

Chairman's Statement

Dear Shareholders,

FY2009-10 has been a remarkable year for SATS for a number of reasons. We grew financially as our people continued to drive growth and delivered a strong set of financial results despite the economic downturn. We successfully acquired Singapore Food Industries (SFI) and have substantially completed the integration of this significant business unit into our Food Solutions division. We renewed our ground and cargo handling, airline catering and aviation security contracts with our major customer. We also continued to strengthen our pillars in Gateway Services and Food Solutions in preparation for the aviation upturn and for future growth.

Performance Review

The global economic downturn brought uncertainty to all sectors of the global market place, not least of all the economic bell-weather that is aviation. A core part of our business is in aviation and the myriad of news reports and analysis, especially in the first half of the financial year, painted a bleak picture.

However, that picture was not bleak for SATS. In fact, our business has continued to grow during the year, with the addition of new customers and business partners, the extension of service agreements with our existing customers as well as access to new opportunities, particularly in the tourism and hospitality sectors, through the strengthening of our core competencies in Gateway Services and Food Solutions.

In FY2009-10, SATS reported a good set of results, underpinned by the consolidation of SFI for the full 12 months. Despite a 5.4% dip in aviation revenue, our operating revenue rose 44.9% over the year before to \$1.54 billion while operating profit increased 7.9% to \$184.4 million.

Better performance reported by our ground handling associates, especially those in Indonesia and Hong Kong, saw contribution from our overseas associates jump 88.7% to \$41.9 million. Consequently, our profit before tax grew 21.5% year-on-year to \$223.0 million while our net profit attributable to equity holders rose 23.5% to \$181.2 million.

In view of our financial performance and capital structure, the Board has recommended a final dividend of 8 cents per share. Including the interim dividend paid earlier on 25 November 2009, the proposed total dividend will be 13 cents per share, compared to 10 cents per share paid in FY2008-09. This represents a dividend payout ratio of 78.1% of net profit attributable to equity holders, up from 73.5% in FY2008-09. The final dividend, upon shareholders' approval at the forthcoming annual general meeting of the Company, will be paid on 18 August 2010.

Business Review

Gateway Services

For the year in review, SATS continued to handle about 80% of the scheduled flights at Singapore Changi Airport. Our strategic partnership with our major customer, Singapore Airlines (SIA), has gone from strength to strength, resulting in the renewal of several significant contracts at Singapore Changi Airport. These included the signing of comprehensive ground handling, cargo handling and aviation security contracts with SIA.

Despite the change in our parentage from SIA, we continue to drive a close association with SIA and we are grateful to SIA for its continued support and guidance.

Other contracts secured and renewed at Singapore Changi Airport included ground and cargo handling for China Eastern Airlines, Japan Airlines, Royal Brunei Airlines and Swiss World Cargo.

These contract awards are an independent affirmation of SATS' competitiveness and a testament to the strong ongoing relationships we hold with our customers.

SATS is well positioned for its future at Singapore Changi Airport and beyond. While news of the third entrant into ground handling has yet to be announced, we welcome new competition and believe our achievements with SIA and many other airline customers at Singapore Changi Airport will serve us well as the local market opens up. Furthermore, through our low-cost unit Asia-Pacific Star, we are able to effectively serve the fastest growing segment in the aviation sector.

“Today, SATS is poised to leverage on its core competencies in Gateway Services and Food Solutions to grow and become a key service provider in the hospitality and tourism sectors across the regions.”

In our aspiration to help reinforce Singapore’s position as the leading aviation hub, we introduced two key initiatives during the year. Coolport @ Changi, the first on-airport facility for handling terminal and transit perishables cargo, was launched in August 2009 with an ambition to become the preferred transshipment hub for perishables cargo in Asia.

Costing approximately \$16 million to build, this new facility – with an annual operating capacity of about 250,000 tonnes – will offer multi-tiered zones with different temperatures to handle urgent medical cargo, pharmaceutical products and commodities such as live seafood, ornamental fish and meats. It will also present our airline customers with the opportunity to access a new revenue source.

In January 2010, we launched the ONE! Service initiative together with the new uniform for our frontline staff. Through ONE! Service, which stands for “Outstanding aNd Exceptional Service”, we aim to drive a positive service culture amongst our frontline staff who are key touch points for passengers flying into Singapore Changi Airport.

On the non-aviation side, SATS has benefited from the recent transformation of Singapore’s tourism and hospitality landscape. The launch of the two Integrated Resorts in Singapore has presented new opportunities for SATS. During the year, we were awarded a contract by Resorts World Sentosa to provide armed security services at the resort.



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PATMI

\$181.2m

+23%

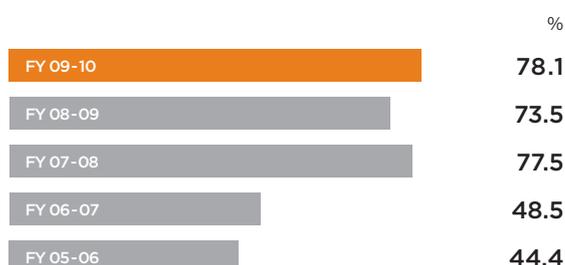


Dividend Payout Ratio

Excludes special dividend

78.1%

+4.6PPT



Food Solutions

The acquisition of SFI has strengthened SATS' ability to weather the economic turbulence, as it is both accretive to our earnings and cash generation. We now have a Food Solutions business that enables us to access new geographical markets and customer segments. Our overseas presence has increased considerably, with the Daniels Group accounting for nearly a quarter of our operating revenue.

