

**SINGAPORE AIRLINES LIMITED**  
(Incorporated in the Republic of Singapore)  
Company Registration No.: 197200078R

**ANNOUNCEMENT**

**ANNUAL GENERAL MEETING TO BE HELD ON 29 JULY 2021**

**RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS  
FROM SHAREHOLDERS**

**1. INTRODUCTION**

Singapore Airlines Limited (“**SIA**” or the “**Company**”) would like to thank Shareholders for submitting their questions in advance of SIA’s 49<sup>th</sup> Annual General Meeting (“**2021 AGM**”).

The 2021 AGM will be convened and held by electronic means on Thursday, 29 July 2021 at 3.30 p.m.

**2. RESPONSES TO QUESTIONS**

SIA is pleased to address the questions submitted by Shareholders which are substantial and relevant to the resolutions tabled for approval at the 2021 AGM, and to the business of the Company.

SIA’s responses to such questions are arranged according to the following main categories:

- (A) Outlook and Business Strategy,
- (B) Financial Performance,
- (C) Liquidity,
- (D) Aircraft, and
- (E) Corporate Affairs.

Please refer to the responses as set out in the Appendix hereto.

**By Order of the Board**

**Brenton Wu**  
**Company Secretary**

27 July 2021  
Singapore

**ANNUAL GENERAL MEETING TO BE HELD ON 29 JULY 2021**  
**RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS**  
**FROM SHAREHOLDERS**

**A. Outlook and Business Strategy**

**1) What are SIA's strategic plans going forward? How do you bring SIA back to profitability?**

- The SIA Group cut passenger capacity to 3% of pre-Covid-19 levels in April 2020 as a result of border closures to manage the Covid-19 pandemic. Since then the Group has rebuilt its network and resumed selected services in a safe and calibrated manner. At the end of FY20/21 (31 March 2021), the Group passenger capacity had reached 23% of pre-Covid-19 levels. By June 2021, it had risen to 28%.
- Cargo demand fundamentals remain strong, with Purchasing Managers' Indices for most key export economies still in expansionary territory and inventory restocking in progress. Overall airfreight demand is expected to be healthy in the coming months, and industry cargo capacity continues to be tight.
- We will continue with a calibrated expansion of our network, and be nimble and flexible to take advantage of opportunities as they arise.
- We have also actively taken steps to contain costs and conserve cash. This includes deferring non-essential capital expenditure, imposing tight controls on discretionary expenditure, deferring non-critical projects, a variety of staff measures including a retrenchment exercise in September 2020 and ongoing pay cuts, and deferring more than S\$4 billion of capital expenditure through the revision of aircraft purchase agreements with Airbus and Boeing.
- The growing pace of mass vaccination exercise in key markets provides hope for further recovery in international air travel demand as vaccination rates rise and borders re-open to travel. However, the risk of new variants and fresh waves of Covid-19 infections in key markets remains a concern.
- Our portfolio strategy, with a presence in both the full-services premium and low-cost segments, provides the flexibility to offer the right products to match demand as air travel recovers.
- Our fleet modernisation plan will allow us to deliver greater comfort and innovative products to customers, in addition to further driving operating efficiencies and lower carbon emissions.
- Under our Transformation programme, we are pursuing new engines of revenue growth, as well as initiatives to achieve a more competitive cost base. We also aim to continue to drive digital leadership and excellence in product and services, while prioritising health and safety measures.
- We have also worked hard to retain and prepare our talented people to continue delivering the world-class service that SIA is renowned for. This includes launching new training programmes to help them to develop the skills needed to overcome current challenges, and be ready for the future opportunities that may arise. Regular engagement sessions with staff continue to be conducted to keep the SIA spirit strong and rally the staff.
- The Group's strong balance sheet enables it to navigate the Covid-19 crisis, make the necessary investments to secure its industry-leading position and be ready for growth, capitalising on potential pent-up demand for air travel when borders re-open for travel.

