

HIGHER FUEL COSTS HOLD HALF YEAR NET PROFIT TO \$616 MILLION

HIGHLIGHTS OF THE GROUP'S PERFORMANCE

	First Half 2004-05	Year-on-Year % Change	2nd Quarter 2004-05	Year-on-Year % Change
• Operating profit	\$638 M	n.m.	\$331 M	+ 5.2
• Net profit attributable to shareholders	\$616 M	n.m.	\$357 M	+ 16.8
• Earnings per share	50.6 cents	n.m.	29.3 cents	+ 16.8
• Interim dividend per share	10.0 cents	*	-	-

* No interim dividend was paid in the corresponding period last year.
n.m. Not meaningful. Losses in the corresponding period.

GROUP EARNINGS

First Half 2004-05

Net profit attributable to shareholders for the first half of financial year 2004-05 was \$616 million, a significant improvement from a net loss of \$7 million for the same period last year, which was affected by the outbreak of the Severe Acute Respiratory Syndrome (SARS).

Group operating profit was \$638 million, a turnaround of \$701 million from an operating loss of \$63 million the year before. This resulted from revenue growth of \$1,607 million (+38.5%) and a more measured increase in expenditure by \$906 million (+21.4%). For perspective, compared to the operating profit of \$510 million in April – September 2002, the April – September 2004 operating profit was a 25.2% improvement despite higher fuel prices.

Note: The SIA Group's unaudited financial results for half year and second quarter ended 30 September 2004 were announced on 28 October 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).

Fuel prices and foreign exchange movements were two significant factors that affected the first half performance. Fuel costs, the largest cost component, accounted for 23.3% of the Group expenditure. Year-on-year, higher fuel prices added \$204 million to expenditure. Strength against Singapore Dollar of major revenue generating currencies, particularly the British Pound, Euro Dollar, Japanese Yen and Australian Dollar, coupled with cost savings from a weaker US Dollar, contributed \$127 million to operating profit of the Group.

The Company produced an operating profit of \$347 million, which was 54.4% 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 16.7%, 9.7% and 14.9% respectively to the Group's operating profit.

Second Quarter 2004-05

The Group achieved a net profit attributable to shareholders of \$357 million in the second quarter, a year-on-year improvement of \$52 million despite escalating fuel prices.

Group operating profit, at \$331 million, was \$16 million higher than the same quarter last year. Revenue rose \$536 million (+21.3%) on the back of strong passenger and cargo yields, while expenditure increased \$520 million (+23.6%). If the effect of higher fuel prices (net of hedging gain) of \$135 million was excluded, expenditure would have increased by 17.5%, a slower pace than the 21.3% growth in revenue.

GROUP FINANCIAL POSITION (as at 30 September 2004)

As at 30 September 2004, shareholders' funds totalled \$11,781 million, 2.8% more (+\$325 million) than at 31 March 2004.

Total assets increased 5.5% (+\$1,103 million) to \$21,093 million. Net asset value per share rose 2.8% to \$9.67.

Total debt of \$2,476 million was \$203 million more than at 31 March 2004. The ratio of Total Debt to Equity was 0.21:1, compared to 0.20:1 at 31 March 2004.

DIVIDENDS

The Company declared an interim dividend of 10 cents per ordinary share (tax exempt, one-tier) for the half year ended 30 September 2004. No interim dividend was declared for the same period last year.

OPERATING PERFORMANCE OF SIA AND SIA CARGO

For the first half of financial year 2004-05, SIA's carriage of passengers (in terms of revenue passenger-kilometres) and capacity (in terms of available seat-kilometres) grew by 37.9% and 30.4% respectively. As a result, passenger load factor rose 4.0 percentage points to 73.9%. Improvement in yield (+13.8%) coupled with a decrease in unit cost (-1.4%) contributed to a 10.6 percentage points reduction in passenger breakeven load factor to 68.7%.

