

Financial Review

HIGHLIGHTS

The Group achieved revenue of \$1,729.4 million in the financial year ended 31 March 2017, a growth of \$31.2 million or 1.8% year-on-year. Revenue from Food Solutions and Gateway Services grew 0.6% and 3.4% respectively. Excluding the food distribution revenue transferred to our joint venture company, SATS BRF Food Pte. Ltd., the Group's underlying revenue would have increased \$76.4 million or 4.5% while Food Solutions' underlying revenue would have grown 5.3%.

Continuous effort on improving productivity and operating leverage has enabled the Group to keep the increase in its operating expenditure at 1%, a slower rate than the growth of 1.8% in revenue. This positive jaw ratio has yielded positive results with the Group achieving an operating profit of \$230.6 million for the year, an improvement of \$15.9 million or 7.4% over the past year. Operating margin has improved by 0.7 points to 13.3%. Associates/joint ventures contributed a total of \$65.2 million profit, an increase of \$17.2 million or 35.8% year-on-year. This included recognition of \$15 million negative goodwill resulting from the increased stake in Evergreen Sky Catering Corporation (ESCC) from 15% to 25% during the financial year. Following the acquisition, ESCC has been reclassified from long-term investment to associate.

In FY2016-17, the Group recorded a gain of \$9.3 million from the disposal of its assets held for sale, the Senoko property. Conversely, the divestment/dilution of shareholdings in its associates resulted in a loss of \$0.7 million.

Backed by good operating results and contributions from the associates/joint ventures, the Group achieved profit attributable to owners of the Company of \$257.9 million, an increase of \$37.3 million or 16.9%. Return on equity was 16.7%, 1.7 percentage points higher than the year before.

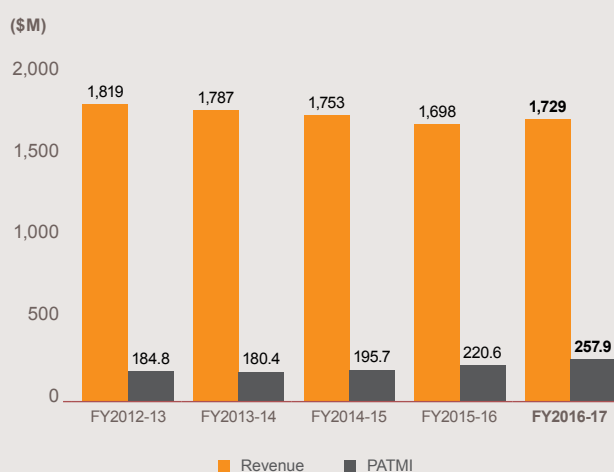
The Group ended the year with a strong balance sheet. Total assets were \$2.3 billion with cash and short term deposits of \$505.8 million. Free cash flow generated during the year was \$220.8 million and debt-to-equity ratio remained healthy at 0.07 times.

EARNINGS PER SHARE AND DIVIDENDS

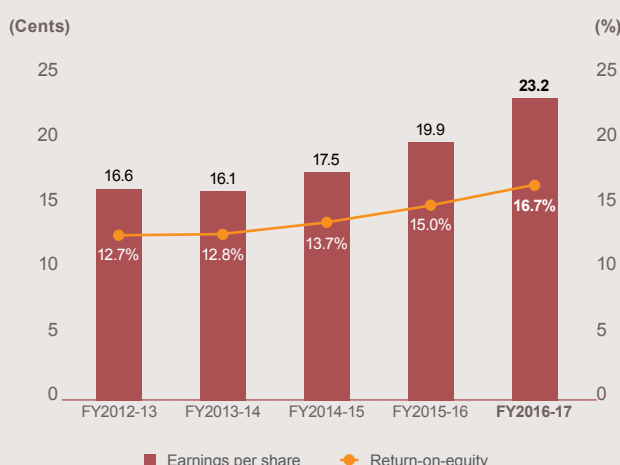
The Group's earnings per share grew 16.6% year-on-year from 19.9 cents to 23.2 cents for the year.

During the year, the Company paid an interim dividend of 6 cents per share in respect of FY2016-17 amounting to \$66.9 million. The Board of Directors has proposed a final ordinary dividend of 11 cents per share to be paid, subject to shareholders' approval in the forthcoming Annual General Meeting. If approved, the total ordinary dividend for FY2016-17 will be 17 cents per share, continuing the track record of paying progressive, sustainable dividends.

