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

ANNOUNCEMENT

ANNUAL GENERAL MEETING TO BE HELD ON 29 JULY 2024

RESPONSES TO QUESTIONS FROM SECURITIES INVESTORS ASSOCIATION (SINGAPORE)

1. INTRODUCTION

Singapore Airlines Limited (“**SIA**” or the “**Company**”) refers to its Notice of Annual General Meeting (“**AGM**”) dated 1 July 2024 posted on SGXNET and the Company’s corporate website on 1 July 2024.

The Fifty-Second AGM of the Company will be held at Marina Bay Sands Expo and Convention Centre, Level 4, Roselle and Simpor Ballrooms, 10 Bayfront Avenue, Singapore 018956 on Monday, 29 July 2024 at 10.00 a.m. (Singapore time).

2. RESPONSES TO QUESTIONS FROM SIAS

The Company would like to thank the Securities Investors Association (Singapore) (“**SIAS**”) for its questions relating to the Company’s Annual Report FY2023/24.

SIA is pleased to address SIAS’ questions in advance of the AGM. Please refer to SIAS’ questions and SIA’s responses as set out in the Appendix hereto.

By Order of the Board

Brenton Wu
Company Secretary

25 July 2024
Singapore

APPENDIX

SINGAPORE AIRLINES LIMITED
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RESPONSES TO QUESTIONS FROM SECURITIES AND INVESTORS ASSOCIATION (SINGAPORE) ON ANNUAL REPORT FY2023/24

SIAS Questions

1) As noted in the letter to shareholders, the Chairman highlighted that the Group achieved a second consecutive year of record revenues, operating profits, net profits, and load factors due to strategic decisions taken during the early months of the pandemic. The Group set its goal to be the first off the blocks once borders reopened and to retain its industry leadership in the post-pandemic world.

i. What is management's strategy to address the normalisation of demand after years of pent-up demand due to travel restrictions, and competing airlines progressively injecting passenger capacity back into the system?

ii. In the latest Skytrax Awards, the airline was narrowly pipped by Qatar Airways for the title of World's Best Airline. It was Qatar's eighth win compared to five wins for Singapore Airlines in the past 25 years. However, the Group also received several other prestigious awards, including World's Best Cabin Staff, Best First Class Service, and Best Airline in Asia. Can management elaborate on how the group strives to retain its industry leadership? What sets it apart from other well-managed airlines?

iii. With Covid-19 now well in the rear-view mirror, what new strategic directions has the Board given to management?

iv. The Group's network expanded to 118 passenger destinations as of 31 March 2024, up from 109 a year ago but still down from 137 destinations before the pandemic. Is this a reflection of the Group's focus on profitability, or are there other operational and regulatory factors at play?

2) For FY2024, revenue was 7% higher at $19.0 billion, with operating profit rising by 1.3% to $2.73 billion. Profit attributable to owners of the company increased by 24% to $2.67 billion. The financial and operating statistics are shown on pages 7 and 8 of the annual report.

i. Passenger load factor: Passenger load factors (PLFs) for Singapore Airlines and Scoot were 87.1% and 91.2% respectively. Given the rather impressive passenger load factors, what strategies does the Group envision to further optimise these metrics? How can the airline enhance its PLF while maintaining the high service standards expected from a world-class full-service carrier?

ii. Scoot: The airline, with its largely regional operations, is facing greater injection of capacity from other airlines. The gap between the breakeven load factor and passenger

load factor is narrow – 1.3% in FY2023/24 and 4.6%. Passenger yield also decreased by 15.9% from 8.2 cents/pkm to 6.9 cents/pkm. How does management view the continued investments in Scoot given the current competitive landscape?

iii. Cargo: Cargo flown revenue experienced a significant decline from its Covid peak and yields decreased despite a rise in cargo loads driven by e-commerce demand. Could management provide a comprehensive analysis of the current oversupply in bellyhold capacity within the industry? What measures are being taken to address this issue and optimise cargo profitability?

