



# Rights Issue and Proposed Additional Issue Company Presentation

20 April 2020\*

\*This presentation is substantially similar to the presentation announced on 20 April 2020 save for updates as of 14 May 2020 to take into account, among other things, the approval of the Rights Issue and the Proposed Additional Issue at the Extraordinary General Meeting held on 30 April 2020 and the lodgment of the Offer Information Statement in relation to the Rights Issue on 8 May 2020.

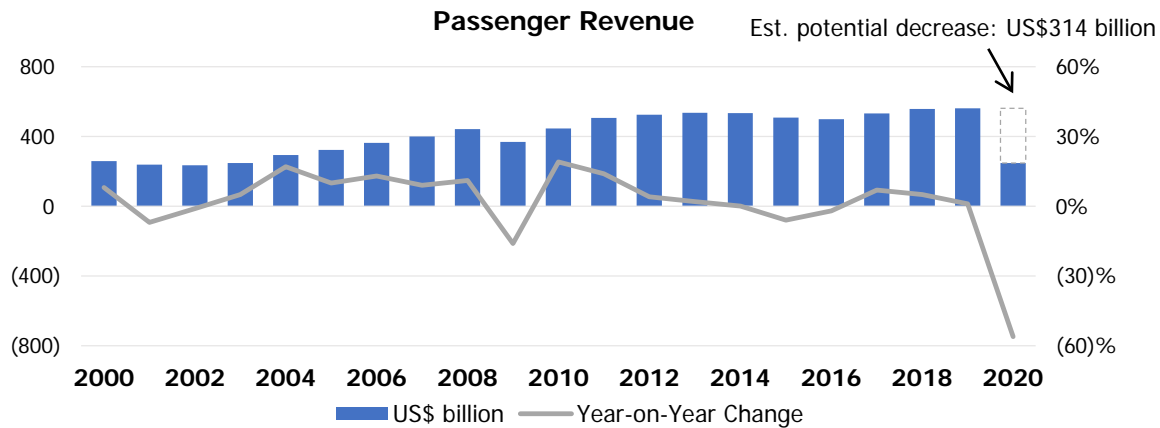
Anyone wishing to subscribe for the Rights Shares and/or Rights MCBs (each as defined herein) should read the Offer Information Statement in full and must make an application in the manner set out in the Offer Information Statement. Any decision to subscribe for the Rights Shares or Rights MCBs should be made solely on the basis of the information contained in the Offer Information Statement and no reliance should be placed on any information other than that contained in the Offer Information Statement.

# Contents

- 1 Aviation Landscape
- 2 Group Snapshot
- 3 Overview of SIA Group
- 4 Summary of Rights Issue and Proposed Additional Issue
- 5 Rationale and Use of Proceeds
- 6 Pro Forma Financial Effects
- 7 Appendices

## COVID-19: Severe Impact on Global Airline Industry and the SIA Group

### IATA Estimates Passenger Revenue Decrease of US\$314 billion due to COVID-19

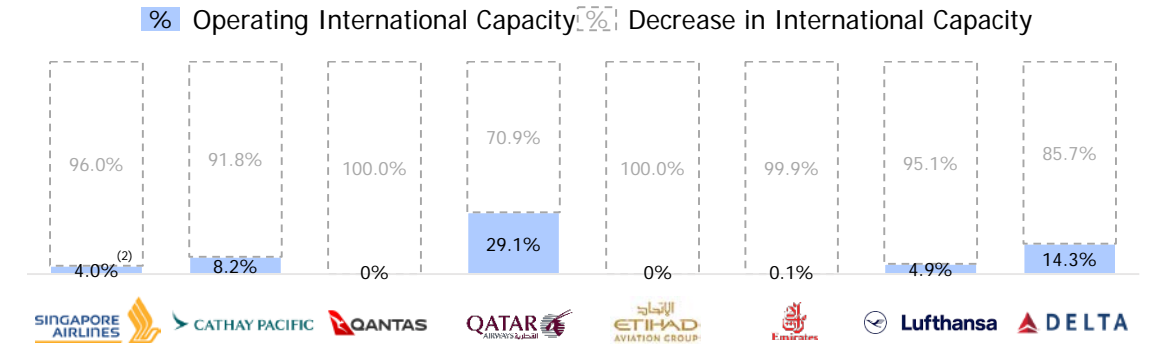


Sources: IATA Economics' Chart of the Week dated 27 March 2020\*, further adapted based on IATA's press release, "COVID-19 Puts Over Half of 2020 Passenger Revenues at Risk" dated 14 April 2020\*

Region of Airline Registration	% Change in RPKs (2020 vs. 2019)	Est. Impact on Passenger Revenue (2020 vs. 2019) (US\$ billion)
Asia-Pacific	(50%)	(113)
North America	(36%)	(64)
Europe	(55%)	(89)
Middle East	(51%)	(24)
Africa	(51%)	(6)
Latin America	(49%)	(18)
<b>Industry</b>	<b>(48%)</b>	<b>(314)</b>

Source: IATA Economics' "COVID-19 Updated Impact Assessment" dated 14 April 2020\*

### Significant Decreases in International Capacity<sup>(1)</sup> Due to COVID-19



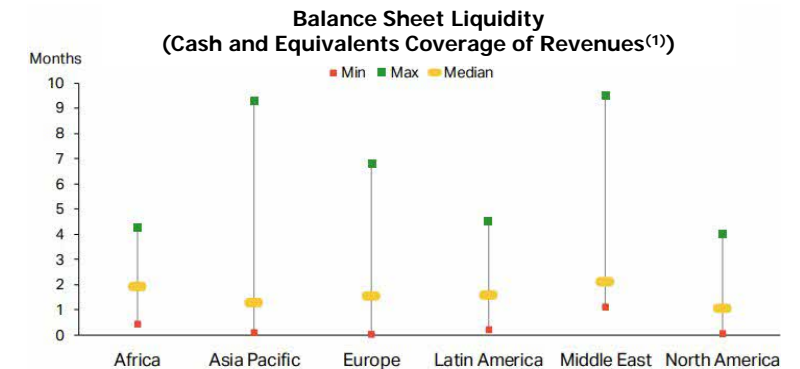
Source: OAG\*

(1) Measured for the period from week of 30 December 2019 to week of 30 March 2020

(2) Based on SIA's press release, "Singapore Airlines Makes Significant Capacity Cuts and Grounds Aircraft" dated 23 March 2020. OAG reported operating international capacity of 3.0% based on period in (1) above

### Airlines Face Major Liquidity Concerns

- As at beginning of 2020, typical airlines had cash reserves of 2 months of revenues
- SIA had cash and equivalents of 2.22 months of revenues at start of 2020



Source: IATA's press release, "Airlines Facing Rapid Cash Burn" dated 31 March 2020\*

(1) Latest available 12 months cumulative reserves. Africa, Latin America and the Middle East might not be representative due to small sample size.

