

**SIA GROUP, IN A YEAR OF RECOVERY,
TURNS IN ANNUAL
NET PROFIT OF \$849 MILLION**

HIGHLIGHTS OF THE GROUP'S PERFORMANCE

	\$ Million	% Change
• Operating profit	680	- 5.1
• Net profit attributable to shareholders	849	- 20.2
• Earnings per share (cents)	69.7	- 20.2
• Inclusive of lump sum payment to make up for wage cut in the year, plus 15%, and bonus of 2.05 months' basic pay		
• Final dividend of 25 cents per share		

GROUP EARNINGS

On the back of a strong recovery, net profit attributable to shareholders for the year ended 31 March 2004 was \$849 million, 20.2% less (-\$216 million) than the year before. The earnings for the year include positive contributions from two factors. A cut in the corporate tax rate for Singapore from 22% to 20% from Year of Assessment 2005 resulted in a write-back of \$205 million in prior years' deferred tax liabilities. At the operating level, strength of major revenue generating currencies, particularly the British pound, Euro, Japanese yen, and Australian dollar, against the Singapore dollar provided a net gain of \$268 million to the operating profit of the SIA Group.

The Group registered strong recovery following the first quarter loss of \$312 million inflicted by the Severe Acute Respiratory Syndrome (SARS), turning in a net profit of \$1,161 million for the nine months of July 2003 to March 2004.

Note: The SIA Group's audited financial results for the year ended 31 March 2004 were announced on 14 May 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).

Group operating profit of \$680 million was 5.1% less (-\$37 million) than a year ago. Revenue was 7.2% lower (-\$753 million) at \$9,762 million primarily because of a bad first quarter. There was a 7.3% reduction (-\$716 million) in expenditure, from lower staff costs (-\$276 million), aircraft maintenance and overhaul costs (-\$170 million), commission and incentives (-\$85 million), material costs (-\$65 million), airport and overflying charges (-\$60 million), and fuel costs (-\$54 million).

Although staff costs were lower than in the preceding year, the accounts have provided for staff to receive a one-off lump sum payment to make up for the wage cut taken in 2003, plus 15%, and a bonus of 2.05 months of basic salary, in accordance with the agreement on profit sharing bonus.

The Company produced an operating profit of \$150 million, accounting for 22.1% of the operating profit of the SIA Group. The three major subsidiaries, namely the SIA Engineering Company (SIAEC) group, the Singapore Airport Terminal Services (SATS) group and Singapore Airlines Cargo (SIA Cargo) contributed 11.6%, 28.0% and 29.6% respectively to the Group's operating profit.

GROUP FINANCIAL POSITION (as at 31 March 2004)

At the financial year end, shareholders' funds totalled \$11,455 million, 7.0% more (+\$746 million) than at 31 March 2003.

Total assets increased 4.2% (+\$806 million) to \$19,990 million. Net asset value per share rose 6.9% to \$9.40.

Total debt of \$2,274 million was \$156 million more than a year ago. The ratio of Total Debt to Equity was 0.2:1, unchanged from last year.

OPERATING PERFORMANCE

For the full year, SIA's carriage of passengers and capacity production were lower than last year by 12.8% and 11.4% respectively because of the drop in demand for travel and a corresponding cutback in capacity during the SARS outbreak. Passenger load factor slipped 1.2 percentage points to 73.3%. However as yield improved 1.1%, the passenger breakeven load factor improved 0.8 percentage point to 72.8%.

In the second half of the financial year 2003-04, SIA's carriage of passengers (measured by revenue passenger-kilometres) grew by 1.8% year-on-year despite a reduction in capacity (in available seat-kilometres) of 3.4%. As a result, passenger load factor rose 3.9 percentage points to 76.1%. A combination of higher yield (+4.3%) and lower unit cost (-2.9%) contributed to an improvement in passenger breakeven load factor of 5.1 percentage points to 68.8% for the second half.

SIA Cargo carried 2.4% less cargo (in terms of load tonne-kilometres) than the year before. Although cargo load factor dropped 3.1 percentage points to 66.5%, the spread over breakeven load factor improved 4.1 percentage points. A combination of higher yield (+7.3%) and lower unit cost (-3.8%) resulted in a 7.2 percentage points reduction in breakeven load factor to 62.7%.

FLEET AND ROUTE DEVELOPMENT

SIA took delivery of three A340-500s and seven B777s during the year. Three A340-300s, nine B747-400s and nine A310-300s were de-commissioned from the operating fleet.

As at 31 March 2004, the operating fleet comprised 85 passenger aircraft – 30 B747-400s, 52 B777s and three A340-500s. Average age of the fleet was 5 years as at 31 March 2004.

