



# Investing for Growth

Annual Report 2011/12

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# Investing for Growth

Changi Airport Group (CAG) had another successful year in 2011/12 as it continued its mission to be a leading airport company. CAG remains committed to building on Changi Airport's reputation and track record, while seeking strategic opportunities to expand into international markets.

Consistent with its focus to grow the company, CAG is investing in all aspects of its business so as to forge ahead in an evolving and challenging aviation industry. Whether it is in infrastructure, people, technology or the community, *Investing for Growth* is a story that captures the enterprising spirit of CAG and its determination to overcome the challenges it faces – from coping with capacity demands, managing passengers' growing expectations to ensuring the highest standards of safety and security.

This story underscores the spirit of innovation that defines the CAG ethos to achieve operational excellence and sustainable long-term growth so as to benefit passengers and visitors, airport workers, partners, the community and other stakeholders.





Changi Airport has extensive air links to the rest of the world and continues to grow its family of airlines to maintain Singapore's position as a major air hub. CAG collaborates closely with new and existing airline partners to tap on new growth opportunities within Asia and beyond. The deepening of Changi Airport's network of connected cities supports the transformation of the Lion City as a major tourism destination.

## Investing in... Connectivity



Changi is connected to all **9** ASEAN neighbouring countries

Changi is connected to **25** Chinese cities making Singapore the most connected Southeast Asian city to China





CAG plans ahead to ensure sufficient capacity to meet future demand in air travel. It invests in Changi Airport's infrastructure, terminal facilities and airport processes to enhance the Changi Experience for passengers and visitors alike. Examples include building a new Terminal 4, rejuvenating Terminal 1 and establishing a new integrated Airport Operations Centre to serve as the airport's nerve centre.

## Investing in... Infrastructure & Process

**22,000**m<sup>2</sup>

of additional floor space  
following upgrading in Terminal 1

**11%** increase in  
aircraft stands  
in Terminal 2  
through MARS\*

\*MARS – Multiple Aircraft Receiving Stand concept allows flexibility of parking either a single wide-body aircraft or two narrow-body aircraft at each aircraft stand.





CAG nurtures the innate talents of its employees to realise their full potential so as to allow them to grow together with the company.

At the frontline, Changi Airport raised the bar of its customer service with the introduction of uniformed roving Changi Experience Agents who are deployed airport-wide to proactively assist passengers with their travel and special needs.

## Investing in... People

**90**  
Changi  
Experience  
Agents speak  
over 20 languages



SingTel 3G 8:19 89%  
**CHANGI**  
airport singapore

Back Settings More

**Departures**  
2. Select the notifications that you would like to receive for all saved flights.

For Arrival Flights  OFF

**Confirmed**  ON

Landed  OFF

For Departure Flights  ON

**Boarding**  OFF

**Gate Closing**  OFF

SAVE

Search Flight My Flight Shop & Dine Highlights Airport Info

Please Rate

Please rate your experience

Your F

CAG invests in cutting-edge technologies to enhance the passenger experience, transform and improve airport processes as well as enhance safety. Real-time flight information is readily available for passengers on the move on their mobile devices, while instant feedback from airport users at various Changi Airport touchpoints helps improve service standards.



## Investing in... Technology

**586,000**  
downloads on iChangi app,  
150,000 active users each month

Average of  
**180,000**  
instant feedback received monthly



To keep Changi Airport's aeronautical fees competitive, CAG subsidises the airport's aeronautical costs with economic profit from its non-aeronautical businesses. Besides attracting brand names and reputable retail and F&B operators to offer a wide mix of offerings at Changi, CAG regularly organises exciting airport-wide promotions to attract passengers and shoppers.

## Investing in... Retail



In 2011/12, concession sales reached  
**S\$1.75**  
billion

Changi is among the  
**Top 4**  
airports worldwide in terms  
of **airport retail sales**



CAG seeks international opportunities and increases its global presence through overseas airport investments and consultancy services. Through Changi Airports International, it aims to create world-class airports through active partnerships with foreign airport groups.

## Investing in... **Global Presence**



Track record of over  
**20**

**airport projects** in more than  
10 countries across five continents





As a responsible corporate citizen, CAG takes an active involvement in responding to the needs of society and the challenges of our time. CAG adopts the social cause of youths-at-risk and has launched the Changi Foundation to support and reach out to them. Among the wider community, CAG reaches out to its customers and other stakeholders with its *Fans of Changi* social media programme on popular platforms like Facebook, Twitter and YouTube.



## Investing in... Community & Engagement

CAG established  
**Changi Foundation**  
with initial capital of

**S\$1 million**

The *Fans of Changi* Facebook page had  
**52,457 likes**

as at 31 March 2012, less than three years after its launch

## Our Mission

To be the world's leading airport company, growing a vibrant air hub in Singapore and enhancing the communities we serve worldwide.

## Our Vision

### Exceptional People, Connecting Lives

At Changi Airport Group, we aspire to build a company where ordinary people achieve extraordinary results. Working together as a team, we bring great ideas to life and achieve exceptional results beyond our individual capabilities. Customers are our inspiration. From the youngest child to the largest corporation, we understand that what we provide connects people in ways that will enhance their lives.

## Our Values



# Corporate Profile

Changi Airport Group (Singapore) Pte Ltd (CAG) was formed on 16 June 2009 and the corporatisation of Changi Airport followed on 1 July 2009. As the airport company managing Changi Airport, CAG undertakes key functions focusing on airport operations and management, air hub development, commercial activities and airport emergency service.

Over the past three decades, CAG, previously as part of the Civil Aviation Authority of Singapore, has successfully established Changi Airport as the world's most awarded airport. With more than 400 accolades under its belt, Changi has come a long way since its humble beginnings in 1981, when Terminal 1 first opened.

