter. The yields obviously as reported before has been taking a beating as well but nonetheless to have strong loads during this period is indeed positive for the cargo industry.

Mr Nicholas Ionides: Right behind Corrine, please.

Mr Raymond Yap, CIMB: Hi, morning. I'm Raymond from CIMB. Okay, well I have two questions and one of them is on SilkAir. Congratulations for the really good performance. You know, back in 2012 and 2013, SilkAir expanded ASKs very aggressively but what we saw then was that load factors fell and yields fell. But in 2015 we're also seeing pretty good ASK expansion, but instead the loads have risen and yields have been flat year-on-year. So the only reason I can think for that is because maybe in the second half of 2013 we saw a big increase in the Singapore-Indonesia bilateral, so maybe that impacted yields at SilkAir. But if there could be any other reasons that you could offer as to why ASK expansion at SilkAir this time around has not resulted in a decline in yields and loads? And the second question is on the unit cost. There's been very good fall in unit costs at SilkAir and Scoot. And I imagine that probably has something to do with the efficiency of the 737 and the 787 fleet in addition to of course the fuel price drop. And what's clear here is that their drop in unit cost far exceeds the drop in unit cost that we saw at the Parent Airline. So I just want to understand if you could give me some information as to how much the fleet efficiency contributed to the decline in the unit cost at SilkAir and Scoot and what reason basically was that holding back the decline in the unit cost at the SIA mainline. Thanks.

Mr Goh Choon Phong: I will touch on unit cost since you touched on two carriers, and I will let Mr Mak respond to you on the yield side. As you correctly pointed out, it is a combination of both, more efficient aircraft coming in, especially for Scoot, and also that it is growing. So when you grow ASK, it will tend to spread the unit cost and that would actually contribute to the reduction in unit cost. We do not give a breakdown on exactly where the unit costs come from in terms of the exact breakdown, but those were the key factors.

Mr Mak Swee Wah: Yes, you are right that in 2012 when we expanded, it also coincided with the expansion of all the other LCCs, not just the Indonesian bilaterals, but the other LCCs operating were also making very aggressive expansion, far beyond what the market could support. So since then there has been a pull-back. I think the outcome of that expansion has not been good for some of the LCCs. And this time around, I think there's a better equilibrium between supply and demand, and as a result I think the expansion in SilkAir has been better absorbed by the market and therefore they were able to hold on to the yields.

Mr Nicholas Ionides: Okay, we'll go to the other side of the aisle. Sasha, right next to you please. Sorry, the lady behind and then we can go to Brendan there.

Ms Karamjit Kaur, Straits Times: Hi, Karam from Straits Times. With regard to the Tigerair announcement, I'm just wondering when you talk about synergies and integration in backroom and ops, what sort of impact could this potentially have on your staff numbers and job scopes, and I ask this, because I noticed that you sent out emails to your staff this morning, SIA and Scoot. Are you expecting some sort of anxiety from them? That's my first question. And my second question, when Tigerair went IPO in 2010, it went at $1.50. And today shareholders are being offered 41 cents. That's like more than two-thirds of your shareholder value wiped out. So what do you say to shareholders who have been loyal, you know, from the first day?

Mr Goh Choon Phong: Staff, you mentioned staff, and I've said that this is a growth exercise to actually generate growth. It's not about reducing operations or cutting back. So therefore, there is no plan on any staff retrenchment. On the part of the price, as we have pointed out, we believe that this is a very compelling price, if you look at all the measures that we have presented, whether it is with regard to the price that was traded over immediate, you know, when it closed yesterday, and also last three, six, 12 months. And it's higher than even the highest analysts' target price as you can see there. So I think it's a very compelling price. And for shareholders, I also mentioned that if you wish to continue to participate in this exciting industry - and you can see all the presentations I had given, it is about growth, not just for Tiger, it's for the Group - then there is an option for the shareholders to continue to participate in that growth through the subscription to SIA shares.

