FREQUENTLY ASKED QUESTIONS IN RELATION TO SATS' PROPOSED ACQUISITION OF WFS

SATS Ltd.
(Incorporated in the Republic of Singapore)
Company Registration No. 197201770G

1. What is the transaction and who is the WFS Group?

SATS Ltd. ("**SATS**" or the "**Company**" and, together with its subsidiaries, the "**SATS Group**") is proposing to acquire Promontoria Holding 243 B.V. (the "**Target**", and the acquisition, the "**Proposed Acquisition**"), which indirectly owns 100% of WFS Global Holdings SAS ("**WFS**") through its indirect subsidiary, Promontoria Holding 264 B.V. (Promontoria Holding 264 B.V. and its subsidiaries are collectively referred to in these FAQs as the "**WFS Group**"). The Proposed Acquisition is valued at an enterprise value of €2,250 million (approximately equivalent to S$3,107 million) with a total acquisition cost of €1,313 million (approximately equivalent to S$1,820 million)[1].

The WFS Group is a global aviation services company principally focused on cargo handling. It is one of the leading global air cargo handlers and is active at 160 airport stations across 18 countries, including leading positions at key strategic hubs in Europe and North America. The WFS Group serves a diversified blue-chip customer base which includes approximately 300 customers and relationships spread over 1,500 contracts spanning up to 35 years. In addition, as noted in the WFS Bonds Offering Memorandum[2], its contract renewal rate has been over 90%.

The WFS Group has nearly 31,000 employees and operates at some of the busiest airports in the world, such as Paris Charles de Gaulle (CDG), New York John F. Kennedy (JFK), London Heathrow (LHR), Madrid-Barajas (MAD), Frankfurt (FRA), Los Angeles (LAX), Dallas Fort Worth (DFW) and Bangkok Suvarnabhumi (BKK) and is a leading cargo handler at most of the major European and U.S. airports.

The WFS Group distinguishes itself as one of the leading cargo handlers through its extensive on-airport warehouse access within limited airport space capacity, efficient handling as a result of its investments in operational excellence and technology, and long-standing relationship with customers via its global network relationships and premium service.

The WFS Group has a strategic focus on cargo, which is an attractive industry with structural tailwinds, including increasing demand for high-value cargo handling capabilities, rising digitalisation and automation, and sustained eCommerce growth.

In addition to its broader cargo handling capabilities, the WFS Group offers specialist handling services implemented for dedicated integrators, eCommerce and freight forwarding players, including Amazon, DHL, UPS, Cainiao and DSV. The WFS Group has invested significantly in developing its best-in-class operations for pharmaceuticals and perishables handling.

The WFS Group manages over 800,000 square metres[3] of cargo warehouse space (the majority of which is leased by the WFS Group) across a global footprint. Its presence in key strategic

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[1] As set out in paragraph 11.2.1 of the Circular, the total acquisition cost of S$1,820 million assumes the transaction were to close on 31 March 2023.

[2] This refers to the offering memorandum published by Promontoria Holding 264 B.V. on 3 February 2022 in connection with €340 million aggregate principal amount of its $6\frac{3}{8}\%$ senior secured notes due 2027, US$400 million aggregate principal amount of its $7\frac{7}{8}\%$ senior secured notes due 2027 and €250 million aggregate principal amount of its senior secured floating rate notes due 2027.

[3] Inclusive of approximately 45,000 square metres and approximately 50,500 square metres of cargo warehouse space which were added with the acquisitions of the Pinnacle and Mercury respectively.

hubs is a key differentiating factor in cargo handling services. Cargo warehouses located at or adjacent to major airport hubs allow its customers to quickly and effectively optimise the cargo capacity of their flights. In particular, the size and location of the WFS Group's warehouse space at key airports underpin an important strategic asset base.

The WFS Group is a highly strategic and complementary asset that will transform the SATS Group's portfolio and enable the SATS Group to become a leading global air cargo handler with an enlarged footprint and the ability to service customers on a global scale.

