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FIRST QUARTER NET PROFIT UP 56% ON HIGHER NON-OPERATING ITEMS

GROUP FINANCIAL PERFORMANCE

First Quarter 2013-14

The Group earned a net profit of \$122 million (+\$44 million, or +56%) in the first quarter of the 2013-14 financial year.

The improvement was mainly due to gains from the sale of aircraft and exceptional items, including a net gain of \$336 million from the sale of the Company's stake in Virgin Atlantic Limited to Delta Air Lines, Inc. However a restructuring impairment cost of \$293 million was booked on four surplus SIA Cargo freighter aircraft that have been removed from the operating fleet and marked for sale.

Group revenue increased \$63 million (+1.7%) to \$3,840 million, mainly due to \$75 million recognised during the quarter from settlement pertaining to changes in aircraft delivery slots [Note 2]. Passenger revenue excluding the settlement improved marginally over the same quarter last year on the back of 1.8% growth in passenger carriage, partially offset by weaker yields. Intense competition and unfavourable foreign exchange movements for revenue-generating currencies against the Singapore dollar pushed yields down by 2.6%. Cargo revenue was affected by lower loads (-5.3%) and yields (-5.5%) with overcapacity in the market as well as the weak global economic situation.

Note 1: The SIA Group's unaudited financial results for the first quarter ended 30 June 2013 were announced on 25 July 2013. 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).

Note 2: The settlement agreement was reached during the quarter, of which \$59 million pertains to changes in delivery schedules in relation to previous financial years.

Notwithstanding lower net fuel costs from the temporary relief in fuel prices during the quarter, Group expenditure rose by \$53 million (+1.4%) over the same period last year, largely due to higher staff and non-fuel variable costs, in tandem with the increase in capacity.

Consequently, Group operating profit for the first quarter was \$82 million, an increase of \$10 million (+14%) over the same quarter last year.

The operating results of the main companies in the Group for the first quarter are as follows:

- Parent Airline Company Operating profit of \$89 million (\$85 million profit in 2012)
- SIA Engineering Operating profit of \$28 million (\$34 million profit in 2012)
- SilkAir Operating profit of \$14 million (\$18 million profit in 2012)
- SIA Cargo Operating loss of \$40 million (\$49 million loss in 2012)

FIRST QUARTER 2013-14 OPERATING PERFORMANCE

The Parent Airline Company's passenger carriage (in revenue passenger kilometres) increased 1.6% in the first quarter of the 2013-14 financial year. However, this lagged behind capacity expansion (in available seat-kilometres) of 3.5%, resulting in a 1.5 percentage-point drop in passenger load factor to 78.0%.

SilkAir's capacity expanded by 16.6% but passenger carriage grew at a slower 6.2%. Consequently, passenger load factor fell 6.8 percentage points to 69.6%.

SIA Cargo's load factor of 62.5% was marginally lower year-on-year as carriage (in load tonne-kilometres) fell 5.3%, more than the 4.8% reduction in cargo capacity (in capacity tonne-kilometres).

FLEET AND ROUTE DEVELOPMENT

The Parent Airline Company took delivery of two A330-300s and decommissioned one B777-200 during the April-June quarter. As at 30 June 2013, the fleet comprised 102 passenger aircraft - 56 B777s, 22 A330-300s, 19 A380-800s and five A340-500s, with an average age of 6 years and 9 months.

SilkAir took delivery of one A320-200 aircraft during the quarter, and as at 30 June 2013 its operating fleet comprised 23 aircraft – 17 A320-200s and six A319-100s. SilkAir launched an additional weekly flight to Chengdu on 5 July 2013 and will introduce six more weekly flights to Medan, resulting in three times daily services by the end of Northern Summer 2013. Regulatory approvals have also been obtained to operate three times weekly flights to Semarang and Makassar from 29 July 2013 and 1 August 2013, respectively. In addition, SilkAir will mount additional flights to Palembang from 14 October 2013.

Scot took delivery of one B777-200 during the quarter, bringing its total fleet to five B777-200s as at 30 June 2013. Seoul and Nanjing were introduced to its network on 29 May 2013 and 3 June 2013, respectively.

Having removed a total of four freighters, SIA Cargo operated nine B747-400 freighters as at 30 June 2013.

