

Media Release January/09

**INDEPENDENT DIRECTORS¹ UNANIMOUSLY RECOMMEND SHAREHOLDERS
TO VOTE IN FAVOUR OF SATS' PROPOSED ACQUISITION OF SFI**

Singapore, 6 January 2009 – Singapore Airport Terminal Services Limited (SATS) has despatched a Circular to its shareholders on 5 January 2009, setting out information in relation to the proposed acquisition of Singapore Food Industries Limited (SFI) as announced on 2 December 2008.

In the Circular, ING Bank N.V. (ING), the independent financial adviser to SATS' independent directors¹, has provided its opinion that the Acquisition is on normal commercial terms and is not prejudicial to the interests of SATS and its minority shareholders. In addition, it has advised the independent directors to recommend that minority shareholders vote in favour of the acquisition.

Following a detailed review of the terms of the Acquisition and ING's recommendation, the independent directors of SATS have unanimously recommended minority shareholders to vote in favour of the proposed acquisition.

Said Mr Edmund Cheng, Chairman of SATS: "The Board believes that the acquisition of SFI is in the best interest of the Company and its shareholders. We aim to establish SATS as a world-class airport and food services group. This acquisition is an important step towards fulfilling our vision."

To-date, SATS has received strong endorsements from the Singapore Airport Terminal Services Workers' Union, the Directors and the management, who have given an irrevocable undertaking to vote in favour of the acquisition. Together, they hold approximately 1.8 percent of the total minority shareholdings in SATS.

¹ With Ng Kee Choe abstaining as he is a member of the Advisory Panel of Temasek Holdings (Private) Limited.

Creating a strategic platform for sustainable growth

Mr Clement Woon, President & Chief Executive Officer of SATS, remarked: “We are focused on delivering sustainable growth and long-term shareholder value. Through this acquisition, SATS will become a major, diversified player in the food industry, with the size, scale and technical know-how to compete effectively in Singapore and across the region. We will also have a more balanced and robust business portfolio comprising airport and food services, which will reduce our dependency on the aviation industry.”

The acquisition of SFI will:

- **allow SATS to execute its strategy** – SFI, one of the largest integrated food services companies in Singapore, offers a good strategic fit as it has a similar management philosophy and corporate governance framework as SATS. Its earnings base is stable and cash generative, given its regulated government contract and operations in Singapore and strong household brands and market share in the United Kingdom.
- **enhance growth** – The acquisition of SFI will give SATS the size and scale to compete more effectively in Singapore and in the region. Both SATS and SFI have complementary operations and capabilities, allowing the combined entity to provide a wider range of products and services to an enlarged customer base.
- **achieve significant cost savings and revenue enhancement through integration** – SATS estimates an annual recurring pre-tax cost savings of between S\$12.0 million and S\$15.5 million in the areas of food procurement, production, food supply chain logistics, central services and corporate functions. There will also be significant potential to enhance revenue with the combined customer base, products and skills.
- **create a more balanced and robust business portfolio for SATS** – By entering the resilient consumer staples business, SATS will improve the quality of its earnings base and reduce its dependence on the aviation sector. SATS will have two strong core businesses in airport and food services and will derive significant revenue sources both from Singapore and overseas.

The Directors believe that the acquisition of SFI is a compelling proposition. Apart from building a stronger food platform to accelerate growth, the acquisition is expected to be accretive to SATS' earnings and return on equity on a proforma basis. Hence, shareholders are strongly urged to vote in favour and participate in the future growth of SATS.

The purchase consideration and transaction process

Subject to the approval of shareholders at an extraordinary general meeting (EGM) to be convened on 20 January 2009, SATS will acquire a 69.62% equity stake in SFI² at S\$0.93 per share or an aggregate consideration of approximately S\$334.5 million from Ambrosia Investment Pte. Ltd. (Ambrosia), a wholly-owned subsidiary of Temasek Holdings (Private) Limited.

Subsequent to the acquisition from Ambrosia, SATS will make a mandatory conditional cash offer for all the remaining ordinary shares of SFI (other than those already owned, controlled or agreed to be acquired by SATS) at the same price of S\$0.93 per share. The maximum aggregate cash consideration payable under the mandatory offer amounts to approximately S\$174.9 million.

The aggregate consideration for the acquisition and the mandatory offer amounts to approximately S\$509.5 million. SATS will not revise the offer price and the offer will not be subject to any minimum acceptance condition.

Both Singapore Airlines Limited, which holds an approximate 80.61% stake in SATS, and ST Asset Management Ltd, which holds an approximate 0.004% stake in SATS, shall abstain from voting at the EGM, as they are deemed as interested persons to the Transactions.

Merrill Lynch (Singapore) Pte. Ltd. is the exclusive financial advisor to SATS in relation to the Transactions.

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² For the purpose of computation, the number of ordinary shares in the capital of SFI is 516,734,500, as provided by Ambrosia to SATS.



About Singapore Airport Terminal Services Limited

Singapore Airport Terminal Services Limited (SATS) is the leading provider of airline ground services and inflight solutions at Singapore Changi Airport.

With over 60 years of operating experience and an emerging global presence, SATS is dedicated to providing Airport Services and Food Services of the highest quality to our customers. Our comprehensive services encompass airfreight handling, baggage handling, passenger services, ramp handling, aviation security, airline catering, chilled and frozen processed food manufacturing, and airline linen laundry.

Listed on the Singapore Exchange since May 2000, SATS is a subsidiary of Singapore Airlines Limited (SIA). For more information on SATS, please visit www.sats.com.sg.

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This press release should be read in conjunction with the full text of the Circular dated 5 January 2009 issued by SATS to its shareholders in relation to the Transactions. Shareholders are advised to read all the documents relating to the Transactions that are filed with the SGX-ST when they become available. Copies of documents may be obtained, when available, from the SGX-ST website (www.sgx.com).

Capitalised terms not defined in this Press Release shall bear the same meanings as those defined in the Circular.

The directors of SATS (including any who may have delegated detailed supervision of this Press Release) have taken all reasonable care to ensure that the facts stated and

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