ANNUAL GENERAL MEETING TO BE HELD ON 21 JULY 2023
RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS

Singapore, 15 July 2023 – 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 50th Annual General Meeting ("**AGM**") which will be held in a wholly physical format on Friday, 21 July 2023 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

Appendix 1
RESPONSES TO QUESTIONS RECEIVED FROM SIAS

1. **With over three months of ownership of WFS, can management elaborate further on the strategies and initiatives aimed at creating synergies between the two entities? Have there been adjustments made by management to the projections in the investment thesis for WFS?**

1.1. Since completion, management has been focusing on expediting integration, refinancing, reaping new wins and creating new value-added solutions for our strategic customers across different segments of the industry. We are leveraging our expanded network to enable our customers to expand their footprint and establish end-to-end air cargo management capability. SATS' network benefit will provide a consolidated view of the key performance metrics across our customers' network to develop new products and services, which we will harness to scale our business. Operationally, we are steering the Group for future growth, paring down debt and driving cost efficiency and productivity.

1.2. In our circular dated 3 January, we have highlighted that we will work on creating synergies in the following areas between the two entities. We are pleased to share the following updates:

1.2.1. Cross-selling – We have achieved early customer wins in Bengaluru and Bangkok.

1.2.2. Global eCommerce partnerships – We are in the early stages of discussion with key eCommerce players and global 3PL players (freight forwarders) to develop proof-of-concept for new solutions.

1.2.3. Reinforce downstream cargo logistics – We have won new contracts for trucking in Liège.

1.3 No adjustment is necessary on the investment thesis and we are not in a position to provide guidance on the projections.

2. Could management restate the key priorities, milestones, and the anticipated timeline for the integration of WFS and how much progress has been made in the past three months, other than hosting roadshows together?

2.1 We have accelerated the integration of WFS which saw us streamlining our organisational structure to align the leadership team and enhance the Group's ability to leverage combined benefits and capabilities across the globe.

2.2 SATS has adopted a global model for operating and managing its gateway services business lines, with three experienced business leaders and industry veterans helming their respective regions. Bob Chi, CEO of Gateway Services, SATS, will lead the Singapore hub and all SATS Gateway Services' subsidiaries and associates within Asia and the Middle East. John Batten, CEO of EMEAA WFS, will lead all WFS operations in Europe, Africa, Thailand, and India. Mike Simpson, CEO of Americas WFS, will continue to oversee all WFS operations in the USA, Canada, and Brazil.

2.3 We have prioritised value creation initiatives for the coming year and expediting the Group’s return to profitability through a combination of new revenues, better efficiency, cost containment and the ability to adjust our prices to reflect the higher cost of operations.

2.4 The Group’s business is fundamentally strong, and we are well-placed to capture growth opportunities as global aviation continues its recovery and growth. We have secured milestone customer wins separately and as a combined Group in Bengaluru and Bangkok, as well as for the cargo business in Liège.

2.5 Operationally, we are working on operational excellence to drive costs down which will, in time, enhance our bottom line as the combined entity continues to win new revenues.

2.6 We have refinanced WFS’ debt, which would lead to approximately S$40m in interest cost savings annually till 2027.

3. Could the board or nominating committee (NC) provide further details on the circumstances that led to the change in the management structure and the departure of Craig Smyth?

3.1 Following a review of the business, it was decided to expand the Group’s global leadership team to include key members of WFS to the global management team. As announced on 3 May 2023, the organisational structure now comprises 3 key business leaders overseeing Asia, Middle

East, Europe and USA directly reporting to President and CEO in Singapore. These business leaders are highly competent and globally experienced functional leaders.

3.2 It was decided that it would be best for Craig Smyth to leave the business given the new reporting structure that includes key WFS management joining the SATS Group Management Board.

4. How does the departure of Craig Smyth affect the timeline for the integration of WFS?

4.1 We are on track with our integration plans and making good progress with our initiatives. The business is running smoothly, and our combined customers have been supportive of the change and continue to believe in the network. We are accelerating the integration. Our initial expectation was that closer integration will start 12 to 18 months later but given current conditions, management felt that it would be better to progress the integration as soon as practicable.

5. How much time, energy and bandwidth will the President & CEO have available to dedicate to effectively oversee both WFS and the broader Group, considering the Group is operating an Americas-Europe-APAC network with a global footprint encompassing 201 cargo and ground handling stations in 23 countries across several time zones?

5.1 Further to our announcement on 3 May, we announced on 15 June that we had further streamlined our organisational structure to align the leadership team and enhance the Group's ability to leverage combined benefits and capabilities across the globe. Through the formation of the global leadership team, we have created clear lines of reporting and with the high caliber of leadership and management bench strength, we have a strong team supporting the President and CEO.

