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Mr Siva Govindasamy: We will now move on to the question and answer segment. For this, Mr Goh and Mr Barnes will be joined by Mr Mak Swee Wah, Executive Vice President Operations, Mr Lee Lik Hsin, Executive Vice President Commercial, and Mr Tan Kai Ping, Executive Vice President Finance and Strategy. We have just over 30 minutes and we have many participants. So as always, we would appreciate it if you could please try to limit yourself to one question. If you could also identify yourself before each question, that would be useful. Rishi, over to you for the first question.

Ms Rishi: Thank you. Once again, as a reminder to ask a question, you will need to press star one on your telephone. To withdraw your question, please press the pound key. We have the first question from the line of Chen Chuanren from Air Transport World. Your line is now open.

Mr Chen Chuanren, Air Transport World: Good morning Mr Goh, Siva. I am Chuanren from Air Transport World. Sorry to break the rule. Two quick questions. Firstly, do you think this S$4.3 billion loss is the lowest you can go? I mean, with all the aircraft impairment being identified, do you expect things to go better from the year forward? That is question one and question two, I am very curious. What are your financial obligations for the F1 Grand Prix as title sponsor? In other words, are you still required to pay millions in sponsorship fees should the F1 go ahead in Singapore? Thank you.

Mr Goh Choon Phong: I will just take the second question and Kai Ping; you can just address the first one. So, the Grand Prix. I do not think it is a decision that we will need to confront at the moment because whether it is on or not is still a question mark. Let us see what happens on that and we can address that question accordingly. Kai Ping?

Mr Tan Kai Ping: Thank you for that question. I think we are certainly working on that basis. For the financial year just passed, FY2021, at the net loss level, a large portion, S$2 billion or so are the non-cash impairment charges. We do not foresee impairment charges of this size as we move forward in the current financial year at this point.

Ms Rishi: The next question is from the line of James Teo from Bloomberg. Your line is now open.

Mr James Teo, Bloomberg Intelligence: Hi, good morning everyone. I am James Teo from Bloomberg Intelligence. My question is on aircraft and there are actually two small questions. What are your plans for all the impaired aircraft and does it have anything to do with the Temasek and ST Engineering joint venture on P2F conversion as well as leasing, and what kind of impact could that have even if it is nothing to do with the impaired aircraft? What do you think about a potential cooperation with ST Engineering on that aspect? A second quick question is on sale-and-leaseback. What is the limit in terms of whether you would be open to doing more? Is there a target or maximum in terms of percentage of fleet that could be encumbered? That is all, both on aircraft. Thank you.

Mr Goh Choon Phong: I will just give a quick response to your question on P2F. As you know, we look at aircraft requirements all the time. Of course, cargo is strong at this moment and we have maximised our use, even of the passenger planes to meet existing cargo demand. We will continue to review our fleet requirements and when there are decisions made, we will certainly announce it.

Mr Tan Kai Ping: Thank you for that question. The aircraft that have been impaired are in relation to planes that we are taking out of fleet and do not expect to operate again. So, that is the basis.

Mr Stephen Barnes: It is really part of our ongoing review of opportunities. Let me step back and give you a slightly broader answer. I think you have seen over the course of the last 15 months that we have sought to engage and draw funds from three main markets. It includes the bank market. It includes the net capital market. It includes the leasing community through sale-and-leaseback transactions. We think that going forward, all three are important to us and we will look to use or engage with those markets on an ongoing basis. We do not want to exhaust demand in any of those markets. So, we will keep a close eye on the sort of demand there actually is and what the opportunities might be. Which frankly, we expect will fluctuate over time. So, there will be different opportunities at different times.

Mr Siva Govindasamy: Thank you, Stephen. Greg, if you could go ahead please.

Mr Alfred Chua, FlightGlobal: Hi, good morning. Thanks for taking my question. This is from Alfred from FlightGlobal. I just wanted to ask a question about the fleet and this is pertaining to the 737 MAXs. I saw on the slide that SIA will be taking delivery of eight 737 MAXs in the current financial year. Could you elaborate when you expect these aircraft to be delivered and is this also your projection in terms of when the grounding of the MAX aircraft will lift? Thank you.

