

QUESTION & ANSWER TRANSCRIPT
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E&OE – may be edited for grammar and clarity

Mr Siva Govindasamy: Thank you, Choon Phong. We will now proceed to the Q&A session. While we set up for that, I will quickly go through some of the now familiar house rules. We have got quite a lot of people here, as well as online. I would really appreciate it if you could keep to one question each, please. As I call on you, please identify yourself and the organisation that you are from. Folks who are online, if you wish to send us questions, you have got that function there. Just key in your questions and then we will take them as they come. I would like to invite Choon Phong and JoAnn back on stage, and joining them will be Lee Lik Hsin, our Chief Commercial Officer, as well as Tan Kai Ping, who is our Chief Operations Officer. There will be people roaming around with microphones. When you are ready, I am happy to take the first question. Greg Waldron, please.

Mr Greg Waldron, FlightGlobal: This is Greg Waldron from FlightGlobal, and my question is for Choon Phong. Regarding your fleet, I notice you have a sub-fleet of 737-800s. What is your long-term plan for those seven aircraft and what might be your replacement considerations for them?

Mr Goh Choon Phong: Yes, we do have the remaining older 737-800s that you mentioned. Those will actually be retired over time, probably in the next couple of years. That particular fleet is the only one that does not have Wi-Fi, and does not have full-flat seats for Business Class. With the retirement of that fleet, the entire SIA fleet of planes will have those features – full-flat seats in Business Class, as well as Wi-Fi capabilities.

Mr Siva Govindasamy: Thank you. Can we get the next question, please? This gentleman here, followed by Danny, please. Thank you.

Mr Gurdip Singh, Press Trust of India: Good morning, my name is Gurdip Singh. I am from Press Trust of India. With your stake in Air India coming to 25.1%, what is SIA's strategy going to be for the Indian market, and any new destinations? How are you going to operate and how are you going to perform with that 25.1% stake in Air India? Thank you.

Mr Goh Choon Phong: These are two different questions, even though they are somewhat related. With regards to our investment in Air India, as you know, we started with a joint venture with Tata to set up Vistara, for which we have a 49% stake. During the Air India due diligence, which Tata has done, we were supporting them in the due diligence process. So, when the opportunity came for us to consider the Air India involvement, and having gone through the analysis, we agreed to be part of that venture. Hence, they started the process of folding Vistara into Air India. The result of that is eventually, we will be looking at a 25.1% stake in Air India. India is a huge, huge market. It is fast growing. It is going to be the third-largest economy in the world. It is already the third biggest travel market in

the world, and it has got huge potential, as you can see. Our investment in Vistara was to allow us to also participate directly in the growth from India. This has not changed, whether in Vistara initially or this opportunity to be part of the Air India structure; in both cases, we were looking at being able to participate directly in the growth. With regards to SIA's operations, we have been working with Vistara to enhance commercial cooperation between Singapore Airlines and Vistara. You can expect that with the folding into Air India, these kinds of discussions will continue.

Mr Siva Govindasamy: Thank you, Choon Phong. Danny here, please. Thank you.

Mr Danny Lee, Bloomberg News: Good morning, Danny Lee from Bloomberg News. Can you give some colour about how you see forward demand in the fiscal third quarter and into the fiscal fourth quarter? Do you see forward bookings at above average levels and consequently, do you see benefit from higher airfares as a result? Thank you.

Mr Lee Lik Hsin: We have said that demand is still strong, all the way up until the end of the financial year. Of course, there has been increasing competition by way of more airlines putting capacity back into the market. Consequently, there is pressure on yields, as you would also note from our most recent results. That same pressure on yields is expected to continue into the third and the fourth quarter as well. Overall, from a total demand perspective in respect of filling our flights, we still believe that the full financial year will have a positive picture. Thanks.

Mr Siva Govindasamy: Thank you, Lik Hsin. We will go to that lady, and then in front of her, please. Thank you.

Ms Naomi Neoh, Cirium: Hi, I am Naomi from Cirium. My question is mainly on fleet. With the incoming six aircraft deliveries, it is widely publicised that the production ramp up has not been as fast as expected, and airlines are hungry for more aircraft. How much slower or fewer are you seeing in terms of Airbus, Boeing, and Embraer deliveries that will crimp your growth plans? The other thing is for Pratt & Whitney engines, those inspections are coming up. I know four engines for Scoot are affected. Is that going to result in any AOGs, and is there any spillover to the planning for the Embraer jets, where the impact is not yet known? Thank you.

