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

ANNOUNCEMENT

ANNUAL GENERAL MEETING TO BE HELD ON 26 JULY 2022

RESPONSES TO QUESTIONS FROM SECURITIES INVESTORS ASSOCIATION (SINGAPORE)

1. INTRODUCTION

On Thursday, 21 July 2022, Singapore Airlines Limited ("**SIA**" or the "**Company**") received certain questions from the Securities Investors Association (Singapore) ("**SIAS**") relating to the Annual Report for FY2021/22 and the resolutions tabled for approval at SIA's 50th Annual General Meeting ("**2022 AGM**").

Please refer to SIAS' questions as set out in Appendix 1 hereto.

The 2022 AGM will be convened and held by electronic means on Tuesday, 26 July 2022 at 10.00 a.m.

2. RESPONSES TO QUESTIONS

SIA is pleased to address SIAS' questions in advance of the 2022 AGM.

Please refer to the responses as set out in Appendix 2 hereto.

By Order of the Board

Brenton Wu
Company Secretary

25 July 2022
Singapore

Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Fax: (65) 6220 6614
Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Singapore Airlines Limited

Stock code: C6L

Meeting details:
Date: 26 July 2022
Time: 10.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Fax: (65) 6220 6614
Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Q1. As noted in the annual report, international borders began to reopen through FY2021/22, first with Singapore's launch of Vaccinated Travel Lanes (VTL) in September 2021 and the subsequent removal of travel restrictions for vaccinated travellers in April 2022.

By 1 April 2022, the group restored its network to serve 93 cities in 36 countries or 68% of its pre-Covid network by 1 April 2022. As at the end of June 2022[1], the group's passenger network covered 98 destinations out of 137 cities pre-Covid.

(i) **Transformation programme: Can the board/management help shareholders better understand how it is using its Transformation programme to redefine the SIA experience so that it sets itself further apart from other airlines and emerges from the pandemic stronger than ever? Is it about the lie-flat business class seats, the airport lounges, in-flight online shopping, the lower carbon emissions, voluntary carbon offset or the new batik motif?**

(ii) **Recovery & profitability:** For FY2021/22, the group reported a net loss of $(962) million even as revenue doubled and passengers carried sextupled, albeit from low bases. Group passenger capacity (measured in available seat-kilometres) in June 2022 reached 64% of pre-Covid-19 pandemic levels. **How is management pacing its network expansion? Between increases in passenger capacity and adding back the number of nodes in the network, which will contribute more to the group's profitability? Can the board/management share with shareholders the roadmap (both operational and financial) for the group to return to pre-COVID level of profitability or better?**

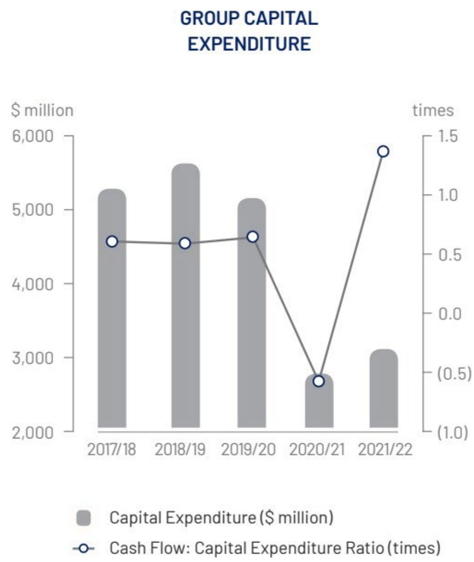
(iii) **Passenger load factor (PLF):** SIA posted a new monthly PLF record of 87.8% in June 2022**. With greater digital adoption, better data analysis and a focus on operational excellence in the group's Transformation journey, will management be setting a higher target for PLF going forward?**

(iv) **Fuel hedging: What is the group's hedging strategy for managing the highly volatile and increasing fuel prices?**

1 https://links.sgx.com/FileOpen/opstats-jun22.ashx?App=Announcement&FileID=723817

Q2. As noted in the financial review, capital expenditure was $3.05 billion, 13% higher than last year (page 58). The commitments for capital expenditure total $14.4 billion (Note 37 Capital expenditure commitments; page 189) and these relate principally to the acquisition of aircraft fleet and related equipment.

Despite the loss before taxation of $(1.09) billion in FY21/22, net cash from operating activities was $3.04 billion. As at 31 March 2022, the gearing ratio was 0.70 times, an improvement from 0.9 times a year ago.



