

RENOUNCEABLE RIGHTS ISSUE OF UP TO S\$6,196,793,517 IN AGGREGATE PRINCIPAL AMOUNT OF RIGHTS 2021 MCBs, ON THE BASIS OF 209 RIGHTS 2021 MCBs FOR EVERY 100 EXISTING SHARES HELD BY ENTITLED SHAREHOLDERS AS AT THE RECORD DATE, FRACTIONAL ENTITLEMENTS TO BE DISREGARDED

Prior to making a decision to subscribe for the Rights 2021 MCBs, you should carefully consider all the information contained in the Offer Information Statement dated 28 May 2021 (the “OIS”) and whether you understand what is described in the OIS. This Product Highlights Sheet (“PHS”) should be read in conjunction with the OIS. You will be subject to various risks and uncertainties, including the potential loss of your entire principal amount invested. You should also consider whether an investment in the Rights 2021 MCBs is suitable for you taking into account your investment objectives and risk appetite. If you are in doubt as to the action you should take, you should consult your legal, financial, tax or other professional adviser. You are responsible for your own investment choices.

Unless otherwise defined herein or the context otherwise requires, all capitalised terms used in this PHS shall bear the same meanings ascribed to them in the OIS.

This PHS is an important document.

- It highlights the key information and risks relating to the offer of the Rights 2021 MCBs contained in the OIS. It complements the OIS¹.
- You should not subscribe for the Rights 2021 MCBs if you do not understand the nature of an investment in convertible securities and our business or are not comfortable with the accompanying risks.
- If you wish to subscribe for the Rights 2021 MCBs, you will need to make an application in the manner set out in the OIS. Please refer to the OIS Notification Letter for instructions on how to view, download and print the electronic version of the OIS.

Issuer	Singapore Airlines Limited (the “Company”)	Place of incorporation	Singapore
Issue Price and denomination of the Rights 2021 MCBs	<ul style="list-style-type: none"> • 100% of the principal amount of the Rights 2021 MCBs or S\$1.00 for each S\$1.00 in principal amount of the Rights 2021 MCBs (the “Issue Price”). • The Rights 2021 MCBs will be issued in registered form and in the denomination of S\$1.00 each. 	Total amount to be raised in this offer	Rights Issue <ul style="list-style-type: none"> • <u>Gross proceeds</u>: Approximately S\$6.2 billion. • <u>Net proceeds</u>: Approximately S\$6.2 billion (after deducting estimated expenses incurred in connection with the Rights Issue).
Description of the Rights 2021 MCBs	Rights 2021 MCBs <ul style="list-style-type: none"> • Up to S\$6,196,793,517 in aggregate principal amount of zero coupon mandatory convertible bonds due 2030. • The Rights 2021 MCBs are expected to be issued on 24 June 2021 (the “Issue Date”) and will mature on 8 June 2030 (“Maturity Date”). 	Listing status of Rights 2021 MCBs	Company <ul style="list-style-type: none"> • Primary Listing on the Main Board of SGX-ST since 18 December 1985. Rights 2021 MCBs <ul style="list-style-type: none"> • Expected to be listed on the Main Board of SGX-ST on and from 25 June 2021. The Rights 2021 MCBs will be traded on the Main Board of the SGX-ST in board lots of 100 Rights 2021 MCBs with a principal amount of S\$100.

¹ The OIS (together with this Product Highlights Sheet), lodged with the Monetary Authority of Singapore on 28 May 2021, is available on the OPERA website of the Monetary Authority of Singapore at <<https://eservices.mas.gov.sg/opera/>>.

	<ul style="list-style-type: none"> Unless previously redeemed or purchased and cancelled, the Company shall redeem the Rights 2021 MCBs on the Maturity Date by mandatorily converting the Rights 2021 MCBs into Rights 2021 MCB Conversion Shares on the Maturity Date. Upon such mandatory conversion, Rights 2021 MCB Holders will receive Rights 2021 MCB Conversion Shares and will not be repaid in cash. <p>See “Key Features of the Rights 2021 MCBs” below for more information on the Rights 2021 MCBs.</p>		<ul style="list-style-type: none"> The listing of the Rights 2021 MCBs on the Main Board of the SGX-ST is subject to there being a sufficient spread of holdings of the Rights 2021 MCBs to provide for an orderly market in the Rights 2021 MCBs. <p>Rights 2021 MCB Conversion Shares</p> <ul style="list-style-type: none"> The SGX-ST has granted approval-in-principle for the listing of, and quotation for, among others, the Rights 2021 MCB Conversion Shares on the Main Board of the SGX-ST.
Sole Lead Manager for the Rights Issue	DBS Bank Ltd.	Underwriter	The Rights Issue is not underwritten in view of the Undertaking.
Credit rating of Issuer/the Rights 2021 MCBs and Credit Rating Agencies	The Company and the Rights 2021 MCBs are not rated. This means that no independent assessment by a credit rating agency of the default risk of the Company and the Rights 2021 MCBs has been made.	Trustee/Registrar/Agents	<p>Rights 2021 MCBs</p> <ul style="list-style-type: none"> <u>Trustee</u>: HSBC Institutional Trust Services (Singapore) Limited <u>Principal Paying and Conversion Agent, Registrar and Transfer Agent</u>: The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch

INVESTMENT SUITABILITY

WHO IS THE INVESTMENT SUITABLE FOR?

