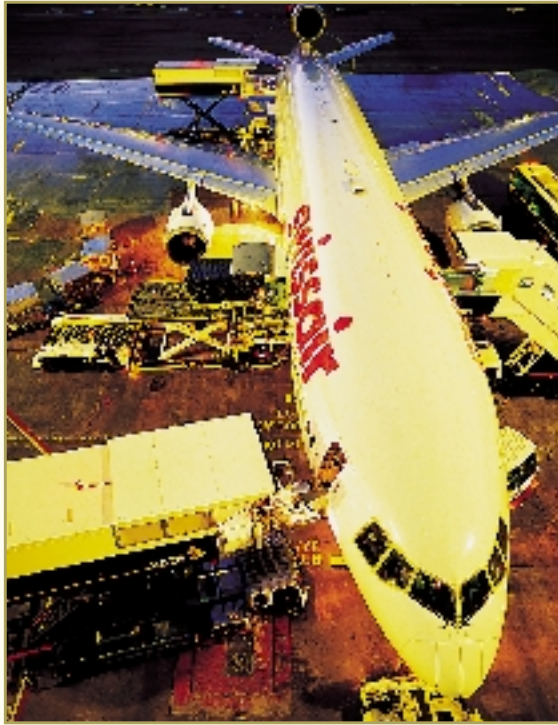


Operations Review



We provide passenger services, baggage handling, airfreight handling, apron services, inflight catering, aviation security, and airline linen laundering.





Developments at the SATS Group during the year in review continued apace, in line with our efforts to stay at the forefront of the industry.

Investments In State-Of-The-Art Facilities

In July 2000, we successfully moved our Group headquarters and catering operations to our new SATS Inflight Catering Centre 1 (SICC1). The old premises had to be demolished in order to make way for the construction of Passenger Terminal 3 at Changi Airport.

Built at a cost of \$217 million, the new SICC1 has a gross floor area of 60,000 square metres, or the

equivalent of 10 soccer fields, and a capacity to produce 45,000 meals a day. SICC1 has the latest catering systems and equipment to ensure that meals served on board the aircraft are produced hygienically, are of the freshest quality and are delivered punctually to the aircraft.

To cope with future demands, the production capacity of SICC1 can be increased to 60,000 meals a day through a Phase 2 building expansion.

Meanwhile, construction of our sixth airfreight terminal, at a cost of \$270 million, has been completed and we have begun partial operations since April 2001. The 800,000 tonnes of handling capacity for this new airfreight terminal has increased SATS' total cargo handling capacity to 2.1 million tonnes a year.

Another major facility, the SATS Express Courier Centre 2, costing \$30 million, is on schedule to be completed in September 2001. This new purpose-built facility for DHL Worldwide Express, a long-standing partner of SATS, will add another 180,000 tonnes of handling capacity a year.

Investment Overseas

SATS acquired a 19.21% stake in Evergreen Airline Services Corporation (EGAS), a company that provides ground handling services at Chiang Kai Shek International Airport in Taipei. Our stake was increased to 20% in May 2001. EGAS is SATS' second investment with the Evergreen Group in Taiwan, having earlier invested in a 15% stake in Evergreen Sky Catering Corporation at the same airport.



SATS has always stressed the importance of providing exceptional customer service in all areas of its business.

Increasing Customer Base

As at the end of fiscal year 2001, the SATS Group provided services to a total of 47 scheduled airlines calling at Singapore Changi Airport. Two new airline customer contracts were clinched during the year:

- One of the world's largest air cargo carriers, Evergreen International Airlines, commenced twice-weekly B747 freighter services between Singapore and Taipei on 12 April 2000.
- On 10 April 2000, we concluded a comprehensive ground handling agreement with Transmile Air which operates B737 scheduled freighter charters four times weekly between Singapore and Penang.

In addition, SATS was again appointed the official ground handling agent for one of the world's leading air shows, Asian Aerospace 2000, the first major air show to be held in the new millennium.

