SINGAPORE AIRLINES LIMITED

(Incorporated in the Republic of Singapore)
Company Registration No. 197200078R

ANNOUNCEMENT

PROPOSED MERGER OF AIR INDIA LIMITED AND TATA SIA AIRLINES LIMITED

1. INTRODUCTION

1.1 **Proposed Merger.** The board of directors (the "**Board**") of Singapore Airlines Limited ("**SIA**" or the "**Company**", and SIA and its subsidiaries, the "**SIA Group**") wishes to announce that SIA and its 49% associated company, TATA SIA Airlines Limited ("**Vistara**"), have entered into an implementation agreement dated 29 November 2022 (the "**Implementation Agreement**") with TATA Sons Private Limited ("**TATA Sons**"), Talace Private Limited ("**Talace**") and Air India Limited ("**AI**"), in connection with the proposed merger of AI and Vistara (the "**Proposed Merger**").

Vistara is a joint venture between TATA Sons and SIA established in 2013, with TATA Sons holding 51% of the issued share capital of Vistara, and SIA holding the balance 49%. As at the date of this Announcement, SIA's 49% interest in Vistara comprises 4,909,800,000 ordinary shares in the capital of Vistara.

TATA Sons is the principal holding company of the TATA Group. Talace is a wholly-owned subsidiary of TATA Sons and AI is a wholly-owned subsidiary of Talace. AI owns 100% of the existing share capital of Air India Express Limited ("**AIX**") and AirAsia (India) Limited ("**AAI**") and a 50% interest in Air India SATS Airport Services Private Limited ("**AI-SATS**", and together with AI, AIX and AAI, the "**AI Group**").

1.2 **Completion.** The Proposed Merger is subject to and conditional upon the satisfaction and/or waiver of various conditions precedent, including, *inter alia*, anti-trust and merger control approvals in India, Singapore and other relevant jurisdictions, the approval of the Indian civil aviation authority, as well as other governmental and regulatory approvals. On completion of the Proposed Merger, SIA will hold approximately 25.1% of the enlarged AI (being AI including Vistara and Talace).

2. DETAILS OF THE PROPOSED MERGER

2.1 **Implementation Agreement.** Pursuant to the terms of the Implementation Agreement, by way of a composite scheme of arrangement (the "**Merger Scheme**") under the relevant provisions of the Companies Act, 2013 of India (the "**Indian Companies Act**"), TATA Sons, Talace, SIA and Vistara have agreed that:

(i) the existing share capital of AI will be restructured by way of a capital reduction to reduce the face value of the equity shares of AI from Indian Rupees ("**INR**") 10 to INR 4, by way of adjustment in other equity / reserves and surplus including but not limited to adjustment in: (a) other equity on disinvestment; (b) retained earnings; (c) capital reserve, but, in each case, without any return of capital or payment of any kind to the shareholders of AI;

(ii) the merger of Talace, the immediate holding company of AI, into AI, with AI as the surviving entity, and the allotment and issue of 6,397 fully-paid up equity shares of AI to TATA Sons in exchange for every 1,000 fully paid-up equity and preference shares of Talace held by TATA Sons, subject to such adjustment as may be mutually agreed between SIA and TATA Sons prior to the filing of the Merger Scheme, free and clear of all encumbrances, together with all rights and benefits attaching thereto in consideration for the merger of Talace into AI;

(iii) the merger of Vistara into AI, with AI as the surviving entity, and the allotment and issue by AI of;

(a) 2,554 fully-paid up equity shares of face value of INR 4 of AI to SIA in exchange for every 1,000 fully paid-up equity shares held by SIA in Vistara subject to such adjustment as may be mutually agreed between SIA and TATA Sons prior to the filing of the Merger Scheme (the "**Merger Exchange Ratio**"); and