5.2 Four experienced industry veterans were appointed: Bob Chi, CEO of Gateway Services, SATS, will lead the Singapore hub and all SATS Gateway Services' subsidiaries and associates within Asia and the Middle East; John Batten, CEO of EMEAA WFS, will lead all WFS operations in Europe, Africa, Thailand, and India. Mike Simpson, CEO of Americas WFS, will continue to oversee all WFS operations in the USA, Canada and Brazil and Stanley Goh will lead SATS Food Solutions globally.

5.3 This streamlined structure would allow the President and CEO to focus his time on overseeing SATS Group global markets, creating synergies across SATS and WFS, building capabilities, partnerships and growth opportunities for the Group.

6. Considering IATA's projection of a potential 4% year-on-year decline in global air cargo demand in 2023 due to the challenging macroeconomic environment, what operational strategies can the Group employ to sustain or enhance profitability in the event of a softening in global air cargo demand, such as during a recession?

6.1 We are cognizant of the near-term slowdown in air cargo demand, but we are bullish on the longer-term outlook for air cargo. According to IATA, air cargo currently accounts for a third of world trade value. It is forecast that air cargo traffic will continue to grow on a CAGR of +3.2% (2019-2042); SATS is today well positioned to benefit from this growth trajectory.

6.2 As a leading global provider of gateway services, we will have visibility of performance data across a global network to provide our customers with a consolidated view of key metrics which are essential for them to manage their cargo business, such as import/export volume, growth trends and critical milestones performance.

6.3 To mitigate the near-term downturn in air cargo demand, we are focused on achieving greater efficiency through operational excellence. Furthermore, we are driving network synergy by cross-selling and offering value-added services to our customers; achieving new contract wins in Bengaluru and Bangkok, as well as Liège.

6.4 For more information, please refer to the Circular dated 3 January 2023 posted on SATS website.

7. What are management's views on the strength of the recovery in China and does management perceive significant challenges in the Chinese economy?

7.1 Whilst data out of China is mixed as the services sector currently performs better than the manufacturing and export-oriented sectors, China was fast becoming the second largest aviation market in the world superseding Europe pre-COVID. Today, its domestic aviation has returned to pre-pandemic levels and we expect the international sector to recover fully in time.

7.2 From a cargo perspective there is currently softening given the disruption in the supply chains due to geopolitical tensions and weakened global demand. However, we expect the overall air cargo industry to recover over the medium term.

8. How is the Group strategically positioning itself to capitalize on China's recovery in both food solutions and gateway services?

8.1 **Food Solutions**

8.1.1 According to a report by global market intelligence company Mintel[1], the retail sales of frozen and chilled ready meals in China were expected to reach ¥243.8 billion (approximately US$35.4 billion or S$47.0 billion) in 2022, with accelerated growth of 12.8% from 9.5% in 2021.

8.1.2 We are implementing our three-tier production network strategy of food factories, central kitchens and catering centres across Asia, including our central kitchens in Kunshan and Tianjin, to leverage cross-geographical efficiencies and scale to serve aviation and non-aviation segments.

8.1.3 We have built our capability in China to produce fresh frozen ready-to-eat meals, which improves our frozen meal capacity and selection across the Group.

8.2 **Gateway Services**

8.2.1 SATS is poised for the imminent recovery in China's aviation market, pacing further traffic recovery, particularly outbound traffic, and a general recovery in air cargo.

8.2.2 SATS is also positioned in China's domestic aviation sector as Nanjing Weizhou also caters to domestic flights. Nanjing Weizhou's recovery is on track as China's domestic aviation is back to pre-pandemic levels. China's international flights demand is still recovering, and supply chain disruption is still affecting cargo into and out of China presently.

9. Are there any significant COVID-related challenges that remain in the Group's operations in Singapore?

9.1 The operations in Singapore are manpower driven, and we are continuing to drive productivity through technology whilst maintaining the quality of service. We may have some increase in headcount as aviation volumes recover further, but we do not see that as a challenge. There may be margin contraction in the near-term, but some inflationary cost pressures will be passed through when we re-adjust pricing.

10. What are the underlying reasons for the loss and what steps will management take to address the challenges faced by AAT?

10.1 AAT's operations were impacted by the lockdown in China in FY23, manpower shortage and labour crunch resulting from local government policy. Revenues were also affected due to lower cargo volumes given the disruptions in global supply chains during the year. Hong Kong is the largest cargo market in the world, and we expect AAT to recover quickly in the year ahead; management is swiftly addressing the challenges AAT is facing to expedite its recovery.

10.2 We are expanding the cargo catchment area in Greater Bay Area to bring more air cargo and express shipments to Hong Kong, starting with a multi-modal transportation project in Dongguan. The Group is also promoting its new cold chain facility, COOLPORT, to serve different market segments.

