SINGAPORE AIRLINES

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FLAT OPERATING RESULTS IN FIRST HALF

- **Passenger yields remain under pressure**
- **Reprieve from cost pressures due to lower fuel costs**
- **Net profit severely affected by associates' losses**

GROUP FINANCIAL PERFORMANCE

First Half 2014-15

The Group earned an operating profit of $171 million in the first half of the 2014-15 financial year, an improvement of $2 million (+1.2%) over the same period last year.

Group revenue was down $154 million (-2.0%) to $7,587 million, mainly due to lower incidental revenue stemming from reduced compensation pertaining to changes in aircraft delivery slots [see Note 2], and lower income from the lease of aircraft, due to the expiry of leases to Royal Brunei Airlines. Passenger revenue was lower year-on-year (-0.4%), notwithstanding a 1.4% increase in traffic, as a result of yield declines (-1.8%) amid the competitive operating environment and depreciating revenue-generating currencies, led by the Australian Dollar and Japanese Yen. Cargo revenue fell 1.6%, driven by a capacity cut (-3.8%), though this was partially compensated for by better yields and higher load factor.

Group expenditure at $7,416 million declined $156 million (-2.1%) over the previous financial year. Fuel costs after hedging fell $107 million, attributable to lower volume uplifted (-3.2%), the weaker US Dollar against the Singapore Dollar, and a 0.4% decline in jet fuel price after hedging.

Note 1: The SIA Group's unaudited financial results for the half year and second quarter ended 30 September 2014 were announced on 6 November 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 FY1314 and $92 million was recognised in the first half of FY1314, of which $59 million pertained to change in prior years. $34 million compensation was recognised in the first half of FY2014-15.

Group net profit in the first half was down $157 million (-55.5%) year-on-year to $126 million. The share of results of associated companies fell $154 million, largely attributable to the Group's share of Tiger Airways' loss of $129 million, which included material charges relating to the sublease of surplus aircraft and sale of Tigerair Australia. The commencement of equity accounting for Virgin Australia from the second quarter further contributed to the weaker results (-$16 million). Exceptional items accounted for a loss of $10 million in the first half, compared to a net exceptional gain of $22 million last year [see Note 3]. These were partly offset by higher gains on disposal of aircraft, spares and spare engines (+$31 million).

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

Operating Profit/(Loss)	1st Half FY2014-15 $ million	1st Half FY2013-14 $ million
Parent Airline Company	183	186
SIA Engineering	37	56
SilkAir	5	22
SIA Cargo	(34)	(71)

The Parent Airline Company's operating profit fell by $3 million (-1.6%) against the corresponding period last year. Revenue was down $151 million (-2.4%), arising from reduced incidental revenue [see Note 2] and passenger revenue. The fall was nearly offset by a $148 million (-2.4%) reduction in expenditure, due to lower fuel costs after hedging, and stringent cost management. Unit ex-fuel cost was down 3.9% year-on-year.

SIA Engineering's operating profit declined $19 million (-33.9%). Total revenue fell by $4 million (-0.7%) as a result of lower airframe and component overhaul revenue, offset in part by higher fleet management revenue. Expenses rose by $15 million (+2.8%), primarily as a result of an increase in subcontract services.

SilkAir's operating profit declined $17 million (-77.3%), as weaker yields (-5.0%) put a drag on revenue and capacity injection (+3.7%) pushed operating expenditure up.

SIA Cargo's operating loss narrowed by $37 million from last year. With better capacity management, yields and load factor were up 1.9% and 0.2 percentage points, respectively.

Note 3: Exceptional items in the first half of FY1415 pertained to the Parent Airline Company's provision for settlement with plaintiffs in the Transpacific Class Action ($11 million), SIA Cargo's additional impairment on two marked-for-sale B747-400F aircraft ($7 million), partly offset by additional gain on sale of Virgin Atlantic Limited (VAL) to Delta Air Lines, Inc. ($7 million), and partial refund of fine on appeal from the Korean Fair Trade Commission ($1 million). Exceptional items in the first half of FY1314 was $22 million, mainly pertaining to gain on sale of VAL ($339 million), partially offset by SIA Cargo's impairment on four B747-400 aircraft removed from operation ($293 million) and SFC's impairment loss on its assets with the closure of its Maroochydore operations ($24 million).

Second Quarter 2014-15

Group operating profit for the second quarter improved $45 million (+51.7%) to $132 million.

Group revenue was almost flat at $3,905 million. Passenger revenue increased marginally, as higher passenger carriage was largely offset by a 0.9% decline in yields. Cargo revenue was down 0.5% on the back of lower capacity (-4.1%), but was mitigated by improved yields (+2.8%).