Mr Nicholas Ionides: Thank you. We can pass the microphone one row forward, please.

Mr Brendan Sobie, Centre for Aviation: Hi, good morning. Brendan with CAPA - Centre for Aviation. My first question has to do with the Premium Economy and yields. You saw an acceleration of the yield decline in this latest quarter to almost 5% despite the introduction of Premium Economy in the last two months. Granted it was just two months and a small number of routes. But what's the impact - was there any impact there to offset some of the yield declines, and what do you expect, you know, going forward in terms of Premium Economy helping arrest this yield decline that we see now for four years basically?

Mr Goh Choon Phong: I think Premium Economy as you can appreciate was just introduced and the number of aircraft with the Premium Economy is still somewhat limited so obviously its impact on the overall yield will be limited at this point in time. But as we grow the Premium Economy obviously that would change and while we don't share the breakdown of yield by cabin class, I can, I suppose qualitatively say that we are internally happy with the yield premium that we see in the Premium Economy cabin.

Mr Nicholas Ionides: Okay. We'll move one more row, one more row in front. The lady in the centre there please.

Ms Mayuko Tani, Nikkei: Good morning, thank you. Mayuko Tani from Nikkei. I have two questions. You mentioned the yield pressure was particularly bad in the long-haul in Europe, but how is the situation in China, demand and yield on the back of the slowing economy? And what's your outlook in the market? The second question is about Tiger and Scoot, for each airline, could you give us a guideline of roughly when you will see them turning to the profit?

Mr Goh Choon Phong: I will take the second question and I'll let Mr Mak take the first one. We don't give guidance on profit. But as you can see in the performance of both carriers, it is steadily improving and we think that, you know, for the case of Scoot for example, with the introduction of this fuel efficient 787 that we believe is very promising.

Mr Mak Swee Wah: With regard to the China market we see our bookings holding. Of course recent events with some of the concerns over the economy and stock market and business in general, it has caused a slight dampening and the growth is not as strong as before, but for now, we see it's still holding and we are cautiously optimistic that it will hold.

Mr Nicholas Ionides: Okay, one row behind, the lady there. That's right. Thanks.

Ms Tan Jinhe, Lianhe Zaobao: Hi, my name is Jinhe from Lianhe Zaobao. My question is on the lower yield for the Parent Airline Company. Could you please elaborate on some of the factors causing this? Is it like increased competition or like due to the MERS or anything else?

Mr Mak Swee Wah: Well I think as Mr Barnes mentioned just now the lower yield is in general, I think the major markets for example in Europe and US are not very strong and there's also excess, there's a lot of capacity, particularly on the European run. So competition, as with excess capacity, this has put a dampener on yields. In fact, you can see most industry players are going through the same, suffering the same fate. So we have to engage the market and this is, we will hold on to our loads and our market share and this has come at the expense of yields.

Mr Goh Choon Phong: I think Stephen also mentioned earlier that there is also the impact of a strong SIN dollar, the translation part of it.

Mr Nicholas Ionides: Okay. We'll move to the right side of the room. The lady in red there, the third row.

Ms Nisha Ramchandani, Business Times: Hi, Nisha from BT. I was wondering, can you give some colour on the A350 ultra-long ranges? What kind of cabin mix would you be looking at and which other points in the US are you considering?

Mr Goh Choon Phong: Akan Datang. Coming. [Laughter]. We will definitely share with you when we are ready to launch it and announce it to the public. But I mentioned that for the

US run, it'll at least be Los Angeles and New York, plus at least one more point based on the current order.

Mr Nicholas Ionides: Okay, time for two more. The lady behind you there, and then we'll go to the gentleman over there.

Ms Rumi Hardasmalani, TODAY: My name is Rumi. I'm from TODAY. My question is around your overseas investments. Could you give us an idea as to how has been the performance of these investments - Virgin, India and Bangkok investments? And could you also share with us if you would be looking at increasing your stake in these companies? In addition to that you talked about new markets that you're open to making investments, what would be these potential markets that you would look at entering with equity investments?