(b) 2,554 fully-paid up equity shares of face value of INR 4 of AI to TATA Sons in exchange for every 1,000 fully paid-up equity shares held by TATA Sons in Vistara, subject to such adjustment as may be mutually agreed between SIA and TATA Sons prior to the filing of the Merger,

in each case free and clear of all encumbrances, together with all rights and benefits attaching thereto in consideration for the merger of Vistara into AI; and

(iv) SIA will subscribe for, and AI will allot and issue, additional new equity shares of AI ("**Subscription AI Shares**") free and clear of all encumbrances, together with all rights and benefits attaching thereto at a price of INR 5.56 per equity share for a cash consideration of an amount in INR 20,585 million (equivalent to approximately US$250 million[1] and approximately S$360 million[2]), to be paid by SIA as part of the Merger Scheme, subject to such adjustment as may be mutually agreed between SIA and TATA Sons prior to the filing of the Merger Scheme,

such that on completion of the Merger Scheme, SIA will hold an aggregate equity interest in AI, representing approximately 25.1% of the enlarged equity capital of AI and TATA Sons will hold at least 51% of the enlarged equity capital of AI. A shareholders' agreement has also been entered into between TATA Sons, SIA and AI to regulate the shareholder relationship in the enlarged AI post-completion of the Merger Scheme.

2.2 **Merger Consideration.** For SIA, the consideration for the Proposed Merger comprises its 49% interest in Vistara and an amount in cash being the INR 20,585 million (equivalent to approximately US$250 million[1] and approximately S$360 million[2]) (the "**Cash Component**"), in exchange for a 25.1% equity interest in the enlarged AI. SIA's 49% interest in Vistara will exchange into approximately 20.6% of the enlarged AI pre-money as set out in paragraph 2.1(iii) above (or approximately 19.4% post-money as set out in paragraph 2.1(iv) above). The Subscription AI Shares to be allotted and issued to SIA in exchange for the Cash Component pursuant to the Proposed Merger represents an approximately 5.7% equity interest in the

[1] Based on an exchange rate of INR1.00: US$0.01224.
[2] Based on an exchange rate of INR1.00: S$0.0175.

enlarged AI post-money, and will result in SIA holding a total equity interest in the enlarged AI on completion of the Merger Scheme of 25.1%.

The consideration payable pursuant to the Proposed Merger by SIA is a negotiated outcome between TATA Sons, SIA and AI, taking into account various factors, including, *inter alia*, the strategic rationale for the Proposed Merger, the relative valuations and the net asset value of the entities involved in the Proposed Merger (i.e. the AI Group and Vistara), capital invested to-date in the entities involved by TATA Sons (in respect of AI, AIX, AAI and Vistara) and SIA (in respect of Vistara), the precedent transactions in the aviation industry (including TATA Sons' acquisition of AI, AIX and AAI which was completed in early 2022), as well as an assessment of the present and future financial and operating conditions of the enlarged AI.

2.3 **Funding.** SIA will fund the Cash Component by way of the SIA Group's internal cash resources and will be paid in a single tranche to AI at the Completion of the Proposed Merger as part of the Merger Scheme.

2.4 **Conditions.** Completion of the Proposed Merger (and the Merger Scheme) will be subject to and conditional upon the satisfaction and/or waiver of the following conditions precedent:

(i) approvals from various Indian regulatory authorities, including *inter alia*, the Directorate General of Civil Aviation, the Ministry of Civil Aviation and the Reserve Bank of India, if and when required;

(ii) anti-trust and merger control clearances and approvals in India (the Competition Commission of India), Singapore (the Competition and Consumer Commission of Singapore) and other relevant jurisdictions;

(iii) compliance by the parties with the relevant provisions of the Indian Companies Act and other applicable Indian laws and pursuant to the Merger Scheme and Indian foreign exchange regulations on the fair market value of the shares;

(iv) the sanction of the Merger Scheme by the National Company Law Tribunal having jurisdiction over the Merger Scheme; and

(v) the redemption or conversion of certain outstanding liabilities owed by AAI to TATA Sons (and/or its affiliates) on or prior to the filing of the Merger Scheme.

