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THIRD QUARTER OPERATING PROFIT UP 96%

- **Healthy expansion at SilkAir and Scoot**
- **Slide in fuel prices provided cost relief to the Group, in a weak yield environment**

GROUP FINANCIAL PERFORMANCE

Third Quarter Financial Year 2015-16

The Group recorded an operating profit of \$288 million in the October-December 2015 quarter, an improvement of \$141 million or 95.9% year-on-year.

Group revenue, at \$3,941 million, was driven down (\$158 million or 3.9%) by weaker yields from passenger and cargo operations, partially mitigated by higher carriage. Passenger yield declined 4.6% while cargo yield fell 13.5%.

Group expenditure was \$299 million or 7.6% lower at \$3,653 million, largely from a \$354 million reduction in net fuel costs, arising from a 41.1% drop in average jet fuel price (\$534 million), partially offset by the strengthening of the US Dollar against the Singapore Dollar (\$77 million), and hedging loss (\$72 million). 54.6% of the Group's fuel requirement for the quarter had been hedged at a weighted average price of USD96 per barrel. Ex-fuel costs went up \$55 million (2.2%), partly due to capacity expansion at SilkAir and Scoot.

Note 1: The SIA Group's unaudited financial results for the third quarter and nine months ended 31 December 2015 were announced on 4 February 2016. 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).

Third Quarter Net Profit

Group net profit for the quarter was \$275 million, \$72 million or 35.5% higher than in the same period last year.

On top of an improved operating profit, there were higher gains from disposal of aircraft (\$56 million), primarily from SilkAir's sale and leaseback of four 737-800s (\$52 million) and SIA Cargo's disposal of a parked 747-400 freighter (\$10 million). These were partially offset by an absence of exceptional gains (\$56 million) recorded in the third quarter last financial year [see Note 2], higher tax expense (\$41 million), impairment of aircraft (\$9 million) and weaker performance of associated companies (\$7 million).

Third Quarter Operating Results of Main Companies

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

Operating Profit/(Loss)	3rd Quarter FY2015-16 \$ million	3rd Quarter FY2014-15 \$ million
Parent Airline Company	181	87
SIA Engineering	29	24
SilkAir	33	18
SIA Cargo	2	17
Scot	18	(17)
Tiger Airways ³	9	4

The Parent Airline Company earned an operating profit of \$181 million in the third quarter, up \$94 million compared with the same period last year. The decline in total revenue (\$195 million) was more than offset by the reduction in total expenditure (\$289 million), which was largely attributable to a \$295 million drop in net fuel costs. Passenger flown revenue fell \$92 million (3.4%), primarily from a 4.3% contraction in yield, partially offset by higher carriage.

SIA Engineering's operating profit was \$5 million higher compared to last year. Revenue increased \$10 million from its fleet management programme and line maintenance services. Expenditure rose \$5 million, mainly due to higher material and staff costs, partially offset by a reduction in other expenses.

Note 2: Exceptional items in the third quarter of FY2014-15 pertained to a remeasurement gain from the consolidation of Tiger Airways to the Group (\$120 million), partially offset by an impairment loss on SIA Cargo's investment in China Cargo Airlines (\$64 million).

Note 3: Operating results differ from Tiger Airways' Q3FY2015-16 announcement on 22 January 2016, due to the reclassification of a non-operating item to expenditure.

SilkAir earned an operating profit of \$33 million, almost doubling its result a year earlier. In addition to a \$13 million reduction in fuel costs, passenger flown revenue was up \$10 million from higher carriage, albeit at lower yield (3.5%). These were partially offset by higher staff costs, aircraft depreciation and lease rentals (\$9 million) associated with increased capacity.

SIA Cargo recorded a lower operating profit compared to the same quarter last year. Revenue contracted by \$36 million, largely on account of lower yield (13.5%) amidst industry overcapacity and the absence of port disruptions in the US and Manila last year, more than offsetting lower operating costs (\$21 million).

Scoot recorded its best quarterly operating result since commencing operations, reaping benefits from its continued expansion and deployment of a more fuel-efficient 787 fleet. Revenue was boosted (\$32 million) by 37.0% growth in passenger carriage, though yield dipped 6.7% year-on-year. Lower fuel costs (\$10 million) more than offset the increase in other costs that followed its capacity injection.

Tiger Airways' operating profit was \$9 million, a \$5 million improvement compared to the same period last year. Total revenue was up \$3 million, mainly driven by higher lease rental income. Total expenditure fell \$2 million, with fuel cost savings being partly eroded by higher aircraft depreciation and rentals, and maintenance charges.