One of the world's busiest international airports today, Changi Airport is a major air hub in Asia. A total of 48 million passenger movements were handled by Changi Airport during the year 2011/12, serving about 100 airlines flying to more than 220 cities in over 60 countries and territories worldwide. With over 70,000

square metres of commercial space across its four terminals, Changi Airport is also one of Singapore's best places for shopping and dining. Increasingly, the airport has become a favourite haunt of Singapore residents, especially families.

To spread the success of Changi Airport far and wide, CAG invests in and manages foreign airports through its subsidiary Changi Airports International (CAI). CAI's objective is to build a quality portfolio of airport investments worldwide with strong market development potential. Its key business activities include investments in airports, as well as the provision of airport management

consultancy services. Today, CAI's presence covers major economies including China, India, the Middle East, Europe and South America.

At Changi Airport, there is immense pride in providing impeccable service and unrivalled capabilities to deliver the iconic Changi Experience. More than just a model of functionality, the Changi Experience is about connecting passengers and engaging them, in ways that enhance their lives. Every journey through Changi Airport is an opportunity to bring people together and to help them realise their aspirations.





.....  
**LIEW Mun Leong**  
CHAIRMAN

.....  
**LEE Seow Hiang**  
CHIEF EXECUTIVE OFFICER

# Chairman & CEO Message

Financial year 2011/12 was a challenging yet rewarding one for Changi Airport Group (CAG). It marked the third year of operations for the Company following Changi Airport's corporatisation in 2009.

During the year, we operated under less-than-perfect conditions. The global economy was weak, marked by sluggish job growth in the United States and the Eurozone debt crisis. Political uncertainties in the Middle East, the earthquake and tsunami in Japan and high fuel prices did not help.

Notwithstanding the headwinds, CAG delivered strong operating results for both its aeronautical and non-aeronautical businesses. For the year, we registered all-time highs for passenger traffic as well as retail sales.

At the same time, we took the opportunity to strengthen our core capabilities – an award-winning airport experience, a strong air hub and robust commercial operations – while investing in new infrastructure, technology and opportunities to secure our future.

## **GROWING THE AIR HUB**

Changi Airport handled a record 48 million passenger movements during the year, an increase of 11.6% compared to the previous year. Strong travel demand in Asia-Pacific was a key growth driver, with Southeast Asia and Northeast Asia being the two best performing regions.

Changi retained its position as one of the world's most connected air hubs with six new city links added, and an addition of four new airlines to its family of carriers. Today, Changi serves some 100 airlines

flying to over 220 cities around the world.

Capacity to Scandinavia was boosted with Finnair's Helsinki service while the launch of Lao Airlines' service from Vientiane completed Changi's air links to all nine of Singapore's ASEAN neighbours. In addition, Lufthansa's new A380 service linking Singapore to Frankfurt cemented Changi's position as the world's busiest multi-carrier A380 hub.

On the cargo front, from a humble 180,000 tonnes handled in 1981, cargo throughput at Changi Airport has expanded by more than 10 times to reach 1.87 million tonnes in 2011/12. It is now one of the 10 busiest international airfreight hubs in the world.

## **DEVELOPING THE RETAIL BUSINESS**

Changi Airport also delivered a record performance on the retail front during the year. Total concession sales surpassed S\$1.75 billion, an increase of 19% and outperforming passenger traffic growth during the same period. Changi is today among the top four airports in the world in terms of airport retail sales.

We will continue to work closely with our concession partners to help them develop their business through strong operational support and sharing of marketing intelligence. At the same time, with a strong line-up of promotions and marketing efforts, we hope to

draw footfall to the retail and dining outlets and drive spending. With better mutual understanding of our customers' preferences and emerging travel retail trends, we aim to collaborate with our tenants more closely to fine-tune their business operations and grow sales.

At Changi Airport, we continuously adjust and improve our retail mix where necessary to cater to the diverse needs of our passengers. Hence, we will continue to bring in new and exciting brands to Changi to enhance the overall shopping and lifestyle experience.

## **ENHANCING THE CHANGI EXPERIENCE**

Changi Airport continues to be well-regarded by air travellers and members of the aviation industry. During the year, Changi added a further 26 awards, including the coveted inaugural Singapore Service Excellence Medallion which recognised CAG for remaining "steadfast and committed to service excellence and attaining high levels of customer satisfaction".

To enhance the Changi Experience, we introduced roving customer service officers, or Changi Experience Agents (CEAs) to walk the ground in the terminals – proactively helping visitors and passengers in need of assistance. There are currently more than 90 CEAs who speak a total of more than 20 languages and dialects.

## Chairman & CEO Message

“During the year, we strengthened our core capabilities – an award-winning airport experience, a strong air hub and robust commercial operations – while investing in new infrastructure, technology and opportunities to secure our future.”

### **DELIVERING STRONG RESULTS**

For the year, CAG achieved a net profit after tax of S\$553 million, an improvement of 64.1% compared to 2010/11. This strong set of results was achieved on the back of higher revenue, underpinned by robust traffic growth.

Revenue for the year grew by S\$325 million, or 22.4%, to S\$1.78 billion. This improvement was led by double-digit growth in income from airport services and concession sales.

Operating expenses totalled S\$1.12 billion, an increase by S\$62 million, or 5.9%. The increase was mainly attributed to higher depreciation due to additional phased capitalisation of the Terminal 1 upgrading project, accelerated depreciation of the Budget Terminal and increased headcounts to support growth and operations.

### **BUILDING A COMPANY OF EXCELLENCE**

CAG continues to invest in its people by developing its employees through knowledge and skills upgrading. Core programmes to support our strategic business objectives as well as training opportunities have been introduced.

As a testimony of our commitment to developing and engaging our people, CAG was nominated by its union partner, the Singapore Manual & Mercantile Workers' Union, and was awarded the Plaque of Commendation at the 2012 May Day Awards. The award recognises the significant and sustained contributions to the labour movement, through the promotion of good industrial relations, support for training initiatives and helping workers improve their welfare.

