TRANSCRIPT
SINGAPORE AIRLINES FINANCIAL RESULTS BRIEFING

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E&OE – may be edited for grammar

Presentation

Mr Nicholas Ionides: Good morning everyone. Thanks for joining us here today at the media and analyst briefing for Singapore Airlines' fourth quarter and full-year financial results. My name is Nicholas Ionides. I oversee Public Affairs here at SIA. For those of you who are familiar with this, it will follow the same format as in the past. 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 with a presentation by our CEO, Mr Goh Choon Phong. He'll be presenting the SIA Group results. The Q&A will follow. Joining Mr Goh and Mr Barnes on the stage will be our two Executive Vice Presidents, Mr Ng Chin Hwee and Mr Mak Swee Wah. I'll now invite Mr Barnes to the stage. Thank you.

Mr Stephen Barnes: Thank you Nick. Good morning everyone, CEO, EVPs, colleagues. Three themes for the Parent Airline, I think, in FY14/15. First is capacity discipline in a difficult market. Second, as you'll all be aware, tailwind from favourable fuel price movements. And third is the headwind from unfavourable exchange rate movements. You can see the first of these themes coming out in this first slide. In the fourth quarter, we reduced capacity by 0.9% year-on-year and traffic was down 2% year-on-year. The effect was a little bit more muted for the full year. We're looking at a somewhat flat, down 0.4%, capacity for the full year, and traffic dropped by 0.9%. As a consequence, load factors were also down a little bit.

The good news is that yields were firmer, particularly in the fourth quarter. And I'll show you how that developed. So a little bit of a history lesson. Two years ago this is where yields were for us. A year later, yields had dropped significantly. And in the financial year 14/15, for the first half we were tracking below even 13/14. But in the second half, we were able to get some traction and drive yields a little bit higher. So consistently around the 11.4, 11.5 cents per PKM mark. So that was yield. Unit costs were down year-on-year - down 2.2%. This is all in fuel. If you look at the non-fuel costs, they actually rose year-on-year and were actually up 0.3 cents in the fourth quarter. But the interaction between a higher yield and lower unit costs means that the breakeven load factor dropped to 79.5% for the full year.

Again, looking back at history for perspective, we're very much tracking in the sort of 79% load factor mark. This is the achieved load factor. You can see that in prior years, over the course of the prior years, the breakeven load factor's been gradually rising. And that trend was reversed in 14/15. So we now have a little bit of a gap, but nevertheless, that gap has reduced.

So to the numbers. Fourth quarter numbers. We had higher revenue. That came from both flown revenue as well as other sources of revenue. Expenditure was down $76 million. You can see from the composition here that this was, again, all in fuel.

So fuel costs net of hedging were down $145 million. The increase in ex-fuel cost I'll come back to. But the swing in operating profit was from a loss of $60 million the previous year to a profit of $70 million in this last quarter. For the full year, revenue down a little bit - $61 million. But costs down by more. Again, all in fuel. The ex-fuel costs were up around 1.2%, by $90 million. So for the full year, the operating profit of the Parent Airline was $340 million, and an operating profit margin of 2.7%. Not great, but an improvement.

When you look at revenue, you can see that the vast bulk of our revenue, as you would expect, is in passenger flown revenue. That was down slightly. The improvement in yield not quite enough to overcome the reduction in traffic. Passenger other revenue was up $67 million. This category includes things such as in-flight sales, other fee-based services, commission-based services, all of which tracking in the right direction.

The other revenue item really is a bucket for things that don't really belong anywhere else. So the reductions here are really twofold. One was that we have been receiving compensation from Boeing in respect of 787 delays that was much reduced in 14/15. And the other main item is that we leased fewer aircraft for a shorter period of time to other airlines. So lease rental receipts were well down.

Costs. Fuel costs remain of course by far the largest cost item for us. But as a share, they were a little bit down. You can see the staff costs were flat as a share. That means that staff costs actually declined, primarily in response to the capacity constraints that we had introduced. The big increase is in depreciation and lease rentals. During the year, we took on another five A330s on lease. We did sale on leasebacks on three 777-300ERs. We obviously had the full-year effects of the prior year new leased aircraft as well. So lease rentals were up, and explain fully the increase in the non-fuel expenditure.

So just a moment to reflect on why we do this. And the reason is that we are looking to manage our residual value risk. You'll see later that we have a number of aircraft leaving the fleet in the current financial year. These are all leased aircraft. We have no residual risk on these aircraft, despite it being a soft market for them.

The other one I will linger on is others. Other expenditure rose by around $45 million or so. This is attributable to revaluation losses on debtors and creditors. So we're working on how we can better manage these items. But it's a reflection of the exchange rate challenges or headwind that we've experienced. In fact, if you look at the effect of exchange rates year-on-year on both revenue and expenditure, the effect - you can measure this in different ways - the effect is comfortably in excess of $100 million year-on-year, directly to the operating profit line.

So going into a little bit more detail on fuel costs. This is the sort of medium-term trend for fuel prices. Obviously significantly reduced in the second half of the year, of our financial year. This is the effect - this is the fuel price after hedging. Obviously it reflects a lag. And then the way in which this plays out by way of a waterfall. We consumed less fuel. And those who are sharp will see that that reduction in fuel consumption is greater than the reduction in capacity. It's primarily a result of the withdrawal of the ultra-long-range services to New York and Los Angeles. Big effect from the reduction in the fuel price. Offsetting effect from the hedging losses. Here's part of the effect of the stronger US dollar, and others, leading to overall, a reduction of $236 million in our fuel bill.

So overall, unit costs down by 0.2 cents per ASK. You can see the reduction in the unit fuel cost. Unit staff costs were flat. And unit other costs a little bit up. Really coming from, as I say, revaluation losses and the higher rental bill. So that leaves me to introduce our CEO, Mr Goh Choon Phong, to introduce the Group results.