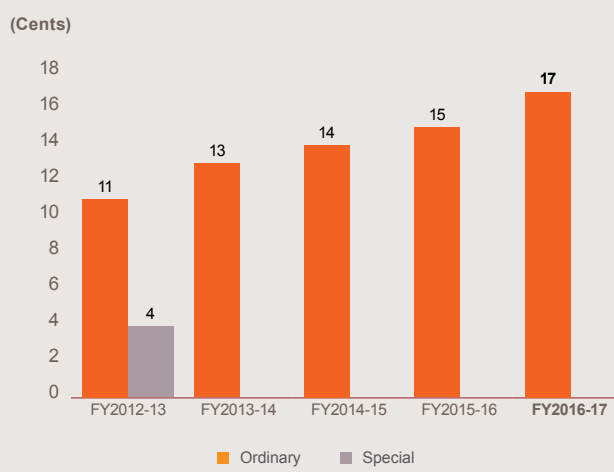
Revenue and Profitability



Earnings Per Share and Return On Equity

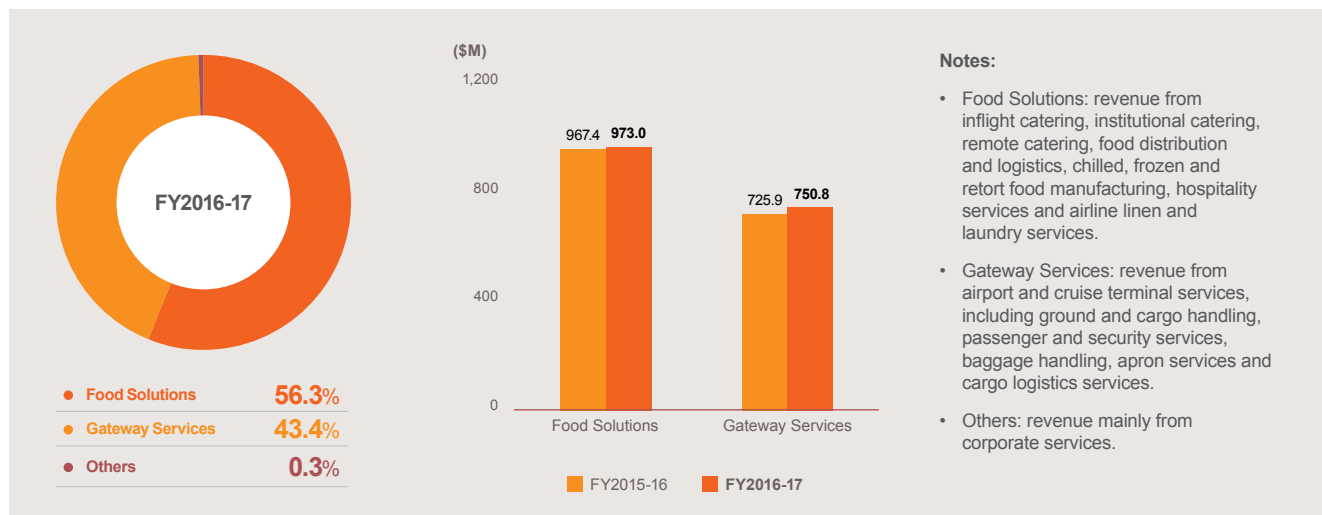


Dividend Per Share

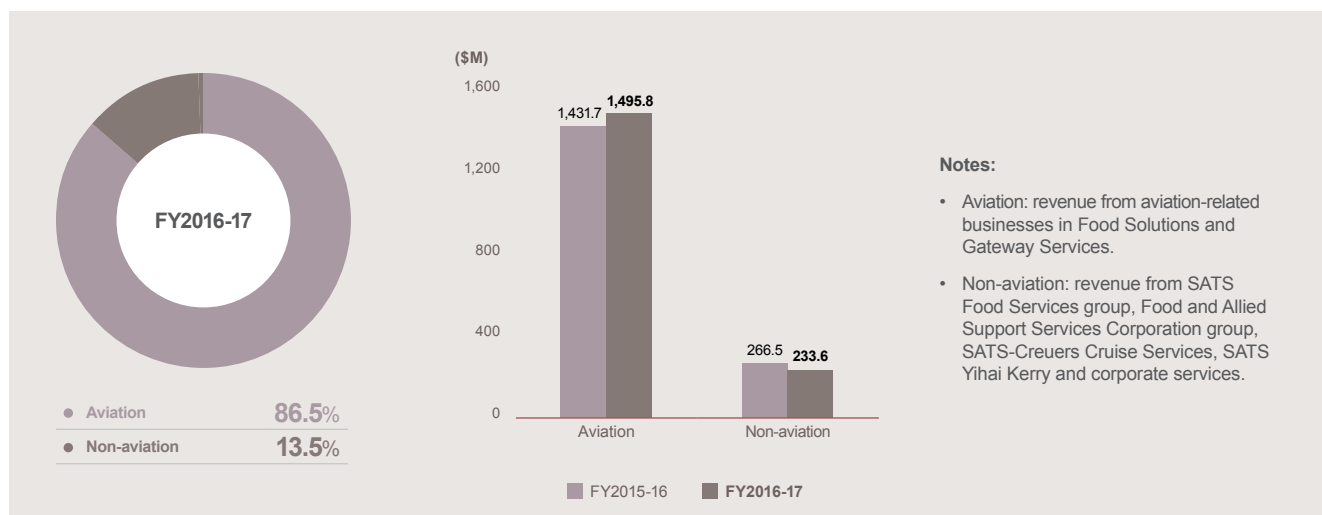


REVENUE – BY BUSINESS, INDUSTRY AND GEOGRAPHICAL LOCATION

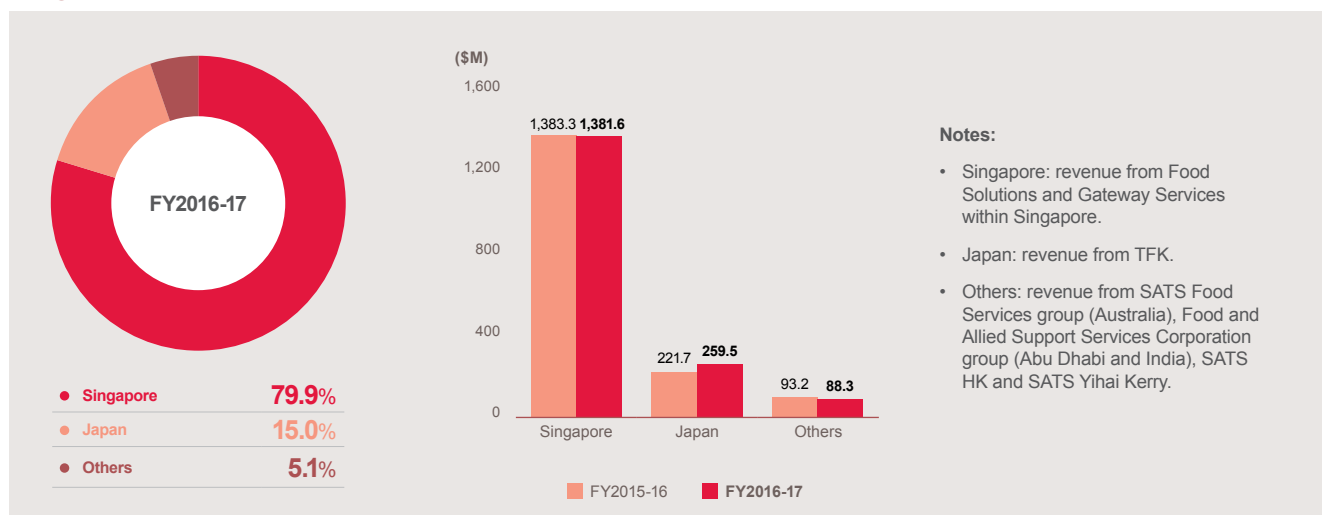
Business



Industry



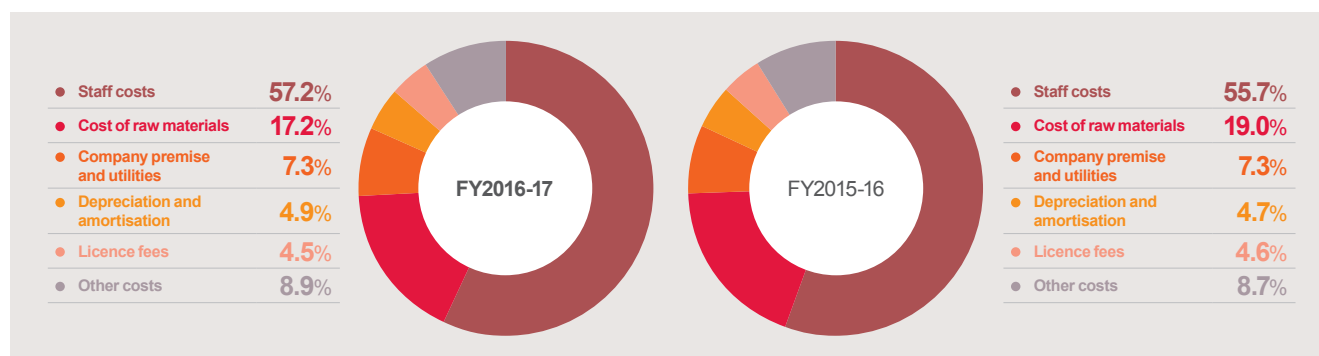
Geographical Location



Financial Review

EXPENDITURE

The Group's operating expenditure in FY2016-17 was \$1,498.8 million, an increase of \$15.3 million or 1% year-on-year. Staff costs and cost of raw materials made up 74.4% of total expenditure of the Group. Lower expenditure was recorded for cost of raw materials and licence fees while other expenditures have increased. The increase in staff costs was attributed to service increment, higher subcontract costs to support the increased business volumes, higher