2. What is the rationale for the Proposed Acquisition? Is this in line with the Company's overall strategy?

During the Company's Capital Markets Day in November 2021, the SATS Group's management team presented the Company's twin-engine growth strategy of:

- securing market leadership in Singapore and establishing innovation and sustainability excellence for the network; and
- growing the overseas business by, amongst others, increasing cargo connectivity, expanding cargo handling capabilities to include eCommerce and cold chain while accelerating food production in key Asian markets.

This Proposed Acquisition supports the SATS Group's twin-engine growth strategy as, with the addition of the WFS Group, the SATS Group will transform from an Asia-focused operator to a global leader in air cargo handling services with a worldwide network of cargo handling stations capable of managing standard cargo as well as express, perishables and pharmaceutical goods.

The complementary footprints of the SATS Group and the WFS Group will create an Americas-Europe-Asia Pacific network with a global footprint of 201 cargo and ground stations in 23 countries while positioning the business for continued growth opportunities in both existing and new markets, such as India, Latin America and Africa. Together, the combined business will be positioned to continue the growth of the collective network and our portfolio will be geographically diversified and better able to meet our customers' needs for seamless global support, tapping into a long-term trend of demand for air cargo handling.

By leveraging the WFS Group's capabilities in express cargo handling and high-value added handling services such as pharmaceuticals and perishables, the combined business will be able to capture value from sustained growth in eCommerce – with projected global growth of 10% per annum[4] – and increased demand for specialised, bespoke handling services.

The combined group will enhance revenue growth through value-added services and position the SATS Group as an enabler of multi-modal cargo connectivity because of:

- the WFS Group's investments in airside locations which enable the SATS Group to provide value-added services such as breakbulk, sortation and distribution, all of which enhances turnaround time for customers (especially for eCommerce),

[4] For the period of 2020 to 2025. Source: eMarketer.

- end-to-end visibility for customers which will enable the SATS Group to develop value-added services and new revenue streams, and
- opportunities to work with partners to facilitate multi-modal connectivity across air, sea and land.

In creating one of the leading global air cargo handlers with scale and point-to-point handling capabilities, the Proposed Acquisition will position the SATS Group at the centre of global trade flows for air cargo which has historically proven to be robust. The diversification provided by a wider geographical coverage and additional value-added cargo handling services is expected to strengthen the SATS Group's business and earnings resilience against structural industry dynamics and competitive forces.

With the Proposed Acquisition, we expect the SATS Group's *pro forma* revenue contribution to be spread across all regions globally with Asia, Europe, the Middle East and Africa ("**EMEA**"), and North America each contributing a significant portion of the FY25 targeted combined *pro forma* revenue[5]. The Proposed Acquisition will also diversify the SATS Group's business portfolio with the resilient cargo segment expected to represent approximately half of the FY25 targeted combined *pro forma* revenue, while retaining the SATS Group's exposure to the attractive food solutions segment (aviation and non aviation). Food solutions, ground handling and ancillary services will represent the remaining half of the FY25 targeted combined *pro forma* revenue.

We expect to continue to maintain a leading position at the SATS Group's home base in Singapore, which remains critical for the SATS Group's future.

The SATS Group will also leverage the combined group's collective best practices and know-how and increase our investments in technology and automation across a larger, global network. We intend to rollout advanced technology across the combined group's platform, and coupled with continuous digital transformation and automation, aim to improve operational efficiency and digitalise standard operating procedures. Data analytics will be utilised to evaluate and optimise operating performance and assist with demand planning. New technology such as automated vehicles and Internet of Things for tracking pallet location and/or availability will be deployed, and existing data infrastructures will be migrated to the cloud.

Data governance and cybersecurity defences will be strengthened across the entire network in tandem with end to end visibility and traceability established globally. The SATS Group will pursue further technology innovation through partnerships with leading technology companies to co-design and develop innovative cargo handling and airport services across the newly created global platform.

Revenue and cost synergies are expected and will enhance the SATS Group's growth trajectory over the medium and long-term. The combined group is expected to capture meaningful run-rate EBITDA synergies in excess of S$100 million through specific initiatives including cross-selling in the near-term, network expansion and eCommerce cargo partnerships across the globe in the near to medium-term and accelerating cargo automation and reinforcing downstream cargo logistics offering in the medium-term.