To provide a systematic and sustainable framework for our community support initiatives, CAG has just launched the Changi Foundation to help youths-

at-risk in their journey of transformation from adolescence to adulthood, by nurturing and developing them to become active contributors to society. The Changi Foundation, established with an initial capital of S\$1 million, will support youth community efforts through three key thrusts: education, skills development and community service.

### **EXPORTING THE CHANGI BRAND**

Through CAG's investment arm, Changi Airports International (CAI), we have undertaken various assignments in China, India, the Middle East, South America and Europe. As an investor, CAI leverages Changi Airport's experience to help its airport assets achieve better efficiency and service levels by providing them with support in airport operations, commercial development, route development and master planning, so as to better realise their potential and generate greater value for their stakeholders.

Under its airport management and consultancy portfolio, CAI counts King Fahd International Airport (KFIA) in Dammam, Saudi Arabia, as an important client. In 2011, it successfully completed the first half of a six-year management contract at KFIA. CAI is also into its second year as the advisor to the Brunei Economic Development Board for the upgrading and expansion of the passenger terminal of Brunei International Airport, a project which is expected to take another three years to complete.

Moving forward, CAI will continue to tap on CAG's airport management skills and institute a strong asset management regime with the objective of supporting its investment portfolio. In time to come, we envisage overseas businesses to be one of the Group's pillars of growth.

## INVESTING TO STAY AHEAD

Planning ahead for our capacity needs is a fundamental part of managing Changi Airport for the long term. CAG will continue to adopt a proactive policy of building in anticipation of future traffic demand and providing ample capacity to cater to the growing number of passenger and flight movements. There will be regular enhancement and expansion of Changi's facilities to maintain its competitive edge as an attractive airport for travellers and as an efficient operating environment for airlines. To facilitate this, we will invest some S\$2 billion over the next five years on various infrastructure projects.

The recently completed upgrading of Terminal 1's (T1) infrastructure and facilities has resulted in improved baggage claim, transit and gate facilities, enhanced ambience and expanded retail offerings and amenities. We have already kick-started the planning process for another two major development projects, which will expand Changi's handling capacity and widen its range of offerings.

Work is in progress for the design and construction of Terminal 4 (T4) with the existing Budget Terminal to be demolished. The larger T4 will cater to the continued growth of air traffic at Changi Airport and will be designed to enable efficient passenger processing and aircraft operations. Unlike the present Budget Terminal, T4 will have a wide choice of retail and food & beverage offerings as well as passenger amenities that will better serve the needs of travellers. Planning for the terminal is in progress, with construction expected to begin next year and the terminal ready by 2017.

Following the enhancements of facilities within T1, we have been looking at how to better optimise land use

around the terminal. To this end, we are embarking on a T1 expansion project, by redeveloping the open-air car park in front of T1 into a multi-use complex that will be a signature lifestyle destination. Besides expanding the terminal's handling capacity, the complex will enable Changi to offer a wider range of travel-related services, as well as present attractive retail, entertainment and recreational offerings to our visitors.

## MOVING FORWARD AS ONE

Every day, more than 120,000 passengers and tens of thousands more visitors pass through Changi Airport. To ensure a seamless and memorable airport experience for all of them, CAG collaborates with more than 200 companies and interacts with an airport community of some 28,000 people. The pivotal role that our partners play in shaping the success of Changi cannot be over-emphasised.

Changi Airport's achievements accomplished for the year would not have been possible without the support and close-knit partnerships that we share with the Civil Aviation Authority of Singapore, other government agencies, airlines, ground handling companies, concessionaires and many other partners at the airport. We take this opportunity to thank them all for their contribution and remarkable support.

We would also like to express our appreciation to our fellow Board Directors, the employees and union of CAG for their dedication and commitment.

We look forward to the continued support of all our stakeholders as we move forward together to meet the exciting challenges that lay ahead.

“Changi Airport's achievements accomplished for the year would not have been possible without the support and close-knit partnerships that we share with government agencies, airlines, ground handling companies, concessionaires and many other partners at the airport.”



**Liew Mun Leong**  
CHAIRMAN



**Lee Seow Hiang**  
CHIEF EXECUTIVE OFFICER

6 June 2012

# Board of Directors

(as at 31 March 2012)



## 1. LIEW Mun Leong

### CHAIRMAN

Mr Liew is President and CEO of CapitaLand Group. Concurrently, he is Chairman of CapitaMalls Asia Limited and The Ascott Limited, Deputy Chairman of CapitaMall Trust Management Limited, CapitaCommercial Trust Management Limited, CapitaRetail China Trust Management Limited and Ascott Residence Trust Management Limited. He is also a Director of CapitaLand Hope Foundation – the Group's philanthropic arm, and of Singapore Exchange Limited. He chaired the Civil Aviation Authority of Singapore from September 2005 to June 2009. He was elected the President of International Organisation for Standardisation (ISO) for the term 1997 to 1998. He was the Chairman of the Board of Governors of Temasek Polytechnic from 1999 to 2006.

With over 40 years of experience in construction and real estate both locally and overseas, Mr Liew has been instrumental in a number of Singapore's public sector projects, including the development of Changi Airport. For his exceptional contributions, Mr Liew has been awarded the Meritorious Service Medal by the President of Singapore in 2011. He has also received several accolades including 'Outstanding CEO of the Year' at Singapore Business Awards (2006), 'CEO of the Year' at Singapore Corporate Awards (2007), 'Asia's Best Executive of 2008 (Singapore)' by Asiamoney, as well as 'Best CEO in Asia

(Property)' by Institutional Investor (2008). In 2011, he was named Best CEO in Singapore by FinanceAsia.

Mr Liew graduated from the University of Singapore with a Civil Engineering degree and is a registered professional civil engineer.

## 2. LEE Seow Hiang

### CHIEF EXECUTIVE OFFICER

Mr Lee is CEO of Changi Airport Group. Prior to this, he was Deputy Director-General (Operations) of the Civil Aviation Authority of Singapore. He is concurrently Deputy Chairman of Changi Airports International Pte Ltd, a Director of SMRT Corporation Limited and Board Member of the Agency for Integrated Care Pte Ltd. He is also a member of the Advisory Board to the joint IATA-NTU Advanced Management Programme (AMP) and the joint Executive MBA degree in Aviation Management.