accrual of staff expenses as well as lower subsidies received. Depreciation and amortisation expenses increase were in line with higher capital expenditure.



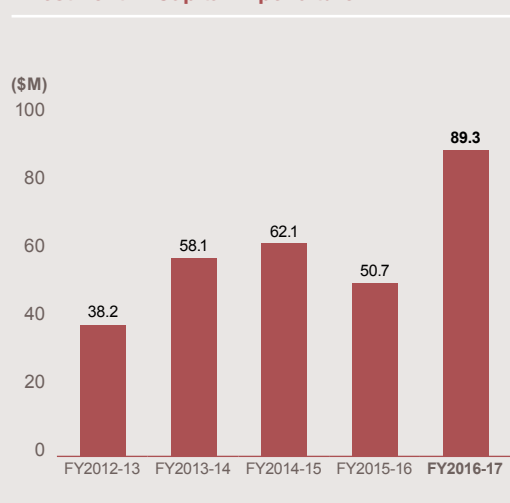
CASH FLOWS AND FINANCIAL POSITION

As at 31 March 2017, equity attributable to the owners of the Company was \$1,691.2 million, an increase of 8.1% over the amount of \$1,565.1 million a year ago. The increase was attributed to profits generated during the year, lower treasury shares and foreign currency translation reserve gains, partly offset by dividends paid during the year. The Group's total assets as at 31 March 2017 were \$2,279.4 million, an increase of \$173.7 million or 8.2% year-on-year. The increase included \$146.8 million growth in non-current assets mainly in property, plant and equipment, investments in associates, joint ventures and long-term investments. Capital