[5] Based on combined financial figures presented illustratively as SATS plus WFS in FY25.

The Proposed Acquisition is expected to result in an increase in revenue from S$1.2 billion to S$3.8 billion[6] and S$3.6 billion[7] and an increase in EBITDA from S$94 million to S$445 million[8] and S$697 million[9] on a *pro forma* basis for the 12 months ended 31 March 2022 ("**LTM March 2022**"). This is before the inclusion of potential run rate EBITDA synergies in excess of S$100 million over the medium-term.

At the same time, the SATS Group will continue to execute its Food Solutions strategy which includes strengthening the value chain presence, expanding geographical footprint, providing differentiated product offerings to appeal to wider consumer segments and leveraging innovations.

The board and management of SATS have concluded that the WFS Group presents a highly strategic and complementary asset that will transform the SATS Group's portfolio and enable the SATS Group to become a leading global air cargo handler with an enlarged footprint and the ability to service customers on a global scale.

3. What are the key financial attributes of the WFS Group that make the Proposed Acquisition attractive?

With the Proposed Acquisition, SATS Group expects its *pro forma* revenue contribution to be well diversified across all regions globally with Asia, EMEA and North America, each contributing a significant portion of the FY25 targeted combined *pro forma* revenue[10]. Together, the combined business will be positioned to continue the growth of the collective network and the portfolio will be geographically connected to better meet customers' needs for seamless global support, tapping into a long-term trend of demand for air cargo handling.

The Proposed Acquisition will also diversify the SATS Group's business portfolio with the resilient cargo segment expected to represent approximately half of the FY25 targeted combined *pro forma* revenue, while maintaining the SATS Group's exposure to the attractive food solutions segment (aviation and non-aviation).

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[6] The combined *pro forma* figures are based on the unaudited financial information of the Target Group for LTM March 2022, prepared in accordance with French GAAP for the WFS Group and Dutch GAAP for the Dutch Holding Companies.

[7] The combined *pro forma* figures are based on the unaudited financial information of the Target Group for LTM March 2022, prepared in accordance with French GAAP for the WFS Group and Dutch GAAP for the Dutch holding companies, and converted to SFRS(I), on which basis the audited consolidated financial statements of the SATS Group for FY22 have been prepared. See paragraph 11.1.2(ii) of the Circular for details of the adjustments made. The proportionate revenue of joint ventures amounting to S$0.2 billion is included in the revenue line under French GAAP. This is adjusted under SFRS(I) with net profit/loss contribution from joint ventures included in the share of results of associates/joint ventures.

[8] The combined *pro forma* figures are based on the unaudited financial information of the Target Group for LTM March 2022, prepared in accordance with French GAAP for the WFS Group and Dutch GAAP for the Dutch Holding Companies.

[9] The combined *pro forma* figures are based on the unaudited financial information of the Target Group for LTM March 2022, prepared in accordance with French GAAP for the WFS Group and Dutch GAAP for the Dutch Holding Companies, and converted to SFRS(I), on which basis the audited consolidated financial statements of the SATS Group for FY22 have been prepared. See paragraph 11.1.2(ii) of the Circular for details of the adjustments made.

[10] Based on combined financial figures presented illustratively as SATS plus WFS in FY25.

The WFS Group has a strategic focus on cargo (representing approximately 77% of the revenue for the 12 months ended 30 September 2022 ("**LTM September 2022**")[11]), which is an attractive industry with structural tailwinds including increasing demand for high-value cargo handling capabilities, rising digitalisation and automation, and sustained eCommerce growth.

The WFS Group's customer contracts have an average term of three years and retention rate has been above 90%, which provide the business with a strong recurring revenue stream and high earnings visibility. The WFS Group has benefited from its ability to renew most of these contracts as they mature by building up tenured relationships with these customers of between five years and over 35 years.

