



No. 02/12

09 May 2012

HIGH FUEL PRICES AND INCREASING YIELD PRESSURE WEIGH HEAVILY ON GROUP EARNINGS

GROUP FINANCIAL PERFORMANCE

Financial Year 2011-12

High fuel prices and an uncertain global economy weighed heavily on the Group's earnings in the 2011-12 financial year, pushing net profit down by \$756 million or 69% to \$336 million.

Against these challenges, Group revenue grew by \$333 million (+2%) to \$14,858 million, on the back of a 3.6% improvement in passenger carriage, partially offset by weaker yields.

Expenditure, however, rose at a faster pace. Jet fuel prices remained high throughout the year, resulting in a 32% spike year-on-year in average jet fuel prices to USD133 per barrel. This translated to a 29% (+\$1,314 million) increase in fuel cost before hedging, which contributed to the 10% (+\$1,318 million) rise in Group expenditure.

Consequently, the Group's operating profit fell \$985 million (-77%) to \$286 million.

Note 1: The SIA Group's audited financial results for the financial year ended 31 March 2012 were announced on 09 May 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 financial year are as follows:

- Parent Airline Company Operating profit of \$181 million
(\$851 million profit in 2010-11)
- SIA Engineering Operating profit of \$130 million
(\$136 million profit in 2010-11)
- SilkAir Operating profit of \$105 million
(\$121 million profit in 2010-11)
- SIA Cargo Operating loss of \$119 million
(\$151 million profit in 2010-11)

The operating profit of the Parent Airline Company fell \$670 million (-79%) principally on account of higher fuel expenditure (+\$1,134 million or 30%) and weaker yields. With strict cost discipline, unit cost excluding fuel was reduced by 7.5%.

Fourth Quarter 2011-12

Group revenue grew 3% (+\$118 million) to \$3,705 million, driven by an improvement in passenger carriage (+6.9%), partially offset by a drop in yields.

Group expenditure rose by 8% (+\$289 million) to \$3,710 million. Escalation of the events in the Middle East during the last quarter of the financial year pushed cost of fuel excluding hedging up by 15% (+\$193 million).

Consequently, the Group suffered an operating loss of \$5 million against a profit of \$166 million in the comparable quarter last year.

Including non-operating items and taxes, the Group net loss attributable to equity holders was \$38 million, arising mainly from a loss on disposal of the last B747-400 aircraft.

FINAL DIVIDEND OF 10 CENTS

The Board of Directors recommends a final dividend of 10 cents per share (tax exempt, one-tier) to be paid on 15 August 2012 to shareholders as at 1 August 2012.

FINANCIAL YEAR 2011-12 OPERATING PERFORMANCE

In the financial year ended 31 March 2012, the Parent Airline Company achieved 3.6% year-on-year growth in passenger carriage (in revenue passenger kilometres). However, this lagged behind capacity expansion (in available seat-kilometres) of 5.0%, resulting in a 1.1 percentage-point drop in passenger load factor to 77.4%. On the other hand, passenger breakeven load factor rose 3.2 percentage points to 78.0% on lower yields and higher unit cost.

SilkAir recorded a 0.7 percentage-point dip in passenger load factor to 75.7% as its capacity injection of 11.7% outpaced the 10.6% increase in passenger carriage. Unit cost increased at a faster pace (+8.5%) than yields (+4.0%), resulting in an overall breakeven load factor of 59.7%, 2.5 percentage points higher than in the last financial year.

SIA Cargo's load factor of 63.8% was marginally lower (by 0.2 percentage point). Freight carriage (in load tonne-kilometres) was almost flat, while cargo capacity (in capacity tonne-kilometres) rose 0.7%. Cargo breakeven load factor however rose sharply by 5.7 percentage points to 67.3%, as unit cost increased 5.4% from high fuel cost while yields fell 3.6%.

