

**SINGAPORE AIRLINES LIMITED**

(Incorporated in the Republic of Singapore)

Company Registration No. 197200078R

**SUB-UNDERWRITING AND ENTITLEMENT COMMITMENT LETTER RELATING TO  
THE VIRGIN AUSTRALIA HOLDINGS LIMITED ENTITLEMENT OFFER****1. INTRODUCTION**

Singapore Airlines Limited (the “**Company**”) refers to the announcement released by Virgin Australia Holdings Limited (“**Virgin Australia**”) dated 15 June 2016 in relation to a proposed pro-rata entitlement offer (the “**Virgin Australia Entitlement Offer**”).

The Company wishes to announce that it has today entered into a sub-underwriting and entitlement commitment letter (the “**SIA Commitment**”) with UBS AG, Australia Branch (“**UBS**” or the “**Lead Manager**”) in connection with the Virgin Australia Entitlement Offer. UBS is the lead manager and underwriter of the Virgin Australia Entitlement Offer.

**2. THE SIA COMMITMENT**

**2.1 Present Shareholding in Virgin Australia.** As at the date of this Announcement, the Company holds 815,221,791 ordinary shares in the capital of Virgin Australia (the “**Existing SIA Shares**”), representing approximately 23.11 per cent. of the issued ordinary shares in the capital of Virgin Australia<sup>1</sup> (the “**Virgin Australia Shares**”).

**2.2 Virgin Australia Entitlement Offer.** Pursuant to the Virgin Australia Entitlement Offer, Virgin Australia proposes to issue new Virgin Australia Shares (the “**Virgin Australia Offer Shares**”) of approximately A\$852 million (Australian Dollars) at an issue price of A\$0.21 for each Virgin Australia Offer Share, on the basis of one Virgin Australia Offer Share for each Virgin Australia Share held by shareholders of Virgin Australia (“**Virgin Australia Shareholders**”) on the record date for the Virgin Australia Entitlement Offer (the “**Record Date**”).

**2.3 SIA Commitment.** Pursuant to the terms of the SIA Commitment, the Company has, *inter alia*:

**2.3.1** undertaken to the Lead Manager that, in accordance with the terms and conditions of the Virgin Australia Entitlement Offer, the Company will apply and pay in full for such number of Virgin Australia Offer Shares representing the Company's pro-rata entitlement under the Virgin Australia Entitlement Offer in relation to the Existing SIA Shares (the “**SIA Pro-Rata Offer Shares**”); and

**2.3.2** agreed with the Lead Manager that, in the event the Virgin Australia Entitlement Offer is not fully applied for by the other shareholders of Virgin Australia, the Company will, in accordance with the terms of the SIA Commitment, apply and pay in full for up to such number of excess Virgin Australia Offer Shares which are not validly applied for by other Virgin Australia Shareholders, provided that the Company's resultant shareholding in Virgin Australia following the completion of the Virgin Australia Entitlement Offer will not exceed 25.9 per cent. of the enlarged issued ordinary share capital of Virgin Australia. In such event, the maximum number of excess Virgin

<sup>1</sup> Based on 3,527,936,096 Virgin Australia Shares in issue as at the date of this Announcement (excluding treasury shares).

Australia Offer Shares that the Company will apply and pay for in accordance with the terms and conditions of the Virgin Australia Entitlement Offer is 471,147,950 Virgin Australia Offer Shares.

- 2.4 Conditions.** The obligations of the Company to apply for the Virgin Australia Offer Shares pursuant to the SIA Commitment are subject to certain conditions to be satisfied, including the prior completion of the A\$159 million placement of new Virgin Australia Shares (the “**HNA Placement**”) by Virgin Australia to Hainan HNA Innovation Ventures Co., Ltd (“**HNA**”) on or prior to the Record Date, on the terms agreed between HNA and Virgin Australia.

- 2.5 Resultant Shareholding in Virgin Australia.** Assuming that:

- 2.5.1** the HNA Placement is completed on or prior to the Record Date;
- 2.5.2** all the Virgin Australia Offer Shares are issued;
- 2.5.3** the Company applies for the SIA Pro-Rata Offer Shares; and
- 2.5.4** the Virgin Australia Offer Shares under the Virgin Australia Entitlement Offer are not fully applied for by the other Virgin Australia Shareholders, and the Company is required in accordance with the SIA Commitment to fulfil its commitment to apply for excess Virgin Australia Offer Shares not applied for by the other Virgin Australia Shareholders,

the Company will hold an aggregate of up to 2,101,591,532 Virgin Australia Shares, representing up to 25.9 per cent. of the enlarged issued ordinary share capital of Virgin Australia immediately following the Virgin Australia Entitlement Offer.

- 2.6 Further Information.** Further details on the Virgin Australia Entitlement Offer can be found in the announcement released by Virgin Australia on 15 June 2016 in connection with the Virgin Australia Entitlement Offer. A copy of the announcement is available on the website of the ASX at [www.asx.com.au](http://www.asx.com.au).

### **3. RATIONALE**

The SIA Commitment will enable the Company to remain as a substantial shareholder of Virgin Australia, and is in line with the Company's intention to ensure that its stake in Virgin Australia is not significantly diluted as a result of the HNA Placement and the Virgin Australia Entitlement Offer. The Company is confident of the long-term prospects of Virgin Australia and is committed to supporting its long-term growth.

### **4. CONSIDERATION**

Based on the assumptions set out in paragraphs 2.5.1 to 2.5.4 above, the maximum aggregate consideration payable by the Company, which will be satisfied by internal sources of funds, is approximately S\$271.1 million.<sup>2</sup>

### **5. VALUATION**

As at the date of this Announcement, the last traded price of Virgin Australia Shares was A\$0.295 on 14 June 2016.

Based on the consolidated net tangible assets of Virgin Australia and its subsidiaries as at 31 December 2015, being the end of the most recently completed financial half year of Virgin

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<sup>2</sup> Using an exchange rate of 1 Australian Dollar (A\$) to 1.00339 Singapore Dollars (S\$).

Australia, the consolidated net tangible asset value attributable to each Virgin Australia Share is A\$0.12.

## **6. FINANCIAL EFFECTS**

Based on the assumptions set out in paragraphs 2.5.1 to 2.5.4 above, the Company's shareholding interest in Virgin Australia will be no more than 25.9 per cent. of the enlarged issued ordinary share capital of Virgin Australia immediately following the Virgin Australia Entitlement Offer.

Based on the above assumptions and the audited consolidated financial statements of the Company and its subsidiaries (the "**Group**") for the year ended 31 March 2016:

- (i) assuming that the Virgin Australia Entitlement Offer was completed on 1 April 2015, the financial impact on the Group's earnings per share would not be material; and
- (ii) assuming that the Virgin Australia Entitlement Offer was completed on 31 March 2016, the financial impact on the Group's net tangible assets per share would not be material.

## **7. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS IN THE SIA COMMITMENT**

Save as disclosed above in this Announcement, none of the Directors or controlling shareholders of the Company have any interest, direct or indirect, in the SIA Commitment, other than through their shareholdings in the Company.

BY ORDER OF THE BOARD

Brenton Wu  
Company Secretary  
15 June 2016  
Singapore