



**ANNUAL GENERAL MEETING TO BE HELD ON 25 JULY 2025  
RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS**

**Singapore, 19 July 2025** – SATS Ltd. (“**SATS**” or the “**Company**”) would like to thank the Securities Investors Association (Singapore) (“**SIAS**”) for taking the time to send their questions in advance of our 52nd Annual General Meeting (“**AGM**”) which will be held in a wholly physical format on Friday, 25 July 2025 at 11.00 am (Singapore time).

Please refer to Appendix 1 for the list of substantial and relevant questions, and the Company’s responses to these questions.

**BY ORDER OF THE BOARD**

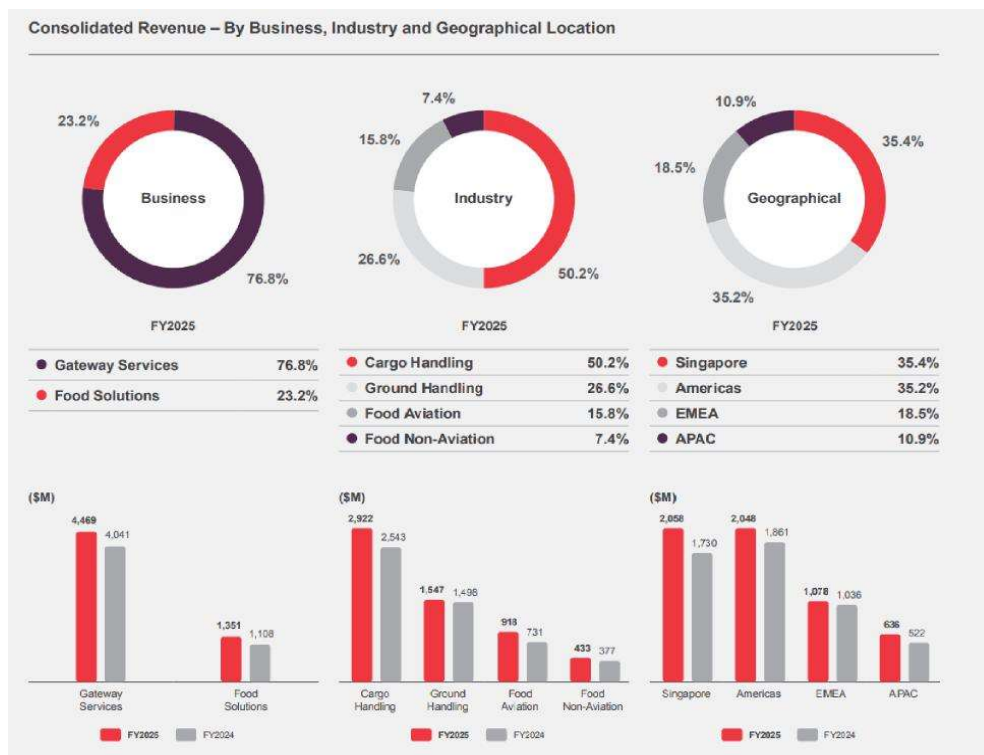
Ian Chye  
Company Secretary

SATS Ltd. 52<sup>nd</sup> Annual General Meeting

Responses to Questions from SIAS

1. For the financial year ended 31 March 2025, the group reported a 13% increase in revenue to \$5.8 billion. Operating profit was \$475.7 million while net profit attributable to owners of the company stood at \$243.8 million. Management attributed the performance to increased scale, synergies realisation, and enhanced operational efficiency across the group's expanded portfolio.

The breakdown of the group's revenue, as shown in the financial review on page 65 of the annual report, is reproduced below:



- (i) **Has the integration of Worldwide Flight Services been completed? Has the group realised the expected synergies, and were these in line with or ahead of the assumptions used to justify the acquisition?**

- The integration has made significant progress over the past 2 years. In particular, we have restructured our operational and reporting structures for Gateway Services into a global network, and continue to foster a unified global organisational culture and shared 'People Values' across our diverse teams.

