



No. 01/15

6 February 2015

THIRD QUARTER NET PROFIT LIFTED BY EXCEPTIONAL GAIN

- Improved passenger yields despite intense competition
- Savings in fuel cost offset by hedging loss and USD strength
- Gain upon consolidation of Tiger Airways

GROUP FINANCIAL PERFORMANCE

Third Quarter FY2014-15

The Group recorded a net profit of \$203 million in the October-December 2014 quarter, \$153 million higher year-on-year.

The improvement was primarily attributable to a \$56 million exceptional gain, compared to an exceptional loss of \$80 million last year (+\$136 million) [See Note 2]. Tiger Airways Holdings Limited ("Tiger Airways") became a subsidiary during the quarter, upon which the Group recorded a gain of \$120 million arising from the remeasurement of the Group's retained interest in Tiger Airways at fair value. This was partially offset by an impairment loss on SIA Cargo's 16% investment in China Cargo Airlines (-\$64 million) due to excess capacity since the global financial crisis, without near-term prospects for a turn-around.

Note 1: The SIA Group's unaudited financial results for the third quarter and nine months ended 31 December 2014 were announced on 6 February 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: Exceptional items in the third quarter of FY2013-14 related to SIA Cargo's provision for the United States air cargo class action case (\$78 million) and fine imposed by the Swiss Competition Commission (\$2 million).

Group operating profit was \$147 million, \$4 million lower (-2.6%) compared to the same period last year.

	THIRD QUARTER			NINE MONTHS		
	Ex-Tiger ³			Ex-Tiger ³		
	Oct-Dec 2014	Oct-Dec 2014	Oct-Dec 2013	Apr-Dec 2014	Apr-Dec 2014	Apr-Dec 2013
SIA GROUP	\$ million	\$ million	\$ million	\$ million	\$ million	\$ million
Total revenue	4,099	3,914	3,875	11,686	11,501	11,616
Fuel cost	1,493	1,418	1,410	4,295	4,220	4,319
Ex-fuel cost	2,459	2,353	2,314	7,073	6,967	6,977
Total expenditure	3,952	3,771	3,724	11,368	11,187	11,296
OPERATING PROFIT	147	143	151	318	314	320

Third Quarter Operating Results Excluding Tiger Airways

Excluding Tiger Airways, which made an operating profit of \$4 million during the quarter, Group operating profit declined \$8 million (-5.3%) to \$143 million.

Group revenue increased \$39 million (+1.0%) year-on-year to \$3,914 million. Higher passenger revenue was recorded (+2.1%), despite a slight dip in traffic (-0.6%), as yields improved 2.7% from the corresponding period last year. Cargo revenue fell 1.2%, mainly driven by a 3.3% capacity reduction, the effect of which was partially offset by a 1.6 percentage-point improvement in load factor.

Group expenditure was \$3,771 million, \$47 million higher (+1.3%) against the last financial year. The price of fuel uplifted adjusts with a lag to current market prices, nevertheless the average jet fuel price in the third quarter was 19.6% lower than a year earlier. The Group had hedged 65% of its jet fuel requirements at an average price of US\$116 per barrel, leading to a hedging loss of \$216 million compared with a gain of \$48 million last year, so the average jet fuel price after hedging was 1.9% lower year-on-year. However, this benefit was more than offset by the stronger US Dollar against the Singapore Dollar. Consequently, fuel costs increased by \$8 million (+0.6%) year-on-year. Ex-fuel costs increased \$39 million (+1.7%), largely attributable to higher exchange losses stemming from the strengthening of the US Dollar against the Singapore Dollar, and higher aircraft depreciation and lease rentals.

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 FY2013-14.

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

Operating Profit	3rd Quarter FY2014-15 \$ million	3rd Quarter FY2013-14 \$ million
Parent Airline Company	87	130
SIA Engineering	24	25
SilkAir	18	6
SIA Cargo	17	1

Operating profit for the Parent Airline Company declined \$43 million (-33.1%) year-on-year. Growth in revenue (+\$35 million) was more than offset by a \$78 million increase in operating costs, which mainly arose from an exchange loss against an exchange gain last year (+\$32 million), and higher aircraft standing charges (+\$22 million).

SIA Engineering's operating profit was nearly flat compared to a year ago. Total revenue fell by \$19 million, mainly due to lower airframe and component overhaul revenue, partially offset by higher fleet management revenue. Expenses reduced by \$18 million, largely attributable to lower staff and material costs.

SilkAir's operating profit in the third quarter improved \$12 million, as the \$25 million growth in revenue outweighed the increase in expenditure (+\$13 million). Revenue was driven up by higher passenger carriage (+7.6%) and improved passenger yield (+7.6%). Expenditure rose mainly from higher aircraft leasing expenses.