(Source: company annual report)

(i) **How much flexibility does management have in the timing of capital expenditure? In addition, as the recovery gathers pace, will the capital expenditure be restored to the pre-pandemic levels or even higher?**

The group ended the year with cash and cash equivalents of $13.8 billion as at 31 March 2022. In the annual report, the company disclosed that it is the best capitalised airline in the world after raising $22.4 billion in fresh liquidity since 1 April 2020. Most of the fresh liquidity was from shareholders through the rights issue and the issues of mandatory convertible bonds (MCBs). The group has committed unsecured credit facilities of approximately $2.1 billion available for utilisation as at 31 March 2022.

(ii) **Given the current outlook and the pace of recovery in the aviation/travel sector, does the board/management expect the group to be able to generate sufficient cash flow to meet future capital expenditure?**

(iii) **Does the company see any need for further fund-raising in the near term?**

Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Fax: (65) 6220 6614
Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

In particular, the MCBs, with a carrying value of $9.69 billion, may be redeemable at the option of the company in whole or in part on every six-month anniversary of the issue date at fixed amounts. If no redemption has taken place during the 10-year tenure, the total number of ordinary shares to be issued on 8 June 2030, the end of the 10-year tenure of the MCBs, is 3,478,587,238.

(iv) **What are the factors to be taken into consideration in the redemption of the MCBs?**

(v) **How does the company balance the interests of the equity holders and the interests of the MCB holders?**

At the onset of the pandemic, no final dividend was declared for FY2019/20 after the company paid 8 cents per share (as interim dividend) to shareholders for the 2019/20 financial year. No dividends have been paid since.

(vi) **For the benefit of shareholders who had stayed invested with the group, and for potential investors, when will the company be in a position to declare and resume paying dividends?**

Q3. At the annual general meeting scheduled to be held on 26 July 2022, the company is seeking shareholders' approval on directors' emoluments of up to $2,000,000 for the financial year ending 31 March 2023 (FY2021/22: up to $1.8 million).

As noted in the annual report, the non-executive directors maintained a voluntary 30% fee reduction for FY2021/22 given the COVID impact.

(i) **Can the company help shareholders better understand the reasons for the increase in the approval amount from "up to $1.8 million" to "up to $2.0 million"?**

Separately, the AGM will be held via electronic means and the company is not providing for physical attendance by shareholders at the AGM. The company has arranged for live Q&A and live voting.

(ii) **For shareholders' benefit, what deliberations did the board have on allowing physical attendance of shareholders at the AGM (and along with a virtual meeting, i.e. a hybrid shareholder meeting)?**

Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Fax: (65) 6220 6614
Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

^On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so. On 9 April 2021, it was announced that the alternate arrangements for meetings ("Meetings Order") would be extend beyond 30 June 2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time, issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

Join our mailing list here to receive latest news and upcoming events.

CONNECT WITH US

^ Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation (https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation)

SINGAPORE AIRLINES LIMITED

(Incorporated in the Republic of Singapore)

Company Registration No.: 197200078R

RESPONSES TO SIAS Q&A ON ANNUAL REPORT FY2021/22

1) **As noted in the annual report, international borders began to reopen through FY2021/22, first with Singapore's launch of Vaccinated Travel Lanes (VTL) in September 2021 and the subsequent removal of travel restrictions for vaccinated travellers in April 2022.**

   By 1 April 2022, the group restored its network to serve 93 cities in 36 countries or 68% of its pre-Covid network. As at the end of June 2022, the group's passenger network covered 98 destinations out of 137 cities pre-Covid.

   i. **Transformation programme: Can the board/management help shareholders better understand how it is using its Transformation programme to redefine the SIA experience so that it sets itself further apart from other airlines and emerges from the pandemic stronger than ever? Is it about the lie-flat business class seats, the airport lounges, in-flight online shopping, the lower carbon emissions, voluntary carbon offset or the new batik motif?**

   - The SIA Group would like to thank shareholders for their support as we navigated the most challenging time in our history over the past two years.
   - The Group remains steadfast in our efforts to emerge stronger and fitter from the pandemic, as we move into the final year of our Transformation programme.
   - As part of our Transformation programme, we aim to deliver best-in-class products and services relevant to the new normal, with a focus on the seamless customer journey, while prioritising health and safety measures.
   - Our portfolio strategy, with an established presence in both the full-service premium and low-cost segments, gives us the flexibility to offer the right products to match demand.
   - Our fleet modernisation strategy will enable us to deliver greater comfort and innovative products to our customers, while further driving operating efficiencies and lowering carbon emissions.