Pursuant to the terms of the Implementation Agreement, the parties have agreed that in the event that the conditions are not fulfilled, satisfied and/or waived (as the case may be) and completion of the Proposed Merger (and the Merger Scheme) does not occur by 31 October 2024, then unless otherwise agreed in writing between TATA Sons and SIA, the Implementation Agreement will terminate, and the Proposed Merger will not proceed.

2.5 **Additional Capital Injection.** In addition, SIA and TATA Sons have agreed on additional capital injections into AI in the financial year ending 31 March 2023 ("**FY2022/2023**") and the financial year ending 31 March 2024 ("**FY2023/2024**") on a pro-rata basis to fund the growth and operations of the enlarged AI Group. Prior to completion of the Proposed Merger, TATA Sons will provide such funding, if required, through the subscription of convertible securities to be issued by AI. Post-completion of the Proposed Merger, SIA, TATA Sons and AI have agreed that SIA will contribute its share of any funding previously provided by TATA Sons prior to the completion of the Proposed Merger, together with relevant funding costs, through subscription by SIA of additional new fully-paid equity shares of AI to be allotted and issued by the enlarged AI ("**Additional Capital Injection**"). TATA Sons will simultaneously redeem or convert its previously issued convertible securities, such that SIA maintains a 25.1% interest in the enlarged AI post-completion of the Additional Capital Injection and any conversion or redemption of convertible securities held by TATA Sons.

As agreed between SIA and TATA Sons and based on SIA's 25.1% interest in the enlarged AI post-completion of the Proposed Merger, the Additional Capital Injection by SIA post-merger completion into the enlarged AI for FY2022/2023 and FY2023/2024 would be **up to** a total of INR 50,200 million (equivalent to approximately US$615 million[3] and S$880 million[4]), with the actual amount depending on various factors, including the progress of the business plans of the enlarged AI, and its access to other funding options. SIA intends to fund the cash amount for the Additional Capital Injection by way of the SIA Group's internal cash resources. For the avoidance of doubt, any Additional Capital Injection by SIA will only occur post-completion of the Proposed Merger and SIA will not be required to fund any Additional Capital Injection should the Proposed Merger be terminated or not be completed in accordance with the terms of the Implementation Agreement.

3. INFORMATION ON VISTARA AND ENLARGED AI

3.1 **Vistara.** Vistara is a joint venture between TATA Sons and SIA established in 2013, with TATA Sons holding 51% of the issued share capital of Vistara, and SIA holding the balance 49%. Vistara is a full service carrier based in India.

Based on the audited consolidated financial statements of the SIA Group for the financial year ended 31 March 2022 ("**FY2021/2022**") and the unaudited consolidated financial statements of the SIA Group for the six months ended 30 September 2022 ("**1H FY2022/2023**"), the net asset value ("**NAV**") attributable to SIA's 49% interest in Vistara ("**SIA Vistara Interest**") was S$110 million as at 31 March 2022 and zero as at 30 September 2022 respectively, and the net loss[5] attributable to the SIA Vistara Interest for FY2021/2022 was approximately S$178 million and for 1H FY2022/2023 was approximately S$109 million. SIA would recognise a non-cash accounting gain of (i) approximately S$1,087 million, assuming the disposal of the SIA Vistara Interest pursuant to the Proposed Merger had been completed on 1 April 2021 and (ii) approximately S$1,112 million assuming the disposal of the SIA Vistara Interest pursuant to the Proposed Merger has been completed on 1 April 2022, in each case due to SIA's equity accounting for its proportionate share of Vistara's losses since 2013 (the "**Non-Cash Accounting Gain**").

3.2 **Enlarged AI and Pro Forma Financial Information.** AI operates the full-service carrier Air India, which is the parent company of AIX and following the completion of a restructuring exercise, now owns 100% of AAI.

