

PROFIT OF \$1.24b ON STRONG REVENUE GAINS BUT FUEL COSTS REMAIN GREATEST CHALLENGE

HIGHLIGHTS OF THE GROUP'S PERFORMANCE

	Financial Year 2005-06		4th Quarter 2005-06	
	Apr 2005 – Mar 2006	Year-on-Year % Change	Jan-Mar 2006	Year-on-Year % Change
• Operating revenue	13,341 M	+ 11.1	3,389 M	+ 11.8
• Operating profit	1,213 M	- 7.9	255 M	- 9.6
• Profit attributable to equity holders of the Company	1,241 M	- 8.3	266 M	- 7.1
• Earnings per share	101.7 cts	- 8.4	21.8 cts	- 7.2
• Total dividend per share	45.0 cts	+ 12.5	-	-

REVENUE GROWTH AND COST MANAGEMENT HELP DEFRAY IMPACT OF HIGH FUEL PRICES

Growth in carriage and yields for both passenger and cargo operations produced record revenue for the Group of \$13,341 million for the financial year ended 31 March 2006, which was \$1,328 million (+11.1%) higher than in 2004-05.

Group operating profit, however, fell \$104 million (-7.9%) to \$1,213 million as rising fuel costs pushed expenditure up. Expenditure increased \$1,432 million (+13.4%) to \$12,128 million.

Note: The SIA Group's audited financial results for the year ended 31 March 2006 were announced on 9 May 2006. 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).

Fuel accounted for 35.0% of the Group expenditure, up from 25.2% a year ago. Net of hedging, fuel expenditure rose \$1,547 million (+57.5%) to \$4,240 million as jet fuel prices increased to an average of US\$77 per barrel in 2005-06 from US\$55 per barrel last year.

Excluding fuel, Group expenditure was actually lower by 1.4%, reflecting the results of the collective efforts towards improved cost management, efficiency and productivity.

The Group recorded a foreign exchange loss of \$137 million in 2005-06, compared to a gain of \$112 million the previous year. This was due to the strengthening of Singapore Dollar against the major revenue generating currencies, particularly the British Pound, Euro and Japanese Yen, partially offset by cost savings from US Dollar-denominated expenditure as a result of a weaker US Dollar.

Compliance with several new and revised Financial Reporting Standards (FRS) that came into effect in financial year 2005-06 resulted in a net addition of \$279 million to profit after tax. With this, and despite intense competition and the sharp rise in jet fuel prices, the Group achieved a profit attributable to equity holders of the Company of \$1,241 million for the financial year ended 31 March 2006, a decrease of \$112 million (-8.3%) from last year.

The preceding year's profit had also been boosted by gains totalling \$78 million from the sale of portfolio investments in Air New Zealand and Raffles Holdings.

The parent Passenger Airline Company achieved an operating profit of \$651 million (-6.7%). The Company's result made up 53.6% (+0.6% point) of the Group's operating profit. Contributions by the three major subsidiary companies to the Group's operating profit are as follows:

- Singapore Airlines Cargo (SIA Cargo): 14.3% (-5.5% points)
- Singapore Airport Terminal Services (SATS) Group: 15.2% (+0.4% point)
- SIA Engineering Company (SIAEC): 11.1% (+3.4% points)

Fourth Quarter 2005-06

The Group achieved a profit attributable to equity holders of the Company of \$266 million in the three months ended 31 March 2006, a decline of \$20 million (-7.1%) from the corresponding period last year.

Group revenue improved \$357 million (+11.8%) to \$3,389 million following strong traffic and yield growth for both passenger and cargo operations. Group operating profit at \$255 million, was however \$27 million lower (-9.6%), as the increase in expenditure outpaced revenue growth. Group expenditure increased \$384 million (+14.0%) to \$3,134 million due mainly to higher fuel costs.

Continued focus on cost management has resulted in a 1.5% reduction in non-fuel expenditure during the period.