expenditure was \$38.6 million or 76.1% higher than the year before while investments in associates, joint ventures and long-term investments amounted to \$99.8 million during the year. The Group's net asset value per share as at end of FY2016-17 was \$1.44, an improvement of 7.1% over last year.

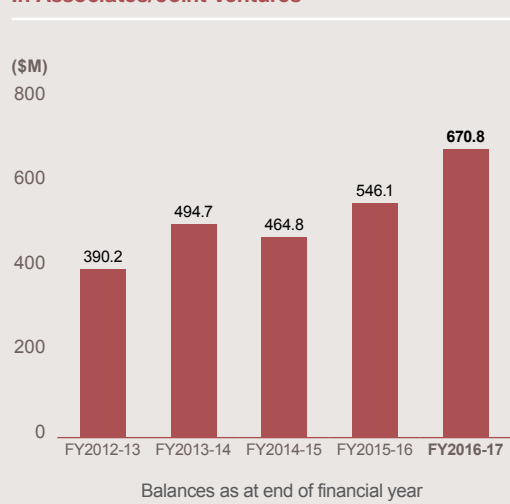
The Group had cash and cash equivalents of \$508.4 million as at 31 March 2017, \$18.5 million higher than the beginning of the year. The increase was mainly contributed by cash generated from operations, dividends from associates and joint ventures and proceeds from disposal of assets held for sale, partly offset by investments and dividends paid to shareholders. Net cash from operating activities in this financial year was \$308.9 million, an increase of \$35.8 million largely due to higher profits generated and movement in working capital.

