



**SINGAPORE AIRLINES LIMITED**  
(Incorporated in the Republic of Singapore)  
Company Registration No. 197200078R

## **ANNOUNCEMENT**

### **PROPOSED DIVIDEND *IN SPECIE* OF SHARES IN SINGAPORE AIRPORT TERMINAL SERVICES LIMITED**

- **Unlocks shareholder value: Singapore Airlines Limited (“SIA” or the “Company”) shareholders to receive up to 0.73 Singapore Airport Terminal Services Limited (“SATS”) shares for every 1 SIA share held, at no cost to SIA shareholders**
- **Enables SIA to concentrate on airline and aircraft maintenance, repair and overhaul (“MRO”) businesses, while allowing SATS to lessen its dependence on the aviation business**
- **Boosts the public float of SATS and enables SIA shareholders to separately manage their portfolio holdings in SIA and SATS**
- **Positive impact on the gearing of SIA and minimal impact on earnings and net assets**
- **No disruption to the operations of SIA and SATS. New agreements concluded between both parties to cover at least a further three years of ground handling and catering services from 1 October 2009**

#### **1. Introduction**

- 1.1** The Board of Directors (“**Board**”) of SIA is pleased to announce that the Company is proposing a dividend *in specie* (the “**Proposed Distribution**”) of substantially all of the shares (“**SATS Shares**”) in SATS held by SIA to be distributed to the shareholders of the Company (“**SIA Shareholders**” or “**Shareholders**”).
- 1.2** The Proposed Distribution, which will be subject to the approval of SIA Shareholders and such other approvals as set out in paragraph 5.1.2 below, will be effected by way of a dividend *in specie* to SIA Shareholders *pro-rata* to their respective shareholdings in SIA, on the basis of up to 0.73 SATS Shares for every 1 share in the Company (“**SIA Share**” or “**Share**”), fractional entitlements to be disregarded.

- 1.3** No payment will be required from SIA Shareholders for the Proposed Distribution. The SATS shares will be distributed free of encumbrances and together with all rights attaching thereto on and from the date the Proposed Distribution is effected.
- 1.4** SATS is a public limited company incorporated in Singapore on 15 December 1972 and has been listed on the main board of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) since 12 May 2000. SATS has a market capitalisation of approximately \$1.7 billion as at 14 May 2009.
- 1.4.1 The principal activities of SATS and its subsidiaries (the “**SATS Group**”) are to provide ground handling, in-flight catering and security services to its airline customers.
- 1.4.2 With the acquisition of Singapore Food Industries Limited<sup>1</sup> (“**SFI**”) which was completed in April 2009 (the “**SFI Acquisition**”), SATS has moved closer to its mid and long term strategy to develop a balanced portfolio comprising a strong Singapore-based food services business and global airport services business. On a pro forma basis<sup>2</sup>, the combined revenue of the enlarged SATS Group is \$1.67 billion.
- 1.4.3 The revenue and net profit attributable to shareholders of SATS are \$1.06 billion and \$146.7 million respectively for the financial year ended 31 March 2009<sup>3</sup>.

## **2. Rationale for the Proposed Distribution**

The Directors believe the Proposed Distribution will benefit the Company and Shareholders in the following ways:

- 2.1 SIA can concentrate on airline and aircraft MRO businesses, while SATS can lessen its dependence on the aviation business**
- 2.1.1 SIA is primarily engaged in the provision of passenger and cargo air transportation, and aircraft MRO activities.
- 2.1.2 In the offer document dated 6 February 2009 in relation to the SFI Acquisition, SATS stated that the acquisition will allow it to “build on its existing core strengths whilst mitigating its exposure to the aviation sector”.
- 2.1.3 On a pro forma basis<sup>4</sup>, the SFI Acquisition will increase the revenue contribution of Non-aviation Business from 0% of SATS’ revenue (prior to the SFI Acquisition) to 43% of the enlarged SATS Group’s revenue while also expanding overseas revenue contribution from 0.3% of SATS’ revenue (prior to the SFI Acquisition) to 28% of the enlarged SATS Group’s revenue.

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<sup>1</sup> SFI is one of the largest integrated food services companies in Singapore, with a wide portfolio of food-related businesses including food material supplies, distribution, catering, manufacturing and processing (“**Non-aviation Business**”). As set out in the offer document of SATS dated 6 February 2009, SFI also has significant operations in the United Kingdom.

<sup>2</sup> Based on the audited consolidated financial statements of SATS for the financial year ended 31 March 2008 and the audited consolidated financial statements of SFI for the financial year ended 31 December 2007, as set out in the circular of SATS dated 5 January 2009 in relation to the SFI Acquisition.

