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SECOND QUARTER OPERATING PROFIT IMPROVES TO $87 MILLION

GROUP FINANCIAL PERFORMANCE

Second Quarter 2013-14

The Group earned an operating profit of $87 million in the second quarter of the 2013-14 financial year, an increase of $17 million (+24.3%) over the same quarter last year.

Group revenue grew $107 million (+2.8%) to $3,901 million on the back of 5.0% growth in passenger carriage, partially offset by a decline in yields. Promotional activities undertaken amid intense competition and the continued strength of the Singapore dollar against major revenue-generating currencies drove yields down by 3.5%.

On the cost side, Group expenditure rose $90 million (+2.4%) to $3,814 million. The increase was principally due to higher staff and non-fuel variable costs which rose in line with the increase in capacity. Passenger unit cost remained constant at 9.1¢/ask.

Group net profit for the second quarter was $160 million, an improvement of $70 million (+77.8%) from the corresponding period a year ago, mainly attributable to higher operating profit, share of profits from associated companies and gains from the sale of aircraft.

Note 1: The SIA Group's unaudited financial results for the half year and second quarter ended 30 September 2013 were announced on 12 November 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).

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

- Parent Airline Company Operating profit of $97 million ($84 million profit in 2012)
- SIA Engineering Operating profit of $28 million ($32 million profit in 2012)
- SilkAir Operating profit of $8 million ($19 million profit in 2012)
- SIA Cargo Operating loss of $31 million ($50 million loss in 2012)

The Parent Airline Company's operating profit of $97 million was a 15.5% improvement year-on-year, as the $81 million increase in revenue outpaced a $68 million increase in expenditure.

SilkAir recorded a lower operating profit (-$11 million) in the second quarter of the financial year as passenger carriage growth did not keep pace with the capacity injection to develop new markets in the region.

Cargo revenue was lower as the uncertain global economic situation and excess capacity pushed both loads and yields down by 7.2% and 1.8%, respectively. However, SIA Cargo's operating loss for the second quarter narrowed by $19 million to $31 million, on the back of continued efforts to better match capacity to demand.

First Half 2013-14

Group revenue at $7,741 million was up 2.2% (+$170 million) compared to the corresponding period in the last financial year, mainly due to recognition from settlement pertaining to changes in aircraft delivery slots [see note 2 below] and growth in passenger carriage. Group expenditure at $7,572 million increased at a slower pace of 1.9% (+$143 million).

Consequently, Group operating profit for the first half improved $27 million (+19.0%) to $169 million.

Including tax write-backs, non-operating and exceptional items [see note 3 below], net profit for the Group in the first half improved $114 million (+67.9%) over the same period last year to $282 million. The increase in non-operating items was largely from the sale of aircraft and higher share of profits from associated and joint venture companies.

Note 2: The settlement agreement was reached in Q1 FY2013-14 and $92 million was recognised in the first half of the financial year, of which $59 million pertains to changes in delivery slots in relation to previous financial years.

Note 3: Exceptional items of $21.8 million pertained mainly to a gain of $339.2 million upon completion of the sale of Virgin Atlantic Limited to Delta Air Lines, Inc and an impairment loss of $293.4 million on four surplus freighters that have been removed from the operating fleet and marked for sale.

SECOND QUARTER 2013-14 OPERATING PERFORMANCE

The Parent Airline Company's passenger carriage (in revenue passenger kilometres) grew 4.9% in the second quarter against a 3.2% increase in capacity (in available seat-kilometres). As a result, passenger load factor improved by 1.3 percentage points to 81.1%.

SilkAir recorded a 3.5 percentage-point drop in passenger load factor to 69.0%, with its 6.9% growth in traffic lagging behind capacity injection of 12.3%.

SIA Cargo reduced its capacity (in capacity tonne-kilometres) by 5.6%, while carriage (in load tonne-kilometres) fell 7.2%, resulting in a 1.0 percentage-point drop in cargo load factor to 61.5%.

