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## **FULL-YEAR NET PROFIT UP 12.8% BUT OPERATING PERFORMANCE IMPACTED BY HIGH FUEL PRICES AND YIELD PRESSURES**

### **GROUP FINANCIAL PERFORMANCE**

#### Financial Year 2012-13

Group net profit improved 12.8% year-on-year to \$379 million, despite recording a lower operating profit. This was due to an increase in non-operating items from surplus on the sale of aircraft, spares and spare engines, and higher net interest income, partially offset by a \$20 million provision by SIA Cargo related to competition law matters in Australia and New Zealand [see Note 2 below].

Operating profit fell 19.8% (-\$57 million) over the preceding financial year to \$229 million, with the Group continuing to be affected by persistently high fuel prices and lower yields due to weak global economic conditions.

Amid these challenges, Group revenue was higher by \$240 million (+1.6%) as passenger revenue grew on the back of 7.3% passenger carriage growth, albeit at lower yields. Promotional activities necessitated by intense competition as well as depreciation of revenue-generating currencies against the Singapore dollar drove passenger yields lower by 4.2%. Cargo revenue continued to suffer from a contraction in both loads (-6.0%) and yields (-4.3%).

Note 1: The SIA Group's audited financial results for the financial year ended 31 March 2013 were announced on 16 May 2013. 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).

Note 2: The \$20 million provision pertained to penalties and costs agreed between SIA Cargo and the Australian Competition and Consumer Commission for an amount of AUD12.2 million (\$15.5 million) and the New Zealand Commerce Commission for an amount of NZD4.4 million (\$4.4 million). The penalties and costs were recommended by the parties and endorsed by the respective Courts, bringing the Commissions' air cargo investigations and proceedings in Australia and New Zealand to a close for SIA Cargo.

Group expenditure was up by \$297 million (+2.0%), primarily from increases in fuel, staff and variable costs. Fuel accounted for 40% of expenditure during the financial year.

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

- Parent Airline Company Operating profit of \$187 million (\$181 million profit in 2011-12)
- SIA Engineering Operating profit of \$128 million (\$130 million profit in 2011-12)
- SilkAir Operating profit of \$97 million (\$105 million profit in 2011-12)
- SIA Cargo Operating loss of \$167 million (\$119 million loss in 2011-12)

#### Fourth Quarter 2012-13

Group operating loss widened by \$39 million in the fourth quarter as revenue fell by 1.0% (-\$38 million), largely owing to weaker passenger and cargo yields. In particular, both the Parent Airline Company and SIA Cargo suffered operating losses for the quarter.

The Group, however, achieved a net profit of \$68 million for the quarter, against a loss of \$38 million in the previous year. This is mainly attributable to the surplus on the sale of aircraft, spares and spare engines.

#### **FINAL DIVIDEND OF 17.0 CENTS**

The Board of Directors recommends a final dividend of 17.0 cents per share (tax exempt, one-tier) to be paid on 16 August 2013 to shareholders as at 1 August 2013. Including the interim dividend of 6.0 cents per share paid in November 2012, the total dividend per share is 23.0 cents (FY2011-12: 20.0 cents per share).

#### **FINANCIAL YEAR 2012-13 OPERATING PERFORMANCE**

The Parent Airline Company expanded its capacity (in available seat-kilometres) by 4.3% during the financial year while passenger carriage (in revenue passenger kilometres) grew by a higher 6.8%. Passenger load factor improved by 1.9 percentage points to 79.3%.

SilkAir's passenger carriage grew 16.9% but it was unable to match the capacity expansion of 20.2%. Accordingly, passenger load factor slid 2.1 percentage points to 73.6%.

SIA Cargo reduced its cargo capacity (in capacity tonne-kilometres) by 5.5%. As carriage (in load tonne-kilometres) declined by a higher 6.0%, cargo load factor dropped by 0.4 percentage point to 63.4%.

## FLEET AND ROUTE DEVELOPMENT

During the January-March 2013 quarter, the Parent Airline Company took delivery of one A330-300 and decommissioned one B777-200, maintaining its operating fleet at 101 aircraft. As at 31 March 2013 the fleet comprised 57 B777s, 20 A330-300s, 19 A380-800s and five A340-500s, with an average age of 6 years and 8 months.

With the commencement of the Northern Summer 2013 operating season on 31 March 2013, the Parent Airline Company increased frequency to Copenhagen from three to five flights per week. From 31 May 2013, services to Fukuoka and Osaka will increase from five per week to daily and from 11 per week to twice-daily, respectively. In July 2013, new services will be launched to Surabaya while frequency will be increased to both Denpasar (Bali) and Jakarta.

In the 2013-14 financial year, the Parent Airline Company expects to take delivery of six A330-300s and three B777-300ERs, and decommission six B777-200s and five A340-500s. In addition, two B777-200ERs will return to the fleet upon expiry of their leases to Royal Brunei Airlines. By March 2014, the Parent Airline Company will operate a fleet of 101 aircraft.

As at 31 March 2013, SIA Cargo operated 12 B747-400 freighters, after parking one aircraft in December 2012. For the 2013-14 financial year, SIA Cargo will be focusing on emerging markets for growth.