Mr Goh Choon Phong: On your first question, what JoAnn presented earlier on the fleet delivery has factored in the latest we understand of any delays. As you know, we were expecting the 777-9s to be delivered from this year. It is now looking at 2025, so that is actually delayed by another two years.

Mr Tan Kai Ping: Thanks for the question. We have four engines affected by the PW1100 issue in the Scoot fleet. That is two aircraft on the ground. We are working with our partner, Pratt & Whitney, to get the engines serviced and back online. Obviously, this is a multi-year problem. I think it is quite well-known. We are also working closely with them on spare engine support, and also a short turnaround for the engines. We have some flex. You mentioned the E2s, which are coming to us brand new. It does have a yet unknown impact as you said, but the planes and engines are brand new, so they will be fine for a while. It gives us a bit of flex. Scoot also has the A320 classics, which are due for lease renewals or

lease returns, and those provide flex as well. So that is how we always plan our fleet. For next year, I do not know what the impact is yet, but we do have some flex. Thank you.

Mr Siva Govindasamy: Thanks, Kai Ping. Next, over there please.

Ms Tabitha Foo, DBS Bank: Good morning. I am Tabitha from DBS. Do you see more opportunities for the SIA Group and Vistara, given that peers in the region are more impacted by the engine issues?

Mr Goh Choon Phong: The full impact of the engine issue on various airlines is not something that is public. The airlines themselves would have to come out and clarify. As we emerge from Covid, we are very agile. That goes for Vistara as well, because we do have staff, such as the CEO of Vistara, who are seconded from Singapore Airlines. We have an agile process of responding to market demand, and capacity will be adjusted accordingly.

Mr Siva Govindasamy: Thank you, Choon Phong. Next, the gentleman over there, please.

Mr Kaseedit Choonnawat, Citi: Thank you. I am Kaseedit from Citi. When I look at your forward capacity of the industry on long-haul, whether ASEAN to North America, Europe, or Australasia, they are approaching 90% to above 100% by summer next year. Do you expect yields to normalise back to pre-Covid levels, or are you seeing structural changes in passenger behaviour such as the premiumisation of leisure, for example? Thank you.

Mr Lee Lik Hsin: As I said in my answer to the earlier question, the addition and restoration of capacity by the other airlines does put downward pressure on yields, as we have experienced ourselves in the latest set of financial results that you see. We are not making any projections about where this might finally land, but we will respond to the market situation as necessary. Thanks.

Mr Siva Govindasamy: Thank you. We will just take some questions that have come up virtually. Shawn Ng (JP Morgan) has asked about the impact of the GTF issue, and we have answered that question already, so we will go on to the next. Neil Glynn (AIR Control Tower) is asking what percentage of corporate traffic recovery have you seen so far, and how much further recovery do you expect?

Mr Lee Lik Hsin: It is well publicised that corporate travel has not yet fully returned to pre-pandemic levels. On our end, we have been able to substitute this travel with additional leisure travel, with additional family travel. Therefore our load factors are at an all-time high.

Mr Siva Govindasamy: Thank you. Perry Yeung (UBS) is asking two questions. Firstly, in Q2, non-fuel cost was flat quarter-on-quarter, despite increased operating capacity. Can you provide some colour on what the company has done to manage the costs during Q2? He also asked about the Pratt & Whitney engines, which has been answered.

Ms Tan JoAnn: I can take the question on quarter-on-quarter costs. Quarter-on-quarter Q2 was relatively flat, largely on account of staff costs because of the timings when we

provisioned for profit sharing bonus (PSB). If you look at it on a full half-year basis, that should even out any of the timing differences. Thank you.

Mr Siva Govindasamy: Thanks, JoAnn. Any other questions? We will go to Tim over there, please.

Mr Tim Bacchus, Bloomberg Intelligence: Hi, this is Tim Bacchus from Bloomberg Intelligence. A question on fuel. Quite an impressive performance to keep the fuel costs down. When you look at Q3 and going forward, could you talk a little bit about hedging profile? From your slide, it looked like 10% on Brent and 26% on jet. Are those profiles a little bit lower than you typically hedge? Thank you.

Ms Tan JoAnn: Thank you for the question. We hedge on a fairly programmatic basis. Typically, 50% to 40% on a declining wedge. In fact, if you look at the Q3 and Q4 numbers, it is actually still in line with our declining wedge profile. Thank you.

Mr Siva Govindasamy: Thank you. Chuanren please.

Mr Chen Chuanren, Air Transport World: Good morning, Chuanren from Airport Transport World. A question on your wide-body fleet. I understand there are only two A350s left in the order books. Is that enough for your long-term, long-haul fleet network? With the 777-9 still uncertain, are you looking to have back-up plans from Airbus? Thank you.