Group expenditure declined $41 million (-1.1%) to $3,773 million. Fuel costs before hedging fell $115 million, partially offset by a loss on fuel hedging, compared to a hedging gain in the same quarter last year (+$76 million).

Group net profit was down $70 million (-43.5%) year-on-year to $91 million. This was largely attributable to weaker results from associated companies (-$138 million), partly mitigated by higher operating profit (+$45 million), and higher gains on disposal of aircraft, spares and spare engines (+$35 million).

FIRST HALF 2014-15 OPERATING PERFORMANCE

The Parent Airline Company's passenger carriage (in revenue passenger kilometres) increased marginally by 0.1%, while capacity (in available seat-kilometres) dipped 0.2% during the first half of the financial year. As a result, passenger load factor improved by 0.2 percentage points to 79.8%.

SilkAir recorded a 0.4 percentage-point increase in passenger load factor to 69.7%, as its 4.2% growth in traffic outpaced capacity injection of 3.7%.

SIA Cargo reduced its capacity (in capacity tonne-kilometres) by 3.8%. Airfreight carriage (in load tonne-kilometres) declined by 3.4%. Consequently, cargo load factor improved 0.2 percentage points to 62.2%.

INTERIM DIVIDEND

The Company is declaring an interim dividend of 5 cents per share (tax exempt, one-tier), amounting to $59 million, for the half-year ended 30 September 2014. The interim dividend will be paid on 27 November 2014 to shareholders as of 18 November 2014.

FLEET AND ROUTE DEVELOPMENT

The Parent Airline Company took delivery of two Airbus A330-300s in the second quarter. As at 30 September 2014, the operating fleet of the Parent Airline Company comprised 105 passenger aircraft - 57 Boeing 777s, 29 A330-300s and 19 A380-800s, with an average age of 7 years.

During the quarter, SilkAir took delivery of two Boeing 737-800 aircraft, sold one Airbus A320-200 and decommissioned another A320-200 in preparation for return to lessor. As at 30 September 2014, its operating fleet comprised 26 aircraft – 14 A320-200s, six A319-100s and six 737-800s.

There was no change to Scoot's fleet during the July-September quarter, comprising six Boeing 777-200s.

SIA Cargo operated a fleet of eight Boeing 747-400 freighters at 30 September 2014, the same as the previous quarter. It suspended freight operations to Lagos from 29 July 2014, and added services to Amsterdam, Brussels and Delhi in September to cater to seasonal demand.

In the Northern Winter season (26 October 2014 – 28 March 2015), the Parent Airline Company will increase capacity to Auckland with daily A380 services, replacing the smaller Boeing 777-300ER. To cater to peak period demand, three additional weekly services will be operated to Melbourne and Sydney, and two additional weekly services will be operated to Brisbane and Christchurch, from the end of November 2014 to January 2015. In addition, three weekly services will be operated to Sapporo from December 2014 to mid-January 2015. As part of a service restructuring to the Middle East, flights to Cairo and Riyadh have been suspended from October 2014. SilkAir suspended its twice-weekly services to Solo with effect from 26 October 2014. From 12 December 2014, it will begin daily services to Denpasar. Together with the Parent Airline Company, a total of five daily trips will be served between Singapore and the city, subject to regulatory approval. This will bring the combined network of both airlines to 99 cities in 35 countries.

SUBSEQUENT EVENT

Pursuant to the renounceable non-underwritten rights issue (the "Rights Issue") proposed by Tiger Airways Holdings Limited ("Tiger Airways"), Singapore Airlines had undertaken to subscribe in full for its *pro rata* entitlement, and excess rights shares, provided that the aggregate amount payable does not exceed $140 million ("Pro-rata Subscription and Excess Rights Commitment"). The Company will also convert all of its holdings in 189,390,367 non-voting perpetual convertible capital securities issued by Tiger Airways into new shares. Following the conversion, Singapore Airlines will hold in aggregate 753,219,482 Tiger Airways shares, representing a stake up to 56.0%, prior to the Rights Issue.

OUTLOOK

The operating landscape for the airline industry remains competitive and challenging, as an uncertain global economic climate and geopolitical concerns persist.

Demand is generally flat, and yields will remain under pressure amid intense competition from other airlines and promotional activities in weaker markets.

Airfreight demand has seen a moderate recovery in recent months, with demand projected to be stronger in the third quarter as a result of the traditional peak period in the lead-up to Christmas. However, overcapacity in the airfreight market is expected to continue to put pressure on yields.

While there has been a reprieve from cost pressures arising from the decline in fuel prices in recent months, there is concern that the decline reflects a slow-down in major economies in the world which could ultimately hurt travel demand.

The Group will continue to track market movements closely and make appropriate adjustments to capacity, while practising cost discipline in all business areas. With a strong balance sheet, the Group is well positioned to meet the challenges ahead.