<sup>3</sup> Based on the audited results of SATS for the financial year ended 31 March 2009.

<sup>4</sup> Based on the circular of SATS dated 5 January 2009 in relation to the SFI Acquisition.

- 2.1.4 Recognising the stated desire of SATS to grow its food services business, the Proposed Distribution will (a) allow the management of SATS to independently pursue its strategy of creating a stronger food services business and (b) enable SIA to concentrate on the passenger and cargo air transportation, and aircraft MRO businesses.

## **2.2 Unlocking shareholder value - investment flexibility for SIA Shareholders**

- 2.2.1 Following the Proposed Distribution, SIA Shareholders will become direct shareholders of SATS without the need for any cash outlay, and will be able to separately manage their portfolio holdings of SIA and SATS in accordance with their individual investment objectives.
- 2.2.2 Giving SIA Shareholders a direct shareholding in SATS enables SIA Shareholders to directly influence the future direction of SATS and benefit directly from any future corporate actions and exercises involving SATS (for example, dividends, bonus issues, rights issues, mergers and/or acquisitions).

## **2.3 Enhancement in trading liquidity of SATS**

As of the date of this Announcement, the Company has a shareholding interest of approximately **81%** in SATS, with the balance of approximately **19%** held by public shareholders (the "**Public Shareholders**"). Following the Proposed Distribution, the shareholding of SATS held by Public Shareholders will increase. An increase in the public float would improve trading liquidity of SATS Shares.

## **2.4 No adverse impact on the financial position of SIA**

The Proposed Distribution will not result in any material adverse impact on the financial position of SIA. Purely for illustrative purposes, based on the audited results of SIA for the financial year ended 31 March 2009, SIA will continue to maintain a strong balance sheet with net cash of \$3.3 billion (at the Company level) and \$3.6 billion (at the SIA Group ("**Group**") level) on the assumption that the Proposed Distribution had been completed on 31 March 2009. Total debt of SIA will decrease as the balance sheet of SATS will no longer be consolidated into the balance sheet of SIA pursuant to the Proposed Distribution.

## **2.5 Smooth continuation in the operations of SIA and SATS after the Proposed Distribution**

- 2.5.1 New agreements signed on 8 May 2009 provide assurance to SIA that SATS will continue to supply ground handling and in-flight catering services for at least the next three years from 1 October 2009 at quality and service levels that the customers of SIA are familiar with.
- 2.5.2 At the same time, the agreements also provide SATS with assurance of revenue from SIA for the next three years from 1 October 2009, with an automatic extension for a further two years on the same terms unless either party terminates the agreements by giving prior notice.

### 3. Details of the Proposed Distribution

- 3.1 Shareholders who hold SIA Shares as at the Books Closure Date (as defined in paragraph 7 below) will be entitled to the Proposed Distribution ("**Entitled Shareholders**").
- 3.2 As at the date of this Announcement, SIA holds **870,000,000** SATS Shares representing approximately **81%** of the issued SATS Shares. The Proposed Distribution will be effected by way of a dividend *in specie* to Entitled Shareholders on the basis of a minimum of 0.69 and a maximum of 0.73 SATS Shares for every 1 SIA Share held by the Entitled Shareholders, fractional entitlements to be disregarded. The final number of SATS Shares to be received by each Entitled Shareholder will depend on the total number of issued SIA Shares as at the Books Closure Date.
- 3.3 For illustrative purposes only, assuming that the number of issued SIA Shares remains unchanged at **1,182,642,113** SIA Shares (excluding treasury shares)<sup>5</sup> and none of the outstanding options or awards to subscribe for or acquire new SIA Shares granted pursuant to the SIA Employee Share Option Plan, the SIA Restricted Share Plan and the SIA Performance Share Plan are exercised or released prior to the Books Closure Date, a SIA Shareholder who holds:
- 3.3.1 **1,000** SIA Shares on the Books Closure Date will receive **730** SATS Shares; and
- 3.3.2 **200** SIA Shares on the Books Closure Date will receive **146** SATS Shares.
- 3.4 Following completion of the Proposed Distribution, any resultant fractional SATS Shares will be aggregated and held by SIA for future disposal.
- 3.5 SIA Shareholders who receive odd lots of SATS Shares pursuant to the Proposed Distribution and who wish to trade such odd lots on the SGX-ST should note that an application will be made to the SGX-ST to set up a temporary counter for the trading of the smaller board lots of SATS Shares for a period of one month after the completion of the Proposed Distribution for the convenience of such SIA Shareholders. Further details of the application will be set out in the Circular (as defined in paragraph 8.2 below).

