

Chairman and PCEO's Statement

Dear Shareholders,

After two years of upheaval in the global aviation industry, we are pleased to see travel recovery underway, particularly in the last quarter of FY2021-22. For the full calendar year of 2021, IATA's statistics show global Revenue Passenger Kilometres (RPK) rose to 41.6% of 2019 levels, compared with 34.2% in 2020 as border restrictions eased. Global demand for air cargo increased by 18.7% year-on-year, reflecting strong demand for air freight.

At SATS, we are experiencing a higher surge in volumes. For FY2021-22, flights and passengers handled increased by 73.3% and 169.0%, respectively year-on-year, while gross meals served increased by 20.0% across all segments, with volume in the travel food segment growing at 58.0% over the same period. Air freight, which has been growing steadily through the pandemic, rose 45.2% in tonnage, bringing cargo demand back to pre-COVID levels.

For the year under review, SATS' revenue increased 21.3% to S\$1.18 billion, with both Food Solutions and Gateway Services showing marked progress in revenue growth. SATS' share of profits from associates and joint ventures improved significantly, turning from a loss of S\$48.0 million to a profit of S\$17.1 million. With lower impairments and a one-off accounting gain of S\$28.9 million from the revaluation of an associate, Hong Kong's Asia Airfreight Terminal, arising from SATS' increased shareholding in the entity, PATMI increased by S\$99.3 million to turn positive at S\$20.4 million for the financial year. Without government reliefs, PATMI would have been a loss of S\$112.2 million.

Pent-up demand for travel, particularly in the last quarter of the financial year, led to a surge in the need for products and services to support the resurgence of travel. Performing a vital role in supporting the backbone operations that underpin Singapore's reputation as a world-class aviation hub, SATS ramped up quickly to support the aviation industry. Travellers' safety and seamless connectivity were our priorities during this period. We work collaboratively across the value chain with our customers and partners in the aviation ecosystem to scale up and maintain the uniquely efficient Changi Experience for travellers.

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from left to right

Euleen Goh

Chairman

Kerry Mok

President and
Chief Executive Officer

Revenue

S\$ 1,176.8M

for FY2021-22

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Twin Growth Engine Strategy

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Building Capabilities

A lot has changed post-pandemic, and SATS has responded to these changes by upgrading our systems and processes to meet the new requirements. We took the opportunity of the aviation lull over the last two years to upgrade our systems in the nerve centre of SATS' gateway operations, the SATS Integrated Operations Command (SIOC). Targeting greater connectivity for our customers, we have incorporated Artificial Intelligence coupled with Machine-Learning capabilities that integrate data from various sources within our operations to enable swift decisions in the event of flight disruptions. We are fine-tuning the system to allow a better travel experience for travellers with the upgraded SIOC.

Seeing a sharp rise in the demand for eCommerce during the pandemic, SATS has set up 27 eFulfilment corridors



SATS Global Innovation Centre provides customers across all channels with new expertise, such as consumer and market insights, design thinking, and sustainability thought leadership.

across our network to capture more of the cross-border logistics market. Leveraging our Cargo Terminal Operations capabilities, we provide value-added services, such as breaking bulk, sorting, and scanning e-Commerce parcels at our cargo terminal for freight forwarders to deliver to distribution warehouses for last-mile processing. These value-added services expedite cross-border eCommerce flows and reduce transit time across the supply chain. We have also digitalised our mission-critical load control processes in our ground handling operations to allow remote access, growing our operational resilience.

Reinventing security services, SATS is leveraging technology to provide greater situational awareness with the aim to deliver more effective and efficient outcome-based security solutions for our customers, reducing

the need for more manpower to protect customer assets. For example, flight data and activities can be tracked on mobile devices, allowing changes to be communicated immediately to security personnel. Moving beyond aviation to provide security services to non-travel customers such as Brinks, SATS Security Services has added new services such as an outrider service and launched Singapore's third auxiliary police training academy.