   - To drive financial sustainability, we embarked on wide-ranging initiatives to strengthen our revenue generating capabilities, and achieve a more competitive cost base.
   - We remain ready to capitalise on revenue and growth opportunities as they arise, while ensuring operational resilience and cost discipline.

   - Transformation also includes strengthening our digital capabilities to enhance our core offerings, operational capabilities and resilience.
   - We have worked hard to retain our talented people, and we are investing in them so that they can continue to deliver the world-class service that SIA is renowned for.

   - Deepening collaboration with like-minded airlines remains an integral part of the SIA Group's strategy. Such partnerships result in win-win arrangements that allow us to offer enhanced connectivity and more options to customers, in addition to driving traffic to our hubs. At present, our airline partners include Air New Zealand, All Nippon Airways, Garuda Indonesia, Lufthansa, Malaysia Airlines, Scandinavian Airlines, United Airlines, Virgin Australia and Vistara.

   - Singapore Airlines and Scoot serve as the anchor airlines at Singapore Changi Airport and the SIA Group underpins Singapore's aviation industry. This is further bolstered by the Group's multi-hub strategy, which taps on traffic flows outside of Singapore through investments and partnerships with other airlines, such as our investment in Vistara, a joint venture with Tata Sons in India.

   ii. **Recovery & profitability: For FY2021/22, the group reported a net loss of $(962) million even as revenue doubled and passengers carried sextupled, albeit from low bases. Group passenger capacity (measured in available seat-kilometres) in June 2022 reached 64% of pre-**

Covid-19 pandemic levels. How is management pacing its network expansion? Between increases in passenger capacity and adding back the number of nodes in the network, which will contribute more to the group's profitability? Can the board/management share with shareholders the roadmap (both operational and financial) for the group to return to pre-COVID level of profitability or better?

- The SIA Group does not provide profit guidance.
- Broadly, the SIA Group is on the recovery track after the most challenging period in our history brought on by the pandemic and resulting border closures.
- Singapore's launch of the Vaccinated Travel Lanes (VTL) in September 2021 and the subsequent expansion was the game changer for the passenger business. It facilitated quarantine-free mass travel for the first time since the pandemic began, and significantly increased the demand for flights to, from, and through Singapore.
- By deploying capacity and increasing services in an agile manner, SIA and Scoot were the first to open sales and launch flights for almost all VTL points. This allowed the carriers to capture the pent-up demand for air travel as it returned.
- When Singapore completely re-opened its borders to fully vaccinated travellers from April 2022, the SIA Group saw even stronger recovery in the demand for travel.
- This demand has been across all cabin classes, for both leisure and business travel, as well as across every route region except East Asia, where travel restrictions remain in place for certain points.
- The Group has ramped up capacity to capture the demand, going up from an average of 47% of pre-pandemic levels in Q4 FY2021/22 to 61% in Q1 FY2022/23. This is projected to go up to around 68% in Q2 FY2022/23, and around 76% by Q3 FY2022/23.
- Passenger carriage in the first quarter of FY2022/23 was 5.1 million passengers, up 158.2% from the last quarter and fourteen times higher than a year ago. Group PLF rose 34.1 percentage points quarter-on-quarter and 64.2 percentage points year-on-year to 79.0%, the highest since the onset of the pandemic.
- Travel demand is expected to remain robust in the near-term as we head into the year-end holiday travel period, with forward sales staying buoyant for the next three months up to October 2022.

- The pandemic has underlined the importance of the cargo segment.
- Our cargo flown revenue reached a record $4.3 billion in FY2021/22, a testament to our efforts in capturing revenue opportunities against the backdrop of a protracted industry capacity crunch for both air and ocean freight.
- While cargo demand from Asia has been recovering as pandemic lockdowns ease in China, this is being offset by seasonally slower air cargo activity during the summer. Yields are expected to remain higher than pre-Covid levels in the near to medium term as air cargo capacity remains tight on key trade lanes to and from Asia, particularly between Europe and Asia, amid the Russia-Ukraine conflict. Rising Covid-19 cases in China may also dampen the ongoing recovery in the country's export volumes.

