EXTRAORDINARY GENERAL MEETING TO BE HELD ON 18 JANUARY 2023
RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS

Singapore, 15 January 2023 – SATS Ltd. ("**SATS**" or the "**Company**") will be convening and holding its Extraordinary General Meeting ("**EGM**") at Singapore EXPO, Hall 1 (APEX), 1 Expo Drive, Singapore 486150 and by way of electronic means on 18 January 2023 at 2.30 pm (Singapore time).

We would like to thank shareholders for pre-registering for the EGM. Pre-registration started at 2.30 pm on 3 January 2023 and will end at 2.30 pm on 15 January 2023.

During pre-registration, we had invited shareholders to submit questions in advance of the EGM by 5.00 pm on 11 January 2023. As some of the questions that we have received are similar, we have set out our responses to them according to the following themes:

(i) Business Strategy/Outlook
(ii) Financials
(iii) Dividends
(iv) Rights Issue

Please refer to **Appendix 1** for the list of substantial and relevant questions, and the Company's responses to these questions. Where questions overlap or are closely related, they have been merged and rephrased for clarity.

BY ORDER OF THE BOARD

Ian Chye
Company Secretary

APPENDIX 1

Business Strategy/Outlook

1. Why are you buying WFS despite not being able to pay dividends?

1.1. 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.

1.2 WFS is a highly strategic one-of-a-kind asset that will transform the SATS Group's portfolio and enable the company a pathway to profitable growth. WFS offers us the prospect of complementary footprints that will create an Americas-Europe-Asia Pacific network with a global footprint of 201 cargo and ground stations in 23 countries, thereby creating value for our customers through end-to-end solution offerings.

1.3 The Proposed Acquisition will also provide SATS with the scale to achieve network efficiency, operational efficiency and data proficiency. With a wider geographical coverage and by enhancing value-added cargo handling services over a global footprint, we will strengthen the SATS Group's business and earnings resilience against structural industry dynamics and competitive forces.

1.4 Maintaining a leading position at SATS' home base in Singapore, which remains critical for the SATS Group's future, and in continuing to grow our food solutions business to keep building on the strength of our businesses.

2. It is not the right time to do this when interest rates are high. Perhaps in the future when SATS is profitable, and has accumulated enough reserves and when loans/interest covers are not so high.

2.1 As disclosed in the Circular, SATS has been able to secure a three-year euro-denominated term loan facility equivalent to approximately S$700 million at an all-in cost of between 4.0% and 4.5% per annum based on prevailing EURIBOR. This is comparable to the terms of the Company's existing borrowing facilities.

2.2 SATS is confident that it will be able to deleverage and meet its debt commitments with the potential free cash flows that the combined business is expected to generate post-acquisition.

3 Why does WFS (given it's a bigger entity) consent to being acquired by SATS? What's in it for them?

3.1 SATS is proposing to buy WFS from Promontoria 52 Cooperatie U.A. ("**<u>Promontoria 52</u>**") and certain management sellers. Promontoria 52 is owned by Cerberus Capital Management, L.P., a private equity firm. Generally, the objective of a private equity firm is to generate profits within a short-term horizon and to realise those profits for its investors via a sale of the business. As such, WFS is being offered for sale in keeping with this investment strategy.

3.2 WFS is a highly strategic one-of-a-kind asset that will transform the SATS Group's portfolio and enable the company a pathway to profitable growth. WFS' core business is one in which SATS has deep domain knowledge and SATS will have Board oversight to ensure alignment of culture and strategy between the companies. We are confident that we will be able to maximise the synergies between the two companies to drive profitability.

4 Certain cities like London for example, has had their transportation sector disrupted by employee walkouts. How well do you know the new regions (US and Europe) that you are going to operate in?

4.1 Thus far, WFS' business has not been disrupted or affected by employee walkouts and WFS practices a philosophy of maintaining good relations with the unions.

4.2 As mentioned above, The WFS' business is one in which SATS has deep domain knowledge. We are therefore confident that we will be able to maximise the synergies between the two companies to drive profitable growth via an expanded network across geographies.