Weekly capacity operated (in terms of available seat-kilometres) at the end of March 2004 was around the same level offered a year ago before outbreak of SARS.

New passenger services were launched to Bangalore (August 2003), Shenzhen (January 2004) and Nanjing (March 2004). The Company created aviation history with the inauguration of the world's longest commercial non-stop service between Singapore and Los Angeles with the A340-500 aircraft on 3 February 2004.

During the year, SIA Cargo increased its operating fleet by one aircraft to 13 B747-400 freighters in total.

SIA Cargo became the first foreign airline to fly beyond China to the United States of America (USA) with the launch of a service to Chicago (via Xiamen and Nanjing) in May 2003. In March 2004, new services to Amsterdam (via Bangalore), and to Los Angeles (via Xiamen and Nanjing) were added. Other new destinations served were Kuwait (September 2003), Calcutta (September 2003) and Colombo (March 2004).

DIVIDENDS

No interim dividend was declared for the half year ended 30 September 2003.

The Directors propose that a final non-taxable dividend of 25 cents per share, amounting to \$305 million, be paid for the financial year ended 31 March 2004.

A total dividend of 15 cents per share, comprising an interim dividend of 6 cents per share and a final dividend of 9 cents per share, was declared in 2002-03.

SUBSEQUENT EVENTS

On 1 April 2004, the business undertaking of SIA Properties Pte Ltd (100% owned subsidiary which primarily provided intra-Group services) was transferred to the Company. The financial impact of the transfer was not material.

SIA signed an agreement with Dragonair on 5 May 2004 for the sale of five B747-400s. Separately, the Company has executed a letter of intent with another airline to sell three B747-400s. The eight aircraft are to be delivered between 2006 and 2008 after their scheduled releases from the operating fleet.

The Company added a fourth and fifth A340-500 aircraft on 8 April and 4 May 2004 respectively to its operating fleet, and traded in one A310-300 to Boeing on 23 April 2004.

SATS signed an agreement with Devro Group Limited on 20 April 2004, to purchase approximately 49.8% of the ground and cargo handling business of PT Jasa Angkasa Semesta Tbk ("JAS Airport Services") for US\$60 million. JAS Airport Services is a major ground and cargo handling company in Indonesia. Listed on the Surabaya Stock Exchange, it has operations at 11 Indonesian airports, including Jakarta, Surabaya, Denpasar/Bali and Medan.

On 26 April 2004, SIA Cargo sold one B747-400 freighter under a sale and leaseback agreement. The aircraft is leased back for 10 years. The lease is an operating lease. The net surplus from the sale of this aircraft was about \$1.0 million.

On 7 May 2004, the jury in the US Federal Court of California awarded US\$15 million to the family of two deceased passengers in a lawsuit relating to the Flight SQ006 incident. The Company has been advised that the terms of SIA's insurance policy provide full cover for all passenger claims.

OUTLOOK FOR FINANCIAL YEAR 2004-05

SIA will take delivery of five B777s and de-commission three B747-400s from the operating fleet during the rest of the year. By 31 March 2005, total operating fleet will reach 89 passenger aircraft.

In June 2004, SIA will break its own record for the world's longest non-stop commercial flight with the launch of a non-stop service between Singapore and New York (Newark Airport) with the A340-500 aircraft.

The Company will also introduce a new service to Ahmedabad in India's Gujarat province in July 2004. Frequency increases are planned for services to Brisbane, Guangzhou, Ho Chi Minh City, Melbourne and Seoul. SIA's route network will feature 60 destinations in 33 countries by the end of 2004-05. Capacity by the end of 2004-05 is projected to be about 7% higher than in March 2004.

The outlook for financial year 2004-05 is mixed. Long haul business looks promising but short haul regional operations will see keen competition. Provided the situation in the Middle East stabilises, the economies of China and India continue their strong growth and those of USA, Japan, Australia and Europe do not falter, SIA's services are well positioned for higher demand in these markets.

Four low-cost carriers based in Singapore have announced plans to start operations in 2004. This is in addition to the growing number of low-cost carriers based in neighbouring countries. Yields on short-haul flights will come under pressure as a consequence. It is imperative that costs continue to be kept under control.

SIA Cargo will take delivery of its fourteenth B747-400 freighter in 2004-05. Addition of freighter flights to USA via India and Europe, and to Europe via India are planned. Capacity by March 2005 is projected to be about 10% higher than the level in March 2004.

Oil prices climbed to a 13-year high in March 2004. Forward curve for oil prices indicates that prices are likely to remain high in the near term.