Mr Goh Choon Phong: Good morning ladies and gentlemen. Once again, welcome to our premises, and thank you for making time to attend this presentation. We're talking about the Group result. This is the Group revenue including Tiger as a subsidiary from the second half of this year. $15.5 billion is an increase of 2.1% - $322 million. But you would have noticed that this comparison is not exactly meaningful given that the prior year, in 13/14, Tiger wasn't a subsidiary. And therefore, to be meaningful, we should strip off Tiger's contribution in the third and fourth quarter of this year. And this is what you get. Almost flat performance at a Group level for revenue.

Expenditure - again, this is with Tiger. Marginal increase. But you strip out Tiger, it's a decline of 1.3% - $195 million. And as per the trend that was explained by Stephen earlier, all of this could be explained by the drop in fuel cost - net fuel cost. For the Group it amounted to $263 million, thereabouts.

Group operating profit. This is with Tiger. $410 million if you strip out Tiger, there's an improvement of $9 million. Because Tiger reported basically a net loss of $9 million in the second quarter - or rather the second half. Contribution by the various major subsidiaries within the Group - without Tiger, because they have already separately explained their results. SIA itself, the Parent Company's performance has been addressed by Stephen earlier. Engineering, there's a drop of $32 million. Largely because of the drop at the top line. Revenue came down 5%, about $59 million, largely because of lower labour and material revenue from lower overhaul of airframe and components, maintenance and overhaul.

And at the same time, the cost did not drop by as much. The cost came down about 2.6%, $27 million or so. The lower material cost did not quite compensate for other cost that has increased, such as contract services for the work they have done.

SilkAir saw a good improvement - 17% improvement. And that came about both at a load factor level. It went up 0.6 points. SilkAir managed to carry 6.3% more passengers when the capacity had expanded only about 5.4%. At the same time, there was improvement in yield - the yield improvement amounted to 1.5% - and there was a unit cost reduction as well, in part contributed again by fuel, of about 1%. Hence the combination of that provided a lift in SilkAir's performance.

Cargo saw a reduction, a big reduction, in terms of the losses it incurred relative to last year. Much of this arises from - well, of course Cargo exercised good capacity discipline. But much of the cost reduction came from, again, fuel, as well as the reduction in depreciation cost. You may recall that we actually took out four freighters last year.

Group net profit with Tiger, $368 million, as announced in our release yesterday. Now I'll try to explain how do we get from $359 million the year prior, to $368 million. What accounted for that change? We saw the $151 million increase in operating profit. Associate and joint venture companies didn't do quite as well. EC in particular saw a reduction of $55 million in that area. Largely from the lower number of engines inducted into their two engine shops, one with Pratt & Whitney and the other with Rolls-Royce. But of course there are also losses associated with the starting of Vistara, the loss that we have to account for from Tiger when it was an associate for the first half of the year, and also the loss from Virgin Australia.

Exceptional items. You may recall that when we consolidated Tiger as a subsidiary, we actually booked a remeasurement gain to the tune of $120 million. That is brought down in part by, for example, the impairment charges that we took on China Cargo Airlines that we have an investment in, in Shanghai by SIA Cargo. That came to almost, about $60-over million. Then there was tax expense this year, about $36 million, versus last year when we have tax credits from various sources. In particular, again, the removal of the four freighters, provided almost $50 million in tax credit last year - the year prior, rather. Others, here we have it.

Fleet development. These are all the aircraft that we are taking. Nine of them. And we are decommissioning eight aircraft, and hence there's a net increase of one. As Stephen has pointed out, because of the planning that we have, all these aircraft that are leaving are actually returning to the lessors. So we have no issue with residual value of all these aircraft. You can see that this is an aggressive renewal programme to actually make the fleet much more efficient going forward as well.

SilkAir. A net increase of two. And in the case of SilkAir, one of the aircraft is for return to lessor. Scoot. Scoot will see its biggest change in terms of fleet size, almost doubling. As it is right now, at this point in time, Scoot already has taken three 787s - is now operating three 787s and three 777s. We expect that by August of this year, Scoot will have a full 787 fleet, which will significantly improve the operating efficiency of the fleet. And by the end of the financial year, 11.

Tiger. This was announced by Tiger, so I wouldn't elaborate more. There's a net decline. Tiger is still in a consolidating stage.

And here is the Group capital expenditure. You can see that from 17/18 onwards, we are taking more delivery of the A350s, and the new batch of A380s are coming in, in 17 as well, FY17. And we expect that the capital expenditure requirement goes up in the three years.

Fuel hedging. As we announced, the first quarter - and this is the current quarter of this year - we already have a substantial position in hedged fuel - 58.5% at $110. This is the position for the full year. Some of the per-share statistics, and the dividend, that was declared interim. And the Board has proposed a final dividend of 17, giving 22 cents as announced.

Outlook. I think this slide is not going to be any surprise to our audience here. The first one, it's more than just intense competition right now. We view it as structural. And I will touch on it more later. The other two, hopefully is a nearer-term challenge. But it could potentially be a mid-term challenge as well.

So let me touch on the last one. The impact is not merely on the earnings, and the revaluation gain or losses that Stephen mentioned earlier. But in the current situation, where you see that for example the Japanese Yen, it's so weak relative to the other currencies, it is attracting, as one would expect, a lot of inbound travel into Japan. And what has happened and we observe is, in particular from China, there is a lot of Chinese traffic also going to Japan. And there is a substitution effect there. Because if they are travelling more to Japan, they travel less to other parts of the world, including Southeast Asia. And that of course includes Singapore. So that's something that we are observing. So the currency fluctuations go beyond just booking the revenue and all that. It's also affecting traffic flows. At least in this immediate future.

Now the structural changes. We have touched on it before. This slide I presented. It's basically outlined a strategy that the Management team and the Board have taken to address the structural changes that are going on in the industry. And this is not a new process. It's something that we've been working on for the past four years, and I think we are now able to see the various initiatives taking shape. And I will be able to provide a more comprehensive picture of what's going on.