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## Singapore and Other Governments Have Announced Measures to Directly Support the Aviation Sector



- The Singapore Government announced support measures in the FY20 Budget and Supplementary Budgets to mitigate the impact of COVID-19 on the economy and society
- **More than S\$750 million package** was announced for the entire aviation sector:
  - More than S\$400 million to support local wages, through 75% wage offset for first S\$4,600 of monthly wages for every local worker in employment
  - S\$350 million to fund measures such as rebates on landing and parking charges, rental relief for airlines, ground handlers and cargo agents

*Source: "Ministerial Statement On Additional Support Measures In Response to COVID-19 Pandemic" by the Ministry of Finance, Singapore dated 26 March 2020\**



- Cathay Pacific Group set to receive one-off government subsidy of **HK\$236 million (US\$30 million<sup>(1)</sup>)** based on HK\$1 million per aircraft

*Source: "Coronavirus: Hong Kong to hand airlines including Cathay Pacific HK\$268 million as Covid-19 batters travel" by South China Morning Post dated 10 Apr 2020\**



- On 27 March 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law, with the following measures for eligible aviation companies:
  - Loans, loan guarantees and other aid (**US\$500 billion**)
  - Grants to passenger airlines, cargo carriers and airport contractors (**US\$32 billion**)

*Source: CARES Act (H.R. 748, Public Law 116-136) published on Federal Aviation Administration website last updated on 8 Apr 2020\**



- Australian aviation industry will receive **A\$715 million (US\$452 million<sup>(1)</sup>)** relief package including reliefs from tax and government charges
- A further **A\$198 million (US\$125 million<sup>(1)</sup>)** will also be provided for maintenance of the regional air network

*Source: Australian Government, Department of Infrastructure website last updated on 8 Apr 2020\**



- The New Zealand government has agreed to bail out Air New Zealand, with an **NZ\$900 million (US\$537 million<sup>(1)</sup>)** loan facility

*Source: "Coronavirus: Air NZ gets Govt \$900m loan facility" by NZ Herald dated 20 Mar 2020\**



- Norway's government is providing a conditional state loan-guarantee for its aviation industry totaling **NKr6 billion (US\$574 million<sup>(1)</sup>)**

*Source: "Norwegian offered largest share of airline state guarantee package" by Flight Global dated 20 Mar 2020\**

*(1) Conversions to USD are based on FX rates as at 16 April 2020 sourced from Bloomberg: HKD-USD (0.1290), AUD-USD (0.6327), NZD-USD (0.5968), USD-NOK (0.0956)*

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# Aviation Landscape

## SIA Positioning for Possible Structural Changes in New Normal post COVID-19



### 1. Consolidation

- Streamlining of airline routes and customer options
- Exits/M&A activities for weaker carriers



### 2. Financial Restructuring

- Building cash reserves
- Limiting capital expenditure and investment
- Managing cash burn



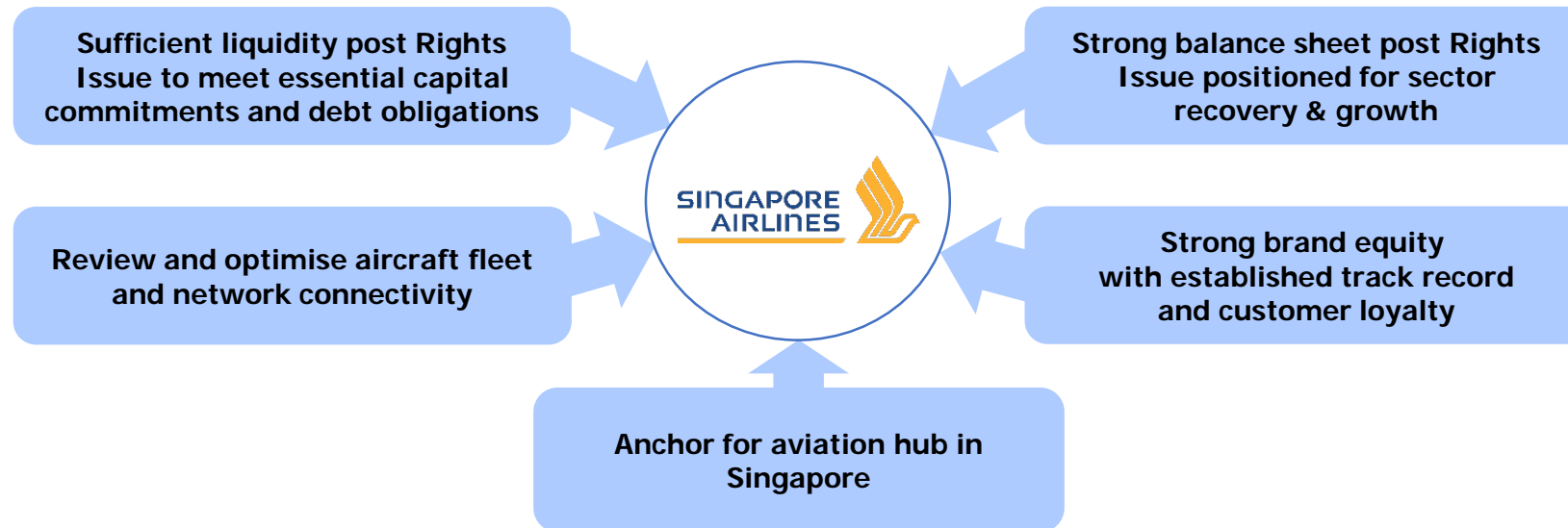
### 3. Industry Trends

- Uncertainty over recovery scenarios



### 4. Global Factors

- Terms of aid provided by governments to airlines to define short term future

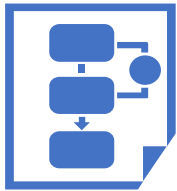


# Contents

- 1 Aviation Landscape
- 2 Group Snapshot**
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- 5 Rationale and Use of Proceeds
- 6 Pro Forma Financial Effects
- 7 Appendices

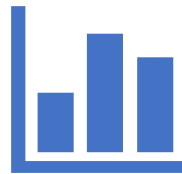
# Group Snapshot

## SIA Group Financial Performance for 9MFY19/20



**S\$12.8 Billion**  
Revenue

↑ 4.5% from 9MFY18/19



**S\$862 Million**  
Operating Profit

↑ 5.9% from 9MFY18/19



**S\$520 Million**  
Net Profit

↑ 8.3% from 9MFY18/19



**S\$9.2 cents/km**  
Passenger Yield<sup>(1)</sup>

⇒ flat from 9MFY18/19

*(1) Based on 9MFY19/20 operating statistics reported for Passenger Airlines segment*

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# Group Snapshot

## Passenger Airlines Operating Statistics for 9MFY19/20 and FY19/20



### Revenue Passenger-km - Airline passenger traffic

9MFY19/20

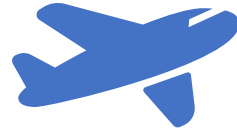
**113.8 Billion**

↑ 7.8% from 9MFY18/19

FY19/20

**141.0 Billion**

↑ 0.1% from FY18/19



### Available Seat-km - Passenger carrying capacity

9MFY19/20

**134.0 Billion**

↑ 5.9% from 9MFY18/19

FY19/20

**171.2 Billion**

↑ 0.9% from FY18/19



### Passengers Carried

9MFY19/20

**29.1 Million**

↑ 7.5% from 9MFY18/19

FY19/20

**35.8 Million**

↓ 0.8% from FY18/19



### Passenger Load Factor

9MFY19/20

**84.9%**

↑ 1.5pps from 9MFY18/19

FY19/20

**82.4%**

↓ 0.6pps from FY18/19



# Group Snapshot

## SIA has been Proactive in Managing its Responses to Challenges Posed by COVID-19

### Current Conditions

- SIA Group has maintained a strong liquidity position historically
- Drastic reduction in passenger operations has put airline operations in a net cash outflow position

### Steps taken to conserve cash and reduce costs

- Deferred non-essential capital expenditure and imposed tight controls on discretionary expenditure
- Working with suppliers and partners to push for cost reductions and payment rescheduling
- Voluntary and compulsory no-pay leave schemes introduced from 1 April 2020, while protecting jobs
- Salary cuts for management team from 1 March 2020
- Recruitment freeze

### Steps taken to increase liquidity

- Tapped on lines of credit maintained for contingency situations
- Explored other traditional funding channels, although opportunities remain limited in current market conditions
- Unprecedented scale of crisis and uncertainty over recovery period necessitates the large fundraising