From 1989 to 2005, Mr Lee held various appointments in the Republic of Singapore Air Force (RSAF) and the Ministry of Defence, with his last appointment being Deputy Head of Air Operations in HQ RSAF. From 2005 to 2008, he was the Principal Private Secretary to Minister Mentor Lee Kuan Yew in the Prime Minister's Office.

Mr Lee was awarded the SAF (Overseas)/President's Scholarship in 1989 and the SAF Postgraduate Scholarship (General Development) in 2002. He holds a Bachelor in Business Administration

(Honours) from the University of Cambridge, UK, and a Master in Business Administration from the Massachusetts Institute of Technology, USA.

## 3. Derrick WAN Yew Meng

Mr Wan is Director (Reserves and Investment) at the Ministry of Finance. Prior to joining the Ministry of Finance in November 2008, he was Director (Investments and Projects) at the Central Provident Fund and has held appointments in the Ministry of Manpower, Ministry of Law and Ministry of Defence.

Mr Wan is a Chartered Financial Analyst (CFA), a Chartered Alternative Investments Analyst (CAIA) charter holder and a Professional Risk Manager (PRM). He was awarded the Overseas Merit Scholarship to study at the University of York, England, where he graduated with First Class Honours (with Distinction) in Economics and Econometrics. He also holds a Masters in Financial Engineering from the National University of Singapore and a Masters in Business Administration from Columbia University, New York.





**4. Michael George William BARCLAY**

Mr Barclay is CEO of Sentosa Development Corporation. He also sits on the boards of the Singapore Tourism Board and Mapletree Commercial Trust Management Limited.

Prior to joining Sentosa in August 2008, Mr Barclay was the Regional Vice President Asia Pacific at the International Air Transport Association. From January 2004 to March 2007, he was Chief Executive of SilkAir. He also held various portfolios for Singapore Airlines in Singapore, Germany, Switzerland, Belgium and the UK from September 1991 to January 2004.

Mr Barclay has a Master of Science degree in Transport Planning & Engineering from the University of Leeds and has completed the Advanced Management Programme at Harvard Business School.

**5. Miguel KO Kai Kwun**

Mr Ko is Chairman & President, Asia-Pacific for Starwood Hotels & Resorts Worldwide, Inc., the largest upper-upscale hotel company in the region. He oversees the operating and financial performance of about 220 hotels and resorts and over 65,000 associates in over 21 countries in Asia-Pacific. Prior to this, he was Deputy Chairman and CEO of CDL Hotels International.

Widely recognised for his knowledge and insight by the Asia Pacific tourism industry, Mr Ko was voted Regional Hotel Chief of the Year (2007 & 2008) by the readers of Travel Weekly. He was named Visionary Leader of the Year and a recipient of the Global Awards at the World Travel Mart (2007) in London and honored the Lifetime Achievement Award 2012 at the China Hotel Investment Conference in Shanghai.

Mr Ko has a Bachelor in Business Administration in Economics from the University of Massachusetts and a Masters in Business Administration from Suffolk University. He is also a Certified Public Accountant (CPA) awarded by the State Board of Accountancy, New Hampshire, USA.

**6. Eric ANG Teik Lim**

Mr Ang is Managing Director and Head of Capital Markets at DBS Bank. With over 30 years of banking experience, he is responsible for the capital markets business. He serves on the DBS Group Holdings Ltd (DBSH) Management Committee. Within DBSH, he serves on numerous boards including DBS Asia Capital Ltd, Hwang-DBS Investment Bank Berhad and The Islamic Bank of Asia Limited.

Mr Ang holds a Bachelor in Business Administration (Honours) degree from the University of Singapore.

## Board of Directors



### 7. Dilhan Pillay SANDRASEGARA

Mr Sandrasegara is the Head of Portfolio Management, Singapore and Private Equity and Funds Investments, as well as Co-head of Europe of Temasek International Pte. Ltd. Prior to joining Temasek, he was a corporate lawyer.

Mr Sandrasegara serves on the boards of the Singapore Management University, Singapore Institute of Legal Education, Changi Airport Group Pte Ltd and Changi Airports International Pte Ltd. He is also a member of the Corporate Governance Council, and of the Capital Markets Committee of the Monetary Authority of Singapore. He was previously a board member of various publicly listed companies and public bodies.

He graduated from the National University of Singapore with a Bachelor of Laws and obtained a Master of Law from the University of Cambridge.



### 8. Danny TEOH Leong Kay

Mr Teoh is a Board Member of Keppel Corporation Limited, DBS Bank Ltd, DBS Bank Holdings, JTC Corporation and the Singapore Olympic Foundation.

Mr Teoh was Managing Partner of KPMG in Singapore until his retirement on 30 September 2010. He also served as a member of KPMG's Asia-Pacific Board and the KPMG International Council and Board during his time at KPMG.

Mr Teoh held various other positions at KPMG, including Head of Audit & Risk Advisory Services (Singapore), Head of Risk Advisory Services (Asia-Pacific) and Head of Financial Services (Singapore).

Mr Teoh qualified as a Chartered Accountant in the UK in 1981 and is a member of the Institute of Chartered Accountants of England and Wales.



### 9. Richard Rokmat MAGNUS

Mr Magnus is the Chairman of the Casino Regulatory Authority, the Political Films Consultative Committee, Temasek Cares CLG Ltd, Public Guardian Board and the Bioethics Advisory Committee. He is a Board Member of the Public Transport Council and CapitaMall Trust Management Ltd. He is a Member of the Public Service Commission. He is also Singapore's Representative to the ASEAN Inter-Governmental Commission on Human Rights. Mr Magnus is on the UNESCO's IBC, as well as a member of the Human Agenda Council of the World Economic Forum.

