

**RECORD REVENUE AND EFFICIENCY DRIVE  
SOFTEN IMPACT OF HIGH FUEL COST, ENABLE  
HALF YEAR PROFIT OF \$578 MILLION**

**HIGHLIGHTS OF THE GROUP'S PERFORMANCE**

	First Half 2005-06		2nd Quarter 2005-06	
	Apr-Sep 2005	Year-on-Year % Change	Jul-Sep 2005	Year-on-Year % Change
• Operating revenue	\$6,395 M	+ 10.7	\$3,350 M	+ 9.7
• Operating profit	\$584 M	- 6.3	\$331 M	+ 3.4
• Net profit attributable to shareholders	\$578 M	- 3.9	\$343 M	- 0.9
• Earnings per share	47.4 cts	- 3.9	28.2 cts	- 0.9
• Interim dividend per share	10.0 cts	No change	-	-

First Half 2005-06

The Group reported a net profit attributable to shareholders of \$578 million for the first half of financial year 2005-06, a decline of \$23 million (-3.9%) from the \$601 million achieved for the same period last year.

Group operating profit was \$584 million; \$39 million (-6.3%) less than the year before. Operating revenue, at \$6,395 million, was the highest recorded for any first half in the Group's history, and was \$616 million (+10.7%) higher than last year. This was the result of a 5.3% growth in passenger and cargo carriage (in load tonne kilometres) and 7.0% improvement in overall yield. However, operating cost rose by a bigger amount, up \$655 million (+12.7%) to \$5,811 million, due to the sharp rise in jet fuel price.

Note: The SIA Group's unaudited financial results for the half year and second quarter ended 30 September 2005 were announced on 27 October 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).

The Group's expenditure on fuel, after taking into account the hedging gain of \$209 million, rose 61.9% to \$1,939 million. Fuel accounted for 33.4% of the Group expenditure, up from 23.2% a year ago. The average price of jet fuel in the half year increased 49.7% year-on-year from US\$50 per barrel to US\$74 per barrel. The higher fuel price alone added \$731 million to Group expenditure. Excluding fuel, Group expenditure actually fell 2.2%.

Foreign exchange movements contributed much less to the Group results relative to the previous year. Exchange rate movements accounted for \$2 million of the Group operating profit this year, much less than the \$98 million in the first half of last year.

The parent Passenger Airline Company achieved an operating profit of \$313 million (-7.1%). The Company's result made up 53.5% (-0.6% point) of the operating profit of the SIA Group. Contributions by the three major subsidiary companies are as follows:

- Singapore Airlines Cargo (SIA Cargo): 11.5% (-3.7% points)
- Singapore Airport Terminal Services (SATS) Group: 18.6% (+1.9% points)
- SIA Engineering Company (SIAEC): 10.2% (+0.6% point).

The Council on Corporate Disclosure and Governance (CCDG) in Singapore adopted several new and revised Financial Reporting Standards (FRS), 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 contribution of \$116 million to profit after tax.

### Second Quarter 2005-06

The Group achieved a net profit attributable to shareholders of \$343 million in the three months ended 30 September 2005, a year-on-year marginal decline of \$3 million (-0.9%) in spite of higher fuel cost.

Group operating profit at \$331 million, was \$11 million (+3.4%) more than the same quarter last year. Revenue rose \$296 million (+9.7%) following growth in passenger and cargo traffic, as well as yield, while expenditure increased \$285 million (+10.4%), mainly due to higher price of fuel. Excluding fuel, Group expenditure actually fell 6.1%.

**GROUP FINANCIAL POSITION (as at 30 September 2005)**

As at 30 September 2005, shareholders' funds totalled \$12,907 million, 4.5% more (+\$558 million) than at 31 March 2005.

Total assets increased 3.7% (+\$812 million) to \$22,564 million. Net asset value per share rose 4.3% to \$10.58.

Total debt of \$2,374 million was \$29 million lower than at 31 March 2005. The ratio of Total Debt to Equity was 0.18:1, compared to 0.19:1 at 31 March 2005.