The Rights 2021 MCBs are only suitable for you if you:

- are comfortable investing in hybrid securities that combine the features of both debt and equity and as such are prepared to accept risks higher than those normally associated with plain vanilla bonds;
- are prepared to rank lower in priority compared to holders of secured creditors in an insolvency situation;
- accept that you will not receive any coupon payments in respect of the Rights 2021 MCBs;
- accept that the Rights 2021 MCBs may only be redeemed at the option of the Company;
- accept that (unless previously redeemed or purchased) the Rights 2021 MCBs will be mandatorily converted into Rights 2021 MCB Conversion Shares on the Maturity Date, upon which you will receive Rights 2021 MCB Conversion Shares and will not be repaid in cash. The prevailing market price of the Shares may be substantially lower than the Conversion Price in effect at the Maturity Date; and
- accept that the Rights 2021 MCBs will not be converted into Rights 2021 MCB Conversion Shares at any time before the Maturity Date.

There are further risks associated with the Rights 2021 MCBs. See “**Risk Factors**” in the OIS and in particular, “**Risks Relating to an Investment in the Rights, the Rights 2021 MCBs and the Rights 2021 MCB Conversion Shares**” on pages 34 to 53 of the OIS for a summary of the risks associated with, among others, the Rights 2021 MCBs. The considerations and risks referred to above are not exhaustive.

Further Information

For more information on the risks associated with the Rights 2021 MCBs and for more information on investment suitability, see “**Risk Factors**” in the OIS and in particular, “**Risks Relating to an Investment in the Rights, the Rights 2021 MCBs and the Rights 2021 MCB Conversion Shares**” on pages 34 to 53 of the OIS.

KEY FEATURES

BACKGROUND INFORMATION ON THE ISSUER

WHO ARE YOU INVESTING IN?

Singapore Airlines was incorporated in the Republic of Singapore on 28 January 1972. The Group provides commercial airline services to destinations in Asia, the United States of America, Australia, Europe, the Middle East, Africa, and New Zealand from its hub at Singapore's Changi Airport. The principal activities of the Group consist of passenger and cargo air transportation, engineering services, training of pilots, air charters and tour wholesaling and related activities, which are carried out through Singapore Airlines and its major subsidiaries, namely, SilkAir, Budget Aviation Holdings (that operates under the "Scoot" brand) and SIAEC.

Singapore Airlines. Singapore Airlines focuses on its core airline business, with key stakes in airline-related services in order to maintain high quality and safety standards. Singapore Airlines also supplements its organic growth through partnerships and strategic stakes in other airlines, and related businesses that provide alternative sources of income.

SIAEC. SIAEC is an established maintenance, repair and overhaul ("MRO") partner to global airline customers, as well as aerospace equipment manufacturers in the Asia Pacific region. It provides line maintenance services at 30 airports strategically located across seven countries, and a suite of integrated MRO solutions on some of the most advanced and widely used commercial aircraft in the world.

SilkAir. SilkAir is a Singapore-based regional airline that serves destinations in the Asia Pacific region from its base at Singapore's Changi Airport. As the regional wing of Singapore Airlines, SilkAir extends the Group's footprint in the Asia Pacific by offering connections from Singapore to many diverse points in the region. The full integration of SilkAir into Singapore Airlines is on track and scheduled for completion in FY2021/22 and will enable flexible aircraft deployment within a single full-service brand across the network.

Scoot. Scoot, a Singapore-based low-cost carrier launched in 2012, merged with Tigerair Singapore in July 2017 and retained the Scoot brand. It has since become the leading Singapore-based low-cost carrier, offering both short and long-haul services around the Asia Pacific region and to Europe from its base in Changi Airport.

The Group's Substantial Shareholder is Temasek. As at the Latest Practicable Date, Temasek has a deemed and direct interest in approximately 55.73% of the Shares.

For more information on the Group's business, see paragraph 8 of "Part 4 – Key Information" on pages 79 to 102 of the OIS.

See paragraph 1 of "Part 2 – Identity of Directors, Advisers and Agents" on page 71 of the OIS for more information on the Directors.

KEY FEATURES OF THE RIGHTS 2021 MCBs

WHAT ARE YOU INVESTING IN?

The Company is offering up to S\$6,196,793,517 in aggregate principal amount of Rights 2021 MCBs under the Rights Issue. The Issue Price is 100% of the principal amount of the Rights 2021 MCBs, or S\$1.00 for each S\$1.00 in principal amount of the Rights 2021 MCBs.

The Rights 2021 MCBs are zero coupon bonds. Rights 2021 MCB Holders will not receive any coupon payments in respect of the Rights 2021 MCBs.

The Rights 2021 MCBs may be redeemed at the option of the Company in whole or in part on every Semi-Annual Date at the relevant Accreted Principal Amount as at such Semi-Annual Date. In the case of a partial redemption of Rights 2021 MCBs, the Rights 2021 MCBs will be redeemed on a *pro-rata* basis or selected by such other method, in such place as the Trustee shall approve and in such manner as the Trustee shall deem to be appropriate and fair. For the avoidance of doubt, the Rights 2021 MCBs are not redeemable at the option of a Rights 2021 MCB Holder.

For more information on the Rights 2021 MCBs, see:

- "Summary of the Rights Issue of Rights 2021 MCBs" on pages 21 to 33 of the OIS; and
- "Appendix A – Terms and Conditions of the Rights 2021 MCBs" on pages A-1 to A-29 of the OIS.

Unless previously redeemed or purchased and cancelled, the Company shall redeem the Rights 2021 MCBs on the Maturity Date by mandatorily converting the Rights 2021 MCBs into Rights 2021 MCB Conversion Shares on the Maturity Date. Upon such mandatory conversion, Rights 2021 MCB Holders will receive Rights 2021 MCB Conversion Shares and will not be repaid in cash.