Building on our domain expertise in food solutions, we have acquired new capabilities to create greater value for our stakeholders. Through our investment in Monty's Bakehouse, we have built food innovation capabilities in the UK and Singapore that provide our customers across all channels with new expertise, such as consumer and market insights, design thinking, and sustainability thought leadership. This helps generate demand via greater product innovation and uncover untapped market segments that will grow SATS' and our customers' competitiveness and business sustainability. We are also able to support our Product Development and

Customer Experience Centre in China, and in the future, India, with market, consumer and sustainability insights to help create new menu delights for our customers.

We are targeting increased operational efficiency with our tiered kitchen strategy through large-scale production of ready-to-eat meals in food factories and large-batch production of food components and meals in central kitchens. To achieve this, we are investing in a SATS Food Hub (SFH), in the Jurong Innovation District in Singapore. Ready in 2024, SFH will house all SATS Food Solutions capabilities under one roof and provide synergies across our business units. More importantly, SFH will take a collaborative ecosystem approach with various stakeholders across the value stream through an open innovation platform to create new products and services in the future food space.

Besides building food production and product innovation capabilities, SATS has invested in corporate venturing to ideate, incubate and grow innovative business models. The Ventures team in Food Solutions has worked with

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SATS Food Hub will synergise SATS' capabilities in meal production and introduce automation to enhance efficiency and strengthen operational resilience.

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local F&B brands, such as Song Fa Bak Kut Teh, Bismillah Biryani Restaurant, Kok Kee Wonton Noodle, Qiu Lian Ban Mian, Beach Road Prawn Noodle House and Boon Tong Kee to adapt and produce at scale their signature dishes for Singapore Airlines' Singapore Showcase. We will be working with these and other brands to extend their reach into retail, aviation and institutional catering channels.

To enable SATS to develop better consumer insights and analytics, we have launched a fresh F&B concept, Twyst, which aims to provide a customised pasta experience for consumers. Such ventures allow SATS to be creative in germinating new business models in new customer segments that will help us grow non-travel businesses.

Growing Overseas

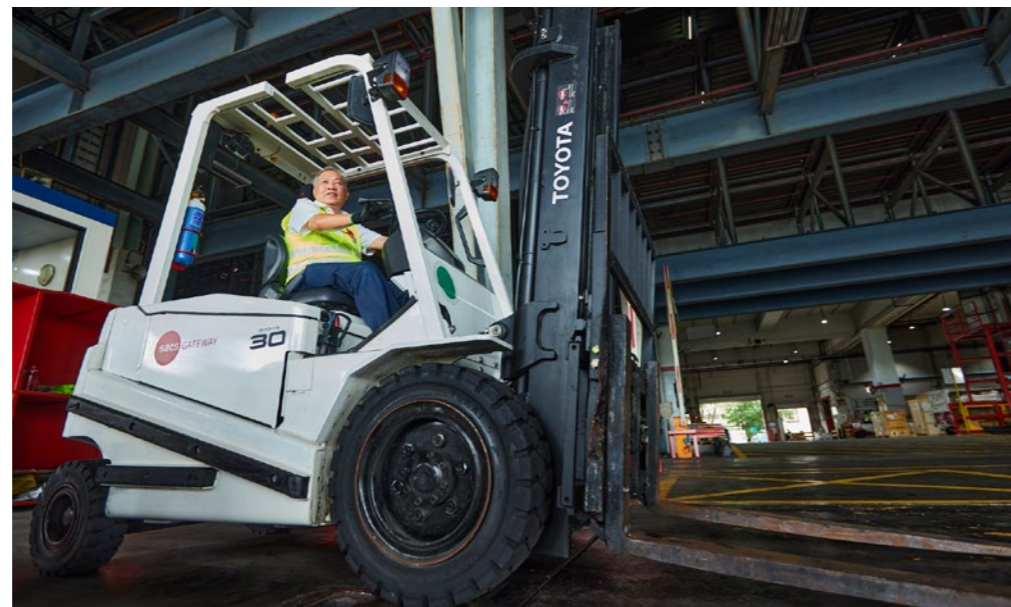
Accelerating food production in key markets in Asia, we are building one of the largest central kitchens of its kind in India at Kempegowda International Airport, Bengaluru. Slated to be ready in 2023, the building has also been designed with sustainability and safety in mind. It is the first Leadership in Energy and Environmental Design (LEED) certified frozen food manufacturing facility in India with an Internet of Things (IoT) building management system to enable utility consumption to be proactively tracked and regulated. In China, the Tianjin central kitchen is also under construction and will be operational in the third quarter of 2022. Monty's Bakehouse has commissioned a pastry production line in Malaysia to serve the Asian markets.

