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HIGHER OPERATING PROFIT OFFSET BY LOSSES FROM ASSOCIATED COMPANIES AND EXCEPTIONAL ITEMS

GROUP FINANCIAL PERFORMANCE

Third Quarter 2013-14

The Group recorded an operating profit of $151 million in the third quarter of the 2013-14 financial year, $20 million higher (+15.3%) than a year ago.

Group revenue was flat at $3,875 million as higher passenger carriage was offset by weaker yields (down by 2.7%) due to efforts to stimulate demand amid the competitive environment and unfavourable exchange rate movements on major revenue generating currencies.

Group expenditure decreased marginally by $5 million (-0.1%) to $3,724 million, largely owing to lower net fuel cost despite appreciation of the US Dollar, as average jet fuel prices decreased 5.6% year-on-year. This was partially offset by higher staff and non-fuel variable costs which rose in line with the increase in capacity.

Note 1: The SIA Group's unaudited financial results for the third quarter and nine months ended 31 December 2013 were announced on 06 February 2014. A summary of the financial and operating statistics is shown in Annex A. (All monetary figures are in Singapore Dollars. The Company refers to Singapore Airlines, the Parent Airline Company. The Group comprises the Company and its subsidiary, joint venture and associated companies).

Group net profit for the third quarter was $50 million, a decline of $93 million (-65.0%) from the corresponding period a year ago. This was largely due to exceptional items of $80 million [See Note 2 below] and share of losses and one-off items from associated companies, mainly Tiger Airways Holdings Limited ("Tiger Airways") [see Note 3 below].

The one-off items from Tiger Airways arose from impairment in Tigerair Mandala and losses related to assets held for sale in Tigerair Philippines, together $46 million.

Excluding the exceptional items and impairment losses from Tiger Airways, Group net profit would have improved by $33 million or 23.1%.

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

• Parent Airline Company	Operating profit of $130 million ($87 million profit in 2012)
• SIA Engineering	Operating profit of $25 million ($31 million profit in 2012)
• SilkAir	Operating profit of $6 million ($34 million profit in 2012)
• SIA Cargo	Operating profit of $1 million ($29 million loss in 2012)

The operating profit of the Parent Airline Company improved $43 million year-on-year, mainly from a 1.2% reduction in expenditure. Strict cost management helped to keep cost items in check as passenger unit cost decreased by 2.2%.

SilkAir's operating profit in the third quarter of the financial year was $28 million lower as passenger carriage growth lagged behind capacity injection to develop emerging destinations in the region.

SIA Cargo reported an operating profit of $1 million during the seasonal peak in the third quarter, supported by ongoing efforts to better match capacity with demand.

Note 2: SIA Cargo reached a settlement with the plaintiffs in the previously disclosed United States Air Cargo Class Action for an amount of $78 million. The settlement is without admission of any wrongdoing or liability and is subject to the approval of the United States District Court. In addition, in a previously disclosed Swiss air cargo competition law case, the Swiss Competition Commission imposed a fine of $2 million. SIA Cargo will study the grounds of the Commission's decision carefully and subsequently decide whether to appeal the decision to the Swiss Federal Administrative Tribunal. Both the United States Air Cargo Class Action and Swiss air cargo competition law case relate to alleged conduct up to 2006.

Note 3: During the quarter, the Group increased its shareholdings in Tiger Airways following the acquisition of an additional 7.3% interest.

<u>April to December 2013</u>

For the nine months to December 2013, Group operating profit improved $47 million (+17.2%) to $320 million.

Group revenue was up $185 million (+1.6%) to $11,616 million, mainly due to recognition of the settlement pertaining to changes in aircraft delivery slots [see Note 4 below] and growth in passenger carriage. Group expenditure increased largely due to higher staff costs and other variable costs, though at a slower pace of 1.2% (+$138 million) to $11,296 million.

The Group posted a net profit of $332 million for the April-December period, $21 million higher (+6.8%) year-on-year. This is due to an increase in operating profit, non-operating items from sale of aircraft and tax write-backs, partially offset by share of losses from associated companies this year against share of profits from associated companies last year and higher exceptional items [see Note 5 below].