Mr Goh Choon Phong: As you know Chuanren, we do have flexibility. It was mentioned earlier by Kai Ping to a different question, which is that a number of our planes are on lease, for which we have the flexibility of extending. That gives us some flexibility. As to future aircraft order, you will hear about it when we do make the order.

Mr Siva Govindasamy: Thank you, Choon Phong. Mayuko, right in front there, the front row, please.

Ms Mayuko Tani, Nikkei: Thank you, Mayuko Tani from Nikkei. First, about Air India. You have said that you are looking at the share purchase to be completed by March 2024. Is that schedule still on? You seem to have quite a number of permits that you need to have. Can you give us an update? Another question is about SAF. After the result of the pilot came out, what is next for SIA? Thank you.

Mr Goh Choon Phong: On the merger, at this point in time, it looks to be on track. We are talking about by the end of the financial year thereabouts, plus or minus, but that particular timeline remains. On SAF, we previously mentioned that we are talking to suppliers about our requirements, and so forth. We do believe that a problem of that scale has to be tackled at the industry level, and not just by individual airlines. Of course, individual airlines would have to look at what kind of commitment they have. Given the scale of this issue, many more players have to come in and make sure that there is enough supply.

Mr Siva Govindasamy: Thank you, Choon Phong. Next question, please. Kaseedit, and then Danny.

Mr Kaseedit Choonawat, Citi: Thank you, last one from me on the premiumisation of leisure traffic. You mentioned that corporate has not fully recovered, but we see load factors close to 90%, which means the leisure has moved upfront. In your forward bookings, are you seeing the mix staying where they are, or your frequent flyers moving back to the passenger seats for the leisure segment? Thank you.

Mr Lee Lik Hsin: My answer to the earlier question already indicates that we are filling up our Business Class cabin with new segments, and some of those segments would include leisure travel. The market is evolving. We came out of Covid not too long ago, and we do not know where the final stable numbers will be. Our objective, ultimately, is to fill our flights, all the cabins, with any market segment that we can get. We will adapt our strategies as the market moves to make sure that we fulfil that objective. Thanks.

Mr Siva Govindasamy: Thank you, Lik Hsin. Danny, and then Peck Gek.

Mr Danny Lee, Bloomberg News: Danny Lee from Bloomberg News. Do you have a figure of how much, long-term, SIA has to spend on SAF to get to the kind of targets you want to, and maybe even beyond? Do you have a big number in mind that you could share with us today? Thank you.

Mr Goh Choon Phong: SAF today is three to five times more expensive, but we expect that as the volume builds up, the price will be different. That is the reason why I say it is not an individual airline issue. It is the industry, and by industry, I refer to it in a broader sense. It is not just airlines, but the aviation partners, everyone, including manufacturers, the fuel companies, the airports, the governments. All these partners have to come in. Obviously, at three to five times more expensive, it is not going to be something that many airlines can bear. It is a chicken and egg issue sometimes. In order to produce more, you have to invest. The people who want to invest will want to see that there is actual demand. We are increasingly seeing commitment by the airline industry. For example, most airlines have committed to the 2050 target. That is a good starting point, and we will have to work from there.

Mr Siva Govindasamy: Thank you. Peck Gek, please.

Ms Tay Peck Gek, The Business Times: Good morning, Peck Gek from the Business Times. I am not sure I understood the fuel cost correctly. There was a decrease in fuel cost in the last quarter, Q2, in fact, for the first half as well. I thought that in Q2, there was a quite a significant increase in the industry fuel cost. I think Qantas also mentioned that they might have to impose surcharges if this continues, as the fuel cost continues to increase. But for SIA, somehow you managed to bring in the fuel cost. With the SAF pilot, I would assume that that also raised your fuel cost, but contrary to expectations, that has decreased. Could you share with us that secret recipe for that?

Ms Tan JoAnn: Thank you for the question, Peck Gek. If I can refer you to the chart that I showed around our net fuel costs. For the first half of this financial year, our average fuel price before hedging, as we showed in the chart just now, was about US\$105 per barrel. Post-hedge, it was US\$95 per barrel. Compared to last year, first half. So same period last year, the fuel price before hedge was US\$148 per barrel, post-hedging was US\$128 per barrel. I was making that comparison versus last year. On the second question on SAF. It

was a SAF pilot. The quantity that we used for the pilot was very little, very low. So, it is not material to the cost of fuel in this case. Thank you.

Ms Tay Peck Gek, The Business Times: The SIA Group would have ramped up the Group passenger capacity to 92% by December, and it is projected to achieve full recovery by the end of financial year 2025, so that will be March 2025.

