

HIGHER FUEL COSTS HOLD FIRST QUARTER NET PROFIT TO \$235 MILLION

HIGHLIGHTS OF THE GROUP'S PERFORMANCE

	1st Quarter		Year-on-Year % Change
	2005-06	2004-05 (Restated ^{R1})	
• Operating profit	\$253 M	\$303 M	- 16.5
• Net profit attributable to shareholders	\$235 M	\$255 M	- 7.9
• Earnings per share	19.3 cts	20.9 cts	- 7.9

^{R1} Financial results for FY2004-05 have been restated to account for share options to employees in compliance with Financial Reporting Standard (FRS) 102.

REVENUE GROWTH HELPS DEFRAID IMPACT OF FUEL COSTS

The Group turned in a first quarter net profit attributable to shareholders of \$235 million, a decline of \$20 million (-7.9%) from the \$255 million achieved last year.

Group revenue improved \$320 million (+11.7%) to \$3,044 million, on the back of growth in passenger and cargo traffic. However, Group expenditure grew by a higher amount of \$370 million (+15.3%) to \$2,791 million. The increase in expenditure was largely because of rising fuel costs. Net fuel costs amounting to \$892 million, accounted for 32.0% of the Group expenditure in the quarter, up from 23.3% the year before. Higher fuel prices added \$363 million (before hedging) to expenditure. Fuel hedging gain for the quarter amounted to \$118 million.

Exchange rate movements resulted in a negative contribution of \$10 million to Group operating profit in the quarter, largely due to movements in key

Note: The SIA Group's unaudited financial results for the first quarter ended 30 June 2005 were announced on 29 July 2005. 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).

currencies, particularly the Australian Dollar, Euro, Japanese Yen and US Dollar, against the Singapore Dollar. For perspective, exchange rate movements added \$81 million to the operating profit of the Group in the first quarter of financial year 2004-05.

Operating profit contribution of companies in the Group is as follows:

	1st Quarter 2005-06		1st Quarter 2004-05	Year-on-Year	
	Contribution			Change	
	\$ million	%	\$ million	\$ million	
Singapore Airlines	119	47.2	160	-	41
Singapore Airport Terminal Services (SATS) Group	53	20.8	50	+	3
SIA Engineering (SIAEC) Group	33	13.0	33		-
SIA Cargo	25	10.0	50	-	25
Others	23	9.0	10	+	13
	253	100.0	303	-	50

NEW AND REVISED FINANCIAL REPORTING STANDARDS

The Council on Corporate Disclosure and Governance (CCDG) in Singapore adopted several new and revised Financial Reporting Standards (FRSs), which are applicable for financial year 2005-06. For the Group, the main changes are in the treatment of aircraft maintenance and overhaul costs (FRS 16), the re-alignment of an associated company's financial statements to the Group's accounting policies (FRS 28), the recognition and fair value measurement of financial instruments (FRS 39), and the expensing of employee share options (FRS 102). The adoption of these FRSs resulted in a net positive impact of \$61 million to profit after tax.

Some airlines in other countries, such as Australia and the European Union have recently reported significant financial impact as a result of first time adoption of International Accounting Standards (IASs), specifically in the areas of frequent flyer programme and defined benefit pensions and post employment plans. As Singapore FRSs are in convergence with IASs, the Group's financial statements are already in compliance with IASs and are not affected by issues arising from the first time adoption of IASs. In particular, the Group has since financial year 2001-02, already adopted the deferred revenue method to account for frequent flyer programme and recognised defined benefit plan liabilities.

OPERATING PERFORMANCE: RECORD PASSENGER NUMBERS

For the first quarter of financial year 2005-06, the number of passengers carried was 4.015m – the highest recorded for any first quarter. SIA's carriage of passengers (in revenue passenger kilometres) grew 6.6% while capacity (in available seat kilometres) rose 7.5%. As a result, the passenger load factor

eased 0.7 percentage point to 71.3%. Passenger breakeven load factor remains unchanged at 68.0%, with yield improving by 6.2% and unit cost rising by 6.1%.

SIA Cargo carried 3.4% more cargo (in load tonne kilometres) than the same period last year, but cargo load factor fell 3.6 percentage points to 61.3% because cargo capacity (in capacity tonne kilometres) increased at a faster pace (+9.6%). The increase in cargo capacity is largely attributed to increased bellyhold capacity as a consequence of more passenger flights added to the network, and additional freighter services to Europe. A higher yield increase (+9.5%), relative to the increase in unit cost (+7.3%), resulted in a 1.2 percentage points improvement in cargo breakeven load factor to 59.5%.

GROUP FINANCIAL POSITION (as at 30 June 2005)

As at 30 June 2005, shareholders' funds totalled \$12,814 million, 3.8% more (+\$465 million) than at 31 March 2005.

Total assets increased 4.2% (+\$912 million) to \$22,665 million. Net asset value per share rose 3.8% to \$10.52.

Total debt of \$2,404 million was \$1 million higher than at 31 March 2005. The ratio of Total Debt to Equity was 0.19:1, unchanged from 31 March 2005.