**DIVIDENDS**

The Company is declaring an interim dividend of 10 cents per share (tax exempt, one-tier), amounting to \$122 million, for the half year ended 30 September 2005, unchanged from last year. The interim dividend will be paid on 28 November 2005 to members on the Register as at 17 November 2005.

**OPERATING PERFORMANCE: RECORD PASSENGER NUMBERS**

For the first half of financial year 2005-06, the number of passengers carried was 8.363 million (+6.5%) – the highest recorded for any first half. SIA's carriage of passengers (in revenue passenger kilometres) grew 6.7% while capacity (in available seat kilometres) rose 6.1%. The passenger load factor rose 0.4 percentage point to 74.3% as a result. Passenger breakeven load factor rose 0.5 percentage point to 69.2% as unit cost (+5.9%) grew at a higher pace than yield (+5.1%). Excluding fuel, unit cost declined 11.2%.

SIA Cargo carried 4.3% more freight (in load tonne kilometres) than the corresponding period last year, but cargo load factor fell 2.1 percentage points to 61.8% because cargo capacity (in capacity tonne kilometres) increased at a faster pace (+7.8%). The increase in cargo capacity came from increased bellyhold capacity on passenger flights, as well as additional freighter services to Europe. A higher yield improvement (+8.9%), relative to the rise in unit cost (+7.1%), resulted in a 1.0 percentage point lowering of cargo breakeven load factor to 59.8%.

**CAPACITY DEPLOYED TO GROW MARKETS THROUGHOUT THE NETWORK**

The Company took delivery of one Boeing 777-300 in the review period. As at 30 September 2005, the operating fleet comprised 90 passenger aircraft – 27 B747-400s, 58 B777s and five A340-500s. The average age of the operating fleet was five years and ten months. Singapore Airlines flies the world's largest fleet of Boeing 777 aircraft.

Singapore Airlines added a third daily frequency to Beijing and launched a six times weekly direct service between Bangkok and Tokyo. In addition, frequencies were added to Mumbai, Kolkata, Melbourne, Perth, Brisbane, Christchurch, Fukuoka, Shenzhen, Hanoi and Penang from the start of the financial year.

There was no change to SIA Cargo's fleet of 14 B747-400 freighters during the half year. On 6 July 2005, a new twice weekly service to South Africa was introduced, expanding the freighter network to 36 cities in 21 countries.

### **SUBSEQUENT EVENTS**

On 5 October 2005, Singapore Airlines announced that Mr Koh Boon Hwee will relinquish his position as non-executive Chairman and Director of Singapore Airlines at the end of 2005. On 27 October 2005, the Board unanimously elected Mr Stephen Lee Ching Yen as the non-executive Chairman with effect from 1 January 2006.

From 30 October 2005, Singapore Airlines will launch a new four times weekly service to Hyderabad, India's fifth-largest metropolis and capital of the state of Andhra Pradesh. At the same time, two additional weekly frequencies will be added to Bangalore, bringing to five the number of weekly flights there.

SIA Cargo took delivery of one B747-400 freighter on 19 October 2005, and another one will be delivered in February 2006.

### **HIGH FUEL PRICE AND COMPETITION DOMINATE OUTLOOK**

The outlook for the airline industry is challenging as the price of jet fuel appears set to remain above US\$70 per barrel. While air traffic has remained buoyant so far, the concern is that persistently high fuel price could eventually slow down global economic growth and dampen demand.

Competition on the regional routes is keen, as new entrants compete with established carriers for market share. Singapore Airlines will remain competitive for both business and leisure travel and will continue to match capacity with market demand.

Traffic to Bali has not dropped severely in the period immediately after the bomb blasts there recently. Advance bookings on the route are being closely monitored.

Companies in the Group will continue to manage costs carefully and to improve productivity and efficiency, without compromising standards and quality of service.