**2) Are there any plans for SIA to acquire any of the distressed airlines, whether in the region or otherwise?**

- We are unable to comment on any confidential discussions that we may or may not be having on potential investments. If there are any material developments, we will update the market.

**3) Are there any plans to privatise SIA?**

- Privatisation is not a matter for the Company to consider as it is a shareholder action. Accordingly, the Company is not in a position to comment.

**4) What is the progress of SilkAir's integration into Singapore Airlines and when will it be completed?**

- Almost all SilkAir stations have been transferred to SIA, and the integration will be completed within FY21/22 subject to regulatory approvals.
- Nine of SilkAir's Boeing 737-800 NG narrowbody aircraft have been transferred to the SIA fleet, with enhancements to the cabin product.
- The integration will result in greater consistency in product and service across the SIA Group's full-service business, provide greater economies of scale, and enhance our flexibility in aircraft deployment to meet the demand for air travel as it returns.

**5) How much cost savings does the SIA Group envisage it would derive from integrating SilkAir into Singapore Airlines?**

- The SilkAir integration is a significant investment programme to upgrade our narrowbody cabin products, and offer a more consistent customer experience across the full-service segment of our business, while Scoot continues to cater to demand in the budget space.
- The integration will also deliver greater economies of scale for the Group, and enhance the flexibility of aircraft deployment to meet the demand for air travel as it returns.
- Due to commercial sensitivity, we are unable to disclose the amount of cost savings.

**6) How many employees would be laid off as a consequence of the SilkAir integration?**

- We have been progressively transferring SilkAir ground staff and crew to SIA, and trying to find a suitable place for staff within the organisation.
- In a small number of cases where we were unable to find a suitable position, we released the staff in consultation with the unions.

**7) Under a “new normal” where Covid-19 is endemic, how does SIA envisage air travel to be like? Does SIA intend to redesign air travel in this new normal?**

- We are committed to high standards in health and safety for travel, while remaining true to our brand promise of delivering a seamless world-class travel experience. This is central to our customer journey design, and will increasingly be enabled by digital technology.
- At the start of the Covid-19 pandemic, we undertook a comprehensive review of our customer journey and conducted a deep-dive into more than 100 touchpoints. As a result, we have introduced a suite of initiatives that have enhanced our health and safety measures to protect our customers’ well-being, bring them greater peace of mind, and give them the confidence to travel.
- These efforts were recognised with both SIA and Scoot being awarded the Diamond certification in the Airline Passenger Experience Association (APEX) Health Safety powered by Simplifying audit of global airlines. The Diamond rating is the highest level of certification attainable.
- We remain guided by the relevant authorities and medical experts. We will work closely with them to make adjustments, when necessary, in order to ensure the health and safety of our customers and staff across all touchpoints both on the ground and in the air.
- At the same time, we have also incorporated a slew of digital solutions that have helped to reduce friction and support the customer experience. These include the ability to verify Covid-19 test results through a mobile app, our e-library which offers access to more than 400 publications, and our Companion App that allows customers to control the in-flight entertainment system using their personal mobile device.
- We have continued to innovate during this time. We have introduced initiatives such as live e-shopping together with KrisShop via our KrisWorld in-flight entertainment system, as well as a new regional Economy Class meal concept that offers a greater variety of main course options for customers.
- We also remain committed to strengthening the three main pillars of our brand promise – service excellence, product leadership and network connectivity. This builds on our long-standing strengths, which remain relevant despite the challenges posed by Covid-19, and will help ensure that we retain our leadership position in the new normal.

**B. Financial Performance**

**8) When can shareholders see a turnaround for dividends?**

- Our ability to pay dividends depends on the recovery trajectory, as well as our financial performance.

**9) What are the steps undertaken to contain costs and conserve cash?**

- We have actively taken steps to manage costs and conserve cash. These include:
  - Deferring non-essential capital expenditure, imposing tight controls on discretionary expenditure, deferring non-critical projects, and renegotiating contracts with suppliers;
  - Implementing staff measures including early retirement schemes, voluntary release schemes for crew, salary cuts, a manpower rationalisation exercise; and

- Deferring more than S\$4 billion of capital expenditure between FY20/21 and FY22/23 to later years through the revision of aircraft purchase agreements with Airbus and Boeing.
- Our current Transformation programme includes initiatives that will also help the SIA Group to achieve a more competitive cost base to support our future financial sustainability.

