



## SATS LTD.

(Incorporated in the Republic of Singapore)  
(UEN / Company Registration No. 197201770G)

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### PROPOSED JOINT VENTURE BETWEEN SATS AND MITSUI IN FOOD SOLUTIONS BUSINESS

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#### 1. Introduction

1.1 SATS Ltd. ("**SATS**" or the "**Company**", and together with its subsidiaries, the "**Group**") refers to its announcement dated 5 April 2023 on the Company's entry into a multi-year Memorandum of Understanding with Mitsui & Co., Ltd. ("**Mitsui**"), to jointly explore opportunities to grow and strengthen the parties' food and retail businesses and value chains, such as by diversifying supply sources, developing innovative food products and services, and expanding sales and distribution channels to facilitate these ambitions.

1.2 Pursuant to Rule 703(1) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**Listing Manual**"), SATS wishes to announce that:

- (a) SATS Investments Pte. Ltd. ("**SIPL**"), a wholly-owned subsidiary of SATS, has established a new wholly-owned subsidiary, Food Solutions Sapphire Holdings Pte. Ltd. (the "**HoldCo**"), as a holding vehicle through which SATS and Mitsui will jointly pursue potential food solutions business related investments;
- (b) SIPL will transfer or procure the transfer of four indirect wholly-owned entities of SATS into the HoldCo, comprising SATS Food Solutions India Private Limited ("**SFSI**"), SATS (Tianjin) Food Co., Ltd. ("**STJ**"), SATS (Thailand) Co. Ltd. ("**SATS Thailand**") and Country Foods Pte. Ltd. ("**CF**", together with SFSI, STJ and SATS Thailand, the "**Relevant Food Solutions Entities**"), subject to the satisfaction of mutually agreed conditions;
- (c) Mitsui will invest in the HoldCo via an acquisition of 15% of SIPL's shares in the HoldCo (further details are described in paragraph 2.1 below) and subscribe for exchangeable bonds issued by SIPL (further details of which are described in paragraph 2.2 below). Accordingly, the resultant effect is a partial divestment by the Group of its stake in the Relevant Food Solutions Entities (the "**Partially Divested Stake**") to Mitsui, representing 15% of the shareholding interest in the Relevant Food Solutions Entities held by Mitsui via the HoldCo; and
- (d) Subject to completion of Mitsui's investment in the HoldCo:
  - (i) SATS and SIPL will novate their respective rights and obligations with respect to 15% of the outstanding principal amounts of certain loans provided by SATS and/or SIPL to SFST (collectively, the "**SFST Novated Loans**") to Mitsui ("**Novation of the SFST Novated Loans**"); and

- (ii) Mitsui will subscribe for senior bonds due 20 June 2028, 23 June 2028 and 8 August 2028 issued by SIPL (the "**Other Bonds**"), for a subscription price which is equivalent to 15% of the outstanding principal amount under certain loans provided by SATS to SFSI (the "**SFSI Acquired Loans**").

(collectively, the "**Proposed Transactions**").

## 2. Principal Terms of the Proposed Transactions

- 2.1 On the date of this announcement, SIPL, Mitsui and the HoldCo have simultaneously entered into (i) a share purchase agreement (the "**SPA**") by which 15% of the HoldCo's total issued share capital will be transferred to Mitsui (the "**Partial Equity Divestment**") after the shares of SFSI and STJ are first transferred to the HoldCo, and (ii) a shareholders' agreement ("**SHA**") in relation to the HoldCo which will take effect upon the completion of the Partial Equity Divestment.
- 2.2 Simultaneous with the entry into the SPA and the SHA, the parties have on even date also entered into two bond subscription deeds, the key terms of which are as follows:
  - (a) a bond subscription deed (the "**SATST EBSD**"), under which Mitsui will subscribe for senior variable rate exchangeable bonds issued by SIPL, due on the third anniversary of the date of subscription of such bonds. The bonds will be automatically exchanged into 15% of shares in SATS Thailand upon the fulfilment of certain conditions by an agreed date. The subscription proceeds from such bonds may be used to fund, among other things, factory expansion plans of SATS Thailand's subsidiary SATS Food Solutions (Thailand) Co., Ltd. ("**SFST**"). Mitsui may also, at its option, contribute to any additional capital commitments required for SFST's factory expansion plans by subscribing for additional bonds at an amount that is equal to 15% of such additional capital commitments. After the aforesaid exchange, SIPL and Mitsui will transfer their respective shares in SATS Thailand to the HoldCo in consideration for shares in the HoldCo such that SIPL and Mitsui will continue to maintain their respective 85% and 15% stakes in the HoldCo following such transfer; and
  - (b) a bond subscription deed (the "**CF EBSD**"), under which Mitsui will subscribe for a senior fixed rate exchangeable bonds issued by SIPL, due on the third anniversary of the date of subscription of such bonds. Upon fulfilment of certain conditions, the bonds can be exchanged into 15% of the shares in CF at Mitsui's option (the "**CF Exchange Shares**"). As part of a strategic recalibration, CF will effect a transfer of select business operations to other Group affiliates prior to the aforesaid exchange. Prior to such exchange, there will be a determination of the fair value of the CF Exchange Shares and if applicable, an adjustment in the amount paid by Mitsui to reflect such fair value under the terms of the CF EBSD. After the aforesaid exchange, Mitsui will transfer all of its shares in CF to the HoldCo and SIPL will procure that all of the remaining shares in CF be transferred to the HoldCo, in consideration for shares in the HoldCo such that SIPL and Mitsui will continue to maintain their respective 85% and 15% stakes in the HoldCo following such transfer.