Delivering Exceptional Customer Service

SATS has always stressed the importance of providing exceptional customer service in all areas of its business.

Our operations staff benefited from the Yes! To Exceptional Service training programme which began in May 2000. The programme challenged staff to think laterally, adopt a "can-do" attitude and instil a deep desire to improve service levels.

The first working day of August has also been designated as SATS Service Day. Management staff, including the Chief Executives, worked alongside the operations staff to promote team spirit and to understand better the challenges faced by our employees.

Awards & Accolades

Our commitment to service excellence has won us recognition. Besides special mentions for outstanding services and acts of honesty from local station managers and the airport authorities, SATS received several awards including the Partners In Excellence Silver Award from British Airways; Overseas Best Caterer Award from All Nippon Airways; International Catering Award from United Airlines; Most Consistent Caterer Award from Cathay Pacific Airways; Airport Services Purchasing Ground Handling Supplier Award and Airport Services Purchasing Supplier Award from Qantas Airways.

SATS Cargo received the ISO 14001 certification for our environmental management system. Both Apron Services and Baggage Services received their ISO 9002 certifications from the Singapore Productivity & Standards Board in 2000.

SATS Security Services and Edith Cowan University jointly received the Outstanding Achievement in Collaboration in Education & Training award from the Australian Business/Higher Education Round Table. This award was in recognition of our joint efforts in developing a Diploma Programme in Security and Police Studies, launching scholarships for these diplomas and introducing other initiatives to increase the level of aviation security worldwide.



Awards

United Airlines International
Catering Award
SATS Catering

Qantas Airways/British Airways
Best Station Award
SATS

All Nippon Airways
Overseas Best Caterer Award (Bronze)
SATS Catering

British Airways "Partners In Excellence"
Silver Award
SATS Catering

Cathay Pacific Airways
Most Consistent Caterer Award
SATS Catering

Qantas Airways "Airport Services
Purchasing Ground Handling Supplier" Award
SATS Airport Services

Qantas Airways "Airport Services
Purchasing Supplier" Award
SATS Airport Services

Australian Business/Higher Education
Round Table Outstanding Achievement in
Collaboration in Education & Training Award
SATS Security Services/Edith Cowan University



Operations Review



*SATS served
a total of 24 million
passengers at Singapore
Changi Airport,
an increase of 10.6%
over the previous year.*



SATS is committed to providing caring and efficient service to all our passengers.

Passenger Handling

As a service-oriented company, SATS has always been committed to making improvements for the comfort of airline passengers. In June this year, SATS Premier Lounges in both terminals, set up for airlines that do not have their own lounges, renovated their premises and expanded the range of refreshments provided.

In October 2000, we started providing check-in and gate boarding services for Lufthansa German Airlines.

Passengers requiring special assistance such as the wheelchair-bound, unaccompanied children and the elderly can make use of the Special Services Lounges at each Passenger Terminal, which were redesigned and moved to bigger premises. Passengers requiring help with lost baggage can approach our mobile service desk at the baggage claim belt. The Transfer Counters were also redesigned using a Lounge concept. Instead of row-queuing, a queue number system is now used. Passengers can now wait in comfort on sofa seats until their queue numbers are called. These are examples of our continuing efforts to be more visible and accessible to the passengers, thus enhancing their convenience and comfort.

We have formed a Products and Services Development committee to keep abreast of industry trends and come up with new products and service innovations. Several ideas leveraging on information technology are being worked on and we expect to implement these in the coming year.

Operations Review

A dark blue suitcase with a red and green striped strap, sitting on a light-colored surface. The suitcase has a metal latch and a small white tag attached to the handle. In the background, there is a blurred green plant in a pot.

*SATS handled
a total of 75,560
flights at Singapore
Changi Airport,
an increase of 4.6%
over the previous year.*





Our target for baggage delivery is one of the most challenging amongst the world's major airports.

