

Media release 2 December 2008

SATS ANNOUNCES CONDITIONAL ACQUISITION OF SFI

- *Conditional initial acquisition of 69.68% and subsequent mandatory offer at S\$0.93 per share*
- *Acquisition consistent with SATS' previously announced long-term strategic plan*
- *Enhanced growth prospects with immediate scale in existing food services business and expansion into a new geographical market*
- *Complementary consumer staples business with stable earnings*
- *Synergies in product development and production, and cross-selling opportunities*
- *Acquisition accretive to cash EPS and ROE on a proforma basis, strengthened cash generation and financial flexibility maintained*

Singapore, 2 December 2008 – Singapore Airport Terminal Services Limited (SATS) today announced that it has entered into a conditional Sale and Purchase Agreement with Ambrosia Investment Pte. Ltd. (Ambrosia), a wholly-owned subsidiary of Temasek Holdings, to acquire a 69.68% stake in Singapore Food Industries Limited (SFI) for an aggregate cash consideration of S\$334.5 million.

One of Singapore's largest integrated food services companies, SFI has a wide spectrum of food-related businesses including food materials supplies, distribution, catering, manufacturing and processing, and strong brand names. SFI also has significant operations in the UK.

Rationale for the Acquisition

In line with its previously announced strategic plan, SATS has been proactively seeking opportunities both in Singapore and overseas to grow its businesses in airport and food services to enhance shareholder value. The acquisition of SFI will provide immediate scale to SATS' existing food services business and allow it to access wider customer



segments as well as to compete effectively in new market segments, thereby accelerating the implementation of SATS' strategy to grow its food services business.

By expanding into the inherently resilient consumer staples food business, SATS is also mitigating its exposure to the aviation sector and hence reducing volatility in its earnings. In addition, SFI's significant UK operations will strengthen SATS' overseas platform to serve its existing customers in a new geographical market.

Said Mr Clement Woon, President & Chief Executive Officer of SATS, "This acquisition is about implementing our strategy. SFI represents an ideal complement to SATS' existing businesses and operations, enhancing our growth prospects and building on our core competencies. We see synergies in the areas of procurement, supply chain logistics, product development and production, not to mention cross-selling opportunities to both airline and non-airline customers.

"SFI offers SATS the opportunity to expand our product offerings with the addition of some excellent brands such as New Covent Garden and Farmpride. At the same time, SFI's strong customer profile and stable demand base will reduce volatility in our earnings.

"This transaction represents a unique opportunity to acquire a controlling stake in a consumer staples and branded food business with attractive growth prospects and synergies at a fair price. The acquisition will further strengthen our cash generation abilities and enhance shareholder value," added Mr Woon.

Purchase Consideration

The purchase price of S\$0.93 per share was negotiated with Ambrosia on a willing-buyer, willing-seller basis. This represents a 4.5 percent premium over the last transacted price of SFI shares on 1 December 2008 of S\$0.89 per share, being the last full trading day prior to this announcement. The purchase consideration of S\$334.5 million for Ambrosia's stake in SFI is currently intended to be satisfied wholly in cash from internal resources.

The Management of SATS considers the purchase price to be fair in the context of the current economic environment taking into account the defensive nature of the business and the strong brands that SFI possesses.

Mandatory Conditional Offer

Upon completion of the initial acquisition of shares from Ambrosia, SATS will make a mandatory conditional cash offer for all the remaining ordinary shares of SFI that it does not already own at the time at an offer price of S\$0.93 per share. The maximum aggregate cash consideration payable under the mandatory offer amounts to S\$174.7 million and it is currently intended that this amount will be funded by internal resources.

SATS will not revise the offer price. The offer will not be subject to any minimum acceptance condition.

Financial Effects

For illustrative purposes only and on a proforma basis, assuming a 100% acquisition of SFI on 1 April 2007, SATS' revenue for the financial year ended 31 March 2008 would have increased by approximately 75% from S\$958 million to S\$1,673 million. On the same basis, the transaction would have been accretive to SATS' cash earnings per share and return on equity for the financial year ended 31 March 2008.

The transaction is expected to strengthen SATS' cash generation abilities and improve the efficiency of the capital structure of the group whilst maintaining financial flexibility to take advantage of future opportunities for further growth.

Shareholders' Approval

Completion of the transaction is subject to the approval of the shareholders of SATS for, *inter alia*, the initial acquisition of shares from Ambrosia and the mandatory offer, at an extraordinary general meeting (EGM).

A circular setting out relevant information pertaining to the transaction will be issued in due course to the shareholders of SATS, together with the notice of the EGM.



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

-- End --

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.

Investor and Media Contacts:

Sandy Leng (Ms)
Manager Investor Relations, SATS
Tel: (65) 6541 8200 (office hours)
Tel: (65) 9018 5168 (after office hours)

Email: sandy_leng@singaporeair.com.sg

Terence Foo (Mr) / Ang Shih-Huei (Ms)
Gavin Anderson & Company
Tel: (65) 6339 9110 (office hours)
Tel: (65) 9878 8787 / (65) 9189 1039
(after office hours)

Email: tfoo@gavinanderson.com.sg /
sang@gavinanderson.com.sg

This press release should be read in conjunction with the full text of the pre-conditional offer announcement dated 2 December 2008 released by Merrill Lynch (Singapore) Pte. Ltd. on behalf of SATS and the full text of the announcement dated 2 December 2008 released by SATS in relation to the transactions. Shareholders are advised to read all

- 4 -

SINGAPORE AIRPORT TERMINAL SERVICES LIMITED

(a subsidiary of Singapore Airlines Limited)

20 Airport Boulevard, Singapore 819659

Internet: www.sats.com.sg

Company Registration No: 197201770G

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).

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 all opinions expressed in this Press Release are fair and accurate, and that no material facts have been omitted from this Press Release, and they jointly and severally accept responsibility accordingly. Where any information has been extracted or reproduced from published or otherwise publicly available sources (including, without limitation, in relation to SFI or its subsidiaries) or obtained from Ambrosia, the sole responsibility of the directors of SATS has been to ensure through reasonable enquiries that such information is accurately and correctly extracted from such sources or, as the case may be, accurately reflected or reproduced in this Press Release.