4.3 The WFS management team, which comprises highly experienced industry veterans has indicated their commitment to continue working with the WFS Group post-Closing to provide continuity and drive the next phase of growth.

5 What is the cultural fit between WFS and SATS? How will the post-acquisition management rights or control be maintained? Will there be local teams that will control the operations globally or would the control be totally outside Singapore?

5.1 The WFS management team, which comprises highly experienced industry veterans has indicated their commitment to continue working with the WFS Group post-Closing to provide continuity and drive the next phase of growth.

5.2 Post-Closing, the WFS Group will become a wholly-owned 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. Post-acquisition, the SATS Board, through a subsidiary Board, will have oversight and supervision of WFS' business for financial performance as well as ensure alignment of culture and strategy between the companies.

5.3 A joint integration team will work on capturing meaningful run-rate EBITDA synergies in excess of a target of S$100 million through specific initiatives.

6 How would the acquisition of WFS impact SATS' business/operation in the future?

6.1 The acquisition of WFS will provide the impetus for profitable growth and scalability in all our businesses, driving customer acquisition, operational excellence, talent management, data and technology applications.

6.2 We will adopt a globalised approach in our operating model to leverage scale and best practices.

7 Some big Singapore companies have acquired assets overseas which eventually were written off as failed investments. How confident are you that the outcome will be a successful one?

7.1 Your board and management have assessed WFS as a highly strategic one-of-a-kind asset with sizeable scale and which will transform the SATS Group's portfolio by forging a pathway to growth. It will enhance SATS' business and earnings resilience against structural industry dynamics and competitive forces. And as it is also a business that SATS has deep domain knowledge, we are confident in being able to maximise the synergies between the two companies to drive profitable growth.

Financials

8 Pls comment on The Business Times report on 5th Dec 2022 that WFS has been incurring losses in last few quarters (i.e. the deal is not accretive) and that WFS has a debt/equity ratio of 5.2. Are the losses likely to continue in 2023 as countries open up post-COVID? What is SATS consolidated debt/equity ratio post-merger? How will this be addressed as borrowing cost is high for high debt companies?

8.1 A significant portion of WFS' losses in the last few financial quarters was due to the issue of US dollar bonds giving rise to foreign exchange translation losses as the Euro weakened against the US dollar. WFS also incurred one-off costs resulting from its refinancing activities.

8.2 SATS management is of the view that WFS is expected to meet their budget target for the following year and the trajectory is positive.

8.3 SATS pro forma FY2022 debt/equity ratio post-merger after SFRS(I) adjustments is 160%.

8.4 SATS is confident that it will be able to deleverage and meet its debt commitments with the potential free cash flows that the combined business is expected to generate. SATS will also be working on optimising WFS's capital structure and funding options.

9 Was WFS profitable for its latest quarter? If not, what is the significance of trumpeting its positive EBITDA? I support the acquisition as I have faith and trust in the management, but given the poor track record of Singapore companies in their expansion overseas, I have concerns.

9.1 Thank you for the support you have expressed for the management.

9.2 WFS was not profitable for the quarter ended 30 September 2022 due mainly to an unrealised foreign exchange difference on US dollar bonds as the Euro weakened against the US dollar.

9.3 We acknowledge the risks of M&A activity under current macroeconomic environment. Your board and management will focus on consolidating the WFS business to drive the expansion of customers, product solutions and synergies that will lead to profitable growth, operating efficiency and financial performance.

10 Other than the focus on EBITDA, what is the amount of the expected free cashflow? How many years would SATS expect it would take to pare down the debts to a comfortable level?

10.1 SATS is confident that it will be able to deleverage and meet its debt commitments with the potential free cash flows that the combined business is expected to generate. SATS will also be working on optimising WFS's capital structure and funding options.

11 What plan does SATS have, in the next three to five years, to maintain or exceed the revenue, profit and growth that WFS has generated in the last three years?

11.1 The WFS management team, which comprises highly experienced industry veterans have indicated their commitment to continue working with the WFS Group post-Closing to provide continuity and drive the next phase of growth.

11.2 Post-Closing, the WFS Group will become a key wholly-owned 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, and the Board will exert oversight and supervision of WFS's business through a subsidiary board.