FLEET AND ROUTE DEVELOPMENT

During the January-March quarter, the Parent Airline Company took delivery of two A380-800s, decommissioned two B777-200s and one B747-400, and returned one B777-200 and one B747-400 on expiry of their leases. As at 31 March 2012, Singapore Airlines' operating fleet comprised 100 passenger aircraft – one B747-400, 59 B777s, 19 A330-300s, 16 A380-800s and five A340-500s – with an average age of 6 years 2 months.

The Parent Airline Company added capacity to several destinations with the commencement of the Northern Summer 2012 season from 25 March 2012. In order to cater to demand for Australia services, frequencies were increased to Adelaide, Brisbane and Perth. Likewise, there was capacity injection to Seoul, Male and Mumbai. On the other hand, frequencies to Houston (via Moscow), Manchester (via Munich), Taipei and Abu Dhabi were scaled back.

In the year to March 2013, the Parent Airline Company expects to take delivery of three A380-800s and one A330-300, while three B777s and one B747-400 aircraft will be decommissioned. Furthermore, two B777-200ERs will return to the fleet upon expiry of the lease to Royal Brunei Airlines. This will bring the Company's operating fleet to a total of 102 aircraft by March 2013. Capacity growth of about 3% is planned for the full year.

As at 31 March 2012, SIA Cargo operated a fleet of 13 B747-400 freighter aircraft. For the 2012-13 financial year, SIA Cargo's freighter capacity will remain unchanged.

SilkAir's operating fleet as at 31 March 2012 comprised 20 aircraft – 14 A320-200s and six A319-100s. On 26 March 2012, SilkAir introduced a four-times-weekly service to Darwin, its first Australian destination. New destinations such as Wuhan and Hanoi are also being added to its network in the Northern Summer 2012 season. Capacity is expected to expand by approximately 22% in FY2012-13.

The Group will continue to monitor the patterns of demand, seeking out growth opportunities and reviewing unprofitable routings.

OUTLOOK

Advance bookings for the coming quarter are higher year-on-year, albeit off a low base from the post-Japanese earthquake period last year. Promotional activities necessitated by intense competition amongst airlines are expected to place downward pressure on passenger yields, especially in Europe and the United States where demand continues to be impacted by the anaemic economic outlook.

The recovery of air freight demand will be gradual, possibly only in the second half of the year. Cargo yields are likely to remain stagnant for the next quarter.

Fuel prices are expected to remain at high levels, which will adversely impact the Group's operating performance.

The Group will stay committed to maximising operating efficiency to ensure containment of costs. With a strong balance sheet, the Group is well positioned to meet the challenges ahead.

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A STAR ALLIANCE MEMBER 

GROUP FINANCIAL STATISTICS

	2011-12	2010-11	4 th Quarter 2011-12	4 th Quarter 2010-11
Financial Results (\$ million)				
Total revenue	14,857.8	14,524.8	3,705.3	3,586.8
Total expenditure	14,571.9	13,253.5	3,710.5	3,421.0
Operating profit/(loss)	285.9	1,271.3	(5.2)	165.8
Non-operating items	167.7	349.5	(21.1)	45.9
Exceptional items ^{R1}	(5.4)	(201.8)	(4.1)	-
Profit/(Loss) before taxation	448.2	1,419.0	(30.4)	211.7
Profit/(Loss) attributable to owners of the Parent	335.9	1,092.0	(38.2)	171.0
Earnings/(Loss) per share (cents)				
- Basic ^{R2}	28.3	91.4	(3.2)	14.3
- Diluted ^{R3}	27.9	90.2	(3.2)	14.1

	As at 31 Mar 2012	As at 31 Mar 2011
Financial Position (\$ million)		
Share capital	1,856.1	1,832.4
Treasury shares	(258.4)	(43.0)
Capital reserve	99.1	91.8
Foreign currency translation reserve	(186.3)	(186.1)
Share-based compensation reserve	165.9	172.6
Fair value reserve	(47.6)	(138.0)
General reserve	11,264.6	12,474.7
Equity attributable to owners of the Parent	12,893.4	14,204.4
Total assets	22,043.0	24,544.5
Total debt	1,077.8	2,038.9
Total debt equity ratio (times) ^{R4}	0.08	0.14
Net asset value (\$) ^{R5}	10.96	11.89
Return on equity holders' fund (%) ^{R6}	2.5	7.9
Value added	4,344.3	5,419.2

