

Dear DLC Holders,

Actions Taken Concerning DLCs of Societe Generale Following Recent Corporate Actions by Singapore Airlines Limited

We refer to the recent renounceable share rights issue and mandatory convertible bond (**MCB**) rights issue by Singapore Airlines Limited (**SIA**) (**Rights Issue**). In response to certain enquiries made concerning the DLCs of the Societe Generale group relating to SIA, namely the two x5 Long DLCs on SIA (shortname: DSIW and DKKW), and the x5 Short DLC on SIA (shortname: DSLW), together the (**SIA DLCs**), we provide below a summary of our rationale for certain adjustments made to the SIA DLCs on 6th May 2020. We also provide a summary of how the adjusted closing affected the performance of the SIA DLCs. The purpose of this document is to respond to a number of enquiries and feedback we received from the investors to date. We will continue to respond to investor queries going forward.

1. Adjustment made to the SIA DLCs

- As set out in the announcement made by SIA, the corporate action involves two rights: 1) for new ordinary shares (**Shares Rights**) and 2) for mandatory convertible bonds (**MCBs Rights**), both with an ex-date on 6th May 2020. The principle of a corporate action adjustment is to ensure that any dilutive or concentrative effect on the underlying asset price is offset by way of adjusting the Rfactor of the SIA DLCs.
- Since both the Shares Rights and MCBs Rights may have a dilutive impact on the stock price, in our opinion it was appropriate that both needed to be taken into account for the adjustment. This was managed in accordance with the listing documents for single stock DLCs.
- We are aware that, based on S\$5.91 being the official closing price of SIA of 5th May, the Theoretical Ex-Right Price of SIA (**TERP**) would be S\$4.164, if solely the Shares Rights adjustment is taken into account. However, as we consider that the MCBs Rights also have a dilutive effect on the theoretical value of the shares of SIA and should be taken into account, the TERP taking into account both the Shares Rights and MCBs Rights would be S\$3.71.
- The TERP of S\$3.71 is based on the official closing price of the SIA on 5th May, being S\$5.91, and an R factor (adjustment factor) of 0.62779258. For a detailed calculation, please refer to our announcement: https://dlc.socgen.com/home/uploads/announcement_file_573.pdf
- Due to the exceptional and relatively complex nature of the Rights Issue (in having both a renounceable Share Rights issuance and an MCBs Rights issuance occurring on the same ex-date), a significant amount of time was spent to assess the impact of the Rights Issue both on the theoretical value of the ordinary shares of SIA and on the SIA DLCs. Furthermore, the TERP could only be determined after market close on 5th May 2020. As such, the adjustment announcement was only published before market open on 6th May 2020.

- Please refer to the **Annex** to this document for a detailed explanation of the adjustment mechanism. The Annex specifically explains why both Shares Rights and MCBs Rights are dilutive of the share price.
2. Impact on the x5 Short DLC on SIA (DSLW – DLC SG5xShortSIA)
- The Airbag trigger level for the Short DLC on SIA was at S\$4.266792 based on a 15% increase in the price from TERP of S\$3.71. The Airbag trigger level for the Short DLC on SIA was triggered at 09:00:56 on 6th May 2020. At our request, trading of the Short DLC on SIA was suspended at 09:02:46 on the same day by the SGX.
 - Under the terms of Short DLCs, once the airbag mechanism has been triggered, the DLCs would then take into account the highest price of its reference underlying (i.e. SIA) during the 15-minute intraday restrike observation period that follows the airbag trigger (i.e. the highest price of SIA from 09:00:56 to 09:15:56). This price was S\$4.59, which represents a 23.7% movement from adjusted close. Since the movement was greater than 20% within the 15-minute intraday restrike observation period, the Short DLC on SIA reached a zero value, has been permanently suspended and will be delisted.
 - We note that the airbag mechanism would still have been triggered and reached a zero value if the adjustment for the SIA DLCs took into account only the Shares Rights and not the MCBs Rights. If, hypothetically, the TERP of S\$4.164 was used, the airbag trigger level for the Short DLC on SIA would have been at S\$4.7886 and would have been triggered at approx. 09:20 of 6th May 2020 based on a +15% movement. Within the 15-minute observation period that follows the hypothetical airbag trigger, the share price of SIA reached S\$5.04 (at approx. 09:23), which represents a 21.0% movement from S\$4.164, i.e. the Short DLC on SIA would have also reached a zero value.
3. Performance of the Long SIA DLCs (DSIW DLC SG5xLongSIA and DKKW – DLC SG5xLongSIA)
- Societe Generale acted consistently with respect to its Long and Short DLCs on SIA. It is worth noting that the performances of both Long DLCs were based on the TERP of S\$3.71. The daily return on DSIW and DKKW as per the intrinsic close of 6th May 2020 was accordingly up by 92.77% and 92.75% respectively.

In our opinion, the adjustments were fair and reasonable, and were made with a view to treating all holders of the SIA DLCs fairly.

We fully appreciate the importance of keeping investors informed in a timely manner of significant events impacting our products. We hope that the above explanation will facilitate investor understanding of the adjustments to the SIA DLCs on 6th May 2020. We will in any event continue to review our processes and take steps to ensure that investors' interests continue to be carefully

considered. We will also continue to respond to queries from investors or the public, including via our DLC website where appropriate.

