

Chairman and PCEO's Statement



Euleen Goh
Chairman

Alex Hungate
President and Chief
Executive Officer

Dear Shareholders,
Successful businesses are those that are built on strong foundations with the agility to adapt to changes in the environment. This is especially crucial in an era of intensive global competition, rising consumer expectations and disruptive digitalisation.

With change often comes uncertainty and FY2016-17 was no exception. The year was marked by dramatic developments in international politics and uncertain prospects in the global trade environment. Across Asia, regional economies felt the impact of China's decelerated growth.

In the competitive Asian aviation sector, our customers faced considerable pressure to reduce costs, resulting in pricing pressures for SATS. At the same time, a tightening labour market made talent acquisition, development and retention a challenging priority. This environment is not expected to become any easier in the near term.

Despite these headwinds, we are pleased to report that we have made progress with our strategy to feed and connect Asia, as we embarked on new initiatives that will position us well to seize opportunities to grow our business. We have also progressed in enhancing productivity, improving services and bolstering our financial performance.

FY2016-17 PERFORMANCE

For the financial year in review, SATS returned to growth with revenue up 1.8% year-on-year to \$1.7 billion.

The Company achieved a 16.9% increase in profit attributable to owners to reach a new record of \$257.9 million. Operating profit grew 7.4% to \$230.6 million and productivity, measured using Value Added per Employment Cost, increased 4.1% year-on-year.

Return on equity was 16.7%, an improvement from 15% the prior year.

Our operating volumes increased across the board, reflecting growth in the markets that we serve in Asia as well as enhancements to our services. The operating statistics that we present every six months now cover both aviation and non-aviation services, better representing the activities of the whole SATS Group (*refer to page 3*).

Net
Profit

\$257.9M

+16.9% from
FY2015-16

Return
on Equity

16.7%

+1.7% from
FY2015-16

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As of 31 March 2017, our assets totalled \$2.3 billion with a 3.8% increase in cash and cash equivalents to \$508.4 million. Free cash flow generated throughout the year was \$220.8 million and we maintained a robust debt-to-equity ratio of 0.07 times.

This creditable performance is the result of working in partnership with our customers to strengthen their service offerings through innovation and process redesign, driven by new technology.

Taking into account our financial performance as well as capital management and long-term growth objectives, your Board of Directors has proposed a final ordinary dividend of 11 cents per share. Including the interim ordinary dividend of 6 cents per share paid on 8 December 2016, the total dividend will be 17 cents per share, an increase of 13.3% year-on-year. If approved at the forthcoming Annual General Meeting on 21 July 2017, the proposed dividend will be paid on 11 August 2017.

We are pleased to note that SATS was included in the MSCI Singapore Index in November 2016, reflecting the underlying performance and liquidity of our stock.

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A CLEAR AND DYNAMIC GROWTH STRATEGY

Looking ahead, our growth strategy targets increased demand for safe and high quality food, increased air travel and increased eCommerce activity: all driven by Asia's burgeoning middle class, urban population.

SATS has adopted a three-pronged approach in order to capture the opportunities we see in the region. Firstly, anticipating future demand and the region's market potential, we continue to seek organic growth in our existing portfolio. Notably, our Japan inflight catering operations TFK showed strong revenue growth of 17.1% this year, and returned to profitability.

Secondly, we are leveraging our expertise to build out our core businesses to expand our regional presence across Asia and the Middle East. We became the first international cargo handler to be awarded a cargo handling licence in Dammam, Saudi Arabia. This comes on the heels of a new joint venture with Oman Air to form Oman Air SATS Cargo in early 2016. These add to our efforts to enhance connectivity for our cargo customers in the region.

Thirdly, to better serve our customers and create new revenue streams, we are entering complementary, adjacent businesses. For example, targeting the potential that we see in eCommerce, we successfully completed the construction of SATS eCommerce AirHub, a new highly automated mailbag sortation facility.

We recently celebrated the handling of our two millionth passenger and 500th ship call at Marina Bay Cruise Centre Singapore (MBCCS). With Singapore's cruise tourism achieving 16% year-on-year growth in terms of passenger throughput in 2016, we are optimistic about the outlook for the sector.

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CREATING VALUE THROUGH INNOVATION AND TECHNOLOGY

At SATS, innovation is one of our core values and part of our DNA. In today's digital economy, we remain focused on technology-driven innovation in order to differentiate ourselves and better serve a dynamic market. At the same time, we continue to develop new and innovative services that will create value for our customers, partners and employees.

For instance, to further strengthen our Food Solutions business, we are investing \$18 million to expand SATS Inflight Catering Centre 2 at Changi Airport with a new highly automated production line. The extended facility is expected to be completed by the second half of 2017, ready to serve the new Changi Airport Terminal 4 that is expected to open around the same time.

In our Gateway Services business, we partnered with Swiss WorldCargo and Cargologic to establish a secure, temperature-controlled cold chain corridor between Singapore and Zurich. By synchronising cargo handling facilities and procedures, we have demonstrated the most accurate, reliable handling, with full paperless cargo acceptance processes that enhance visibility and transparency. We intend to add more such corridors in the future.