Network. Let me illustrate again. This should not be something surprising, but let me illustrate this with some diagrammatic manner - in a diagrammatic manner. So Singapore, of course, we have a network in Southeast Asia. And Southeast Asia really is where we should have a strong network, because that's really our strong hinterland. And we have adopted that process by integrating a lot more of the MI network, because MI operates narrowbody aircraft. And that will complement the widebody aircraft to points in Southeast Asia. And a combination of that is that you have seen that since three, four years ago, MI began to grow very aggressively- double-digit almost all the time. Of course last year there was a consolidation to a lower number, but next year it'll grow again, plan for going back to the double-digit growth.

Together with MI, SQ and MI now serve almost 40 points within Southeast Asia. And that number will continue to be growing. And of course, if you look at Singapore, it's not just an excellent position for tapping and delivering traffic to the Southeast Asian region. But also importantly, it is a great gateway to Southwest Pacific. Hence, we have adopted this strategy of getting a lot more engaged in Southwest Pacific, including taking a stake in Virgin Australia, and having a joint venture to deepen co-operation with Air New Zealand. Those are deliberate policies, deliberate strategies to strengthen those areas where we believe we have a strategic, geographical position that provides us the advantage over many other carriers. And at least at no disadvantage.

Then we have been continuing to grow in Asia, the rest of Asia - West Asia, North Asia. But in those parts of the world especially, we need also, not just our own organic growth, but also a strong partnership to better tap those markets and hence you see that we have been working very hard in pushing partnerships beyond just the usual that we used to have.

For the longer haul, admittedly organic growth-wise, it's more challenging. Because if you recall the last few years, the economy in both the US and Europe - and in particular Europe - has been very challenging. And it's not an environment where you can add a lot of organic growth. Of course the bigger markets, such as London, we went four times, when the opportunity came for us to be able to access the slots for Heathrow, and we seized upon it and we mounted four times to London.

So in those areas, we continue our aggressive push for partnerships. And that will continue. And we will continue also to look for opportunities to mount more services, long-haul, to

America, to Europe, when we believe it's the right time to do so. But regardless of that, we want to continue to push for more partnerships.

So the outcome. This is an updated number. If you look at the SQ-MI Network destination-wise, this is global, if you just look between these two carriers, we now serve 100 distinct destinations, and we mount almost 1,100 frequencies every week, ex-Singapore. So we have 1,100 flights at Singapore every week. And because of the aggressive push that we had in the last few years to seek and also build partnerships, this is the number as at March of this year, March 15. These are non-overlapping points. So we added through codeshares, 180 more destinations. And frequency-wise very significant - over 8,000 flight sectors which are on codeshare.

And not only that. If you look at the pace of the increase - and this is comparing with last year, same time, it is very significant, illustrating how we are continuing to push this area, and continue to look for opportunities to work with partners on a win-win basis, and to grow that partnership. So that network perspective will continue to build.

But we're not ignoring products and services - the hallmark of Singapore Airlines. And these are things that we have announced, but I just put them together, so you can see how everything is tying together. The improved product on the Business and the First Class has been very well received. Those of you who might have tried it, you would have your own verdict, but it has been very well received. And we are actually retrofitting the rest of the 777s at considerable cost - US$325 million. But these are things that we're committed to do, to continue to reinvest. Similarly, the introduction of Premium Economy Class, we have decided, although this has been reviewed many times every year by us, we have determined that it is now the right time to do so, with the market adequately educated in that product. And that demand for it is building up on key sectors. Hence, we introduce - of course when we introduce, we introduce it our way, which is marketed differently from the existing products in the Premium Economy.

You have heard about the new launches that we have on the digital site on both the website itself and also the mobile product. If you have not tried the mobile product, I would encourage you to download it and try it. We have received very good feedback on this. And this is really, I can assure you, just the tip of what we want to do. There's a whole slew of programmes and features that we want to add and that will come about. More exciting things to come. And incidentally, since it was launched it has consistently been featured on the Apple App Store as one of the best new applications to download. So if you go on the Apple App Store you see that.

Lounge. After Sydney, we have redone lounges in Hong Kong as well as London, and more to come in a new concept. Again, this has proven to be very popular for customers. The satisfaction index that we measure, compared to the lounge before the change, is consistently about a 10-point difference. And 10 points, as you know, is a big significant difference in satisfaction. And we'll continue to do more going forward.

And of course the A350 that's coming in next year. Now it's not just a brand new aircraft with great customer, passenger appeal. It will be equipped with whatever latest products that we have. And at the same time it will bring us great fuel efficiency. So this is part of the renewal I mentioned earlier when I talked about fleet.

So it's not just about products. Services too. And I've mentioned this before. Perhaps even two, three years ago, that we're embarking on. The process actually took place before that. Even way back in 2011/2012 when we had this vision of a service that will be much more integrated in allowing our staff to be much more proactive and personalised in service. The idea is not to take out the personal touch that our staff would give to our customers. That's not the point. That is very important. The idea is to provide a tool for our staff, so that they can focus and have more time interacting with our customers and serving our customers as opposed to searching for information.

I'm glad to say that after all the hard work by many parties across the organisation, we are able now to - we've actually cut over the first phase, which is a very important phase because we actually pool together a lot of information about customers in a manner that is integrated in a database. What that allows now - I have to say almost, because there are a couple more that we are working on - what that allows is now that any of our touchpoints could use a system and pull out information of our customers. And that would be consistent information. And that would be the latest information. So everybody has the same view of our customers. That is the important, first fundamental step to take. The next phase we are going in, is to build in the workflow alerts. So that at the certain trigger point, trigger event, trigger conditions, alerts as well as prompts will be sent to the respective touchpoints, depending on which touchpoint it is. To alert our staff of things that are relevant to a customer at that touchpoint. Again, it's consistent.