### 4. Financial Effects

For purposes of illustration, the financial effects of the Proposed Distribution on the net tangible assets ("**NTA**"), earnings per share ("**EPS**") and gearing ("**Gearing**") of SIA are set out below, based on the audited consolidated financial statements of SIA for the financial year ended 31 March 2009, and taking into account the following assumptions:

- (a) the NTA and Gearing as at 31 March 2009 have been prepared on a pro forma basis on the assumption that the Proposed Distribution had been completed on 31 March 2009;
- (b) the EPS has been prepared on a pro forma basis on the assumption that the Proposed Distribution had been completed on 1 April 2008; and
- (c) the Proposed Distribution will be effected at the net book value of the SATS Group of \$1.4 billion as recorded in the books of the Company as at 31 March 2009.

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<sup>5</sup> Based on the records of SIA as at 14 May 2009.

#### 4.1 Impact on NTA

	<b>Before the Proposed Distribution</b>	<b>After the Proposed Distribution</b>
NTA as at 31 March 2009 (S\$ million)	13,377.6	12,633.5
Number of SIA Shares as at 31 March 2009	1,182.6	1,182.6
NTA per SIA Share as at 31 March 2009 (S\$)	11.31	10.68

#### 4.2 Impact on EPS

	<b>Before the Proposed Distribution</b>	<b>After the Proposed Distribution</b>
Consolidated profit attributable to SIA Shareholders for the 12 months ended 31 March 2009 (S\$ million)	1,061.5	943.2
Weighted average number of issued SIA Shares for the 12 months ended 31 March 2009	1,184.7	1,184.7
Basic EPS for the 12 months ended 31 March 2009 (Singapore cents)	89.6	79.6

#### 4.3 Impact on Gearing

	<b>Before the Proposed Distribution</b>	<b>After the Proposed Distribution</b>
Total borrowings as at 31 March 2009 (S\$ million)	1,701.8	1,450.4
Equity holders' funds as at 31 March 2009 (S\$ million)	13,930.6	12,803.7
Gearing as at 31 March 2009 (times)	0.12	0.11

### 5. Approvals

5.1 The Proposed Distribution is subject to the following:

5.1.1 the passing of an ordinary resolution by SIA Shareholders to approve the Proposed Distribution at an extraordinary general meeting of SIA (the "EGM") to be convened;

and

5.1.2 the satisfaction of any regulatory approvals which may be required in connection with the Proposed Distribution (the "**Approvals**").

5.2 The Securities Industry Council has confirmed that, pursuant to Note 7 to Rule 14.1 of The Singapore Code on Take-overs and Mergers (the "**Code**"), Temasek Holdings (Private) Limited, which holds more than 50% of the voting rights in SIA, will not incur an obligation to make a general offer for all the issued SATS Shares under Rule 14 of the Code as a result of the Proposed Distribution.

## 6. **Overseas Shareholders**

The distribution of SATS Shares to SIA Shareholders whose registered addresses (as recorded in the Register of Members of SIA or in the Depository Register maintained by The Central Depository (Pte) Limited ("**CDP**")) are outside Singapore ("**Overseas Shareholders**") may be prohibited or restricted by the laws in certain jurisdictions. Accordingly, where the Directors are of the view that distribution of SATS Shares pursuant to the Proposed Distribution may infringe any relevant foreign law or necessitate compliance with any conditions or requirements which they regard as onerous by reason of costs, delay or otherwise, such SATS Shares shall not be distributed to such Overseas Shareholders, but shall be distributed to such person(s) as the Directors of SIA may appoint for the purposes of sale and thereafter the aggregate amount of the net proceeds (after deducting all dealing and other expenses in connection therewith) shall be distributed proportionately among such Overseas Shareholders.

## 7. **Notice of Books Closure**

Subject to the Proposed Distribution being approved by Shareholders at the EGM and satisfaction of the Approvals, the Transfer Books and Register of Members of the Company will be closed on 17 August 2009 at 5.00 p.m. (the "**Books Closure Date**"), in order to determine the final number of SATS Shares to be received by each Entitled Shareholder.

## 8. **Further Information**

8.1 SIA has appointed DBS Bank Ltd as its financial adviser in respect of the Proposed Distribution.

8.2 A circular to SIA Shareholders (the "**Circular**") in relation to, *inter alia*, the Proposed Distribution, together with a notice of the EGM to be convened, will be despatched to SIA shareholders in due course.

8.3 In the meantime, SIA Shareholders are advised to refrain from taking any action in relation to their SIA Shares which may be prejudicial to their interests until they or their advisers have considered the information in the Circular, as well as the recommendations to be set out in the Circular.

For further information, please contact, during office hours, the following persons:

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**BY ORDER OF THE BOARD**

**Ethel Tan (Mrs)**

**Company Secretary**

Singapore, 14 May 2009