Its revenue sources are also well diversified with the top five customers representing approximately 24% of revenue[12]. In LTM September 2022, WFS has a global footprint with 58% revenue contribution from North America, 35% from EMEA, and the remaining 7% from South America and Asia.

In LTM March 2022, the WFS Group achieved revenue of €1,722 million[13] (approximately equivalent to S$2,597 million[14]). The WFS Group has strong cash-generation capabilities with LTM March 2022 EBITDA margin of 13% and cash conversion ratio of ~79%[15]. The asset-light nature of the business means that the WFS Group has been able to grow well without incurring significant capital expenditure.

While the WFS Group's asset-light strategy of leasing most of its premises and equipment is currently reflected off-balance sheet under French GAAP, the adoption of SFRS(I) 16 Leases to align its financial results with the SATS Group will result in the recognition of its operating leases on balance sheet.

Accordingly, the SATS Group intends to further strengthen the combined group's financial position through disciplined streamlining of operating expenses by standardising operations to ensure effective deployment of investments and cash flows.

4. What synergies can be derived from the enlarged platform?

The combined group is expected to capture meaningful run-rate EBITDA synergies in excess of S$100 million through specific initiatives including:

- **Cross-selling (expected near-term):** A combination with the SATS Group presents an opportunity to identify gaps in customer coverage across the combined business (e.g. customers served by the WFS Group in the U.S. and Europe but not by SATS in Asia). Immediately following closing of the Proposed Acquisition ("**Closing**"), the SATS Group will launch a dedicated sales team for cross-selling and assign account managers to top customers globally, while maintaining our relevance and effectiveness at local and regional levels.

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[11] Based on reported revenue, not adjusted for the Mercury and Pinnacle acquisitions.

[12] Based on the WFS Bonds Offering Memorandum and the presentation deck dated January 2022 issued in relation thereto.

[13] *Pro forma* for full-year contribution from the Mercury and Pinnacle acquisitions.

[14] Based on a €:S$ exchange rate of 1:1.5077 as at 31 March 2022. This figure is prepared in accordance with French GAAP, and has not been converted to SFRS(I).

[15] WFS group financials are prepared in accordance with French GAAP which does not incorporate adjustments under SFRS(I) 16 amongst other differences. Cash conversion calculated as (EBITDA – Total Capex)/EBITDA; figures exclude adjustments for full-year impact from the Pinnacle and Mercury acquisitions.

- **Network expansion (expected near to medium-term):** The complementary presence of the SATS Group and the WFS Group will create an Americas-Europe-Asia Pacific network with a global footprint of 201 cargo and ground stations in 23 countries while positioning the business for continued growth opportunities in both existing and new markets, such as India, Latin America and Africa. Together, the combined business will be positioned to continue the growth of the collective network.
- **Operational efficiencies and productivity (expected near to medium-term):** The combination of the SATS Group and the WFS Group to create a global network and sharing of best practices to standardise the operating platform are expected to enhance productivity and yield cost savings through operational efficiencies.
- **eCommerce cargo partnerships across the globe (expected near to medium-term):** The WFS Group has a strong eCommerce/express cargo handling service in the U.S. and Europe, capable of handling time-sensitive and high-volume customer requests. The WFS Group's track-record is validated through the success of its multi-year partnership with its marquee customer, Amazon. This service is readily portable to the combined SATS and WFS network, which covers key international eCommerce trade routes into and out of Asia. The operational expertise and network coverage will be key value propositions to eCommerce players who demand more competitive rates, faster turnaround time, full visibility and global network coverage in both tier 1 and tier 2 locations. There is significant potential to extend this service to a wider customer pool especially in APAC, where eCommerce players are underserved.
- **Accelerate cargo automation (expected medium-term):** The SATS Group has a track record of operating and improving highly automated cargo operations in its stations in Asia that are high-volume and space constrained. The Proposed Acquisition allows for a larger combined capital base which enables increased investment and learning sharing between the SATS Group and the WFS Group. Several potential areas that can be further improved through automation have been identified in the SATS Group's due diligence on the WFS Group, which include initiatives such as warehouse automation, automated storage and retrieval, automated vehicles, scanners/smart gates, and live data tracking with QR codes. These initiatives are highly executable under the experienced operational excellence team at the WFS Group, who are already in the process of implementing several productivity improvement and automation initiatives.
- **Reinforce downstream cargo logistics offering (expected medium-term):** The WFS Group operates a trucking network in both Europe and the US, naturally complementing the WFS Group's existing cargo business. The WFS Group's trucking services are sold to airline customers and historically have been focused on transport between airports. As a combined group, this service can be further expanded across geographies and scaled up into a "last-mile" logistics service with delivery to freight forwarders/third-party logistics warehouses and customer warehouses. An expanded offering, together with potential value-added services for assistance to freight forwarders (including specialty logistics such as pharmaceuticals/critical maintenance), will improve control and visibility through a one-stop service for freight forwarders and customers from airport handling to final delivery.

