



NEWS RELEASE

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**UNPRECEDENTED CONDITIONS RESULT IN
FIRST QUARTER LOSS OF \$312 MILLION**

MAIN POINTS OF THE GROUP'S RESULTS

- Group revenue fell 35% year on year for Apr-Jun 2003 quarter.
- Operating loss was \$377 million.
- Loss after tax and minority interest was \$312 million.
- Loss per share was 25.6 cents.

GROUP EARNINGS

The SIA Group's performance in the first quarter of 2003-04 was badly affected by the combined effects of the war in Iraq and the SARS crisis. The Group suffered an operating loss of \$377 million, compared to an operating profit of \$244 million in the first quarter of last year. Revenue fell 35% to \$1,653 million.

Reduction in costs through suspension of recruitment, deferring discretionary spending and reducing the number of flights helped to lower expenditure to \$2,031 million, 12% down on the corresponding period last year.

There was a pre-tax loss for the Group of \$391 million, compared to a profit before tax of \$271 million in the first quarter of last year. A tax credit of \$86 million was accounted for in the first quarter.

An exceptional item of \$41 million was reported in the accounts for retrenchment and early retirement costs.

The loss after tax and minority interest was \$312 million, compared to a profit after tax and minority interest of \$478 million in the first quarter last year.

Note: The SIA Group's unaudited financial results for the first quarter ended 30 June 2003 were announced on 30 July 2003. A summary of the financial and operating statistics is shown in Annex A. (All monetary figures are in Singapore Dollars. The Company refers to the parent airline unit, the Group comprises the Company and its subsidiary, joint venture and associated companies).

STEPS TO REDUCE STAFF COSTS

Since staff cost is a major expense, accounting for 23% of the Group's total expenditure in financial year 2002-03, efforts to reduce the wage bill were a priority. Agreements were reached with the five SIA Group unions to take wage cuts of between 5% and 16.5% for different categories of staff from July 2003. Management staff will take wage reductions of between 16.5% and 20%, while Directors of the Board decided to waive 50% of their fees.

The airline's 6,600 cabin crew started taking seven days' no-pay leave every two months from 1 May 2003 until the end of financial year 2003-04, while pilots will take up to two days' no pay leave every month from July 2003.

Also agreed upon was a formula for *ex gratia* payments if certain profit thresholds are met. The lump-sum payments, which will be triggered if Group after tax profit reaches \$200 million, can go up to 115% of the cut in wages.

Overall, the retrenchment and early retirement exercises cost the Group \$41 million. Annualised savings from the reduction in staff numbers, wage cut and no pay leave are estimated to be \$176 million.

PASSENGER CAPACITY, TRAFFIC AND LOAD FACTOR

Passenger carriage was 45.7% lower than for the corresponding period last year, at 9,881.7 million passenger-kilometres. Seat capacity fell 28.6% to 17,208.2 million seat-kilometres, which was a result of cuts in capacity to match the drop in demand. Passenger load factor slipped 18.1 percentage points to 57.4%. Number of passengers carried dropped 49.2% to 1.9 million.

OUTLOOK FOR SECOND QUARTER 2003-04

The capacity plan for the second quarter (in terms of available-seat-kilometres) is 12.2% lower than the level for July to September 2002, but is 28% higher than that in April to June 2003 quarter.

With restoration of passenger services in the second quarter, more cargo capacity will be available. Cargo load factors are expected to remain unchanged.

While it appears the worst is over, the outlook for the next quarter and the rest of the year is still uncertain. The success of marketing promotions to rebuild traffic would be at the expense of yields as sizeable fare discounts have to be offered, and business travel is still relatively weak given current global economic conditions.