Based on the audited financial statements of each of AI, AIX, and AAI for FY2021/2022 and the unaudited financial statements of each of AI, AIX, AAI for 1H FY2022/2023 and the unaudited financial statements of Vistara for FY2021/2022 and 1H FY2022/2023:

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[3] Based on an exchange rate of INR1.00 : US$0.01224.
[4] Based on an exchange rate of INR1.00 : S$0.0175.
[5] Net loss means loss including discontinued operations that have not been disposed and before income tax and non-controlling interests.

(i) the net asset value and net tangible asset value of the enlarged AI post-completion of the Proposed Merger on a pro forma basis (a) as at 31 March 2022 would be S$2,376 million and S$2,369 million respectively and (b) as at 30 September 2022 would be S$1,355 million and S$1,351 million respectively; and

(ii) the net loss of the enlarged AI post-completion of the Proposed Merger on a pro forma basis (but not accounting for any synergies between the entities post-merger) would be S$2,422 million for FY2021/2022 and would be S$1,020 million for 1H FY2022/2023.

4. RATIONALE FOR THE PROPOSED MERGER

4.1 **Opportunity to Strengthen SIA's Position in Fast-Growing Indian Aviation Market.** The Proposed Merger will allow SIA continued access to the fast-growing Indian aviation market, which has strong domestic and international traffic flows and is expected to more than double over the next 10 years[6]. SIA would be able to strengthen its position in the Indian market by becoming a key strategic shareholder in AI. India is currently the third largest aviation market globally and was the fastest growing large aviation market prior to the COVID-19 pandemic[7]. The market remains underserved with low international seats per capita[8], indicating significant growth potential. As the global economy recovers from COVID-19, business and leisure travel in and out of India is expected to grow strongly, supported by an expanding Indian economy, rising income levels, and rising demand for air travel. The aviation sector is also further bolstered by plans for additional aviation infrastructure in the medium-to-long term.

4.2 **Acquisition of a Significant Interest in an Enlarged Air India with a Stronger Market Foothold and Financial Backing.** The merger of AI and Vistara will create an enlarged entity that will be the only airline group in India that will have both a full service carrier and a low cost carrier (through the 100% holding in AIX and AAI), making it unique in its ability to capture demand across all market segments in the Indian aviation market. Together, the AI Group and Vistara hold 23%[9] of the domestic passenger traffic share and 23%[10] of the international passenger traffic to and from India based on the latest available information, making it the second largest domestic carrier and largest international carrier in India. With the Proposed Merger, the enlarged AI will therefore be able to achieve scale synergies, seamless connectivity on domestic and international routes, as well as optimisation of its route network and resource utilisation, enabling it to offer more choices and better connectivity for consumers, while creating a champion that can compete effectively internationally. It will be able to tap on a larger consumer base and offer a larger network to strengthen its loyalty programme.

As of September 2022, the entities forming the enlarged AI would have a fleet of 218 aircraft, serving a combined total of 38 international destinations and 52 domestic destinations[11].

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6 Source: Boeing - News Release. (April 7, 2021). Retrieved 26 October 2022, from https://www.boeing.co.in/news-and-mdia-room/news-releases/2021/april/india-air-travel-expected-to-double-in-next-decade.page?

7 Source: CAPA. Note: Based on annual seat capacity from FY2015/2016 to FY2019/2020.

8 Source: CAPA; OAG; World Bank. Note: Based on seats per capita for FY2020. The 20 largest international aviation markets were based on the annual seat capacity of international flights in FY2020.

9 Source: DGCA India website: Data based on the period from April to September 2022.

10 Source: DGCA India website: Data based on the period from April to June 2022 (data not available for July to September 2022 currently).

11 Source: Diio MI: Based on September 2022 unique destinations count (e.g. Air India and Vistara operate to London but London is counted as one unique destination for the enlarged AI.

