



Event: SATS 49th Annual General Meeting

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Speaker: President and Chief Executive Officer, Mr Kerry Mok

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Kerry Mok: Good morning everyone. I am very pleased to be here to give you a run-through of our performance over the past year and what SATS has been doing in FY2021-22. Let me just start by giving a bit of an understanding of how the industry is recovering.

Slide 2: Travel Recovery Underway

From this chart you can see from IATA, for revenue passenger-kilometres travel, you can see a sharp increase from 2020 to 2022. It is going up very quickly, and in fact, IATA has projected that passenger traffic will reach 83% of pre-pandemic levels in 2022. Cargo volumes are also expected to achieve a record high of nearly 70 million tonnes in 2022. Unfortunately, some of the things we are facing now is inflation-related, and inflation is expected to remain elevated throughout 2022. This may have an impact on GDP growth, as compared to last year.

Looking at the bottom part of the chart, you can see that from Changi Airport Group statistics, we are actually doing very well. In 2022, up to May, we have overachieved what we managed in 2021 itself. Cargo continues to grow, and cargo has been one area where we have been very fortunate to be in a position to do a lot of activities for a lot of our customers and maintain that connectivity for many customers around the world.

Slide 3: Getting Back on Track with Aviation Recovery

This slide shows a comparison of what we have done as a Group across quite a few of the categories we are managing, in terms of flights, meals, passenger, cargo, and the number of employees we have. For flights, you can see that it has gone up tremendously – almost 75% growth. In terms of meals served, it has gone up by 20%. I would like to provide some clarification, in terms of meals served, as to why you are not seeing a huge spike. During the pandemic, we have been investing in quite a bit of the non-travel segment and that has given us some resilience in our food business. With travel and passengers coming back, we handled a growth of almost 200%. We are now starting to see aviation meals starting to grow as well. Cargo tonnage has recovered to almost pre-pandemic levels, and the numbers shown here are good numbers that our Group is managing. From an employee standpoint, we will continue to grow the number of employees, primarily to prepare for the growth of the travel business towards the end of the year. We have to build capacity as we move our business along.

Slide 4: Enhancing Operational Excellence

What have we been doing during the pandemic last year? We have been working really hard as a team. We have been enhancing operational excellence. The picture on the food side shows our first tier-one production factory in Thailand. Thailand is where we have been investing in large-scale production to drive a lot more operational efficiency, and to serve customers beyond just Asia. We are also thinking of moving more products into Europe and elsewhere. We have also invested in our innovation centre. We have set up a global innovation hub here in Singapore, connected to our innovation centre in the UK, where we have an existing presence through Monty's Bakehouse. That has given us additional ability to drive new products and services to the food customers that we are managing.

On the gateway side, we have invested a lot in digitalisation. The image you see is a picture of our control centre here in Singapore, where we are using digitalisation and data to manage our business more seamlessly with both the authorities as well as our customers. We have also invested a lot in innovation and automation. At the end of the day, it is to achieve productivity and scale efficiency. This remains a significant core for what we're doing going forward.

Slide 5: Growing Capabilities in Key Markets Overseas

We have also focused on our twin growth engines, a lot of which are in key markets overseas. You can see two 3D pictures of our new central kitchens that will be coming up in India as well as in Tianjin. SATS India is expected to go "live" in the first quarter of next year. This will be the largest central kitchen of its kind in India, and it will give us a significant advantage to serve both aviation and non-aviation markets. The picture below shows our Tianjin Kitchen. This is expected to go live in the third quarter of this year, and it will give us significant scale benefits where we can service both aviation and non-aviation customers. Importantly, it gives us the ability to reach out to a larger group of consumers in China. Hopefully we can continue to bring good quality food to the consumers in China.

Now, for gateway, we have not stopped moving. We have expanded our capabilities in Saudi Arabia. If you look at what is happening in the Middle East, Saudi Arabia will become a very significant country in terms of logistics and cargo flow. Most of the consumption in the Middle

East comes from Saudi Arabia. Us having a network of Cargo Terminal Operations will give us a significant advantage to continue growing our cargo business in the Middle East.