Baggage Handling

Any passenger would agree unreservedly that having one's baggage miss the flight or mishandled would spoil one's travelling experience. That's why SATS' baggage handling unit has continually strived to keep the number of mishandled cases to a bare minimum.

There are several reasons why baggage can be mishandled, for instance, insufficient flight connecting times or staff error. To achieve service excellence, we have set a target of having fewer than 1.1 pieces of mishandled baggage per 10,000 departing passengers. In addition, we have also set a target of delivering the first bag on the baggage claim belt within 12 minutes of an aircraft's arrival.

We have consistently met these targets, thereby assisting Changi Airport to maintain its leading position as a world-class international aviation hub.

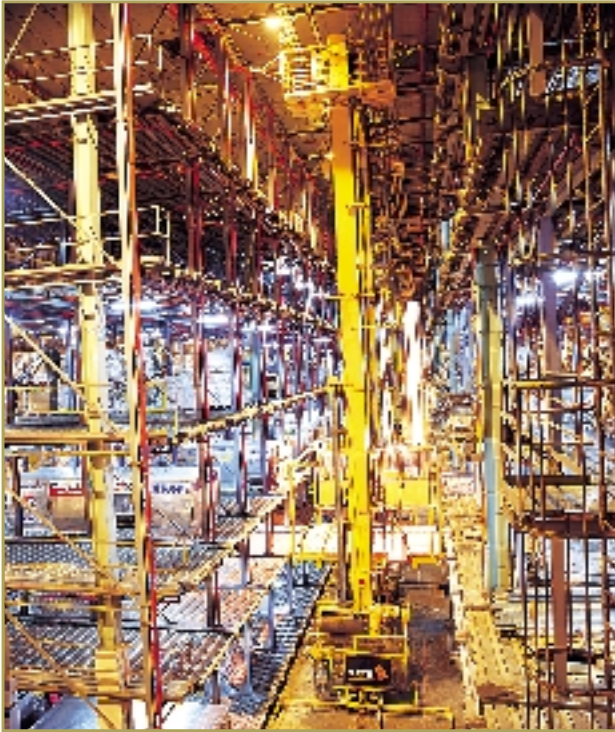
In July 2000, SATS Baggage Services, SIA Ground Services and the team of SIA staff stationed in Kuala Lumpur were part of a forum to discuss ways to improve baggage handling for transfer passengers on the Singapore-Kuala Lumpur-Singapore shuttle flights. We also participated in numerous discussions with the Civil Aviation Authority of Singapore and our airline clients on industry trends and developments to further improve our baggage handling performance.

Operations Review



*Cargo and mail handled
by SATS increased by
6.1% to 1.43 million
tonnes in FY2001.*





*Our cargo facilities
are now fully-integrated
with an efficient cargo
operations system,
COSYS.*

Airfreight Handling

We have constructed a new airfreight terminal (AFT6), equipped with a fully-automated material handling system capable of handling 800,000 tonnes of cargo a year. Built at a cost of \$270 million, AFT 6 is one of the most sophisticated airfreight facilities in the world. We began phasing in operations in April 2001, and expect the facility to be fully operational by September 2001.

We began construction of our second express courier centre (ECC2) in May 2000. Costing \$30 million, ECC2 is expected to be operational in September 2001. This 180,000 tonne-a-year purpose-built facility will be used mainly by DHL Worldwide Express to expand its operations hub in Singapore.

With AFT6 and ECC2, our total cargo handling capacity will increase by 75% to 2,270,000 tonnes per year.

In February 2001, we cut over a client server-based warehouse management system, the Cargo Operations System (COSYS), in all of our airfreight terminals. This user-friendly, integrated system will help our staff provide more accurate information to customers such as real-time status of their cargo shipments. Additionally, hand-held Radio Frequency (RF) Data Terminals and the RF Tag Identification System will be progressively linked to COSYS, thereby enabling faster and more efficient tracking of shipments.