Mr Magnus retired as Chief District Judge after a distinguished public service career with the Singapore Legal Service. In the course of his service, he held headship appointments in several Legal Departments. He was also Director in several Government-linked companies.

In recognition of his sterling contributions to the nation, he was conferred the Public Administration Medal (Silver) in 1983, the Public Administration Medal (Gold) in 1994, the Public Administration Medal (Gold) (Bar) in 2003 and the Meritorious Service Medal in 2009.

Mr Magnus graduated from the National University of Singapore with a Master of Law. He is also an alumnus of the Harvard Business School and the John F Kennedy School of Government.

# Executive Management



## Changi Airport Group

- 1. LEE Seow Hiang**  
CHIEF EXECUTIVE OFFICER
- 2. TAN Lye Teck**  
EXECUTIVE VICE PRESIDENT  
*Corporate*
- 3. YAM Kum Weng**  
EXECUTIVE VICE PRESIDENT  
*Air Hub Development*
- 4. FOO Sek Min**  
EXECUTIVE VICE PRESIDENT  
*Airport Management*

- 5. LIM Peck Hoon**  
EXECUTIVE VICE PRESIDENT  
*Commercial*
- 6. NG Lai Leng**  
CHIEF FINANCIAL OFFICER
- 7. FONG Kok Wai**  
EXECUTIVE VICE PRESIDENT  
*Engineering & Development*

## Changi Airports International

- 8. LIM Liang Song**  
CHIEF EXECUTIVE OFFICER
- 9. Eugene GAN**  
DEPUTY CHIEF EXECUTIVE OFFICER

# Management Team

## Changi Airport Group

### GOH Yong Long

SENIOR VICE PRESIDENT  
*Corporate Development & International Relations*

### KOH Ming Sue

SENIOR VICE PRESIDENT  
*Engineering & Master Planning*

### LECK Siew Leng

SENIOR VICE PRESIDENT  
*Internal Audit*

### Audrey LEE

SENIOR VICE PRESIDENT  
*Economic Affairs*

### Steve LEE

SENIOR VICE PRESIDENT  
*Technology / Chief Information Officer*

### LIM Ching Kiat

SENIOR VICE PRESIDENT  
*Market Development / General Manager, Seletar Airport*

### LIM Wee Ping

SENIOR VICE PRESIDENT  
*Corporate Strategy & Business Development*

### Arlene OEI

CHIEF LEGAL OFFICER & COMPANY SECRETARY

### Cletus PACKIAM

CHIEF  
*Airport Emergency Service*

### Ivan TAN

SENIOR VICE PRESIDENT  
*Corporate & Marketing Communications*

### Justina TAN

SENIOR VICE PRESIDENT  
*Human Resource*

### Ivy WONG

SENIOR VICE PRESIDENT  
*Airside Concessions*

### YEO Kia Thye

SENIOR VICE PRESIDENT  
*Airport Operations*

## Changi Airports International

### Jose PANTANGCO

SENIOR VICE PRESIDENT  
*Investments*

### SEE Ngee Muoy

GENERAL COUNSEL

### L SOMKIAT

CHIEF AIRPORT PLANNER

### TAN Yong Khim

SENIOR VICE PRESIDENT  
*Finance*



# Financial Review

## FINANCIAL HIGHLIGHTS

	FY 09/10 (Annualised) <sup>1</sup>	FY 10/11	FY 11/12
<b>S\$ in Millions</b>			
Total revenue	1,281	1,454	<b>1,779</b>
Total expenses	949	1,057	<b>1,119</b>
EBITDA <sup>2</sup>	540	617	<b>930</b>
Profit before income tax	364	409	<b>670</b>
Profit after tax	303	337	<b>553</b>
Return on equity	8.8%	9.2%	<b>13.4%</b>

### S\$ in Millions

Assets	7,220	7,648	<b>5,144</b>
Liabilities	3,705	3,806	<b>754</b>
Equity	3,515	3,842	<b>4,390</b>

### Operating Statistics (In Thousands)

Passenger movements	38,610	42,983	<b>47,951</b>
Airfreight movements (tonnes)	1,701	1,826	<b>1,868</b>
Aircraft movements	246	271	<b>311</b>

1 The Company was incorporated on 16 June 2009 and commenced operations on 1 July 2009. Annualised figures are shown for comparison purposes only. The operating statistics for FY09/10 are based on actual April 2009 to March 2010 results.

2 Earnings before Interest, Taxes, Depreciation & Amortisation (EBITDA).

## FINANCIAL PERFORMANCE OVERVIEW

Changi Airport Group (CAG) achieved strong financial performance for the financial year ended 31 March 2012, with reported earnings before interest, taxes, depreciation and amortisation (EBITDA) of S\$930 million and profit after tax of S\$553 million, representing a growth of 50.7% and 64.1% respectively over the previous financial year. This solid growth was driven by record revenue and complemented by a well-managed operating cost base.

Despite a slowing world economy, passenger traffic growth in Changi Airport remained strong across all regions. The

Group's increased marketing efforts and greater collaboration with its airline partners to launch new routes and increase flight frequencies also helped to boost traffic at Changi. Traffic growth was strongest on routes serving China, Hong Kong, Indonesia, Philippines and Thailand. Overall, passenger movements rose 11.6% to 48 million and aircraft movements improved by some 14.8% to more than 311,000 aircraft movements during the financial year.

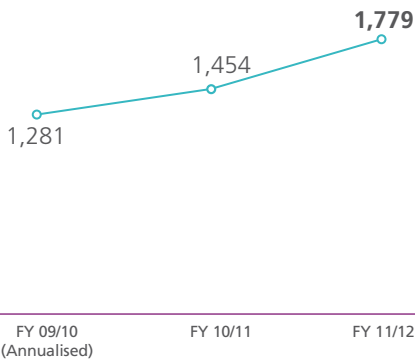
As at 31 March 2012, Changi Airport was served by more than 100 airlines operating some 6,200 weekly flights connecting Singapore to more than 220

destinations in over 60 countries and territories worldwide.

