SINGAPORE AIRLINES LIMITED

(Incorporated in the Republic of Singapore)
(UEN/Company Registration No: 197200078R)

JOINT VENTURE
AMONGST SINGAPORE AIRLINES, SATS AND DFASS
ENTRY INTO DEFINITIVE DOCUMENTS

Singapore Airlines Limited ("**SIA**" or the "**Company**") refers to its announcements dated 8 March 2018 ("**8 March Announcement**") and 24 October 2018 ("**Update Announcement**") regarding the joint venture amongst SIA, SATS Ltd. ("**SATS**") and DFASS (Singapore) Pte. Ltd. ("**DFASS**") to engage in a travel retail business in Singapore, offering inflight and ground-based duty-free and duty-paid goods, as well as mail order and pre-order services (the "**Joint Venture**").

Definitive Documents

SIA wishes to announce that SIA, SATS and DFASS have today entered into a share subscription agreement (the "**SSA**") with KrisShop Pte. Ltd. (previously known as Singapore Airport Duty-Free Emporium (Private) Limited) (the "**JV Company**") pursuant to which SIA, SATS and DFASS have agreed to subscribe for, and the JV Company has agreed to allot and issue, ordinary shares in the share capital of the JV Company (the "**Subscription**").

SIA currently holds approximately 76% of the JV Company's issued share capital and SATS holds the remainder (which is approximately 24%). Pursuant to the SSA, SIA will subscribe for 2,340,008 ordinary shares ("**SIA Subscription Shares**"), SATS will subscribe for 1 ordinary share ("**SATS Subscription Share**") and DFASS will subscribe for 1,560,002 ordinary shares ("**DFASS Subscription Shares**"), in the JV Company. Following completion of the Subscription, SIA will hold approximately 70% of the issued share capital of the JV Company and SATS and DFASS will each hold approximately 15% of the issued share capital of the JV Company.

As part of the Joint Venture:

(i) the JV Company has today also entered into a business transfer agreement (the "**Business Transfer Agreement**") with DFASS SATS Pte. Ltd. ("**DSPL**"), which is owned in equal shares by DFASS and SATS Asia-Pacific Star Pte. Ltd. ("**APS**") (a wholly-owned subsidiary of SATS), to acquire DSPL's business ("**Business**") of providing services and merchandise to SIA, SilkAir (Singapore) Private Limited and Scoot Tigerair Pte. Ltd. ("**Scoot**") (collectively, the "**SIA Group**") as contemplated under certain concession agreements entered into between DSPL and each member of the SIA Group respectively (collectively, the "**Concession Agreements**") (the "**Business Transfer**"). As part of the Business Transfer, DSPL will novate the Concession Agreements to the JV Company which will be subject to certain amendments as agreed between the JV Company and SIA including setting out in the Concession Agreement between SIA and the JV Company the payment obligation of certain royalty fees to SIA

("**SIA Royalty Fees**") in respect of the provision, or procurement of the provision, of reasonable access to certain customer database(s) and customer touchpoints to the JV Company under the respective Concession Agreements;

(ii) the JV Company had been renamed "KrisShop Pte. Ltd." on 7 November 2018; and

(iii) on or around completion of the Subscription and the Business Transfer (which is targeted to occur on 30 November 2018, subject to conditions precedent being satisfied or waived), the parties will enter into definitive agreements relating to the Joint Venture, including the following:

(a) SIA, SATS, DFASS and the JV Company will enter into a shareholders' agreement (the "**SHA**"). It is contemplated under the SHA that the JV Company will pay certain annual earn-out payments to SATS and DFASS in consideration of SATS and DFASS providing certain commitments under the SHA to the JV Company (the earn-out payments payable to SATS, the "**SATS Annual EOP**", and the earn-out payments payable to DFASS, the "**DFASS Annual EOP**"). The respective amounts of the SATS Annual EOP and the DFASS Annual EOP payable in each year is dependent on the sales revenue of the JV Company for that year and the aggregate SATS Annual EOP are further subject to an aggregate cap of S$16,000,000 (which is subject to review by the parties from time to time ("**SATS Annual EOP Cap**")); and

(b) SATS and its subsidiaries, SATS Security Services Private Limited and APS, will each enter into separate agreements with the JV Company, for SATS or the relevant subsidiary to, *inter alia*, supply certain services to the JV Company and Scoot and licence certain premises to the JV Company (collectively, the "**SATS Services Agreements**").

Rationale

The rationale for the Joint Venture as disclosed in the 8 March Announcement remains unchanged.