- The Group has continued to make the necessary investment in our people and the business to meet our growth plans, and ensure we emerge stronger.
- New aircraft deliveries and higher aircraft utilisation will support our network expansion.
- We are also working closely with our ecosystem partners globally to continue to improve the airport experience for our customers.
- Inflationary pressures, in particular on fuel prices, remain a concern. Interest rate hikes and slowing economic growth in many countries around the world, including the SIA Group's key markets, are risk factors to passenger travel recovery and air cargo demand which we are monitoring closely.
- As we navigate these uncertainties, the Group will keep a tight rein on costs, reinforce our operational and financial foundations, and invest in our products, services, capabilities, and people.

[<u>Note</u>: Please refer to the Business Update for the first quarter of FY2022/23 that will be released on 28 July 2022 for details on financial performance, business developments and outlook.]

iii. **Passenger load factor (PLF): SIA posted a new monthly PLF record of 87.8% in June 2022. With greater digital adoption, better data analysis and a focus on operational excellence in the group's Transformation journey, will management be setting a higher target for PLF going forward?**

- The record PLF of 87.8% for June 2022 was on the back of an exceptionally strong recovery in demand for international travel.
- This was across all cabin classes, for both leisure and business travel, and across every route region except East Asia, where travel restrictions remain in place for certain points.
- The table below shows the PLFs by route region for the month of June 2022:

SIA's Route Region (June 2022)	June 2022 PLF
The Americas	91.8%
East Asia	72.5%
Europe	92.9%
South West Pacific	89.3%
West Asia and Africa	86.4%

- Going forward, we will work towards an optimal unit revenue (revenue per available seat-kilometre or RASK), which is a function of both PLF and yields.

iv. **Fuel hedging: What is the group's hedging strategy for managing the highly volatile and increasing fuel prices?**

- For the period from Q1 FY2022/23 to Q1 FY2023/24, we are hedged in Brent for about 40% of expected consumption at an average price of US$60 per barrel.
- In addition, the close-out trades taken in FY2021/22 will contribute gains amounting to US$208 million for the period between FY2022/23 and FY2024/25.
- Both the outstanding hedges and the gains from close-out of earlier trades will continue to cushion the impact of the high oil prices.
- We will continue to closely monitor market conditions and evaluate our options.

2) **As noted in the financial review, capital expenditure was $3.05 billion, 13% higher than last year (page 58). The commitments for capital expenditure total $14.4 billion (Note 37 Capital expenditure commitments; page 189) and these relate principally to the acquisition of aircraft fleet and related equipment.**

Despite the loss before taxation of $(1.09) billion in FY21/22, net cash from operating activities was $3.04 billion. As at 31 March 2022, the gearing ratio was 0.70 times, an improvement from 0.9 times a year ago.

i. **How much flexibility does management have in the timing of capital expenditure? In addition, as the recovery gathers pace, will the capital expenditure be restored to the pre-pandemic levels or even higher?**

- The table below shows the latest projected five-year capital expenditure that was disclosed in May 2022 when we announced the FY2021/22 results:

Projected Five-Year Capital Expenditure ($'mil)	***FY22/23***	***FY23/24***	***FY24/25***	***FY25/26***	***FY26/27***
Total Aircraft	*4,100*	*3,500*	*4,000*	*2,900*	*2,400*
Others	*300*	*300*	*300*	*300*	*300*
Total Capital Expenditure	***4,400***	***3,800***	***4,300***	***3,200***	***2,700***

- A large part of our capital expenditure commitments relate to aircraft orders, where the commitments are contractual in nature.

- Changes to such commitments need to be discussed and agreed with the aircraft and engine manufacturers.
- We continue to monitor market conditions closely, and will engage relevant suppliers if necessary.

The group ended the year with cash and cash equivalents of $13.8 billion as at 31 March 2022. In the annual report, the company disclosed that it is the best capitalised airline in the world after raising $22.4 billion in fresh liquidity since 1 April 2020. Most of the fresh liquidity was from shareholders through the rights issue and the issues of mandatory convertible bonds (MCBs). The group has committed unsecured credit facilities of approximately $2.1 billion available for utilisation as at 31 March 2022.

ii. Given the current outlook and the pace of recovery in the aviation/travel sector, does the board/management expect the group to be able to generate sufficient cash flow to meet future capital expenditure?

- As international air travel recovers, barring other adverse changes in the operating environment, we expect operating cash generation to eventually return to pre-Covid levels.
- The current capital expenditure guidance is a reflection of our commitment to operate a fleet of young new generation aircraft.
- This will enable the SIA Group to continue offering greater comfort and innovative products to our customers, further drive operating efficiency, and support ongoing efforts to materially lower our carbon emissions.
- The SIA Group retains the balance sheet flexibility to manage future capital expenditure using internally generated funds, as well as from external funding sources, where appropriate.

iii. Does the company see any need for further fund-raising in the near term?