Net cash used in investing activities of \$119.6 million for FY2016-17 was higher than the year before by \$63.3 million, mainly due to higher capital expenditure and investments, partly offset by higher dividends received and proceeds from disposal of the Group's assets held for sale. New associates and joint venture invested in during the year were PT Purantara Mitra Angkasa Dua, Oman Air SATS Cargo LLC, ESCC and DFASS SATS Pte. Ltd. Net cash used in financing activities in FY2016-17 was \$172.8 million, \$15.6 million higher than last year, arose primarily from higher dividends paid to shareholders, repayment of term loans and lower proceeds from the exercise of share options. Free cash flow generated during the year was \$220.8 million, a drop of \$1.1 million due to higher capital expenditure.

Investment In Capital Expenditure



Carrying Value Of Investment In Associates/Joint Ventures



VALUE ADDED

The Group's value added was \$1,142 million, an increase of \$73.1 million or 6.8% compared to the preceding year. The distribution for FY2016-17 is reflected in the chart below.

Value Added Statement (\$ million)	FY2016-17	FY2015-16	FY2014-15	FY2013-14	FY2012-13
Total Revenue	1,729.4	1,698.2	1,753.2	1,786.7	1,819.0
Less: Purchase of goods and services	682.0	692.6	792.4	833.4	847.0
	1,047.4	1,005.6	960.8	953.3	972.0
Add/(less):					
Interest income	4.6	3.5	1.6	1.1	1.1
Share of profits before tax of associates/ joint ventures	80.1	59.7	61.3	57.9	64.2
Gain/(loss) on disposal of property, plant and equipment	0.6	(0.4)	(2.2)	—	(2.5)
Gain on disposal of assets held for sale	9.3	—	—	—	—
Income from long term investments	0.7	0.0	0.7	1.9	1.3
Exceptional items *	(0.7)	0.5	(0.2)	(2.8)	(17.8)
Total value added available for distribution	1,142.0	1,068.9	1,022.0	1,011.4	1,018.3
Applied as follows:					
To employees					
- Salaries and other staff costs	743.3	720.5	714.6	705.0	686.8
To government					
- Corporate taxes **	63.3	58.5	47.3	44.2	51.3
To supplier of capital					
- Dividends	178.2	155.5	145.6	168.4	288.6
- Interest on borrowings	1.2	1.1	1.2	2.9	2.6
Retained for future capital requirements					
- Depreciation and amortisation	73.5	70.4	68.2	77.2	92.9
- Non-controlling interests	2.8	(2.2)	(5.0)	1.7	—
- Retained profits	79.7	65.1	50.1	12.0	(103.9)
Total value added	1,142.0	1,068.9	1,022.0	1,011.4	1,018.3
Value added per \$ revenue	0.66	0.63	0.58	0.57	0.56
Value added per \$ employment cost	1.54	1.48	1.43	1.43	1.48
Value added per \$ investment in fixed assets	0.75	0.71	0.67	0.67	0.67

Notes:

* Exceptional items refer to

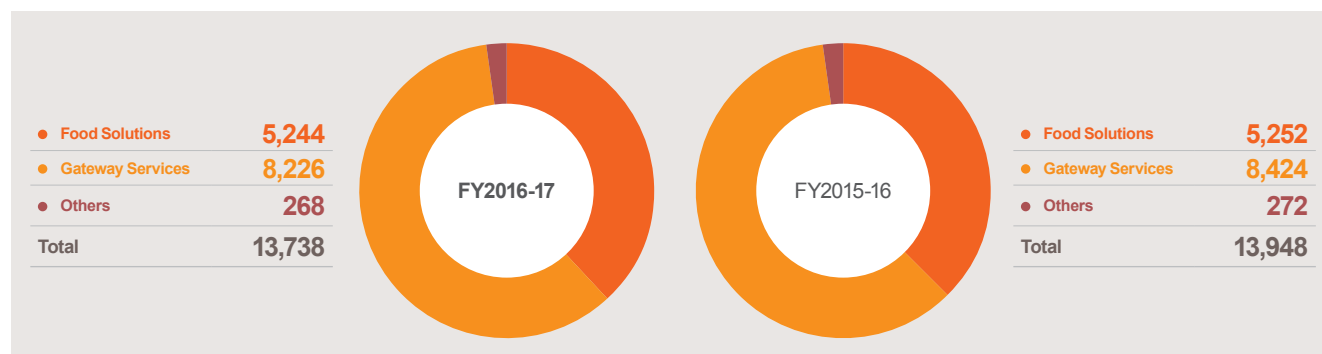
- (i) Loss on divestment/dilution of interest in associates (FY2016-17: \$0.7 million, FY2015-16: nil)
- (ii) Net gain from transfer of business to a joint venture (FY2016-17: nil, FY2015-16: \$2.5 million)
- (iii) Impairment loss on property, plant and equipment (FY2016-17: nil, FY2015-16: \$2.1 million)