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# Overview of SIA Group

SIA – The World's Most Awarded Airline



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# Overview of SIA Group

## 1. Global Aviation Leader with Scale and Geographic Footprint



### 1 Global Aviation Leader with Scale and Geographic Footprint

#### ✓ Global leader in aviation industry

- Voted Best Airline in Asia and among Top 3 in the World by Skytrax<sup>(1)</sup>
- Serves 137 passenger destinations in 37 countries and territories across Asia, Europe, South West Pacific, USA and Africa<sup>(2)</sup>
- Group fleet of >200 aircraft and one of the youngest fleets globally with average age under 6 years<sup>(3)</sup>
- Strong commitment towards sustainability and ESG initiatives (e.g. 25% to 30% improvement in fuel productivity from investment in new-generation aircraft)
- Forefront of digital aviation technology (e.g. KrisPay, world's first blockchain-based airline loyalty digital wallet)
- SIAEC – a leading MRO service provider for >80 international airline carriers and aerospace manufacturers

*(1) Based on Skytrax World Airline Awards 2019\**

*(2) Figures include Singapore as at 31 December 2019*

*(3) SIA Group's average fleet age as at 31 March 2020 is 5 years and 11 months (for passenger and freighter fleet)*

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# Overview of SIA Group

## 1. Global Aviation Leader with Scale and Geographic Footprint



### 1 Global Aviation Leader with Scale and Geographic Footprint

- ✓ **World's most awarded brand in airline focused on service excellence**
  - Ranked 28<sup>th</sup> most admired company by Fortune in 2020 – highest ranked non-American company<sup>(1)</sup>
  - Consistently ranked Best Airline in the World by travel and aviation organisations (e.g. Best Airline for 28 consecutive years by Business Traveller – Asia Pacific)
- ✓ **Strong track record and fundamentals to benefit from sector recovery and long-term secular growth trends**
  - SIA is positioning itself to address near term challenges and opportunities post COVID-19
    - ❖ Review of capital expenditure plans including possible deferrals as SIA monitors recovery pace
    - ❖ Leverage on strong network connectivity to ride sector recovery
  - SIA Group's portfolio provides flexibility in strategy to capture demand recovery

*(1) Based on Fortune's List of World's Most Admired Companies\**

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# Overview of SIA Group

## 2. Core to Singapore as a Leading Global Aviation Hub and Financial Trade Centre



### 2 Core to Singapore as a Leading Global Aviation Hub and Financial Trade Centre

- ✓ **Aviation – key pillar of Singapore’s economy and position as a regional and global financial and trade centre**
  - Asia Pacific is among the fastest growing aviation markets in the world<sup>(1)</sup>
  - Aviation sector complements Singapore’s strategic position as key connectivity hub to Asia Pacific and world
  - Changi Air Hub contributes >5% of Singapore’s GDP and provides approximately 192,000 jobs<sup>(2)</sup>
- ✓ **SIA Group, at the heart of Singapore aviation ecosystem, anchors Singapore’s air hub status**
  - National carrier of Singapore – SIA brand is most visible global icon of Singapore
  - Accounts for >50% of passenger transits at Changi Airport<sup>(3)</sup> and carried 36.1 million passengers in FY18/19
  - Supported by robust infrastructure in Singapore – Changi Airport served close to 70 million passengers and approximately 382,000 commercial aircraft movements in 2019<sup>(4)</sup>
  - SIA’s ventures in aviation value chain enhances Singapore’s position as leading aviation hub (e.g. JV with Rolls Royce via SIAEC, SIA’s pilot training centres with Airbus and CAE)

(1) Based on airline traffic growth rate by RPK published in Boeing’s Commercial Market Outlook for 2019 – 2038\*

(2) “Ministerial Statement On Additional Support Measures In Response to COVID-19 Pandemic” by the Ministry of Finance, Singapore dated 26 March 2020\*

(3) “Commentary: COVID-19, the biggest crisis ever for Singapore’s aviation industry and Singapore Airlines” by CNA International dated 17 March 2020\*

(4) Based on Air Traffic Statistics published on Changi Airport Group’s website as of 13 March 2020\*

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# Overview of SIA Group

## 3. Strong Operating Track Record and Historical Financial Position



### 3 Strong Operating Track Record and Historical Financial Position

- ✓ **Strong historical financial and operating track record**
  - Strong leadership and management team with longstanding industry experience
  - Unbroken track record of profitability through various cycle downturns in past (GFC, SARS etc.)
  - Strengthening of operating margin in recent financial quarters preceding COVID-19 from 1QFY19/20 to 3QFY19/20
  - 5 new record highs in available seat-kilometres (ASK), revenue passenger-kilometres (RPK), revenue, passenger load factor and uplift, based on 3QFY19/20 results
- ✓ **Effective management of costs**
  - Conservative financial management in aircraft financing<sup>(1)</sup>
  - Strong focus on liquidity, cost and risk management
  - Maintains prudent cash reserves, strong banking relationships and access to capital markets, while noting opportunities may be limited in view of current market conditions

*(1) Refer to Appendix I for additional information on historical credit metrics of SIA*

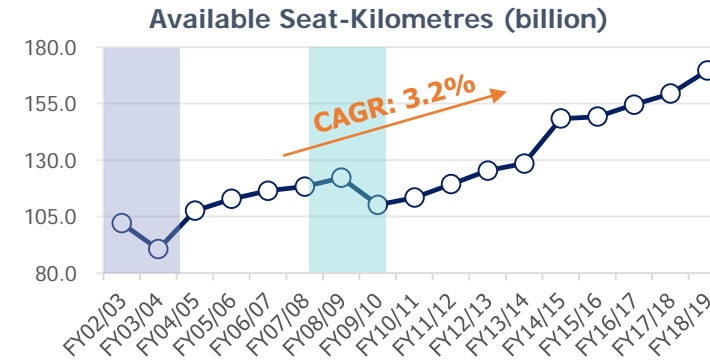
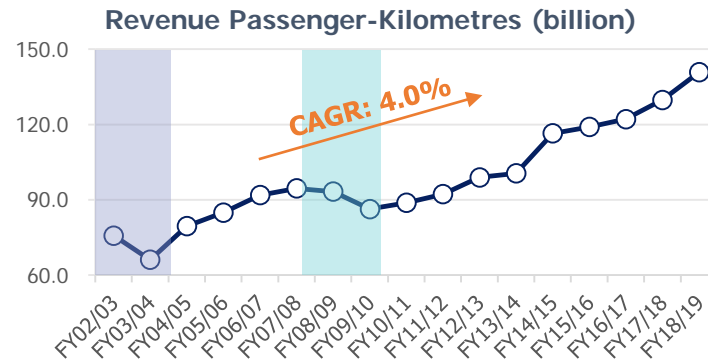
# Overview of SIA Group

## 3. Strong Operating Track Record and Historical Financial Position (cont'd)

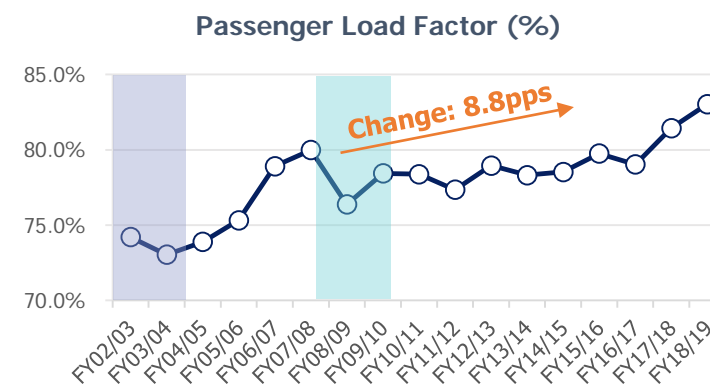
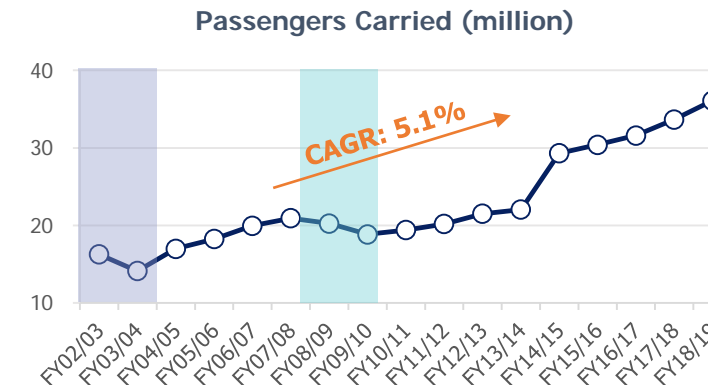