If you have any further questions, please contact by sending an email to dlc@socgen.com or calling the SG hotline at (65) 6226 2828.

Regards

Societe Generale

ANNEX

Background – SIA issuing (a) Rights for Shares and (b) Rights for Mandatory Convertible Bonds (Rights for MCBs) to holders of SIA

- Ex-right date is 6th May, i.e. holders of SIA on 5th May after market close are entitled to both Rights
 - o As both rights are renounceable, trading of both Rights will commence on 13 May on SGX
- (a) Rights for Shares
 - o Holders receive (3) Rights Shares for every (2) existing ordinary shares, i.e. 1.5 shares for every 1 existing share
 - o Issue price = S\$3.00, meaning holders of the Rights Shares can obtain one new SIA share at S\$3 per share for each Rights Share they have
- (b) Rights for MCBs
 - o Holders get 295 Rights MCBs for every 100 existing ordinary shares, i.e. 2.95 Rights MCBs for every 1 existing share
 - o Issue price = S\$1.00
 - o The MCBs are zero-coupon, and will mature in 10 years
 - o SIA has the option to redeem the MCBs with cash in whole or in part every six months
 - o At maturity, the MCBs (assuming not previously redeemed or purchased) will be mandatorily converted into Shares at the conversion rate of
 - $\text{Accreted Principal Amount} / \text{S}\$4.84 = 1.80611 / 4.84 = 0.3732$
 - i.e. each MCB will be converted into 0.3732 shares
 - o **This means that each existing share will eventually be entitled to $2.95 \times 0.3732 = 1.1008$ new shares converted from the MCBs**
 - o **For stock holders, effective subscription price per share from MCB**
 - = MCB issue price / entitled share for every MCB
 - = $1 / 0.3732$
 - = **S\$2.6798**

Please refer to the SIA website for further details of the Rights Issue:
https://www.singaporeair.com/en_UK/sg/about-us/information-for-investors/rights-issue/

Why are Rights for Shares and Rights for MCBs both dilutive of the share price?

On ex-date, SIA holders will be entitled to both Rights, which they can then sell in the open market. Both Rights have inherent value, so both Rights will theoretically have a dilutive effect on the SIA stock

price. The price at which holders can sell their Rights will depend on market demand and supply, and the market value of the rights will not be known until the Rights start trading on 13 May.

It is our view that the Rights for MCBs have a positive value as demonstrated by way of the two scenarios below, assuming decisions made by a SIA shareholder who is holding 1,000 shares of SIA:

Scenario 1 – Holder only accepts Rights for Shares but not Rights for MCBs

Shares	No. of existing shares (a)	1,000
	Share close on 5th May (b)	5.91
	Total share cost (a)*(b) = (c)	5,910
Rights for shares	Rights cost/share (d)	3.00
	Entitled no. of Rights (e)	1,500
	Total rights cost (d) * (e) = (f)	4,500
Overall	Total cost of shares + Rights (c) + (f) = (g)	10,410
	Total number of shares (a) + (e) = (h)	2,500
	Total cost/share (g)/(h)	4.1640

In this scenario, we see that this SIA Holder can reduce their average cost per share to S\$4.164 by accepting the Rights Shares. **In this case, the SIA Holder will still have the unexercised Rights for MCBs that they can sell in the market.**

Scenario 2 – holder accepts both Rights for Shares and Rights for MCBs

Shares	No. of shares (a)	1,000
	Share close on 5th May (b)	5.91
	Total share cost (a)*(b) = (c)	5,910
Rights for shares	Rights cost/share (d)	3.00
	Entitled no. of Rights (e)	1,500
	Total rights cost (d) * (e) = (f)	4,500
Rights for MCBs	Entitled no. of Rights MCBs (g)	2,950
	Rights MCBs cost/share (h)	1.00
	No. of converted Rights MCB shares (k)	1,101
	Cost of Rights MCBs (g)*(h) = (i)	2,950
Overall	Total cost of shares + Rights+Rights MCBs (c)+(f)+(i)=(j)	13,360
	Total number of shares (a) + (e) + (k) = (l)	3,601
	Total cost/share (j)/(l)	3.7103

In this Scenario 2, by accepting both (1) Rights for Shares and (2) Rights for MCBs, and assuming that all MCBs will not be redeemed prior to maturity and will be converted into ordinary shares, the SIA Holder is able reduce their average cost per share to S\$3.71.

Bringing Scenario 2 into Scenario 1, if the SIA Holder is only subscribing for the 1,500 Rights for Shares and decides to sell the 2,950 Rights for MCBs, their average cost per share is S\$4.164 and they will be left with 2,950 Rights for MCBs that they can sell in the market to bring down their average cost per share by the amount for which they sell the Rights for MCBs.

The actual transacted price of the Right for MCBs will depend on market factors, but based on the above we are of a view that the average cost per share of SIA holders is less than S\$4.164, i.e. the Rights for MCBs have a dilutive effect on the SIA share price on the ex-date.

Based on the above, we consider that both Rights for Shares and Rights for MCBs should be taken into account in adjusting SIA closing price in calculating SIA DLC performances.