5. **Why are you doing the transaction now?**

The importance of supply chain resiliency and operating an interconnected global network of cargo handling capabilities, which provides speed, traceability and certainty to customers, has never been more highly valued.

The Proposed Acquisition will position the SATS Group as one of the leading air cargo handlers globally, managing close to 10 million metric tons of cargo[16]. Through the WFS Group, the SATS Group will acquire the WFS Group's leading positions in strategic hubs connecting key trade lanes across North America and Europe to complement its foothold in Asia Pacific, making the WFS Group a unique one-of-a-kind asset that fits in with the SATS Group's existing geographical coverage.

The SATS Group's competitive landscape has seen increasing pressure in recent times from peers expanding their operations into Asia. This Proposed Acquisition represents an opportunity for the SATS Group to secure its relevance for the future in the face of ever-toughening competition, and become one of the leading global air cargo handlers, with an enlarged footprint and ability to service customers on a global scale.

Both geographic and business diversification will enhance the SATS Group's resilience against future economic cycles and disruptions, with greater earnings robustness supported by a global and diversified customer base and underpinned by an asset-light business model with sustainable cash flow generation.

6. **What is the industry outlook for air cargo?**

While there is some short-term pressure on air cargo volumes as supply chains normalise post-pandemic, the air cargo industry is expected to see continued profitable growth overall in the medium to long-term, supported by structural growth tailwinds globally. Despite air freight being costlier than sea freight, suppliers choose air freight for its clear advantages in speed and reliability, as well as its suitability for high-value items, items that require critical delivery and/or special handling.

The favourable long-term structural trends in the air cargo handling market are as follows:

- **Demand for high value cargo handling capabilities:** There is strong demand for high value specialised cargo handling capabilities, such as pharmaceutical products, which require bespoke solutions.
- **Digitalisation and automation are on the rise for the air cargo industry:** This allows for continued productivity improvements, resulting in lower operating costs.
- **Sustained eCommerce growth:** Global eCommerce CAGR at 10%.
- **Evolving customer mix:** Cargo handlers are partnering directly with eCommerce players and freight forwarders.
- **Multi-modal and global solutions:** Cargo handlers are critical players in managing complex global supply chains and providing frictionless connectivity.

[16] Based on SATS cargo tonnage for LTM March 2022 of 2.8 million (inclusive of proportionate volumes from associates and joint ventures), and the WFS Group's cargo tonnage for the year ended 31 December 2021 of 7.1 million (including the impact of the Pinnacle and Mercury acquisitions).

While long-term structural trends for air cargo are favourable, there has been recent softening in air cargo demand. October 2022 cargo tonne-kilometres ("**CTKs**") were down by 13.6% year-over-year from 2021 according to the International Air Transport Association. Recent headwinds include inflation in advanced economies, weaker performance in global flows of goods and services, the ongoing war in Ukraine and the strength of the US dollar. While the October 2022 CTKs improved with a 3.5% month-over-month increase compared to September 2022, any sustained recovery in air cargo and certainty of reversion in line with long-term structural trends influencing cargo flows is dependent on multiple factors which are still evolving.

