

# Operations Review

## GATEWAY SERVICES

**Gateway Services' revenue increased 3.4% to \$750.8 million. This is due to growth in volumes across our flights, ship calls, passengers and cargo tonnage handled. Our operating profit rose significantly by 18.9% to \$56.1 million, primarily driven by improved revenue, coupled with good cost control measures and the implementation of productivity initiatives.**

Our share of after-tax profits from associates and joint ventures grew 2.9% to \$39.5 million as a result of better performance from most of our associate companies. We also saw contribution from our new travel retail joint venture DFASS SATS.

### ENHANCING CONNECTIVITY

We continue to enhance connectivity between our gateway operations across Asia to provide more efficient and seamless services for customers.

Singapore remains a key market where our unwavering commitment to serve and create value for our customers has paved the way for new contracts with airlines including the AirAsia brands, Fiji Airways and Silkway West Airlines.

At the Marina Bay Cruise Centre Singapore (MBCCS), we handled 147 ship calls, a year-on-year increase of 33.6%. In addition, we celebrated the handling of our two millionth passenger and 500<sup>th</sup> ship call since commencing operations in 2012. During the year, we also welcomed new vessels including Emerald Princess, Ovation of the Seas and Seabourn Encore. Tapping on Asia's growing cruise tourism and the travel retail business, DFASS SATS launched duty-free concession stands at MBCCS. Pursuing ground-based travel retail opportunities effectively adds to our existing offerings of inflight, mail-order and pre-order sales.

SATS HK has secured new contracts with Tigerair, T'way Air, Scoot and

Vietjet Aviation Joint Stock Company while Asia Airfreight Terminal (AAT) has added Palau Pacific Airways and T'way Air to its list of new customer wins.

We have strengthened the position of SATS HK and AAT in Hong Kong by establishing a long-term partnership with Hong Kong Airlines at its Hong Kong hub for ramp and cargo handling services respectively. The airline's large base load will not only contribute to improved utilisation of existing facilities and provide better operating leverage, the increased scale will also enhance service and connectivity for our customers. SATS will be divesting a 51% stake in SATS HK and a 4% stake in AAT to Hong Kong Airlines.

Continuing its momentum from the previous year, PT Jasa Angkasa Semesta (PT JAS) has secured new customers including Etihad Cargo, Malaysia Airlines, Oman Air and Tigerair Australia. In India, Air India SATS Airport Services (AISATS) has also won new contracts with Air India Express, Fita Aviation, Go Air and Malaysia Airlines.

Tapping on the growth opportunities offered by China's substantial market size, Beijing Ground Services (BGS) has won new contracts with Alitalia, Nordwind Airlines, Qantas, Sky Angkor Airlines, Tajik Air and VIM Airlines. In Taiwan, Evergreen Airline Services has secured new contracts with Eastar Jet, Royal Flight and VietJet, while Tan Son Nhat Cargo Services has added a new customer Jetstar Asia Airways in Vietnam.

Our first cargo investment in the Middle East, Oman Air SATS Cargo is making steady progress and has secured new customers Thai AirAsia X and US-Bangla Airlines. In line with our strategy to expand our network and provide our customers with seamless high quality end-to-end solutions, we became the first international cargo handler to be awarded a cargo handling licence to operate in Saudi Arabia at Dammam. Together with Oman Air SATS Cargo, this adds to our growing network in the region.

### HARNESSING THE POWER OF INNOVATION AND TECHNOLOGY

Fuelled by rising internet penetration and increasing disposable incomes, Asia Pacific is set to be the largest and fastest growing retail eCommerce market worldwide with sales projected to top US\$2.3 trillion by 2019. Seizing this opportunity, we officially launched SATS eCommerce AirHub in April, which will generate significant productivity gains through large-scale automation and job redesign.