Mr Tan Kai Ping: Thank you for that question, this is Kai Ping. The 737 MAXs have not been ungrounded yet in Singapore and in a couple of jurisdictions where SilkAir used to operate them. We will await the decision of the authorities. We are working closely with all the relevant authorities. As far as the flights, I think you are referring to slide 18 in Stephen's deck just now on the delivery plan. That is where it currently stands. Obviously, these things will change as we move forward depending on what happens with the ungrounding status, as well as the ongoing discussions in relation to the impact of Covid-19 on production and everything else. This is right now, what is our plan. We have to see as we move forward what exactly happens.

Ms Rishi: The next question is from the line of Ajith from UOB. Your line is now open.

Mr Ajith, UOB Kay Hian: Hi, I have got two quick questions. One is to Stephen, and this is with regard to the interest on the MCBs for FY2020/21. Just like to check but if this was recognised in P&L or in reserves. The second question is to Mr Goh. I noticed that the capital expenditure for FY2020/21 was significantly lower than what was guided, which is positive. Going forward, is there a possibility for further reductions in capital expenditure? I am aware that you have already guided for a S$4 billion in reduction in capital expenditure, but I am just trying to get a sense on whether there is scope for further reductions? Thanks.

Mr Goh Choon Phong: I will take that question first. What we have achieved, we announced, which is the S$4 billion. Of course, you can assume that we continue to look at what ways to manage our cash flow and where necessary, we will certainly look at what else we can do with respect to capital expenditure. At this point in time, is the S$4 billion.

Mr Stephen Barnes: Now on the MCBs, it is equity. To the extent that there is interest on the MCBs, it will accrue all the way through maturity. At maturity, the accreted amount will be converted into shares. What that means is that there will never actually be any interest paid. There will only be interest paid in the event, or recognised, I should say, in the event that we redeem the MCBs. The current position is that there is no charged P&L on the interest. There is also no accrual of interest expense in reserves. If at some point, there is a decision to redeem or a plan to redeem the MCBs, then we need to relook at this with our auditors, but it is possible that we would need to recognise in reserves the accreted interest. I hope that helps.

Mr Ajith, UOB Kay Hian: Yes, thanks.

Ms Rishi: Thank you. This is a reminder that to ask a question, you will need to press star one and wait for your name to be announced. The next one is from Louis Chua from Credit Suisse. Your line is now open.

Mr Louis Chua, Credit Suisse: Hello, good morning. I have got one slightly long question on cash flow and also following up on Ajith's question. In terms of the capital expenditure, can you share with us what is the total outstanding over the next couple of years including those that have been deferred, the S$4 billion that you mentioned that have been deferred to a later time. With the continued opening up of the network in terms of your expectations of the pre-Covid-19 levels of passenger capacity, how should we be thinking about the monthly operational cash burn as you start to open up to more places, and some guidance on what the monthly cash burn will be, will also be helpful.

Mr Stephen Barnes: The guidance that we have already provided in respect to capital expenditure in February has not changed. It is an original S$4 billion in each of the next couple of years. Let me go back a little bit to this time last year. Our cash burn at that point was S$350 million, operating cash burn was about S$350 million monthly. By the half year, we have been able to reduce that to S$300 million. By February, we were able to announce that we were S$250 million and heading south. Guidance that we would give currently is that we are in the S$100 to S$150 million operating cash burn range. There are things that can a change that picture. One of the items which does fluctuate is the oil price and the settlement of fuel hedges. At the moment, based on current prices, that is where we see ourselves being.

Ms Rishi: Next question is from Ian Wong from UBS. Please proceed with your question.

Mr Ian Wong, UBS: Hi, I am Ian Wong from UBS. Thanks for the presentation. Just a quick follow-up on the question before. Can we talk a bit about the expectations within that 32% pre-Covid-19 capacity by July? I am conscious of the fact that there is Covid-19 flare-ups across parts of Asia, so just any guidance in terms of the destinations that being affected in the 32%. Also, is there a stronger yield potential for those new destinations relative to what we saw before? Thanks.

Mr Lee Lik Hsin: Yes, our guidance is for the Group capacity to reach around 32% of pre-Covid-19 levels by July. To the point about whether or not the current flare-up is going to impact this, we think that much of this is actually backed by the cargo demand that has been mentioned by both CEO and Stephen. That continues to be robust and we believe this is the right level that we can operate at around the July timeframe.

Ms Rishi: Thank you. The next question is from Raymond Yap from CIMB. Please proceed with your question.