SilkAir operated a fleet of 22 aircraft as at 31 March 2013 – 16 A320-200s and six A319-100s. It recently introduced a fifth daily service to both Penang and Phuket and increased flight frequencies to Coimbatore, Danang, Manado, Shenzhen, Siem Reap, Wuhan and Xiamen. Subject to regulatory approvals, SilkAir will offer thrice-weekly flights to Semarang and Makassar from 29 July 2013 and 1 August 2013, respectively. In FY2013-14, SilkAir will take delivery of two A320-200s and two B737-800s, increasing its fleet to 24 aircraft, after factoring in 2 A320-200s that are expected to be decommissioned.

Scoot's fleet comprised four B777-200s as at 31 March 2013 and it took delivery of one additional B777-200 in April 2013. Inaugural flights to Seoul and Nanjing are due to be launched on 29 May 2013 and 3 June 2013, respectively.

The Group continuously reviews its network to better match capacity to demand. In view of the post-Easter lull period, the Parent Airline Company and SilkAir will be implementing capacity adjustments to weaker markets between April and June 2013.

## SUBSEQUENT EVENTS

On 11 December 2012, the Parent Airline Company announced the proposed sale of its 49% stake in Virgin Atlantic Limited to Delta Air Lines, Inc. for a consideration of USD360 million (\$447 million). Completion of the proposed sale is subject to regulatory approvals being obtained in Europe and the United States, and is expected to close in the fourth quarter of the 2013 calendar year.

Pursuant to Tiger Airways Holdings Limited's ("Tiger Airways") renounceable Rights Issue and non-renounceable Preferential Offering of 2.0 per cent perpetual convertible capital securities ("Convertible Securities") convertible into fully paid-up ordinary shares in the capital of Tiger Airways, Singapore Airlines had been allocated 53,702,775 Rights Shares and 189,390,367 Convertible Securities. Based on an issue price of \$0.47 per Rights Share and \$1.07 per Convertible Security, the total consideration paid by the Company in relation to the subscription of the Rights Shares and Convertible Securities was \$227.9 million. Immediately following the Rights Issue, the total number of shares held by the Company increased to 322,216,650, and the Company's shareholding in Tiger Airways remained unchanged at 32.7% of the enlarged share capital. If all of the Convertible Securities are converted into ordinary shares at a conversion price of \$0.74, the total number of shares held by the Company will increase to 596,064,883, and the Company's shareholding in Tiger Airways will increase to approximately 46.5% of the enlarged share capital.

In accordance with the subscription agreement announced on 30 October 2012, the Company exercised its anti-dilution rights on 22 April 2013 to subscribe for 12,545,666 ordinary shares in Virgin Australia Holdings Limited ("Virgin Australia"). Based on the subscription price of AUD0.4288 per share, the total consideration paid by the Company was AUD5.4 million (\$7.0 million). This enabled the Company to maintain its 10% stake in Virgin Australia.

On 24 April 2013, the Company entered into a Share Sale and Purchase Agreement to further acquire 255,541,946 ordinary shares in the capital of Virgin Australia at AUD0.48 per share for a total consideration of AUD122.7 million (\$158.9 million). The purchase is subject to regulatory approvals. If approved, the Company's stake in Virgin Australia will increase to 19.9%.

## OUTLOOK

The global economic outlook remains uncertain with the ongoing weakness in the Eurozone and sluggish recovery in the United States.

Forward passenger bookings for the next few months are almost flat compared to the same period last year. Yields are likely to remain under pressure amid weak economic sentiment, and revenues will be further diluted if key revenue-generating currencies continue to depreciate against the Singapore dollar. The cargo business faces an additional issue of overcapacity in the market, which will add pressure on loads and yields. Furthermore, fuel prices remain persistently high.

Meanwhile, the Group's strong financial position will enable it to weather the many challenges and allow for continued investment in product and service enhancements.

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A STAR ALLIANCE MEMBER 

## GROUP FINANCIAL STATISTICS

	2012-13	2011-12	4th Quarter 2012-13	4th Quarter 2011-12
<b>Financial Results (\$ million)</b>				
Total revenue	15,098.2	14,857.8	3,666.8	3,705.3
Total expenditure	14,869.0	14,571.9	3,711.0	3,710.5
Operating profit/(loss)	229.2	285.9	(44.2)	(5.2)
Non-operating items	272.7	167.7	105.4	(21.1)
Exceptional items <sup>R1</sup>	(19.9)	(5.4)	-	(4.1)
Profit/(Loss) before taxation	482.0	448.2	61.2	(30.4)
Profit/(Loss) attributable to owners of the Parent	378.9	335.9	68.3	(38.2)
<b>Per Share Data</b>				
Earnings per share (cents)				
- Basic <sup>R2</sup>	32.2	28.3	5.8	(3.2)
- Diluted <sup>R3</sup>	31.9	27.9	5.7	(3.2)
	As at	As at		
	31 Mar 2013	31 Mar 2012		
<b>Financial Position (\$ million)</b>				
Share capital	1,856.1	1,856.1		
Treasury shares	(269.8)	(258.4)		
Capital reserve	110.3	99.1		
Foreign currency translation reserve	(191.8)	(186.3)		
Share-based compensation reserve	151.7	165.9		
Fair value reserve	(27.1)	(47.6)		
General reserve	11,475.3	11,264.6		
Equity attributable to owners of the Parent	13,104.7	12,893.4		
Total assets	22,428.1	22,043.0		
Total debt	1,014.1	1,077.8		
Total debt equity ratio (times) <sup>R4</sup>	0.08	0.08		
Net asset value (\$) <sup>R5</sup>	11.15	10.96		
Return on equity holders' fund (%) <sup>R6</sup>	2.9	2.5		
Value added	4,499.6	4,344.3		
<b>Dividends</b>				
Interim dividend (cents per share)	6.0	10.0		
Proposed final dividend (cents per share)	17.0	10.0		
Dividend cover (times) <sup>R7</sup>	1.4	1.4		