Subscription Price and Purchase Price

The aggregate subscription price payable to the JV Company under the SSA by (i) SIA for the SIA Subscription Shares is S$24,897,685.12 (the "**SIA Subscription Price**"); (ii) SATS for the SATS Subscription Share is S$5,267,648.40 (the "**SATS Subscription Price**"); and (iii) DFASS for the DFASS Subscription Shares is S$5,475,607.02 (the "**DFASS Subscription Price**"). The aggregate subscription price will be satisfied wholly in cash and by way of promissory note.[1]

The purchase price payable by the JV Company to DSPL in respect of the Business Transfer is S$27,500,000, subject to any adjustments made after the completion of the Business Transfer (the "**Purchase Price**"). The Purchase Price will be satisfied wholly in cash and by way of promissory note.[2]

The SIA Subscription Price was arrived at after arm's length negotiations, on a willing-buyer and willing-seller basis and determined on the basis of and taking into account, *inter alia*, the capital required by the JV Company to complete the Business Transfer and to meet its operational requirements. The SIA Subscription Price will be funded through SIA's internal resources. The Purchase Price was also arrived at after arm's length negotiations, on a willing-

[1] DFASS will be issuing a promissory note for the sum equivalent to the DFASS Subscription Price to the JV Company ("**DFASS Note**").
[2] The JV Company will be transferring the DFASS Note to DSPL in satisfaction of such part of the Purchase Price equivalent to the DFASS Subscription Price and the balance of the Purchase Price will be paid in cash.

buyer and willing-seller basis and determined on the basis of and taking into account, *inter alia*, the value of the assets relating to the Business that will be transferred as part of the Business Transfer ("**Assets**"). The Purchase Price will be funded through the JV Company's internal resources, including the SIA Subscription Price, SATS Subscription Price and the DFASS Subscription Price received by the JV Company under the SSA.

Value of SIA Subscription Shares and the Assets

The value attributable to the SIA Subscription Shares is the SIA Subscription Price, being S$24,897,685.12. Based on the unaudited financial statements of DSPL for the quarter ended 30 September 2018, the book value and net tangible asset value attributable to the Assets is S$15,000,000.

Interested Person Transactions ("**IPT**")

As announced in the 8 March Announcement and Update Announcement, under the Listing Manual of the Singapore Exchange Securities Trading Limited (the "**Listing Manual**"), Temasek Holdings (Private) Limited ("**Temasek**") is deemed to be a "controlling shareholder" of each of SIA and SATS, given that Temasek holds, directly or indirectly, at least 15% of the total voting rights in each of SIA and SATS. Further, SATS, DSPL and the JV Company are each considered an "associate" (as defined in the Listing Manual) of Temasek, given that Temasek has a more than 30% interest in each of SATS, DSPL and the JV Company.

The Joint Venture is therefore an "interested person transaction" vis-à-vis SIA and the JV Company for the purposes of Chapter 9 of the Listing Manual. The aggregate value of the subscription by SIA for the SIA Subscription Shares, the subscription by SATS for the SATS Subscription Share, the Business Transfer and the SATS Annual EOP (based on the value of the SATS Annual EOP Cap) of S$73,665,333.52 is less than 3% of the SIA group's latest audited net tangible assets of S$14,251.2 million as at 31 March 2018, and the Joint Venture is on normal commercial terms. The other transactions in connection with the Joint Venture (including the SIA Royalty Fees and the SATS Services Agreements) are operational in nature and fall within SIA's existing mandate for interested person transactions, the renewal of which was approved by the shareholders at the Annual General Meeting of the Company held on 27 July 2018.

Rule 1006 of the Listing Manual

The SIA Subscription Price will be funded through internal resources and the relative figures for the Business Transfer computed according to the bases set out in Rule 1006 of the Listing Manual do not exceed 5%.

Financial Effects

The Joint Venture is not expected to have any material impact on the financial performance, net tangible assets per share and earnings per share of the Company for the current financial year.

Interest of Directors and Controlling Shareholders

Save as disclosed in this announcement, none of the directors or controlling shareholder of the Company has any interest, direct or indirect, in the Joint Venture, other than their shareholdings in the Company.

Documents Available for Inspection

A copy of the SSA and the Business Transfer Agreement will be made available for inspection during normal business hours at the Company's registered office at 25 Airline Road, Airline House, Singapore 819829 for a period of three months from the date of this announcement.

This announcement is being made pursuant to Rule 1008(2) of the Listing Manual.

BY ORDER OF THE BOARD

Brenton Wu
Company Secretary
23 November 2018
Singapore