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GROUP FINANCIAL STATISTICS ^{R1}

	2003-04	2002-03	4th Qtr 2003-04	4th Qtr 2002-03
Financial Results (\$ million)				
Total revenue	9,761.9	10,515.0	2,826.0	2,571.3
Total expenditure	9,081.5	9,797.9	2,556.3	2,536.8
Operating profit	680.4	717.1	269.7	34.5
Non-operating items	171.6	259.2	43.0	34.7
Exceptional surplus/(expenditure)	(31.1)	0.5	1.1	-
Profit before taxation	820.9	976.8	313.8	69.2
Profit attributable to shareholders	849.3	1,064.8	477.9	111.3
Share capital	609.1	609.1		
Distributable reserve	10,302.4	9,580.4		
Non-distributable reserve				
Share premium	447.2	447.2		
Capital redemption reserve	64.4	64.4		
Capital reserve	32.0	7.7		
Shareholders' funds	<u>11,455.1</u>	<u>10,708.8</u>		
Return on shareholders' funds (%) ^{R2}	7.7	10.4		
Total assets	19,990.0	19,184.0		
Total debt	2,273.5	2,117.3		
Total debt equity ratio (times) ^{R3}	0.2	0.2		
Value added	4,035.7	4,367.0		
Dividends				
Interim dividend (cents per share)	-	6.0		
Proposed final dividend (cents per share)	25.0	9.0		
Dividend cover (times) ^{R4}	2.8	6.4		
Per Share Data				
Earnings before tax (cents)	67.4	80.2		
Earnings after tax (cents) - basic ^{R5}	69.7	87.4		
- diluted ^{R6}	69.7	87.4		
Net asset value (\$) ^{R7}	9.40	8.79		

^{R1} SIA's financial year is from 1 April to 31 March. Throughout this report, all figures are in Singapore Dollars, unless stated otherwise.

^{R2} Return on shareholders' fund is profit after taxation and minority interests expressed as a percentage of the average shareholders' funds.

^{R3} Total debt equity ratio is total debt divided by shareholders' fund at 31 March.

^{R4} Dividend cover is profit attributable to shareholders divided by total dividend.

^{R5} 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.

^{R6} 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.

^{R7} Net asset value per share is computed by dividing shareholders' funds by the number of ordinary shares in issue at 31 March.

OPERATING STATISTICS

	2003-04	2002-03	4th Qtr 2003-04	4th Qtr 2002-03
<u>SIA</u>				
Passenger carried (thousand)	13,278	15,326	3,825	3,672
Revenue passenger-km (million)	64,685.2	74,183.2	18,681.3	17,813.1
Available seat-km (million)	88,252.7	99,565.9	24,577.0	24,906.5
Passenger load factor (%)	73.3	74.5	76.0	71.5
Passenger yield (cents/pkm)	9.2	9.1	9.7	9.1
Passenger unit cost (cents/ask)	6.7	6.7	6.9	6.9
Passenger breakeven load factor (%)	72.8	73.6	71.1	75.8
<u>SIA Cargo</u>				
Cargo and mail carried (million kg)	1,050.9	1,043.2	261.3	254.4
Cargo load (million tonne-km)	6,690.7	6,835.3	1,623.1	1,613.2
Mail load (million tonne-km)	58.7	78.3	15.1	18.2
Gross capacity (million tonne-km)	10,156.5	9,927.1	2,530.5	2,441.0
Cargo load factor (%)	66.5	69.6	64.7	66.8
Cargo yield (cents/ltk)	36.7	34.2	38.6	34.8
Cargo unit cost (cents/ctk)	23.0	23.9	23.7	24.4
Cargo breakeven load factor (%)	62.7	69.9	61.4	70.1
<u>SIA and SIA Cargo</u>				
Overall load (million tonne-km)	13,033.1	14,059.5	3,455.2	3,350.2
Overall capacity (million tonne-km)	18,873.8	19,773.7	4,957.6	4,902.7
Overall load factor (%)	69.1	71.1	69.7	68.3
Overall yield (cents/ltk)	65.0	64.5	71.2	64.5
Overall unit cost (cents/ctk)	43.4	45.5	46.1	46.8
Overall breakeven load factor (%)	66.8	70.5	64.7	72.6
<u>Employee Productivity (Average) - Company</u>				
Average number of employees	14,010	14,418		
Seat capacity per employee (seat-km)	6,299,265	6,905,667		
Passenger load per employee (tonne-km)	448,513	495,617		
Revenue per employee (\$)	513,034	558,122		
Value added per employee (\$)	179,272	191,566		
<u>Employee Productivity (Average) - Group</u>				
Average number of employees	29,734	30,243		
Revenue per employee (\$)	328,308	347,684		
Value added per employee (\$)	135,727	144,397		

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	=	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 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)