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FIRST QUARTER OPERATING PROFIT $39 MILLION

- **Weak revenue environment continues**
- **Strict cost and capacity discipline**
- **Net profit affected by equity accounting of Tiger Airways' loss**

GROUP FINANCIAL PERFORMANCE

First Quarter 2014-15

The Group earned an operating profit of $39 million in the first quarter of the 2014-15 financial year, $43 million (-52.4%) lower than last year.

Group revenue fell $158 million (-4.1%) to $3,682 million. Passenger revenue declined year-on-year on the back of weaker yields amid intense competition, and unforeseen events that depressed travel demand in some key Asian markets. In addition, other revenue fell in comparison with the first quarter of FY2013-14, when compensation (for changes in aircraft delivery schedules) in relation to prior financial years was recognised [see Note 2 below]. SIA Cargo recorded lower revenue, notwithstanding a 0.9% improvement in yield, as the airfreight market continued to be affected by excess capacity.

Group expenditure declined $115 million (-3.1%) to $3,643 million, as fuel and non-fuel costs dipped $68 million and $47 million, respectively. Before hedging, fuel costs rose by $9 million, which was more than offset by a $77 million improvement in hedging result.

Note 1: The SIA Group's unaudited financial results for the first quarter ended 30 June 2014 were announced on 30 July 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).

Note 2: The settlement agreement was reached in Q1 FY2013-14 and $75 million was recognised in that same quarter, of which $59 million pertained to changes in aircraft delivery schedules in relation to previous financial years.

The Group revised the estimated useful lives of certain aircraft types to better reflect their economic useful lives with effect from 1 April 2014. The changes are in line with industry standards, and resulted in a reduction in depreciation expense of approximately $14 million for the current quarter.

After non-operating and exceptional items, Group net profit was $35 million, down $87 million (-71.3%) over the same period last year.

In addition to the weaker operating performance, results from associated and joint venture companies (-$27 million) also contributed to the decline in net profit. Share of losses of associated companies increased by $16 million from last year, of which $14 million was attributed to Tiger Airways Holdings Limited. The share of profits of joint venture companies reduced by $11 million, mainly contributed by weaker performance from the engine repair and overhaul centres. Exceptional items were also lower by $18 million [see Note 3 below].

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

Operating Profit/(Loss)	1st Quarter FY2014-15 $ million	1st Quarter FY2013-14 $ million
Parent Airline Company	45	89
SIA Engineering	21	28
SilkAir	2	14
SIA Cargo	(18)	(40)

The Parent Airline Company's operating performance deteriorated by $44 million (-49.4%) as a $151 million revenue decline was partially offset by a $107 million reduction in expenditure. Revenue declined as yield fell by 1.8%, partially mitigated by a 0.4% increase in passenger carriage. With lower fuel costs after hedging and strict cost discipline, unit cost declined by 4.4% year-on-year.

SIA Engineering's operating profit was lower by $7 million (-25.0%) as growth in revenue was insufficient to cover the increase in expenditure.

SilkAir's operating profit declined $12 million (-85.7%) due to lower revenue stemming from weaker yields, coupled with higher operating expenses from capacity injection.

SIA Cargo's operating performance improved by $22 million (+55.0%), as a result of ongoing efforts to better match capacity with demand.

Note 3: Exceptional items in Q1 FY2014-15 pertained to an additional gain on the sale of Virgin Atlantic Limited (VAL) to Delta Air Lines, Inc ($7 million), offset by a $7 million additional impairment loss on SIA Cargo's surplus freighters. Exceptional items in Q1 FY2013-14 pertained to a gain of $335.8 million upon completion of the sale of VAL to Delta Air Lines, 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.

FIRST QUARTER 2014-15 OPERATING PERFORMANCE

The Parent Airline Company's passenger carriage (in revenue passenger kilometres) rose marginally by 0.4% on the back of a 0.8% increase in capacity (in available seat-kilometres). As a result, passenger load factor decreased 0.3 percentage point to 77.7%.

SilkAir's passenger carriage increased 2.6% year-on-year against a 2.8% growth in capacity. Consequently, passenger load factor was almost flat at 69.5%.

SIA Cargo's load factor was marginally lower by 0.1 percentage point to 62.4% as carriage (in load tonne-kilometres) fell 3.5% on the back of a 3.4% capacity reduction.

FLEET AND ROUTE DEVELOPMENT

During the April-June quarter, the Parent Airline Company took delivery of one Airbus A330-300 and removed one Boeing 777-200 in preparation for lease. As at 30 June 2014, the operating fleet of the Parent Airline Company comprised 103 passenger aircraft - 57 Boeing 777s, 27 A330-300s and 19 A380-800s, with an average age of 6 years and 11 months.

