

**SINGAPORE AIRLINES LIMITED**

(Incorporated in the Republic of Singapore)

Company Registration No. 197200078R

**PROPOSED FULL SUBSCRIPTION RELATING TO THE TIGER AIRWAYS HOLDINGS
LIMITED RENOUNCEABLE NON-UNDERWRITTEN RIGHTS ISSUE****1. INTRODUCTION**

Singapore Airlines Limited ("**SIA**" or the "**Company**") refers to:

- (i) the announcement dated 17 October 2014 made by Tiger Airways Holdings Limited ("**Tiger Airways**") in relation to its proposed renounceable non-underwritten rights issue (the "**Tiger Airways Rights Issue**"); and
- (ii) the announcement dated 17 October 2014 made by the Company (the "**SIA Announcement**") in relation to an irrevocable undertaking (the "**SIA Undertaking**") entered into by the Company in connection with the Tiger Airways Rights Issue.

Capitalised terms not defined herein shall have the meanings ascribed to them in the SIA Announcement.

Further to the SIA Announcement, the Company wishes to announce that the board of directors of the Company has decided that over and above the Pro-rata Subscription and the Excess Rights Commitment, the Company will subscribe for all excess Tiger Airways Rights Shares which are not validly subscribed for by the other Tiger Airways Shareholders (the "**Full Excess Rights Subscription**", together with the Pro-rata Subscription and the Excess Rights Commitment, the "**Proposed Full Subscription**"). The aggregate amount payable by the Company pursuant to the Proposed Full Subscription will not exceed the maximum Tiger Airways Rights Issue issue size, being approximately S\$229.4 million (the "**Maximum Issue Size**").

2. SHAREHOLDING PERCENTAGE IN TIGER AIRWAYS

- 2.1 Current Shareholding Percentage.** As at the date of this Announcement and following the conversion of all the Relevant SIA PCCS on 5 December 2014 based on the adjusted conversion price of the PCCS of S\$0.565¹ and pursuant to the SIA Undertaking, the Company holds 753,219,482 Tiger Airways Shares, representing approximately 55.8 per cent. of the issued ordinary shares in the capital of Tiger Airways.

¹ As a result of the Tiger Airways Rights Issue, the conversion price of the PCCS was adjusted to S\$0.565 from S\$0.740 in accordance with the terms and conditions of the PCCS with effect from the date that the Tiger Airways Shares first trade ex-rights.

2.2 Resultant Maximum Shareholding Percentage. Assuming that:

- (i) the Company subscribes in full for the Proposed Full Subscription; and
- (ii) no other Tiger Airways Shareholder subscribes for any Tiger Airways Rights Shares pursuant to the Rights Issue,

the Company will hold an aggregate of 1,900,331,487 Tiger Airways Shares, representing approximately 76.1 per cent. of the enlarged share capital of Tiger Airways immediately following the Tiger Airways Rights Issue². The aforementioned 76.1 per cent. also represents that maximum shareholding percentage interest in Tiger Airways the Company will hold following the Proposed Full Subscription and completion of the Tiger Airways Rights Issue.

3. RATIONALE

The Proposed Full Subscription is in line with the Company's support of Tiger Airways. The Company's portfolio approach ensures that all segments of the airline business are well covered, through both full-service and low-cost operations. As a regional low-cost airline, Tiger Airways is an important part of the Company's portfolio given that it complements the operations of Scoot, which operates widebody aircraft on medium-haul routes. The Company is therefore committed to the long-term growth of Tiger Airways.

4. REVISED FINANCIAL EFFECTS

The revised pro forma financial effects of the Proposed Full Subscription on the earnings, net tangible assets ("**NTA**"), gearing and working capital of the SIA group are set out below.

4.1 Bases and Assumptions. The following pro forma financial effects of the Proposed Full Subscription on the SIA group have been computed based on the audited consolidated financial statements of SIA and Tiger Airways for the financial year ended 31 March 2014 ("**FY2014**") and are theoretical in nature and are therefore not necessarily indicative of the future financial position and earnings of the SIA group following the Proposed Full Subscription. The revised pro forma financial effects have also been prepared based on the following bases and assumptions:

- 4.1.1** in addition to the fulfilment of the Pro-rata Subscription and Excess Rights Commitment pursuant to the SIA Undertaking, SIA subscribes for the Full Excess Rights Subscription;
- 4.1.2** SIA accounts for 52.1 per cent. of its share of results of Tiger Airways in its books of account before the Proposed Full Subscription and:

² On the basis that the enlarged share capital of Tiger Airways comprises 2,496,644,676 ordinary shares, assuming that 1,147,112,005 Tiger Airways Rights Shares are issued pursuant to the Tiger Airways Rights Issue, no exercisable vested options and performance shares are exercised and granted, respectively and no outstanding PCCS are converted into Tiger Airways Shares.