If an Event of Default has occurred and is continuing, the Trustee at its discretion may (but is not obliged to), and if so requested in writing by the holders of not less than 30 per cent. in principal amount of the Rights 2021 MCBs then outstanding or if so directed by an Extraordinary Resolution (as defined in the Trust Deed) of the Rights 2021 MCB Holders shall (subject to its rights under the Trust Deed to be indemnified and/or secured and/or pre-funded to its satisfaction by the Rights 2021 MCB Holders), give notice to the Company that the Rights 2021 MCBs are, and they shall accordingly thereby become, immediately due and repayable at the prevailing Accreted Principal Amount as at such date.

On the Maturity Date, the Rights 2021 MCBs will be converted into Rights 2021 MCB Conversion Shares at the Conversion Price, which is initially S\$4.84 per Share. The Conversion Price will be subject to adjustments under the following circumstances: (a) consolidation, subdivision, redesignation or reclassification in relation to the Shares which alters the number of Shares in issue; (b) capitalisation of profits or reserves; (c) capital distribution, dividends or Share repurchases (other than for the purposes of any Employee Share Scheme); (d) rights issues of Shares or options over Shares at less than 90% of the market price; (e) rights issues of other securities; (f) issues of Shares or options over Shares at less than 90% of the market price; (g) issues of securities which carry rights of conversion into, or exchange or subscription for Shares at a consideration per Share at less than 90% of the market price; (h) modifications of rights of conversion, exchange or subscription attaching to any other securities issued and which are convertible into Shares such that the consideration per Share is less than 90% of the market price; (i) issue of securities in the context of an offer to Shareholders; and (j) in events or circumstances not otherwise provided in the Terms and Conditions of the Rights 2021 MCBs, subject to, among others, the use by the Company of a leading independent investment bank of international repute (acting as expert) to determine if the adjustment is fair and reasonable, so as to restore the economic position of the Rights 2021 MCB Holders after the occurrence of such events or circumstances, to the same position as if the diluting effect of such events or circumstances had not occurred.

The Rights 2021 MCBs will constitute direct, unconditional, unsubordinated and unsecured obligations of the Company and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Company under the Rights 2021 MCBs shall, save for such exceptions as may be provided by mandatory provisions of applicable law, at all times rank at least equally with all of its other present and future direct, unconditional, unsubordinated and unsecured obligations.

The Company's issued share capital comprises ordinary shares and one Special Share held by the Minister for Finance, and the Rights 2021 MCB Conversion Shares to be delivered following mandatory conversion on the Maturity Date will be delivered fully paid, ranking *pari passu* in all respects with the then existing Shares, save for any dividends, rights, allotments or other distributions, the record date for which falls before the date of registration of the Shares. Except as provided the section entitled "**Offering, Selling and Transfer Restrictions**" in the OIS, there are no restrictions on the transferability of the Shares.

KEY FINANCIAL INFORMATION

Key profit and loss information

	The Group		
	FY2018/19	FY2019/20	FY2020/21
	(Audited)	(Audited)	(Audited)
Revenue (S\$' million)	16,323.2	15,975.9	3,815.9
Profit/(Loss) before taxation (S\$' million)	868.6	(220.2)	(4,957.2)
Profit/(Loss) for the financial year (S\$' million)	721.6	(169.4)	(4,283.4)
Profit/(Loss) attributable owners of the Company (S\$' million)	682.7	(212.0)	(4,270.7)
Proforma Impact to EPS	FY2018/19	FY2019/20	FY2020/21
EPS before the Rights Issue and conversion of the Convertible Bonds ⁽¹⁾ (cents)	36.2	(11.2)	(115.6)
EPS after the Rights Issue but before conversion of the Convertible Bonds ⁽²⁾ (cents)	16.8	(5.2)	(72.8)
EPS after the Rights Issue assuming conversion of all the Convertible Bonds ⁽³⁾ (cents)	16.2	(5.0)	(71.0)

Notes:

- (1) The EPS for prior year comparatives in FY2018/19 and FY2019/20 are computed by applying a bonus factor to the weighted average number of Shares taking into account the 2020 Rights Issue, in accordance with IAS 33 *Earnings Per Share*. The bonus factor is derived from the division of fair value per Share immediately before the exercise of rights by the theoretical ex-rights fair value. The EPS for FY2020/21 is computed based on profit/(loss) attributable to Shareholders of the Company divided by weighted average number of Shares in issue less treasury Shares, assuming 1,304.6 million new Shares are allotted and issued on a weighted average basis upon conversion of all the Rights 2020 MCBs. On the basis of the foregoing, the weighted average number of Shares for FY2018/19, FY2019/20 and FY2020/21 are 1,884.9 million, 1,887.1 million and 3,694.7 million, respectively.
- (2) The proforma adjustments to EPS assume that 2,174.0 million Rights 2021 MCB Conversion Shares are allotted and issued upon conversion of the Rights 2021 MCBs on the first day of each of the respective financial years presented. In addition, the EPS for prior year comparatives in FY2018/19 and FY2019/20 are computed by applying a bonus factor to the weighted average number of Shares taking into account the 2020 Rights Issue, in accordance with IAS 33 *Earnings Per Share*. The bonus factor is derived from the division of fair value per Share immediately before the exercise of rights by the theoretical ex-rights fair value. The EPS for FY2020/21 is computed based on profit/(loss) attributable to Shareholders of the Company divided by the weighted average number of Shares in issue less treasury Shares, assuming 1,304.6 million new Shares are allotted and issued on a weighted average basis upon conversion of all the Rights 2020 MCBs. On the basis of the foregoing, the weighted average number of Shares for FY2018/19, FY2019/20 and FY2020/21 are 4,058.8 million, 4,061.0 million and 5,868.7 million, respectively. The proforma impact to EPS are shown for illustrative purposes only and have not been audited.
- (3) The proforma adjustments to EPS assume that: (a) 2,174.0 million Rights 2021 MCB Conversion Shares are allotted and issued upon conversion of the Rights 2021 MCBs; and (b) 148.0 million new Shares are allotted and issued upon conversion of all the Convertible Bonds, on the first day of each of the respective financial years presented. In addition, the EPS for prior year comparatives in FY2018/19 and FY2019/20 are computed by applying a bonus factor to the weighted average number of Shares taking into account the 2020 Rights Issue, in accordance with IAS 33 *Earnings Per Share*. The bonus factor is derived from the division of fair value per Share immediately before the exercise of rights by the theoretical ex-rights fair value. The EPS for FY2020/21 is computed based on profit/(loss) attributable to Shareholders of the Company divided by weighted average number of Shares in issue less treasury Shares, assuming 1,304.6 million new Shares are allotted and issued on a weighted average basis upon conversion of all the Rights 2020 MCBs. On the basis of the foregoing, the weighted average number of Shares for FY2018/19, FY2019/20 and FY2020/21 are 4,206.8 million, 4,209.0 million and 6,016.7 million, respectively. The proforma impact to EPS are shown for illustrative purposes only and have not been audited.