In another world first, SATS has integrated smart watches within our technical ramp operations in order to increase service agility, while achieving higher levels of safety and collaboration.

A PEOPLE-LED ORGANISATION

SATS is a company fuelled by the passion of our people, who remain the distinctive strength of our success. As we expand the business, we actively support our people as they develop new skills and capabilities.

Learning is one of the most valuable investments we can make whether as individuals or as an organisation. For this reason, SATS has partnered with the Lifelong Learning Council to roll out the “Every Day, A Learning Day” initiative aimed at promoting positive learning attitudes through an engaging series of inspirational materials and content.

Aerolog Express, a wholly-owned subsidiary of SATS, was recently awarded the “Excellence in Logistics Sector” Singapore Productivity Award for its efforts to help employees develop new competencies by redesigning their jobs and via upskilling programmes.

In addition, we have made concerted efforts to improve the working environment for our staff. Together with ST Engineering’s subsidiary Innosparks, SATS Aero Laundry installed Airbitat Smart Coolers in its facility to counteract the inevitable heat and humidity.

To create a cooler and more comfortable work environment for our people at SATS Aero Laundry, we installed Airbitat Smart Coolers which are able to bring down the temperature of warm ambient air from 36°C to 26°C through revolutionary cooling technology.



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As a people-led company centred around the needs of our customers as well as those of our local communities, SATS firmly believes in supporting our local communities and giving back through efforts to effect positive change and create economic value. We prioritise our community engagement activities in line with three key themes which fit best with who we are as a company, our values and our passions.



SUSTAINABILITY AND THE COMMUNITY

We are releasing our inaugural Sustainability Report later this year, which describes the work that we are doing to build a sustainable future for SATS. We look forward to your feedback and suggestions on areas of improvement on this first edition.

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We prioritise our community engagement activities in line with three key themes which fit best with who we are as a company, our values, and our passions. The three themes are: enabling people to change through providing financial support for individuals and families in need; empowering people to achieve, through training and other initiatives to enhance the likelihood of realising their aspirations; and rebuilding lives through helping

disadvantaged individuals, families or communities to reintegrate into society, as well as for retirees in their transition to their second career.

In Singapore, SATS conducts these activities with support from the SATS Foundation and the SATS Staff Association. One highlight in July 2016 was the first-ever SATS Charity Run which raised a total of \$150,000 for Assisi Hospice, a local institution which provides palliative care to terminally ill patients.

Our overseas operations are equally passionate about giving back to the community. For instance, Maldives Inflight Catering sponsored care workers at Maldives Children's Home (Kudakudhinge Hiya) and Fiyavathi Children's Home, which houses orphans and vulnerable children deprived of other means of primary care. Air India SATS Airport Services has also funded the renovation of a public school in Vijayapura, Bangalore to provide local children with a better learning environment.

Mindful of the consequences of climate change, we actively minimise and manage our impact on the environment, and have embarked on several initiatives that have resulted in significant energy savings, reducing our carbon footprint. In Singapore, for instance, a chiller modernisation programme will save approximately 3.9GWh per year: enough energy to power some 7,800 refrigerators for a year.

Our inflight catering facility in India, Taj Madras Flight Kitchen has not only installed rooftop solar panels to generate electricity, they have also started to procure wind energy.

SATS Charity Run
raised

\$150,000

for Assisi Hospice



SATS Technical Ramp team can now receive real-time flight information and task updates via smart watches. Paired with bone-conductor headsets via Bluetooth, this solution provides comfortable hands-free communications between the Control Centre and the team, enabling them to perform their duties safely.

MAINTAINING OUR GROWTH TRAJECTORY

A global business hub and strategic gateway to the rest of the region, Singapore remains a cornerstone for us and we will continue our efforts to grow in our home core market.

Looking ahead, we will also increase our presence and extend our footprint into new geographies as well as expand into complementary businesses to drive our strategy of feeding and connecting Asia. We will continue to invest in our people to lead technology-driven innovation across the Company, and provide our customers and partners with differentiated, value-added solutions.

We would like to express our thanks to SATS Board members and management team for their sterling support in enabling the smooth transition of Chairman Euleen Goh to her new role and for their contributions throughout the past year.

It is also our pleasure to welcome four new Directors to the Board – Achal Agarwal, Chia Kim Huat, Jessica Tan and Yap Kim Wah whose wealth of experience and diverse competencies and skills will strengthen our Board, add depth to its deliberations and contribute to effective decision making.

We would like to take this opportunity to express our appreciation to the management of SATS, our valued customers and business partners, union leadership and you, our shareholders for your continued support, confidence and trust in us.

To our staff, we would also like to extend our heartfelt gratitude for your hard work, inspired contributions and unwavering commitment to our journey of growth and transformation. As we forge ahead, your passion to delight will remain one of the key ingredients for our long-term success.

Euleen Goh
Chairman

Alex Hungate
President and Chief Executive Officer

25 May 2017