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**GROUP FINANCIAL STATISTICS**

	1st Half 2005-06	1st Half 2004-05 (Restated)	2nd Quarter 2005-06	2nd Quarter 2004-05 (Restated)
<b>Financial Results (\$ million)</b>				
Total revenue	6,394.7	5,778.8	3,350.3	3,053.9
Total expenditure	5,811.0	5,156.0	3,019.7	2,734.2
Operating profit	583.7	622.8	330.6	319.7
Non-operating items	186.9	174.8	133.7	144.0
Exceptional items	--	(28.7)	--	(28.7)
Profit before taxation	770.6	768.9	464.3	435.0
Profit attributable to shareholders	577.8	601.1	343.2	346.4
<b>Per Share Data</b>				
Earnings before tax (cents)	63.2	63.1	38.1	35.7
Earnings after tax (cents) - basic <sup>R1</sup>	47.4	49.3	28.2	28.4
- diluted <sup>R2</sup>	47.4	49.3	28.1	28.4

	As at 30 Sep 2005	As at 31 Mar 2005 (Restated)
<b>Financial Position (\$ million)</b>		
Share capital	609.7	609.1
Distributable reserves		
General reserve	11,460.9	11,128.0
Fair value reserve	187.9	--
Non-distributable reserves		
Share premium	462.2	448.2
Capital redemption reserve	64.4	64.4
Capital reserve	41.9	41.9
Foreign currency translation reserve	13.8	8.8
Share-based compensation reserve	65.7	48.4
Equity attributable to shareholders	<u>12,906.5</u>	<u>12,348.8</u>
Total assets	22,564.3	21,752.3
Total debt	2,374.0	2,403.0
Total debt to equity ratio (times) <sup>R3</sup>	0.18	0.19
Net asset value per share (\$) <sup>R4</sup>	10.58	10.14

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

<sup>R1</sup> 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.

<sup>R2</sup> 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.

<sup>R3</sup> Total debt equity ratio is total debt divided by shareholders' fund.

<sup>R4</sup> Net asset value per share is computed by dividing shareholders' funds by the number of ordinary shares in issue.

**OPERATING STATISTICS**

	1st Half 2005-06	1st Half 2004-05 (Restated)	2nd Quarter 2005-06	2nd Quarter 2004-05 (Restated)
<b><u>SIA</u></b>				
Passenger carried (thousand)	8,363	7,850	4,348	4,050
Revenue passenger-km (million)	40,673.8	38,126.8	21,311.1	19,959.8
Available seat-km (million)	54,751.5	51,606.4	27,607.0	26,357.8
Passenger load factor (%)	74.3	73.9	77.2	75.7
Passenger yield (cents/pkm)	10.4	9.9	10.5	10.0
Passenger unit cost (cents/ask)	7.2	6.8	7.5	7.0
Passenger breakeven load factor (%)	69.2	68.7	71.4	70.0
<b><u>SIA Cargo</u></b>				
Cargo and mail carried (million kg)	602.2	567.8	308.3	288.0
Cargo load (million tonne-km)	3,789.5	3,634.0	1,940.7	1,846.3
Gross capacity (million tonne-km)	6,130.6	5,685.2	3,113.3	2,931.4
Cargo load factor (%)	61.8	63.9	62.3	63.0
Cargo yield (cents/ltk)	37.8	34.7	38.5	35.5
Cargo unit cost (cents/ctk)	22.6	21.1	23.2	21.7
Cargo breakeven load factor (%)	59.8	60.8	60.3	61.1
<b><u>SIA and SIA Cargo</u></b>				
Overall load (million tonne-km)	7,685.0	7,299.5	3,978.6	3,761.0
Overall capacity (million tonne-km)	11,540.4	10,782.5	5,841.1	5,535.2
Overall load factor (%)	66.6	67.7	68.1	67.9
Overall yield (cents/ltk)	73.7	68.9	74.9	70.6
Overall unit cost (cents/ctk)	46.2	43.6	47.7	44.8
Overall breakeven load factor (%)	62.7	63.3	63.7	63.5

\* 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)