<sup>R1</sup> Exceptional items in FY2012-13 pertained to provision for penalties and costs agreed between SIA Cargo and the Australian Competition and Consumer Commission (\$15.5 million) and the New Zealand Commerce Commission (\$4.4 million). The penalties and costs were recommended by the parties and endorsed by the respective Courts, bringing the Commissions' air cargo investigations and proceedings in Australia and New Zealand to a close for SIA Cargo. 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).

<sup>R2</sup> 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.

<sup>R3</sup> 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.

<sup>R4</sup> Total debt equity ratio is total debt divided by equity attributable to owners of the Parent.

<sup>R5</sup> 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.

<sup>R6</sup> Return on equity holders' funds is profit attributable to owners of the Parent expressed as a percentage of the average equity holders' funds.

<sup>R7</sup> Dividend cover is profit attributable to owners of the Parent dividend by total dividends.

## OPERATING STATISTICS

	2012-13	2011-12	4th Quarter 2012-13	4th Quarter 2011-12
<b><u>SIA</u></b>				
Passenger carried (thousand)	18,210	17,155	4,498	4,342
Revenue passenger-km (million)	93,765.6	87,824.0	23,003.8	22,181.7
Available seat-km (million)	118,264.4	113,409.7	29,261.3	28,583.2
Passenger load factor (%)	79.3	77.4	78.6	77.6
Passenger yield (cents/pkm)	11.4	11.8	11.2	11.7
Passenger unit cost (cents/ask)	9.2	9.2	9.4	9.4
Passenger breakeven load factor (%)	80.7	78.0	83.9	80.3
<b><u>SilkAir</u></b>				
Passenger carried (thousand)	3,295	3,032	799	784
Revenue passenger-km (million)	5,223.1	4,469.4	1,272.4	1,176.4
Available seat-km (million)	7,096.3	5,904.8	1,809.4	1,563.3
Passenger load factor (%)	73.6	75.7	70.3	75.3
Passenger yield (cents/pkm)	14.1	14.5	14.7	14.9
Passenger unit cost (cents/ask)	9.9	10.1	9.8	9.7
Passenger breakeven load factor (%)	70.2	69.7	66.7	65.1
<b><u>SIA Cargo</u></b>				
Cargo and mail carried (million kg)	1,144.6	1,205.8	273.7	285.4
Cargo load (million tonne-km)	6,763.6	7,198.2	1,588.3	1,660.8
Gross capacity (million tonne-km)	10,661.0	11,286.5	2,494.1	2,682.3
Cargo load factor (%)	63.4	63.8	63.7	61.9
Cargo yield (cents/ltk)	33.4	34.9	33.0	35.2
Cargo unit cost (cents/ctk)	23.2	23.5	22.9	23.7
Cargo breakeven load factor (%)	69.5	67.3	69.4	67.3
<b><u>SIA, SilkAir and SIA Cargo</u></b>				
Overall load (million tonne-km)	16,047.3	15,898.8	3,866.0	3,867.2
Overall capacity (million tonne-km)	23,188.4	23,378.6	5,556.6	5,750.8
Overall load factor (%)	69.2	68.0	69.6	67.2
Overall yield (cents/ltk)	85.3	85.5	85.3	86.9
Overall unit cost (cents/ctk)	60.4	58.6	62.8	60.3
Overall breakeven load factor (%)	70.8	68.5	73.6	69.4
<b>Employee Productivity (Average) - Company</b>				
Average number of employees	14,156	13,893		
Seat capacity per employee (seat-km)	8,354,366	8,163,082		
Passenger load per employee (tonne-km)	619,969	594,663		
Revenue per employee (\$)	875,035	868,790		
Value added per employee (\$)	159,593	237,472		
<b>Employee Productivity (Average) – Group</b>				
Average number of employees	23,189	22,514		
Revenue per employee (\$)	651,093	659,936		
Value added per employee (\$)	194,040	192,960		

**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
Passenger yield	= Passenger revenue from scheduled services divided by revenue passenger-km
Passenger unit cost	= Operating expenditure (less cargo and mail revenue) 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 cargo and mail revenue)

**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)