DIVIDENDS

After considering the capital adequacy of the Company, the Board has proposed a final dividend of 35 cents per share (tax-exempt one-tier) to be paid on 17 August 2006. This will bring the total dividend for the financial year to 45 cents per share or \$551 million (of which \$122 million was paid on 28 November 2005 by way of the interim dividend).

OPERATING PERFORMANCE: RECORD PASSENGER TRAFFIC

The number of passengers carried for the financial year ended 31 March 2006 was 16.995 million (+6.6%) – the highest ever achieved in the Group's history. SIA's carriage of passengers (in revenue passenger kilometres) grew 6.6% while capacity (in available seat kilometres) rose 4.6%. As a result, passenger load factor improved 1.5 percentage points from a year ago to 75.6%.

Passenger breakeven load factor rose 1.5 percentage points to 70.8% as unit cost grew at a higher pace (+7.1%) than yield (+5.0%). Excluding fuel, passenger unit cost declined 10.2%.

SIA Cargo carried 7.4% more freight (in load tonne kilometres) than the corresponding period last year. As capacity growth (in capacity tonne kilometres) was 7.2%, cargo load factor rose 0.1 percentage point to 63.6%.

Cargo breakeven load factor, at 60.9%, was 1.6 percentage points higher because unit cost grew at a higher pace (+10.3%) than yield (+7.5%). Excluding fuel, cargo unit cost increased 1.2%.

CAPACITY DEPLOYED TO GROWTH MARKETS THROUGHOUT THE NETWORK

During the year, Singapore Airlines took delivery of one Boeing 777-300, bringing the B777 operating fleet size to 58. As at 31 March 2006, the operating fleet comprised 90 passenger aircraft – 27 B747-400s, 58 B777s and five A340-500s. The average age of the fleet was six years and four months.

Singapore Airlines expanded its network by five new destinations in 2005-06, namely Hyderabad (October 2005), Lahore and Karachi (February 2006), Moscow and Abu Dhabi (March 2006). In addition, frequencies were added to growth markets in Asia and Australia. As at 31 March 2006, Singapore Airlines passenger route network reached 63 destinations in 34 countries.

SIA Cargo took delivery of two B747-400 freighters during the year, bringing its operating fleet to 16 freighters as at 31 March 2006.

A new, twice weekly, freighter service to Johannesburg was launched in July 2005. Additional services were mounted to Chicago and Copenhagen. As at 31 March 2006, SIA Cargo's freighter network covered 37 cities in 21 countries.

OUTLOOK BROADLY POSITIVE, SENSITIVE TO FUEL PRICE MOVEMENTS

The outlook for air travel is broadly positive. However fuel costs remain a significant challenge, with fuel price volatility a key variable in determining financial performance.

Travel bookings are projected to grow steadily on the back of improved economic prospects, particularly for Asia and Europe.

The year up to end March 2007 will herald many exciting developments for the Group. Singapore Airlines is gearing up to be the first to fly the all-new Airbus A380-800 and to introduce the Boeing B777-300ER by the end of the year.

The Company is expecting to take delivery of seven Airbus A380-800s and nine Boeing 777-300ERs, while five B747-400s will be de-commissioned during the year. The operating fleet will comprise 101 passenger aircraft by 31 March 2007.

The Company will continue to differentiate itself and work at remaining competitive and profitable.

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GROUP FINANCIAL STATISTICS ^{R1}