7. Is the air cargo industry traditionally asset-light or is it just the WFS Group?

The nature of air cargo operations makes it operationally efficient for the real estate to be within or close to the airport. At the key hubs around the world and where the WFS Group has a presence, there is existing and developed warehousing infrastructure that is typically owned by the airport operators, airlines and/or logistics real estate providers.

Cargo related projects that require warehousing are executed via leases or via sub-leasing with the relevant airport related stakeholders. It is possible to own the real estate or warehousing, particularly in more remote areas. However, for many key airports around the world, operators tend to work on a lease and concession basis, often with a long track record of renewals. Specialised equipment used for cargo handling is often leased or in some cases provided by airports.

8. How will the composition of the SATS Group's and WFS Group's management and overall corporate governance change post-Closing?

Post-Closing, the WFS Group will become a key subsidiary group of the SATS Group. The SATS Group's and the WFS Group's CEOs, Kerry Mok and Craig Smyth respectively, will continue to lead the day-to-day operations of each company respectively for the first year, with Craig Smyth reporting to Kerry Mok. SATS does not expect any material changes to the overall governance of the Company and the WFS Group following Closing.

9. How will the integration process with the WFS Group be conducted?

Given the scale and transformational nature of the Proposed Acquisition, the SATS Group recognises the importance of successful integration on a timely basis and is taking a deliberate approach to integration planning, in full compliance with the prevailing legal and regulatory requirements and limitations, pending receipt of all regulatory as well as other relevant stakeholder approvals and prior to Closing. The WFS management team, which comprises highly experienced industry veterans have indicated their intention to continue working with the WFS Group post-Closing to provide continuity and drive the next phase of growth.

Key to the integration planning effort is the integration committee, spearheaded by senior management from both organisations.

To date, SATS has identified the following key areas of integration which will be initiated immediately upon Closing, including but not limited to:

1. Human resources culture and talent retention schemes

2. IT, digital and data alignment and cyber defence between systems

3. Financial reporting to meet SGX-ST requirements

4. Financial risk management

5. Compliance risk management

6. Branding, communication and government affairs

10. What is the basis of the valuation for the WFS Group? Does it factor in the potential macroeconomic slow down ahead?

The Aggregate Consideration (as defined in the Circular) was agreed after bilateral negotiations. The Aggregate Consideration was agreed after taking into consideration, among other things:

- the WFS Group's historical and projected financial position and performance;
- the WFS Group's position as one of the leading global cargo handling companies and its growth prospect;
- the extensive industry, commercial, financial, tax and legal due diligence undertaken to evaluate the WFS Group;
- the strategy and rationale of the Proposed Acquisition which is discussed further in the Circular; and
- the impact and risk of potential future macroeconomic challenges, including short-term pressures such as the Ukraine conflict, projected slower economic growth and higher inflationary outlook.

11. How will the transaction be funded?

The total acquisition cost is approximately €1,313 million (approximately equivalent to S$1,820 million[17]).

[17] As set out in paragraphs 7.4 and 7.6.1 of the Circular, the maximum total acquisition cost of S$1,851 million will be incurred should Closing take place six weeks after the Longstop Date and if SATS is required to repay certain relevant facilities owed by the WFS Group.

On 1 December 2022, the Company announced that it had finalised the funding plan for the total acquisition cost. The details of such funding plan are outlined below:

(a) Three-Year Euro-denominated term loan equivalent to approximately S$700 million (the "**Term Loan**") at an all-in cost of between 4.0% and 4.5% per annum based on prevailing EURIBOR, and is comparable to the terms of the Company's existing borrowing facilities.

(b) The Company proposes to undertake a renounceable rights issue of new shares in the Company to existing Shareholders (as defined in the Circular) on a *pro rata* basis (the "**Proposed Rights Issue**"), to raise gross proceeds of up to approximately S$800 million to partially finance the total acquisition cost or to be applied towards repayment of the Acquisition Bridge Facility (as defined below), if drawn. The details of the Proposed Rights Issue will be announced by the Company on the SGX website at the URL https://www.sgx.com/securities/company-announcements at the appropriate time when the Company launches the Proposed Rights Issue on such terms and at such time as may be agreed with the Underwriter(s).