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FINANCIAL STATISTICS

	Apr-Jun 2003	Apr-Jun 2002	Variance %
GROUP (\$ million)			
Total revenue	1,653.4	2,538.9	- 34.9
Total expenditure	2,030.7	2,294.9	- 11.5
Operating (loss)/profit	(377.3)	244.0	n.m.
Non-operating items	27.4	26.1	+ 5.0
Exceptional items:			
Retrenchment and early retirement costs	(41.4)	-	-
Surplus on liquidation of Asian Frequent Flyer Pte Ltd	-	0.5	-
(Loss)/profit before tax	(391.3)	270.6	n.m.
(Loss)/profit attributable to shareholders	(312.3)	478.4	n.m.
(Loss)/earnings before tax (cents per share)	(32.1)	22.2	n.m.
(Loss)/earnings per share (cents) - basic ^{R1}	(25.6)	39.3	n.m.
- diluted ^{R2}	(25.6)	39.2	n.m.
	As at 30 Jun 2003	As at 31 Mar 2003	Variance %
Share capital	609.1	609.1	-
Distributable			
General reserve	9,226.8	9,539.1	- 3.3
Foreign currency translation reserve	42.5	41.3	+ 2.9
Non-distributable			
Share premium	447.2	447.2	-
Capital redemption reserve	64.4	64.4	-
Capital reserve	7.7	7.7	-
Shareholders' funds	10,397.7	10,708.8	- 2.9
Net asset value per share (\$)	8.54	8.79	- 2.9
Total assets	18,778.2	19,184.0	- 2.1
Net debt	1,207.0	718.8	+ 67.9
Net debt equity ratio (times)	0.12	0.07	+ 0.05 times
	Apr-Jun 2003	Apr-Jun 2002	Variance %
COMPANY			
Total revenue	1,079.6	1,954.9	- 44.8
Total expenditure	1,522.5	1,837.6	- 17.1
Operating (loss)/profit	(442.9)	117.3	n.m.
Non-operating items	36.9	31.5	+ 17.1
Exceptional items:			
Retrenchment and early retirement costs	(28.0)	-	-
Surplus on liquidation of Asian Frequent Flyer Pte Ltd	-	1.0	-
(Loss)/profit before tax	(434.0)	149.8	n.m.
(Loss)/profit after tax	(346.6)	336.6	n.m.

n.m. not meaningful^{R1} Based on the weighted average number of fully paid shares in issue.^{R2} Based on the weighted average number of fully paid shares in issue after adjusting for dilution of shares under the Employee Share Option Plan.

OPERATING STATISTICS

	Apr-Jun 2003	Apr-Jun 2002	Variance %
Scheduled Passenger Services			
Passengers carried (thousand)	1,933	3,803	- 49.2
Revenue passenger-km (million)	9,881.7	18,198.3	- 45.7
Available seat-km (million)	17,208.2	24,105.5	- 28.6
Passenger load factor (%)	57.4	75.5	- 18.1 points
Passenger yield (cents/pkm)	8.4	9.0	- 6.7
Passenger unit cost (cents/ask)	7.4	6.6	+ 12.1
Passenger breakeven load factor (%)	88.1	73.3	+ 14.8 points
Scheduled Cargo Services			
Cargo and mail carried (million kg)	247.4	259.0	- 4.5
Cargo load (million tonne-km)	1,616.8	1,705.1	- 5.2
Mail load (million tonne-km)	13.6	17.2	- 20.9
Gross capacity (million tonne-km)	2,355.1	2,443.9	- 3.6
Cargo load factor (%)	69.2	70.5	- 1.3 points
Cargo yield (cents/ltk)	34.9	32.6	+ 7.1
Cargo unit cost (cents/ctk)	23.6	23.3	+ 1.3
Cargo breakeven load factor (%)	67.8	71.4	- 3.6 points
Scheduled Passenger and Cargo Services			
Overall load carried (million tonne-km)	2,593.1	3,478.7	- 25.5
Overall capacity (million tonne-km)	4,055.2	4,829.2	- 16.0
Overall load factor (%)	63.9	72.0	- 8.1 points
Overall yield (cents/ltk)	54.1	63.5	- 14.8
Overall unit cost (cents/ltk)	45.0	44.7	+ 0.7
Overall breakeven load factor (%)	83.2	70.4	+ 12.8 points

GLOSSARY

Passenger

Revenue passenger-km	=Number of passengers carried x distance flown (in km)
Available seat-km	=Number of available seats x distance flown (in km)
Load factor	=Revenue passenger-km expressed as a percentage of available seat-km
Unit cost	=Operating expenditure less bellyhold revenue from SIA Cargo divided by available seat-km
Yield	=Operating passenger revenue from scheduled services divided by passenger-km flown
Breakeven load factor	=Theoretical load factor at which operating expenditure less bellyhold revenue from SIA Cargo equals operating passenger and excess baggage revenue

Cargo

Load tonne-km	=Cargo load carried (in tonnes) x distance flown (in km)
Capacity tonne-km	=Cargo capacity production (in tonnes) x distance flown (in km)
Load factor	=Cargo load tonne-km expressed as a percentage of cargo capacity tonne-km

Overall

Load tonne-km (ltk)	=Load carried (in tonnes) x distance flown (in km)
Capacity tonne-km (ctk)	=Capacity production (in tonnes) x distance flown (in km)
Overall load factor	=Load tonne-km expressed as a percentage of capacity tonne-km