- The Group has exceeded its initial synergy targets of \$100 million in annualised EBITDA synergies over a five-year period, with the achievement of annualised EBITDA synergies of \$103 million in FY25. On top of the annualised EBITDA synergy benefits, the group also realised \$58 million in fiscal and financial savings, bringing the total synergies achieved to date to approximately \$162 million.

**(ii) Can management help shareholders understand the potential impact of tariffs on the group's operations? How exposed are the group's cargo handling businesses to tariff risks, and is air cargo as sensitive to import duties as sea freight?**

- The tariff situation is still fluid and therefore the potential impact to the Group cannot yet be fully assessed.
- Having said that, e-commerce air cargo volumes from China into the US has seen a decline due to the removal of the de minimis exemption. China-US e-commerce accounts for less than 5% of the Group's revenue. In addition, our global network enhances our ability to capture changes in trade flows. We have observed that while we experienced some decline in e-commerce volumes into the US, there have been increased volumes into Europe, Middle East and APAC.

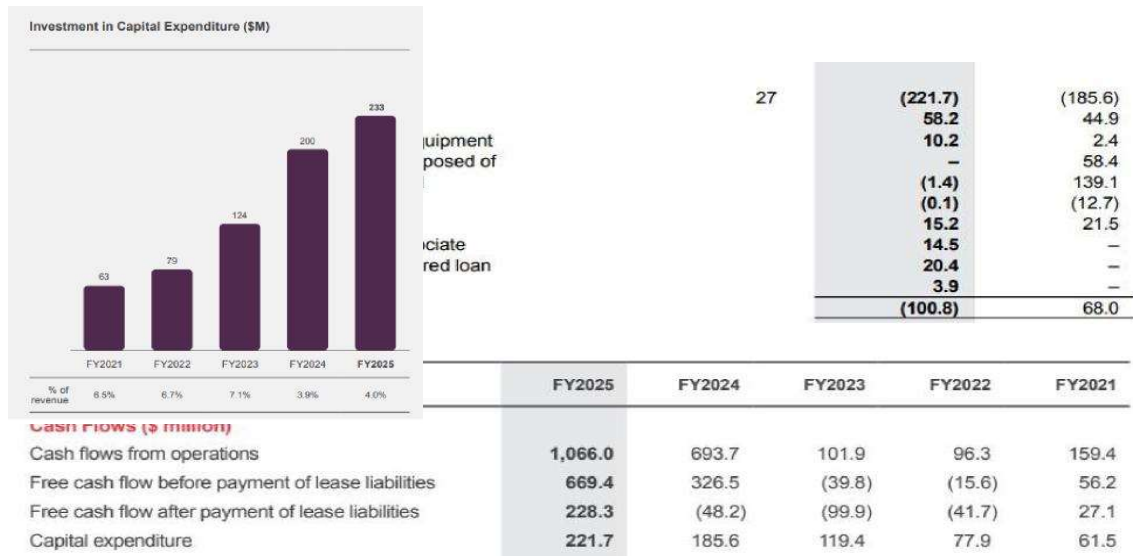
**(iii) With increasing capital and management focus on the gateway services segment, can the board clarify whether the food solutions segment remains a strategic core of the group? How does it align with the group's long-term vision and capital allocation priorities?**

- We continue to have two core businesses – Gateway Services and Food Solutions.
- The Food Solutions business has demonstrated good recovery of volumes and margins from the COVID period. During that period, we had already taken steps to invest in our regional production network in China, India and Thailand, and we remain focused on strengthening our aviation Food Solutions business across our network.
- We also continue to seek synergistic growth in non-aviation food in locations where we have aviation Food Solutions facilities, to manage the seasonality of the aviation food business. A prime example of this, is the strategic partnership we have with Mitsui to leverage their network to grow demand in the non-aviation food segment.



2. The consolidated statement of cash flows shows that net cash used in investing activities amounted to \$100.8 million in FY2025, driven mainly by \$221.7 million in capital expenditure. Capital expenditure has increased exponentially from \$61.5 million in FY2021 to \$221.7 million in FY2025.

The financial review on pg 68 states that capital expenditure in FY2025 was \$233 million.