See paragraph 4 of “**Part 5 – Operating and Financial Review and Prospects**” on pages 104 to 108, as well as Appendices B, C and D of the OIS for more information on our financial performance, financial position and cash flows.

Key balance sheet information

	The Group
(In S\$' million)	As at 31 March 2021 (Audited)
Equity attributable to owners of the Company	15,905.9
Current assets	9,672.0
Current liabilities	5,713.2
Net asset value before the Rights Issue	15,905.9
Net asset value after the Rights Issue and conversion of the Convertible Bonds but before conversion of the Rights 2020 MCBs and the Rights 2021 MCBs (S\$' million)	22,876.4
Net asset value after the Rights Issue and conversion of the Convertible Bonds, the issue of the Rights 2020 MCB Conversion Shares and the Rights 2021 MCB Conversion Shares (S\$' million)	22,876.4

Key cash flows information

	The Group	
(In S\$' million)	FY2019/20 (Audited)	FY2020/21 (Audited)
Net cash (used in)/provided by operating activities	2,731.9	(3,292.4)
Net cash used in investing activities	(4,964.8)	(1,314.3)
Net cash (used in)/provided by financing activities	1,935.6	9,737.0
Net cash (outflow)/inflow	(297.3)	5,130.3
Cash and cash equivalents at beginning of the financial year/period	2,944.0	2,685.3
Cash and cash equivalents at end of the financial year/period	2,685.3	7,783.0

The most significant factors contributing to our financial performance in FY2019/20 compared to FY2018/19 are as follows:

- Group revenue fell S\$347 million (-2.1%) year-on-year to S\$15,976 million, largely contributed by the Company, SilkAir and Scoot. The fall in revenue by the Company was mainly due to a decline in cargo revenue, as both loads (-8.8%) and yields (-3.8%) came in lower amidst a challenging trading landscape posed by international trade tensions and export manufacturing slowdown in key economies. The passenger segment registered a marginal improvement as revenue gained from growth in traffic (+1.5%) despite traffic declines induced by the COVID-19 pandemic in the fourth quarter of FY2019/20 and weaker yields (-1.0%). The revenue reductions from SilkAir and Scoot were attributable to lower passenger flown revenue from respective declines in capacity (-9.7%, -2.7%), brought about by flight cancellations following the outbreak of COVID-19, traffic (-8.3%, -2.2%) and yields (both -1.8%). In addition, the grounding of the 737-8 MAX fleet and progressive transfer of routes to Scoot also caused a reduction in SilkAir's capacity.
- Group expenditure rose S\$661 million (+4.3%) year-on-year to S\$15,917 million, primarily driven by mark-to-market losses of S\$710 million on ineffective fuel hedges for FY2020/21, attributable to a plunge in fuel prices and expected capacity cuts. Fuel cost after hedging rose by S\$49 million (+1.1%), largely from fuel hedging losses against gains in FY2019/20 (+S\$543 million) and a stronger US Dollar against the Singapore Dollar (+S\$29 million), partially offset by 9.1% decrease in average jet fuel prices (-S\$447 million) and decrease in volume uplifted (-S\$76 million).
- Group operating profit for the financial year declined S\$1,008 million (-94.5%) to S\$59 million for the financial year ended 31 March 2020.
- As a result of the foregoing and other factors set out in the OIS, the Group registered a net loss of S\$212 million, a reversal of S\$895 million from the net profit of S\$683 million recorded in FY2018/19.

The most significant factors contributing to our financial performance in FY2020/21 compared to FY2019/20 are as follows:

- Group revenue fell by S\$12,160 million (-76.1%) year-on-year to S\$3,816 million due to the plunge in passenger flown revenue across Singapore Airlines, SilkAir and Scoot. This was partially offset by higher cargo flown revenue, which rose by S\$758 million (+38.8%) year-on-year to S\$2,709 million. Strong air cargo demand, especially in key segments such as e-commerce, pharmaceuticals and electronics, provided strong support for both cargo load factors and yields amid tight industry cargo capacity.

