



No. 01/12

02 February 2012

THIRD QUARTER PROFIT DOWN 53% TO \$135 MILLION

GROUP FINANCIAL PERFORMANCE

Third Quarter 2011-12

The persistently high jet fuel prices had adversely affected the Group's performance. In the third quarter of the 2011-12 financial year, the Group turned in a net profit of \$135 million, a drop of \$153 million or 53% over the same quarter in the preceding year.

Group revenue improved \$34 million (+1%) to \$3,875 million on the back of marginal growth in passenger carriage, while Group expenditure rose at a faster pace, increasing \$386 million (+12%) to \$3,718 million, led by higher fuel costs.

Expenditure on fuel grew by \$375 million (+33%), as jet fuel prices increased 30% over the same period last year. Fuel accounted for 40% of Group expenditure, up 7 percentage points year-on-year.

Consequently, Group operating profit declined to \$157 million, \$352 million lower (-69%) than the year before.

Note 1: The SIA Group's unaudited financial results for the third quarter and nine months ended 31 December 2011 were announced on 02 February 2012. A summary of the financial and operating statistics is shown in Annex A. (All monetary figures are in Singapore Dollars. The Company refers to Singapore Airlines, the Parent Airline Company. The Group comprises the Company and its subsidiary, joint venture and associated companies).

The operating results of the main companies in the Group for the third quarter of the financial year are as follows:

- Parent Airline Company Operating profit of \$137 million (\$378 million profit in 2010)
- SIA Engineering Operating profit of \$28 million (\$34 million profit in 2010)
- SilkAir Operating profit of \$32 million (\$45 million profit in 2010)
- SIA Cargo Operating loss of \$40 million (\$48 million profit in 2010)

The operating profit of the Parent Airline Company fell \$241 million (-64%) as higher fuel expenditure (+\$316 million or 34%) weighed on its performance. Ongoing initiatives in cost management and efficiency helped to keep other cost items in check, with passenger unit cost excluding fuel down by 9%.

April to December 2011

For the nine months to December 2011, the Group posted a net profit of \$374 million, a decline of \$547 million (-59%) from the \$921 million for the corresponding period in the previous year.

Group revenue was up \$215 million (+2%) to \$11,152 million, while Group expenditure increased \$1,029 million (+10%) to \$10,861 million, principally on account of higher jet fuel prices.

Consequently, operating profit for the Group fell \$814 million (-74%) to \$291 million.

THIRD QUARTER 2011-12 OPERATING PERFORMANCE

The number of passengers carried by the Parent Airline Company in the third quarter of the financial year was 4.4 million, a year-on-year decrease of 0.3%. Passenger carriage (in revenue passenger kilometres) was flat while capacity (in available seat-kilometres) grew 3.3%. Consequently, passenger load factor declined 2.5 percentage points to 77.2%. On the other hand, passenger breakeven load factor climbed 4.9 percentage points to 76.0%, as unit cost increased 7.0% while yields remained flat.

SilkAir's passenger carriage increased 8.0% against 10.7% growth in capacity, resulting in a 2.0 percentage-point drop in passenger load factor to 78.8%. Overall breakeven load factor was up 3.8 percentage points as unit cost increased at a faster pace (+11.7%) than the improvement in yields (+4.4%).

SIA Cargo's freight carriage (in load tonne-kilometres) was up 0.1%, while cargo capacity (in capacity tonne-kilometres) rose 0.6%. As a result, cargo load factor dipped slightly by 0.3 percentage points to 64.7%. Cargo breakeven load factor however rose sharply by 8.0 percentage points to 69.2%, from a combination of higher unit cost (+10.1%) and weaker yields (-2.5%).

FLEET AND ROUTE DEVELOPMENT

The Parent Airline Company returned three B777-300 aircraft during the quarter on expiry of their leases. As at 31 December 2011, Singapore Airlines' operating fleet comprised 103 passenger aircraft – three B747-400s, 62 B777s, 19 A330-300s, 14 A380-800s and five A340-500s – with an average age of 6 years 5 months.

SIA Cargo operated a fleet of 13 B747-400 freighter aircraft as at 31 December 2011, while SilkAir's operating fleet comprised 19 aircraft – 13 A320-200s and six A319-100s.

With the commencement of the Northern Winter schedule on 30 October 2011, additional services were introduced by the Parent Airline Company to growth areas, such as Osaka, Guangzhou, Mumbai and Beijing. Tokyo (Haneda) services, which saw frequency reduced in the aftermath of the Japan earthquake, were fully reinstated. Meanwhile, services to Kuwait were terminated and frequencies to Riyadh and Cairo were scaled back. In addition, frequencies to Istanbul, Dubai, Houston (via Moscow) and Taipei will be reduced.

During the quarter, SilkAir launched services to Changsha and Bandung. SIA Cargo commenced new freighter services to Frankfurt and Chongqing, but reduced services to Americas.

OUTLOOK

Forward bookings continue to show signs of weakness in the final quarter of the financial year, due to uncertainty in the global economy and the protracted Eurozone debt crisis. Similarly, the air cargo market remains weak as forward indicators such as Purchasing Manager Indices slide further alongside weak consumer demand in major developed economies. Passenger yields are expected to remain under pressure while cargo yields are expected to continue to decline.

As the price of jet fuel remains high and volatile, fuel costs continue to adversely impact the Group's financial performance.

Amidst these challenges, the Group will continue to proactively seek out revenue opportunities and exercise flexibility in aligning capacity deployment to market demand. Vigilance in cost management will be maintained.