- (i) Can management clarify the variance between the \$221.7 million in the cash flow statement and the \$233 million cited in the financial review? Is this purely due to timing differences or does it reflect differing classifications? The financial review on page 68 states that capital expenditure in FY2025 was \$233 million.

- The \$233 million quoted in the Financial Review is total capital expenditure incurred and reported on an accrual basis. This includes about \$219.8 million for property, plant and equipment and about \$13.1 million for intangible assets. The \$221.7 million in the consolidated cash-flow statement reflects the cash outflow for those projects. The \$11.2 million gap is a timing difference arising from capital items that were accrued but not yet settled by 31 March 2025. Please refer to Note 27 on page 191 of the Annual Report.

Despite the increase in absolute terms, capital expenditure still represents just 4% of revenue.

- (ii) Can the board elaborate on the strategic priorities and hurdle rates used when approving large-scale capital expenditure?

- We adopt a stringent capital allocation to ensure that our funds are optimally deployed to strengthen our operations. Our approval of large-scale capital projects is anchored on strict financial hurdles: each investment must



generate returns above our cost of capital (WACC of 7%), achieve a commensurate payback period, and be earnings-accretive from steady state.

**(iii) Of the planned \$250 million investment at Changi Airport, how much is allocated to upgrading existing infrastructure versus new investments in Terminal 5? Can management clarify if the group has already secured contracts to provide services for Terminal 5?**

- The entire \$250 million investment is focused on our current operations at Changi - to enhance operational resilience, improve productivity, and support projected volume growth going forward.
- Around \$150 million has been earmarked for the renewal and refurbishment of over 500 specialised commercial vehicles with the addition of 100+ new units to support growing business volumes. The remaining \$100 million will be utilised to upgrade our cargo infrastructure via a multi-phase enhancement across our various airfreight terminals.
- Discussions with Changi Airport Group and the relevant government agencies are ongoing regarding Terminal 5.

**(iv) What strategic, operational, or risk factors led the board to lower the dividend payout ratio from 40% to 30%? How does this decision reflect the group's outlook on funding needs, balance sheet resilience, and investment opportunities?**

- We adopt a progressive and sustainable dividend policy, as outlined on page 104 of the Annual Report, delivering long-term value to our shareholders. While we do not guide on the specific dividend payout % of earnings, we remain committed to returning 100% of excess cash, defined as funds remaining after defraying the following operational and strategic requirements such as working capital requirements, essential capital spend, debt servicing and deleveraging commitments, statutory and contingency reserves (where applicable).

**3. Details of the group's share-based compensation are disclosed in Note 15 of the financial statements (pages 161 to 166). In FY2025, total share-based compensation expense more than quadrupled to \$45.3 million, compared to \$11.1 million in FY2024.**



## 15. SHARE-BASED COMPENSATION (cont'd)

### Movement of RSP and PSP shares award during the year (cont'd)

The share-based compensation expense recognised in profit or loss based on the fair values determined on grant date and estimation of share grants that will ultimately vest are as follows:

	GROUP	
	FY2025 \$ million	FY2024 \$ million
<b>Share-based compensation expense</b>		
Restricted Share Plan	42.0	11.1
Performance Share Plan	3.3	*
	<b>45.3</b>	<b>11.1</b>

(i) **Could the remuneration committee clarify whether the observed change reflects a structural shift in the group's incentive framework/philosophy or whether it was driven by specific performance thresholds being met under the existing scheme?**

- The observed change does not reflect a structural shift in the Group's incentive philosophy. This increase reflects a combination of the following:
  - Stronger Group performance, which led to higher awards under the RSP.
  - The harmonisation of WFS executives' long-term incentive plan with that of the Group. This involved converting their long-term incentives from cash to stock-based compensation, to better align their performance with driving shareholder value
  - A one-time realignment in the timing of the 20 September 2024 grant awarded to employees to bring it in line with market practice. There was no increase in cost arising from this realignment, as the cost had been accrued for in the period where service was rendered.