- Since the onset of the pandemic, the SIA Group has taken decisive actions to manage its liquidity, raising a total of $22.4 billion of fresh liquidity from various sources.
- This approach was adopted with the objective of enabling the Group to not only successfully navigate the pandemic, but also emerge stronger.
- We will continue to monitor the markets and weigh all options and opportunities against the Group's prevailing liquidity as well as near-term and long-term funding needs.

In particular, the MCBs, with a carrying value of $9.69 billion, may be redeemable at the option of the company in whole or in part on every six-month anniversary of the issue date at fixed amounts. If no redemption has taken place during the 10-year tenure, the total number of ordinary shares to be issued on 8 June 2030, the end of the 10-year tenure of the MCBs, is 3,478,587,238.

iv. What are the factors to be taken into consideration in the redemption of the MCBs?

- The MCBs are structured with a step-up yield to compensate investors for holding the MCBs for a longer period. There is therefore a meaningful pick-up in returns if the MCBs remain outstanding beyond Year 4, and subsequently Year 7.
- The step-ups in yield provide an incentive for SIA to redeem the MCBs at the earliest possible date.
- We will review our MCB redemption options at the appropriate time, when we are on a firm and sustained recovery footing.

v. How does the company balance the interests of the equity holders and the interests of the MCB holders?

- We acknowledge and appreciate the support from all of our stakeholders.
- We will take their respective interests into consideration as we review options.

At the onset of the pandemic, no final dividend was declared for FY2019/20 after the company paid 8 cents per share (as interim dividend) to shareholders for the 2019/20 financial year. No dividends have been paid since.

vi. **For the benefit of shareholders who had stayed invested with the group, and for potential investors, when will the company be in a position to declare and resume paying dividends?**

- We did not declare any dividends in the last two financial years as the financial performance of the SIA Group was severely impacted by the pandemic.
- The Group posted its first and deepest net loss of $4.3 billion for FY2020/21, the toughest year in our history. This was followed by losses amounting to $962 million in FY2021/22.
- Our ability to pay dividends depends on the recovery trajectory, as well as our financial performance.
- We will take the interests of all stakeholders into consideration as we review our options.

3) **At the annual general meeting scheduled to be held on 26 July 2022, the company is seeking shareholders' approval on directors' emoluments of up to $2,000,000 for the financial year ending 31 March 2023 (FY2021/22: up to $1.8 million).**

As noted in the annual report, the non-executive directors maintained a voluntary 30% fee reduction for FY2021/22 given the COVID impact.

i. **Can the company help shareholders better understand the reasons for the increase in the approval amount from "up to $1.8 million" to "up to $2.0 million"?**

- As a reference, the Directors' emoluments approved by the shareholders in the last three financial years are:
  - up to $2,400,000 in FY2019/20,
  - up to $2,000,000 in FY2020/21, and
  - up to $1,800,000 in FY2021/22.
- A lower amount was sought in FY2020/21 and FY2021/22 due to the voluntary 30% fee reduction that has been in place since April 2020, doubling from a 15% cut in March 2020 at the onset of the pandemic.
- While the 30% fee cut remains in place, the size of the Board has increased by two Directors to 11. This is part of the regular restructuring and strengthening of the Board to provide oversight and guide the future of the Group.
- In view of the above, we are seeking shareholders' approval at the coming AGM to raise the maximum limit of non-executive directors' emoluments back up to the FY2020/21 level of $2,000,000.

Separately, the AGM will be held via electronic means and the company is not providing for physical attendance by shareholders at the AGM. The company has arranged for live Q&A and live voting.

ii. **For shareholders' benefit, what deliberations did the board have on allowing physical attendance of shareholders at the AGM (and along with a virtual meeting, i.e. a hybrid shareholder meeting)?**

- The health and safety of our shareholders and staff are of paramount importance to us.
- In this regard, we have been monitoring the ongoing Covid-19 pandemic closely. The coronavirus situation is still susceptible to surges in infected cases from time to time. These surges are unpredictable, as are the coronavirus mutations that drive them.
- We weighed the risk of infection and uncertainties in the context of the prevailing pandemic, against the health and safety of our shareholders and staff, as well as the public health (given SIA's large shareholder base). Out of an abundance of concern for our shareholders and staff, we decided to convene a virtual AGM this year. We hope that the feature of "live" voting in addition to "live" questions would help in the experience of our virtual AGM this year.