The Group also enjoyed strong retail performance during the financial year. Concession sales grew 19% to reach a record high of over S\$1.75 billion, outperforming the 11.6% growth in passenger traffic for the year. Changi Airport is one of the top four airports in the world in terms of annual sales turnover. The impressive concession sales growth was boosted by robust passenger traffic and higher spending among shoppers, bolstered by successful retail strategies and close working relationships with retail partners.

# Financial Review

**Revenue** (S\$ in millions)



**Revenue Composition** (S\$ in millions)



## OPERATING REVENUE

**Total revenue** rose by 22.4% to S\$1.78 billion, primarily driven by higher passenger and aircraft movements, as well as strong retail performance.

Revenue from **Airport services and Security services** increased by 32.7% to S\$712 million. Growth was largely fuelled by higher passenger movements, augmented by fee revisions, introduced on 1 April 2012. The Passenger Service Charge (PSC) and the Passenger Security Service Charge (PSSC) were introduced for transit and transfer passengers. Aircraft landing fees were also increased in line with higher aeronautical expenses from major enhancements

carried out on the airside infrastructure. There was also a slight increase in the PSC for passengers using the Budget Terminal.

**Airport concessions and rental income**, representing 46.8% of total revenue, increased by 12.7% to S\$833 million. The higher concession revenue was boosted by higher passenger movements, strong sales performance and the expansion of Changi’s retail footprint and offerings. With the completion of the upgrading of Terminal 1 and the revamp of the public areas in Terminal 3, the retail footprint in Terminal 1 and Terminal 3 has risen by about 25% and 60% respectively. Changi Airport’s successful retail marketing strategy was another strong contributory

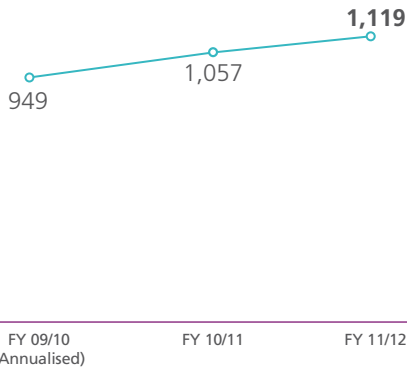
factor to growth, attracting shoppers with 7% savings through absorption of GST, rebate for members of the Changi Rewards loyalty programme, and a chance to become an instant millionaire with the “Be a Changi Millionaire” draw.

## OPERATING EXPENSES

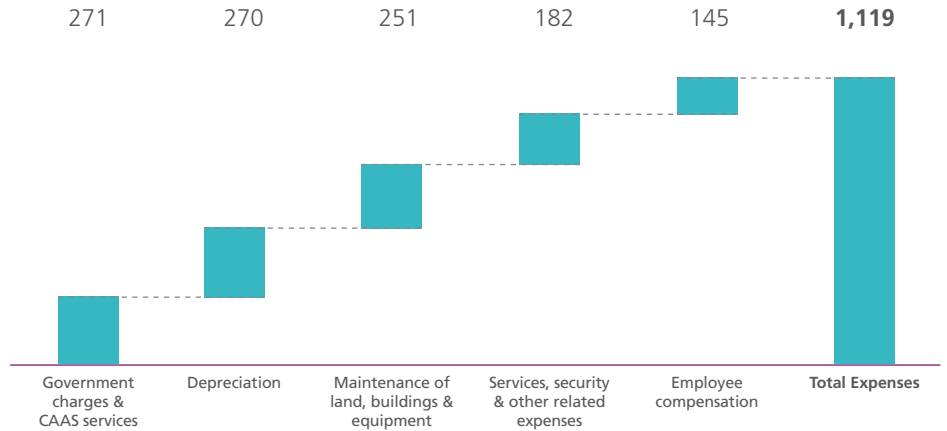
CAG’s **Operating expenses** in FY11/12 increased by 5.9% to S\$1.12 billion, a modest increase relative to the significant rise in traffic volume. This outcome was the result of the Group’s stringent financial discipline to tighten controllable costs, while continuing to maintain high standards of safety, security and service.

**S\$1.78bil**  
REVENUE

**Expenses** (S\$ in millions)



**Expense Composition** (S\$ in millions)



**PROFIT AFTER TAX**

The 22.4% increase in top-line revenue outstripped the comparatively modest 5.9% increase in operating expenses. This led to a 64.1% increase in profit after tax to S\$553 million.

**FINANCIAL POSITION**

The Group's shareholder equity as at 31 March 2012 amounted to S\$4.39 billion, an increase of S\$548 million

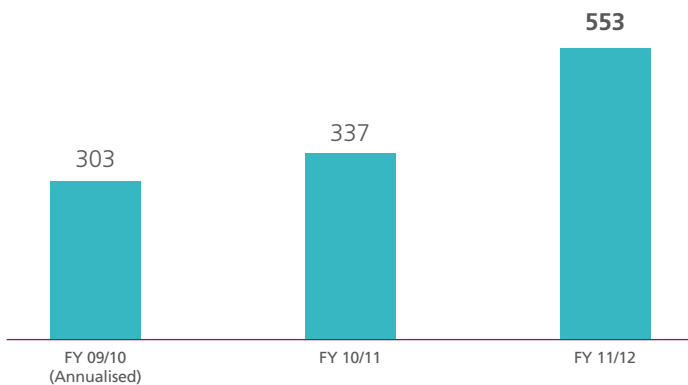
over the previous year. The increase was predominately due to the net profit achieved for the financial year.

**Property, plant and equipment** amounted to S\$2.68 billion, 52.1% of total assets. During the year, the Group incurred capital expenditure of S\$376 million primarily for the upgrading of Terminal 1 to rejuvenate the terminal and to enhance passenger experience. Key areas were refurbished to improve

passenger flow; the terminal's interior and external facades were also enhanced.