April to December 2015

For the nine months to December 2015, Group operating profit improved \$210 million (66.0%) to \$528 million. Revenue was \$167 million lower at \$11,519 million, due to weaker cargo and mail revenue, as well as revenue from engineering services, partially mitigated by income earned upon the release of seven A350-900 delivery slots back to Airbus [see Note 4]. Group expenditure fell \$377 million, mainly attributable to lower net fuel costs (\$692 million), partly offset by the increase in other operating costs arising from SilkAir's and Scoot's capacity expansion.

Note 4: The agreement was signed with Airbus in the first quarter of FY2015-16 to release seven production slots for A350-900 aircraft that were originally planned for FY2017-18 and FY2018-19, reducing to 63 the number of A350-900s on firm order, while 20 purchase options remained unchanged.

The operating results of the main companies in the Group for the nine months were as follows:

Operating Profit/(Loss)	9 months FY2015-16 \$ million	9 months ⁵ FY2014-15 \$ million
Parent Airline Company	387	270
SIA Engineering	77	61
SilkAir	59	23
SIA Cargo	(10)	(17)
Scoot	(4)	(61)
Tiger Airways ³	(1)	4

Group net profit was \$580 million, \$252 million higher against the same period last year, predominantly attributable to the higher operating profit. In addition, there were higher dividends received from long-term investments (\$102 million), and an absence of losses from associated companies (\$110 million) with the reclassification of Tiger Airways as a subsidiary, partially offset by higher tax expense (\$89 million), an absence of exceptional gains (\$46 million) [see Note 6], and weaker results from joint venture companies (\$27 million).

THIRD QUARTER 2015-16 OPERATING PERFORMANCE

The Parent Airline Company's passenger carriage (in revenue passenger kilometres) rose year-on-year by 1.0% against a 1.2% reduction in capacity (in available seat-kilometres). As a result, passenger load factor improved 1.7 percentage points to 80.0%.

SilkAir's capacity injection of 9.5% compared with the same quarter in FY2014-15 was not fully absorbed by the market, as passenger carriage grew at a slower pace of 8.5%. Consequently, passenger load factor fell 0.6 percentage points to 71.6%.

Scoot achieved a 37.0% rise in passenger carriage, while its capacity expanded 34.0% over the same period last year. Passenger load factor was 85.0%, 1.9 percentage points higher year-on-year.

Note 5: The nine months FY2014-15 operating results incorporated Tiger Airways' results with effect from October 2015, when Tiger Airways became a subsidiary.

Note 6: Exceptional items in April-December 2014 mainly pertained to a remeasurement gain of \$120 million arising from consolidation of Tiger Airways as a subsidiary, partially offset by SIA Cargo's impairment of its investment in China Cargo Airlines (\$64 million), and the Parent Airline Company's provision for settlement with plaintiff in the Transpacific Class Action (\$11 million).

Tiger Airways' passenger carriage dropped 0.3% while capacity contracted 1.6%, lifting passenger load factor up by 1.1 percentage points to 83.1%.

SIA Cargo's freight carriage (in load tonne-kilometres) increased 8.0% year-on-year, largely in tandem with its 8.2% growth in capacity. Load factor dipped 0.2 percentage points to 64.9%.

FLEET DEVELOPMENT

During the October-December quarter, the Parent Airline Company took delivery of one 777-300ER, which subsequently entered into service in January 2016. One 777-300 and one A330-300 were decommissioned in preparation for lease return. Including the A330-300 and the 777-300ER that were delivered in the second quarter and entered into service in October and November, respectively, the operating fleet of the Parent Airline Company comprised 104 passenger aircraft (55 777s, 30 A330-300s and 19 A380-800s), with an average age of 7 years and 4 months as at 31 December 2015.

SilkAir took delivery of one 737-800 and sold one A319-100 during the quarter. As at 31 December 2015, SilkAir operated 29 aircraft (11 A320-200s, four A319-100s and 14 737-800s), with an average age of 3 years and 9 months.

In the third quarter, Scoot took delivery of two 787-8s and one 787-9. One of the 787-8s subsequently commenced services in January 2016. As at 31 December 2015, Scoot's operating fleet consisted of one 777-200 and nine 787s, including six 787-9s and three 787-8s, with an average age of 2 years and 1 month.

Tiger Airways decommissioned one A320-200 during the quarter. As at 31 December 2015, Tiger Airways operated 23 aircraft (21 A320-200s and two A319-100s), with an average age of 4 years and 8 months.

With the return of one freighter from its lessee upon expiry of the lease term in October 2015, the operating fleet of SIA Cargo has increased from eight to nine 747-400 freighters at the end of December 2015.