THIRD QUARTER 2013-14 OPERATING PERFORMANCE

The Parent Airline Company carried 4.783 million passengers in the third quarter of the financial year, an increase of 2.1% over the same period in the previous year. Growth in passenger carriage (+0.7% in revenue passenger kilometres) was marginally higher than the expansion in capacity (+0.5% in available seat-kilometres), resulting in a 0.1 percentage point increase in passenger load factor to 79.4%.

SilkAir's passenger carriage grew 5.2%, but it lagged behind capacity growth of 13.1%. Consequently, passenger load factor was 5.3 percentage points lower at 70.0%.

SIA Cargo's load factor declined 1.3 percentage points to 63.5%, as the 3.5% reduction in freight carriage (in load tonne-kilometres) outpaced the 1.6% reduction in cargo capacity (in capacity tonne-kilometres).

<u>Note 4:</u> The settlement agreement was reached in Q1 FY2013-14 and $109 million was recognised for the period April-December 2013, of which $59 million pertains to changes in delivery slots in relation to previous financial years.

<u>Note 5:</u> Exceptional items of $58 million recognised in April-December 2013 pertained mainly to an impairment loss of $293 million on four surplus freighters that have been removed from the operating fleet and marked for sale and a provision of $78 million pertaining to a settlement offer for SIA Cargo with the plaintiffs in the United States air cargo class action. These were partly offset by a gain of $340 million upon completion of the sale of Virgin Atlantic Limited to Delta Air Lines, Inc.. The exceptional items in April-December 2012 pertained to a $20 million provision by SIA Cargo in relation to air cargo civil penalty proceedings in respect of competition law matters in Australia and New Zealand.

FLEET AND ROUTE DEVELOPMENT

During the October-December quarter, the Parent Airline Company took delivery of one A330-300 and decommissioned four A340-500s for sale to Airbus. As at 31 December 2013, the operating fleet of the Parent Airline Company comprised 100 passenger aircraft - 56 B777s, 25 A330-300s and 19 A380-800s, with an average age of 6 years and 8 months.

As at 31 December 2013, SilkAir's operating fleet comprised 24 aircraft – 18 A320-200s and six A319-100s. SilkAir will take delivery of its first two Boeing 737-800 aircraft in February 2014 and March 2014 with a seat configuration of 12 Business Class seats and 150 Economy Class seats. Two A320-200s will leave the fleet during the January-March 2014 period.

Scoot's fleet comprised six B777-200s, while SIA Cargo operated a fleet of nine B747-400 freighters.

With the commencement of the Northern Summer season (30 March 2014 – 25 October 2014), the Parent Airline Company will add a third daily flight to Tokyo's Haneda Airport, increasing the number of daily services to Tokyo to five.

During the quarter, SilkAir commenced services to Yogyakarta, extending the airline's reach to 12 destinations in Indonesia. From the Northern Summer 2014 season, SilkAir plans to operate to two new destinations, Kalibo in the Philippines and Mandalay in Myanmar. Commencement of these services is subject to slots and rights approval from the authorities.

Scoot launched services to Hong Kong and Perth in November 2013 and December 2013, bringing the number of destinations it serves to 13 cities. On 19 December 2013, Scoot and Nok Airlines Public Co Ltd ("Nok Air") announced the signing of a memorandum of understanding to establish a new low-cost airline to be based in Bangkok. The new airline will be named NokScoot and will be based at Don Mueang International Airport. It will operate widebody aircraft on medium and long-haul international routes.

OUTLOOK

The outlook for the air transportation industry continues to be challenging with airlines offering aggressive fares amidst increasing capacity, and fuel prices remaining high by historical standards.

Advance passenger bookings for the fourth quarter are slightly lagging the planned capacity increase due to the shift in Easter holiday travel demand from March last year to April this year. Efforts to stimulate demand to boost loads will continue to place pressure on yields.

Air cargo demand is projected to be relatively flat. However, cargo yields are likely to remain under pressure as the cargo business continues to face overcapacity.