As at 31 March 2012, the Group held **Cash and cash equivalents** amounting to S\$2 billion, representing 38.9% of total assets. This fund will be used to fuel the Group's growth plans, including capacity expansion to cater to the long-term growth in passenger and aircraft traffic.

**Profit after Tax** (S\$ in millions)



**13.4%**  
RETURN ON EQUITY

**S\$553mil**  
PROFIT AFTER TAX

# Corporate Governance

The Board and Management of Changi Airport Group (CAG) are committed to meeting and maintaining the highest standards of corporate governance, professionalism and integrity to build a company which stakeholders can be proud of. CAG strongly believes that to thrive and operate a sustainable business over the long term, and to uphold and protect the Company's brand and hard-earned reputation, it has to be accountable to its immediate business and regulatory environment, as well as the global community.

CAG has a Code of Conduct, which sets out its principles and policies and the standards of conduct that is expected of all employees in their day-to-day activities and in the decisions they take. A corporate gift and entertainment policy has also been established as part of the Code of Conduct. The Company has also implemented a whistle-blowing framework, to prevent, detect, and deter unethical or illegal conduct or behaviour.

## BOARD OF DIRECTORS

1. At the helm of the decision making process of CAG is the Board of Directors, which oversees the Company's long-term strategy, providing management guidance for continuing and steady growth, while protecting the interests of stakeholders.

## Composition and Balance

2. The Board, headed by non-executive Chairman, Mr Liew Mun Leong, comprises nine Directors, of whom only the CEO, Mr Lee Seow Hiang, is an executive Director. The Board is strongly independent with seven Directors, including the Chairman, considered to be independent, with reference to the definition of 'independence' in the Code of Corporate Governance. The Directors are individuals with a broad and diverse spectrum of expertise and experience, both domestically and internationally.

3. The Board Directors of CAG are:

Mr Liew Mun Leong – Chairman  
Mr Lee Seow Hiang – CEO  
Mr Derrick Wan Yew Meng  
Mr Michael George William Barclay  
Mr Miguel Ko Kai Kwun  
Mr Eric Ang Teik Lim  
Mr Dilhan Pillay Sandrasegara  
Mr Danny Teoh Leong Kay  
Mr Richard Rokmat Magnus

The profiles of the Directors can be found on pages 22 – 24 in this annual report. Changi Airports International (CAI), a wholly-owned subsidiary, has its own Board of Directors and three Board Committees – Investment Committee, Audit and Risk Committee and Staff Committee.

## Roles of Chairman and CEO

4. The role of the Chairman and the CEO are separate and distinct. The Chairman leads the Board and facilitates effective and comprehensive Board discussions and decision-making on strategic issues, while the CEO has full executive responsibility for the management of the Company's businesses and the implementation of the Group's strategies and policies.
5. Five committees have been formed to assist the Board in the detailed consideration of various matters. They are the Executive Committee (EXCO), Executive Resource and Compensation Committee (ERCC), Audit Committee (AC), Tenders Committee (TC) and the Executive Committee on Airport Development (ECAD). Each committee is governed by its own terms of reference, which set out the scope of the committee's duties and responsibilities. Ad-hoc committees are also formed to review specific issues from time to time.
6. The Board meets at least four times a year to review CAG's business performance and financial results, and to approve the annual budget.
7. Formal letters are issued to newly-appointed Directors upon their appointment, including details of their duties and obligations as Directors. Management conducts an orientation programme for new Directors, and updates Directors on new laws and regulations, as well as developments and risks facing the business and industry, when necessary. Site visits are also arranged for new Directors to familiarise them with the Group's operations.

## Access to Information

8. Prior to each Board Meeting, and when needed, the Board is provided with pertinent information, which includes updates on the Company's operating and financial key performance indicators, legislative, industry and other significant developments relating to the Group, which enables the Board to make informed and sound decisions. The Board has full access to the Senior Management team and the Company Secretary. Should the Directors require independent professional advice on matters relating to the businesses or issues affecting their duties, the Company will arrange for the appointment of relevant professional advisers, at the Company's expense.



## CAPITAL & INVESTMENTS

1. The members of the EXCO are:

Mr Liew Mun Leong – Chairman  
Mr Eric Ang Teik Lim  
Mr Lee Seow Hiang

2. The EXCO reviews and recommends to the Board the capital structure, and the financing and investment strategies of the Company. The EXCO also approves significant investments by CAI.

## EXECUTIVE RESOURCE AND COMPENSATION

1. The ERCC comprises three non-executive and independent Directors:

Mr Liew Mun Leong – Chairman  
Mr Eric Ang Teik Lim  
Mr Miguel Ko Kai Kwun

2. The ERCC supports and advises the Board on remuneration matters, and leadership succession and development. The roles of the ERCC include:
  - a. reviewing and approving the policy for determining executive remuneration, including the remuneration packages, service contract terms, and benefits programme for key management executives;
  - b. approving the appointment of key management executives, overseeing the development of key executives and reviewing succession plans for key positions to ensure a strong pipeline of talent to enable the continued success of the Company; and
  - c. recommending the remuneration framework including Directors' fees for non-executive Directors.

## ACCOUNTABILITY AND AUDIT

### Accountability

1. Management provides all members of the Board with reports on operating and financial information and key performance indicators on a quarterly basis, to enable the Board to make a balanced and informed assessment of the Company's performance, position and prospects.