11. Can management help shareholders better understand its top priorities in FY2023-24 to return the Group to profitability in both food solutions and gateway services?

11.1 These are our focus for the year ahead:

11.1.1 Rolling out operational excellence initiatives, with a focus on cost management.

11.1.2 Generating cash to pay down our loans as quickly as possible. We will be managing our OPEX and CAPEX carefully as well as seek sustainable and recurring savings to improve the yield of our businesses.

11.1.3 Leveraging network synergies to achieve efficiencies in global procurement, automation and digitalisation, as well as growing our customer base.

12. What are the efficiency gains (for example, from business re-engineering, workflow improvements, automation) achieved in the past three years? Would management be able to quantify such improvements, in terms of manpower, cost savings etc?

12.1 An efficiency comparison exercise over the last three years would not be meaningful as the market conditions over the last three years were not comparable. We were going through three distinct stages of market activity - pre-COVID, COVID and post-COVID – each with its own set of challenges and dynamics.

13. Can the board help shareholders better understand the deliberations it has had with regard to declaring dividends for shareholders? Did the board also review management's performance vis-à-vis the bonuses handed out to ensure that management is sufficiently motivated to restore the Group's profitability? Did the board consider it prudent to moderate and/or stagger the bonuses over 3-5 years to better align the interests of management with that of shareholders?

13.1 Creating shareholders' value has always been the Board's focus even during the challenging years of the pandemic when the aviation sector was severely impacted. We are mindful of delivering returns to shareholders by means of dividends and capital appreciation.

13.2 In terms of management bonuses, these were carefully considered to balance the performance of the business and the need to attract and retain talent. Our business is a complex one and with our global expansion, increasingly so. We will require specialised skillsets procured globally. In order to remain competitive, we continue to ensure our management bonus remains attractive but measured. Management remuneration is still not back to pre-COVID levels and is deliberately staggered to reflect the performance of the business.

13.3 The significant expansion of the Group's business now calls for a Board with broader and deeper expertise in global markets. The proposal to increase Board fees is to cater for an increase in the Board's time and attention in response to the significantly enlarged group which is now global in nature.

13.4 The Board is committed to supporting management in the drive for cost management during this period of integration and accordingly, the Board has agreed to maintain the existing fee structure for non-executive Directors, recognising that there is likely an increased in effort, time spent and responsibilities.

13.5 The amount of Directors' fees has been computed on the basis of the anticipated number of Board and Board Committee meetings for the year ahead, assuming attendance by all the Directors at such meetings. It also caters for additional fees if/where additional board representations on the Company's subsidiary(ies) and/or joint ventures are required, or for the appointment of additional members to existing or new Board Committees in response to business needs.

13.6 Despite the challenges SATS faced as the world went through a reset in the three years of the pandemic, SATS and its management team had stayed invested, worked hard at growing its global presence through our acquisitions and seeing through our transformation. We have emerged stronger coming out of the pandemic, become a global player, and are on track to creating value for shareholders.

13.7 SATS is focused on 1) improving underlying profitability 2) repayment of debt and 3) return of investment to shareholders.

14. What were the scope, key findings and recommendations by the GIA for FY2022-23?

14.1 The Group has an in-house internal audit function, Group Internal Audit (GIA) Department. As disclosed in the corporate governance report, GIA adopts a risk-based approach in formulating the annual internal audit plan that aligns its activities to the key risk areas across the Group.

14.2 The annual internal audit plan is developed based on a documented risk and control assessment framework, which considers the inherent risk and control effectiveness of each auditable entity or process in the Group. It includes consideration of inputs and expectations from management and the board. Audit projects are planned based on the assessment results, prioritising higher-risk areas. This is further elaborated in the Audit Committee's report included in SATS' Annual Report FY2022-23.

15. Can the audit committee confirm that all the foreign operating subsidiaries were included in the internal audit? Were the Group's associates and joint ventures covered by GIA in the internal audit plans?

15.1 All foreign operating subsidiaries have been included in the GIA audit universe, which is used to formulate the risk-based annual audit plan.

15.2 Yes, the Group's associates and joint ventures are also included in the GIA audit universe, which is used to formulate the risk-based annual audit plan.

16. What was the scope of the audit plan for AAT following its consolidation?

16.1 As explained above, GIA applies the risk-based audit methodology to determine the audit scope, and this approach was used to audit AAT. For more details, please refer to SATS' Annual Report FY2022-23.

17. Is the GIA sufficiently resourced to include WFS in its internal audit?

17.1 The GIA Head of Internal Audit will be visiting WFS locations in the next few months to better assess WFS' operations and key risks. Thereafter, based on the risk-based audit methodology, GIA will propose to SATS the resources required to conduct an internal audit of the WFS Group.