Advancing our tiered kitchen strategy, we invested in a large-scale production facility in Thailand. This acquisition will provide SATS with an extended repertoire of food technologies to produce meals and components cost-effectively for distribution to the increasingly automated central kitchens and catering centres within our network. This will optimise our resources to do

further processing and fulfilment at our central kitchens and catering centres, enhancing overall productivity and proficiency as we scale our business and strive to meet the exacting demands of our customers.

Understanding the need for businesses to respond swiftly to consumers' demands for new products and services, we have launched a new Product Development and Customer Experience Centre in China to develop new menu innovations for the foodservice and retail channels. A similar facility has also been included in the plan for the new kitchen in Bengaluru.

We continue to advance our network connectivity strategy in cargo by expanding our presence in leading hubs. This year, SATS won the licence to operate a Cargo Terminal Operation (CTO) in Jeddah, and the construction of the Riyadh CTO is expected to be completed in late 2022. Building SATS' share in cargo operations, we increased our shareholding in AAT to a controlling stake of 65.4%. Hong Kong is a key gateway for trade routes into the Greater China region, with Hong Kong International Airport handling more than 4.6 million tonnes of cargo in 2021, representing 12.9% year-on-year growth.



“We continue to advance our network connectivity strategy in cargo by expanding our presence in leading hubs.”

SATS is accelerating the electrification of our ground support equipment, resulting in a healthier working environment with reduced air and noise pollution.

Replicating our capabilities across our network, GTR has successfully tapped into the growing eCommerce market in Malaysia and collaborated with Cainiao on the setup of GTR eHub and Cainiao Aeropolis eWTP Hub at Kuala Lumpur International Airport. We are also strengthening our cold-chain capability across our network to handle high-value perishable cargo more efficiently. For example, Beijing Aviation Ground Services (BGS) has developed an intelligent cold-room monitoring system with government grant support, providing a comprehensive control platform to expand BGS' cold-chain handling capabilities.

Strengthening Corporate Governance

Upholding the highest standards of corporate governance, SATS and seven of its Singapore-based companies have also obtained ISO 37001 certification, the international standard for anti-bribery management systems. Further, SATS has become a signatory of the United Nations Global Compact, demonstrating our commitment to being a force for good.

Dividend

As SATS incurred a full-year loss excluding government reliefs, the Board of Directors believes it would be prudent not to pay a final dividend for FY2021-22. This will allow SATS to conserve our resources for growing our operations.

Acknowledgements

We want to thank our customers, business partners, and shareholders for staying with us through the pandemic. We are also grateful for the sound advice and guidance from each board member. Above all, we are proud of our people, who have shown outstanding commitment and dedication in delivering on our purpose to feed and connect communities. Many of our people have given up personal time to take up additional responsibilities to assist with ground operations during the seasonal peaks, demonstrating a high level of collaboration.



At the end of last year, Mr Alex Hungate, who had adeptly led SATS as President and Chief Executive Officer (PCEO) for seven years, left to take up a significant role in another organisation. We appreciate his invaluable contributions to our company and extend our best wishes to him in his new endeavours. The Board is pleased to have activated our succession plans to appoint Mr Kerry Mok as PCEO in a seamless transition of the office.

In assuming the role of PCEO, Kerry expresses that he will focus on deepening SATS' unique culture to build stronger employees' resonance with the company's values to drive greater innovation and digitalisation in order for continuous operational excellence. He hopes to shape SATS into a globally respected organisation and a magnet for high-quality talent committed to the larger purpose of delivering on SATS' promise to feed and connect communities. He will also be forging strong relationships with customers and strategic partners to create sustainable growth for all stakeholders.

Euleen Goh
Chairman

Kerry Mok
President and Chief Executive Officer

24 May 2022

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