As at September 2022	Vistara	AI Group	Enlarged AI (with Vistara)
Fleet	53	165	218
Domestic Destinations	31	51	52
International Destinations	10	38	38
Domestic Passenger Traffic Share[12]	9%	14%	23%
International Passenger Traffic Share[13]	2%	21%	23%

The enlarged AI will also have the backing of two well-established shareholders, namely SIA and the TATA Group. The SIA Group is one of the leading airlines operators in the world, with more than 75 years of experience. Singapore Airlines has consistently been ranked among the leading carriers in the world by independent news publications and industry organisations[14]. The TATA Group is one of the largest conglomerates in India and the Asia Pacific. It has a history of more than 150 years and a portfolio of industry-leading companies with significant global footprint. The TATA Group has a combined group revenue of US$128 billion (in FY2021/2022), and its portfolio of listed companies have a combined market capitalisation of US$311 billion (as at 31 March 2022).

4.3 **Securing SIA's Investment in the Indian Aviation Market.** The multi-hub strategy has been a core strategy for SIA to gain access to growth markets which complement its Singapore hub. Vistara forms an integral part of the SIA Group's multi-hub strategy, enabling SIA to establish a stake in the Indian aviation market. Since the establishment of the joint venture in 2013, Vistara has grown into an airline that is recognised for its service excellence in the Indian market and has won multiple international awards.

However, Vistara has been loss-making and it needs to scale up in order to achieve cost and network efficiency to reach profitability. Vistara faces challenges in scaling up amid strong competition in the Indian aviation market, especially from larger incumbent Indian airline companies, which have established strong footholds in terms of securing air traffic rights and aircraft slots in many of the flight networks throughout as well as in and out of India over the years. Accordingly, the proposed consolidation of Vistara into the enlarged AI would enable the SIA Group to immediately gain exposure to an entity that is four to five times larger in scale compared to Vistara (through this investment in the enlarged AI), which has access to valuable slots and air traffic rights at key domestic and international airports that are currently not available to Vistara, and therefore strengthen its market presence. With Vistara widely recognised as India's leading full-service carrier, Air India will benefit from its operational capabilities, customer base, and a strong focus on customer service and product excellence.

5. PRO FORMA FINANCIAL EFFECTS

5.1 **Bases and Assumptions.** The pro forma financial effects of the Proposed Merger set out below are purely for illustrative purposes only, are theoretical in nature and are therefore not

12 Source: DGCA India website: Data based on the period from April to September 2022.

13 Source: DGCA India website: Data based on the period from April to June 2022 (data not available for July to September 2022 currently).

14 2007 to 2022.

necessarily indicative of the future financial position and earnings of the SIA Group following the Proposed Merger. These pro forma financial effects have been prepared based on the following bases and assumptions:

(i) in relation to the illustration of the pro forma financial effects on the net tangible assets ("**NTA**") and NAV, and the gearing of the SIA Group, the Proposed Merger had been effected on 31 March 2022, being the end of the most recently completed financial year (FY2021/2022) and 30 September 2022, being the end of the most recently completed first half of FY2022/2023 of the SIA Group;

(ii) in relation to the illustration of the pro forma financial effects on the net profit of the SIA Group, the Proposed Merger had been effected on 1 April 2021, being the beginning of the most recently completed financial year (FY2021/2022) and 1 April 2022, being the beginning of the most recently completed first-half of FY2022/2023 of the SIA Group; and

(iii) the pro forma financial effects take into account the Non-Cash Accounting Gain.

5.2 **NTA and NAV.** For illustrative purposes only, assuming that the Proposed Merger had been completed on 31 March 2022 and 30 September 2022, the pro forma financial effects on the NTA and NAV of the SIA Group are as follows:

(i) **31 March 2022**

	Before the Proposed Merger	**After the Proposed Merger**
Net assets (S$ million)	22,412	23,522
Less : intangible assets (S$ million)	(303)	(303)
NTA (S$ million)	22,109	23,219
Number of SIA shares (excluding treasury shares) as at 31 March 2022 (million)	2,967.5	2,967.5
NTA per SIA share (S$)	7.45	7.82
NAV per SIA share (S$)	7.55	7.93