(c) Cash of S$320 million from the Company's existing cash balance, (collectively, the "**Proposed Funding Plan**").

(d) The Company has also obtained an acquisition bridge facility for a Singapore dollar equivalent amount of up to €1,200 million (approximately equivalent to S$1,657 million[18]) ("**Acquisition Bridge Facility**") to fund and complete the Proposed Acquisition, if required. The net proceeds generated from the Proposed Rights Issue will then be applied towards repayment of the Acquisition Bridge Facility, if drawn.

The Company believes this finalised funding plan provides a prudent and balanced mix of sources, and presents Shareholders with an optimal value proposition for the Proposed Acquisition. SATS is confident that it will be able to deleverage and meet its debt commitments with the potential free cash flows that will be generated from the combined business.

12. What has been done to ensure that the interests of SATS' Shareholders are protected?

The SATS board of directors and management have carefully evaluated the Proposed Acquisition and believe that it is in the best interests of the Company and its Shareholders based on the factors presented in responses to Question 2 – "What is the rationale for the Proposed Acquisition? Is this in line with the Company's overall strategy?".

In proposing the current funding structure, the Company has considered market conditions, ensured minimal dilution to SATS Shareholders, analysed the impact on cashflow and profitability, whilst achieving a sustainable debt level.

13. What can we expect in terms of dividends from SATS in the future?

In light of the ongoing post-pandemic recovery, the Board of Directors believes it would be prudent to not pay a dividend until SATS restores profitability without government reliefs. This will enable the Company to continue investing in building capabilities and leveraging opportunities for profitable and sustainable growth.

[18] Based on a €:S$ exchange rate of 1:1.3809.

14. What is the refinancing plan for the existing WFS Group debt?

SATS will evaluate all options with respect to existing WFS Group debt which may include, *inter alia*, refinancing with the WFS Group's existing and/or new lenders or through the debt capital markets as well as deleveraging through cashflows generated by the combined business.

15. How will SATS manage the additional foreign exchange exposure from the transaction?

SATS will implement an appropriate hedging policy and financial management strategy to regularly monitor and manage the foreign exchange exposure for the combined business. This will take into consideration the extent of natural hedging of the revenue and operating costs of its businesses that have a functional currency apart from the Singapore dollar. SATS has recently announced that it will take on an EUR denominated term loan (amounting to c. S$700 million equivalent) at a favourable all-in cost comparable to its existing cost of financing, to partially fund and hedge the acquisition costs, which is also denominated in EUR.

16. Will Temasek vote in favour of the proposed acquisition and subscribe for its pro-rata entitlement of the Proposed Rights Issue?

Venezio Investments Pte. Ltd., an indirect wholly owned subsidiary of Temasek Holdings (Private) Limited, holds 446,123,158 Shares, representing approximately 39.68 per cent. of the Shares in issue (excluding treasury shares)[19]. In conjunction with the execution of the SPA, Venezio has provided an irrevocable undertaking to the Company, pursuant to which Venezio has undertaken to vote all Shares it owns in favour of the Proposed Acquisition Resolution at the EGM. Venezio has also indicated to the Company its intention, subject to the terms of the Proposed Rights Issue to be finalised, to subscribe for its *pro rata* entitlement to the Proposed Rights Issue.

17. Will the Proposed Rights Issue be subject to Shareholder approval?

The Proposed Rights Issue will be undertaken pursuant to the General Mandate, and will therefore not be subject to further approval of Shareholders. The Company will be seeking the approval of the SGX-ST for the listing and quotation of the Rights Shares on the Main Board of the SGX-ST. The in-principle approval of the SGX-ST, if granted by the SGX-ST, is not an indication of the merits of the Proposed Rights Issue, the Rights Shares or any of the transaction contemplated in association with the Proposed Rights Issue, the Company and/or its Subsidiaries, the Proposed Acquisition, the existing Shares or the Rights Shares.

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[19] Based on the total number of 1,124,184,170 issued Shares (excluding treasury shares) as at the Latest Practicable Date.