<u>SIA's Response</u>

As the above questions relate to the SIA Group's strategies, we would like to provide a consolidated response on this subject. Please note that some of the information below has already been captured in the section labelled "Our Strategy for the Future" on pages 16 and 17 of the Singapore Airlines Annual Report FY2023/24. There will also be a presentation from the CEO of Singapore Airlines on business outlook and the Group's strategies at the AGM on 29 July 2024.

- The SIA Group aims to maintain its leading position in the airline industry. It is well-positioned to seize emerging growth opportunities and navigate future challenges, thanks to its strong foundations and long-term strategic initiatives. These include:

- **Strengthening Brand Pillars:** The Group continuously invests in the three pillars of its brand promise – Service Excellence, Product Leadership and Network Connectivity.

  - <u>Service Excellence</u>**:** The SIA Group is committed to delivering exceptional end-to-end customer service. To enable this, the Group aims to hire the right talent and continues to invest in its people so that it can deliver the high standards expected by customers. SIA's world-class cabin crew continue to elevate the customer experience, and this is highlighted by the accolades received, such as the *World's Best Airline Cabin Crew* award by Skytrax in 2024.

    In addition, by leveraging customer insights and technology**,** SIA can adapt its offerings to meet the evolving preferences of different customer segments. This includes the continued use of Generative Artificial Intelligence (GenAI) in customer insights and customer interactions to deliver an enhanced and more personalised customer experience.

  - <u>Product Leadership</u>**:** The SIA Group continues to invest in its industry-leading products and services to strengthen its premium position. In July 2023, SIA extended its unlimited complimentary in-flight Wi-Fi to customers in all cabin classes, across almost the entire aircraft fleet[1], making this the most comprehensive free unlimited Wi-Fi access in the airline industry.

    In March 2024, SIA unveiled its new Premium Economy Class in-flight experience, which features an expanded food and beverage menu, and a new amenity kit. SIA also unveiled its new SilverKris Lounge at Perth International Airport in February 2024 and the SilverKris Lounge at London Heathrow Airport is due to reopen by end July 2024, after renovations are completed.

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[1] Free unlimited Wi-Fi services are available on all SIA passenger aircraft except for the seven Boeing 737-800 NGs that are not Wi-Fi enabled.

SIA also continues to work on its new long-haul cabin products, which are expected to enter service with the 777-9 aircraft.

- Network Connectivity: The Group constantly reviews and adjusts its network to meet market demand and growth opportunities, with due consideration for factors such as operational viability and profitability.

  During the pandemic, taking market conditions into account, SIA suspended services to destinations such as Canberra, Dusseldorf, Moscow, Stockholm, and Wellington. More recently, in 2023, SIA suspended services to Vancouver while Scoot suspended services to Gold Coast.

  At the same time, the Group remains agile in tapping new opportunities as they arise. For example, SIA has recently expanded its network in Europe by launching flights to Brussels in April 2024 and London (Gatwick) in June 2024. SIA has also announced that it will launch daily services to Beijing (Daxing) in November 2024. With the delivery of the Embraer E190-E2 aircraft, Scoot will be able to serve thinner routes to non-metro destinations out of Singapore, better matching capacity to demand as we expand and enhance our regional network. As an example, Scoot has launched services to new destinations such as Koh Samui in May 2024 and Sibu in June 2024. Scoot will further expand its connectivity to Kuala Lumpur with the launch of flights to Subang in September 2024.

- **Portfolio Strategy:** The Group's portfolio of airlines includes two industry-leading brands – SIA in the full-service premium segment and Scoot in the low-cost segment.

  Scoot was set up in 2011 with a strategic intent to serve the fast- growing low-cost travel segment in Asia Pacific, and to provide an additional engine of growth for the SIA Group. Since its inception, Scoot has grown rapidly, expanding its network connectivity, particularly within Asia and South-West Pacific. With the new addition of the Embraer E190-E2 aircraft, Scoot will be able to further enhance its regional network. Named the *2024 Value Airline of the Year* by Air Transport World, the award is a testament to the airline's standing as one of the leading low-cost carriers in the region.

  The Group strongly believes in the synergy between SIA and Scoot in the areas of network, fleet, and cross-selling opportunities and we are continually working to enhance these synergies further. Leveraging this portfolio enables the Group to offer a wider variety of options to travellers, identify and capture growth opportunities, and respond in an agile manner to changing market dynamics.