2.3 Under the terms of the SPA, subject to completion of the Partial Equity Divestment, the following agreements will be entered into:

(a) a novation agreement between SATS, SIPL, Mitsui and SFST, pursuant to which Mitsui will pay an amount equivalent to the SFST Novated Loans as consideration for the Novation of the SFST Novated Loans; and

(b) bond subscription deeds between SIPL and Mitsui (the "**Other Bonds Subscription Deeds**") pursuant to which Mitsui will subscribe for the Other Bonds.

2.4 The Proposed Transactions are classified as a non-disclosable transaction under Chapter 10 of the Listing Manual.

### **3. Consideration of the Proposed Transactions**

3.1 The consideration for the Partial Equity Divestment, novation of the SFST Novated Loans and the subscription of the Other Bonds will be paid by Mitsui to SIPL in cash on completion of the Partial Equity Divestment which is anticipated to take place prior to 31 March 2025 (being the long stop date for completion). The consideration for the subscription of the bonds to be issued pursuant to the SATST EBSD and CF EBSD will be paid in cash by Mitsui to SIPL upon subscription of such bonds.

3.2 The aggregate consideration for the divestment of the Partially Divested Stake (comprising the consideration for the Partial Equity Divestment and the subscription amounts to be paid by Mitsui pursuant to the SATST EBSD and the CF EBSD), the Novation of the SFST Novated Loans and Mitsui's subscriptions of the Other Bonds is approximately S\$36.4 million. The aggregate consideration for the divestment of the Partially Divested Stake was arrived at on a willing-buyer, willing-seller basis, taking into consideration, amongst others, the current financial position and future growth prospects of the Relevant Food Solutions Entities.

3.3 Based on the audited consolidated financial statements of the Group for the financial year ended 31 March 2024, the book value and net tangible asset value attributable to the Partially Divested Stake as at 31 March 2024 are approximately S\$14.1 million and S\$12.5 million respectively. Further, the aggregate book value of the SFST Novated Loans and the SFSI Acquired Loans as at 31 March 2024 is approximately S\$ 7.9 million.

### **4. Rationale**

4.1 The Proposed Transactions are envisaged to create synergies and value for the food solutions business as SATS and Mitsui jointly collaborate to leverage on, among other things, their respective products and services and customer base to generate demand for the food solutions business ("**Value Creation**").

4.2 This strategic collaboration aims to enhance the food value chain of both companies by leveraging on Mitsui's global network and SATS' expertise across the entire process, from raw material procurement to end-customer delivery. The partnership will focus on expanding the food solutions business in key Asian markets, through joint initiatives in product development, central kitchen production, and distribution logistics. By combining SATS' capabilities in aviation catering and Mitsui's connections with major retailers and F&B players, the partnership seeks

to create new opportunities in both aviation and non-aviation sectors, driving innovation in sustainable packaging, protein processing, and cold-chain logistics to meet evolving consumer demands and market trends.

- 4.3 SIPL and Mitsui will evaluate if the Value Creation is successful after three (3) years from the date of completion of the Partial Equity Divestment (unless the timeline for such evaluation is extended by up to two (2) years). If successful, SIPL and Mitsui may evaluate an increase in Mitsui's equity interest in the HoldCo from 15% to 25%. In the event that SIPL and Mitsui jointly determine that the Value Creation objectives have not been fully realised, both parties will engage in discussions to assess the partnership's future direction, with the potential for Mitsui to divest its stake in the HoldCo to SIPL under the terms of the SHA.

## **5. Financial Effects**

The Proposed Transactions are not expected to have any material impact on the Group's consolidated net tangible assets per share or consolidated earnings per share for the current financial year ending 31 March 2025.

## **6. Documents for Inspection**

A copy of the SPA, SHA, SATST EBSD and the CF EBSD and a copy of the forms of the Novation Agreement and the Other Bonds Subscription Deeds will be made available for inspection during normal business hours at SATS's registered office at 20 Airport Boulevard, Singapore 819659 for a period of three (3) months from the date of this announcement.

Issued by SATS Ltd. on 18 July 2024.