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SIA GROUP PASSENGER CARRIAGE PLUNGES BY 99.5% LEADING TO A \$1 BILLION NET LOSS IN THE FIRST QUARTER

- Group revenue dominated by Cargo contribution on the back of strong demand for airfreight
- Recovery trajectory in international air travel is slower than initially expected
- Fresh liquidity from rights issue strengthens financial position to tackle Covid-19 challenges

GROUP FINANCIAL PERFORMANCE

First Quarter 2020/21 – Profit & Loss

The Group entered the first quarter at a time when market conditions were deteriorating rapidly due to the spread of Covid-19 globally. Demand for air travel evaporated as travel restrictions and border controls were imposed around the world to contain the spread of the virus. Consequently, passenger carriage (measured in revenue passenger-kilometres) fell by 99.4% year-on-year for Singapore Airlines, 99.8% for SilkAir and 99.9% for Scoot, resulting in a 99.5% decline for the Group.

Group revenue declined \$3,251 million (-79.3%) year-on-year to \$851 million during the first quarter. The plunge in traffic for all three passenger airlines within the Group resulted in a sharp drop in passenger flown revenue. This was partially offset by improvements in cargo flown revenue. The airfreight capacity crunch, coupled with strong demand for urgent movements of personal protective equipment, pharmaceuticals and fresh foods, brought about a significant improvement in cargo load factor. In addition to maximising freighter utilisation, SIA has proactively deployed passenger aircraft on cargo missions to further boost cargo capacity.

Note 1: The SIA Group's unaudited financial results for the first quarter ended 30 June 2020 were announced on 29 July 2020. A summary of the financial and operating statistics is shown in Annex A. All monetary figures are in Singapore Dollars. The Company refers to Singapore Airlines, the Parent Airline Company. The Group comprises the Company and its subsidiary, joint venture and associated companies.

Group expenditure decreased \$2,014 million (-51.6%) from last year to \$1,888 million, attributable to lower net fuel cost and non-fuel expenditure. Net fuel cost fell \$1,018 million (-86.8%), as capacity cuts and lower fuel prices led to a reduction in fuel cost before hedging of \$1,146 million (-93.2%). This was partially offset by fuel hedging losses on contracts which matured during the quarter, as compared to a gain last year. A further downward adjustment to the expected rate of capacity recovery led to a reduction in expected fuel consumption, causing the Group to recognise additional ineffective hedges. Mark-to-market losses of \$464 million on ineffective fuel hedges have been recognised this quarter. Non-fuel expenditure was down \$1,460 million (-53.5%) year-on-year, following widespread cost-saving measures from capacity cuts as well as support schemes given by the government to reduce staff and other operating costs.

Consequently, the Group swung into an operating loss of \$1,037 million for the quarter, a \$1,237 million reversal from an operating profit of \$200 million last year.

For the quarter ended 30 June 2020, the Group reported a net loss of \$1,123 million, a deterioration of \$1,234 million against last year. This was primarily driven by the weaker operating performance as well as the financial impact of \$127 million from the liquidation of NokScoot, comprising mainly the non-cash impairment of seven Boeing 777 aircraft which had been leased to NokScoot and the Group's share of related costs. A swing from tax expense to tax credit partly offset the losses.

The Group's Profit & Loss Account is summarised as follows:

Group Financial Results	1 st Quarter FY2020/21 (\$ million)	1 st Quarter FY2019/20 (\$ million)	Better/ (Worse) (\$ million)	Better/ (Worse) (%)
Total Revenue	851	4,102	(3,251)	(79.3)
Total Expenditure	1,888	3,902	2,014	51.6
Net Fuel Cost	155	1,173	1,018	86.8
<i>Fuel Cost (before hedging)</i>	<i>84</i>	<i>1,230</i>	<i>1,146</i>	<i>93.2</i>
<i>Fuel Hedging Loss/(Gain)</i>	<i>71</i>	<i>(57)</i>	<i>(128)</i>	<i>n.m.</i>
Fuel Hedging Ineffectiveness	464	-	(464)	n.m.
Non-fuel Expenditure	1,269	2,729	1,460	53.5
Operating (Loss)/Profit	(1,037)	200	(1,237)	n.m.
Net (Loss)/Profit	(1,123)	111	(1,234)	n.m.

First Quarter 2020/21 – Balance Sheet

As at 30 June 2020, the Group's shareholders' equity was \$17.6 billion, an increase of \$8.3 billion as compared to 31 March 2020. Cash and bank balances also saw an increase of \$6.9 billion, rising to \$9.6 billion, while total debt balances increased by \$0.2 billion to \$12.0 billion due to the drawdown of new debt facilities. Consequently, the Group's debt-equity ratio fell from 1.27 times to 0.68 times.