SilkAir took delivery of two Boeing 737-800 aircraft during the quarter and, as at 30 June 2014, its operating fleet comprised 26 aircraft – 16 Airbus A320-200s, six A319-100s and four 737-800s. During the April-June quarter, SilkAir launched services to Kalibo, Mandalay and Hangzhou, expanding its network to 48 destinations across 12 countries.

As at 30 June 2014, there was no change to Scoot's fleet, which comprised six 777-200s. SIA Cargo operated a fleet of eight Boeing 747-400s after returning one freighter on expiry of its lease in May 2014.

The Parent Airline Company will continue to make adjustments to selected markets across the network during the Northern Summer season. A380 services to Shanghai were increased from five times weekly to daily, and Beijing will be served by daily A380 services from 1 August 2014. Singapore Airlines became the first airline to operate the A380 to India with the introduction of daily A380 flights to Mumbai and New Delhi from 31 May 2014. Athens will be served two times weekly between 9 June 2014 and 9 October 2014 to cater to peak summer demand in Europe.

OUTLOOK

The outlook for the air transportation industry has become more challenging with continuing uncertain global economic climate, geo-political concerns in the region and elevated fuel prices.

Load factors in the current quarter are expected to be stable year on year. Aggressive fares and capacity injections from competitors will continue to place pressure on yields.

Overcapacity in the market will continue to impact the cargo business, notwithstanding a slow recovery in airfreight demand. SIA Cargo is targeting specific product segments and traffic lanes to boost performance.

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

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GROUP FINANCIAL STATISTICS

	1st Quarter 2014-15	1st Quarter 2013-14
Financial Results ($ million)		
Total revenue	3,682.2	3,840.2
Total expenditure	3642.7	3,758.5
Operating profit	39.5	81.7
Non-operating items	20.7	50.0
Exceptional items [R1]	0.3	18.4
Profit before taxation	60.5	150.1
Profit attributable to owners of the Parent	34.8	121.8
Per Share Data		
Basic Earnings per share (cents) [R2]	3.0	10.4
Diluted Earnings per share (cents) [R3]	2.9	10.3

	As at 30 Jun 2014	As at 31 Mar 2014
Financial Position ($ million)		
Share capital	1,856.1	1,856.1
Treasury shares	(267.1)	(262.2)
Capital reserve	121.7	123.7
Foreign currency translation reserve	(105.8)	(101.5)
Share-based compensation reserve	124.4	134.5
Fair value reserve	112.6	(40.4)
General reserve	11,573.9	11,527.0
Equity attributable to owners of the Parent	13,415.8	13,237.2
Total assets	23,420.1	22,642.5
Total debt	1,454.1	965.0
Total debt equity ratio (times) [R4]	0.11	0.07
Net asset value ($) [R5]	11.41	11.26

[R1] Exceptional items in Q1 FY2014-15 pertained to an additional gain on the sale of Virgin Atlantic Limited (VAL) to Delta Air Lines, Inc ($7 million), offset by a $7 million additional impairment loss on SIA Cargo's surplus freighters. Exceptional items in Q1 FY2013-14 pertained to a gain of $335.8 million upon completion of the sale of VAL to Delta Air Lines, 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 2014-15	1st Quarter 2013-14
SIA		
Passenger carried (thousand)	4,652	4,572
Revenue passenger-km (million)	23,499.4	23,397.6
Available seat-km (million)	30,263.2	30,008.7
Passenger load factor (%)	77.7	78.0
Passenger yield (cents/pkm)	10.9	11.1
Passenger unit cost (cents/ask)	8.7	9.1
Passenger breakeven load factor (%)	79.8	82.0
SilkAir		
Passenger carried (thousand)	870	864
Revenue passenger-km (million)	1,409.2	1,374.0
Available seat-km (million)	2,028.5	1,973.7
Passenger load factor (%)	69.5	69.6
Passenger yield (cents/pkm)	13.3	14.1
Passenger unit cost (cents/ask)	9.7	9.8
Passenger breakeven load factor (%)	72.9	69.5
SIA Cargo		
Cargo and mail carried (million kg)	278.5	277.5
Cargo load (million tonne-km)	1,562.4	1,619.3
Gross capacity (million tonne-km)	2,502.8	2,592.1
Cargo load factor (%)	62.4	62.5
Cargo yield (cents/ltk)	33.0	32.7
Cargo unit cost (cents/ctk)	21.6	22.5
Cargo breakeven load factor (%)	65.5	68.8
SIA, SilkAir and SIA Cargo		
Overall load (million tonne-km)	3,879.0	3,949.8
Overall capacity (million tonne-km)	5,669.2	5,742.0
Overall load factor (%)	68.4	68.8
Overall yield (cents/ltk)	84.2	84.3
Overall unit cost (cents/ctk)	59.4	60.9
Overall breakeven load factor (%)	70.5	72.2

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)

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)