SIA Cargo recorded an operating profit of \$17 million, the best third quarter result since financial year 2010-11. The improvement was principally due to the increase in load factor, with yield remaining largely flat.

April to December 2014

For the nine months to December 2014, the Group posted a net profit of \$328 million, \$5 million lower (-1.5%) than in the last financial year. The share of results of associated and joint venture companies deteriorated by \$126 million, mainly as a result of a \$129 million share of losses of Tiger Airways recorded in the first half of the financial year (-\$60 million), and weaker performance of SIA Engineering Company's associates and joint ventures (-\$41 million). This was partly offset by a \$46 million gain on exceptional items, compared to a net exceptional loss of \$58 million last year (+\$104 million) [See Note 4], and a larger gain from disposal of aircraft (+\$15 million).

Group operating profit was \$318 million, \$2 million lower (-0.6%) than in the same quarter last year.

THIRD QUARTER 2014-15 OPERATING PERFORMANCE

The Parent Airline Company's passenger carriage (in revenue passenger kilometres) declined 1.9%, against a 0.5% drop in capacity (in available seat-kilometres) during the third quarter of the financial year. As a result, passenger load factor fell 1.1 percentage points to 78.3%.

SilkAir recorded a passenger load factor of 72.2%. The 7.6% growth in passenger carriage outpaced the increase in capacity (+4.4%), leading to a 2.2 percentage-point increase in load factor.

SIA Cargo's freight carriage fell marginally by 0.9%, on the back of a 3.3% reduction in capacity. Load factor was up 1.6 percentage points to 65.1%.

Note 4: Exceptional items in April-December 2014 mainly pertained to the 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). The exceptional loss of \$58 million recognised in April-December 2013 mainly related to an impairment loss of \$293 million on four surplus freighters removed from operation, a provision of \$78 million pertaining to the settlement offer for SIA Cargo with the plaintiffs in the United States air cargo class action, partially offset by a gain of \$340 million on sale of Virgin Atlantic Limited to Delta Air Lines, Inc.

FLEET AND ROUTE DEVELOPMENT

During the October-December quarter, the Parent Airline Company took delivery of one 777-300ER, and decommissioned two 777-200s in preparation for lease return, and for lease to NokScoot, respectively. As at 31 December 2014, the operating fleet of the Parent Airline Company comprised 104 passenger aircraft - 56 777s, 29 A330-300s and 19 A380-800s, with an average age of 7 years and 1 month.

During the quarter, SilkAir took delivery of two 737-800s, sold one A319-100, and retired one A320-200, which was subsequently sold in January 2015. As at 31 December 2014, its operating fleet comprised 26 aircraft – 13 A320-200s, five A319-100s and eight 737-800s. The ninth 737-800 is expected to arrive this month.

Scoot continued to operate a fleet of six 777-200s in the third quarter. It recently took delivery of its first 787-9 and has commenced 787 operations to Perth and Hong Kong this month.

As at 31 December 2014, Tiger Airways operated a fleet of 24 A320-200s and its network consisted of 38 destinations across 13 countries including Singapore. During the quarter, it introduced new services to Guilin and Nanning in China.

There was no change to SIA Cargo's fleet in the third quarter. As at 31 December 2014, SIA Cargo operated eight 747-400 freighters, which will be unchanged in the January-March 2015 period. Additional services to the United States, Europe, Australia, Vietnam and the Philippines were mounted in the third quarter to cater to seasonal demand.

The Parent Airline Company started daily A380 services to Auckland on 27 October 2014. To cater to peak-period demand, supplementary services to various points in Australia, Christchurch and Sapporo were mounted, and continued into January 2015.

SilkAir began daily services to Denpasar from 12 December 2014. This increased its network to 48 destinations across 12 countries including Singapore. The airline will commence three-times-weekly services to Cairns, its second Australian destination after Darwin, at the end of May 2015, subject to regulatory approval.

In December 2014, Scoot announced that it will launch services to Melbourne in November 2015. NokScoot, a joint venture airline, is planning to launch its first scheduled flights to Japan, Korea and China in May 2015, subject to regulatory approval.

SUBSEQUENT EVENT

Pursuant to the renounceable non-underwritten rights issue (the "Rights Issue") announced by Tiger Airways on 17 October 2014, Singapore Airlines was allocated its pro-rata entitlement to the rights shares. The resultant shareholding of the Company in Tiger Airways, after the issuance of the rights shares on 8 January 2015, is approximately 55.8% of the enlarged share capital in Tiger Airways immediately after the Rights Issue.

OUTLOOK

While the decline in oil prices is generally positive for the airline industry, hedging and competition will limit the effect on the Group's earnings. Moreover, falling oil prices may be a manifestation of a slowdown in global economic activity, which may ultimately have a negative effect on air travel demand.

Advance passenger bookings for the January-March quarter are positive, largely attributable to Chinese New Year demand. Competition remains intense, however, and efforts to stimulate demand in weaker markets will keep yields under pressure.