- Group expenditure was S\$6,329 million, down S\$9,588 million (-60.2%). Net fuel cost fell S\$3,620 million (-78.1%) to S\$1,016 million due to capacity cuts and lower fuel prices in the first half of the year. Non-fuel expenditure reduced by S\$5,472 million (-51.8%) to S\$5,099 million on the back of capacity cuts, cost-saving initiatives, staff-related measures, and government support schemes.
- The Group recorded an operating loss of S\$2,513 million in FY2020/21, a reversal of S\$2,572 million from the S\$59 million operating profit recorded in FY2019/20.
- As a result of the foregoing and other factors set out in the OIS, the Group reported a net loss of S\$4,271 million in FY2020/21, a deterioration of S\$4,059 million against FY2019/20.

The above factors are not the only factors contributing to our financial performance in FY2019/20 and FY2020/21. See the other factors set out in paragraph 4 of “Part 5 – Operating and Financial Review and Prospects” on pages 104 to 108 of the OIS.

BUSINESS STRATEGIES AND FUTURE PLANS

The Group intends to leverage on its existing portfolio of successful and distinctive full-service and low-cost airlines brands to capture premium and budget market segments, as well as its multi-hub strategy to build new hubs across growth markets, and through partnerships.

Its new Transformation programme (headlined as “Lead the New World”), is built upon three pillars – world-class leader, financial sustainability, and a dynamic and resilient team. Singapore Airlines is committed to deliver on its brand promise in product quality and service excellence, with a focus on measures that safeguard customers’ well-being and reduce friction across the travel journey. The Group will continue to embark on wide-ranging initiatives to strengthen revenue-generation and achieve a more competitive cost base to secure future financial stability, as well as develop a skilled and talented workforce, equipped with skills to remain future-ready. This is underpinned by continued investment in digital capabilities, which help to enhance core offerings and operational resilience. The objective of the new Transformation program is to position the Group to emerge stronger from the COVID-19 crisis.

Since the beginning of FY2020/21, the Group has raised S\$15.4 billion in fresh liquidity from the 2020 Rights Issue (S\$8.8 billion), secured aircraft financing (S\$2.1 billion), bond issuances (S\$2.0 billion), aircraft sale-and-leaseback transactions (S\$2.0 billion) and new committed lines of credit and short-term unsecured loans (S\$0.5 billion). While the Group has raised these funds, it is important to maintain a strong equity base to provide the financial foundation for the Group to successfully navigate the COVID-19 crisis.

Even though mass vaccination exercises are in progress in most of the Group’s major markets, the prognosis for the global airline industry remains uncertain, as new waves of infections around the world means that international travel and immigration restrictions remain largely in place. The Group has since resumed selected services, but it remains uncertain as to when air traffic will recover to pre-COVID-19 levels. It is therefore crucial for the Group to have sufficient liquidity to weather the current challenges.

Singapore Airlines has therefore decided to proceed with the Rights Issue to raise gross proceeds of approximately S\$6.2 billion. The issuance allows the Company to maintain a strong equity base that provides it with the foundation to meet its ongoing financial commitments, and creates options for raising additional debt financing as necessary. The Rights Issue will also provide the resources for growth as the Company navigates through the ongoing COVID-19 crisis. Further, it would also allow the Group to make the necessary investments and capitalise on any opportunities that may arise, and allow it to secure its industry-leading position.

For more information, see paragraph 8 of “Part 4 – Key Information” on pages 79 to 102 of the OIS.

TRENDS, UNCERTAINTIES, DEMANDS, COMMITMENTS OR EVENTS REASONABLY LIKELY TO HAVE A MATERIAL EFFECT

Based on current schedules, the Group’s passenger capacity is expected to be around 32% of pre-COVID-19 levels by July 2021. Despite the resurgence of COVID-19 infections in many parts of the world, the growing pace of mass vaccination exercises in key markets provides hope for a further recovery in international air travel demand. Singapore Airlines strongly supports all efforts to further open borders in a safe and calibrated manner. The Group expects to continue with a measured expansion of the passenger network, and will remain flexible in adjusting its capacity to meet the demand for air travel.

Strong fundamentals continue to drive air cargo demand, with healthy Purchasing Managers’ Index readings across many key export economies. Demand from the e-commerce and pharmaceutical segments, among others, remain robust. The Group believes that Singapore Airlines is well-positioned to capture more COVID-19 vaccine shipments into the Asia Pacific region as vaccine production ramps up and exports grow.

In this regard, given the high degree of uncertainty, the Company is actively taking steps to strengthen its balance sheet and liquidity position, and the Rights Issue is a critical component of these efforts. The Rights Issue provides certainty of funding and the Rights 2021 MCBs have been structured to provide the Company with flexibility to manage its capital structure.

The proceeds from the Rights Issue will also provide financial resilience and flexibility to the Company, enabling the Company to address near-term operational and cashflow requirements while providing for committed capital expenditure. In addition, the Rights Issue will enable the Company to be well-positioned to respond quickly when national borders reopen and capture medium-to-long term growth beyond the COVID-19 situation, while at the same time allowing the Company to continue to focus on its strategic priorities, including its investment in fleet modernisation plans and improving future operating efficiencies, including IT related investments. This is expected to strengthen the Group’s competitive advantages.

For more information, see “**Part 5 – Operating and Financial Review and Prospects**” on pages 103 to 114 of the OIS.

USE OF PROCEEDS

The estimated net proceeds from the Rights Issue (after deducting estimated expenses incurred in connection with the Rights Issue) are expected to be approximately S\$6.2 billion (“**Net Proceeds**”).

The Company intends to utilise the Net Proceeds for the following purposes:

Purpose	Amount	Percentage of Proceeds	Use of Proceeds
Operating cashflow	S\$2.0 billion	32%	To fund fixed costs and other operating expenses
Capital expenditure	S\$2.7 billion	44%	To fund aircraft and aircraft related payments and investments in digital capabilities
Other fixed commitments	S\$1.5 billion	24%	To be used for debt service and other contractual payments
Total	S\$6.2 billion	100%	

For more information, see paragraphs 1 to 4 of “**Part 4 – Key Information**” on pages 77 to 78 of the OIS.