Mr Raymond Yap, CIMB: Hi, this is a question for Stephen. Stephen, you are taking a lot of new aircraft this year. For the ones that you are going to own, do you actually need to depreciate them, or would you put it in cold storage so that you do not have to depreciate them? Just wondering what is the impact of taking these deliveries at a depreciation sense. Another question on the ineffective fuel hedges. Given what we are seeing in terms of the increasing Covid-19 cases around the world, will you need to re-classify more of your hedges as ineffective?

Mr Tan Kai Ping: I will take the question on aircraft first. When the new aircraft comes in, our intention is to operate them. The reason is quite simple. The airplanes are new and more efficient, and cost less to operate. So, we will put them in operation.

Mr Stephen Barnes: Could you repeat the second question, Raymond? I am so sorry.

Mr Raymond Yap, CIMB: No worries. For the ineffective fuel hedges, do you foresee that you need to re-classify more of the hedges as ineffective and put the depreciation allotted into your P&L, given that we are seeing a flare in new Covid-19 cases around the world?

Mr Stephen Barnes: The answer is we have done a recent review as part of our closing, to be honest, with the recent financial year. We have done a recent review, fairly robust discussions, and we are satisfied that we do not need to recognise any new hedges as being ineffective now or in the foreseeable future. That is not to say that it is impossible, because if the rate of recovery of capacity slows down, then it is possible that we will have to recognise additional charges. However, we do have cushion and so at this point, we are not expecting anything. Now, there are hedges which remain outstanding in our books, but which are no longer deemed to be hedges. They are now sitting as derivative contracts in our books. They will be revalued on a monthly basis. For the remainder of this year, there is potential for gains and losses on those hedges. That is clearly a position that we are looking to manage, and so we will continue to do so in order to minimise any potential adverse effects.

Ms Rishi: The next question is from Ven Sreenivasan from The Straits Times. Your line is now open.

Mr Ven Sreenivasan, The Straits Times: Actually my question was already answered by Stephen just now. I basically wanted some outlook on cash burn. You have said that we are at S$100 million to S$150 million right now. Where do you see yourself by the third quarter at the rate you are going now?

Mr Stephen Barnes: I think we expect that to be reasonably stable. The reason is to do with the way in which we are rebuilding the network, which is to try and ensure that as we rebuild, we are covering all variable cash costs. You would expect them to be reasonably stable.

Mr Ven Sreenivasan, The Straits Times: Meaning at current levels?

Mr Stephen Barnes: At current levels, yes.

Ms Rishi: Thank you. The next question is from Ezien Hoo from OCBC. Please proceed.

Ms Ezien Hoo, OCBC: Hi, thanks for the presentation. I have two questions, one in relation to fuel hedging. Do we expect any cash impact from the hedges for the FY2021/22? I just wanted to get a little bit of colour on how fuel hedging decisions are decided. Is it through a committee? The second question is in relation to vaccine passports. I wanted to see if the company can share some colour on what is the progress of vaccine passports. What is being done to ensure that passengers traveling are actually suitable to fly? Thanks.

Mr Stephen Barnes: Let me take the cash impact to fuel hedges. The answer is that there will be an impact. It could be positive or negative depending on prices. Sorry, there could be an impact from fuel hedges. We have this difference particularly for those that have been deemed as an ineffective. We have a P&L impact, which may be not a cash impact as we recognise re-evaluation gains or losses. Cash impact arises when the hedge actually matures, and we have to settle with our counterparties. That is the point in which we either will pay away or receive cash upon settlement. We are trying to manage that position in order to minimise the overall impact. As I mentioned in connection with the operating cash burn, it is one of the things that can move the needle in our monthly operating cash burn.

Mr Lee Lik Hsin: Vaccine passports are really a decision that governments have to make in relation to their usage in the travel restrictions. From our perspective, obviously, we want to facilitate any such decisions and as demonstrated by our working with IATA for the IATA Travel Pass where we were the pilot airline to make sure that we put it on digital platforms such that passengers can avail themselves and therefore make it seamless for them. Thank you.

Ms Rishi: Thank you. The next question is from the line of Mayuko Tani from Nikkei. Please go ahead.

Ms Mayuko Tani, Nikkei: Good morning. Thank you very much for the presentation and the opportunity to ask questions. I would like to ask about your outlook in the press release. You said that in the second half, you are hoping for further recovery in international travel demand. Just now, we heard that the capacity build-up is based on the cargo demand. However, when it comes to the air travel, how do you see the possibility of it further deteriorating on the view of the current new variant? If I may, another question is about cargo. What is the reason that you have to be quite cautious in building up a capacity? We see Korean Air earning quite a bit from cargo. Is that because in the long term, Singapore may not have that much demand for cargo? That is all, thank you.