Since the start of this financial year, the SIA Group has increased its liquidity by approximately \$11 billion, comprising the following:

	\$ billion
Rights Issue (completed in June 2020)	8.8
Secured financing on A350-900 and 787-10 aircraft	1.7
New committed lines of credit and short-term unsecured loan	0.5

NETWORK

During the quarter, the Group scaled back operations due to border closures but retained services to key cities to bring many of our customers home. On the full-service front, SIA maintained a skeletal network to initially connect Singapore with 14 key metros in the world, and subsequently increasing to 24 by the end of the quarter. SilkAir temporarily ceased operations across the network except for flights to Chongqing, and has taken the decision to indefinitely suspend operations to Koh Samui. By June, SilkAir added services to Kuala Lumpur and Medan as well. On the low-cost front, Scoot operated a minimal network with flights to Hong Kong and Perth, and subsequently re-instated flights to Guangzhou, Ipoh, Penang and Kuching.

With effect from 8 June, the first Fast-Lane arrangement has been established between Singapore and selected cities in China. Some transit restrictions have also been lifted and we are now able to carry one-way transfer traffic originating from Australia, New Zealand, China, Hong Kong, Taiwan, South Korea, Japan and Europe to any point within the SIA Group network. We can also carry two-way transfer traffic between South West Pacific and Europe, South West Pacific and North Asia, and between North Asia and Europe within SIA Group network. With the partial resumption of transfers via Changi Airport, the Group's network has increased from 18 destinations in April to 32 destinations including Singapore by the end of June. Selected routes will see a step-up in frequencies if demand picks up in the coming months.

The Group's passenger capacity by the end of Q2 FY20/21 is projected to be approximately 7% compared to pre-Covid-19 levels.

AIRCRAFT

We continue to engage aircraft manufacturers to negotiate adjustments to the delivery stream of existing aircraft orders and the schedule of progress payments to reduce near-term cash outflows. We have reached an agreement with Airbus on some of these matters and discussions with Boeing are ongoing. This will help to moderate fleet growth in the near term.

Currently, of a group fleet of 220 aircraft including seven freighters, 32 aircraft are deployed on passenger services. All seven freighters are operational, while 33 passenger aircraft have also been deployed on cargo-only services. We have parked 119 aircraft at Singapore Changi Airport, and 29 aircraft are stored in Alice Springs. We will continue to monitor the situation and, when appropriate, will return the aircraft to Singapore ahead of re-introducing them to our operations.

OUTLOOK

The recovery trajectory in international air travel is slower than initially expected. Industry experts, including IATA and ICAO, have continued to revise downwards their projections for the recovery of global passenger traffic in the near term. Industry forecasts currently expect that it will take between two to four years for passenger traffic numbers to return to pre-pandemic levels.

Our current view for planning purposes is that by the end of FY20/21, the Group's passenger capacity may reach less than half of its pre-Covid-19 levels. The Group continues to pursue cost management measures and will also explore additional means to shore up liquidity as necessary. We are reviewing the potential shape and size of our network over the longer term given Covid-19 and its impact on our passenger traffic and revenue, which will provide better clarity on the fleet size and mix that the Group will need. This review is likely to lead to a material impairment of the carrying values of older generation aircraft, particularly the A380 aircraft which would account for approximately \$1 billion. We expect to complete the review by half-year.

The Group works closely with industry groups to advocate the safe opening of borders for travel, with practical border health and safety measures. The recovery of air travel and airfreight is a necessary catalyst for the recovery of global trade and economies severely impacted by Covid-19. We continue to support the relevant authorities to this end.

The global airfreight capacity is anticipated to remain constrained in the near term due to significantly lower bellyhold cargo capacity worldwide, which may help to sustain the current cargo load factors. With the progressive reopening of economies and as manufacturing resumes, there is likely to be a gradual pickup in general cargo demand even as urgent movement of medical supplies recede. We will continue to optimise the usage of our freighters to capture demand opportunities and supplement our cargo capacity through the deployment of cargo-only passenger flights when justified.

The integration of SilkAir into SIA remains on track. Customers will benefit from a step up to the Singapore Airlines inflight experience as we transition the SilkAir narrowbody operations to SIA, starting with the 737-800 aircraft, in Q4 FY20/21. The integration of SilkAir into SIA will also deliver greater economies of scale for the Group, and allow it to deploy the right aircraft to meet the demand for air travel as it returns.