### 3 Strong Operating Track Record and Historical Financial Position<sup>(1)</sup>

✓ Consistently strong growth in passenger demand and capacity prior to COVID-19



■ SARS  
■ Global Financial Crisis



Source: SIA Group annual reports

(1) Data is presented on a group basis, includes data for Scoot from FY14/15 onwards

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# Overview of SIA Group

## 4. Resilient Business Model and Strong Partnerships



### 4 Resilient Business Model and Strong Partnerships

- ✓ **Focused strategies to build resilience and position for growth**
  - Premium brand promise: Service Excellence, Product Leadership and Network Connectivity
  - Portfolio and Multi-hub strategies with continuous initiatives/innovation
    - ❖ Successful and distinct brands to capture premium and budget segments
    - ❖ Multi-hub strategy to build new hubs across growth markets through partnerships
  - Transformation Programme bearing results in financial and operating resilience
  - Strong alignment with key stakeholders – Rights Issue fully backed by SIA's major shareholder, Temasek
  - Rights Issue strengthens SIA's resilience and competitive response under various recovery scenarios

# Contents

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- 2 Group Snapshot
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- 4 Summary of Rights Issue and Proposed Additional Issue**
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# Summary of Rights Issue and Proposed Additional Issue

## Overview of Rights Issue

### Summary of Rights Issue and Proposed Additional Issue

#### A. The Rights Issue

Renounceable rights issue of new ordinary shares (the “Rights Shares”) and mandatory convertible bonds (the “Rights MCBs”) to raise gross proceeds of approximately S\$8.8 billion. The Rights Shares and Rights MCBs are offered concurrently but are capable of acceptance independently of each other.

#### 1 Rights Issue of Rights Shares

- Issue size of up to approximately S\$5.3 billion
- Up to 1,777,692,486 Rights Shares offered on the basis of three (3) Rights Shares for every two (2) existing Shares
- Issue price of S\$3.00 for each Rights Share

#### 2 Rights Issue of Rights MCBs

- Issue size of up to approximately S\$3.5 billion
- Up to S\$3,496,128,555 in aggregate principal amount of Rights MCBs offered on the basis of 295 Rights MCBs for every 100 existing Shares
- Issue price of S\$1.00 for each Rights MCB

#### B. The Proposed Issue of Additional MCBs

Issuance of up to approximately S\$6.2 billion of additional mandatory convertible bonds (the “Additional MCBs”), which would be subsequent to the Rights Issue and with substantially the same terms as the Rights MCBs<sup>(1)</sup>

*(1) Refer to Appendix II for the key terms and conditions of the Additional MCBs*

# Summary of Rights Issue and Proposed Additional Issue

## Key Terms – Rights Issue of the Right Shares

Renounceable Rights Issue of Right Shares	
Issue Size	Up to approximately S\$5.3 billion
Issue Price	S\$3.00 per Rights Share
Discount	<ul style="list-style-type: none"> <li>▪ Approximately 31.8% to TERP<sup>(1)</sup></li> <li>▪ Approximately 53.8% to Last Close<sup>(2)</sup></li> </ul>
Rights Ratio	3 Rights Shares for every 2 existing Shares

*(1) Refers to theoretical ex-rights price of S\$4.40 per Share calculated based on S\$6.50 per Share on 25 March 2020, being the last transacted price prior to the announcement of the Rights Issue*

*(2) Refers to last traded price of the Shares of S\$6.50 on 25 March 2020, being the last transacted price prior to the announcement of the Rights Issue*

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# Summary of Rights Issue and Proposed Additional Issue

## Key Terms – Rights Issue of the Rights MCBs

- Further details on the Rights MCBs, including the terms and conditions of the Rights MCBs, and the related risks and other investment considerations, are set out in the Offer Information Statement, which prospective investors should read in full before making an investment decision.

### Renounceable Rights Issue of Rights MCBs

Issue Size	Up to approximately S\$3.5 billion
Issue Price	S\$1.00 for each S\$1.00 in principal amount of the Rights MCBs
Maturity Date	10 <sup>th</sup> anniversary of the issue date of the Rights MCBs
Coupon	Zero coupon
Rights Ratio	295 Rights MCBs for every 100 existing Shares
Mandatory Conversion	Mandatory conversion at maturity at Final Accreted Principal Amount
Final Accreted Principal Amount	S\$1.80611 in respect of each S\$1.00 in principal amount of Rights MCBs on the Maturity Date (which is calculated based on a 6% annual yield to conversion, compounded on a semi-annual basis)
Conversion Price	Initially S\$4.84 (subject to adjustments <sup>(1)</sup> ), representing a 10% premium to TERP

*(1) Includes consolidation or subdivision of Shares, capitalisation of profits or reserves, capital distributions, dividends, share repurchases and others*

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# Summary of Rights Issue and Proposed Additional Issue

## Key Terms – Rights Issue of the Rights MCBs (cont'd)

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### Renounceable Rights Issue of Rights MCBs

#### Redemption Option

At the option of the Company, in whole or in part, on every 6<sup>th</sup> month anniversary of the issue date (each a "Semi-Annual Date")

#### Redemption Price

If Rights MCBs are redeemed:	Yield to Call (p.a.)
Within first four years of issue date (i.e. 8th Semi-Annual Date or earlier)	4.0%
Within fifth to seventh year of issue date (i.e. between 9 <sup>th</sup> to 14 <sup>th</sup> Semi-Annual Date, both inclusive)	5.0%
From eighth year of issue date onwards (i.e. between 15 <sup>th</sup> to 19 <sup>th</sup> Semi-Annual Date, both inclusive)	6.0%

- Yields to call are compounded on a semi-annual basis

# Summary of Rights Issue and Proposed Additional Issue

## Rights MCBs – Redemption and Conversion

Year	Semi-Annual Date	Redemption Price (%)	Annual Yield to Call (%)
1	1 <sup>st</sup>	102.000	4.0
1	2 <sup>nd</sup>	104.040	4.0
2	3 <sup>rd</sup>	106.121	4.0
2	4 <sup>th</sup>	108.243	4.0
3	5 <sup>th</sup>	110.408	4.0
3	6 <sup>th</sup>	112.616	4.0
4	7 <sup>th</sup>	114.869	4.0
4	8 <sup>th</sup>	117.166	4.0
5	9 <sup>th</sup>	124.886	5.0
5	10 <sup>th</sup>	128.008	5.0
6	11 <sup>th</sup>	131.209	5.0
6	12 <sup>th</sup>	134.489	5.0
7	13 <sup>th</sup>	137.851	5.0
7	14 <sup>th</sup>	141.297	5.0
8	15 <sup>th</sup>	155.797	6.0
8	16 <sup>th</sup>	160.471	6.0
9	17 <sup>th</sup>	165.285	6.0
9	18 <sup>th</sup>	170.243	6.0
10	19 <sup>th</sup>	175.351	6.0