Mr Goh Choon Phong: On cargo capacity, I do not think that we have been cautious. In fact, as I was trying to point out in my presentation, we have been very proactive in injecting cargo capacity despite there being very little in terms of passenger services. Through both the use of passenger planes for cargo-only mission, as well as reconfiguring passenger planes by removing seats from the Economy Class to make room for more cargo carriage. So, absolutely, we have left no stone unturned in terms of trying to meet the cargo demand. On the other aspect of passenger travel demand, we do not expect it to be smooth sailing throughout the period. In fact, we do expect that any opening will be somewhat patchy because as you really have witnessed, there are new infections and infections can flare up in countries. Look at Taiwan recently, you look at even Japan, Malaysia, and all that, and Singapore for that matter. What we are also seeing, and I think the evidence have shown, is that vaccinated people are actually less severely affected even when they are infected. That is actually a very good news. We do believe that going forward, as more people get vaccinated, with a combination of vaccination, testing regimes, some guidelines on the rate of infections in different countries, we will be able to manage a calibrated but safe opening. I think that remains to be the case and that is why we say that the vaccination rate taking up is a good sign. Thank you.

Ms Rishi: The next question is from Chew Hui Min from Mediacorp CNA.

Ms Chew Hui Min, CNA Digital: Thank you for taking my question. I would like to ask what is the impact of a second delay in the Singapore-Hong Kong Air Travel Bubble on SIA? The second question is do you have any further plans to retrench staff or cut their pay? Thank you.

Mr Goh Choon Phong: I will take the second question first, which is that no, we do not have any plan. It was already a very painful process for me personally when we had to do that. As I said at that point in time, I hope not to have to go through that again. That remains true from my perspective, so no current plan. The second part about Hong Kong, I mentioned earlier that what the Hong Kong bubble when they were announced in both the first cancellation and subsequently the announcement to resume was that it showed us that there is a lot of underlying demand. Once it was announced, we had flights being filled up months ahead. Quite frankly, the situation with the virus is something beyond anybody's control. What we need to do is to ensure that the organisation is flexible and nimble to respond to it. That is what we have been doing. As soon as the announcement on the cancellation took place, we reached out to all passengers to ensure that they have as little disruption in terms of their plan for travel as possible, even when the cancellation had to go on. We tried to re-accommodate and all that. I think the modus operandi from our perspective is just to make sure that we are prepared to come in whenever the opportunity presents itself, but at the same time, be nimble and flexible if adjustments have to be made to the plan. Thank you.

Ms Rishi: The next question is from Kaseedit from Citibank. Please proceed with your question.

Mr Kaseedit, Citibank: Hi, thank you for the presentation. I just have one question. Your cash was about S$8 billion, and net gearing including lease liability was quite low at 0.4. It looks ample, especially with the reduced cash burn that Stephen just guided. Yet you decided to issue the second tranche of MCBs, adding another S$6.2 billion. Can we expect a major investment or acquisition beyond Singapore-based operations, such as bidding for Air India, for example? Thank you.

Mr Tan Kai Ping: Thank you for the question. You would have seen our press release on the MCBs, and the reasons why we are proceeding with the MCBs now. Primarily to do with the fact that the recovery forecast is still uncertain. It will be prudent for us to bolster our equity base. The other perspective we took in thinking around issuing the MCBs now is a multi-year view. How to build ourselves, what we need to do, what we need to invest in our core capabilities in order to emerge stronger from Covid-19 and take advantage of all the opportunities. The third point is really the MCBs' unique ability for SIA to redeem. It allows us, as we move forward and if the recovery is faster, we can redeem and adjust our capital structure and balance sheet. These are the reasons why we decided to go forward with MCBs. To your question of M&A, I think you have seen in our press release and our launch announcement on the use of proceeds. There is no mention of M&A use of proceeds then. I think that answers the question.

Ms Rishi: The next question is from Brendan Sobie from Sobie Aviation, please proceed with your question.

Mr Brendan Sobie, Sobie Aviation: Thanks for the briefing and I have a question about the narrow-body fleet plan. First of all, the eight MAXs that are being delivered this year. The fact that you are mentioning it at the bottom of the slide, does that mean that you do not expect to operate them this year, and that the nine NGs that you have are sufficient for the narrow-body network at the moment? The second part of the question is on the 321neos for Scoot. I was wondering what was the outcome in terms of negotiating any potential deferrals with leasing companies on those. You have 16 on order, six directly from Airbus. Those seem to have been deferred but the 10 leased ones do not seem to be deferred. I was wondering why that is, given that if you look at the LCC competitors in this region, most of them are not taking any leased airplane this year.