KEY RISKS

Investing in the Rights 2021 MCBs involves substantial risks. Set out below are some of the key risks of investing in the Rights 2021 MCBs. This list is not exhaustive, and does not represent all the risks associated with, and considerations relevant to, the Rights 2021 MCBs or your decision to subscribe for the Rights 2021 MCBs. The value of the Rights 2021 MCBs and Rights 2021 MCB Conversion Shares may rise or fall. These risks may cause you to lose some or all of your investment.

For more information on risk factors, see “**Risk Factors**” on pages 34 to 53 of the OIS.

BUSINESS-RELATED RISKS

Risks Relating to the Group's Business

- The COVID-19 pandemic has had a material adverse impact on the Group's business and the outbreak of any contagious disease with human-to-human airborne or contact propagation effects that escalates into a regional or global epidemic or pandemic may have an adverse impact on all airlines, including Singapore Airlines which may operate to or from such affected areas/regions. The COVID-19 pandemic has led to a global collapse in the demand for air travel and resulted in a significant decline in the Group's passenger revenues from February 2020. Without a domestic segment, the airlines operated by the Group are significantly more vulnerable when governments restrict the free movement of people across national borders, or ban air travel altogether to curb the spread of COVID-19. The significant decline in passenger traffic for all three passenger airlines operated by the Group (FY2020/21 vs FY2019/20: -97.9%) resulted in a substantial reduction in passenger flown revenue, which has materially and adversely affected the Group's financial performance. In response to the collapse in demand for air travel, the Group scaled back operations in April 2020 and cut capacity to only 3% compared to pre-COVID-19 levels (i.e. January 2020). The Group subsequently grew its passenger capacity in a calibrated manner, reaching 23% of pre-COVID-19 levels at the end of March 2021.

In addition, the emergence of more virulent COVID-19 strains or the outbreak of another contagious disease with human-to-human airborne or contact propagation effects (e.g. Avian Flu H5N1, Severe Acute Respiratory Syndrome ("SARS"), Ebola, Middle East respiratory syndrome coronavirus, etc.) that escalates into a regional or global epidemic or pandemic may have an adverse impact on all airlines, including Singapore Airlines which may operate to or from such affected areas and regions. The demand for air travel may be severely reduced as international and national response plans, which may include tightening of border controls and closure or restriction of access to airspace or airports around the world, are put in place to address such contagion.

- The Group's business and financial positions could be negatively impacted by inadequate liquidity. Should any of the Group's existing credit or borrowing facilities be cancelled, reduced or otherwise not be made available to the Group, the Group's liquidity and cash flow position may be materially and adversely affected. The Company's short term liquidity requirements may also increase as a result of the Company's obligations to refund its customers for forward tickets on flights which have been cancelled. Due to the volatile global economic climate and the current operating environment in the aviation industry as a result of the COVID-19 outbreak, it may be difficult for airlines to rely on traditional funding channels such as secured financing, sale-and-leaseback transactions and debt capital markets to mitigate liquidity and cash flow issues and there is no assurance that the Group will be able to raise financing through such funding channels on acceptable terms or at all.
- The Group's earnings are affected by changes in the price of jet fuel. Historically, fuel costs have been subject to wide price fluctuations based on geopolitical issues and supply and demand. Due to the variety of factors that affect the price of fuel, the cost of fuel cannot be predicted with any degree of certainty. In addition, the scale of reduced flights due to the COVID-19 pandemic meant that the Group was in an over-hedged position with respect to fuel consumption in FY2020/21, and the expected consumption for FY2021/22. Accordingly, surplus hedges need to be classified as ineffective under applicable financial reporting standards. Due to these surplus hedges, the Group recorded fuel hedging ineffective losses of S\$710 million and S\$214 million in FY2019/20 and FY2020/21 respectively. There is no assurance that further mark-to-market losses will not be experienced for the rest of FY2021/22, or beyond.

LEGAL, REGULATORY AND ENFORCEMENT RISKS

Rights 2021 MCB Holders have no right to require redemption

- The Rights 2021 MCBs may be redeemed at the option of the Company in whole or in part on every Semi-Annual Date. The Rights 2021 MCBs may become due and payable as a result of an Event of Default. However, Rights 2021 MCB Holders have no right to require the Company to redeem the Rights 2021 MCBs. Unless redeemed at the option of the Company or unless the Rights 2021 MCBs become due and payable as a result of an Event of Default, the Rights 2021 MCBs can only be disposed of by sale prior to the Maturity Date or by mandatory conversion into Rights 2021 MCB Conversion Shares on the Maturity Date. Upon such mandatory conversion, Rights 2021 MCB Holders will receive Rights 2021 MCB Conversion Shares and will not be repaid in cash. Rights 2021 MCB Holders who wish to sell their Rights 2021 MCBs may be unable to do so at a price at or above the amount they have paid for them, or at all, if insufficient liquidity exists in the market for the Rights 2021 MCBs or if permission is not granted by the SGX-ST for the listing and quotation of the Rights 2021 MCBs on the Main Board of the SGX-ST due to an insufficient spread of holdings of the Rights 2021 MCBs to provide for an orderly market in the Rights 2021 MCBs.

The Rights 2021 MCBs are unsecured

- The Rights 2021 MCBs constitute direct, unconditional, unsubordinated and unsecured obligations of the Company. Claims of secured creditors will have priority over unsecured creditors, including the Rights 2021 MCB Holders. The Rights 2021 MCBs do not impose any negative pledge on the Company in relation to its present and future borrowings.