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A STAR ALLIANCE MEMBER 

GROUP FINANCIAL STATISTICS

	3rd Quarter 2011-12	3rd Quarter 2010-11	9 Months 2011-12	9 Months 2010-11
Financial Results (\$ million)				
Total revenue	3,875.4	3,841.0	11,152.5	10,938.0
Total expenditure	3,718.2	3,331.7	10,861.4	9,832.5
Operating profit	157.2	509.3	291.1	1,105.5
Non-operating items	19.3	99.2	188.8	303.6
Exceptional items ^{R1}	-	(199.1)	(1.3)	(201.8)
Profit before taxation	176.5	409.4	478.6	1,207.3
Profit attributable to owners of the Parent	135.2	288.3	374.1	921.0
Per Share Data				
Earnings before tax (cents)	14.9	34.2	40.2	101.1
Earnings after tax (cents)- basic ^{R2}	11.4	24.1	31.4	77.1
- diluted ^{R3}	11.3	23.8	31.1	76.1
	As at 31 Dec 2011	As at 31 Mar 2011		
Financial Position (\$ million)				
Share capital	1,856.1	1,832.4		
Treasury shares	(199.3)	(43.0)		
Capital reserve	81.4	91.8		
Foreign currency translation reserve	(174.4)	(186.1)		
Share-based compensation reserve	163.6	172.6		
Fair value reserve	(82.5)	(138.0)		
General reserve	11,301.4	12,474.7		
Equity attributable to owners of the Parent	12,946.3	14,204.4		
Total assets	21,767.8	24,544.5		
Total debt	1,107.3	2,038.9		
Total debt equity ratio (times) ^{R4}	0.09	0.14		
Net asset value (\$) ^{R5}	10.95	11.89		

^{R1} Exceptional items in FY2011-12 pertained to a settlement offer for SIA Cargo from the plaintiffs in the Canadian air cargo class actions.

Exceptional items in FY2010-11 comprised fines paid by SIA Cargo as imposed by the European Commission (\$135.7 million), the South Korean Fair Trade Commission (\$3.6 million) and the United States Department of Justice Antitrust Division (\$62.5 million).

^{R2} Earnings after tax per share (basic) is computed by dividing profit attributable to owners of the Parent by the weighted average number of ordinary shares in issue less treasury shares.

^{R3} Earnings after tax per share (diluted) is computed by dividing profit attributable to owners of the Parent by the weighted average number of ordinary shares in issue less treasury shares, adjusted for the dilutive effect on the exercise of all outstanding share options granted.

^{R4} Total debt equity ratio is total debt divided by equity attributable to owners of the Parent.

^{R5} Net asset value per share is computed by dividing equity attributable to owners of the Parent by the number of ordinary shares in issue less treasury shares.

OPERATING STATISTICS

	3rd Quarter 2011-12	3rd Quarter 2010-11	9 Months 2011-12	9 Months 2010-11
<u>SIA</u>				
Passenger carried (thousand)	4,357	4,372	12,813	12,555
Revenue passenger-km (million)	22,185.4	22,176.1	65,642.3	64,043.8
Available seat-km (million)	28,732.2	27,814.1	84,826.5	80,573.5
Passenger load factor (%)	77.2	79.7	77.4	79.5
Passenger yield (cents/pkm)	12.1	12.1	11.9	11.9
Passenger unit cost (cents/ask)	9.2	8.6	9.2	8.8
Passenger breakeven load factor (%)	76.0	71.1	77.3	73.9
<u>SilkAir</u>				
Passenger carried (thousand)	808	756	2,248	2,065
Revenue passenger-km (million)	1,215.7	1,125.9	3,293.0	3,024.2
Available seat-km (million)	1,543.7	1,394.1	4,341.5	3,951.8
Passenger load factor (%)	78.8	80.8	75.8	76.5
Overall yield (cents/ltk)	155.4	148.8	151.9	144.8
Overall unit cost (cents/ctk)	92.0	82.4	92.7	84.7
Overall breakeven load factor (%)	59.2	55.4	61.0	58.5
<u>SIA Cargo</u>				
Cargo and mail carried (million kg)	323.5	304.6	920.4	876.0
Cargo load (million tonne-km)	1,898.2	1,895.8	5,537.4	5,464.1
Gross capacity (million tonne-km)	2,933.1	2,915.5	8,604.2	8,478.3
Cargo load factor (%)	64.7	65.0	64.4	64.4
Cargo yield (cents/ltk)	34.7	35.6	34.8	36.7
Cargo unit cost (cents/ctk)	24.0	21.8	23.5	22.2
Cargo breakeven load factor (%)	69.2	61.2	67.5	60.5
<u>SIA, SilkAir and SIA Cargo</u>				
Overall load (million tonne-km)	4,101.9	4,098.0	12,031.6	11,802.4
Overall capacity (million tonne-km)	6,012.3	5,829.9	17,627.8	16,911.0
Overall load factor (%)	68.2	70.3	68.3	69.8
Overall yield (cents/ltk)	86.3	85.9	85.1	85.2
Overall unit cost (cents/ctk)	58.0	53.5	58.0	54.6
Overall breakeven load factor (%)	67.2	62.3	68.2	64.1

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)

SilkAir

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
Overall yield	= Passenger, cargo and mail revenue from scheduled services divided by total passenger and cargo load (in tonne-km)
Overall unit cost	= Operating expenditure divided by gross capacity (in tonne-km)
Overall breakeven load factor	= Overall unit cost expressed as a percentage of overall yield. This is the theoretical load factor at which passenger, cargo and mail revenue equate to the operating expenditure.

SIA Cargo

Cargo load	= Cargo and 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 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, SilkAir 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)