Operations Review





We invested \$3.8 million to renew and expand our ground support equipment, ensuring safe and efficient handling of a wide variety of aircraft types.

Apron Services

Our Apron Services unit embarked on a ground support equipment (GSE) fleet renewal and expansion programme. Bulk purchasing of GSE based on three-year requirements instead of annual tenders, has lowered unit prices. For instance, our recent purchase of 18 Joint Container-Pallet Loaders (JCPLs), equipment used for aircraft ramp handling, resulted in significant savings.



To improve safety, we invested \$183,000 in three training mock-ups of the B747, B777 and A340 aircraft fuselage. With these mock-ups, trainees will have sufficient opportunities to practice operating ramp handling equipment before they proceed with training on the aircraft.

Operations Review



SATS prepared a total of 22.9 million meals in FY2001, an increase of 9.5% over the previous year.





With the opening of SICC1 in July 2000, SATS now operates two of the most modern inflight kitchens in the world.



Chefs with the midas touch... attending to every detail of meal preparation.

Inflight Catering

On 11 July 2000, we commenced operations at our new SATS Inflight Catering Centre 1 (SICC1). This \$217 million facility, with a gross area of 60,000 square metres and production capacity of 45,000 meals a day, is used for Singapore Airlines flights.

SATS now operates two modern inflight catering centres that utilise the latest in catering technology to boost productivity and efficiency, while maintaining the highest standards of hygiene.

SATS Catering has also embarked on a project to create a comprehensive database of airlines' menus and recipes. This database helps to improve accuracy of meal preparation and efficiency in menu planning for airline customers.

Non-inflight catering businesses grew by 115.5% to S\$4.7 million during the year. We continue to supply food items to the Tricon Group which owns the Pizza Hut and Kentucky Fried Chicken outlets in Singapore, and Farmland pizzas to Ben Foods Company.

Operations Review





Our reputation as a regional specialist in the aviation security industry has earned us recognition and awards.

Aviation Security Services

For the 805-member security force at SATS Security Services Pte Ltd (SSS), training and upgrading of our specialised aviation security skills are continually emphasised. During the year, we organised a series of aviation security training packages for external parties – such as the 5th Asia Pacific Aviation Security Conference & Exhibition held in April 2000.

In addition, SSS organised training for 80 local and overseas organisations covering office security, cargo security, industrial security systems and other aspects of aviation security.

We have a good reputation as a regional specialist in the aviation security industry. One of our police

constables, PC Kusela Kumaran Selvarajah won the Aviation Security Employee of the Year award jointly organised by the Aviation Security International journal, the International Air Transport Association (IATA) and the Airports Council International (ACI). This prestigious award serves to boost SATS Security's profile in the aviation security industry. We have also earned other awards such as the Role Model for "High Performance Working Practices" from the International Labour Organisation, the Quality Circle Award (Bronze) from the National Quality Circle Convention and the National H.E.A.L.T.H. (Helping Employees Achieve Life-Time Health) Silver Award.

Operations Review





ALLS provides laundry services to 32 airlines and 17 other organisations.

Airline Laundry Services

During the year in review, Aero Laundry & Linen Services Pte Ltd (ALLS) provided laundry services to another non-airline customer, Safra Resort & Country Club. A three-year contract valued at nearly \$150,000 annually, the Safra account adds to ALLS' list of 32 airline clients, 12 airline-related clients such as companies operating the airport lounges, and 5 other clients comprising clubs, hotels and hospitality institutions.

With its current facilities reaching a capacity of 20 tonnes a day, ALLS appointed an Australian consulting firm, Graham Jowsey & Associates Pty Ltd, to conduct a critical review of its laundry operations. The review looked at how production capacity could be increased to meet future demands. Based on the consultants' findings, ALLS will be commissioning new laundry machines to boost capacity by early 2002.