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FIRST QUARTER OPERATING PROFIT IMPROVED BUT MARKET CONDITIONS REMAIN CHALLENGING

- Yield declined this quarter in line with global trends which are expected to persist
- Savings in fuel price offset by hedging loss and USD strength
- Equipment transactions contributed significantly to operating profit

GROUP FINANCIAL PERFORMANCE

The Group earned an operating profit of \$111 million in the April-June 2015 quarter. This was \$72 million higher than last year.

First Quarter Operating Results Excluding Tiger Airways

Group revenue declined \$117 million (-3.2%) to \$3,565 million. Lower passenger flown revenue (-\$126 million or -4.4%) was recorded, as passenger yields were eroded by significant capacity injection and aggressive fares from competitors, particularly on Americas and Europe routes. Cargo revenue also declined over last year (-\$37 million or -7.2%), notwithstanding a slight increase in freight carriage, due to a 7.6% fall in yield. Engineering services revenue fell (-\$32 million) on the back of reduced overhaul activities. On the other hand, other revenue increased, including income earned upon the release of seven aircraft delivery slots originally planned for delivery in the next few financial years [see Note 2].

Note 1: The SIA Group's unaudited financial results for the first quarter ended 30 June 2015 were announced on 29 July 2015. 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 released slots pertain to aircraft deliveries in FY2017-18 to FY2018-19. For more details see page 4.

Group expenditure fell \$189 million (-5.2%) to \$3,454 million, with the bulk of the savings coming from net fuel cost (-\$182 million or -13.3%). Before hedging, fuel cost decreased \$468 million (-33.3%), with average jet fuel price down 37.4% from one year ago, with some of the benefits eroded due to the strengthening of the US Dollar against the Singapore Dollar. The swing in hedging loss was \$286 million, as 58.5% of the Group's fuel requirement was hedged at a weighted average price of USD110 per barrel in the quarter. Ex-fuel costs were almost flat year-on-year.

SIA GROUP	FIRST QUARTER		
	Apr-Jun 2015	Ex-Tiger ³	
		Apr-Jun 2015	Apr-Jun 2014
	\$ million	\$ million	\$ million
Total revenue	3,733	3,565	3,682
Fuel cost	1,253	1,191	1,373
Ex-fuel cost	2,369	2,263	2,270
Total expenditure	3,622	3,454	3,643
OPERATING PROFIT	111	111	39

First Quarter Net Profit

There was a reduction in share of losses of associated companies (+\$12 million), mainly as a result of the losses recorded by Tiger Airways last year when it was an associate of the Group, partially offset by losses from Vistara and Virgin Australia in this financial year [See note 4]. The impact was negated by weaker share of results from joint venture companies (-\$17 million), attributable to losses incurred by NokScoot [See note 4] and weaker performance by SIA Engineering's joint ventures. The absence of gains from disposal of aircraft that was recorded last year accounted for a \$10 million decline. After non-operating items, Group net profit improved \$56 million year-on-year to \$91 million.

Note 3: Ex-Tiger refers to Group results excluding Tiger Airways, which was consolidated with effect from October 2014. This set of figures is presented to facilitate a meaningful year-on-year comparison of results, as the results for Tiger Airways would not be included as part of SIA Group in the first quarter of FY2014-15.

Note 4: Equity accounting for Vistara, Virgin Australia and NokScoot commenced in July 2014.

First Quarter Operating Results of Main Companies

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

Operating Profit/(Loss)	1st Quarter FY2015-16 \$ million	1st Quarter FY2014-15 \$ million
Parent Airline Company	108	45
SIA Engineering	21	21
SilkAir	5	2
SIA Cargo	(9)	(18)
Scout	(20)	(25)

Operating profit for the Parent Airline Company was \$63 million higher compared to the same quarter last year. Revenue declined \$99 million, mainly due to a \$154 million reduction in passenger revenue stemming from a 4.2% drop in passenger carriage and a 1.8% fall in passenger yield. Other revenue increased, largely from income earned upon the release of seven aircraft delivery slots. Expenditure was down \$162 million, with \$155 million savings coming from reduction in net fuel costs.

SIA Engineering's operating profit was flat year-on-year. Revenue fell \$16 million, mainly from lower component and overhaul revenue. This was negated by a \$16 million reduction in expenditure, largely due to lower staff costs and subcontract costs.

SilkAir recorded a \$3 million improvement in operating profit. Total revenue increased \$14 million (+6.6%). Passenger revenue was boosted (+\$18 million or +9.6%) by an 8.2% increase in passenger carriage as a result of network expansion, and a 0.8% increase in passenger yield. Expenditure rose \$11 million, mainly attributable to higher leasing costs with more 737-800s on lease.