- **Multi-hub Strategy:** The Group is expected to have a 25.1% stake in the enlarged Air India Group after the completion of the merger between Air India and Vistara. This will allow SIA to participate in the fast-growing Indian aviation market in all key market segments, including domestic, international, full-service, and low-cost. Investments in the multi-hub strategy allows the Group to directly participate in the growth of one of the world's largest aviation markets to complement the Group's strong Singapore hub.

- **Partnerships Strategy:** Partnerships are an important aspect of SIA's network and connectivity growth, enabling SIA to gain market access to offline points and enhance our customer value proposition. SIA forges win-win partnerships with like-minded airlines to provide customers with even more travel options and frequent flyer benefits. These partnerships allow the SIA Group to offer a combined network that covers 387 destinations, giving customers more options and greater value.

- **Investment in Digital Capabilities:** SIA continues to make long-standing investments in its digital capabilities including GenAI, with multiple initiatives underway to support revenue generation, customer experience, operational resilience, and employee productivity.

- **Loyalty Programme Growth:** KrisFlyer, the SIA Group's loyalty programme, is a key enabler to engage, retain and grow its customer base. As of 31 March 2024, KrisFlyer saw a 31% year-on-year growth in its membership to 8.8 million members, with revenues up 20% to more than $1.2 billion. Through its enlarged loyalty and lifestyle rewards offerings, KrisFlyer continuously incentivises customers to spend and redeem within the Group's ecosystem, comprising SIA, Scoot, Kris+, KrisShop and Pelago, thus increasing customer stickiness and the likelihood of repeat business. KrisFlyer continues to expand its reach in and beyond Singapore, adding more partners and providing greater options for members to earn and use their miles.

- **Air Cargo Business:** Complementing the Group's strong proposition in the passenger air travel segment is its air cargo business that manages bellyhold space for all passenger aircraft operated by the Group. In addition to such cargo capacity, the Group also operates seven dedicated freighter aircraft to expand its capabilities in terms of the size and type of cargo it can carry, as well as extend the reach of its air cargo network.

  To expand the cargo business into key verticals such as pharmaceuticals and perishables, the Group launched specialised air cargo capabilities for time and temperature sensitive cargo, dubbed THRUCOOL and THRUFRESH in 2018 and 2021 respectively. Such capabilities allow us to differentiate ourselves, for the movement and delivery of cargo such as vaccines, live seafood, fruits, and vegetables with quality assurance, speed, and care. Our THRUCOOL service came in handy during the pandemic as the capability ensured that essential medical supplies were available to support Singapore's combat against Covid-19. SIA was the first airline in the region to transport the first batch of Covid-19 vaccines to Singapore, other countries in South East Asia, and Australia as well as New Zealand.

  In addition, the Group continues to grow the footprint of its Cargo business via agreements with key partners such as DHL Express. In March 2022, DHL Express and SIA signed a Crew and Maintenance agreement to deploy five Boeing 777 freighters. These freighters will be operated by SIA pilots, with the maintenance overseen by SIA. To date, all five freighters have been delivered, reinforcing Singapore's position as a key air cargo and e-commerce logistics hub.

  <u>Air cargo landscape through the pandemic and beyond</u>

  - During the pandemic, there was a sharp decline in bellyhold capacity due to the cancellation of passenger flights by airlines globally. At the same time, the industry also witnessed supply chain constraints and strong cargo demand in the pharmaceutical and e-commerce segments. This mismatch in demand and supply resulted in record-high cargo yields that were more than double of pre-pandemic levels.

  - To capitalise on this, beyond maximising freighter aircraft utilisation, the Group started operating passenger aircraft carrying cargo (PAcC) flights, with cargo loaded in both the bellyhold and in the passenger cabins from March 2020 using passenger aircraft and pilot resources to generate additional cargo capacity. Consequently, cargo revenue reached a record $4.3 billion revenue (or 57% of the Group's total revenue) in FY2021/22, more than double of the $2.0 billion (or 12% of the Group's total revenue) in FY2019/20.

