

**QUESTION AND ANSWER SESSION AT SATS FY2007-08 RESULTS BRIEFING
FOR ANALYSTS & MEDIA ON 9 MAY 2008 AT 10AM**

- 1. When will catering supplier contracts be renewed and what impact will this have?**
 - We are not in a position to discuss specific supplier contracts. Our mention of supplier contracts are meant to provide guidance on increasing food costs due to inflation and increased food volumes.
 - The food supply contract renewals will happen at different periods over the next 12 months. We continue to look in the area of procurement to find ways to mitigate the increase in food costs.

- 2. What percentage increase in terms of food costs are you expecting?**
 - This is a rather dynamic process and it would be difficult to provide a specific figure.

- 3. Can you explain what you meant by higher yield meals?**
 - This relates to getting higher revenues per meal, such as for business and first class meals.

- 4. What is the situation of the ground handling sector in Singapore, versus the rest of the region? Is there a lot of discounting?**
 - Margins squeeze have been ongoing for a few years.
 - We have kept our market share and our performance has been reasonable.

- 5. Can you explain your rationale for the new dividend policy?**
 - The review of our capital structure should not be taken in isolation, but has to be viewed as a whole, taking into consideration the implications of our strategic direction going forward.
 - The easiest thing for management to do is to return cash but it is our motivation to find the best returns for our shareholders.

- 6. What is the optimum leverage level for you?**
 - We will consider leverage on a case-by-case basis depending on the individual merits of a transaction.
 - But the total leverage of the Company has to be optimal, not just going by individual deals.

- 7. What is the status of your new JV in Bangalore?**
 - Our JV is ready to commence operations in the new Bangalore airport. The delay in the opening of this new airport will have marginal impact on our JV.

- 8. What about Hyderabad?**

- The opening of the Hyderabad took place on 23 March 2008 and our operations have stabilised.

9. As the new CEO, what are the things you like about SATS and what are things that you would like to change?

- I have reviewed the market and where we intend to grow.
- The long-term view of the market is a growth story albeit challenges ahead and it is tied to the state of the economy, GDP growth and air traffic growth and we are ready to ride on these factors.
- Besides operational improvements, we are also looking at the strategic direction of the Company and will elaborate further on our plans shortly.
- By and large, this is an exciting time for me.

10. Is there an affiliation between CAI and SATS, such that SATS will collaborate with CAI as the latter expands overseas?

- There is no formal collaboration between SATS and CAI. We will have to review the criteria for selecting a location before deciding whether to proceed. Of course, where possible, we will be happy to partner with CAI.

11. How do you see the expansion of the LCC market and what impact does this have on SATS?

- The LCCs are an important part of aviation growth and SATS is assessing the potential of this sector.

12. The opening of Hyderabad has not been smooth. How has this affected SATS?

- Although the opening of the Hyderabad airport was delayed, this had no impact on our ground handling operations.
- In terms of ground handling, come 1 January 2009, the policy is that domestic airlines can no longer self-handle. They will have to work with one of the two official ground handlers, including SATS-AI.
- We will ride this wave with our JV partner and the positive point to note is that a number of international carriers have already signed up with SATS-AI.

13. What is the amount of the bonus payout now that you have de-linked your payout policy from SIA?

- We are unable share this with you at this point in time as our staff has not been briefed till later this afternoon.

14. AAT built a new cargo terminal in December 2006. We saw costs increase but no corresponding revenue impact. Why?

- AAT continues to contribute to SATS' earnings. As expected, the new terminal is facing downside pressure in the initial period as utilisation has not reached optimum levels. However, we see this as an investment for the future and we find this a necessary measure to capture the air cargo growth going forward.

15. What is your IRR for the various JVs?

- Our average ROI for these JVs has been around 14%. Total revenue for SATS and its network is S\$1.7 billion. PAT margin of the entire network hovers between 15% to 17%. We have to be in China and the rest of the region as these are the high growth markets.
- The ROI for individual JVs varies. Looking at the region as a whole, Taiwan, Philippines, Indonesia are all weaker economies. However, in China, our JVs can look forward to the Beijing Olympics and we have the new Terminal 3 operations and a new kitchen and we are expanding into eight other airports.

16. Should the 77% dividend ratio be taken as a new benchmark going forward?

- We will review our capital structure regularly. Additional investments going forward may change our cash position. So the current payout ratio is not a fixed benchmark.

17. Are you getting higher value meals? Is this the trend going forward?

- In general, we are happy to generate more high value meals. But this is a question for the airlines to answer. Every airline is different. The meal cycle changes and is also different for every flight. There is no consolidated view to determine a trend at this point.

18. Are airlines asking for better terms from the catering side?

- This is not something new to us, and we continue to look at ways to collaborate with our customers.

19. Can you give an update on local competition?

- We will continue to weather the competition. We are confident that we can manage the competition if we keep to our fundamentals of focussing on customers and our performance.

20. What is the your capital expenditure guidance for T3?

- T3 investments were borne by CAAS. We in turn lease the equipment and space from CAAS. For our base requirement, the historical Capex trend will continue.

21. What impact will the new bonus policy have on wage costs?

- Wage level of FY2007-08 is more reflective of where we are as a company. This year, the collar has been removed. So the current bonus is more reflective of the current performance of the company.
- The impact of staff costs is due to salary increment, increase in employer CPF contribution and additional headcount for T3 operations.

22. Q4 results look better than last year's. What is your take on next year's Q1 results?

- Revenue growth was on the back of higher business volumes.
- In view of the current economic climate, we don't expect strong growth in passenger loads like before but our airline customers are expected to increase their fleet size which would mean more flights.

- In Singapore, there are exciting activities such as the F1 and the integrated resorts and there are reasons for CAAS to expect increase passenger throughput. Hence, the long-term view of the market must be a good one for SATS.

23. Are you going into a net debt situation?

- We have to look at the implications of our new strategic direction. We take a longer view of business and aim to reach the ideal debt position. We understand shareholders' expectations and as such have increased our dividend policy.

24. What is the ideal capital structure?

- We gathered from the views of several investment banks that SATS' implied credit rating is an A or BBB+ and we could possibly go up to 25% to 40% net debt over book equity and still maintain the same credit rating. The wide range of gearing is due to a generally flat WACC curve for the Company.