Mr Goh Choon Phong: So you're referring to all these investments, or?

Ms Rumi Hardasmalani, TODAY: Your overseas ventures that you have.

Mr Goh Choon Phong: Oh overseas ventures. All right, yes.

Ms Rumi Hardasmalani, TODAY: What has been the performance?

Mr Goh Choon Phong: Virgin Australia is a publicly listed entity so its result is published so I don't think I need to really comment on that. You've got lots of write-up on it. And obviously for the start-ups, one would expect that it will take some time for it to actually reach profitability. So it is, as I mentioned especially for India that it is for the long haul. It is a very challenging market for many reasons and you probably are very well aware of those reasons, but we're in it for the long haul. It's got huge potential. Vistara has established itself as a very good premium carrier. In fact they have shown the market what it means to be a premium carrier. And we believe that the potential will be great. We do need to work on some of the constraints that it currently has, and 5-20 rule is one of them.

Mr Nicholas Ionides: Okay, we'll take the last question. Jason, just two in front of you. The gentleman in pink there. Thank you.

Mr Raymond Yap, CIMB: Okay, I'm going to squeeze in three questions if that's okay with you.

Mr Goh Choon Phong: Last one and now it's changed to three. [Laughter]

Mr Nicholas Ionides: I'll decide that after you ask the first two, ok? [Laughter]

Mr Raymond Yap, CIMB: Okay, I think in the last analyst briefing six months ago, you gave us some ASK guidance for SIA Parent Company, Scoot and SilkAir and I think for the first half so far you've fallen behind that. Maybe you could help us to understand what the full year ASK growth would look like. And then a question for Stephen. You mentioned about the maintenance charges going up because the provisioning rates have gone up. Could you tell me for which aircraft, is it across all different airlines that we're seeing that, or just for SIA mainline? And finally, on Tiger, Scoot, you mentioned just now that you're likely to keep it separate, but if you keep it separate and you co-ordinate schedules, will you still need to go back to the Competition Commission, and if that's the case, then wouldn't it be better to ultimately do a full legal merger between these two companies?

Mr Goh Choon Phong: Okay, I'll take the Tiger one and Stephen will address your issue. You just look at SilkAir and SIA, it is two separate companies and what we've done over the last five years is to really work on deep integrations in both the schedule, the fleet planning, everything, and you saw the result of it. SilkAir's ability to grow at double-digit over the last many years, or the last few years, was precisely the result of such kind of integration, so you can see how that can be done. So that's why we say that, you know, Tiger and Scoot, we see benefits at this moment for it to be run in parallel.

Mr Stephen Barnes: Yes, Raymond. On ASKs, it is true that we're a little bit behind at this point. It relates really to two things. One is not being able to start certain routes that had been planned and hoped for, as quickly as we would have liked. And in a couple of cases probably not being able to actually do so, this year. And the second aspect would be planned frequencies haven't been able to be secured. Essentially this has to do with traffic rights and so on, so we have the plans, we have the ambition to grow a little bit more rapidly but it's not always possible to actually make them come to fruition at the pace we'd hoped. In terms of maintenance, we have a lot of aircraft that are actually sort of reaching adolescence perhaps and becoming a little bit more challenging to deal with. They have, as you know, as they reach their heavy maintenance checks, their first engine overhauls, the cost of maintenance, the number of - the amount of work that needs to be done on them, begins to increase. And that has been true to be honest across the A380 fleet, which you know, we got there a couple of years ago. The 777-300s a year ago. The A330s this year. So we're at that sort of point where our aircraft are getting to the five, six, seven years old sort of point.

Mr Nicholas Ionides: Okay, with that, we'll bring this morning's session to a close. Thank you all for attending.

(ENDS)