INTERIM DIVIDEND

The Company is declaring an interim dividend of 10 cents per share (tax exempt, one-tier), amounting to $118 million, for the half-year ended 30 September 2013 (versus 6 cents interim dividend in the previous year). The interim dividend will be paid on 3 December 2013 to shareholders as of 22 November 2013.

FLEET AND ROUTE DEVELOPMENT

The Parent Airline Company took delivery of two A330-300s and two B777-300ERs during the second quarter. It also sold one B777-200, and decommissioned one B777-200 in preparation for lease to Scoot and one A340-500 in preparation for sale to Airbus. As at 30 September 2013, the operating fleet of the Parent Airline Company comprised 103 passenger aircraft - 56 B777s, 24 A330-300s, 19 A380-800s and four A340-500s, with an average age of 6 years and 7 months.

SilkAir's operating fleet as at 30 September 2013 comprised 23 aircraft – 17 A320-200s and six A319-100s. In October 2013, SilkAir took delivery of the last A320-200 aircraft that it had on order.

As at 30 September 2013, SIA Cargo operated a fleet of nine B747-400 freighters.

Scoot's operating fleet comprised five B777-200s as at 30 September 2013, and one additional B777-200 joined the fleet in October 2013.

The Parent Airline Company will be making network adjustments to selected markets during the Northern Winter season (27 October 2013 – 29 March 2014). Services to India have been boosted with a third daily flight to New Delhi; with this frequency increase, the Parent Airline Company and SilkAir will operate a total of 107 weekly services to 11 destinations in India. The Parent Airline Company has commenced five times weekly A380 services to Shanghai, increasing overall seat capacity on the route by 12%. Non-stop services to Los Angeles ceased on 20 October 2013 and flights to Newark will terminate after 23 November 2013.

SilkAir launched services to Semarang and Makassar during the quarter, increasing the number of Indonesian destinations that it serves to 11. Over the past 12 months, SilkAir has increased frequencies to several destinations in South East Asia, China and India and commenced flights to Visakhapatnam in India. SilkAir will commence three times weekly services to Yogyakarta from 25 November 2013, increasing the number of destinations in its route network to 45 in 12 countries.

Scoot will be launching flights to Hong Kong from 15 November 2013 and Perth from 12 December 2013, increasing the number of destinations in its route network to 13.

The Group continuously reviews its network to better match capacity to demand and capacity adjustments to weaker markets will be implemented during the traditional lull in October/November.

SUBSEQUENT EVENT

On 24 October 2013, the Foreign Investment Promotion Board (FIPB) in India verbally approved Singapore Airlines' application to set up a joint venture company with Tata Sons. The joint venture company will establish an airline based in New Delhi which will operate under the full-service model, with Tata Sons owning 51% and Singapore Airlines owning 49%. Upon receipt of FIPB's written approval, other regulatory approvals will be sought, including a No-Objection Certificate from the Ministry of Civil Aviation and Scheduled Air Operator's Permit from the Directorate General of Civil Aviation.

OUTLOOK

The operating landscape for the airline industry remains challenging amid continued global economic uncertainty.

Advance bookings for the coming months are projected to be higher compared to the same period last year on the back of efforts to boost loads. However, ongoing promotional activities necessitated by intense competition and a strong Singapore dollar are expected to place pressure on yields.

Cargo demand is expected to remain flat due to weak international trade volumes and excess capacity in the market. Cargo yields are therefore likely to remain under pressure.

On the cost side, fuel prices are likely to remain high and volatile.

Against this challenging backdrop, the Group's financial condition remains strong. The Group will continue to monitor market conditions closely and respond appropriately, while maintaining vigilance in cost management.

