

STRONG TRAFFIC AND YIELD UNDERPIN FIRST QUARTER NET PROFIT OF \$259 MILLION

HIGHLIGHTS OF THE GROUP'S PERFORMANCE

- Operating profit \$307 million
- Net profit attributable to shareholders \$259 million
- Earnings per share 21.2 cents

GROUP EARNINGS

The Group turned in a first quarter net profit attributable to shareholders of \$259 million, a rebound from the \$312 million loss in the same period last year, which was adversely affected by the Severe Acute Respiratory Syndrome (SARS).

Group operating profit of \$307 million was a \$684 million turnaround from first quarter last year, a result of strong revenue growth of \$1,072 million (+64.8%) to \$2,725 million coupled with a more measured increase in expenditure of \$387 million (+19.1%) to \$2,418 million. For perspective, revenue for the current quarter surpassed the \$2,539 million recorded for the same quarter in 2002 by a respectable 7.3%.

Fuel prices and foreign exchange movements were two significant factors that affected the quarter's performance. For the Group, higher fuel prices added \$80 million to expenditure after accounting for a hedging gain of \$73 million. On the other hand, the strength of major revenue generating currencies, particularly the Australian dollar and British pound, coupled with cost savings from a weaker US dollar against Singapore dollar provided a net gain of \$81 million to the operating profit of the SIA Group.

Note: The SIA Group's unaudited financial results for the first quarter ended 30 June 2004 were announced on 30 July 2004. A summary of the financial and operating statistics is shown in Annex A. (All monetary figures are in Singapore Dollars. The Company refers to SIA, the parent airline unit. The Group comprises the Company and its subsidiary, joint venture and associated companies).

The Company produced an operating profit of \$163 million, which was 53.0% of the operating profit of the SIA Group. The three major subsidiaries, namely the Singapore Airport Terminal Services (SATS) group, SIA Engineering Company (SIAEC) group and Singapore Airlines Cargo (SIA Cargo) contributed 16.4%, 10.8% and 16.4% respectively to the Group's operating profit.

GROUP FINANCIAL POSITION (as at 30 June 2004)

As at 30 June 2004, shareholders' funds totalled \$11,731 million, 2.4% more (+\$276 million) than at 31 March 2004.

Total assets increased 4.0% (+\$796 million) to \$20,786 million. Net asset value per share rose 2.4% to \$9.63.

Total debt of \$2,293 million was \$20 million more than at 31 March 2004. The ratio of Total Debt to Equity was 0.2:1, unchanged from 31 March 2004.

OPERATING PERFORMANCE OF SIA AND SIA CARGO

For the first quarter of financial year 2004-05, SIA's carriage of passengers (in terms of revenue passenger-kilometres) and capacity production (in terms of available seat-kilometres) were higher than the same period last year by 83.8% and 46.7% respectively. As a result, passenger load factor rose 14.6 percentage points to 72.0%. Passenger breakeven load factor improved 20.1 percentage points to 68.0%, a result of higher yield (+15.5%) and lower unit cost (-10.8%).

SIA Cargo carried 9.7% more cargo (in terms of load tonne-kilometres) than the same quarter last year. However, cargo load factor fell 4.3 percentage points to 64.9% because cargo capacity (in terms of capacity tonne-kilometres) increased at a higher pace (+16.9%). Notwithstanding, cargo load factor exceeded cargo breakeven load factor by 4.1 percentage points, 2.7 percentage points more than last year. Higher cargo yield (+7.3%) coupled with lower unit cost (-3.8%) resulted in a 7.0 percentage points reduction in cargo breakeven load factor to 60.8%.

FLEET AND ROUTE DEVELOPMENT

SIA took delivery of two A340-500s, and de-commissioned one B747-400 during the quarter. As at 30 June 2004, the operating fleet comprised 86 passenger aircraft - 29 B747-400s, 52 B777s and five A340-500s. Average age of the fleet was 5 years 1 month as at 30 June 2004.

The Company broke its own record for the world's longest commercial non-stop service with the launch of the daily non-stop service between Singapore and New York (Newark Airport) on 28 June 2004. Concurrently, the four times weekly service to Newark via Amsterdam (operated with B747-400) was replaced with a daily service to Amsterdam (operated with B777-200ER).

In addition, frequencies were added to Melbourne, Adelaide, Auckland, Mumbai, Dhaka, Kolkata, Shanghai and Surabaya during the quarter.

SUBSEQUENT EVENTS

On 17 June 2004, SATS signed a conditional sale and purchase agreement with Changi International Airport Services Pte Ltd to acquire its 24.5% stake in Asia Airfreight Terminal Company Limited (Hong Kong air cargo terminal operator) for an aggregate cash consideration of \$76.5 million. After the acquisition, SATS will hold a 49% stake in Asia Airfreight Terminal Company Limited. The transaction was approved by shareholders of SATS at the Extraordinary General Meeting held on 20 July 2004.

The Company took delivery of one more B777-200 and traded-in one B747-400 to Boeing on 22 July 2004.

On 28 July 2004, SIA launched a new three times weekly service to Ahmedabad, India.

OUTLOOK

SIA plans to take delivery of another four B777s and de-commission two more B747-400s from the operating fleet in the course of the financial year, bringing the operating fleet to 89 passenger aircraft by 31 March 2005.