- Redemption prices are calculated based on (i) the Semi-Annual Date that the Rights MCBs are redeemed and (ii) respective annual yield to call, compounded on a semi-annual basis
- For illustrative purposes:
  - Redemption price on the 2<sup>nd</sup> Semi-Annual Date:  
 $100 * (1 + 0.04 / 2) ^ 2 = \mathbf{104.040}$
  - Redemption price on the 9<sup>th</sup> Semi-Annual Date:  
 $100 * (1 + 0.05 / 2) ^ 9 = \mathbf{124.886}$
  - Redemption price on the 15<sup>th</sup> Semi-Annual Date:  
 $100 * (1 + 0.06 / 2) ^ 15 = \mathbf{155.797}$

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# Summary of Rights Issue and Proposed Additional Issue

## Rights MCBs – Redemption and Conversion (cont'd)

- Assuming that Rights MCBs are redeemed on a Semi-Annual Date before the Maturity Date, the relevant Accreted Principal Amount in respect of each S\$1.00 in principal amount of Rights MCBs will be an amount equivalent to S\$1.00 multiplied by the relevant redemption price in effect at the applicable Semi-Annual Date
- For illustrative purposes, assuming a principal amount of S\$1,000:

Scenario	Redemption Price
(a) Assuming the Rights MCBs are redeemed on 2 <sup>nd</sup> Semi-Annual Date	$S\$1,000 * 104.040\% = \mathbf{S\$1,040.40}$
(b) Assuming the Rights MCBs are redeemed on 9 <sup>th</sup> Semi-Annual Date	$S\$1,000 * 124.866\% = \mathbf{S\$1,248.66}$
(c) Assuming the Rights MCBs are redeemed on 15 <sup>th</sup> Semi-Annual Date	$S\$1,000 * 155.797\% = \mathbf{S\$1,557.97}$



# Summary of Rights Issue and Proposed Additional Issue

## Rights MCBs – Redemption and Conversion (cont'd)

- Upon maturity, the Rights MCBs will be converted at the initial conversion price of S\$4.84 per Share (subject to adjustments<sup>(1)</sup>) based on the Final Accreted Principal Amount, which is calculated based on a 6% annual yield to conversion, compounded on a semi-annual basis
- For illustrative purposes, assuming a principal amount of S\$1,000:
  - i. Final Accreted Principal Amount =  $S\$1,000 * (1 + 0.06 / 2)^{20} = \mathbf{S\$1,806.11}$
  - ii. No. of Rights MCBs Conversion Shares to be issued =  $S\$1,806.11 / S\$4.84 = \mathbf{373 \text{ Shares}}$  (rounded down as fractional entitlements are disregarded)
- For the avoidance of doubt, no further cash outlay is required for the conversion of Rights MCBs into Shares

*(1) Includes consolidation or subdivision of Shares, capitalisation of profits or reserves, capital distributions, dividends, share repurchases and others*

# Summary of Rights Issue and Proposed Additional Issue

## Key Terms – Proposed Additional Issue of Additional MCBs

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- The issuance size of the Proposed Additional Issue is up to approximately S\$6.2 billion
- Key terms of the Additional MCBs are expected to be substantially the same as terms of the Rights MCBs
- Intention is to undertake the issue of the Additional MCBs, if necessary, within 15 months of the EGM by way of one or more rights issues
- Please refer to Appendix II for the key terms and conditions of the Additional MCBs

# Summary of Rights Issue and Proposed Additional Issue

## Major Shareholder's Undertakings

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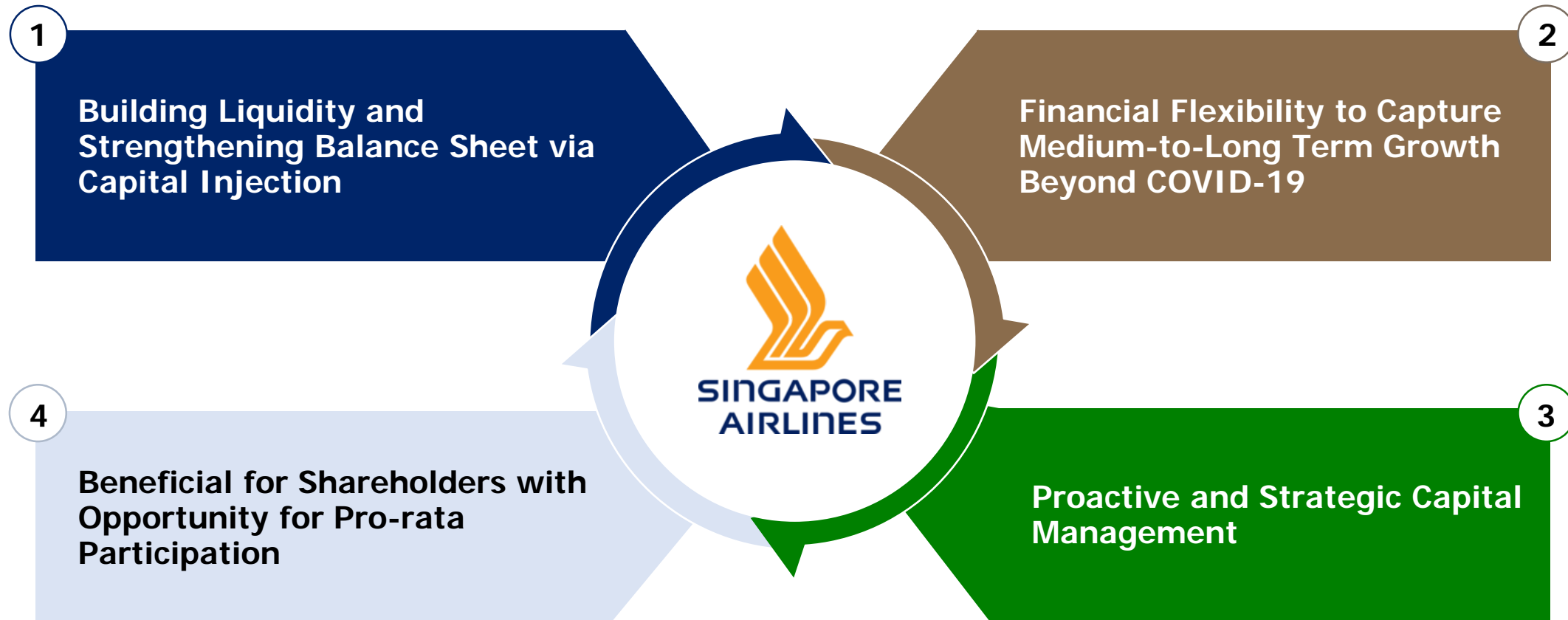
- Tembusu Capital Pte Ltd ("Tembusu"), a wholly-owned subsidiary of Temasek Holdings (Private) Limited ("Temasek"), has undertaken to:
  - Procure Temasek to vote in favour of the EGM Resolutions
  - Subscribe for, or procure subscription for:
    - i. Temasek's pro-rata entitlement to Rights Shares and Rights MCBs
    - ii. Temasek's pro-rata entitlement to Additional MCBs in any future Additional Issues which are undertaken within 15 months from date of EGM
    - iii. Unsubscribed Rights Shares and Rights MCBs and, if applicable, any unsubscribed Additional MCBs
- Aggregate subscription amount payable for Rights Shares, Rights MCBs and Additional MCBs pursuant to the above undertaking shall not exceed S\$15.0 billion (being up to approximately S\$8.8 billion in respect of the Rights Shares and the Rights MCBs, and up to an aggregate of S\$6.2 billion in respect of the Additional MCBs)
- No fees will be paid to Temasek or Tembusu in connection with the undertaking
- The undertaking will expire 15 months after the EGM approvals of the Rights Issue and Additional Issue