Mr Campbell Wilson: We have engaged with the lessors. There are two lessors involved, one of them is BOCA and the other one is SMBC. We have sought to defer the delivery of the aircraft and have been unsuccessful in the negotiations.

Mr Tan Kai Ping: Brendan, let me take the question on the MAXs. You are referring to slide 18 of Stephen's deck and what is there is all statement of facts that are currently stacked. As I said before, what happen as we move forward is really a bit fluid, because it depends on the authorities ungrounding the 737 MAX, including Singapore and other jurisdictions that the MAX would fly to. So, as a statement of fact, the MAXs that have been delivered to SilkAir, they are grounded. Singapore CAAS has not ungrounded them and so they remain grounded. We have in our agreement with Boeing on the order book, eight 737 MAXs to be delivered this year, this financial year. Obviously, we have to see what happens with the regulatory ungrounding.

Ms Rishi: Next question is from Adrian Schofield from Aviation Week. Please proceed.

Mr Adrian Schofield, Aviation Week: Just curious to get your general thinking on the future prospect for your A380 operations and fleet. Given that many operators see diminishing role for their A380s.

Mr Goh Choon Phong: We have removed seven from our fleet, so left with 12. At the moment, it is our belief that the 12 remaining A380s will be put to good use in the future.

Ms Rishi: The next question is from Divya Gangahar Kothiyal of Morgan Stanley.

Ms Divya Gangahar Kothiyal, Morgan Stanley: Hi, this is Divya from Morgan Stanley. Two quick questions. Just wanted to understand the passenger yields in the fourth quarter seemed much higher than the third quarter. Could you comment on what has driven that and what is the outlook on passenger yields depending on the routes that you plan to add? The second quick question would be in terms of cost. Is there a sense in the last one year, how much of the cost are more permanent in nature and not meant to revenue? Any sort of guidance on that? Thanks.

Mr Lee Lik Hsin: The passenger yields in this current environment are really very erratic. As you will note, it is on a very, very small base of travel. It is natural to expect a fluctuation. We will only see more stable passenger yields when we have more material return to our loads in comparison with the business-as-usual environment. Thank you.

Mr Stephen Barnes: On costs, the big picture here is that we are continuing with our Transformation programme. We have identified something like 260 initiatives, which are driven by cost reduction initiatives, which are really spread across the whole operation. There are different parts of the business that are seeking to put in place new processes or negotiate new arrangements, by which I mean new ways of delivering service or product with our vendors or simply negotiating on rates. Our expectation, if you set aside for a moment, the fact that we are operating significantly below business-as-usual capacity. Our expectation is that our operating costs, unit costs will be driven down a little bit further, essentially as a continuation of the Transformation programme, whose results you would have seen through Q3 of the prior year. So, that continues. The other big impact is that we are taking delivery of new technology aircraft. In a way, this is the greatest single impact we can have on our unit cost, both from perspective of reducing maintenance cost, as well as fuel cost. As the proportion of new technology aircraft in the fleet increases, we will see a reduction in our unit costs. That is a continuation through the next two, three years. The dominant unit cost seen currently however, is the reinstatement of capacity. As we start to build capacity, we are spreading our fixed cost over an increasingly large capacity base. As a consequence, the unit costs are being driven down. That is simply a consequence of reinstating capacity, but it is a helpful thing to know. The underlying work has to do with the new aircraft being delivered and the Transformation programme which is in process.

Ms Rishi: The final question is from Ng Jun Sen. Your line is now open.

Mr Ng Jun Sen, TODAY: Hi, my question was already answered. It was on staff measures. I was wondering if there was still scope to cut staff positions, or at least reduce staff cost in the new financial year. If you could give some colour on what factors that would depend on including whether any government support would help defer that or push that down the line. Thank you.

Mr Siva Govindasamy: Thank you. I think our CEO, Mr Goh, has answered that question quite directly earlier. That is the end of today's media and analyst briefing. Thank you everyone once again, for joining us today. We really appreciate your questions and your time. We hope to see you again, hopefully physically and if not virtually, in six months' time. Please take care and stay safe everyone. Thank you to everyone. Have a good day.

(ENDS)