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GROUP FINANCIAL STATISTICS

	1st Half 2014-15	1st Half 2013-14	2nd Quarter 2014-15	2nd Quarter 2013-14
Financial Results ($ million)				
Total revenue	7,587.3	7,740.9	3,905.1	3,900.7
Total expenditure	7,416.1	7,572.3	3,773.4	3,813.8
Operating profit	171.2	168.6	131.7	86.9
Non-operating items	(14.6)	126.4	(35.3)	76.4
Exceptional items [R1]	(10.1)	21.8	(10.4)	3.4
Profit before taxation	146.5	316.8	86.0	166.7
Profit attributable to owners of the Parent	125.7	282.4	90.9	160.6
Per Share Data				
Earnings per share (cents)				
- Basic [R2]	10.7	24.0	7.7	13.6
- Diluted [R3]	10.6	23.8	7.7	13.6

	As at 30 Sep 2014	As at 31 Mar 2014
Financial Position ($ million)		
Share capital	1,856.1	1,856.1
Treasury shares	(315.8)	(262.2)
Capital reserve	123.1	123.7
Foreign currency translation reserve	(111.7)	(101.5)
Share-based compensation reserve	117.2	134.5
Fair value reserve	(91.7)	(40.4)
General reserve	11,247.9	11,527.0
Equity attributable to owners of the Parent	12,825.1	13,237.2
Total assets	22,784.0	22,642.5
Total debt	1,445.3	965.0
Total debt equity ratio (times) [R4]	0.11	0.07
Net asset value ($) [R5]	10.96	11.26

R1 Exceptional items in the first half of FY1415 pertained to the Parent Airline Company's provision for settlement with plaintiffs in the Transpacific Class Action ($11 million), SIA Cargo's additional impairment on two marked-for-sale B747-400F aircraft ($7 million), partly offset by additional gain on sale of Virgin Atlantic Limited (VAL) to Delta Air Lines, Inc. ($7 million), and partial refund of fine on appeal from the Korean Fair Trade Commission ($1 million). Exceptional items in the first half of FY1314 was $22 million, mainly pertaining to gain on sale of VAL ($339 million), partially offset by SIA Cargo's impairment on four B747-400 aircraft removed from operation ($293 million) and SFC's impairment loss on its assets with the closure of its Maroochydore operations ($24 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 Half 2014-15	1st Half 2013-14	2nd Quarter 2014-15	2nd Quarter 2013-14
SIA				
Passenger carried (thousand)	9,537	9,385	4,885	4,813
Revenue passenger-km (million)	48,515.6	48,462.0	25,016.2	25,064.4
Available seat-km (million)	60,825.2	60,918.4	30,562.0	30,909.7
Passenger load factor (%)	79.8	79.6	81.9	81.1
Passenger yield (cents/pkm)	10.9	11.0	10.9	11.0
Passenger unit cost (cents/ask)	8.8	9.1	9.0	9.1
Passenger breakeven load factor (%)	80.7	82.7	82.6	82.7
SilkAir				
Passenger carried (thousand)	1,725	1,690	855	826
Revenue passenger-km (million)	2,844.9	2,730.0	1,435.7	1,356.0
Available seat-km (million)	4,082.5	3,938.7	2,054.0	1,965.0
Passenger load factor (%)	69.7	69.3	69.9	69.0
Passenger yield (cents/pkm)	13.3	14.0	13.3	13.9
Passenger unit cost (cents/ask)	9.7	9.8	9.7	9.8
Passenger breakeven load factor (%)	72.9	70.0	72.9	70.5
SIA Cargo				
Cargo and mail carried (million kg)	555.6	557.3	277.1	279.8
Cargo load (million tonne-km)	3,138.0	3,249.5	1,575.6	1,630.2
Gross capacity (million tonne-km)	5,043.7	5,243.0	2,540.9	2,650.9
Cargo load factor (%)	62.2	62.0	62.0	61.5
Cargo yield (cents/ltk)	33.0	32.4	33.0	32.1
Cargo unit cost (cents/ctk)	21.4	21.9	21.3	21.3
Cargo breakeven load factor (%)	64.8	67.6	64.5	66.4
SIA, SilkAir and SIA Cargo				
Overall load (million tonne-km)	7,883.9	8,027.7	4,004.9	4,077.9
Overall capacity (million tonne-km)	11,406.2	11,627.5	5,737.0	5,885.5
Overall load factor (%)	69.1	69.0	69.8	69.3
Overall yield (cents/ltk)	85.1	84.7	85.9	85.1
Overall unit cost (cents/ctk)	59.9	60.7	60.5	60.6
Overall breakeven load factor (%)	70.4	71.7	70.4	71.2

<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)