SIA Cargo halved its operating loss compared to last year. Lower revenue stemming from a 7.6% reduction in cargo yield was more than offset by the fall in expenditure, mainly from lower fuel costs.

Scout recorded an operating loss of \$20 million in the quarter, an improvement of \$5 million over last year. Growth in traffic outstripped the capacity expansion, while yield remained flat. Unit cost fell 7.0%, benefitting from lower fuel costs, and partly from the deployment of the more efficient 787s in the quarter.

Tiger Airways, which became a subsidiary of the Group in October 2014, broke even during the quarter.

FIRST QUARTER 2015-16 OPERATING PERFORMANCE

The Parent Airline Company's passenger carriage (in revenue passenger kilometres) fell 4.2%, on the back of a 2.5% decline in capacity (in available seat-kilometres) during the first quarter of the financial year. Consequently, passenger load factor decreased 1.4 percentage points to 76.3%.

SilkAir recorded 8.2% growth in passenger carriage, outpacing 7.2% capacity expansion. This resulted in a passenger load factor of 70.1%, 0.6 percentage points higher than last year.

Scout's passenger load factor increased 2.9 percentage points to 81.4% as passenger carriage grew by 11.0%, outstripping the 6.9% capacity injection.

Tiger Airways' passenger carriage declined 8.5%, against a 7.2% reduction in capacity. Passenger load factor fell 1.2 percentage points to 83.5%.

SIA Cargo's freight carriage (in load tonne-kilometres) was marginally higher by 0.4%, albeit lagging the 2.6% increase in capacity. Load factor fell 1.3 percentage points to 61.1%.

FLEET AND ROUTE DEVELOPMENT

During the April-June quarter, the Parent Airline Company took delivery of one A330-300 and decommissioned two 777-200s in preparation for lease return. In addition, one A330-300 that was delivered in March entered into service. As at 30 June 2015, the operating fleet of the Parent Airline Company comprised 105 passenger aircraft - 55 777s, 31 A330-300s and 19 A380-800s, with an average age of 7 years and 1 month.

Following a request by Airbus, SIA signed an agreement with the manufacturer during the quarter to release seven production slots for A350-900 aircraft, reducing to 63 the number of A350-900s on firm order, while 20 purchase options remain unchanged. It will not materially affect SIA's fleet renewal or growth plans, as adjustments have been made to bring forward deliveries of other A350-900 aircraft on order. SIA also has lease extension options on some of the A330-300s already in service.

SilkAir took delivery of two 737-800s and decommissioned one A320-200 in preparation for sale during the quarter. As at 30 June 2015, SilkAir operated 28 aircraft - 12 A320-200s, five A319-100s and 11 737-800s. Services to Cairns commenced on 30 May 2015.

In the first quarter, Scoot took delivery of three 787-9s and decommissioned two 777-200s in preparation for sale. As at 30 June 2015, Scoot's operating fleet consisted of two 777-200s and four 787-9s. The fifth 787-9 entered into service on 8 July 2015.

Tiger Airways subleased one A320-200 to Tigerair Taiwan and returned one surplus A319-100 to the operating fleet during the quarter. As at 30 June 2015, Tiger Airways operated 24 aircraft – 23 A320-200s and one A319-100. Operations to Ipoh commenced on 29 May 2015.

The size of SIA Cargo's fleet, comprising eight 747-400 freighters, remained unchanged in the first quarter.

For the Northern Summer 2015 operating season (29 March 2015 – 24 October 2015), the Parent Airline Company will mount various supplementary services to Europe, including Rome, Milan and Athens, to cater to the increased travel demand during the summer months. SilkAir has made frequency adjustments to Chengdu, Kathmandu, Kota Kinabalu, Palembang, Balikpapan, Bandung, Bangalore and Kolkata. Tiger Airways will increase frequencies to Ningbo, Xi'an, Chennai and Trichy, and reduce services to Cebu, Kalibo, Ho Chi Minh City, Clark and Manila. Scoot commenced new scheduled services to Osaka via Bangkok and Kaohsiung on 8 and 9 July 2015 respectively, bringing its network to 15 destinations across six countries, including Singapore.

OUTLOOK

Advance passenger bookings for the July-September quarter are higher year-on-year, mainly supported by promotional content. There is weaker demand for Americas and Europe regions, reflecting the competitive environment. Yields are expected to remain under pressure.