So any update from that touchpoint to the system, would again be seen by everybody else throughout the whole system. And that information will again be prompted. The first one, of course, having the database is important. Because without that, everybody might have a disparate view of the customers, and that's very difficult to serve and to be proactive about it. So that's important. But that still requires our people to search for it. The next one actually elevates it further to say that, 'No there are certain conditions that I think I'd better give you a prompt so that you do not forget that this is something relevant at a point, and you can do something about it.' That's the idea.

Again, this is a tool. More important is how our staff do it. And there is a lot of training going on, change management, including to make sure that everybody's on board. So far, we have had a great reception, great acceptance by the staff, and we want to continue to push this forward. This is not the end of the journey. This is a very ambitious project, what we believe will propel our service level to really the next leap. It's not a small investment by the way, and it's not just about the money, it's the training and all that, and the workflows. But we are very excited about this. And this is really the first time that I can say more about it, because we've been working on it, and because we are seeing positive results, so I think it's a good time that we share this.

Portfolio is the other strategy we've taken to address some of the issues about, you know, threat for LCCs and traffic and so forth. And what happened here is that - what has happened, I think everybody knows, and Tiger has been consolidated now as a subsidiary. What we have been working on since then, was the synergy aspects. And we are focusing, at this point, on key areas in commercial operations and support services, to harness more of the synergies as a Group. Commercial, of course, includes things like network discussion, network planning, FFP participation, including as you saw, the introduction of KrisFlyer, to be able to use points, to be able to use for redemption on the two low-cost subsidiaries.

Operations involves a lot in the engineering and flight operations areas. Joint training programmes. Looking at how to harness the Group for lower cost of operations. Similarly, for support services that would include procurement. Contract negotiation. HR finance areas, etc. I think there is still much that we can tap in synergies.

In particular, I mentioned the last time about the push for Tiger and Scoot to work closer together. And I'm glad that that is well in progress. They have seen an improvement in terms of connecting traffic, by about 40%, compared to last year similar time. But it's still the tip of the iceberg, we believe. The two airlines have planned to do more in terms of integrating both operationally and system-wise to enhance the potential and connectivity between the two carriers.

Then we also say that there are these other things about Singapore as a hub that, you know, there is its own limitation. Hence, the need to actually venture beyond Singapore, to establish new hubs, provide new engines of growth for the Group going forward. Vistara, and I don't think I need to elaborate more, except to say that since it started up in January, the reception, the response, from our customers is very positive. And the team is working very hard now to create even more awareness and build up the network for Vistara to grow further. Vistara has six aircraft currently. It expects to grow to nine aircraft by the end of the year. So it's growing, and it's growing fast.

NokScoot is the other project that we have embarked on in moving to a new hub - not moving, but creating a new hub, and that's in Thailand. And the NokScoot combination supplements the Tiger and Scoot combination in Singapore. So one Bangkok and Singapore.

You would have read in the paper that there were some issues arising from ICAO's audit of the Thai DGCA. And because NokScoot's AOC was only recently approved - actually recently means October of last year - it was affected by this process. But we assure you that we are working very hard. The NokScoot management, and ourselves and both shareholders in Nok as well as Scoot, are working hard to resolve the issue and we have some level of comfort that the issue is progressing. The resolution of the issue is progressing.

The other area is new revenue. Everything that I've mentioned earlier, it's still centred around the airline operation largely. Different hubs. Different travel segments, in the LCCs and all that. But we're also conscious that there's certain volatility in the airline industry that might affect the whole industry, and that we want to push further into new revenue sources. New revenue streams. And it came about in both new revenue, in selling things that may not necessarily be directly related to the flight itself, and also potentially new adjacent businesses that we could get into. Some of these example of new revenues are here. But I just want to highlight that one key area that we're looking at to generate new revenue, which I didn't quite emphasise before, but I think I'm at a stage where I can share more, it's the FFP programme.

So traditionally this is what we have, right? The three pillars. The core FFP database, really is SQ-MI. And we have some from Star Alliance. And we have also the traditional non-air partners, such as the banks, the hotels, the credit card companies and so forth. And we have consciously been pushing that boundaries out in all three areas. So including Scoot and Tiger, the LCC segment, now this is actually quite important, because it now allows us to be able to know our customers across all their travel segment needs.

So, you know, the same passenger could choose to travel full service, or LCC, depending on when and for what purpose they are travelling. And by being able to capture their travel patterns and all that, we are better able to offer them what they need for the purpose they want to travel. And we can cross-sell across the entire different segments as well. And it also serves to increase the database of KrisFlyer, and then again, bring them to try products across as customers go through different life cycles. You know, when they are students, when they are working, their economy's different. But we already know them from their travel in, let's say, the LCC segment. So that's an important part of our push to just capture all the segments of travel.

And we have also pushed for deeper co-operation with airlines. Of course, airlines whom we believe make sense for us to actually deepen co-operation, including, for example, Virgin Australia, where we - the first airlines to do an FFP conversion programme with us, in fact it was the first in the world. And Vistara. And others will come. And this will give a really more seamless integration between the two FFP programmes. And at the same time we'll continue to push for more non-air partners, an area that we are not previously too aggressive in, we are now looking at how to actually expand it further. And of course, some of it has been announced, including the inclusion of supermarkets, pharmaceuticals, etc.

So you can expect that this will continue, and that the FFP programme, KrisFlyer, we expect it to be able to bring in as it builds its base and all that, significant new revenue for the Group. And of course, when it makes sense for us to enter into adjacent businesses, such as the Airbus Asia Training Centre, we will do so. And here again, this is the area where - this is something we have announced so I can give you an example of what we're doing. By no means would this be the only one we are looking at, nor would it stop at this particular venture. With that, thank you very much.