	2005-06	2004-05	4th Quarter 2005-06	4th Quarter 2004-05
		(Restated)		(Restated)
Financial Results (\$ million)				
Total revenue	13,341.1	12,012.9	3,389.4	3,032.2
Total expenditure	12,127.8	10,695.8	3,134.5	2,750.3
Operating profit	1,213.3	1,317.1	254.9	281.9
Non-operating items	448.8	424.4	97.9	109.2
Exceptional surplus	--	49.5	--	32.6
Profit before taxation	1,662.1	1,791.0	352.8	423.7
Profit attributable to equity holders of the Company	1,240.7	1,352.4	266.3	286.7
Financial Position (\$ million)				
Share capital	1,202.6	609.1		
Reserves				
Share premium	--	448.2		
Capital redemption reserve	--	64.4		
Capital reserve	40.8	41.9		
Foreign currency translation reserve	(30.5)	3.1		
Share-based compensation reserve	81.8	48.4		
Fair value reserve	163.6	--		
General reserve	12,012.3	11,127.2		
Equity attributable to equity holders of the Company	13,470.6	12,342.3		
Return on shareholders' funds (%) ^{R2}	9.6	11.4		
Value added	5,534.0	5,533.6		
Total assets	23,369.5	21,744.7		
Total debt	2,305.6	2,403.0		
Total debt equity ratio (times) ^{R3}	0.17	0.19		
Dividends				
Interim dividend (cents per share)	10.0	10.0		
Proposed final dividend (cents per share)	35.0	30.0		
Dividend cover (times) ^{R4}	2.3	2.8		
Per Share Data				
Earnings before tax (cents)	136.3	147.0		
Earnings after tax (cents) - basic ^{R5}	101.7	111.0		
- diluted ^{R6}	101.6	111.0		
Net asset value (\$) ^{R7}	11.00	10.13		

^{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 attributable to equity holders of the Company expressed as a percentage of the average shareholders' funds.

^{R3} Total debt equity ratio is total debt divided by equity attributable to equity holders of the Company as at 31 March.

^{R4} Dividend cover is profit attributable to equity holders of the Company divided by total dividend.

^{R5} Earnings after tax per share (basic) is computed by dividing profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue.

^{R6} Earnings after tax per share (diluted) is computed by dividing profit attributable to equity holders of the Company 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 equity attributable to equity holders of the Company by the number of ordinary shares in issue at 31 March.

OPERATING STATISTICS

	2005-06	2004-05 (Restated)	4th Quarter 2005-06	4th Quarter 2004-05 (Restated)
<u>SIA</u>				
Passenger carried (thousand)	16,995	15,944	4,268	3,893
Revenue passenger-km (million)	82,741.7	77,593.7	20,946.3	19,192.8
Available seat-km (million)	109,483.7	104,662.3	27,165.9	26,288.1
Passenger load factor (%)	75.6	74.1	77.1	73.0
Passenger yield (cents/pkm)	10.6	10.1	10.6	10.5
Passenger unit cost (cents/ask)	7.5	7.0	7.8	7.1
Passenger breakeven load factor (%)	70.8	69.3	73.6	67.6
<u>SIA Cargo</u>				
Cargo and mail carried (million kg)	1,248.5	1,149.5	313.0	278.9
Cargo load (million tonne-km)	7,874.4	7,333.2	1,956.3	1,759.2
Gross capacity (million tonne-km)	12,378.9	11,544.1	3,050.7	2,822.5
Cargo load factor (%)	63.6	63.5	64.1	62.3
Cargo yield (cents/ltk)	38.6	35.9	38.2	36.0
Cargo unit cost (cents/ctk)	23.5	21.3	24.6	21.5
Cargo breakeven load factor (%)	60.9	59.3	64.4	59.7
<u>SIA and SIA Cargo</u>				
Overall load (million tonne-km)	15,806.8	14,796.5	3,969.4	3,609.6
Overall capacity (million tonne-km)	23,208.0	21,882.5	5,740.6	5,419.3
Overall load factor (%)	68.1	67.6	69.1	66.6
Overall yield (cents/ltk)	74.6	70.8	75.1	73.3
Overall unit cost (cents/ctk)	47.7	44.5	50.1	45.7
Overall breakeven load factor (%)	63.9	62.9	66.7	62.3
<u>Employee Productivity (Average) - Company</u>				
Average number of employees	13,729	13,572		
Seat capacity per employee (seat-km)	7,974,630	7,711,634		
Passenger load per employee (tonne-km)	577,784	549,904		
Revenue per employee (\$)	750,441	682,294		
Value added per employee (\$)	258,810	301,024		
<u>Employee Productivity (Average) - Group</u>				
Average number of employees	28,558	28,554		
Revenue per employee (\$)	467,158	420,708		
Value added per employee (\$)	193,781	193,794		

* 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)