# Contents

- 1 Aviation Landscape
- 2 Group Snapshot
- 3 Overview of SIA Group
- 4 Summary of Rights Issue and Proposed Additional Issue
- 5 Rationale and Use of Proceeds**
- 6 Pro Forma Financial Effects
- 7 Appendices

# Rationale and Use of Proceeds

## Rationale of Rights Issue and Proposed Additional Issue



**Keeping Strategic Priorities Intact While Addressing Near-Term Liquidity Requirements**

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# Rationale and Use of Proceeds

## 1. Building Liquidity and Strengthening Balance Sheet via Capital Injection



### 1 Building Liquidity and Strengthening Balance Sheet via Capital Injection

- ✓ **Proactive steps to build liquidity and strengthen balance sheet with Rights Issue**
  - Unprecedented border closures worldwide led to global collapse in air travel demand
  - Significant decline in SIA's passenger traffic since February 2020 with fall in air travel demand and aircraft grounding
  - SIA proactively responded with network and capacity adjustments, and tightened cost management at onset of COVID-19
  - The Rights Shares, Rights MCBs and potential future Additional MCBs bolster equity in the balance sheet
    - ❖ Pro forma NTA grows to S\$21.7 billion immediately post Rights Issue<sup>(1)</sup>
    - ❖ Rights Issue provides certainty of funding, while incorporating flexibility to manage capital structure with MCB redemption features

*(1) Proforma financial effects based on audited consolidated financial statements for the financial year ended 31 March 2019*

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# Rationale and Use of Proceeds

## 2. Financial Flexibility to Capture Medium-to-Long Term Growth Beyond COVID-19



### 2 Financial Flexibility to Capture Medium-to-Long Term Growth Beyond COVID-19

- ✓ **The Rights Issue provides financial resilience and flexibility**
  - Strong balance sheet will differentiate SIA during these evolving and unprecedented times:
    - ❖ Address near-term operational and cashflow requirements while providing for committed capital expenditure
    - ❖ Positions for quick response in ramp up when borders reopen
    - ❖ Strategic priorities continue to be in focus including fleet modernization plans
- ✓ **Maintaining leadership position with focus on long term profitability**
  - Focused on maintaining SIA's leadership position in target markets
  - SIA Group's portfolio provides flexibility in strategy to capture demand recovery
  - Reduction in air traffic and resultant grounding of aircraft is specific to COVID-19 pandemic
    - ❖ Air travel demand continues to be positive on long term secular trend

# Rationale and Use of Proceeds

## 3. Proactive and Strategic Capital Management



### 3 Proactive and Strategic Capital Management

- ✓ **Commitment to active capital management, balancing financial resilience and immediate dilution**
  - Structuring of Rights Issue with flexibility to issue Additional MCBs provides assurance of liquidity in a wide range of recovery scenarios
  - Strong balance sheet post-Rights Issue positions SIA to tap financing markets competitively in the future
    - ❖ Tapped funding from banks, capital markets and sale and leaseback transactions historically
  - Unencumbered aircraft with indicative value of approximately S\$13-14 billion (~60% of FY18/19 net fixed assets)
    - ❖ Of which S\$4 billion is available to be pledged for secured financing
  - SIA strives to optimise capital structure to maximise shareholder value in deploying internally generated cashflow, and having regard for growth/reinvestment opportunities



# Rationale and Use of Proceeds

## 3. Proactive and Strategic Capital Management (cont'd)



### 3 Proactive and Strategic Capital Management

- ✓ **Offer of Rights MCBs structured to mitigate immediate dilution and preserve cash flows**
  - MCBs are accounted as equity
  - MCBs prevent immediate dilution to existing shareholders
  - Zero coupon MCB relieves SIA of cashflow pressures under current challenging market conditions
  - Option for SIA to redeem MCBs with internal cashflows or re-finance through the capital markets in future

# Rationale and Use of Proceeds

## 4. Beneficial for Shareholders with Opportunity for Pro-rata Participation



### 4 Beneficial for Shareholders with Opportunity for Pro-rata Participation

- ✓ **Rights Issue offers pro-rata participation to all entitled shareholders**
  - Pro-rata participation in fund raising and opportunity to subscribe for excess Rights Shares and Rights MCBs
    - ❖ Priority of excess allocations for rounding of board lots
    - ❖ Shareholders given priority for excess allocations before directors and substantial shareholders
  - Renounceable rights issue provides shareholders (with a CDP account) with the option to sell rights entitlements during nil-paid rights trading period, or renounce in favour of another person
  - Major shareholder's undertaking to subscribe for any unsubscribed amounts provides certainty of funding to SIA and alleviates market concerns on overhang

# Rationale and Use of Proceeds

## 4. Beneficial for Shareholders with Opportunity for Pro-rata Participation (cont'd)



### 4 Beneficial for Shareholders with Opportunity for Pro-rata Participation

- ✓ **MCBs offer step-up 4-6% accreted yields per annum**
  - Step-up accreted yields in view of (i) zero coupon and (ii) SIA having the option to call the MCBs at every Semi-Annual Date
  - If any MCB is not redeemed by 10<sup>th</sup> anniversary of issue date, the final accreted principal amount of the MCB (i.e. S\$1.80611 in respect of each S\$1.00 principal amount of MCB) will be mandatorily converted into Shares at a conversion price of S\$4.84 (subject to adjustments<sup>(1)</sup>)

*(1) Includes consolidation or subdivision of Shares, capitalisation of profits or reserves, capital distributions, dividends, share repurchases and others*

# Rationale and Use of Proceeds

## Use of Proceeds from the Rights Issue

- SIA intends to utilise the net proceeds from the Rights Issue for the following purposes, or to repay any bridge financing facilities for these purposes:

Purpose	Amount	Percentage of Proceeds	Use of Proceeds
Operating cashflow	S\$3.7 billion	42%	To fund fixed costs and other operating expenses incurred during this period of reduced operations and the subsequent recovery period
Capital expenditure	S\$3.3 billion	38%	To be used for aircraft purchases and aircraft related payments
Other fixed commitments	S\$1.8 billion	20%	To be used for debt service and other contractual payments
<b>Total</b>	<b>S\$8.8 billion</b>	<b>100%</b>	

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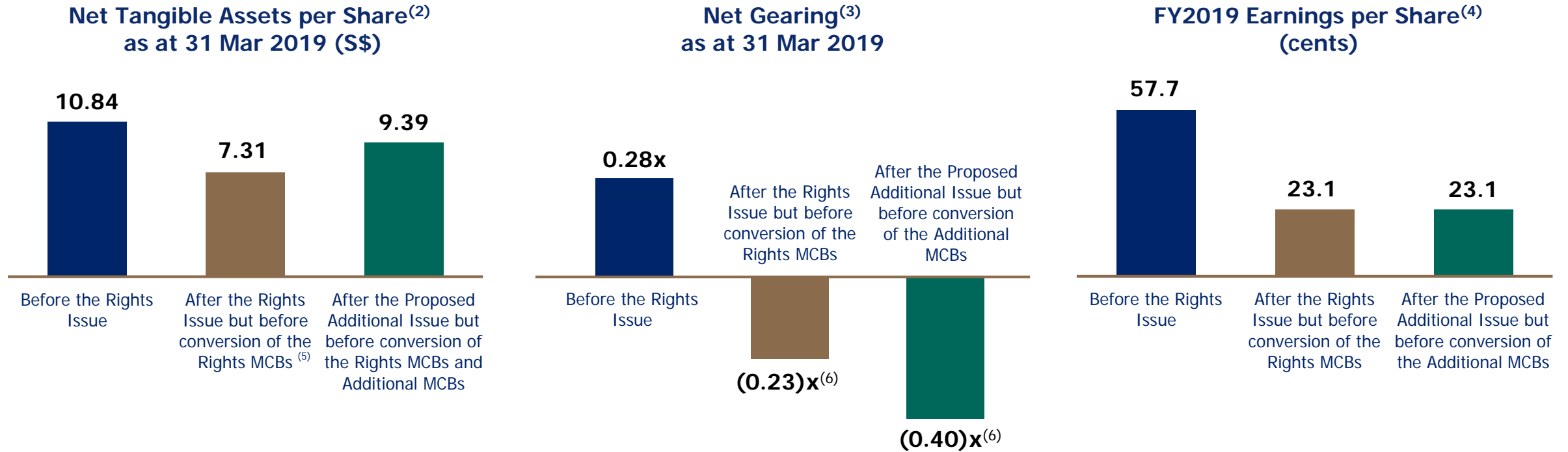
# Contents