<u>Q&A</u>

Mr Nicholas Ionides: Thank you Mr Goh. We'll now move the tables into position for the Q&A segment of this morning's session. As we are waiting, allow me to make a few requests. Please direct your questions through me, by giving me a signal that you'd like to ask a question, and I will call upon you. We will also be recording this morning's session for a transcript that we will be uploading to SGX on Monday morning. So please wait for one of the microphones to come to you. Please also identify yourself and the organisation that you are representing.

Mr Nicholas Ionides: I'll now invite the panellists to the stage please. Okay. We will be starting in the centre, the second row. The gentleman in the dark suit there.

Mr Eric Lin, UBS: Hi. Good morning. Eric Lin from UBS. Thank you for the chance. My first question is actually surrounding strategies you just mentioned. Firstly on Japan, I'm just trying to quantify, is that impact of travel in Japan and substituting, you know, as in really a big thing for SIA? Are you seeing your, say forward bookings actually down as a result of this trend? That's my first question.

And the second question is, probably we are all aware that some of your neighbouring airlines, like Thai, MAS, have planned to cut. So instead of going with your partners, are there any chances for you to take the chance while your neighbouring airlines are cutting back, say long-haul? And then yourself, actually doing more, you know, by yourself? Like long-haul destinations in Europe? Or even considering going back to the US direct? So just want to hear your thoughts about this strategy question.

And then my, actually the last one, is just housekeeping. Having talked about all this network planning, and fleet plan, what's the planned ASK growth for this fiscal year for the Parent and SilkAir? Thank you.

Mr Goh Choon Phong: Okay. Maybe the last question is probably the most straightforward one. The - you saw the number of aircraft we have. So for SIA it's really quite flat for this year. For SilkAir, it will grow. I mentioned double digits. It's probably about 13% or so.

Japan. It's actually both ways, because of a low yen, it is attracting a lot of travel into Japan. But of course the Japanese themselves, will cut back, as you would expect, travel out. So we do see quite a lot of demand going into Japan. So the Japanese flights are actually quite okay. But this substitution effect, I told you, it has been felt. Because it means that the China - ex-China traffic into Southeast Asia - will correspondingly be affected. But we are, because of the way the network is structured, the way we are structured, is that we have lots of connectivity. We're able to source for other traffic. Of course it could be at different yield to fill up some of the slack.

Mr Eric Lin, UBS: If I may follow up just on, say China, to other destinations via Singapore - say China, Singapore, Australia. How is that performing?

Mr Goh Choon Phong: Yeah that's why I'm saying, all these are other sources that we can tap to actually fill up some of the decline, for example, of the ex-China traffic that used to be on us, but now are switching to visit Japan.

Mr Nicholas Ionides: Okay. We'll be going two rows behind - the gentleman in the white shirt there. Next to the aisle, right there. One row - yes that's right.

Mr Daniel Lau, Morgan Stanley: Hi. Yeah, this is Daniel Lau from Morgan Stanley. Thank you for this briefing. So just three quick questions from me. Number one, I think it's largely on your new initiatives as well. So I think thank you for the very good colour on the new initiatives. It's very informative. But I'm just wondering, I mean considering that the premium space is starting to get more and more commoditised. With all these new product rollouts, you know, technology and, you know, retrofitting your fleet. How much, how confident are you, in getting this to drive top-line growth in terms of passenger yields? That's the first question.

Mr Goh Choon Phong: Is that…? Why don't you continue with your three questions.

Mr Daniel Lau, Morgan Stanley: I'll continue. Okay sure. No problem. The second question is on the Premium Economy Class. I know you are launching it in August. So far, how has forward bookings been? Is demand relatively okay? And the last question is, you know, largely on the yield trend as well. So it's the second consecutive quarter, we have seen, you know, yield improvement. Any colour on that? You know, considering that I believe it's largely because of healthy base fares. Considering that SIN dollar has been relatively strong against the regional currencies. So where are we seeing strengths in terms of fares?

Mr Goh Choon Phong: I think the questions, I will get my Commercial colleague to help to answer. But I just wanted to say that I do not agree with your statement that the premium class is getting commoditised. The Economy Class, certainly there is the risk of that.

Mr Mak Swee Wah: Yeah I think the premium space will continue to be an important market segment. When we talk about competition, we are also obviously seeing a lot of competition in the premium space in terms of product development, and you all have heard about all the new products being introduced by say, the Middle Eastern carriers - and many other carriers as well. So it is something which we have to continue to be very competitive. Hence our investment in product. In new aircraft. New cabin products. And in more importantly, in service. Which is what we think is still a key differentiating strength in the SIA offering.

So, in this competition of premium space, we will have to continue to push ahead. And to ensure that we become - we remain - not only relevant, but hopefully also the airline of choice in this market segment.

On PEY, we made the announcement. We haven't really formally launched it, and I think some of you will know that next week, we will be doing the formal launch. And thereafter, the marketing push will begin. Even without that, the very muted announcement in February, we are already seeing some bookings. And that's been quite well received by commentators outside. So I think it is something which once we start our marketing campaign, we should be able to then see the bookings come in, in the next few months, until the entry into service in August.

And on yield trend, the question was what is the [inaudible background comment] where is the strength coming from [inaudible background comment]. Well, yield is a combination of a few things. One is the local fares. The traffic mix. And also there is a bit of currency effect as well. So we try to tackle on all fronts. I mean in terms of the market, we try to make sure that we target the right segment. Get the right yield mix. Hence the mix between the premium and the Economy Class traffic is very important. And all our efforts are directed at trying to optimise the yield that we can get on the seat that we sell, and the capacity that we have.

Mr Daniel Lau, Morgan Stanley: So we sold more Business Class seats?

Mr Mak Swee Wah: I think our Business Class sales have held up well, yeah. And we will continue to push in that direction in the coming months - I mean in the coming year.

Mr Nicholas Ionides: Okay the second row from the front. The other side of the centre aisle. That gentleman in the blue shirt. Thank you.

