SINGAPORE AIRLINES

No. 03/12 25 July 2012

GROUP PROFIT IMPROVES DESPITE CHALLENGING CONDITIONS

GROUP FINANCIAL PERFORMANCE

First Quarter 2012-13

The SIA Group posted a net profit of $78 million (+$33 million, or +73%) in the first quarter of the 2012-13 financial year.

Group operating profit of $72 million improved $61 million, albeit off a low base as the Group was confronted with higher fuel costs and depressed demand following the Japanese earthquake in the same quarter last year.

Group revenue grew 6% (+$200 million) to $3,777 million, bolstered by a 9.6% improvement in passenger carriage. This traffic growth was driven by promotions undertaken to boost loads, amid intense competition and weak business sentiment. As a result, yields declined 3% from the same period in the previous financial year.

Expenditure at $3,705 million was up 4%. Although jet fuel prices retreated, fuel cost before hedging was nonetheless 2% higher against last year, mainly attributable to increased fuel uplift due to the 4.3% capacity growth. Staff costs were higher mainly due to increased activities, and wage adjustments following the conclusion of collective agreements with the Unions. Other variable costs also rose in line with the increase in capacity.

Note 1: The SIA Group's unaudited financial results for the first quarter ended 30 June 2012 were announced on 25 July 2012. 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 first quarter are as follows:

- Parent Airline Company Operating profit of $85 million ($36 million loss in 2011)
- SIA Engineering Operating profit of $34 million ($35 million profit in 2011)
- SilkAir Operating profit of $18 million ($21 million profit in 2011)
- SIA Cargo Operating loss of $49 million ($14 million loss in 2011)

The Parent Airline Company turned around from an operating loss of $36 million in the first quarter of the last financial year to record a profit of $85 million for the three months ended 30 June 2012. Revenue (+7%) rose at a faster pace than expenditure (+3%) on the back of increased passenger carriage (+9.6%), partially offset by lower yields (-3%). Average jet fuel prices for the quarter remained high at above USD130 per barrel despite the recent correction. Other cost items were well contained as a result of continued efforts to maintain strict cost discipline.

On the cargo front, continued weakness in air freight demand exerted downward pressure on cargo loads and eroded yields. As a result, SIA Cargo's operating loss for the first quarter widened by $35 million.

FIRST QUARTER 2012-13 OPERATING PERFORMANCE

In the first quarter of the financial year 2012-13, the Parent Airline Company's passenger carriage (in revenue passenger kilometres) grew 9.6% year-on-year. With traffic growth outpacing the 4.3% capacity growth (in available seat-kilometres), passenger load factor of 79.5% was 3.9 percentage points higher.

SilkAir's passenger load factor of 76.4% was marginally higher year-on-year, as capacity injection of 24.7% was matched by a 24.9% increase in passenger carriage.

SIA Cargo recorded a 5.6% decline in load tonne-kilometres despite reductions in available freight capacity (in capacity tonne-kilometres). This brought load factor down by 1.9 percentage points to 62.8%.

FLEET AND ROUTE DEVELOPMENT

The Parent Airline Company took delivery of one A380-800 in the April – June 2012 quarter. As at 30 June 2012, Singapore Airlines' operating fleet comprised 100 passenger aircraft – 59 B777s, 19 A330-300s, 17 A380-800s and five A340-500s – with an average age of 6 years 4 months.

As at 30 June 2012, SIA Cargo operated a fleet of 13 B747-400 freighter aircraft, while SilkAir's operating fleet comprised 21 aircraft – 15 A320-200s and six A319-100s. Scoot commenced operations in June 2012 with two B777-200 aircraft to Sydney and the Gold Coast in Australia.

The Group constantly reviews its network to match capacity to demand. From July 2012, the Parent Airline Company's services to Adelaide will increase from seven to ten times weekly. Four additional weekly services will also be added to London Heathrow from September 2012 and this will be stepped up to four-times-daily services at the end of October 2012. From 28 October 2012, additional services will be introduced to Perth and Mumbai, while frequencies to Milan, Barcelona and Istanbul will be reduced. In addition, services to Athens and Abu Dhabi will cease. SilkAir introduced three-times-weekly services to both Wuhan and Hanoi during the quarter, and there are plans to increase frequencies to Hyderabad from September 2012.

