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HIGH FUEL COSTS HIT FIRST QUARTER RESULTS

GROUP FINANCIAL PERFORMANCE

The Group's performance for the first quarter of the 2011-12 financial year was impacted by high fuel costs, resulting in 82% drop in net profit attributable to equity holders to \$45 million, compared to \$253 million in the same quarter a year ago.

Group revenue at \$3,578 million grew 3% (+\$112 million) on account of higher passenger carriage, despite weak travel demand to Japan over nuclear radiation concerns.

Group expenditure however increased at a faster rate of 11% (+\$352 million). Expenditure on fuel, excluding hedging, rose 38%, or \$397 million, as average jet fuel prices jumped 46% year-on-year. This was partially offset by a \$90 million year-on-year improvement in hedging on gains of \$12 million this year versus losses of \$78 million last year.

With the year-on-year increase in fuel costs exceeding the improvement in revenue, the Group recorded an operating profit of \$11 million for the first quarter, against the \$251 million operating profit in same period of the previous financial year.

Note 1: The SIA Group's unaudited financial results for the first quarter ended 30 June 2011 were announced on 28 July 2011. 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 Parent Airline Company turned in an operating loss of \$36 million in the first quarter, in contrast to the operating profit of \$136 million in the same quarter of the previous financial year. High fuel costs before hedging led to operating expenditure rising by \$298 million (+11%), outpacing the \$126 million (+5%) improvement in revenue. Other cost items were well contained and unit cost excluding fuel was lower by 9%.

The operating results of the main companies in the Group for the first quarter are as follows:

- SIA Engineering Operating profit of \$35 million (\$36 million profit in 2010)
- SilkAir Operating profit of \$21 million (\$15 million profit in 2010)
- SIA Cargo Operating loss of \$14 million (\$60 million profit in 2010)

FLEET AND ROUTE DEVELOPMENT

Singapore Airlines took delivery of one A380-800 and decommissioned three B747-400 aircraft in the April-June 2011 quarter. As at 30 June 2011, the operating fleet comprised 106 passenger aircraft – four B747-400s, sixty-six B777s, nineteen A330-300s, twelve A380-800s and five A340-500s – with an average age of 6 years and 4 months.

The Company has been adjusting capacity to match demand. Frequency on the Singapore-Los Angeles non-stop service was reduced, while capacity will be added to more popular destinations in Asia such as Hong Kong, Guangzhou, Taipei and Mumbai. The passenger capacity growth for the financial year is expected to be 5 per cent.

OUTLOOK

The prevailing price of jet fuel of above US\$130 per barrel is close to 50% higher year-on-year. At these levels, fuel cost now constitutes more than 40% of the Group's total expenditure. With forward prices remaining high and volatile, high fuel cost will remain the biggest challenge for the Group in the coming months.

Advance bookings for travel in the next few months are almost flat compared to the same period last year. With the current economic uncertainties, significant challenges remain in the key markets of Europe and the United States.

In such an environment, the Company's sound finances and low level of debt put it in a position of strength. Management will monitor business trends closely and respond appropriately.

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GROUP FINANCIAL STATISTICS

	1st Quarter 2011-12	1st Quarter 2010-11
Financial Results (\$ million)		
Total revenue	3,577.6	3,465.8
Total expenditure	3,566.6	3,215.3
Operating profit	11.0	250.5
Non-operating items	65.0	69.7
Exceptional items	(1.3)	(2.7)
Profit before taxation	74.7	317.5
Profit attributable to owners of the Parent	44.7	252.5
Per Share Data		
Earnings before tax (cents)	6.3	26.6
Earnings after tax (cents) - basic ^{R1}	3.7	21.2
- diluted ^{R2}	3.7	20.9
	As at 30-Jun-2011	As at 31-Mar-2011
Financial Position (\$ million)		
Share capital	1,836.0	1,832.4
Treasury shares	(14.9)	(43.0)
Capital reserve	85.3	91.8
Foreign currency translation reserve	(195.0)	(186.1)
Share-based compensation reserve	170.0	172.6
Fair value reserve	(162.5)	(138.0)
General reserve	12,524.1	12,474.7
Equity attributable to owners of the Parent	14,243.0	14,204.4
Total assets	24,593.5	24,544.5
Total debt	2,019.8	2,038.9
Total debt equity ratio (times) ^{R3}	0.14	0.14
Net asset value (\$) ^{R4}	11.90	11.89

^{R1} Earnings after tax 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.

^{R2} Earnings after tax 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.

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

^{R4} 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 2011-12	1st Quarter 2010-11
<u>SIA</u>		
Passenger carried (thousand)	4,147	4,018
Revenue passenger-km (million)	21,014.1	20,303.4
Available seat-km (million)	27,780.9	25,903.2
Passenger load factor (%)	75.6	78.4
Passenger yield (cents/pkm)	11.8	11.7
Passenger unit cost (cents/ask)	9.2	9.0
Passenger breakeven load factor (%)	78.0	76.9
<u>SilkAir</u>		
Passenger carried (thousand)	720	656
Revenue passenger-km (million)	1,035.5	939.6
Available seat-km (million)	1,358.0	1,235.2
Passenger load factor (%)	76.3	76.1
Overall yield (cents/ltk)	151.7	140.5
Overall unit cost (cents/ctk)	95.0	87.6
Overall breakeven load factor (%)	62.6	62.3
<u>SIA Cargo</u>		
Cargo and mail carried (million kg)	297.3	281.3
Cargo load (million tonne-km)	1,812.5	1,740.0
Gross capacity (million tonne-km)	2,800.6	2,676.3
Cargo load factor (%)	64.7	65.0
Cargo yield (cents/ltk)	35.6	38.7
Cargo unit cost (cents/ctk)	23.8	23.4
Cargo breakeven load factor (%)	66.9	60.5
<u>SIA, SilkAir and SIA Cargo</u>		
Overall load (million tonne-km)	3,893.8	3,750.1
Overall capacity (million tonne-km)	5,776.4	5,383.5
Overall load factor (%)	67.4	69.7
Overall yield (cents/ltk)	84.3	85.1
Overall unit cost (cents/ctk)	58.1	56.4
Overall breakeven load factor (%)	68.9	66.3

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
Overall yield	=	Passenger, cargo and mail revenue from scheduled services divided by total passenger and cargo load (in tonne-km)
Overall unit cost	=	Operating expenditure divided by gross capacity (in tonne-km)
Overall breakeven load factor	=	Overall unit cost expressed as a percentage of overall yield. This is the theoretical load factor at which passenger, cargo and mail revenue equate to the operating expenditure.

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)