## Audit Matters

2. The AC comprises the following three non-executive Directors:

Mr Danny Teoh Leong Kay – Chairman  
Mr Derrick Wan Yew Meng  
Mr Eric Ang Teik Lim

3. The role of the AC includes reviewing the financial information CAG provides to its shareholder and competent authorities, and the effectiveness of key internal controls including financial, operational, compliance and risk management, as well as the financial reporting processes that the Board and the Management of CAG have established. The AC also reviews the mechanisms put in place by CAG for employees to raise concerns in confidence, about possible improprieties in financial reporting or other matters; the procedures for independent investigation of the matters reported and for appropriate follow-up action.
4. Annually, the AC reviews and approves the internal auditor's plan to ensure the adequacy of CAG's key internal controls, the internal auditor's scope of coverage, and the adequacy of the internal audit function in terms of its resources, competency and standing within the organisation. All audit findings and recommendations put up by the internal auditor are forwarded to the AC, and significant issues are discussed at the AC meetings. For the external auditor, the AC reviews and approves its plans for adequacy of coverage. Prior to making recommendations to the Board on the external auditor's appointment or reappointment, the AC also reviews the external auditor's independence, objectivity and quality of work based on guidelines established by Accounting and Corporate Regulatory Authority.
5. The AC meets three times a year, and at least one meeting is held with the external and internal auditors without the presence of Management, where the auditors may raise issues encountered in the course of their work directly to the AC.

# Corporate Governance

## INTERNAL CONTROLS

1. The Board and Management of the Company are fully committed to a robust system of internal controls, procedures and risk management to safeguard shareholders' interests and the Group's assets, and to manage risks. The Board delegates its oversight responsibilities for internal controls and risk management to the AC, which ensures adequacy and effectiveness of the system of internal controls in the Company.
2. CAG's internal control system, supported by systems, processes and people, comprises business governance in the area of operational and financial governance and policies, management and assurance frameworks, e.g. enterprise risk management, fraud risk management, and assurance provided by the internal and external auditors.
3. CAG's internal and external auditors review the key internal controls of the Company, and any material non-compliance or failures in internal controls. Recommendations for improvement are reported to the AC, which reviews the effectiveness of the action taken by management on the recommendations made.
4. The AC also reviews the effectiveness of the enterprise risk management framework and the risk management processes put in place to manage risks while achieving business objectives.
5. A separate committee, the TC, evaluates and approves tenders for goods and services exceeding S\$50 million, with the exception of those related to new development projects and major redevelopment projects at Changi Airport, which are taken care of by the ECAD. The TC is chaired by a non-executive Director and comprises the following three Directors:

Mr Michael George William Barclay – Chairman  
Mr Derrick Wan Yew Meng  
Mr Lee Seow Hiang

## INTERNAL AUDIT

1. The internal audit function, performed by the in-house Internal Audit Division, assists the AC to ensure the Company maintains a sound system of internal controls by conducting regular audits of high risk areas, and undertaking investigations as directed by the AC. It comprises suitably qualified and experienced staff, headed by the Senior Vice President, Internal Audit (SVP, IA), and has unrestricted access to the AC. SVP, IA reports functionally to the Chairman of the AC, and administratively to the CEO.

2. The Internal Audit Division adopts a risk-based approach in its audit work, focusing on key internal controls, including financial, operational and compliance controls. The annual audit plan is developed in consultation with, but independent of Management, and is approved by the AC. Internal Audit's reports on findings and recommendations are submitted to the AC, and a summary of key findings and recommendations discussed at the AC meetings. Internal Audit also tracks and reports to the AC the implementation status of actions agreed by Management, so as to ensure timely and adequate closure of audit findings.
3. The internal audit practices of the Division are established with reference to the standards set by the Institute of Internal Auditors. Ongoing efforts are made to align the Division's practices with the guidance set forth in the standards.

## AIRPORT DEVELOPMENT

1. The members of the ECAD are:

Mr Liew Mun Leong – Chairman  
Mr Derrick Wan Yew Meng  
Mr Michael George William Barclay  
Mr Lee Seow Hiang

2. The ECAD oversees new development projects and major redevelopment projects at Changi Airport. The roles of the ECAD include:
  - a. reviewing and approving collaborations, the selection of consultants, architects and other professional advisors, design concepts, aesthetic element proposals and other proposals related to the development projects at Changi Airport; and
  - b. reviewing and approving tenders for goods and services exceeding S\$50 million related to development projects at Changi Airport.

# Enterprise Risk Management

1. As an airport operator, Changi Airport Group (CAG) has to manage a wide range of activities and risks, which are broadly classified into strategic, financial, operational, regulatory and investment. The Company seeks to reduce the occurrence of risks and to minimise potential adverse impact as much as possible.
2. CAG's Enterprise Risk Management (ERM) framework subscribes to international best practices in the form of ISO 31000:2009, an internationally recognised risk management standard. Efforts have been made to adhere to these standards as closely as possible and CAG's risk assessment processes comply with this international benchmark. The ERM framework is continuously reviewed to ensure its relevance to the Company's business.

## RISK GOVERNANCE

3. The CAG Risk Committee leads the Company's efforts in developing and strengthening its risk management processes and framework. Reporting to the Board's Audit Committee, the Risk Committee is chaired by the CEO and comprises Senior Management members, who meet quarterly to review CAG's key risks and provide directions in strengthening our risk awareness culture.
4. The Risk Committee, supported by a full-time ERM unit, has put in place an ERM framework to ensure robust risk governance, a standardised methodology to assess risks, and oversight of risks via control and monitoring systems. Environmental scans are performed regularly to update the risk owners on key local and global events which could impact the Company.

## OBJECTIVES

5. The key objectives of the Enterprise Risk Management framework are to integrate risk management into daily activities of the Group at all levels within the organisation to ensure:
  - a. proper oversight of CAG's risks;
  - b. risk-considered decision-making;
  - c. compliance with regulatory obligations; and
  - d. protection of CAG's integrity, value, reputation and assets.

## RISK AWARENESS CULTURE

6. CAG recognises that for risk management to be effective, it is essential for everyone to share a common understanding about risks and make risk-considered decisions in the course of his work. This robust risk culture includes CAG's dealings with its partners within the airport community. CAG's ERM unit has been reaching out to all parties via the following means:
  - a. developing a CAG Risk Management Policy which is comprehensive yet pragmatic, easily understood and applicable to all;
  - b. engaging both CAG staff and airport partners to discuss risk management processes and key risk issues frequently;
  - c. encouraging participation in risk awareness activities through various communication media.