Mr Michael Beer, Citi Research: Thank you, Michael Beer from Citi. Just building up on his prior point. Singapore tends to be somewhat leveraged to the commodity space. And of course with commodity prices where they are, and reduced investment and the like, are you seeing some headwinds on some of those corporate accounts in terms of number of seats booked and forward visibility? Second question, your load factors tracking around mid 70s, notably below that at CX. This seems to be, as you targeted yields rather than utilisation, do you envision that to be the case again, going forward in FY16? And then lastly, SATS noted that Changi will be providing a discount on concession fees, rentals, things of that nature to stimulate and reduce landing fees. I know it's only 4% of your total cost base, but do you expect to have a reduction in rental expenses, landing fees and things of that nature at Changi this year? Thanks.

Mr Stephen Barnes: I'll take the airport concession point. There were a series of concessions that were announced, I guess almost nine or ten months ago. And those have been - those continue and have been extended, which is helpful. The concessions that have been announced more recently, will be helpful to us. You will find that they won't show up anywhere in our results. The numbers are quite small.

Mr Mak Swee Wah: You asked about corporate market. I think in overall terms, I think our corporate market has held up well. Of course different segments within the markets have performed differently. In the last year - or at least in the second half last year - obviously the drop-off in the oil and gas sector is quite evident. And I think that will continue to be the case, given the state of the industry. But the other segments, we see them holding up well, and that is consistent with the earlier remark of how our premium segment is doing. So we expect this trend to continue.

And you also asked about load factor. Well at the end of the day, it's the maximising of revenue. So as you rightly put it, it's a question of how you balance your load factor versus the yield and try to get the maximum. I mean you can drive the load factor very high if you sell very cheap. But at the end of a day you've got to make sure that the flights are profitable.

Mr Michael Beer, Citi Research: Were you using the pricing this year, were you focused on getting people to try the seats, to experience them, maybe with a bit of discounts, in order to get them used to the bar and then you work on the pricing next year?

Mr Mak Swee Wah: No, we will continue to do what we do, which is we will sell the product at the right price. And with the premium seat, of course there are fewer seats on the plane, but we will still have to make sure that the flights are profitable in the end.

Mr Goh Choon Phong: I think one thing you can be assured of, is that we have always been nimble and quite flexible in terms of making sure that we get the right balance. So if there's a need to do promotion, we'll do. But if there is great acceptance and all that where there are demand, then that will be the maximisation that we will do.

Mr Nicholas Ionides: Okay we'll stick to the centre section. Switch to the other side of the aisle, third row from the front, aisle seat. Gentleman in the dark suit there. Thank you.

Mr Siva Govindasamy, Thomson Reuters: Thank you. Good morning gentlemen, I wanted to ask about the cargo business. Sorry, Siva from Reuters. I wanted to ask about the cargo business. So it's improved, but you're still not profitable. Do you see profitability coming in the cargo business anytime soon, maybe even this fiscal year? The fleet. You still have 10 747 freighters I believe - that is, when I last checked. Now do you see a need to retire more of those? Maybe acquire more fuel-efficient twin-engine freighters, as some of the other airlines in the region have been doing? And can you talk about the shift from dedicated freighters to bellyspace, and how that's having an impact on the business overall? Thank you.

Mr Ng Chin Hwee: Okay on the cargo. Obviously this year we've been helped quite substantially by the general improvement in demand. And yields have also improved. We were also given a boost when the port workers on west coast USA decided to go on strike. So as you know, we took advantage of it like all other carriers. Will we see another strike next year? Well, we can't tell such things. We certainly are seeing a general pick-up in demand. However the yields are somewhat challenged. As you know, there's still a lot of excess capacity. Airlines seeing the benefits of low fuel price, some of them are pulling out some of the aircraft out to market. So the challenge of excess capacity remains.

Just for the record, we have actually eight operating aircraft. And we think that we are at about there, based on the demand that we foresee. So there'll be no change in the actual number of aircraft that we intend to operate for this coming year.

Will we break even? That is obviously our every hope. But given the volatility in the market, as you can see from the trade figures, the PMI indexes coming out from China, it has been fluctuating, so it's really very hard to predict. Once upon a time we saw USA as an engine of growth. But there's some tentative signs as well of slowdown. So I am not able to really put a finger on what the outlook is going to look like.

As for bellyhold and freighter, both play a complementary role. With bellyhold alone it will be hard to find the right balance to make sure that all our bellyhold flights are optimised. And hence the need for having freighters. So they form a crucial part of this whole feed. And in fact, you're well aware that more than 50% of our cargo are all transhipment. So therefore the bellyhold and the freighters do play a very vital synergistic role for each other.

We have no plans as of now to look at rejuvenating our fleet. At the end of the day, whilst new planes offer advantages in terms of fuel savings, they come with a price as well. So we do not think at this point in time, the tradeoff tips in our favour right now.

Mr Goh Choon Phong: I just wanted to add that we don't provide forecasts of our profitability. I think for that we depend on you guys. If you ask me what I want, of course I want Cargo to be profitable. That's their target.

Mr Nicholas Ionides: We'll switch to the other side of the room there. The gentleman in the red checked shirt. On the left - our left.

Mr Gaurav Raghuvanshi, Wall Street Journal: Hi Gaurav from the Wall Street Journal. I had a query. In fact you spoke on about it, but I wanted some more details on the integration between the different group airlines. Especially for the budget airlines. I believe it's a work in progress. But we still find Tiger and Scoot, there are certain key things in which they have not really integrated. And I could cite fuel purchases, and also the network planning. But there is a committee that you have, of which I believe Tiger is still not a part. So is that something which we'll see coming this year? Or these things will - these airlines will kind of continue to be separate from that?