11.3 A joint integration team will work on capturing meaningful run-rate EBITDA synergies in excess of S$100 million through specific initiatives.

11.4 SATS will also be working on optimising WFS's capital structure and funding options.

12 By when can we start seeing the synergies impact on your top/bottom line?

12.1 We expect to see synergies impact in the near- to mid-term.

13 For each category of WFS's customer mix (airlines, integrators and freight forwarders), which are the top 3 customers within each category and the percentage contribution of each customer's revenue to WFS's total revenue?

13.1 The key customers of WFS in the various categories are listed in both the circular and gatefold.

14 Will SATS be able to regain pervious ROEs in teens? If not, what is SATS ROE target in future?

14.1 Whilst we are not in a position to give forward guidance, we are working towards being profitable in the near-term.

Dividends

15 In view of the debt that SATS will be taking on, would it require shareholders to sacrifice dividends even if SATS, on its own, could achieve sizeable profits with China reopening its border from 8 Jan 2023?

15.1 Your board and certain management team members are also shareholders of SATS, and our interests are aligned with all SATS' shareholders to see dividends being paid. We are cognizant of the dividend expectation and we strive to work towards profitable growth that will enable SATS to pay dividends to all shareholders.

16 How long will the expected return from this investment/merger materialise? Will SATS be reporting lower profit or even losses in the next 5 years in view of the huge cost incurred? Will future dividend (next 5 years) be affected as a result?

16.1 Whilst we are not in a position to give forward guidance, we are working towards being profitable in the near-term.

16.2 Your Board believes it would be prudent to not pay a dividend until SATS restores profitability without government reliefs.

16.3 The Board is also cognizant that SATS must continue investing in building capabilities for the future and leveraging opportunities for profitable and sustainable growth.

17 SATS highlighted only the qualitative attributes of the acquisition, namely that the combined entity will be the biggest in Europe, America and Asia, but investors are interested in profitability and returns and not about being the number one in this business. Being no. one does not mean the business is profitable although it gives bragging rights. Wouldn't it be better to use the $320 million cash for dividend payment and capital expenditure to increase productivity and profitability instead of taking on WFS's super high debts and additional loan of $700 million?

17.1 The qualitative attributes of the acquisition are expected to provide a pathway to profitable growth and trajectory of positive financial performance. This, in turn, is expected to provide SATS with a platform for sustainable future that will be beneficial for all our shareholders.

17.2 SATS is confident that it will be able to deleverage and meet its debt commitments with the potential free cash flows that the combined business is expected to generate.

18 I bought SATS shares at more than $4, and with this acquisition, the price has now fallen to $2.82. Is the company going to take into consideration the lost suffered by investors who have bought the shares before this announcement? It does not make sense for investors who have bought the shares earlier to support this merger if we have not been given any incentives to mitigate our losses.

18.1 Your board and management recognise the significant impact that the decline in SATS' share price has on our investors. Part of the decline in the share price is due to macroeconomic conditions which are beyond our control. We believe this acquisition will provide a pathway to profitable growth and which will increase share value for our shareholders. Your support for this acquisition will contribute meaningfully to our success and will secure the future of this company.

Rights Issue

19 Are the directors willing to take up their allocated SATS shares and rights issue? How much are their stakes in this acquisition?

19.1 SATS Directors who are also SATS shareholders have indicated their intention to subscribe for their pro rata entitlements in full.

19.2 Details of SATS Directors' shareholdings for the financial year ended 31 March 2022 can be found on page 103 of the Annual Report. Subsequent changes can be found on SGX website.

20 What will be the price of the rights issue and the ratio of the rights to shares in circulation? What is the cost of each right share? When is the closing date to subscribe for the right shares?

20.1 SATS proposes to undertake a renounceable rights issue of new Shares to existing Shareholders on a *pro rata* basis 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 one-year bridge loan.

20.2 While the rights issue is expected to be launched in the first quarter of 2023, the final terms (including the price) and timing of the Proposed Rights Issue is subject to final determination by SATS in agreement with the Underwriter(s).