**10) Can you give us an update on your fuel hedging strategy? With oil price now more than US\$70 per barrel, are you hedging again and what steps are you taking to mitigate the high oil price?**

- Given the uncertainty in the recovery profile and therefore fuel consumption projections, we have taken a pause on fuel hedging since March 2020.

**11) What is effect of oil price on SIA nett equity value?**

- Please refer to pages 195 and 196 of the FY20/21 Annual Report under Note 42 (a) for further details.
- The jet fuel price risk sensitivity analysis is based on the assumption that all other factors, such as the uplifted fuel volume, remain constant. Under this assumption, and excluding the effects of hedging, an increase in price of one USD per barrel of jet fuel affects the Group's and the Company's annual fuel costs by S\$13.5 million and S\$12.9 million respectively.
- The fuel hedging sensitivity analysis is based on contracts that are outstanding as at the end of the reporting period and assumes that a portion of jet fuel, Brent and crack hedges are ineffective. Under these assumptions, an increase or decrease in jet fuel prices, each by one USD per barrel, will respectively lead to an increase or decrease of S\$119.0 million in the equity of the Group (as at 31 March 2021).

**12) What is the Company's view on the oil price going forward?**

- We do not hold a specific view on oil price going forward. We continue to explore ways to manage the volatility in oil prices and the resultant impact on our operations.

**C. Liquidity**

**13) What are the steps undertaken to improve liquidity? Are we facing a cashflow issue?**

- We have actively taken steps to manage and build liquidity amidst these unprecedented times. Since the beginning of FY20/21, we have raised S\$21.6 billion in fresh liquidity:
  - S\$15.0 billion raised through the Rights Issue. Out of this, S\$5.3 billion was raised from the issuance of new shares, and S\$9.7 billion from two tranches of Mandatory Convertible Bonds (MCB).
  - S\$2.1 billion through aircraft secured financing.
  - S\$2.0 billion raised through bond issuances (S\$500 million 10-year notes, S\$850 million 5-year convertible bonds, US\$500 million 5.5-year notes).
  - S\$2.0 billion in aircraft sale-and-leaseback transactions.

- S\$0.5 billion in additional lines of credit and an unsecured short-term loan.
- The Group retains access to S\$2.1 billion of committed lines of credit, all of which remain undrawn at present.
- Including the existing cash reserves, we expect the liquidity to sufficiently cover our financial needs well into FY22/23.

**14) Most Directors did not participate in the Rights 2020 MCBs, and there were some Directors who did not subscribe for the Rights 2021 MCBs. Why did they not subscribe?**

- Each eligible Director, as a shareholder, has made his or her own personal investment decision.

**15) Are you expecting more aircraft sale-and-leaseback transactions? How does this affect the balance sheet and what are the benefits of this arrangement?**

- We recently raised S\$2.0 billion from sale-and-leaseback transactions of 11 aircraft (seven A350-900s and four 787-10s).
- We have traditionally used sale-and-leaseback transactions as a tool for residual value hedging as well as to provide greater flexibility in fleet planning. During this pandemic, these transactions have also provided us with additional liquidity.
- Sales of the aircraft will increase the cash balance and reduce the amount in the Property, Plant and Equipment (PPE) line item in the financial accounts. Under IFRS16, the lease back will also result in the recognition of Right-of-Use (ROU) asset and lease liabilities on the Balance Sheet.
- We will continue to explore the sale-and-leaseback market, as well as other financing channels, for suitable fundraising options as necessary.