From 1 July 2013, the Parent Airline Company introduced an additional service to Melbourne, while frequency to Adelaide was increased from 10 to 12 flights per week. Jakarta and Denpasar (Bali) will each be boosted with an additional daily flight from 26 July 2013, increasing frequency to nine and four daily flights, respectively. In addition, the Parent Airline Company will take over one of the two daily SilkAir flights to Surabaya.

OUTLOOK

The Group's operating environment continues to be impacted by the uncertain global economic climate and high fuel prices.

Forward passenger bookings for the next few months are expected to be higher against the same period last year and in line with the planned increase in passenger capacity. However, yields are expected to be weaker as a result of the intense competitive environment. On the cargo front, demand is expected to remain depressed, in turn placing pressure on loads and yields.

In this challenging operating environment, the Group will continue to monitor demand trends closely and make appropriate adjustments to flight schedules and capacity, alongside a continued focus on cost discipline.

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A STAR ALLIANCE MEMBER



GROUP FINANCIAL STATISTICS

	1st Quarter 2013-14	1st Quarter 2012-13
Financial Results (\$ million)		
Total revenue	3,840.2	3,777.4
Total expenditure	3,758.5	3,705.4
Operating profit	81.7	72.0
Non-operating items	52.4	43.8
Exceptional items ^{R1}	18.4	-
Profit before taxation	152.5	115.8
Profit attributable to owners of the Parent	121.8	78.0
Earnings per share (cents)		
- Basic ^{R2}	10.4	6.6
- Diluted ^{R3}	10.3	6.6
	As at 30 Jun 2013	As at 31 Mar 2013
Financial Position (\$ million)		
Share capital	1,856.1	1,856.1
Treasury shares	(257.4)	(269.8)
Capital reserve	109.8	110.3
Foreign currency translation reserve	(102.3)	(191.8)
Share-based compensation reserve	144.2	151.7
Fair value reserve	(59.2)	(27.1)
General reserve	11,610.1	11,475.3
Equity attributable to owners of the Parent	13,301.3	13,104.7
Total assets	22,965.8	22,428.1
Total debt	1,009.3	1,014.1
Total debt equity ratio (times) ^{R4}	0.08	0.08
Net asset value (\$) ^{R5}	11.30	11.15

^{R1} Exceptional items in FY2013-14 pertained to a gain of \$335.8 million upon completion of the sale of Virgin Atlantic Limited to Delta Air Lines, Inc, an impairment loss of \$293.4 million on four surplus freighters that have been removed from the operating fleet and marked for sale and a loss of \$24.0 million pertaining mainly to impairment of Singapore Flying College's property, plant and equipment.

^{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

	1st Quarter 2013-14	1st Quarter 2012-13
<u>SIA</u>		
Passenger carried (thousand)	4,572	4,499
Revenue passenger-km (million)	23,397.6	23,038.9
Available seat-km (million)	30,008.7	28,986.6
Passenger load factor (%)	78.0	79.5
Passenger yield (cents/pkm)	11.1	11.4
Passenger unit cost (cents/ask)	9.1	9.2
Passenger breakeven load factor (%)	82.0	80.7
<u>SilkAir</u>		
Passenger carried (thousand)	864	830
Revenue passenger-km (million)	1,374.0	1,293.3
Available seat-km (million)	1,973.7	1,693.1
Passenger load factor (%)	69.6	76.4
Passenger yield (cents/pkm)	14.1	13.6
Passenger unit cost (cents/ask)	9.8	10.2
Passenger breakeven load factor (%)	69.5	75.0
<u>SIA Cargo</u>		
Cargo and mail carried (million kg)	277.5	288.7
Cargo load (million tonne-km)	1,619.3	1,710.7
Gross capacity (million tonne-km)	2,592.1	2,722.0
Cargo load factor (%)	62.5	62.8
Cargo yield (cents/ltk)	32.7	34.6
Cargo unit cost (cents/ctk)	22.5	23.8
Cargo breakeven load factor (%)	68.8	68.8
<u>SIA, SilkAir and SIA Cargo</u>		
Overall load (million tonne-km)	3,949.8	3,999.8
Overall capacity (million tonne-km)	5,742.0	5,845.2
Overall load factor (%)	68.8	68.4
Overall yield (cents/ltk)	84.3	85.1
Overall unit cost (cents/ctk)	60.9	59.5
Overall breakeven load factor (%)	72.2	69.9

GLOSSARYSIA

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)