(ii) **30 September 2022**

	Before the Proposed Merger	**After the Proposed Merger**
Net assets (S$ million)	23,187	24,407

	Before the Proposed Merger	After the Proposed Merger
Less : intangible assets (S$ million)	(309)	(309)
NTA (S$ million)	22,878	24,098
Number of SIA shares (excluding treasury shares) as at 30 September 2022 (million)	2,970.6	2,970.6
NTA per SIA share (S$)	7.70	8.11
NAV per SIA share (S$)	7.81	8.22

5.3 **Net Profit.** For illustrative purposes only, assuming that the Proposed Merger had been completed on 1 April 2021 and 1 April 2022, the pro forma financial effects on the earnings / (loss) per share of the SIA Group for FY2021/2022 and 1H FY2022/2023 respectively are as follows:

(i) **FY2021/2022**

	Before the Proposed Merger	After the Proposed Merger
Loss attributable to the owners of SIA (S$ million)	(962)	(305)
Weighted average no. of SIA shares for FY2021/2022 (million)[15]	5,945.0	5,945.0
Basic loss per SIA share (S$ cents)	(16.2)	(5.1)

(ii) **1H FY2022/2023**

	Before the Proposed Merger	After the Proposed Merger
Profit attributable to the owners of SIA (S$ million)	927	1,891

[15] The average weighted number of ordinary shares in issue (except treasury shares), assuming the conversion of all mandatory convertible bonds (had it been completed on 24 June 2021) as per IAS 33.

	Before the Proposed Merger	After the Proposed Merger
Weighted average no. of SIA shares for 1H FY2022/2023 (million)[16]	6,447.3	6,447.3
Basic earnings per SIA share (S$ cents)	14.4	29.3

5.4 **Gearing.** For illustrative purposes only, assuming that the Proposed Merger had been completed on 31 March 2022 and 30 September 2022, the pro forma financial effects on the net gearing ratio of the SIA Group for FY2021/2022 and 1H FY2022/2023 are as follows:

(i) **31 March 2022**

	Before the Proposed Merger	After the Proposed Merger
Total debt (S$ million)	15,695	15,695
Total equity (S$ million)	22,412	23,522
Gearing ratio (times)	0.70	0.67

(ii) **30 September 2022**

	Before the Proposed Merger	After the Proposed Merger
Total debt (S$ million)	15,777	15,777
Total equity (S$ million)	23,187	24,407
Gearing ratio (times)	0.68	0.65

5.5 **Share Capital.** The Proposed Merger will not have any impact on the issued share capital of SIA.

16 The average weighted number of ordinary shares in issue (except treasury shares), assuming the conversion of all mandatory convertible bonds (had it been completed on 24 June 2021) as per IAS 33.

6. TRANSACTION IS IN THE ORDINARY COURSE OF BUSINESS

The Board is of the view that the Proposed Merger is a transaction that is in, or in connection with, the SIA Group's ordinary course of business, notwithstanding that the enlarged AI is currently a loss-making entity, for the following reasons:

6.1 **The Business of the Enlarged AI is part of the SIA Group's existing principal business.** The SIA Group's principal activities consist of passenger and cargo air transportation. The multi-hub strategy has been a core strategy for the SIA Group to gain access to growth markets to complement its Singapore hub. Vistara was established as a joint venture between TATA Sons and SIA to carry out passenger and cargo air transportation in India, Since its establishment in 2013, SIA's investment in Vistara has formed and continues to form an integral part of this strategy, by enabling SIA to establish a stake in the Indian aviation market. The enlarged AI will continue to operate both full-service and low-cost passenger services across the different airlines, with both domestic flights within India and international flights with India as its main hub. SIA's proposed investment into the enlarged AI is therefore an acquisition of an interest in an asset with a core business which is part of, and complementary to the SIA Group's existing principal business of passenger and cargo air transportation. It is also a business based in the same jurisdiction with the same partner as the controlling shareholder.