And a related question to that is, you've got four brands over there, which is, you know, all different. Is it - does it make sense to have four different brands of Singapore-located carriers? Or it might be a better idea to have maybe two? One for long-haul, one for short-haul? Or sorry, one for budget and one for premium.

Mr Goh Choon Phong: Okay. Firstly, integration is an ongoing process. Integration to bring about greater synergies and benefits. And you correctly mentioned I do chair a committee that looks at the portfolio's planning. Especially scheduling, fleet requirements and so forth. It is true also, that Tiger is currently not part of it. There are certain things that we'll want to - we want to see how that can be addressed. At this point in time, the way it is addressed is, Tiger - while, the… Scoot of course is in this particular committee. And the way it's currently addressed, is that Tiger and Scoot have their own discussions directly. And that is actually fed back to the planning. There is sensitivity, because Tiger is a separately listed entity. We'll see how we can actually optimise this further, but this is what it is right now.

You said you observe that between Tiger and Scoot there is more that they can do, and I fully agree with you. Both the Tiger CEO and the Scoot CEO are here. They'll be happy to tap on your feedback after this meeting, and you can provide everything to them, to see that they address it.

On the branding, well I think at this point in time, it serves our purpose to have all these four brands. If you ask me in future whether they'll be more integrated as in the number of brands we use, we have an open mind. We do what we believe is going to be best at that point in time and going forward. So that's something that we will address.

Mr Nicholas Ionides: Okay. We'll go back to the other side of the room, the very last row please.

Ms Karamjit Kaur, The Straits-Times: Hi, Karam from The Straits Times. A couple of questions, please. The first one is product-related. Can you just tell me how many of the 777-300ERs you already have with the new product. How many of the 19 have been retro-fitted? And when you launch your Airbus 350 do you plan to launch a brand new product for that? That's the first set of questions.

The second one, you mentioned in your release yesterday that demand is soft on routes to the Americas and Europe. Other carriers are injecting capacity. Aggressive pricing. Can you provide some colour on how this market has changed in the last year? Has the competition become more intense? Are you seeing a more negative impact in terms of your market share? Falling yields? Is there a difference between the premium and the economy markets?

And the last question related to that, just looking at your strategy, there's no doubt you're growing aggressively within the region, but much of that has been on the back of MI. You've just said that growth this year for SIA will be flat. So I'm just wondering, if this is the strategy that you're going on, do you think there is a risk that you may lose your relevance as a long-haul hub carrier? Because even as you are not growing long-haul, you have other carriers that are doing that. Not just the Middle Eastern carriers but Cathay as well. And just related to that, what sort of impact does that then have on Changi as a major hub carrier airport, because you are the home carrier? That's it. Thank you.

Mr Goh Choon Phong: Okay. The first one, of the 19, right now one has been retrofitted and the other 18 will be retrofitted as well. A350 will be launched with the products - the upgraded products that you see. And there'll be other things that we will then talk about as we near the release date, the introduction date of the plane. Then on Europe and US - now as I mentioned before, the traffic that we tap from Europe is really Southeast Asia and Australia to Europe. And we are - we're not losing traffic on that. That was traffic that we have - we continue to have them.

A gentleman earlier talking about some of the regional carriers after they have ceased operations, or are looking at stopping or reducing operations to long-haul. And some of it will come through Singapore. And we will, of course, provide that connectivity. I mentioned that we will be looking at opportunities to grow. And the opportunity could come about with the new aircraft type, which might make the operation viable. The planning, it's nimble. So we will have to look at the situation then to decide whether or not we do it.

USA, unfortunately at this point in time, there is no viable commercial aircraft that's able to perform that route, that mission, to do that, I mean direct. To serve USA, we need intermediate points. In this case, specifically in Asia, North Asia. And it's no secret that we've been trying to push for that. We haven't been able to get the necessary rights to operate that. Doesn't mean that we will stop. We will continue to push for that. And at the same time, you know, we'll look at any aircraft as capable of performing the direct flight mission in an economic manner. We'll be open to restarting that non-stop. I think those were the key questions you had.

Ms Karamjit Kaur, The Straits-Times: Yeah, so are you seeing more of a negative impact in terms of your market share and yields?

Mr Goh Choon Phong: Like I say, no, the thing about the traffic that we have, on the service that we have, we are seeing that traffic being retained on us.

Ms Karamjit Kaur, The Straits-Times: Okay and do you think that you risk losing your relevance - that question asked - as a long-haul hub carrier? Because you intend to remain flat this year as well.

Mr Goh Choon Phong: So you see, that's why I say there are certain limitations, that is because, it is geography. And hence the need for us to go beyond Singapore. So when India - when Vistara gets its right to operate overseas - and you know the rules currently. And you know that efforts have been looked at by various parties to see if that regulation with the 5-20, could be relaxed. Now once that is done, then Vistara can also spread overseas. And that gives us a new way to tap international traffic long-haul to US, to Europe, etc.

Ms Karamjit Kaur, The Straits-Times: Okay, so just one final clarification question. So when do you plan to retrofit the other 18 of the 777-300ERs?

Mr Goh Choon Phong: Yeah that's part of what I announced. All 19 will be retrofitted.

Ms Karamjit Kaur, The Straits-Times: Okay thank you.

Mr Ng Chin Hwee: Karam, I think just to clarify, you might say - I mean the so-called flat growth rate on the passenger. It's also partly because of the fact that with the introduction of Premium Economy, there is obviously a shrinkage in a number of seats for the aircraft. So it's not like you're not flying more - we're flying more, but the introduction of seats have offset the seat count.

Mr Goh Choon Phong: Yeah there will be increased frequency to the region in all that.

Mr Nicholas Ionides: Okay. We'll stick to the same section, three seats in front. The lady in the red. And then the gentleman in front of her.

Ms Rumi Hardasmalani, TODAY: Hi, my name is Rumi, I'm from TODAY. You did explain and talk about the spread in the region in terms of your positioning, but which other new markets you would be looking at in terms of expansion? And would you be looking at forging more alliances like the ones that you have now?