- (i) in respect of the earnings of the SIA group, assuming that the Proposed Full Subscription had been completed on 1 April 2013, being the beginning of FY2014, SIA would account for up to 75.4 per cent. of its share of results of Tiger Airways in its books of account, assuming the Tiger Airways Shareholders other than SIA do not subscribe for or pay in full for any Tiger Airways Rights Shares at all and the Maximum Issue Size is raised; and
- (ii) in respect of the NTA, gearing and working capital of the SIA group, assuming that the Proposed Full Subscription had completed on 31 March 2014, being the end of FY2014, SIA would equity account for up to 76.3 per cent. of its share of results of Tiger Airways in its books of account, assuming the Tiger Airways Shareholders other than SIA do not subscribe for or pay in full for any Tiger Airways Rights Shares at all and the Maximum Issue Size is raised;³ and

4.1.3 a remeasurement gain would be recorded in SIA's profit and loss statement as a result of the remeasurement of the previously held equity interest in Tiger Airways to its fair value pursuant to Financial Reporting Standards ("FRS") 103 Business Combinations.

4.2 Earnings. For illustrative purposes only and assuming that the Proposed Full Subscription had been completed on 1 April 2013, being the beginning of FY2014, the revised pro forma financial effects on the earnings of the SIA group are as follows:

	Before the Proposed Full Subscription	After the Proposed Full Subscription
Profit after tax and minority interests (S\$ million)	359.5	419.8 ⁴

³ The variation in SIA's share of results of Tiger Airways is substantially due to the acquisition of additional interest in Tiger Airways by SIA during the course of FY2014. The variation in the percentage of the results SIA would account for earnings, on the one hand, and NTA, gearing and working capital, on the other hand, is due to the profit and loss related assumptions being based on an unadjusted conversion price of S\$0.74 for the PCCS and the balance sheet related assumptions being based on an adjusted conversion price of S\$0.565 for the PCCS. The difference in conversion prices used between earnings, on the one hand, and NTA, gearing and working capital, on the other hand, is due to the fact that the earnings are calculated assuming the Proposed Full Subscription had taken place on 1 April 2013 and NTA, gearing and working capital are calculated assuming the Proposed Full Subscription had taken place on 31 March 2014, as required under Chapter 10 of the Listing Manual of the SGX-ST.

⁴ Includes remeasurement gain of S\$109.7 million.

	Before the Proposed Full Subscription	After the Proposed Full Subscription
Earnings per SIA share – Basic (cents)	30.6	35.7
Earnings per SIA share – Diluted (cents)	30.3	35.4

- 4.3 NTA.** For illustrative purposes only and assuming that the Proposed Full Subscription had been completed on 31 March 2014, being the end of FY2014, the revised pro forma financial effects on the NTA of the SIA group are as follows:

	Before the Proposed Full Subscription	After the Proposed Full Subscription
Net Assets (S\$ million)	13,237.2	13,369.8
Less: Intangibles (S\$ million)	(223.4)	(223.6)
NTA (S\$ million)	13,013.8	13,146.2
Number of ordinary shares of SIA	1,176,066,219	1,176,066,219
NTA per SIA share (S\$)	11.07	11.18

- 4.4 Gearing.** For illustrative purposes only and assuming that the Proposed Full Subscription had been completed on 31 March 2014, being the end of FY2014, the revised pro forma financial effects on the net gearing of the SIA group are as follows:

	Before the Proposed Full Subscription	After the Proposed Full Subscription
Total debt (including present value of operating leases) (S\$ million)	4,257.2	5,502.0
Cash and cash equivalents (S\$ million)	4,883.9	5,055.5
Shareholders' funds (S\$ million)	13,237.2	13,369.8
Gross gearing (times)⁵	0.32	0.41
Net gearing (times)⁶	(0.05)	0.03

- 4.5 Working Capital.** For illustrative purposes only and assuming that the Proposed Full Subscription had been completed on 31 March 2014, being the end of FY2014, the revised pro forma financial effects on the working capital (net current assets) of the SIA group are as follows:

(S\$ million)		
	Before the Proposed Full Subscription	After the Proposed Full Subscription
Current assets	7,310.7	7,620.1
Current liabilities	5,391.4	5,715.2
Net current assets	1,919.3	1,904.9

⁵ Gross gearing means using total debt divided by shareholders' funds.