Dividends

Interim dividend (cents per share)	10.0	20.0
Proposed final dividend (cents per share)	10.0	40.0
Special dividend (cents per share)	-	80.0
Dividend cover (times) ^{R7}	1.4	0.7

^{R1} Exceptional items in FY2011-12 pertained to a provision for an administrative penalty pursuant to a settlement agreement entered into with the South African Competition Commission (\$4.1 million) and a settlement offer for SIA Cargo from the plaintiffs in the Canadian air cargo class actions (\$1.3 million).

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

^{R2} Earnings 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 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.

^{R6} Return on equity holders' funds is profit attributable to owners of the Parent expressed as a percentage of the average equity holders' funds.

^{R7} Dividend cover is profit attributable to owners of the Parent dividend by total dividends.

OPERATING STATISTICS

	2011-12	2010-11	4 th Quarter 2011-12	4 th Quarter 2010-11
<u>SIA</u>				
Passengers carried (thousand)	17,155	16,647	4,342	4,092
Revenue passenger-km (million)	87,824.0	84,801.3	22,181.7	20,757.5
Available seat-km (million)	113,409.7	108,060.2	28,583.2	27,486.7
Passenger load factor (%)	77.4	78.5	77.6	75.5
Passenger yield (cents/pkm)	11.8	11.9	11.7	12.1
Passenger unit cost (cents/ask)	9.2	8.9	9.4	9.1
Passenger breakeven load factor (%)	78.0	74.8	80.3	75.2
<u>SilkAir</u>				
Passengers carried (thousand)	3,032	2,764	784	699
Revenue passenger-km (million)	4,469.4	4,039.6	1,176.4	1,015.4
Available seat-km (million)	5,904.8	5,285.1	1,563.3	1,333.3
Passenger load factor (%)	75.7	76.4	75.3	76.2
Overall yield (cents/ltk)	153.3	147.4	157.2	155.2
Overall unit cost (cents/ctk)	91.5	84.3	88.1	83.4
Overall breakeven load factor (%)	59.7	57.2	56.0	53.7
<u>SIA Cargo</u>				
Cargo and mail carried (million kg)	1,205.8	1,156.4	285.4	280.4
Cargo load (million tonne-km)	7,198.2	7,174.0	1,660.8	1,709.9
Gross capacity (million tonne-km)	11,286.5	11,208.5	2,682.3	2,730.2
Cargo load factor (%)	63.8	64.0	61.9	62.6
Cargo yield (cents/ltk)	34.9	36.2	35.2	34.8
Cargo unit cost (cents/ctk)	23.5	22.3	23.7	22.5
Cargo breakeven load factor (%)	67.3	61.6	67.3	64.7
<u>SIA, SilkAir and SIA Cargo</u>				
Overall load (million tonne-km)	15,898.8	15,576.3	3,867.2	3,773.9
Overall capacity (million tonne-km)	23,378.6	22,515.1	5,750.8	5,604.1
Overall load factor (%)	68.0	69.2	67.2	67.3
Overall yield (cents/ltk)	85.5	85.5	86.9	86.4
Overall unit cost (cents/ctk)	58.6	55.4	60.3	57.7
Overall breakeven load factor (%)	68.5	64.8	69.4	66.8
<u>Employee Productivity (Average) - Company</u>				
Average number of employees	13,893	13,588		
Seat capacity per employee (seat-km)	8,163,082	7,952,620		
Passenger load per employee (tonne-km)	594,663	588,714		
Revenue per employee (\$)	868,790	863,931		
Value added per employee (\$)	237,472	310,480		
<u>Employee Productivity (Average) – Group</u>				
Average number of employees	22,514	21,997		
Revenue per employee (\$)	659,936	660,308		
Value added per employee (\$)	192,960	246,361		

GLOSSARYSIA

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)