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A STAR ALLIANCE MEMBER 

GROUP FINANCIAL STATISTICS

	1 st Quarter 2020/21	1 st Quarter 2019/20
Financial Results (\$ million)		
Total revenue	850.6	4,102.2
Total expenditure	1,887.4	3,902.2
Operating (loss)/profit	(1,036.8)	200.0
(Loss)/Profit attributable to Owners of the Company	(1,123.3)	111.1
(Loss)/Earnings per share (cents)		
- Basic ^{R1}	(57.2)	5.9 ^{R2}
- Adjusted Basic ^{R3}	(68.7)	5.9
- Diluted ^{R4}	(57.2)	5.9 ^{R2}
Interest coverage ratio ^{R5}	(20.1)	3.6
Financial Position (\$ million)		
	As at 30 Jun 2020	As at 31 Mar 2020
Total debt	12,039.0	11,784.5
Total cash and bank balances	9,574.3	2,685.3
Total assets	40,352.0	33,712.8
Total liabilities	22,357.8	23,980.1
Equity attributable to Owners of the Company	17,580.3	9,314.1
Debt : equity ratio (times) ^{R6}	0.68	1.27
Net asset value (\$) ^{R7}	5.93	7.86

^{R1} (Loss)/Earnings per share (basic) is computed by dividing (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue less treasury shares, assuming the conversion of all mandatory convertible bonds in accordance with IAS 33 *Earnings Per Share*.

^{R2} With the completion of the issuance of rights shares and mandatory convertible bonds on 8 June 2020, prior year comparatives for earnings per share were restated per IAS 33 through retrospective application of a bonus factor to the average weighted number of shares. The bonus factor is derived from the division of fair value per share immediately before the exercise of rights by the theoretical ex-rights fair value.

^{R3} (Loss)/Earnings per share (adjusted basic) is computed by dividing (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue less treasury shares, assuming the redemption of all mandatory convertible bonds.

^{R4} (Loss)/Earnings per share (diluted) is computed by dividing (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue less treasury shares, adjusted for the dilutive effect on the vesting of all outstanding share-based incentive awards granted, in accordance with IAS 33.

^{R5} Interest coverage ratio is (loss)/profit before tax and interest divided by finance charge.

^{R6} Total debt : equity ratio is total debt divided by equity attributable to owners of the Company.

^{R7} Net asset value per share is computed by dividing equity attributable to owners of the Company by the number of ordinary shares in issue less treasury shares.

OPERATING STATISTICS

	1 st Quarter 2020/21	1 st Quarter 2019/20	Change %
<u>SIA (Passenger)</u>			
Passengers carried (thousand)	32	5,475	- 99.4
Revenue passenger-km (million)	167.4	26,628.3	- 99.4
Available seat-km (million)	1,586.2	32,002.7	- 95.0
Passenger load factor (%)	10.6	83.2	- 72.6 pts
Passenger yield (cents/pkm)	20.2	10.1	+ 100.0
Revenue per available seat-km (cents/ask)	2.1	8.4	- 75.0
Passenger unit cost (cents/ask)	28.7	8.3	n.m.
Passenger unit cost ex-fuel (cents/ask)	26.9	5.5	n.m.
<u>SilkAir (Passenger)</u>			
Passengers carried (thousand)	2	1,195	- 99.8
Revenue passenger-km (million)	5.3	2,302.1	- 99.8
Available seat-km (million)	15.3	2,949.5	- 99.5
Passenger load factor (%)	34.6	78.1	- 43.5 pts
Passenger yield (cents/pkm)	21.2	10.2	+ 107.8
Revenue per available seat-km (cents/ask)	7.3	8.0	- 8.8
Passenger unit cost (cents/ask)	158.7	8.2	n.m.
Passenger unit cost ex-fuel (cents/ask)	152.1	6.1	n.m.
<u>Full Service Carriers (SIA & SilkAir)</u>			
Passengers carried (thousand)	34	6,670	- 99.5
Revenue passenger-km (million)	172.7	28,930.4	- 99.4
Available seat-km (million)	1,601.5	34,952.2	- 95.4
Passenger load factor (%)	10.8	82.8	- 72.0 pts
Passenger yield (cents/pkm)	20.2	10.1	+ 100.0
Revenue per available seat-km (cents/ask)	2.2	8.4	- 73.8
Passenger unit cost (cents/ask)	30.0	8.3	n.m.
Passenger unit cost ex-fuel (cents/ask)	28.2	5.5	n.m.
<u>Low Cost Carrier – Scoot (Passenger)</u>			
Passengers carried (thousand)	4	2,688	- 99.8
Revenue passenger-km (million)	10.8	7,410.3	- 99.9
Available seat-km (million)	198.9	8,607.0	- 97.7
Passenger load factor (%)	5.4	86.1	- 80.7 pts
Passenger yield (cents/pkm)	54.4	5.5	n.m.
Revenue per available seat-km (cents/ask)	3.0	4.7	- 36.2
Cost per available seat-km (cents/ask)	46.8	5.3	n.m.
Cost per available seat-km ex-fuel (cents/ask)	43.5	3.6	n.m.
<u>Group Airlines (Passenger)</u>			
Passengers carried (thousand)	38	9,358	- 99.6
Revenue passenger-km (million)	183.5	36,340.7	- 99.5
Available seat-km (million)	1,800.4	43,559.2	- 95.9
Passenger load factor (%)	10.2	83.4	- 73.2 pts
Passenger yield (cents/pkm)	22.2	9.2	+ 141.3
Revenue per available seat-km (cents/ask)	2.3	7.6	- 69.7