OUTLOOK

The global economy remains uncertain as Europe struggles to contain its debt crisis, while the United States faces a sluggish recovery. This has negatively impacted business confidence and the outlook for travel demand. Promotional efforts undertaken to boost carriage add downward pressure on yields, especially in Europe and the United States.

Forward indicators for air freight signal a weak outlook for the cargo business. SIA Cargo faces pressure with respect to both demand and yields.

While jet fuel prices have receded in recent weeks, they are still near historical highs. Fuel continues to be the Group's largest expense item, accounting for about 40% of total expenditure.

In this difficult environment, the Group will maintain its vigilance in cost control and remain nimble in deploying capacity to meet market demand. The Group is well positioned to weather the challenges with its strong balance sheet.

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GROUP FINANCIAL STATISTICS

	1st Quarter 2012-13	1st Quarter 2011-12
Financial Results ($ million)		
Total revenue	3,777.4	3,577.6
Total expenditure	3,705.4	3,566.6
Operating profit	72.0	11.0
Non-operating items	43.8	65.0
Exceptional items [R1]	-	(1.3)
Profit before taxation	115.8	74.7
Profit attributable to owners of the Parent	78.0	44.7
Earnings per share (cents)		
- Basic [R2]	6.6	3.7
- Diluted [R3]	6.6	3.7

	As at 30 Jun 2012	As at 31 Mar 2012
Financial Position ($ million)		
Share capital	1,856.1	1,856.1
Treasury shares	(284.3)	(258.4)
Capital reserve	98.0	99.1
Foreign currency translation reserve	(182.6)	(186.3)
Share-based compensation reserve	168.7	165.9
Fair value reserve	(272.0)	(47.6)
General reserve	11,345.4	11,264.6
Equity attributable to owners of the Parent	12,729.3	12,893.4
Total assets	22,188.2	22,043.0
Total debt	1,069.1	1,077.8
Total debt equity ratio (times) [R4]	0.08	0.08
Net asset value ($) [R5]	10.84	10.96

[R1] Exceptional items in FY2011-12 pertained to a provision for an administrative penalty pursuant to a settlement offer for SIA Cargo from the plaintiffs in the Canadian air cargo class actions ($1.3 million).

[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 2012-13	1st Quarter 2011-12
SIA		
Passenger carried (thousand)	4,499	4,147
Revenue passenger-km (million)	23,038.9	21,014.1
Available seat-km (million)	28,986.6	27,780.9
Passenger load factor (%)	79.5	75.6
Passenger yield (cents/pkm)	11.4	11.8
Passenger unit cost (cents/ask)	9.2	9.2
Passenger breakeven load factor (%)	80.7	78.0
SilkAir		
Passenger carried (thousand)	830	720
Revenue passenger-km (million)	1,293.3	1,035.5
Available seat-km (million)	1,693.1	1,358.0
Passenger load factor (%)	76.4	76.3
Passenger yield (cents/pkm)	13.6	14.4
Passenger unit cost (cents/ask)	10.2	10.5
Passenger breakeven load factor (%)	75.0	72.9
SIA Cargo		
Cargo and mail carried (million kg)	288.7	297.3
Cargo load (million tonne-km)	1,710.7	1,812.5
Gross capacity (million tonne-km)	2,722.0	2,800.6
Cargo load factor (%)	62.8	64.7
Cargo yield (cents/ltk)	34.6	35.6
Cargo unit cost (cents/ctk)	23.8	23.8
Cargo breakeven load factor (%)	68.8	66.9
SIA, SilkAir and SIA Cargo		
Overall load (million tonne-km)	3,999.8	3,893.8
Overall capacity (million tonne-km)	5,845.2	5,776.4
Overall load factor (%)	68.4	67.4
Overall yield (cents/ltk)	85.1	84.3
Overall unit cost (cents/ctk)	59.5	58.1
Overall breakeven load factor (%)	69.9	68.9

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)