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GROUP FINANCIAL STATISTICS

	1st Half 2013-14	1st Half 2012-13	2nd Quarter 2013-14	2nd Quarter 2012-13
Financial Results ($ million)				
Total revenue	7,740.9	7,571.0	3,900.7	3,793.6
Total expenditure	7,572.3	7,428.6	3,813.8	3,723.2
Operating profit	168.6	142.4	86.9	70.4
Non-operating items	131.4	89.3	79.0	45.5
Exceptional items [R1]	21.8	-	3.4	-
Profit before taxation	321.8	231.7	169.3	115.9
Profit attributable to owners of the Parent	282.4	168.1	160.6	90.1
Per Share Data				
Earnings per share (cents)				
- Basic [R2]	24.0	14.3	13.6	7.7
- Diluted [R3]	23.8	14.2	13.6	7.6

	As at 30 Sep 2013	As at 31 Mar 2013
Financial Position ($ million)		
Share capital	1,856.1	1,856.1
Treasury shares	(253.8)	(269.8)
Capital reserve	110.4	110.3
Foreign currency translation reserve	(100.3)	(191.8)
Share-based compensation reserve	135.7	151.7
Fair value reserve	(23.9)	(27.1)
General reserve	11,576.2	11,475.3
Equity attributable to owners of the Parent	13,300.4	13,104.7
Total assets	22,754.1	22,428.1
Total debt	988.7	1,014.1
Total debt equity ratio (times) [R4]	0.07	0.08
Net asset value ($) [R5]	11.30	11.15

[R1] Exceptional items in FY2013-14 pertained to a gain of $339.2 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 Half 2013-14	1st Half 2012-13	2nd Quarter 2013-14	2nd Quarter 2012-13
SIA				
Passenger carried (thousand)	9,385	9,026	4,813	4,527
Revenue passenger-km (million)	48,462.0	46,933.5	25,064.4	23,894.6
Available seat-km (million)	60,918.4	58,938.1	30,909.7	29,951.5
Passenger load factor (%)	79.6	79.6	81.1	79.8
Passenger yield (cents/pkm)	11.0	11.4	11.0	11.4
Passenger unit cost (cents/ask)	9.1	9.1	9.1	9.1
Passenger breakeven load factor (%)	82.7	79.8	82.7	79.8
SilkAir				
Passenger carried (thousand)	1,690	1,632	826	802
Revenue passenger-km (million)	2,730.0	2,562.0	1,356.0	1,268.7
Available seat-km (million)	3,938.7	3,443.1	1,965.0	1,750.0
Passenger load factor (%)	69.3	74.4	69.0	72.5
Passenger yield (cents/pkm)	14.0	13.6	13.9	13.6
Passenger unit cost (cents/ask)	9.8	10.0	9.8	9.7
Passenger breakeven load factor (%)	70.0	73.5	70.5	71.3
SIA Cargo				
Cargo and mail carried (million kg)	557.3	582.0	279.8	293.3
Cargo load (million tonne-km)	3,249.5	3,467.2	1,630.2	1,756.5
Gross capacity (million tonne-km)	5,243.0	5,530.9	2,650.9	2,808.9
Cargo load factor (%)	62.0	62.7	61.5	62.5
Cargo yield (cents/ltk)	32.4	33.6	32.1	32.7
Cargo unit cost (cents/ctk)	21.9	23.2	21.3	22.7
Cargo breakeven load factor (%)	67.6	69.0	66.4	69.4
SIA, SilkAir and SIA Cargo				
Overall load (million tonne-km)	8,027.7	8,110.3	4,077.9	4,110.5
Overall capacity (million tonne-km)	11,627.5	11,838.9	5,885.5	5,993.7
Overall load factor (%)	69.0	68.5	69.3	68.6
Overall yield (cents/ltk)	84.7	84.9	85.1	84.8
Overall unit cost (cents/ctk)	60.7	59.2	60.6	58.9
Overall breakeven load factor (%)	71.7	69.7	71.2	69.5

<u>GLOSSARY</u>

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)