- As the pandemic subsided and borders reopened, airlines began to inject more passenger capacity on international routes. Consequently, industry-wide bellyhold capacity also increased. This caused cargo yields to moderate from its Covid peaks, but they have remained above pre-pandemic levels.

- In recent months, cargo demand has been robust due to factors such as increased e-commerce flows, some demand spill over from security concerns in the Red Sea, and port congestion. The Group will continue to optimise its cargo network and capture revenue opportunities where possible.

SIAS Questions

3) In the past two years, the Group benefitted significantly from fuel hedging gains amounting to $332.5 million and $637.8 million in FY2023/24 and FY2022/23 respectively.

In the past, the group's fuel hedging gains and (losses) have been:
2023/24: $332.5 million
2022/23: $637.8 million
2021/22: $196.3 million
2020/21: $(311.1) million
2019/20: $(105) million
2018/19: $331.5 million
2017/18: $78.3 million
2016/17: $(269.0) million
2015/16: $(926.6) million
2014/15: $(456.9) million
2013/14: $71.1 million
2012/13: $27.7 million
2011/12: $19.9 million
2010/11: $(49.9) million
2009/10: $(460.1) million
2008/09: $(306) million
2007/08: $185 million
2006/07: $(94) million
2005/06: $167 million
2004/05: $303 million

The Group has a practice of hedging fuel costs on a declining wedge basis. Over the past decade, fuel hedging resulted in cumulative losses of $(492.2) million, and over the past 20 years, the cumulative losses amounted to $(628.5) million.

i. Can Management and the Board, particularly the Board Executive Committee, explain whether they have analysed the results of the Group's fuel hedging over entire economic cycles or the long term? As shown above, the Group's hedging efforts do not appear to have evened out or created a positive outcome over a 20-year period. Have the Group's fuel hedging practices achieved their intended outcome?

ii. **What different strategies could be employed in fuel hedging and what are the key assumptions and parameters used by the Group in its hedging?**

iii. **Beyond financial considerations, what are the operational advantages derived from the Group's fuel hedging practices? Are there any specific efficiencies or strategic benefits that have been realised?**

SIA's Response

- The SIA Group's fuel hedging programme is intended to manage the volatility in oil prices and the resultant impact on its net fuel expenditure. By hedging a portion of its fuel needs, the Group can achieve a certain level of predictability in relation to its fuel cost, which is its single largest operational cost element. The key objective from this programme is therefore a lower variance in fuel costs rather than hedging gains.

- While the execution of fuel hedging transactions is the Management's responsibility, the review of fuel hedging programme framework, its performance and any refinements come under the SIA Board Executive Committee's purview, with periodic updates provided to the SIA Board. To support such reviews, the Group regularly seeks perspectives on the oil market and relevant fuel hedging strategies from banks and other market participants.

- The Group's approach to fuel hedging over the years, has not been to take a view on oil prices, but rather use a programmatic approach to build positions over time and thus achieve a hedge price for each quarter that averages prevailing forward prices during prior quarters. This approach results in a declining wedge profile for the Group's fuel hedges at any point in time, with a higher percentage of its expected consumption being hedged for the nearer quarters relative to the later quarters. At present, the declining wedge profile is based on a near-quarter target hedge ratio of up to 50% and a hedge horizon of 18 months.

- In 2016, the Group initiated an opportunistic longer-term hedging programme to complement the traditional hedging programme (as described above) in view of forward oil prices falling below USD60 per barrel. Under this programme, the Group could hedge up to 50% of its expected consumption for any quarter over the next 5 years if forward prices were deemed to be sufficiently attractive.

- With the onset of Covid-19 however, this programme was discontinued in view of the uncertainty on the recovery timeline and trajectory and therefore, our fuel consumption estimates. Given the strength in fuel prices in 2021, the Group took steps in the first half of FY2021/22 to recalibrate its fuel hedge book closer to the traditional declining wedge profile through sell swaps to close out some of the hedge positions. The close-out trades locked in significant gains for the Group and the gains are being progressively recognised in the Profit and Loss statements based on the original maturity date of the hedge positions. In FY2023/24, we recognized such gains amounting to USD66 million, with another USD44 million to be recognized in FY2024/25.