SIA Cargo carried 8.7% more cargo (in terms of load tonne-kilometres) in April to September 2004, but cargo load factor fell 3.6 percentage points to 63.9% because cargo capacity (in terms of capacity tonne-kilometres) increased at a higher pace (+14.8%). A higher yield increase (+9.1%) relative to the increase in unit cost (+2.4%) resulted in a 4.0 percentage points reduction in cargo breakeven load factor to 60.8%.

FLEET AND ROUTE DEVELOPMENT

SIA took delivery of two A340-500s and three B777s, and de-commissioned one B747-400 during the first half of financial year 2004-05. As at 30 September 2004, the operating fleet comprised eighty-nine passenger aircraft – twenty-nine B747-400s, fifty-five B777s and five A340-500s. Average age of the fleet was five years and two months as at 30 September 2004.

A daily non-stop service between Singapore and New York was launched on 28 June 2004, and a three times weekly service to Ahmedabad, India was introduced on 28 July 2004. In addition, frequencies were added to Melbourne, Adelaide, Auckland, Mumbai, Dhaka, Kolkata, Shanghai, Surabaya, Seoul and Hanoi.

SIA Cargo added its fourteenth B747-400 freighter to the operating fleet on 2 August 2004. With the additional capacity, freighter frequencies were increased to fifty times weekly for the whole network as at 30 September 2004.

SUBSEQUENT EVENTS

On 1 October 2004, SIA launched a new three times weekly service to Amritsar, India.

SIA completed a placement of its 37,833,309 ordinary shares in Air New Zealand Limited at a price of New Zealand Dollar 1.63 per share on 5 October 2004. Surplus from the sale at gross was \$47 million.

On 26 October 2004, SIA signed an agreement with IBM Global Services, valued at around \$300 million over seven years, to outsource its IT infrastructure functions. The agreement, effective on 18 November 2004, will result in estimated one-off costs of \$10 million, and annual cost savings of approximately \$15 million.

OUTLOOK

SIA is expected to take delivery of another two B777s and de-commission two B747-400s by March 2005. The operating fleet will remain unchanged from 30 September 2004 with eighty-nine passenger aircraft by the end of the financial year. This will increase to ninety passenger aircraft by 30 September 2005 with one more B777 delivery in May 2005.

Frequency increases for the rest of the financial year are planned for services to Perth, Melbourne, Brisbane, Guangzhou and Ho Chi Minh City. SIA will suspend its three times weekly service to Madrid on 31 October 2004 and replace them through codeshare services with Star Alliance partners. By the end of the financial year, SIA's passenger route network will cover sixty destinations in thirty-two countries. Capacity (in terms of available seat-kilometres) for financial year 2004-05 is projected to be 18.5% higher than the year before. Going into financial year 2005-06, SIA plans to increase frequency for services to Melbourne, Brisbane, Christchurch, Beijing, Shenzhen, Fukuoka, Bombay, Colombo, Male, and Hanoi.

One B747-400 freighter will be delivered in September 2005, increasing SIA Cargo's operating fleet to fifteen aircraft by 30 September 2005. In the next year, new freighter services will be introduced to Nagoya, Johannesburg and Istanbul. Freighter frequencies as at 30 September 2005 will increase to fifty-three times weekly for the whole network.

The outlook for air travel remains encouraging, and the air cargo industry is expected to expand on the back of healthy growth in Asia, with China continuing to be an important growth engine. However, escalating fuel prices and greater competition will pose significant challenges for airlines.

Two new regional airlines based in Singapore have started operations this year, with another expected to be launched in the coming quarter. Competition on the regional routes will intensify and yields will come under more pressure as a result.

Strong global demand and concerns over disruption to crude oil supply from major oil producers continue to push up fuel prices. Amplified by speculative trading activities in the market, fuel prices are expected to stay volatile. High fuel price may slow down the global economy and dampen demand for air transportation.