CAPACITY DEPLOYED TO GROW MARKETS THROUGHOUT THE NETWORK

During the quarter, Singapore Airlines took delivery of one Boeing 777-300, bringing the B777 operating fleet size to 58, positioning Singapore Airlines as the world's largest operator of the B777 family of aircraft.

As at 30 June 2005, Singapore Airlines operated a fleet of 90 passenger aircraft – 27 B747-400s, 58 B777s and five A340-500s, to a global network that spanned 60 destinations in 32 countries. The average age of the operating fleet was five years and seven months.

On 1 June 2005, Singapore Airlines added a third daily frequency to Beijing, increasing capacity on the route by 50 per cent. In addition, frequencies were added to Mumbai, Kolkata, Melbourne, Perth, Brisbane, Christchurch, Fukuoka, Shenzhen, Hanoi and Penang from the start of the quarter.

There was no change to Singapore Airlines Cargo's operating fleet of fourteen B747-400 freighters during the quarter.

SUBSEQUENT EVENTS

On 7 July 2005 Singapore Airlines announced an increase of the fuel surcharge on tickets sold, from 20 July 2005. The change will give partial relief to higher operating costs arising from the persistently high jet fuel price (which is currently around US\$70 per barrel as compared to US\$48 per barrel a year ago).

Singapore Airlines Cargo launched a new twice-weekly service to Johannesburg on 6 July 2005. With the launch of the new Boeing 747-400 freighter service linking South Africa with Europe, USA and Asia, SIA Cargo's freighter network has expanded to cover 36 cities in 21 countries.

FUEL PRICES AND COST MANAGEMENT DOMINATE OUTLOOK

Demand for air travel has remained firm so far despite rising fuel prices in recent months. However on the cost side, in a persistently high fuel price environment, the benefits of hedging will reduce because the hedge program is being implemented at higher prices.

From September 2005, Singapore Airlines will re-structure six of the weekly frequencies to Tokyo to operate via Bangkok.

Companies in the Group are continuing to actively manage costs and capacity utilisation, and to improve productivity without compromising service levels to our customers.

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GROUP FINANCIAL STATISTICS

	1st Quarter 2005-06	1st Quarter 2004-05 (Restated)
Financial Results (\$ million)		
Total revenue	3,044.4	2,724.9
Total expenditure	2,791.3	2,421.8
Operating profit	253.1	303.1
Non-operating items	53.2	30.8
Profit before taxation	306.3	333.9
Profit attributable to shareholders	234.6	254.7
Per Share Data		
Earnings before tax (cents)	25.1	27.4
Earnings after tax (cents) - basic ^{R1}	19.3	20.9
- diluted ^{R2}	19.2	20.9
	As at 30 Jun 2005	As at 31 Mar 2005 (Restated)
Financial Position (\$ million)		
Share capital	609.1	609.1
Distributable reserves		
General reserve	11,473.1	11,128.0
Foreign currency translation reserve	13.5	8.8
Share-based compensation reserve	58.6	48.4
Fair value reserve	104.6	--
Non-distributable reserves		
Share premium	448.3	448.2
Capital redemption reserve	64.4	64.4
Capital reserve	41.9	41.9
Equity attributable to shareholders	<u>12,813.5</u>	<u>12,348.8</u>
Total assets	22,664.6	21,752.3
Total debt	2,404.3	2,403.0
Total debt to equity ratio (times) ^{R3}	0.19	0.19
Net asset value per share (\$) ^{R4}	10.52	10.14

* Certain comparative figures have been restated to conform to current year's presentation.

^{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 2005-06	1st Quarter 2004-05 (Restated)
<u>SIA</u>		
Passenger carried (thousand)	4,015	3,800
Revenue passenger-km (million)	19,362.7	18,167.0
Available seat-km (million)	27,144.5	25,248.6
Passenger load factor (%)	71.3	72.0
Passenger yield (cents/pkm)	10.3	9.7
Passenger unit cost (cents/ask)	7.0	6.6
Passenger breakeven load factor (%)	68.0	68.0
<u>SIA Cargo</u>		
Cargo and mail carried (million kg)	293.9	279.9
Cargo load (million tonne-km)	1,848.8	1,787.8
Gross capacity (million tonne-km)	3,017.3	2,753.8
Cargo load factor (%)	61.3	64.9
Cargo yield (cents/ltk)	37.0	33.8
Cargo unit cost (cents/ctk)	22.0	20.5
Cargo breakeven load factor (%)	59.5	60.7
<u>SIA and SIA Cargo</u>		
Overall load (million tonne-km)	3,706.4	3,538.5
Overall capacity (million tonne-km)	5,699.3	5,247.3
Overall load factor (%)	65.0	67.4
Overall yield (cents/ltk)	72.4	67.0
Overall unit cost (cents/ctk)	44.7	42.3
Overall breakeven load factor (%)	61.7	63.1

* Certain comparative figures have been restated to conform to 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 and 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)