Under these circumstances, the Group will proactively make adjustments to flight schedules and capacity to match market demand. Discipline on costs will be maintained. With strong finances, the Group is well positioned to meet the challenges ahead.

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GROUP FINANCIAL STATISTICS

	3rd Quarter 2013-14	3rd Quarter 2012-13	9 months 2013-14	9 months 2012-13
Financial Results ($ million)				
Total revenue	3,874.6	3,860.4	11,615.5	11,431.4
Total expenditure	3,723.6	3,729.4	11,295.9	11,158.0
Operating profit	151.0	131.0	319.6	273.4
Non-operating items	9.8	78.0	141.2	167.3
Exceptional items [R1]	(79.9)	(19.9)	(58.1)	(19.9)
Profit before taxation	80.9	189.1	402.7	420.8
Profit attributable to owners of the Parent	50.1	142.5	332.5	310.6
Per Share Data				
Earnings per share (cents)				
- Basic [R2]	4.3	12.1	28.3	26.4
- Diluted [R3]	4.2	12.0	28.0	26.2

	As at 31 Dec 2013	As at 31 Mar 2013
Financial Position ($ million)		
Share capital	1,856.1	1,856.1
Treasury shares	(252.1)	(269.8)
Capital reserve	110.5	110.3
Foreign currency translation reserve	(97.6)	(191.8)
Share-based compensation reserve	135.4	151.7
Fair value reserve	83.2	(27.1)
General reserve	11,513.4	11,475.3
Equity attributable to owners of the Parent	13,348.9	13,104.7
Total assets	22,655.3	22,428.1
Total debt	983.8	1,014.1
Total debt equity ratio (times) [R4]	0.07	0.08
Net asset value ($) [R5]	11.34	11.15

[R1] Exceptional items in FY2013-14 pertained to an impairment loss of $293.4 million on four surplus freighters that have been removed from the operating fleet and marked for sale, a settlement offer of $78.3 million reached by SIA Cargo with the plaintiffs in the United States air cargo class action, a loss of $24.0 million pertaining mainly to impairment of Singapore Flying College's property, plant and equipment and a provision of $2.3 million for fine imposed by the Swiss Competition Commission in the Swiss air cargo competition law case. These were offset by a gain of $339.9 million upon completion of the sale of Virgin Atlantic Limited to Delta Air Lines, Inc.
Exceptional items in FY2012-13 pertained to provision for penalties and costs agreed between SIA Cargo and the Australian Competition and Consumer Commission ($15.5 million) and the New Zealand Commerce Commission ($4.4 million). The penalties and costs were recommended by the parties and endorsed by the respective Courts, brining the Commissions' air cargo investigations and proceedings in Australia and New Zealand to a close for SIA Cargo.

[R2] Earnings per share (basic) is computed by dividing profit attributable to owners of the Parent by the weighted average number of ordinary shares in issue less treasury shares.

[R3] Earnings per share (diluted) is computed by dividing profit attributable to owners of the Parent by the weighted average number of ordinary shares in issue less treasury shares, adjusted for the dilutive effect on the exercise of all outstanding share options granted.

[R4] Total debt equity ratio is total debt divided by equity attributable to owners of the Parent.

[R5] Net asset value per share is computed by dividing equity attributable to owners of the Parent by the number of ordinary shares in issue less treasury shares.