6.2 **Proposed Merger Does Not Change the Risk Profile of the SIA Group.** The Proposed Merger does not change the risk profile of the SIA Group as:

(i) **No reduction in the SIA Group's NAV by 20% or more.** Based on the pro forma financial effects of the Proposed Merger on the SIA Group, the Proposed Merger would result in an increase in the NAV of the SIA Group by 5.3% assuming that the Proposed Merger had completed on 30 September 2022.

(ii) **No reduction in the SIA Group's net profit by 20%.** Based on the pro forma financial effects of the Proposed Merger on the SIA Group for 1H FY2022/2023, assuming that the Proposed Merger had been completed on 1 April 2022, and excluding the Non-Cash Accounting Gain of approximately S$1,112 million, the Proposed Merger would not result in a reduction in the SIA Group's net profit by more than 20%.

(iii) **Proposed Merger has similar relative risk when weighed against its alternatives.** In determining the impact of the Proposed Merger on the SIA Group's risk profile, the full context and background should be considered. SIA is of the view that the risks in proceeding with the Proposed Merger and investing in the enlarged AI is not more than the risks that would be faced by the SIA Group in remaining invested in Vistara only and not proceeding with the Proposed Merger, especially considering the competitive headwinds facing Vistara and a possible exit from the Indian aviation market (as further elaborated below).

As mentioned in SIA's rationale for the Proposed Merger, Vistara is currently and has been a loss-making entity, and it will need to significantly expand and increase its market share in the Indian aviation market to scale up to become cost effective and profitable. However, Vistara faces intense competition against larger incumbent Indian airline companies which have been longer established in the Indian aviation market and have stronger footholds in terms of securing air traffic rights and slots in many of the Indian domestic and international flight networks. There is no assurance that Vistara would be able to secure new and suitable air traffic rights and/or slots required for growth. Vistara's ability to grow and scale could therefore be hampered. It is anticipated that the path to expand Vistara organically would be met with multiple challenges in the industry and could potentially involve the incurrence of even higher costs and sustaining more years of losses before it can grow to a critical size and reach a profitable position.

In light of the intense competitive headwinds set out above, the proposed merger of Vistara with AI represents an opportunity for Vistara to expand. AI is the second largest domestic airline and the largest international airline group in India[17]. Critically, it also has access to valuable and coveted aircraft slots and air traffic rights at key domestic and international airports, as well as larger teams of pilots and cabin crew. These are currently not available to Vistara. The Proposed Merger would therefore enable the SIA Group to immediately gain exposure in an entity that is four to five times larger in scale compared to Vistara (through its investment in the enlarged AI) and strengthen its market presence.

Pursuant to the supplemental terms of the joint venture entered into between SIA and TATA in relation to Vistara, SIA has the option to put its interest in Vistara to TATA or agree to a merger of Vistara within two years of completion of TATA's acquisition of AI, in each case, on terms to be agreed at the time of exercise. Should SIA not exercise this option by the end of the two-year period, TATA has the option to acquire SIA's interest in Vistara on terms to be determined at the time of exercise. TATA, being 51% and majority shareholder of Vistara, has expressed desire to run a single platform for their airline business. The alternative to merging Vistara with AI is therefore for SIA to exit India, either through the exercise of its put option or for TATA to exercise their call option. This would substantially frustrate and undermine the SIA Group's market presence and operations in India and also negatively impact its pre-existing flight networks established through Vistara.

(iv) **Holistic risk assessment.** It must be emphasised that, while there is considerable uncertainty and challenges which limit Vistara's ability to organically expand, there is likewise no guarantee that the enlarged AI would succeed and be profitable due to inherent market risks and the industry's operating conditions. Nevertheless, upon a holistic risk assessment of the alternative options available, it is assessed that the Proposed Merger would be in the interests of the SIA Group, as it would allow the SIA Group to swap its investment in Vistara into an enlarged entity with a stronger market presence, to enable the enlarged entity to be competitive in the Indian aviation market.

