Trading Update

Singapore Airlines would like to issue a further trading update, subsequent to the last update on 15 April 2020.

The COVID-19 pandemic continues to have a severe impact on air travel, as border controls and travel restrictions remain in place around the world. This has affected the entire global aviation industry, and the SIA Group has not been spared either, with the impact on the SIA Group exacerbated by the lack of a domestic market for it to fall back upon. To address this collapse in demand, SIA and SilkAir have extended their combined capacity cuts of approximately 96% until the end of June 2020, while Scoot is expecting capacity cuts of approximately 98%.

The collapse of fuel prices in March 2020 has led to fuel hedging losses on contracts maturing in the final quarter of FY2019/2020. The unprecedented scale of the capacity cuts by the SIA Group as a result of COVID-19 has also resulted in the SIA Group being in an over-hedged position with respect to the expected fuel consumption for FY2020/2021. Accordingly, the surplus hedges need to be classified as ineffective under applicable financial reporting standards and the marked-to-market losses as at 31 March 2020 will be recognised in the Profit and Loss statement for FY2019/2020.

Accordingly, the SIA Group expects to report a material operating loss for the final quarter of FY2019/2020. With the benefit of the strong results for the first nine months of the financial year, the SIA Group expects to report a small operating profit, but a net loss, for full year FY2019/2020. Additional details will be provided on 14 May 2020 when the unaudited financial results for the fourth quarter and full year FY2019/2020 will be announced.

Given that we currently have not seen any definitive abatement of the COVID-19 pandemic, the SIA Group currently expects operating cashflows to remain negative during the ongoing quarter (April to June 2020). With fuel prices continuing to be weak since the beginning of April 2020 to date, additional fuel hedging losses may be expected in the first quarter of FY2020/2021. Given the uncertainty in the market, we have taken a pause and plan to monitor developments closely before entering into any additional hedges.

SIA continues to undertake steps to contain costs and conserve cash, including capacity cuts to match demand, pay cuts of up to 30% taken by the entire management team with effect from 1 April 2020, Directors volunteering a 30% cut in fees to show solidarity, unions agreeing to staff cost cutting measures including varying days of no pay leave through several schemes, hiring freeze, deferral of non-essential expenditure projects and imposition of tight controls on discretionary expenditure. We are in negotiations with aircraft manufacturers to adjust our delivery stream for existing aircraft orders, in view of prevailing market conditions, balancing that with our longer term fleet renewal programme and we are talking with various suppliers to reschedule payments. To build our liquidity and strengthen our balance sheet, we are undertaking the rights issue as announced on 26 March 2020.

On the cargo front, the significant reduction in bellyhold capacity globally has resulted in strong demand for freighter services. We have accordingly focused our efforts on maximising freighter utilisation, and continuing to supplement freighter capacity with the deployment of passenger aircraft operating cargo-only flights to meet the demand from global supply chains. Although cargo capacity remains below pre-COVID-19 levels, we have seen an improvement in cargo yields during the final quarter of FY2019/2020 and this is expected to sustain into the first quarter of FY2020/2021.

Update on Virgin Australia

On the recent announcement of Virgin Australia entering into voluntary administration, the SIA Group has no requirement or obligation to provide capital to Virgin Australia. We have been equity accounting for our share of losses in Virgin Australia. As at 31 December 2019, our carrying value was zero and we have no exposure to further losses incurred by the company. We have no outstanding loans to the airline.

Preparing for Post COVID-19

The timing of any recovery from the COVID-19 crisis and its trajectory remain uncertain. During this time, the SIA Group continues to pursue steps to reduce costs and conserve cash, and proactively build liquidity and strengthen our balance sheet. We have also set up an internal task force to review all aspects of our operations during this time, and to ensure that we are ready to ramp up our services when air travel eventually begins to recover. We are also studying what we may need to do to modify our in-flight products and services to provide additional reassurance to our customers, and to ensure the safety of both our customers and our crew.

Brenton Wu
Company Secretary
8 May 2020