

REVENUE UP BUT HIGH FUEL COST HIT FIRST QUARTER PROFIT

GROUP FINANCIAL PERFORMANCE

First Quarter 2008-09

The SIA Group turned in a first quarter net profit attributable to equity holders of \$359 million, a decline of \$65 million (-15.4%) from the same quarter in the preceding year.

Group revenue improved \$510 million (+14.1%) on the back of growth in passenger carriage. However, Group expenditure increased by a higher amount of \$630 million (+19.9%) as a result of higher fuel cost.

Expenditure on fuel for the Group rose by \$739 million (+64.7%) as fuel prices reached new highs during the quarter. This was partially mitigated by hedging gains of \$349 million.

Group operating profit at \$343 million was \$120 million (-25.9%) lower year-on-year. The operating profit of the Parent Airline Company declined \$118 million (-30.8%) from the corresponding period in the previous year, on account of higher expenditure on fuel which increased 70.6% to \$1,557 million. Excluding fuel, passenger unit cost actually declined 2.2% as increase in non-fuel cost was held at a rate less than that of growth in capacity produced (7.2% versus 9.4% capacity growth).

Note: The SIA Group's unaudited financial results for the first quarter ended 30 June 2008 were announced on 28 July 2008. 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 unit. The Group comprises the Company and its subsidiary, joint venture and associated companies).

The operating profits of the main operating companies in the Group are as follows:

- Singapore Airlines \$265 million (-30.8%)
- SATS \$ 38 million (-16.4%)
- SIA Engineering \$ 16 million (-43.8%)
- SilkAir \$ 10 million (+78.6%)
- SIA Cargo \$ 5 million (Loss of \$11 million previously)

FIRST QUARTER OPERATING PERFORMANCE

Singapore Airlines carried 4.8 million passengers during the quarter, a year-on-year increase of 3.5%.

Capacity (in available seat-kilometres) expanded by 9.4% over the same quarter in 2007, with the entry of new aircraft into service. This was not matched by the growth in passenger carriage (+6.3% in revenue passenger-kilometres). As a result, passenger load factor declined by 2.2 percentage points to 76.7%.

Passenger breakeven load factor rose 0.6 percentage point to 70.2% as unit cost increased at a faster rate (+8.7%) than yield (+7.8%).

SIA Cargo's freight traffic (in load tonne-kilometres) was 0.4% higher compared to last year. As capacity (in capacity tonne-kilometres) grew by a higher 1.6% during the quarter, cargo load factor declined 0.8 percentage point.

Cargo breakeven load factor fell 4.2 percentage points to 61.1%, with yield growing at a higher rate (+12.8%) than unit cost (+5.5%).

FLEET AND ROUTE DEVELOPMENT

Singapore Airlines took delivery of two Airbus A380-800s, four Boeing B777-300ERs and decommissioned three Boeing B747-400s during the quarter. As at 30 June 2008, the operating fleet comprised 101 aircraft – 15 B747-400s, 76 B777s, five A340-500s and five A380-800s, with an average age of 6 years.

Action was taken during the quarter to stop unprofitable routings, with the decision to suspend the 5 times weekly flights to Osaka via Bangkok from May 2008 and the 4 times weekly flights to Los Angeles via Taipei from October 2008.

OUTLOOK

The outlook for the airline industry remains uncertain. The price of jet fuel has risen more than 75% year-on-year, and the strains on financial markets have not abated.

Under these circumstances, the companies in the Group are tracking trends closely and are in a good position to react nimbly.

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A STAR ALLIANCE MEMBER 

GROUP FINANCIAL STATISTICS

	1st Quarter 2008-09	1st Quarter 2007-08
Financial Results (\$ million)		
Total revenue	4,131.7	3,622.1
Total expenditure	3,788.5	3,158.8
Operating profit	343.2	463.3
Non-operating items	131.0	93.3
Profit before taxation	474.2	556.6
Profit attributable to equity holders of the Company	358.6	424.1
Per Share Data		
Earnings before tax (cents)	40.1	44.5
Earnings after tax (cents) - basic ^{R1}	30.3	33.9
- diluted ^{R2}	30.0	33.3
	As at 30-Jun-2008	As at 31-Mar-2008
Financial Position (\$ million)		
Share capital	1,684.8	1,682.0
Treasury shares	(46.8)	(33.2)
Capital reserve	95.6	95.6
Foreign currency translation reserve	(141.6)	(130.7)
Share-based compensation reserve	152.1	136.4
Fair value reserve	1,073.4	443.4
General reserve	13,291.7	12,931.7
Equity attributable to equity holders of the Company	16,109.2	15,125.2
Total assets	27,982.7	26,515.2
Total debt	1,639.3	1,656.7
Total debt equity ratio (times) ^{R3}	0.10	0.11
Net asset value (\$) ^{R4}	13.61	12.77

^{R1} Earnings after tax per share (basic) is computed by dividing profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue less treasury shares.

^{R2} Earnings after tax per share (diluted) is computed by dividing profit attributable to equity holders of the Company 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.

^{R3} Total debt equity ratio is total debt divided by equity attributable to equity holders of the Company.

^{R4} Net asset value per share is computed by dividing equity attributable to equity holders of the Company by the number of ordinary shares in issue less treasury shares.

OPERATING STATISTICS

	1st Quarter 2008-09	1st Quarter 2007-08
<u>SIA</u>		
Passenger carried (thousand)	4,782	4,619
Revenue passenger-km (million)	23,190.9	21,816.5
Available seat-km (million)	30,225.4	27,634.1
Passenger load factor (%)	76.7	78.9
Passenger yield (cents/pkm)	12.4	11.5
Passenger unit cost (cents/ask)	8.7	8.0
Passenger breakeven load factor (%)	70.2	69.6
<u>SIA Cargo</u>		
Cargo and mail carried (million kg)	328.3	316.2
Cargo load (million tonne-km)	1,964.9	1,957.1
Gross capacity (million tonne-km)	3,203.2	3,151.2
Cargo load factor (%)	61.3	62.1
Cargo yield (cents/ltk)	40.6	36.0
Cargo unit cost (cents/ctk)	24.8	23.5
Cargo breakeven load factor (%)	61.1	65.3
<u>SIA and SIA Cargo</u>		
Overall load (million tonne-km)	4,173.2	4,038.0
Overall capacity (million tonne-km)	6,192.7	5,882.2
Overall load factor (%)	67.4	68.6
Overall yield (cents/ltk)	88.3	79.7
Overall unit cost (cents/ctk)	55.4	49.9
Overall breakeven load factor (%)	62.7	62.6

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)

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 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)