**D. Aircraft**

**16) There have been news articles suggesting that strong financial backing could be a double-edged sword. Why is the SIA Group taking delivery of new aircraft amid the Covid-19 pandemic? Does the strong balance sheet result in SIA not being able to have negotiation power to cancel aircraft orders, terminate aircraft leases or negotiate for cost reductions?**

- Prior to the Covid-19 pandemic, SIA had ordered new aircraft to support our growth, open up new routes, and offer new products to customers. Aircraft orders have long lead times. Our aircraft orders are part of a long-term plan for growth and fleet renewal, with every delivery planned and calibrated to support our strategy. This was a successful strategy, as we saw in the record Q3 FY19/20 results that had us on track for a record year until Covid-19 hit us.
- Due to Covid-19, the unprecedented and persistent drop in passenger numbers as a result of global border closures meant that we had to review our fleet requirements. Since the start of 2020, more than 50 older-generation aircraft have either been retired or have left the SIA Group's operating fleet. This is roughly 25% of the aircraft that we had in our fleet at the start of the Covid-19 pandemic.
- Early in this crisis, we proactively engaged Airbus and Boeing in constructive bilateral discussions, without looking to act unilaterally in breach of our contractual obligations. Unilateral action in breach

of our contractual obligations could have serious long-term consequences that would not be in shareholders' interest.

- In negotiating constructively with the aircraft manufacturers, we not only safeguard the reputation and long-term brand equity of SIA, but also ensure that investors, banks, lessors, and the capital markets can continue to have confidence in us, and in providing us with their support.
- Taking a longer-term view on partnership with our suppliers and OEM partners will put us in good stead for them in return to also take a more constructive long-term view of SIA and to support our recovery and future growth.
- As part of the eventual agreements with the aircraft manufacturers, we were able to defer more than S\$4 billion in capital expenditure to later years, and defer the delivery of large numbers of aircraft. This has enabled us to recalibrate the rate of capacity growth and align it to closer to the projected recovery profile for the airline industry.
- We agreed to take delivery of some latest new-generation aircraft and put them into service immediately. We also converted 14 Boeing 787-10s into 11 additional 777-9s, allowing us to secure the long-term replacement for our older A380s and 777-300ERs when they eventually become due for retirement according to the fleet plan.
- Post-Covid-19, the re-fleeting strategy remains relevant to deliver better products and services to our customers, improve fuel burn efficiency thus reducing our carbon footprint and deliver stronger financial performance to secure SIA's leadership position.

**17) Where will the excess aircraft be parked at and how much costs do you incur in storing and maintaining these excess aircraft?**

- As of end July 2021, we have a Group operating fleet of 171 aircraft (including passenger aircraft and freighters) of which 39 are parked at Singapore Changi Airport and Alice Springs in Australia.
- Full rebate on aircraft parking charges at Changi Airport has been extended until 31 March 2022. Although we incur expenses to maintain these stored aircraft, the costs are not significant.

**18) Did you receive any compensation from Boeing on the grounding of the 737-8 MAX fleet? What are your plans on these aircraft?**

- SIA has six Boeing 737-8 MAX aircraft in its fleet. These aircraft were taken out of the operating fleet in March 2019 and they remain grounded.
- The US FAA, EASA and some other jurisdictions have lifted their grounding orders for the 737-8 MAX fleet. SIA's six 737-8 MAX aircraft will only return to service when the aircraft is permitted to resume commercial operations by CAAS and other civil aviation authorities in jurisdictions that we fly to.
- We have negotiated for a fair outcome with Boeing. However, we are unable to provide details on compensation as the terms and conditions of our agreements with our suppliers are confidential.

**E. Corporate Affairs**

**19) Please share the vaccination rate amongst SIA staff. Did any SIA staff express vaccine hesitancy and opted against vaccination? Will SIA staff who are unvaccinated be prevented from flying?**

- Today, all frontline ground staff in the SIA Group have been vaccinated. In addition, around 98% of our pilots and cabin crew have also been vaccinated. As a result, a vast majority of our flights are operated by vaccinated pilots and crew.
- Vaccination helps to protect our staff and their families, and provide an additional layer of protection for our customers. It also helps to reduce the risks to the community.
- We will be guided by the applicable regulations and guidelines on managing the Covid-19 situation and keeping our customers and staff safe.