- 1 Aviation Landscape
- 2 Group Snapshot
- 3 Overview of SIA Group
- 4 Summary of Rights Issue and Proposed Additional Issue
- 5 Rationale and Use of Proceeds
- 6 Pro Forma Financial Effects**
- 7 Appendices

# Pro Forma Financial Effects

## Pro Forma Financial Effects of the Rights Issue and the Proposed Additional Issue<sup>(1)</sup>

Before conversion of the Rights MCBs and Additional MCBs:



(1) Assumes that the Rights Shares, Rights MCBs, Rights MCB Conversion Shares, Additional MCBs or Additional MCB Conversion Shares had been issued, in respect of profit and loss statement on 1 April 2018, and in respect of balance sheet on 31 March 2019

(2) Net Tangible Assets per Share = (Equity attributable to owners – Intangible assets) / No. of Shares outstanding before Rights Issue (excluding treasury shares and the Special Share held by the Minister for Finance (Incorporated))

(3) Net Gearing per Share = (Total debt – Cash) / Equity attributable to owners

(4) Earnings per Share = Profit attributable to shareholders of the Company / Weighted average number of Shares outstanding

(5) Assuming the net proceeds from the Rights Issue, after deducting estimated expenses incurred in connection with the Rights Issue of S\$10.0 million

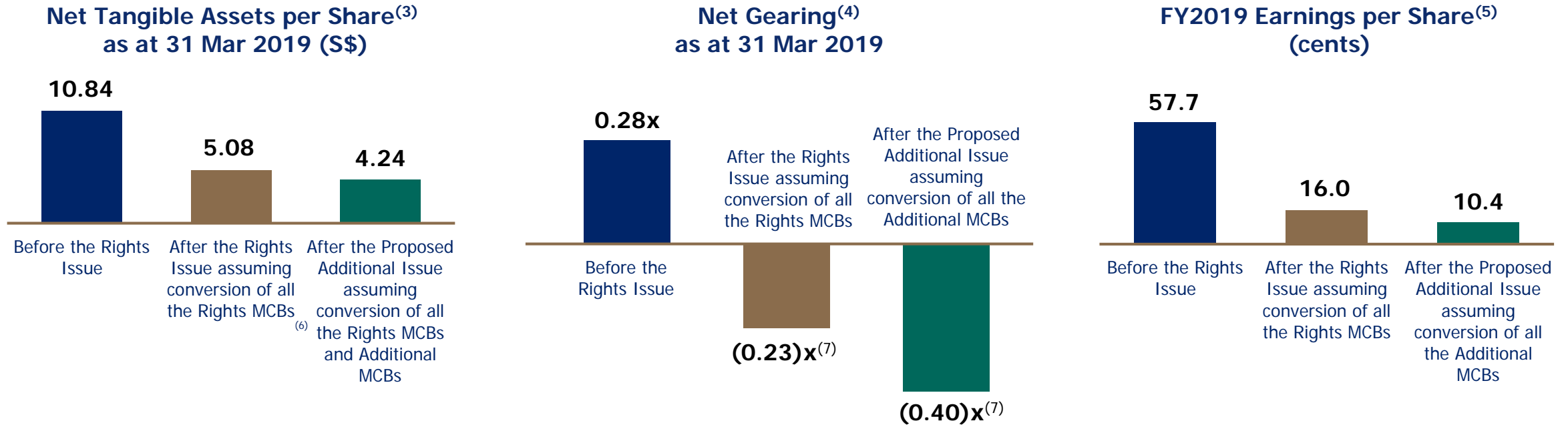
(6) Negative gearing refers to net cash position where cash and bank balances are more than total borrowings

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# Pro Forma Financial Effects

## Pro Forma Financial Effects of the Rights Issue and the Proposed Additional Issue<sup>(1)</sup> (cont'd)

Assuming conversion of all the Rights MCBs and Additional MCBs<sup>(2)</sup>:



(1) Assumes that the Rights Shares, Rights MCBs, Rights MCB Conversion Shares, Additional MCBs or Additional MCB Conversion Shares had been issued, in respect of profit and loss statement on 1 April 2018, and in respect of balance sheet on 31 March 2019

(2) Assumes (i) conversion of the Rights MCBs and Additional MCBs are at the conversion price of S\$4.84 (without adjustments) before deducting issue expenses, and (ii) issue sizes of the Rights MCBs and Additional MCBs are S\$3.5 billion and S\$6.2 billion, respectively

(3) Net Tangible Assets per Share = (Equity attributable to owners – Intangible assets) / No. of Shares outstanding before Rights Issue (excluding treasury shares and the Special Share held by the Minister for Finance (Incorporated))

(4) Net Gearing per Share = (Total debt – Cash) / Equity attributable to owners

(5) Earnings per Share = Profit attributable to shareholders of the Company / Weighted average number of Shares outstanding

(6) Assuming the net proceeds from the Rights Issue, after deducting estimated expenses incurred in connection with the Rights Issue of S\$10.0 million