(v) **Actual cash outlay for the SIA Group is minimal.** The Proposed Merger also presents an opportunity for the SIA Group to tap into a larger platform with stronger support and financial backing at minimal financial outlay. The financial exposure of the SIA Group for the Proposed Merger would effectively be the aggregate of (i) the value of its 49% interest in Vistara; and (ii) the cash consideration of INR 20,585 million (equivalent to approximately US$250 million[18] and approximately S$360 million[19]). It is noted that due to losses sustained since 2013, Vistara has zero carrying value in the

[17] Source: Diio Mi. Note: Based on domestic and international seat capacity for 1H FY 2022/2023.
[18] Based on an exchange rate of INR1.00 : US$0.01224.
[19] Based on an exchange rate of INR1.00 : S$0.0175.

SIA Group financial statements as at 30 September 2022. The financial outlay for the SIA Group under the Proposed Merger is therefore minimal when considered against the fact that it is acquiring a 25.1% interest in the enlarged AI with a net asset value of approximately US$948 million (equivalent to approximately S$1,355 million[20]) as at 30 September 2022 on a pro forma basis.

For completeness, as mentioned at paragraph 2.5 above, SIA and TATA Sons have agreed to the Additional Capital Injection, and if required, SIA's commitment for the Additional Capital Injection would be up to INR 50,200 million (which would be equivalent to approximately US$615 million and S$880 million[21]), with the actual amount dependent on various factors, including the progress of the business plans of the enlarged AI, and its access to other funding options. It is noted that even after including the full amount of this Additional Capital Injection, the combined amount with the Cash Component would not exceed 20% of the SIA Group's market capitalisation as at 30 September 2022 and the date of this Announcement.

(vi) **The Proposed Transaction will not have any significant impact on the gearing of the SIA Group.** Based on the pro forma financial effects of the Proposed Merger on the SIA Group for 1H FY2022/2023, the Proposed Merger would result in a decrease in the gearing ratio from 0.68 to 0.65.

(vii) **Not an expansion into a new jurisdiction that will expose the SIA Group to significant new risks.** The enlarged AI operates in the airline industry with India as its main hub, which is not a new jurisdiction to the SIA Group. SIA commenced operations into India in 1970 with its first service into Chennai (formerly known as Madras at that point in time). Since commencement, the scope of services has steadily expanded via an increase in frequencies as well as destinations served. As at December 2019, prior to the onset of the global pandemic as a business-as-usual reference point, the SIA Group (comprising Singapore Airlines, Scoot and SilkAir) served 13 cities in India with a combined frequency of 149 departures per week. Notably, the SIA Group has established a presence in India through its joint venture in Vistara for 9 years since 2013. The Proposed Merger, viewed as a whole, is simply an exchange of the SIA Group's stake in Vistara for a stake in an enlarged entity carrying on the same business in the same industry as Vistara. The Proposed Merger is therefore not an expansion into a new jurisdiction that will expose the SIA Group to any significant new risks.

7. FURTHER INFORMATION

7.1 **Directors and Substantial Shareholders' Interests.** None of the Directors or the substantial shareholders, other than their respective shareholding interests in SIA, have any interest in the Proposed Merger.

7.2 **Financial Adviser.** J.P. Morgan Securities Asia Private Limited is the financial adviser to SIA in relation to the Proposed Merger.

7.3 **Trade with Caution.** Shareholders are advised to exercise caution in trading their shares. The Proposed Merger is subject to the Conditions and there is no certainty or assurance as at the date of this Announcement that the Proposed Merger will be completed or that no changes will

[20] Based on an exchange rate of US$1.00 : S$1.43015.
[21] Based on an exchange rate of INR1.00 : S$0.0175.

be made to the terms thereof. SIA will make the necessary announcements when there are further developments.

BY ORDER OF THE BOARD

Brenton Wu
Company Secretary
Singapore, 29 November 2022