Slide 6: Seizing Growth Opportunities to Broaden Revenue Streams

We have also taken the opportunity to strengthen and broaden our revenue streams. For the picture on the food side, you can see a very nice picture of a pasta dish that we serve in our restaurant called Twyst. We have two outlets right now, one in the basement of Raffles Place and the other in Asia Square. We have been doing well in serving a lot of new consumers trying out new culinary recipes as well as attracting young consumers to the pastas that we have created. We have also launched Hawker Fare, whereby we have a new brand called The Travelling Spoon. These are RTE (*note: Ready-to-Eat*) meals that we are now serving to a large consumer base in the retail market. You can see these meals in some of the 7-Eleven stores.

On the gateway side, we have invested and increased our shareholding in AAT Cargo Terminal. AAT (*note: Asia Airfreight Terminal*) is one of the three cargo terminal operators in Hong Kong. Hong Kong is the largest air cargo market in the world, and it is important that we increase our presence to continue serving our customers out of Hong Kong, which is connected to China as well. We have invested in digital and technological capabilities for our SATS Security Services. We have been expanding our offerings into the non-aviation segment.

Slide 7: Revenue Recovery and Growth

In terms of recovery, here is a chart of PATMI for the last five years since FY2017-18. It has come down because of the pandemic. As you can see from the chart, we have been making good progress to increase our profitability, creeping up towards a profitable position in FY2021-22 from an almost \$24M loss back in FY2020-21. This was in due part to the reliefs we have gotten from the government. But without government support, there was also a sharp increase in Core PATMI ex-reliefs from FY2020-21 to FY2021-22. We added an additional \$120M to our bottom line. On an EBITDA basis, our cash flow continues to be strong, and we maintained a positive cash flow even during the pandemic. I will emphasise again that we received support from government reliefs.

Slide 8: Cash Reserves Remain Strong

This brings us to our cash reserves. Our cash reserves remain strong. We are in a net cash position. In fact, during the pandemic, the Board and the Management team decided to go out to the market to get additional liquidity to strengthen our position. Our debt-equity ratio remains strong.

In terms of free cash flow, there was a bit of a reduction last year, primarily due to our investments in capex as well as a drop in government reliefs. A lot of the capex investments is to prepare ourselves for the growth that we are expecting to come this year.

Slide 9: Sustainability at SATS

I will now touch on Sustainability at SATS, to give shareholders a view of what we are trying to do here. There are three main things that we are focused on, and these are all long-term strategy that we are implementing.

First, develop smart infrastructure. As you know, we operate in many airports around the world. It is important that we convert all ground support equipment to sustainable energy resources. For example, electrification is one aspect that we are focused on. We would like our GSE fleet in Singapore hub to be electrified by 2030. We also intend to reduce our carbon footprint of Scope 1 and 2 by 50% by 2030 from the FY2019-20 baseline.

On the food side, reducing food and packaging waste is a big focus for us. We intend to reduce our food waste intensity in Singapore by half, from a 2021 baseline. The target we have set for ourselves is for this to happen by 2028 or earlier. An important part is sustainable food packaging. We intend to introduce 100% sustainable food packaging by 2030. This is a big, bold ambition that we have. We believe this is something that will benefit consumers as well as combat climate change.

In terms of nurturing skills for the future, we would like to touch a million lives by sharing our expertise across the communities that we operate in. For SATS, it is important that, as we grow our business, we want to make a difference in the places that we operate in. Be it in Singapore, China or Thailand, we want to reach out to the community because it is important to give back

to the community. Internally, from an employee perspective, we want to upskill all of our employees. We want to increase the value-add of our employees across all subsidiaries by 50%. This is important. As we continue to grow, we want the jobs that our employees have to be higher value-added. We want to increase our skills and allow all to grow together with SATS going forward.

Kerry Mok: With that, I end my presentation. I hope it has given you a better understanding of what we have been doing, and at the same time, an introduction as to how the future will look like this year. I will now hand over the proceedings to the Chairman.

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