Subject to regulatory approvals and slot constraints, frequency increases are planned for services to Melbourne, Brisbane, Beijing, Guangzhou, Ho Chi Minh City and Hanoi. A new service to Amritsar, India will commence in October 2004. SIA will suspend its three times weekly B747-400 service to Madrid on 31 October 2004 and plans to replace them through codeshare services with Star Alliance partners. Capacity operated (in terms of available seat-kilometres) for financial year 2004-05 is projected to be 19% higher than the year before. By the end of the financial year, SIA's passenger route network will cover 60 destinations in 32 countries.

Barring any disruption to the progress of the global economy, demand for air transportation is expected to remain buoyant for the rest of the financial year.

Two more low-cost carriers are preparing to start operations in Singapore by end 2004. Consequently, competition will intensify on some South East Asian routes, and yields will come under pressure. SIA intends to stay competitive and maintain market leadership.

For SIA Cargo, a new aircraft delivery in August 2004 will increase the operating fleet to 14 B747-400 freighters. The additional capacity will be deployed to increase frequencies to USA (via Xiamen and Nanjing) and Europe (via Bangalore and via Chennai). Cargo capacity operated (in terms of capacity tonne-kilometres) for the current financial year is expected to be 15% higher than last year.

With continuing tensions in the Middle East and strong global demand, fuel prices are expected to stay high and volatile in the near term, and compromise the otherwise positive sentiment for the remainder of the year. SIA will continue to manage costs carefully and remain competitive through initiatives such as increasing aircraft utilization, improving fuel efficiency of operations and efficiency of engineering maintenance, reducing distribution costs through greater push towards online sales, and moving towards a more flexible wage structure.

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GROUP FINANCIAL PERFORMANCE

	1st Quarter 2004-05	1st Quarter 2003-04
Financial Results (\$ million)		
Total revenue	2,724.9	1,653.4
Total expenditure	2,417.8	2,030.7
Operating profit/(loss)	307.1	(377.3)
Non-operating items	30.8	27.4
Exceptional expenditure	--	(41.4)
Profit/(loss) before taxation	337.9	(391.3)
Profit/(loss) attributable to shareholders	258.6	(312.3)
Per Share Data		
Earnings before tax (cents)	27.7	(32.1)
Earnings after tax (cents) - basic ^{R1}	21.2	(25.6)
- diluted ^{R2}	21.2	(25.6)
	As at 30 Jun 2004	As at 31 Mar 2004
Financial Position (\$ million)		
Share capital	609.1	609.1
Distributable reserve	10,578.3	10,302.4
Non-distributable reserve		
Share premium	447.2	447.2
Capital redemption reserve	64.4	64.4
Capital reserve	32.0	32.0
Shareholders' funds	<u>11,731.0</u>	<u>11,455.1</u>
Total assets	20,785.7	19,990.0
Total debt	2,293.4	2,273.5
Total debt equity ratio (times) ^{R3}	0.20	0.20
Net asset value per share (\$) ^{R4}	9.63	9.40

^{R1} Earnings after tax per share (basic) is computed by dividing profit after taxation and minority interests by the weighted average number of ordinary shares in issue.

^{R2} Earnings after tax per share (diluted) is computed by dividing profit after taxation and minority interests by the weighted average number of ordinary shares in issue after adjusting for the dilutive effect on the exercise of all outstanding share options granted to employees.

^{R3} Total debt equity ratio is total debt divided by shareholders' fund.

^{R4} Net asset value per share is computed by dividing shareholders' funds by the number of ordinary shares in issue.

OPERATING STATISTICS

	1st Quarter 2004-05	1st Quarter 2003-04
<u>SIA</u>		
Passenger carried (thousand)	3,800	1,933
Revenue passenger-km (million)	18,167.0	9,881.7
Available seat-km (million)	25,248.6	17,208.2
Passenger load factor (%)	72.0	57.4
Passenger yield (cents/pkm)	9.7	8.4
Passenger unit cost (cents/ask)	6.6	7.4
Passenger breakeven load factor (%)	68.0	88.1
<u>SIA Cargo</u>		
Cargo and mail carried (million kg)	279.9	247.4
Cargo load (million tonne-km)	1,772.3	1,616.8
Mail load (million tonne-km)	15.5	13.6
Gross capacity (million tonne-km)	2,753.8	2,355.1
Cargo load factor (%)	64.9	69.2
Cargo yield (cents/ltk)	33.7	31.4
Cargo unit cost (cents/ctk)	20.5	21.3
Cargo breakeven load factor (%)	60.8	67.8
<u>SIA and SIA Cargo</u>		
Overall load (million tonne-km)	3,538.5	2,593.1
Overall capacity (million tonne-km)	5,247.3	4,055.2
Overall load factor (%)	67.4	63.9
Overall yield (cents/ltk)	67.8	52.0
Overall unit cost (cents/ctk)	42.4	43.6
Overall breakeven load factor (%)	62.5	83.8

Certain comparative figures have been reclassified to conform with the current year's presentation.

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 load carried (in tonnes) x distance flown (in km)
Mail load	=	Mail load carried (in tonnes) x distance flown (in km)
Gross capacity	=	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 and mail 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 and mail 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)