OPERATING STATISTICS

	3rd Quarter 2013-14	3rd Quarter 2012-13	9 months 2013-14	9 months 2012-13
SIA				
Passenger carried (thousand)	4,783	4,686	14,168	13,712
Revenue passenger-km (million)	24,003.9	23,828.3	72,465.9	70,761.8
Available seat-km (million)	30,228.3	30,065.0	91,146.7	89,003.1
Passenger load factor (%)	79.4	79.3	79.5	79.5
Passenger yield (cents/pkm)	11.2	11.4	11.1	11.4
Passenger unit cost (cents/ask)	8.9	9.1	9.0	9.1
Passenger breakeven load factor (%)	79.5	79.8	81.1	79.8
SilkAir				
Passenger carried (thousand)	897	864	2,587	2,496
Revenue passenger-km (million)	1,460.6	1,388.7	4,190.6	3,950.7
Available seat-km (million)	2,085.9	1,843.8	6,024.6	5,286.9
Passenger load factor (%)	70.0	75.3	69.6	74.7
Passenger yield (cents/pkm)	13.1	14.6	13.7	14.0
Passenger unit cost (cents/ask)	9.6	9.8	9.7	9.9
Passenger breakeven load factor (%)	73.3	67.1	70.8	70.7
SIA Cargo				
Cargo and mail carried (million kg)	289.3	288.9	846.6	870.9
Cargo load (million tonne-km)	1,647.5	1,708.1	4,897.0	5,175.3
Gross capacity (million tonne-km)	2,594.5	2,636.0	7,837.5	8,166.9
Cargo load factor (%)	63.5	64.8	62.5	63.4
Cargo yield (cents/ltk)	33.4	33.5	32.7	33.6
Cargo unit cost (cents/ctk)	21.7	23.3	21.8	23.3
Cargo breakeven load factor (%)	65.0	69.6	66.7	69.3
SIA, SilkAir and SIA Cargo				
Overall load (million tonne-km)	4,009.0	4,071.0	12,036.7	12,181.3
Overall capacity (million tonne-km)	5,768.3	5,792.9	17,395.8	17,631.8
Overall load factor (%)	69.5	70.3	69.2	69.1
Overall yield (cents/ltk)	85.3	86.0	84.9	85.3
Overall unit cost (cents/ctk)	59.8	60.7	60.4	59.7
Overall breakeven load factor (%)	70.1	70.6	71.1	70.0

GLOSSARY

SIA

Revenue passenger-km	=	Number of passengers carried x distance flown (in km)
Available seat-km	=	Number of available seats x distance flown (in km)
Passenger load factor	=	Revenue passenger-km expressed as a percentage of available seat-km
Passenger yield	=	Passenger revenue from scheduled services divided by revenue passenger-km
Passenger unit cost	=	Operating expenditure (less bellyhold revenue from SIA Cargo) divided by available seat-km
Passenger breakeven load factor	=	Passenger unit cost expressed as a percentage of passenger yield. This is the theoretical load factor at which passenger revenue equates to the operating expenditure (less bellyhold revenue from SIA Cargo)

SilkAir

Revenue passenger-km	=	Number of passengers carried x distance flown (in km)
Available seat-km	=	Number of available seats x distance flown (in km)
Passenger load factor	=	Revenue passenger-km expressed as a percentage of available seat-km
Passenger yield	=	Passenger revenue from scheduled services divided by revenue passenger-km
Passenger unit cost	=	Operating expenditure (less cargo and mail revenue) divided by available seat-km
Passenger breakeven load factor	=	Passenger unit cost expressed as a percentage of passenger yield. This is the theoretical load factor at which passenger revenue equates to the operating expenditure (less cargo and mail revenue)

SIA Cargo

Cargo load	=	Cargo and mail load carried (in tonnes) x distance flown (in km)
Gross capacity	=	Cargo capacity production (in tonnes) x distance flown (in km)
Cargo load factor	=	Cargo and mail load (in tonne-km) expressed as a percentage of gross capacity (in tonne-km)
Cargo yield	=	Cargo and mail revenue from scheduled services divided by cargo load (in tonne-km)
Cargo unit cost	=	Operating expenditure (including bellyhold expenditure to SIA) divided by gross capacity (in tonne-km)
Cargo breakeven load factor	=	Cargo unit cost expressed as a percentage of cargo yield. This is the theoretical load factor at which cargo revenue equates to the operating expenditure (including bellyhold expenditure to SIA)

SIA, SilkAir and SIA Cargo

Overall load	=	Total load carried (in tonnes) x distance flown (in km)
Overall capacity	=	Total capacity production (in tonnes) x distance flown (in km)
Overall load factor	=	Overall load (in tonne-km) expressed as a percentage of overall capacity (in tonne-km)