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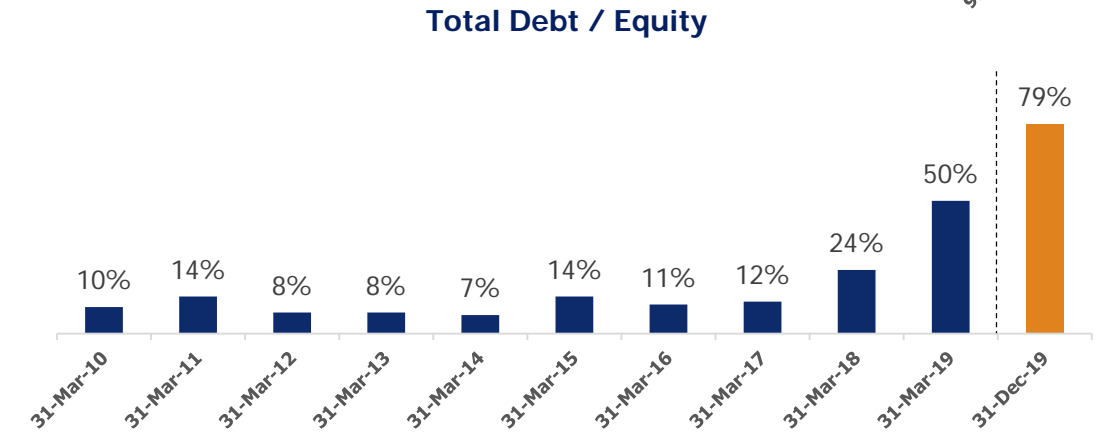
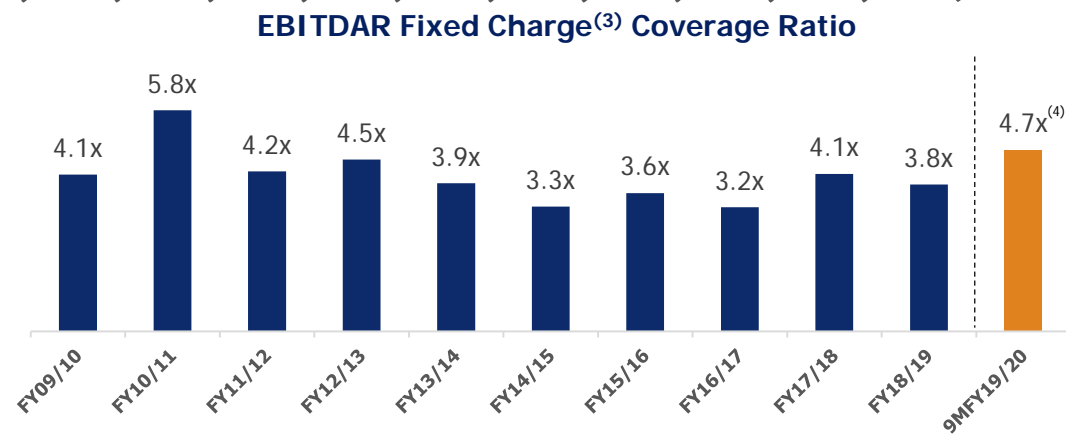
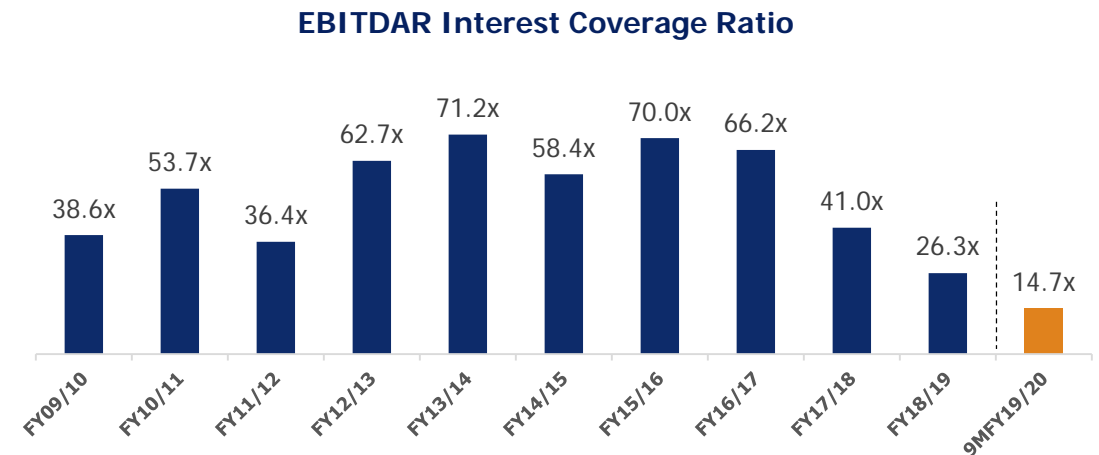
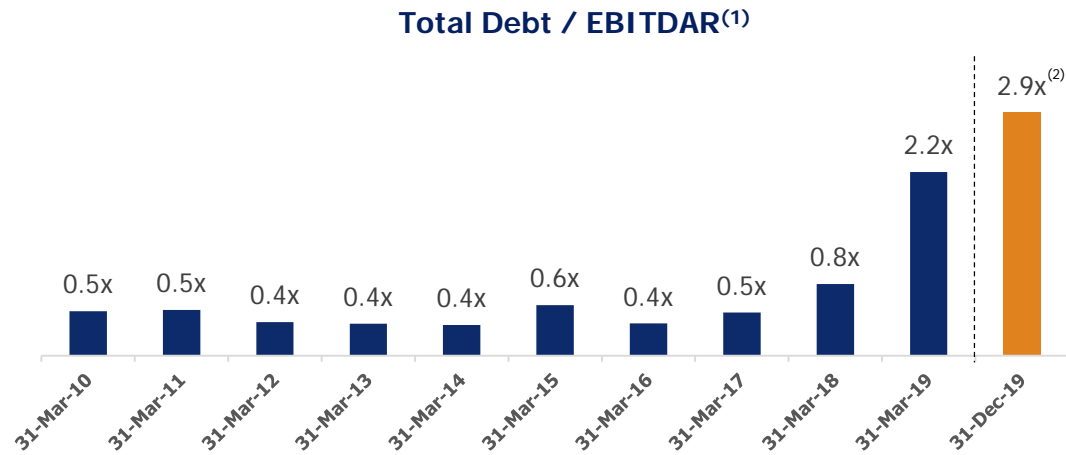
# Contents

- 1 Aviation Landscape
- 2 Group Snapshot
- 3 Overview of SIA Group
- 4 Summary of Rights Issue and Proposed Additional Issue
- 5 Rationale and Use of Proceeds
- 6 Pro Forma Financial Effects
- 7 **Appendices**



# Appendix I

## Historical Credit Metrics of SIA



Source: SIA Group annual reports

(1) EBITDAR = Profit for the Financial Year + Taxation + Finance Charges + Depreciation + Amortisation of Intangible Assets + Rentals on Leased Aircraft

(2) Estimated based on annualised 9MFY19/20 EBITDAR

(3) Fixed Charges = Finance Charges + Rentals on Leased Aircraft

(4) Fixed charge for 9MFY19/20 includes depreciation of right-of-use asset of S\$275.7 million

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## Appendix II

### Key Terms and Conditions of Additional MCBs

- Shareholders should note that the terms and conditions are subject to finalisation:

Key Terms of Additional MCBs	
Issue Size	Up to approximately S\$6.2 billion
Issue Price	S\$1.00 for each S\$1.00 in principal amount of the Rights MCBs
Maturity Date	10 <sup>th</sup> anniversary of the issue date of the Rights MCBs
Coupon	Zero coupon
Mandatory Conversion	Mandatory conversion at maturity at Final Accreted Principal Amount
Final Accreted Principal Amount	An amount calculated on the basis of a 6% annual yield to conversion, compounded on a semi-annual basis
Conversion Price	Prevailing conversion price of the Rights MCBs at the time the Additional MCBs are issued <sup>(1)</sup> (subject to adjustments <sup>(2)</sup> )

*(1) The conversion price will also include any adjustments below the specified threshold which have not been taken into account under the terms of the Rights MCBs*

*(2) Includes consolidation or subdivision of Shares, capitalisation of profits or reserves, capital distributions, dividends, share repurchases and others*

## Appendix II

### Key Terms and Conditions of Additional MCBs (cont'd)

- Shareholders should note that the terms and conditions are subject to finalisation:

#### Key Terms of Additional MCBs

Redemption Option	At the option of the Company, in whole or in part, on every 6 <sup>th</sup> month anniversary of the issue date (each a "Semi-Annual Date")	
Redemption Price	If Additional MCBs are redeemed:	Yield to Call (p.a.)
	Within first four years of issue date (i.e. 8 <sup>th</sup> Semi-Annual Date or earlier)	4.0%
	Within fifth to seventh year of issue date (i.e. between 9 <sup>th</sup> to 14 <sup>th</sup> Semi-Annual Date, both inclusive)	5.0%
	From eighth year of issue date onwards (i.e. between 15 <sup>th</sup> to 19 <sup>th</sup> Semi-Annual Date <sup>(1)</sup> , both inclusive)	6.0%
	<ul style="list-style-type: none"> <li>Yields to call are compounded on a semi-annual basis</li> </ul>	

*(1) Subject to the timing of launch of the Proposed Additional Issue, 17<sup>th</sup> – 19<sup>th</sup> Semi-Annual Date may not be applicable*

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