We take pride in offering our customers premium solutions that create value for their business. For instance, SATS has partnered with Swiss WorldCargo and Cargologic to establish a secure cold-chain corridor between Singapore and Zurich. Further adding to our cold-chain network, we have recently opened a perishable handling facility in India - AISATS Coolport - which provides end-to-end temperature-controlled solutions for perishable shipments. This is the second perishable handling facility within SATS' cold-chain network.

Setting the standard for world-class gateway services, SATS Coolport in Singapore is the world's first ground handling facility to be authorised by the European Union (EU) to carry out meat transshipment services between New Zealand and the EU. This approval attests to SATS' expertise and high standards in perishable handling and also paves the way for new trade flows via Singapore, with cost-effective and speedier multimodal delivery to Europe.

By improving our offerings with innovative and technology-driven solutions, we seek to stay ahead of the curve amidst a challenging environment. In December 2016, SATS became the first ground handler worldwide to receive IATA accreditation for ramp services training and is now an authorised training centre with exclusive rights to train ground handlers in 10 Asian countries. SATS is also the world's first ground handler to integrate smart watches in technical ramp operations, which enhances operational communication to improve productivity, safety and collaboration.

Seizing the potential of cutting-edge technology to transform our business, SATS is the first airfreight operator in Asia to use RFID technology to trace express cargo at piece level through our RFID XPS Track and Trace initiative. With this, we are able to provide enhanced visibility as well as seamless delivery and improved reliability. In Hong Kong, AAT has likewise introduced RFID technology on unit load device (ULD) tags, integrating this with its Cargo Management System and Material Handling System in order to improve and streamline ULD handling processes.

As a leader in premium passenger handling, we are always improving our offerings to better serve our customers. We have enhanced our Premier Lounges in Singapore with upgraded facilities. The lounges also have a refreshed look and feel, allowing passengers to relax comfortably and enjoy our renowned hospitality.



#### AWARDS AND ACCOLADES

We love to delight our customers, and it is heartening to be acknowledged for our efforts again this year.

For the third consecutive year, SATS was named "Ground Handler of the Year - Industry Choice Winner" at the annual Payload Asia Awards, recognising our relentless efforts to drive innovation and productivity, and deliver high quality, safe and reliable service at competitive rates. We also won the "Air Cargo Terminal Operator of the Year" at the annual Supply Chain Asia Awards, which acknowledges organisations who have made regional and global business and economic impact. Our subsidiary, Asia-Pacific Star, won the "Top of the World" award from Cebu Pacific Airways, in recognition for on-time performance and baggage handling among other service attributes.

Affirming our efforts to develop innovative solutions, SATS was awarded a patent by the Singapore Registry of Patents for our tow hitch system, which serves to minimise work injury incidents.

Our subsidiaries and associates have also done well. In Hong Kong, SATS HK received safety awards from the Airport Authority of Hong Kong for its safety

Spanning 6,000 square metres, SATS eCommerce AirHub deploys technology that multiplies mailbag processing capacity by more than three times and streamlines mail sortation processes to deliver quicker turnaround for international eCommerce mail.

initiatives while AAT was recognised by the Hong Kong Productivity Council for its achievements in resource optimisation and system automation with the Hong Kong Awards for Industries 2016: Productivity and Quality Certificate of Merit.

BGS continued to raise ground handling standards in Beijing, resecuring the ISO 9001 quality system certification, along with two new quality certifications – the Environment Protection Management System ISO 14001 and the Occupational Health and Safety System ISO 18001. Besides being awarded "Best Ground Handling Company" by Hong Kong Airlines, BGS also won numerous awards from Beijing Capital International Airport and Capital Airport Holdings for contributing to airport safety and security in addition to achieving the fastest and highest improvements in passenger service and operation coordination management. AISATS was named "Best Ground Handler" for the second consecutive year by India Cargo Awards in addition to receiving the "Best Air Cargo Terminal Management" award for the sixth consecutive year by the Indian Chamber of Commerce.