ROUTE DEVELOPMENT

For the January-March quarter, the Parent Airline Company will mount supplementary services to various points including Adelaide, Brisbane, Christchurch, Melbourne, Sapporo and Sydney to cater to returning traffic from the year-end holidays as well as Chinese New Year. A sixth daily service to Bangkok will be added with effect from 27 March 2016 to meet growth in travel demand. There will also be an increase in frequency to Colombo (from seven to ten flights per week) and Milan (from five to six flights per week) as part of the Northern Summer schedule (27 March 2016 – 29 October 2016).

Scot commenced daily services to Guangzhou on 16 January 2016, replacing one of Tiger Airways' twice daily flights with the 787 Dreamliner service. The two airlines jointly operate two daily services to the city.

Tiger Airways re-instated weekly services to Lijiang on 11 November 2015 and commenced three-times-weekly services to Lucknow on 3 December 2015. Frequency increased on Ipoh, Phuket and Taipei services for the remainder of the Northern Winter period (25 October 2015 – 26 March 2016).

SIA Cargo plans for ad-hoc services to be mounted to the Americas, Europe, South West Pacific and North Asia in March 2016 to cater to seasonally higher demand.

SUBSEQUENT EVENT

The Company announced on 6 November 2015 a Voluntary Conditional General Offer (the "Offer") for the shares in Tiger Airways that Singapore Airlines (SIA) does not already own for a consideration comprising SGD0.41 per Tiger Airways' share (the "Offer Price") and options to subscribe for SIA shares, conditional upon SIA owning more than 90% of Tiger Airways by the close of the Offer. On 4 January 2016, the Offer Price was revised to SGD0.45 per share (the "Final Offer Price"). On 11 January 2016, the Company announced the waiver of the acceptance condition, and declared the Offer unconditional. Shareholders who accept the Offer would be paid the Final Offer Price of SGD0.45 per share, and issued a letter of grant in relation to the options to subscribe for SIA shares, within ten days of their valid acceptances being received. The closing date for the Offer is 5 February 2016 at 5:30 p.m. (or such later date as may be announced from time to time by or on behalf of SIA).

OUTLOOK

The challenging operating environment is expected to persist, with travel demand remaining volatile, affected by economic forces and external events. On the competitive front, expansion of other full-service airlines as well as low-cost carriers, particularly in Southeast Asia, will continue to exert pressure on loads and yields. Supported by promotional activities, advance passenger bookings for the January-March quarter are positively tracking seat capacity.

The outlook for air cargo is cautious amid the prevailing industry overcapacity and tepid demand growth. SIA Cargo will continue to manage capacity to better match demand, and pursue higher-yielding product segments.

While more relief could arise from lower fuel prices, which have declined to a 12-year low, fuel continues to make up a significant portion of the Group's expenditure, with 46.6% of the Group's fuel requirement in the fourth quarter hedged at a weighted average price of USD90 per barrel [see Note 7].

The Group will remain vigilant in adapting to market changes, drawing on the complementary strengths of the carriers in its portfolio and extensive partnerships with other airlines. With a strong balance sheet and its many strategic initiatives, the Group is well positioned to confront the challenges ahead.

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A STAR ALLIANCE MEMBER 

Note 7: The Group hedging position excludes Tiger Airways, which separately announced its fuel hedging position on 22 January 2016. Please refer to Tiger Airways' website for the relevant presentation slides.

GROUP FINANCIAL STATISTICS

	3rd Quarter 2015-16	3rd Quarter 2014-15	9 months 2015-16	9 months 2014-15
Financial Results (\$ million)				
Total revenue	3,941.0	4,098.5	11,519.1	11,685.8
Total expenditure	3,653.0	3,952.2	10,991.1	11,368.3
Operating profit	288.0	146.3	528.0	317.5
Non-operating items	74.9	37.3	201.2	22.7
Exceptional items ^{R1}	-	56.2	-	46.1
Profit before taxation	362.9	239.8	729.2	386.3
Profit attributable to owners of the Parent	274.9	202.6	579.7	328.3

Per Share Data

Earnings per share (cents)

- Basic ^{R2}	23.6	17.3	49.7	28.0
- Diluted ^{R3}	23.5	17.2	49.5	27.8

	As at 31 Dec 2015	As at 31 Mar 2015
Financial Position (\$ million)		
Share capital	1,856.1	1,856.1
Treasury shares	(385.1)	(326.3)
Capital reserve	212.8	215.9
Foreign currency translation reserve	(144.8)	(135.7)
Share-based compensation reserve	105.3	113.2
Fair value reserve	(593.4)	(706.2)
General reserve	11,715.8	11,446.6
Equity attributable to owners of the Parent	12,766.7	12,463.6
Total assets	23,863.5	23,921.2
Total debt	1,376.4	1,739.5
Total debt : equity ratio (times) ^{R4}	0.11	0.14
Net asset value (\$) ^{R5}	10.97	10.66

^{R1} Exceptional items in April-December 2014 mainly pertained to a remeasurement gain of \$120 million arising from consolidation of Tiger Airways as a subsidiary, partially offset by SIA Cargo's impairment of its investment in China Cargo Airlines (\$64 million), and the Parent Airline Company's provision for settlement with plaintiff in the Transpacific Class Action (\$11 million).