At the close of FY2009-10, we had substantially completed the integration of SFI and attained meaningful cost savings of \$7 million per annum. We expect the cost savings to reach more than \$12 million per annum as we progressively complete the various integration projects across the Food Solutions division.

On the aviation Food Solutions side, SATS serves 85% of the scheduled flights at Singapore Changi Airport. During the year in review, we renewed airline catering contracts with SIA, our major customer, as well as with China Eastern Airlines and Tiger Airways.

The launch of the Integrated Resorts has also benefited our non-aviation Food Solutions business as we signed a meat supply contract with Marina Bay Sands and another with Resorts World Sentosa to provide flat sheet laundry services.

In the area of events catering, we won a contract to cater meals for athletes and games officials at the first Asian Youth Games held in Singapore in June-July 2009. In the area of hospital catering, we added St Andrew's Community Hospital to our customer list and also worked closely with our existing customer, the National University Hospital, to develop new menus for its in-patient meals.

Abroad, our UK subsidiary Daniels Group performed well in FY2009-10. It saw a 6.4% increase in sales in sterling terms, with chilled soup and ready meals each contributing 28% and chilled juices contributing 25% to its revenue.

During the year, Daniels secured new contracts with major customers such as Sainsbury's and Coop, and also added Minor Weir & Willis and UFC as its new customers in the foodservice segment.

Recognition for good service

Our success in working with our customers and delivering good service was reflected in the following awards we won:

- 'Air Cargo Terminal Operator of the Year (Asia Pacific)' in the 2009 Frost and Sullivan Asia Pacific Transportation and Logistics Awards;



- 22 Star Awards, 8 Gold Awards and 18 Silver Awards at the SPRING Singapore's Excellent Service Awards 2009; and
- 60 awards at the Singapore Airlines Transforming Customer Services Awards which recognised our frontline staff for service excellence.

Looking Ahead

With the current economic rebound in Asia, including Singapore, the aviation industry appears to be on the path to recovery. Across the regions, we expect to see an improvement in our activity levels in the new financial year as airlines gradually reinstate capacity with increased flights and cargo throughput. We expect our activity levels to surpass those seen before the downturn by the end of this financial year, barring any unforeseen circumstances.

More importantly, we remain strongly committed to our philosophy of embracing customer intimacy by developing innovative propositions for our customers. We continue to look for growth opportunities, both organic and inorganic, in and outside of Singapore to deliver sustained profitability. To this end, we have put in place a new \$500 million multi-currency medium term note programme to provide access to alternative sources of funds should compelling opportunities arise.

Today, SATS is poised to leverage on its core competencies in Gateway Services and Food Solutions to grow and

become a key service provider in the hospitality and tourism sectors across the regions.

In the area of Gateway Services, plans are already underway to launch new products and services, on-and off-airport. We are assessing opportunities at home for expansion into new gateways that will leverage on our core competence in facilitating people movements.

Overseas, we continue to explore new locations in Asia and the Middle East via strategic partnerships to grow our presence and serve our key customers in more locations. I am pleased to note that we have recently signed an agreement with our partner, Air India, to form a single 50:50 joint venture (JV) company, Air India SATS Airport Services (AISATS). With a legal entity now in place to house both partners' three existing ground and cargo handling JVs in Bangalore and Hyderabad, we are able to start recognising profit contribution from our ground handling operations in India in this new financial year. At the same time, we also look forward to deepening our presence in India to serve our key customers at more locations, as well as new customers.

In the area of Food Solutions, we see numerous exciting opportunities that could potentially expand our customer list and deepen our relationships with existing customers. Our target customers are in these five segments, namely carriers, government agencies, retail, hotels/resorts and institutions.

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In Singapore, we will continue to work on new contracts for catering and supply of food materials, while strengthening our product categories. We also look to broaden our food sources and to this end, I am happy to inform you that our subsidiary SFI has just entered into a JV agreement to set up a modern, integrated pig farm in China in Yongji County, Jilin Province over six years. This integrated pig farm, which will have an eventual annual production of 1 million pigs, will enable SFI to diversify its sources of pork supply as it plans to market and distribute the meat products in Singapore as well as in China and other overseas markets.

Abroad, we remain steadfast in growing our global service network in key aviation hubs in the UK, Middle East and Hong Kong, via strategic acquisitions and joint ventures. Daniels Group, our UK subsidiary, is keenly looking at new product launches and at strengthening its existing brands via acquisitions.

Last but not least, we strive to continue improving our productivity and operational excellence across the group. It is of paramount importance that we develop our people, help them grow with the organisation, and ensure that they continue to find SATS a satisfying place to work in.

Acknowledgement

On behalf of the Board, I would like to extend my gratitude to our management, union and all of our staff – who work hard every day with dedication, loyalty and momentum to help continue to drive our business and deliver enviable results. As I have stated before, we are nothing without our people and during these turbulent economic times, our gratitude to our people cannot be overstated.

I also wish to thank my fellow members of the Board for their support, contribution and good counsel. They have done an excellent job in skillfully directing the Company in this turbulent period.

Finally, to our Shareholders, thank you for your continued confidence and support. We look forward to more dialogue with you as we continue to grow and evolve, and welcome your feedback and insight as always.

Edmund Cheng Wai Wing

Chairman

1 June 2010