** Includes share of tax of associates and joint ventures.

Financial Review

STAFF STRENGTH AND PRODUCTIVITY

The average full-time equivalent number of employees in the Group in the current financial year was 13,738, a drop of 1.5% from last year. This was achieved through the Group's continuous effort to enhance productivity through scale and use of technology.

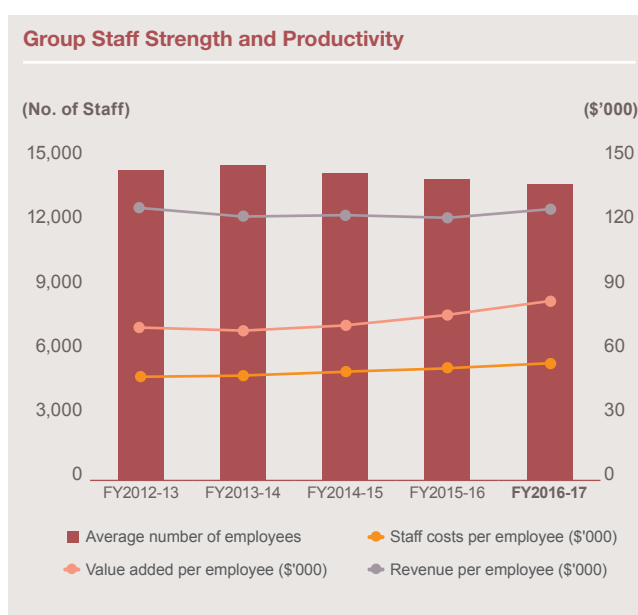
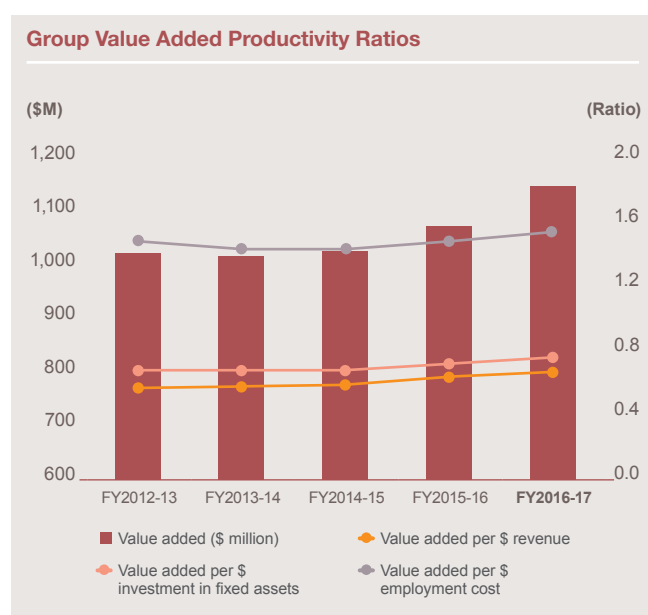


Staff productivity achieved during the year, measured by value added per employment cost, increased 4.1% from 1.48 times to 1.54 times as technology-driven initiatives continue to improve productivity.

Productivity Analysis	FY2016-17	FY2015-16	FY2014-15	FY2013-14	FY2012-13
Value added (\$ million)	1,142.0	1,068.9	1,022.0	1,011.4	1,018.3
Value added per employee (\$)	83,127	76,635	71,704	69,222	70,732
Value added per \$ employment cost (times)	1.54	1.48	1.43	1.43	1.48
Revenue per employee (\$)	125,882	121,749	123,004	122,284	126,354
Staff costs per employee (\$) **	54,102	51,653	50,134	48,254	47,705

Note:

** Staff costs exclude cost of contract labour.



ECONOMIC VALUE ADDED (EVA)

EVA for the Group was \$92.4 million, a growth of \$12.8 million or 16.1% over the preceding financial year resulting from improved operating performance.