And my second question is on consolidation. Would you be looking at consolidating the Group's position in subsidiary companies or group affiliates, for instance, increasing your stake in Tiger and - I mean what would be the strategy this year in going ahead in terms of consolidating your position in different Group companies that you have?

Mr Goh Choon Phong: Okay I mean the first question, it's our practice not to announce until we announce it. So the new points, *akan datang*, you will hear, when we announce it. Particularly I think SilkAir as I mentioned earlier.

Then the other point, consolidation, I'm not quite sure what you were really asking in terms of consolidation. Because as I mentioned, we are now looking at how to better harness synergy across the whole Group. And some of - I put out three key areas: operations, backroom support, as well as commercial. So those are going on. And some of that -- I'm not sure whether it's consolidation. Some of the resource sharing will take place in that review.

Mr Nicholas Ionides: Okay. The microphone, if you could bring it down to the gentleman just in front there. Thank you.

Mr K Ajith, UOB Kay Hian: Hi, good morning. Ajith from UOB Kay Hian. Just two quick, related questions on PE, Premium Economy. Do you expect the launch of Premium Economy to be yield accretive? And if so, when?

Second question is if you have a view on the optimal pricing differential between PE and Economy Class. Thanks.

Mr Mak Swee Wah: Certainly we will hope that through optimal pricing we will be yield accretive. But at the end of the day, I think as CEO mentioned, in the business world we need to be nimble. We are going to offer a product which we think is competitive. Which there's a clear market segment that wants it. And I think more details of the product we will keep until the official launch next week. And it'll be sold at the price that hopefully our customers will find hard to refuse. And we will make sure that, you know, we make it a success. Watch for it.

Mr Nicholas Ionides: All right. We have time for one or two more. I have one queued up there, and then we'll go back over there. Second row from the front please. The lady in the dark top.

Ms Kyunghee Park, Bloomberg: Thank you. Hi, Kyunghee from Bloomberg. I wanted to ask a follow-up on NokScoot. You mentioned that you are working hard to resolve that issue. Could you share with us like what steps you are trying to take for the airline to start operating? Because when we last talked to them, they said they may not be able to start operating in May. So could you elaborate and share with us a few more details on that? Thank you.

Mr Goh Choon Phong: I don't think we can comment a lot in detail, but I get Chin Hwee.

Mr Ng Chin Hwee: Okay I think, first of all, I want to make it quite clear, this is an issue that the Thai DGCA is facing with ICAO and naturally, following the report, several other authorities have taken the position that they will not allow for any increase in the flights of carriers coming out of Thailand. We are, unfortunately, very close - we were very close to getting permits from both the Japanese and the Koreans in the flights. But this unfortunate report has held back, obviously, our plans.

Several authorities, as I mentioned, have got different procedures, reactions to a report of such. In Changi airport, for example, we are cleared - we have the permission to operate into Singapore. And indeed NokScoot intends to operate into Singapore in May. So that is the position taken by CAAS. They are obviously, they've done - they have got - they are an equally stringent regime of checking the airworthiness of the airline and they are satisfied that we are, that we satisfy all the requirements for us to operate into Singapore.

At this very point in time, a Chinese delegation from CAAC is also in Bangkok right now, evaluating a total of five carriers. We are in the line-up. And if assuming - and we are quite, we are, obviously, very confident that we'll clear the audit process. And once the go-ahead, approval's, been given, then we will, indeed launch our flights into Nanjing, we should announce. And that, on plan, remains in June. So this is at least for Singapore and China. On our effort to work with Thai authorities, the management team of NokScoot is obviously working very closely with the Thai authorities and giving them whatever support that they require from us, to help them where needed, to get them cleared of this - the findings from ICAO.

This is essentially, in some sense, an issue between the authorities and ICAO. We are there to lend support where we can. And we obviously hope that, you know, the Thai DGCA will get a clean bill of health from the ICAO eventually, whereupon we can then restart, or even continue where we left off in terms of our application to fly to those points that has been announced by the authority, by NokScoot.

Mr Nicholas Ionides: Okay we'll take the last question. To my right side of the room, the lady in the third row from the back please.

Ms Noor Azita, Macquarie Securities: Hi, this is Azita from Macquarie. Just a few questions regarding your portfolio strategy. One is that you've tried to improve cost synergies among all the airlines. How do you avoid cannibalisation between all four? Including the opportunity loss? For instance, like Tigerair cut routes to Perth, while I think Scoot added further on that route.

In relation to that, how did Competition Commission view this, given that that's one less airline for consumers to choose from? And is there any conditions given by the CCS, given that your market share, if you combine all four out of Changi, would be higher than 50%? Thank you.

Mr Goh Choon Phong: I mentioned earlier that I do chair a group to look at how we optimise the portfolio, the airlines within the portfolio. And of course route development and fleet development is part of this discussion. And we optimise it to ensure that it serves the best purpose of the Group.

Now you mentioned Tiger's decision to cease its Perth operation. You might recall that that decision was made before Tiger became a subsidiary, so it is an independent decision, nothing to do with SIA. And therefore, that's nothing to do about consolidation and all that, right?

So the other thing I mentioned is that there is a lot of discussion going on between Tiger and Scoot, because for obvious reasons, the two models fit very well into each other. You know, both the medium and long-haul LCC, as well as the regional LCC, and they can actually do the feeding much like SilkAir and SIA. And that discussion is ongoing. And my understanding is that it's going on very well, and there are projects and timeline being agreed on and they will continue to push. Their basis is that this co-operation will bring about a win-win. And it did. It will. Look at SIA and SilkAir. It is a win-win. So those are things that we'll continue to push for. A synergy that will bring about everybody getting more profit for the Group.

Mr Nicholas Ionides: And that will bring this morning's session to a close. Thank you all for attending.

(ENDS)