	1 st Quarter 2020/21	1 st Quarter 2019/20	Change %
<u>SIA (Cargo)</u>			
Cargo and mail carried (million kg)	136.3	307.7	- 55.7
Cargo load (million tonne-km)	816.4	1,645.4	- 50.4
Gross capacity (million tonne-km)	1,049.6	2,805.1	- 62.6
Cargo load factor (%)	77.8	58.7	+ 19.1 pts
Cargo yield (cents/ltk)	81.1	29.7	+ 173.1
Cargo unit cost (cents/ctk)	31.5	16.2	+ 94.4

GLOSSARY**SIA (Passenger)**

Revenue passenger-km	=	Number of passengers carried x distance flown (in km)
Available seat-km	=	Number of available seats x distance flown (in km)
Passenger load factor	=	Revenue passenger-km expressed as a percentage of available seat-km
Passenger yield	=	Passenger revenue from scheduled services divided by revenue passenger-km
Revenue per available seat-km	=	Passenger revenue from scheduled services divided by available seat-km
Passenger unit cost	=	Passenger operating expenditure divided by available seat-km
Passenger unit cost ex-fuel	=	Passenger operating expenditure less fuel cost, divided by available seat-km

SilkAir (Passenger)

Revenue passenger-km	=	Number of passengers carried x distance flown (in km)
Available seat-km	=	Number of available seats x distance flown (in km)
Passenger load factor	=	Revenue passenger-km expressed as a percentage of available seat-km
Passenger yield	=	Passenger revenue from scheduled services divided by revenue passenger-km
Revenue per available seat-km	=	Passenger revenue from scheduled services divided by available seat-km
Passenger unit cost	=	Passenger operating expenditure divided by available seat-km
Passenger unit cost ex-fuel	=	Passenger operating expenditure less fuel cost, divided by available seat-km

Full Service Carriers (SIA & SilkAir)

Revenue passenger-km	=	Number of passengers carried x distance flown (in km)
Available seat-km	=	Number of available seats x distance flown (in km)
Passenger load factor	=	Revenue passenger-km expressed as a percentage of available seat-km
Passenger yield	=	Passenger revenue from scheduled services divided by revenue passenger-km
Revenue per available seat-km	=	Passenger revenue from scheduled services divided by available seat-km
Passenger unit cost	=	Passenger operating expenditure divided by available seat-km
Passenger unit cost ex-fuel	=	Passenger operating expenditure less fuel cost, divided by available seat-km

Low Cost Carrier – Scoot (Passenger)

Revenue passenger-km	=	Number of passengers carried x distance flown (in km)
Available seat-km	=	Number of available seats x distance flown (in km)
Passenger load factor	=	Revenue passenger-km expressed as a percentage of available seat-km
Passenger yield	=	Passenger revenue from scheduled services divided by revenue passenger-km
Revenue per available seat-km	=	Passenger revenue from scheduled services divided by available seat-km
Cost per available seat-km	=	Operating expenditure divided by available seat-km
Cost per available seat-km ex-fuel	=	Operating expenditure less fuel divided by available seat-km

Group Airlines (Passenger)

Revenue passenger-km	=	Number of passengers carried x distance flown (in km)
Available seat-km	=	Number of available seats x distance flown (in km)
Passenger load factor	=	Revenue passenger-km expressed as a percentage of available seat-km
Passenger yield	=	Passenger revenue from scheduled services divided by revenue passenger-km
Revenue per available seat-km	=	Passenger revenue from scheduled services divided by available seat-km

SIA (Cargo)

Cargo load	=	Cargo and mail load carried (in tonnes) x distance flown (in km)
Gross capacity	=	Cargo capacity production (in tonnes) x distance flown (in km)
Cargo load factor	=	Cargo and mail load (in tonne-km) expressed as a percentage of gross capacity (in tonne-km)
Cargo yield	=	Cargo and mail revenue from scheduled services divided by cargo load (in tonne-km)
Cargo unit cost	=	Cargo operating expenditure divided by gross capacity (in tonne-km)