**15. SHARE-BASED COMPENSATION (cont'd)**
**Movement of RSP and PSP shares award during the year**
**RSP**

Date of grant	Number of restricted shares				At 31 March 2025
	At 1 April 2024/ Date of grant	Vested	Forfeited	Adjustment*	
24 June 2022	715,133	(713,321)	(1,812)	–	–
3 July 2023	3,137,600	(1,565,800)	(76,700)	–	1,495,100
24 June 2024	5,826,700	(1,948,400)	(120,800)	–	3,757,500
6 August 2024	75,500	(75,500)	–	–	–
20 September 2024	8,343,900	–	(190,200)	–	8,153,700
1 November 2024	2,965,715	–	–	–	2,965,715
	21,064,548	(4,303,021)	(389,512)	–	16,372,015

**PSP**

Date of grant	Number of performance shares				At 31 March 2025
	At 1 April 2024/ Date of grant	Vested	Forfeited	Adjustment*	
2 August 2021	248,511	(110,300)	–	(138,211)	–
24 June 2022	228,737	–	–	–	228,737
22 March 2024	570,000	–	–	–	570,000
20 September 2024	6,217,545	–	(818,182)	–	5,399,363
	7,264,793	(110,300)	(818,182)	(138,211)	6,198,100

\* Adjustments due to the performance factor at the end of the performance period.

**(ii) What specific corporate milestones, financial metrics, or individual performance conditions triggered the numerous restricted share plan (RSP) awards and the significant performance share plan (PSP) award in FY2024?**

- The award of incentive plans in FY25 included the conversion of WFS executives' long-term incentive from cash to share-based compensation, to better align their performance to driving shareholders value.
- The 20 September 2024 RSP grant was a one-time realignment in the timing of the grant awarded to employees to bring it in line with market practice.
- For details on the specific metrics used in the RSP and PSP awards, and their vesting conditions, please refer to pages 92-93 and 162-164 of the Annual Report. These metrics are tied to clearly defined targets spanning financial, strategic, and environmental goals which are the long-term value drivers of our business.



**(iii) Given the significant increase in share-based compensation expense, has the board assessed the long-term dilution impact on shareholders?**

- The Board and management are very cognizant of the dilutive impact of share-based compensation. The awards granted thus far will be met fully with treasury shares and does not dilute shareholders. Shares repurchased from the open market as part of our capital management strategy are held as treasury shares and would therefore minimise any dilutive impact on shareholders.

**4. The FY2025 annual report was made available on SGXNet and the company's corporate website on 10 July 2025. Given that the notice of annual general meeting was issued on 26 June 2025 without the accompanying annual report, was there a delay in the release of the annual report? Furthermore, with the deadline for submitting questions set on 14 July 2025, has the company provided shareholders with sufficient time to review the directors' statement, audited financial statements, auditors' report, corporate governance report, and sustainability report, in line with SGX guidelines for shareholders to submit questions in advance?**

- The Notice of the Annual General Meeting ("AGM") was published 28 calendar days prior to the AGM which is due to take place on 25 July 2025. This is compliant with the minimum notice period requirement of 14 calendar days prescribed by Rule 704(15) of the SGX Listing Manual.
- Whilst the Annual Report and the Sustainability Report were published on 10 July 2025, these were also published in compliance with Rule 707(2) and 711A of the SGX Listing Manual respectively, which require an issuer to issue its annual report at least 14 days before the AGM, and its sustainability report no later than 4 months after the end of financial year (i.e. by 31 July 2025 in respect of SATS).
- We acknowledge that as a general principle, shareholders must be given the opportunity to ask written questions within a reasonable time prior to general meetings. We strive to ensure that shareholders have sufficient lead time and opportunity to submit written questions well ahead of the AGM via the following means:
  - At least 7 calendar days from the publication of the Notice of AGM on 26 June 2025 as guided by Practice Note 7.5 of the SGX Listing Manual; and
  - 5 calendar days from the publication of the Annual Report on 10 July 2025.
- Notwithstanding the above, shareholders can continue to submit their written questions, and we will endeavour to respond to all of these submitted questions either within a reasonable timeframe before the AGM or at the AGM itself. Please also refer to Note 7 of our Notice of AGM where we had indicated this for the awareness of all shareholders.