Accordingly, on a winding-up of the Company at any time prior to the Maturity Date, the Rights 2021 MCB Holders will not have recourse to any specific assets of the Company or the Group as security for outstanding payment or other obligations under the Rights 2021 MCBs owed to Rights 2021 MCB Holders and there can be no assurance that there would be sufficient value in the assets of the Company after meeting all claims ranking ahead of the Rights 2021 MCBs to discharge all outstanding payment and other obligations under the Rights 2021 MCBs owed to Rights 2021 MCB Holders.

The Company may not be in a position to meet its payment obligations under the Rights 2021 MCBs, and there are limited remedies for non-payment under the Terms and Conditions of the Rights 2021 MCBs

- The Rights 2021 MCBs may become due and payable as a result of an Event of Default. If such event were to occur, no assurance can be given that the Company will have enough funds to pay the relevant redemption amount for the Rights 2021 MCBs. In addition, the right to institute proceedings against the Company is limited to circumstances where payment has become due in accordance with the Terms and Conditions of the Rights 2021 MCBs and the Company fails to make payment when due. If an Event of Default has occurred and is continuing, the Trustee at its discretion may (but is not obliged to), and if so requested in writing by the holders of not less than 30 per cent. in principal amount of the Rights 2021 MCBs then outstanding or if so directed by an Extraordinary Resolution of the Rights 2021 MCB Holders shall (subject to its rights under the Trust Deed to be indemnified and/or secured and/or pre-funded to its satisfaction by the Rights 2021 MCB Holders), give notice to the Company that the Rights 2021 MCBs are, and they shall accordingly thereby become, immediately due and repayable. The Trustee may, at its discretion and without further notice, take such actions and/or steps and/or institute such proceedings against the Company as it may think fit to enforce repayment of the Rights 2021 MCBs and to enforce the provisions of the Trust Deed. Further, Rights 2021 MCB Holders are not entitled to proceed directly against the Company to enforce the performance of any of the provisions of the Rights 2021 MCBs unless the Trustee, having become bound as aforesaid to take proceedings, fails or neglects to do so within a reasonable period and such failure or neglect is continuing.

The Trustee may request that the Rights 2021 MCB Holders provide pre-funding, indemnity and/or security to its satisfaction before it takes action on behalf of Rights 2021 MCB Holders

- In certain circumstances (including without limitation the giving of notice to the Company if an Event of Default under the Rights 2021 MCBs occurs and is continuing and the taking of enforcement steps), the Trustee may, at its discretion, request the Rights 2021 MCB Holders to provide pre-funding and/or an indemnity and/or security to its satisfaction before it takes action on behalf of Rights 2021 MCB Holders. The Trustee shall not be obliged to take any such actions if not pre-funded, indemnified and/or secured to its satisfaction. Negotiating and agreeing to any pre-funding, indemnity and/or security can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take action, notwithstanding the provision of pre-funding, indemnity or security to it, in breach of the terms of the Trust Deed constituting the Rights 2021 MCBs and/or in circumstances where there is uncertainty or dispute as to the applicable laws or regulations. In such event, to the extent permitted by the relevant agreements (including the Terms and Conditions of the Rights 2021 MCBs and the Trust Deed) and applicable law, it will be for Rights 2021 MCB Holders to take such action directly.

MARKET AND CREDIT RISKS

The Conversion Price of the Rights 2021 MCBs is not an indication of the underlying value of the Shares. Further, the Rights Issue may cause the market value of the Shares to fluctuate or decrease

- The initial Conversion Price will be the prevailing conversion price of the Rights 2020 MCBs, being S\$4.84 per Rights 2021 MCB Conversion Share. The Conversion Price does not bear a direct relationship to the book value of the Company's assets, past operations, cash flow, earnings, financial condition or any other established criteria for value, and Shareholders should not consider the Conversion Price to be any indication of the underlying value of the Shares.

There is also no assurance that the market price of the Shares will be equal to or higher than the Conversion Price of the Rights 2021 MCBs. Unless previously redeemed or purchased and cancelled, the Rights 2021 MCBs will be mandatorily converted into Rights 2021 MCB Conversion Shares on the Maturity Date at the Conversion Price in effect at the Maturity Date, regardless of whether such Conversion Price is below, equal to or higher than the prevailing market price of the Shares. If the prevailing market price of the Shares is lower than the Conversion Price in effect at the Maturity Date, Rights 2021 MCB Holders may effectively be paying a higher price for their Rights 2021 MCB Conversion Shares as compared to if they had bought Shares in the market at the prevailing market price. Further, if the market price of the Shares falls below the Conversion Price after the Rights 2021 MCBs are mandatorily converted into Rights 2021 MCB Conversion Shares, the Rights 2021 MCB Holders will suffer a loss.

LIQUIDITY RISKS

The Rights 2021 MCBs may not be listed

- The SGX-ST has granted approval in-principle for the listing of and quotation for, among other things, the Rights 2021 MCBs on the Main Board of the SGX-ST, subject to, inter alia, there being a sufficient spread of holdings of the Rights 2021 MCBs to provide for an orderly market in the Rights 2021 MCBs. There is no assurance that the Rights 2021 MCBs will, upon issue, be listed and quoted on the Main Board of the SGX-ST. In such event, the Rights 2021 MCBs may be traded over-the-counter on the Debt Securities Clearing and Settlement System and will be cleared through CDP. However, Rights 2021 MCB Holders will not be able to trade their Rights 2021 MCBs on the SGX-ST.