Airfreight demand has seen a moderate recovery recently, but competitive pressure on yield is expected to continue due to excess capacity in the market.

The Group will be proactive to meet the challenges ahead, with a continued focus on customer service and cost discipline. Having a strong balance sheet, and with its many strategic initiatives, the Group is well placed to compete on all fronts.

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GROUP FINANCIAL STATISTICS

	3rd Quarter 2014-15	3rd Quarter 2013-14	9 months 2014-15	9 months 2013-14
Financial Results (\$ million)				
Total revenue	4,098.5	3,874.6	11,685.8	11,615.5
Total expenditure	3,952.2	3,723.6	11,368.3	11,295.9
Operating profit	146.3	151.0	317.5	319.6
Non-operating items	37.3	7.7	22.7	134.1
Exceptional items ^{R1}	56.2	(79.9)	46.1	(58.1)
Profit before taxation	239.8	78.8	386.3	395.6
Profit attributable to owners of the Parent	202.6	50.1	328.3	332.5
Per Share Data				
Earnings per share (cents)				
- Basic ^{R2}	17.3	4.3	28.0	28.3
- Diluted ^{R3}	17.2	4.2	27.8	28.0
	As at 31 Dec 2014	As at 31 Mar 2014		
Financial Position (\$ million)				
Share capital	1,856.1	1,856.1		
Treasury shares	(338.6)	(262.2)		
Capital reserve	204.9	123.7		
Foreign currency translation reserve	(113.9)	(101.5)		
Share-based compensation reserve	115.3	134.5		
Fair value reserve	(897.5)	(40.4)		
General reserve	11,394.3	11,527.0		
Equity attributable to owners of the Parent	12,220.6	13,237.2		
Total assets	23,514.2	22,642.5		
Total debt	1,755.1	965.0		
Total debt : equity ratio (times) ^{R4}	0.14	0.07		
Net asset value (\$) ^{R5}	10.46	11.26		

^{R1} Exceptional items in April-December 2014 mainly pertained to the 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). The exceptional loss of \$58 million recognised in April-December 2013 mainly related to an impairment loss of \$293 million on four surplus freighters removed from operation, a provision of \$78 million pertaining to the settlement offer for SIA Cargo with the plaintiffs in the United States air cargo class action, partially offset by a gain of \$340 million on sale of Virgin Atlantic Limited to Delta Air Lines, Inc.

^{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 2014-15	3rd Quarter 2013-14	9 months 2014-15	9 months 2013-14
<u>SIA</u>				
Passenger carried (thousand)	4,746	4,783	14,283	14,168
Revenue passenger-km (million)	23,549.7	24,003.9	72,065.3	72,465.9
Available seat-km (million)	30,084.9	30,228.3	90,910.1	91,146.7
Passenger load factor (%)	78.3	79.4	79.3	79.5
Passenger yield (cents/pkm)	11.5	11.2	11.1	11.1
Passenger unit cost (cents/ask)	9.1	8.9	8.9	9.0
Passenger breakeven load factor (%)	79.1	79.5	80.2	81.1
<u>SilkAir</u>				
Passenger carried (thousand)	945	897	2,670	2,587
Revenue passenger-km (million)	1,572.3	1,460.6	4,417.2	4,190.6
Available seat-km (million)	2,177.7	2,085.9	6,260.2	6,024.6
Passenger load factor (%)	72.2	70.0	70.6	69.6
Passenger yield (cents/pkm)	14.1	13.1	13.6	13.7
Passenger unit cost (cents/ask)	9.7	9.6	9.7	9.7
Passenger breakeven load factor (%)	68.8	73.3	71.3	70.8
<u>SIA Cargo</u>				
Cargo and mail carried (million kg)	291.9	289.3	847.5	846.6
Cargo load (million tonne-km)	1,632.7	1,647.5	4,770.7	4,897.0
Gross capacity (million tonne-km)	2,509.6	2,594.5	7,553.3	7,837.5
Cargo load factor (%)	65.1	63.5	63.2	62.5
Cargo yield (cents/ltk)	33.3	33.4	33.1	32.7
Cargo unit cost (cents/ctk)	21.5	21.7	21.5	21.8
Cargo breakeven load factor (%)	64.6	65.0	65.0	66.7
<u>SIA, SilkAir and SIA Cargo</u>				
Overall load (million tonne-km)	3,932.6	4,009.0	11,816.5	12,036.7
Overall capacity (million tonne-km)	5,674.2	5,768.3	17,080.4	17,395.8
Overall load factor (%)	69.3	69.5	69.2	69.2
Overall yield (cents/ltk)	88.0	85.3	86.0	84.9
Overall unit cost (cents/ctk)	61.4	59.8	60.4	60.4
Overall breakeven load factor (%)	69.8	70.1	70.2	71.1

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)