Ms Tan JoAnn: Please let me clarify. We are planning for capacity at 92% by the end of this year, December 2023. We intend to go back to 100% within the next financial year. The next financial year starts from April 2024 and ends in March 2025. Sometime within 2024, we are expecting to be 100% of pre-Covid capacity.

Ms Tay Peck Gek, The Business Times: What is holding you back from increasing that last 8%, that it is going to take about a year? Is it because of projected demand, because of your capacity due to aircraft? What are the factors?

Mr Lee Lik Hsin: It is, as you noted, a combination of factors. Firstly, aircraft. At this point in time, our fleet is still not the same size as pre-Covid. There is good reason for that, because coming out of Covid, we took the opportunity to fully modernise the fleet, and we removed some of the older aircraft types. For example, the A330s, and some of the B777 classics. By doing so, we improved our product proposition. For example, in widebodies, we are 100% lie-flat in Business Class. I am not too sure if any other airline in the world can claim that. The second reason for not being at 100% is because we also restructured our network. Coming out of Covid, there were some points that we decided not to go back to operating. For example, Wellington in New Zealand. That results in your capacity being a bit less than pre-Covid. The third reason is China. China's resumption, as we have said, is not exactly at pre-Covid levels, for a whole host of reasons. One of which, as you alluded to, being demand. And so, we have not fully restored our China flights, though we are progressing in that aspect, having restored 23 out of 25 points, with capacity at about three quarters of where we were pre-Covid as a Group. Thanks.

Mr Siva Govindasamy: Thank you, Lik Hsin.

Ms Peggy Mak, Philip Securities: Hi, I am Peggy from Philip Securities. I noticed your sales in advance of carriage is still very strong. Could you give us an idea how is it in terms of regions, which ones are the stronger ones, and which are the weaker ones? For the first half of this year, we saw some weakness in European and the American routes. Is there any particular reason, or anything has changed the operating landscape for the airline industry? Thank you so much.

Mr Lee Lik Hsin: Across all route regions, we are experiencing good and high load factors. I mentioned China just now, so that would be one area where, perhaps, we can get better load factors. We will continue to work towards that. Aside from that, there aren't any other standouts. We are managing to achieve our objectives of high load factors across the rest of the globe. Thanks.

Mr Siva Govindasamy: Thanks, Lik Hsin. We have got one more question online from Shawn Ng. The question is, do we have a target timeline to redeem the remaining MCBs

and introduce a dividend payout policy? Does SIA have any minimum cash or available liquidity that we would like to maintain to balance aircraft, CAPEX, and operating needs?

Mr Goh Choon Phong: We do not have a dividend policy. With regard to remaining MCBs, if there is any development on that front, we will certainly announce it.

Mr Siva Govindasamy: Thank you. We will have Naomi, and then Chuanren.

Ms Naomi Neoh, Cirium: Hi, just a question on cargo. I understand that it is starting to pick up slowly and it is still above 2019 levels. Do you have anything you can share with us, in terms of the outlook? Are you slowly seeing a return to increases? Thank you.

Mr Lee Lik Hsin: Well, as you note, we are still above 2019 levels, but of course, very far below the Covid years. I think it remains to be seen how it pans out. Obviously, there is a lot more capacity in the market because airlines are restoring their passenger flights, so there is a lot more bellyhold capacity. The overall macroeconomic situation across the globe is also quite uncertain at this point. We will simply respond as necessary to the changes in the market.

Mr Siva Govindasamy: Thank you, Lik Hsin.

Mr Chen Chuanren, Air Transport World: A question on operations. I understand from the MRO sector that there is a severe labour and skills shortage. Has that affected your day-to-day operations, for example, getting planes back from A-checks and things like that? Thank you.

Mr Tan Kai Ping: The labour shortage is affecting not just MROs. It is actually affecting everything, whether it is ground handling, bag handling, or aircraft maintenance. Yes, you are correct. One of the defining features of the SIA Group's response to Covid, was that we kept our core capability. In our recovery, as Choon Phong shared just now, we were quite focused on being first off the blocks, retaining experience. Now, we are, to be clear, managing difficult supply chain situations. We are managing manpower shortages, but I think we are doing as well as can be given, we have a leg up because we kept our talented people.

Mr Siva Govindasamy: Great. Thank you, Kai Ping. We have got time for one more question. All good? Great. Thank you, everyone. That brings us to the end of the proceedings today. Thank you for your time. We will see you during our full-year media and analyst briefing. Thank you, panellists. Thank you, everyone.