⁶ Net gearing means using total debt less cash and cash equivalents, and divided by shareholders' funds.

5. CONSIDERATION

Assuming that the Company subscribes in full for the Proposed Full Subscription and no other Tiger Airways Shareholder subscribes for any Tiger Airways Rights Shares pursuant to the Tiger Airways Rights Issue, the aggregate consideration payable by the Company, which will be satisfied by internal sources of funds, is approximately S\$229.4 million on the basis of S\$0.20 for each Tiger Airways Rights Share.

6. DISCLOSEABLE TRANSACTION

6.1 Rule 1006 Relative Figures. The relative figures computed on the bases set out in Rule 1006 of the Listing Manual in respect of the Proposed Full Subscription (which includes the PCCS Conversion, the Pro-rata Subscription, the Excess Rights Commitment and the Full Excess Rights Subscription) are as follows:

Rule 1006	Bases	Proposed Full Subscription (S\$ million)	SIA group (S\$ million)	Relative Figures (%)
(b)	Net profits/(losses) attributable to the Tiger Airways Rights Shares to be acquired, compared with the SIA group's net profits for the six months ended 30 September 2014 ("1H2015") ⁽¹⁾ :	(125.3) ⁽²⁾	156.6	(80.0)
(c)	Consideration payable for the Proposed Full Subscription ⁽³⁾ compared with the SIA group's market capitalisation ⁽⁴⁾	229.4	13,614.8	1.7

Notes:

- (1) The net profits or losses before tax, minority interests and exceptional items attributable to the Tiger Airways Rights Shares to be acquired for 1H2015 have been compared with the SIA group's net profits before tax, minority interests and exceptional items for 1H2015 based on the unaudited consolidated financial statements of Tiger Airways and SIA for 1H2015.
- (2) This represents the additional share of Tiger Airways' loss that SIA would be required to account in its books of account assuming that the transaction had taken place at the beginning of 1H2015, which is equivalent to the difference between:
 - (i) S\$254.2 million, being the net loss before tax, minority interests and exceptional items of Tiger Airways for 1H2015 based on the unaudited consolidated financial statements of Tiger Airways for 1H2015; and
 - (ii) S\$128.9 million, being the share of Tiger Airways' loss for 1H2015 that SIA equity accounts in its books of account prior to the Proposed Full Subscription.
- (3) Based on the proposed terms of the Tiger Airways Rights Issue, the maximum consideration payable by SIA for the Proposed Full Subscription is approximately S\$229.4 million.

- (4) The SIA group's market capitalisation is based upon 1,168,224,883 SIA shares in issue as at 26 December 2014, excluding treasury shares, being the last market day on which SIA shares were traded prior to the date of this Announcement, at a volume weighted average price of S\$11.6543 per SIA share on 26 December 2014.

6.2 Discloseable Transaction. Rule 1007 of the Listing Manual provides that if any of the relative figures computed pursuant to Rule 1006 of the Listing Manual is a negative figure, Chapter 10 of the Listing Manual may be applicable to the transaction at the discretion of the SGX-ST and issuers should consult the SGX-ST. As the relative figure under Rule 1006(b) is a negative figure and as previously disclosed in the SIA Announcement, SIA consulted the SGX-ST on the applicability of Chapter 10 of the Listing Manual. Following such consultation with the SGX-ST, the SGX-ST has advised that:

- (i) the Proposed Full Subscription is a discloseable transaction under Chapter 10 of the Listing Manual; and
- (ii) SIA is not required to seek SIA shareholders' approval for the Proposed Full Subscription,

based on, *inter alia*, the submissions and representations made to the SGX-ST by the Company as set out in paragraph 8.2 of the SIA Announcement.

7. INTEREST(S) OF DIRECTORS AND CONTROLLING SHAREHOLDERS IN THE PROPOSED FULL SUBSCRIPTION

Save as disclosed above in this Announcement, none of the directors or controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Full Subscription.

BY ORDER OF THE BOARD

Ethel Tan (Mrs)
Company Secretary
29 December 2014
Singapore