There is no prior market for the Rights 2021 MCBs and no assurance that one will develop to provide liquidity for the Rights 2021 MCBs

- The Rights 2021 MCBs are a new issue of securities for which there is currently no trading market. No assurance can be given that an active trading market for the Rights 2021 MCBs will develop or, if a market does develop, as to the liquidity or sustainability of any such market and the ability of the Rights 2021 MCB Holders to sell their Rights 2021 MCBs. If an active market for the Rights 2021 MCBs fails to develop or is not sustained, the trading price of the Rights 2021 MCBs could fall below the Issue Price. Even if an active market for the Rights 2021 MCBs were to develop, the Rights 2021 MCBs could trade at prices that may be lower than the Issue Price. The trading price of the Rights 2021 MCBs will depend on many factors, including (a) prevailing interest rates and the market for similar securities; (b) the Group's financial condition, financial performance and future prospects; and (c) fluctuations in the market price of the Shares.

OTHER PERTINENT RISKS

Rights 2021 MCB Holders are subject to the Terms and Conditions of the Rights 2021 MCBs, which include provisions as to modifications, waivers and events of default

- The Terms and Conditions of the Rights 2021 MCBs contain provisions for calling meetings of Rights 2021 MCB Holders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Rights 2021 MCB Holders including Rights 2021 MCB Holders who did not attend and vote at the relevant meeting and Rights 2021 MCB Holders who voted in a manner contrary to the majority.

DEFINITIONS

CDP	:	The Central Depository (Pte) Limited.
Convertible Bonds	:	The S\$850 million in aggregate principal amount of 1.625% convertible bonds due 2025 issued by the Company on 3 December 2020.
EPS	:	Earnings/(Loss) per Share.
Event of Default	:	An event of default under the Terms and Conditions of the Rights 2021 MCBs.
FY2018/19	:	Financial year ended 31 March 2019.
FY2019/20	:	Financial year ended 31 March 2020.
FY2020/21	:	Financial year ended 31 March 2021.
FY2021/22	:	Financial year ending 31 March 2022.
Group	:	The Company and its subsidiaries.
Latest Practicable Date	:	21 May 2021.
Rights Issue	:	The proposed renounceable rights issue by the Company of up to S\$6,196,793,517 in aggregate principal amount of Rights 2021 MCBs, at the Issue Price, in the denomination of S\$1.00 for each Rights 2021 MCB, on the basis of 209 Rights 2021 MCBs for every 100 existing Shares held by Entitled Shareholders (which, for the avoidance of doubt, excludes treasury Shares held by the Company and the Special Share held by the Minister for Finance) as at the Record Date, fractional entitlements to be disregarded, on the terms and conditions of the OIS.
Rights 2020 MCB Conversion Shares	:	The new Shares to be allotted and issued by the Company upon conversion of the Rights 2020 MCBs on the Maturity Date, subject to the terms and conditions of the Rights 2020 MCBs.

Rights 2020 MCBs	: The S\$3,496,128,555 in aggregate principal amount of zero coupon mandatory convertible bonds issued by the Company on 8 June 2020 pursuant to the 2020 Rights Issue.
Rights 2021 MCB Conversion Shares	: The new Shares to be allotted and issued by the Company upon conversion of the Rights 2021 MCBs on the Maturity Date, subject to the Terms and Conditions of the Rights 2021 MCBs.
Rights 2021 MCB Holder	: A registered holder of Rights 2021 MCBs, except that where the registered holder is CDP, the term “ Rights 2021 MCB Holder ” shall, in relation to such Rights 2021 MCBs and where the context admits, mean the persons named as Depositors in the Depository Register maintained by CDP and into whose Securities Accounts those Rights 2021 MCBs are credited.
Rights 2021 MCBs	: The mandatory convertible bonds to be allotted and issued by the Company pursuant to the Rights Issue, the terms and conditions of which (subject to finalisation) are set out in Appendix A to the OIS.
Semi-Annual Date	: A date falling on each six-month anniversary of the Issue Date.
SGX-ST	: Singapore Exchange Securities Trading Limited.
Shareholders	: Registered holders of Shares in the Register of Members of the Company except that where the registered holder is CDP, the term “ Shareholders ” shall, in relation to such Shares and where the context so admits, mean the persons named as Depositors in the Depository Register maintained by CDP and into whose Securities Accounts are credited.
Shares	: The ordinary shares in the capital of the Company.
Temasek	: Temasek Holdings (Private) Limited.
Tembusu	: Tembusu Capital Pte. Ltd., a wholly-owned subsidiary of Temasek.
Terms and Conditions of the Rights 2021 MCBs	: The Terms and Conditions of the Rights 2021 MCBs to be set out in the Trust Deed, the text of which (subject to finalisation) is set out in Appendix A to the OIS.
Trust Deed	: The Trust Deed to be executed by the Company to constitute the Rights 2021 MCBs and containing, <i>inter alia</i> , the provisions for the protection of the rights and interests of Rights 2021 MCB Holders.
Undertaking	: The undertaking dated 26 March 2020 given by a wholly-owned subsidiary of Temasek (namely, Tembusu) to the Company.

CONTACT INFORMATION

If you have questions, please contact the DBS Bank Ltd. at 1800 111 1111, Monday to Friday (excluding public holidays), between 9.00 a.m. and 5.00 p.m.

If you have questions in relation to applications through Accepted Electronic Services (including PayNow), please contact The Central Depository (Pte) Limited at 6535 7511, Monday to Friday between 8.30 a.m. and 5.00 p.m., and Saturday between 8.30 a.m. and 12.00 p.m.

Please also refer to www.sgx.com/cdp/faq for further information.