



**Question and Answer session at  
4Q and FY 2006-07 Results Briefing for Analysts/Media  
14 May 2007**

**a) SATS Management Panel**

Mr Ng Chin Hwee	-	President & Chief Executive Officer
Mr Goh Soo Lim	-	Chief Financial Officer

**b) Analysts**

Ms Corrine Png	-	Citigroup
Ms Tan Wei Ling	-	CIMB-GK
Mr Alan Woodhull	-	Free Spirit Advisors
Mr Chan Choon Jit	-	Kim Eng Securities
Ms Stella Tan	-	Phillip Securities
Mr Usman Nabi	-	River Run
Mr Matthew Ler	-	Target Asset Management
Mr Teo Hiang Boon	-	UOB Asset Management

**c) Media**

Ms Sunita Sue-Leng	-	The Edge
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**1. Queries raised by Analysts**

**1.1 What would the staff bonus be if it were based purely on SATS' results?**

SATS:

The effect of the collar on the SATS bonus is an additional S\$40.6m.

**1.2 Can you explain the calculation of the bonus again? If there was no peg to SIA Group, how much would the SATS bonus have been?**

SATS:

The effect of the collar is an additional S\$40.6m.

**1.3 Moving forward, would you still have to deal with the collar?**

SATS:

The 3-Year Profit Sharing Bonus Agreement (covering FY2005-06 to FY2007-08) states that the collar would no longer apply for the current financial year FY2007-08 (ending 31 Mar 08).

**1.4 Any change in the methodology for determining staff incentives? How do you link profits to staff bonus? In other words, is S\$40.6m going to be a recurring amount?**

SATS:

By way of background, SATS' bonus has, prior to the current Profit Sharing Bonus Agreement, been pegged to the SIA Group performance. We are currently in a transition phase to more closely align SATS staff bonus to SATS' performance. As with other listed companies, staff bonus is also tied to key performance indicators.

**1.5 What is management's target for dividend payout ratio? SATS could afford to pay more, looking at its cash balances. What are your capital management plans?**

SATS:

We have in fact exceeded our stated payout target of 40% for the past two years. The Board regularly reviews our capital structure, including the payout ratio and will make adjustments where appropriate. The proposed dividends will substantially utilise all of our remaining Section 44 tax credits.

**1.6 Can you explain the cash and cash deposits due to related companies?**

SATS:

A portion of our cash is placed in overnight and term deposits for operations. In addition to SIA being a counter-party, SATS also gets quotes from various banks and places deposits with the ones offering the highest deposit rate. Our cash and cash equivalent balances stand at around S\$578m.

**1.7 What are your capex requirements for the current financial year?**

SATS:

We typically require S\$20m to 30m and do not expect major deviations. For FY2007-08, our expected CAPEX requirement is around S\$25M.

**1.8 Any big jump in capex anticipated in the coming years?**

SATS:

We are currently operating close to full capacity for our dedicated SIA kitchen (Inflight Catering Centre 1) and we are looking at some expansion. We are also reviewing plans to our cargo capacity to cater to SIA's projected growth. However, we have not finalised these plans.

**1.9 When is the earliest SATS will expand its capacity if the plans go ahead?**

SATS:

We are currently reviewing the infrastructure needs for our cargo and catering operations. No major expansion plans are envisaged for this year.

**1.10 Will the capex be incremental?**

SATS:

We are not anticipating anything of the magnitude of a new full scale structure such as the AFT5 and AFT6, ie. not to the extent of S\$200m.

**1.11 Are you looking at securitising these assets?**

SATS:

We are constantly reviewing our capital structure to ensure that it is optimal and sustainable.

**1.12 In terms of passenger and cargo growth, have these rates stabilised, and do you foresee the rates remaining firm at current levels, increasing or declining? Secondly, what is the state of competition, in particular for ground handling services?**

SATS:

We have managed to keep our market share of 80%. Where we have lost contracts, it has been due mainly to airlines ceasing or suspending operations to Singapore.

It is still a competitive market but we have been able to maintain our market share due to our ability to keep costs down and focusing on service quality. We will continue to defend our market share and we believe our existing strategy of keeping costs down while maintaining high product quality is working for us.

**1.13 Any new developments on the Moscow joint venture? Is SATS' going to acquire businesses which immediately contribute to revenue rather than invest in greenfield operations which will take some years of investment before contributing?**

SATS:

With regard to the Moscow joint venture, we are still negotiating. We are always looking for opportunities especially in China, India and the Middle East. We have just announced the Bangalore ground handling joint venture and we hope to receive news regarding a concession bid for Hyderabad Airport soon.

The Hong Kong market is currently seeing challenges to its growth. The pace of acquisition will be stepped up, particularly in China where we already have a presence in ten airports.

It's worth bearing in mind that acquisition is not the only way to grow. For instance, the run up to Beijing Olympics in 2008 will see greater volumes for our Beijing associated companies, also, business from Maldives is recovering from the effects of the tsunami. At the same time we are also growing our presence in India, beyond just the metro cities.

In summary, we expect growth to come from the nurturing of existing joint ventures as well as the acquisition of larger joint ventures.

## **2. Queries raised by Media**

### **2.1 Can you clarify what contracts AAT lost and gained?**

SATS:

AAT lost NCA (Nippon Cargo Airways) and secured TG (Thai Airways). They are approximately the same value in terms of tonnage.

### **2.2 Has SATS quantified the revenue impact of A380?**

SATS:

We are quite excited about the A380s, and should see higher revenue with more meals, and a more complex suite of services being required. We've already bought high loaders in anticipation of the A380s.

### **2.3 How many high loaders have you bought?**

SATS:

We have bought two units and have an option to acquire two more.

### **2.4 When and where are you going?**

SATS:

[PCEO] The announcement of my impending departure has been made as we have begun to approach search firms to find a successor. The process is still ongoing and there are no definitive dates set yet. I will rejoin SIA. I need to reiterate though, that the company will not be affected by this announcement and I am confident that the new CEO will provide the necessary leadership to move the company forward.

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