^{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 2015-16	3rd Quarter 2014-15	9 months 2015-16	9 months 2014-15
<u>SIA</u>				
Passengers carried (thousand)	4,830	4,746	14,379	14,283
Revenue passenger-km (million)	23,788.5	23,549.7	71,479.0	72,065.3
Available seat-km (million)	29,738.0	30,084.9	89,340.4	90,910.1
Passenger load factor (%)	80.0	78.3	80.0	79.3
Passenger yield (cents/pkm)	11.0	11.5	10.7	11.1
Passenger unit cost (cents/ask)	8.5	9.1	8.6	8.9
Passenger breakeven load factor (%)	77.3	79.1	80.4	80.2
<u>SilkAir</u>				
Passengers carried (thousand)	996	945	2,862	2,670
Revenue passenger-km (million)	1,706.2	1,572.3	4,865.6	4,417.2
Available seat-km (million)	2,384.5	2,177.7	6,814.1	6,260.2
Passenger load factor (%)	71.6	72.2	71.4	70.6
Passenger yield (cents/pkm)	13.6	14.1	13.4	13.6
Passenger unit cost (cents/ask)	8.7	9.7	9.1	9.7
Passenger breakeven load factor (%)	64.0	68.8	67.9	71.3
<u>Scoot</u>				
Passengers carried (thousand)	635	480	1,689	1,394
Revenue passenger-km (million)	2,327.5	1,698.7	6,056.0	4,967.4
Available seat-km (million)	2,739.3	2,043.6	7,228.5	6,122.8
Passenger load factor (%)	85.0	83.1	83.8	81.1
Revenue per revenue seat-km (cents/pkm)	5.6	6.0	5.4	5.5
Cost per available seat-km (cents/ask)	4.5	6.0	4.9	5.7
Breakeven load factor (%)	80.4	100.0	90.7	103.6
<u>Tiger Airways</u>				
Passengers carried (thousand)	1,306	1,291	3,874	3,944
Revenue passenger-km (million)	2,439.8	2,446.8	7,217.4	7,419.4
Available seat-km (million)	2,936.8	2,983.5	8,636.6	8,929.1
Passenger load factor (%)	83.1	82.0	83.6	83.1
Revenue per revenue seat-km (cents/pkm)	7.3	7.4	6.9	6.6
Cost per available seat-km (cents/ask)	5.8	5.9	5.8	6.0
Breakeven load factor (%)	79.5	79.7	84.1	90.9
<u>SIA Cargo</u>				
Cargo and mail carried (million kg)	312.5	291.9	877.1	847.5
Cargo load (million tonne-km)	1,762.5	1,632.7	4,902.5	4,770.7
Gross capacity (million tonne-km)	2,714.4	2,509.6	7,889.0	7,553.3
Cargo load factor (%)	64.9	65.1	62.1	63.2
Cargo yield (cents/ltk)	28.8	33.3	29.7	33.1
Cargo unit cost (cents/ctk)	19.0	21.5	19.2	21.5
Cargo breakeven load factor (%)	66.0	64.6	64.6	65.0
<u>Group Airlines (Passenger)</u>				
Passengers carried (thousand)	7,767	7,462	22,804	22,291
Revenue passenger-km (million)	30,262.0	29,267.5	89,618.0	88,869.3
Available seat-km (million)	37,798.6	37,289.7	112,019.6	112,222.2
Passenger load factor (%)	80.1	78.5	80.0	79.2

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)

Scoot

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
Revenue per revenue seat-km	=	Passenger revenue from scheduled services divided by revenue passenger-km
Cost per available seat-km	=	Operating expenditure divided by available seat-km
Passenger breakeven load factor	=	Cost per available seat-km expressed as a percentage of revenue per revenue seat-km. This is the theoretical load factor at which passenger revenue equates to the operating expenditure

Tiger Airways

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
Revenue per revenue seat-km	=	Passenger revenue from scheduled services divided by revenue passenger-km
Cost per available seat-km	=	Operating expenditure divided by available seat-km
Passenger breakeven load factor	=	Cost per available seat-km expressed as a percentage of revenue per revenue seat-km. This is the theoretical load factor at which passenger revenue equates to the operating expenditure

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)

*Group Airlines**(Passenger)*

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