Amid these uncertainties and increasing challenges, the SIA Group will continue to push for strengthening of its market leadership position while pursuing the streamlining of cost structure to remain competitive.

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GROUP FINANCIAL PERFORMANCE

	1st Half 2004-05	1st Half 2003-04	2nd Quarter 2004-05	2nd Quarter 2003-04
Financial Results (\$ million)				
Total revenue	5,778.8	4,171.5	3,053.9	2,518.1
Total expenditure	5,140.6	4,234.0	2,722.8	2,203.3
Operating profit/(loss)	638.2	(62.5)	331.1	314.8
Non-operating items	174.8	104.4	144.0	77.0
Exceptional expenditure	(28.7)	(41.4)	(28.7)	--
Profit before taxation	784.3	0.5	446.4	391.8
Profit/(loss) attributable to shareholders	615.9	(6.5)	357.3	305.8
Per Share Data				
Earnings before tax (cents)	64.4	0.0	36.7	32.2
Earnings after tax (cents) - basic ^{R1}	50.6	(0.5)	29.3	25.1
- diluted ^{R2}	50.5	(0.5)	29.3	25.1
	As at 30 Sep 2004	As at 31 Mar 2004		
Financial Position (\$ million)				
Share capital	609.1	609.1		
Distributable reserve	10,626.8	10,302.4		
Non-distributable reserve				
Share premium	447.5	447.2		
Capital redemption reserve	64.4	64.4		
Capital reserve	32.7	32.0		
Shareholders' funds	<u>11,780.5</u>	<u>11,455.1</u>		
Total assets	21,092.8	19,990.0		
Total debt	2,476.1	2,273.5		
Total debt equity ratio (times) ^{R3}	0.21	0.20		
Net asset value per share (\$) ^{R4}	9.67	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 Half 2004-05	1st Half 2003-04	2nd Quarter 2004-05	2nd Quarter 2003-04
<u>SIA</u>				
Passenger carried (thousand)	7,850	5,577	4,050	3,644
Revenue passenger-km (million)	38,126.8	27,654.5	19,959.8	17,772.8
Available seat-km (million)	51,606.4	39,588.0	26,357.8	22,379.8
Passenger load factor (%)	73.9	69.9	75.7	79.4
Passenger yield (cents/pkm)	9.9	8.7	10.0	8.9
Passenger unit cost (cents/ask)	6.8	6.9	7.0	6.4
Passenger breakeven load factor (%)	68.7	79.3	70.0	71.9
<u>SIA Cargo</u>				
Cargo carried (million kg)	567.8	512.1	288.0	264.7
Cargo load (million tonne-km)	3,634.0	3,342.3	1,846.3	1,711.9
Gross capacity (million tonne-km)	5,685.2	4,952.4	2,931.4	2,597.3
Cargo load factor (%)	63.9	67.5	63.0	65.9
Cargo yield (cents/ltk)	34.7	31.8	35.5	32.1
Cargo unit cost (cents/ctk)	21.1	20.6	21.7	20.0
Cargo breakeven load factor (%)	60.8	64.8	61.1	62.3
<u>SIA and SIA Cargo</u>				
Overall load (million tonne-km)	7,299.5	6,030.3	3,761.0	3,437.2
Overall capacity (million tonne-km)	10,782.5	8,863.0	5,535.2	4,807.8
Overall load factor (%)	67.7	68.0	67.9	71.5
Overall yield (cents/ltk)	68.9	57.7	70.6	61.9
Overall unit cost (cents/ctk)	43.6	42.0	44.7	40.5
Overall breakeven load factor (%)	63.3	72.8	63.3	65.4

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)
Gross capacity	=	Capacity production (in tonnes) x distance flown (in km)
Cargo load factor	=	Cargo load (in tonne-km) expressed as a percentage of gross capacity (in tonne-km)
Cargo yield	=	Cargo revenue from scheduled services divided by cargo 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 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)