Fuel hedging losses will ensue in the July-September 2015 quarter. Fuel prices remain range-bound and the Group has hedged 55.4% of its jet fuel requirement [See Note 5] for the quarter at a weighted average price of USD104 per barrel.

Investment in product upgrades will continue during the year. With the new Premium Economy Class debuting in early August, customers will be offered greater choice.

Air cargo yields are unlikely to see an upturn as industry overcapacity persists. SIA Cargo will continue to manage capacity carefully, while actively pursuing opportunities in special product segments to stimulate yields.

The Group will continue to make prompt adjustments to capacity deployment to address changing market demand. Efforts are also being taken to offer customers enhanced products and services, and a more integrated network across the various airlines in the portfolio. A strong balance sheet and prudent management will position the Group well to meet the current challenges.

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A STAR ALLIANCE MEMBER



GROUP FINANCIAL STATISTICS

	1st Quarter 2015-16	1st Quarter 2014-15
Financial Results (\$ million)		
Total revenue	3,733.3	3,682.2
Total expenditure	3,621.9	3,642.7
Operating profit	111.4	39.5
Non-operating items	15.1	20.7
Exceptional items ^{R1}	-	0.3
Profit before taxation	126.5	60.5
Profit attributable to owners of the Parent	91.2	34.8
Per Share Data		
Earnings per share (cents)		
- Basic ^{R2}	7.8	3.0
- Diluted ^{R3}	7.8	2.9
	As at 30 Jun 2015	As at 31 Mar 2015
Financial Position (\$ million)		
Share capital	1,856.1	1,856.1
Treasury shares	(307.7)	(326.3)
Capital reserve	214.7	215.9
Foreign currency translation reserve	(158.9)	(135.7)
Share-based compensation reserve	105.8	113.2
Fair value reserve	(457.5)	(706.2)
General reserve	11,543.8	11,446.6
Equity attributable to owners of the Parent	12,796.3	12,463.6
Total assets	24,067.3	23,921.2
Total debt	1,714.3	1,739.5
Total debt : equity ratio (times) ^{R4}	0.13	0.14
Net asset value (\$) ^{R5}	10.93	10.66

^{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.

^{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 2015-16	1st Quarter 2014-15
<u>SIA</u>		
Passengers carried (thousand)	4,573	4,652
Revenue passenger-km (million)	22,513.6	23,499.4
Available seat-km (million)	29,520.8	30,263.2
Passenger load factor (%)	76.3	77.7
Passenger yield (cents/pkm)	10.7	10.9
Passenger unit cost (cents/ask)	8.5	8.7
Passenger breakeven load factor (%)	79.4	79.8
<u>SilkAir</u>		
Passengers carried (thousand)	924	870
Revenue passenger-km (million)	1,524.1	1,409.2
Available seat-km (million)	2,174.9	2,028.5
Passenger load factor (%)	70.1	69.5
Passenger yield (cents/pkm)	13.4	13.3
Passenger unit cost (cents/ask)	9.5	9.7
Passenger breakeven load factor (%)	70.9	72.9
<u>Scoot</u>		
Passengers carried (thousand)	482	436
Revenue passenger-km (million)	1,716.1	1,546.5
Available seat-km (million)	2,107.5	1,971.0
Passenger load factor (%)	81.4	78.5
Revenue per revenue seat-km (cents/pkm)	5.2	5.2
Cost per available seat-km (cents/ask)	5.3	5.7
Breakeven load factor (%)	101.9	109.6
<u>Tiger Airways</u>		
Passengers carried (thousand)	1,284	1,411
Revenue passenger-km (million)	2,387.7	2,608.8
Available seat-km (million)	2,858.9	3,080.9
Passenger load factor (%)	83.5	84.7
Revenue per revenue seat-km (cents/pkm)	6.7	6.4
Cost per available seat-km (cents/ask)	5.7	6.0
Breakeven load factor (%)	85.1	93.8
<u>SIA Cargo</u>		
Cargo and mail carried (million kg)	282.1	278.5
Cargo load (million tonne-km)	1,568.4	1,562.4
Gross capacity (million tonne-km)	2,566.9	2,502.8
Cargo load factor (%)	61.1	62.4
Cargo yield (cents/ltk)	30.5	33.0
Cargo unit cost (cents/ctk)	19.5	21.6
Cargo breakeven load factor (%)	63.9	65.5
<u>Group Airlines (Passenger)</u>		
Passengers carried (thousand)	7,263	7,369
Revenue passenger-km (million)	28,141.5	29,063.9
Available seat-km (million)	36,662.1	37,343.6
Passenger load factor (%)	76.8	77.8

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