

FINANCIAL REVIEW

HIGHLIGHTS

The Group delivered a resilient set of financial results for the year ended 31 March 2019 amidst a challenging operating climate. Group revenue grew \$103.4 million or 6% to \$1,828 million. Food Solutions revenue was 4.4% higher, while Gateway Services recorded revenue increase of 7.9%, backed by volume growth, and the consolidation of GTR which GTR contributed 20.6% of the Group's aggregate growth. Excluding the deconsolidation impact of SATS HK, Group revenue would have increased \$119 million or 7% while Gateway Services revenue would have grown \$76.9 million or 10.1%.

Operating profit also surpassed previous year's results by \$20.6 million or 9.1% to \$247 million on the back of top-line growth, yielding an operating profit margin of 13.5% compared with 13.1% from the year before.

During the financial year, profit contributions from associates/joint ventures amounted to \$58.9 million, which was \$12.3 million or 17.3% lower year-on-year, as the higher contribution from Gateway Services associates/joint ventures which included the \$7 million gain from the transfer and disposal of business from DFASS SATS Pte Ltd to KrisShop Pte Ltd was dampened by the weaker performance from Food Solutions. Excluding the one-off gains for both years, share of results from associates/joint ventures would have decreased \$7.7 million.

Other operating income decreased \$22.2 million primarily due to the \$15.5 million gain on disposal of assets held for sale and write back of \$4.5 million for the earn-out consideration recorded last year.

As a result, Group profit attributable to owners of the Company declined \$13.1 million or 5% to \$248.4 million. Excluding the non-recurring gains in both periods, profit attributable to owners of the Company for FY2018-19 rose \$5.3 million or 2.2% to \$241.4 million.

Return on equity was 15.1%, 1.1 percentage points lower than last year due to lower reported earnings for the year.

As at 31 March 2019, total assets held in the balance sheet was \$2,408.4 million with aggregate cash and short term deposits of \$349.9 million. The improved net cash from operations, together with reduced capital expenditure, resulted in free cash flow generated of \$208 million while debt-to-equity ratio remained stable at 0.06 times.

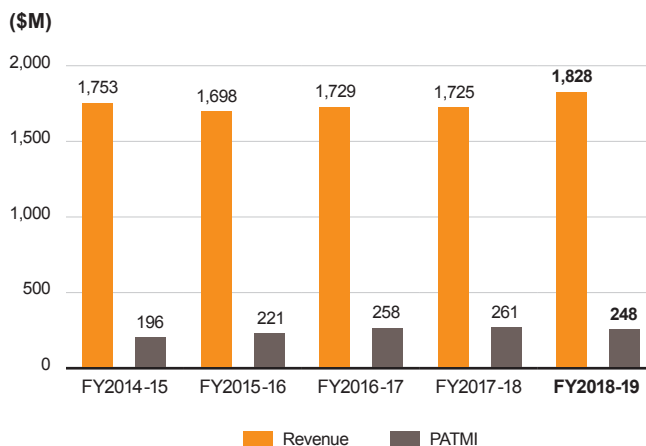
EARNINGS PER SHARE

The Group's earnings per share was 22.3 cents compared to 23.4 cents a year ago, a decrease of 4.7% year-on-year due to lower reported earnings.

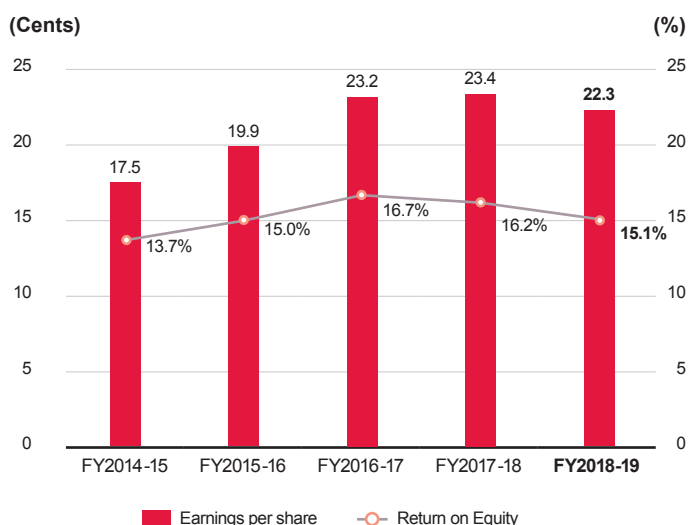
DIVIDENDS

The Board of Directors is pleased to recommend a final ordinary dividend of 13 cents for shareholders' approval at the forthcoming Annual General Meeting. If approved, the total ordinary dividend for FY2018-19 will be 19 cents per share, including the interim dividend of 6 cents per share paid out on December 2018. This represents a total payout of \$211.8 million, which equates to a payout ratio of 85.3% to our shareholders.

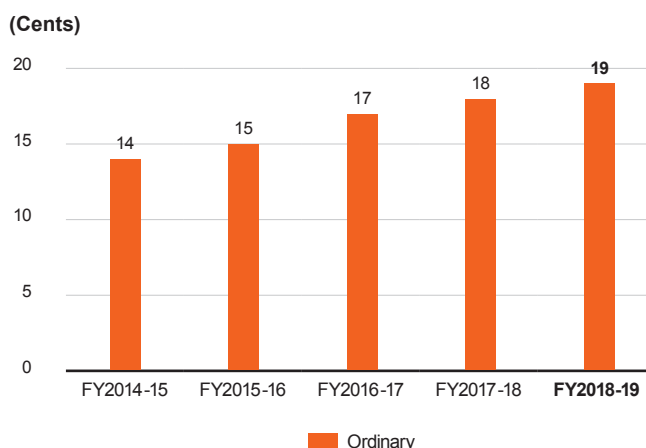
REVENUE AND PROFITABILITY



EARNINGS PER SHARE AND RETURN ON EQUITY

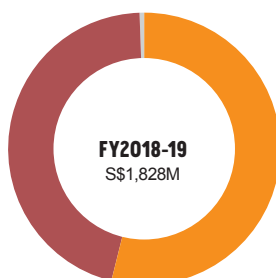


DIVIDEND PER SHARE

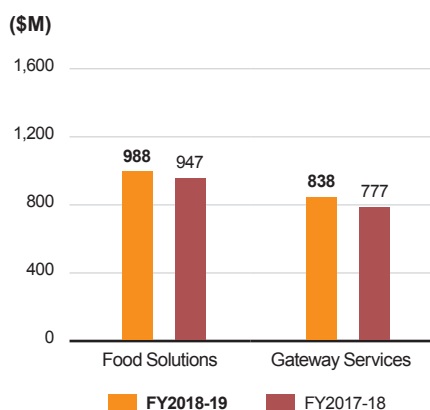


REVENUE – BY BUSINESS, INDUSTRY AND GEOGRAPHICAL LOCATION

BUSINESS



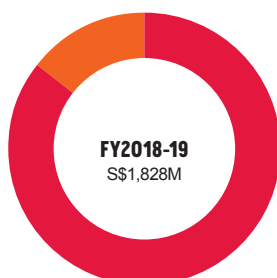
● Food Solutions	54.1%
● Gateway Services	45.8%
● Others	0.1%



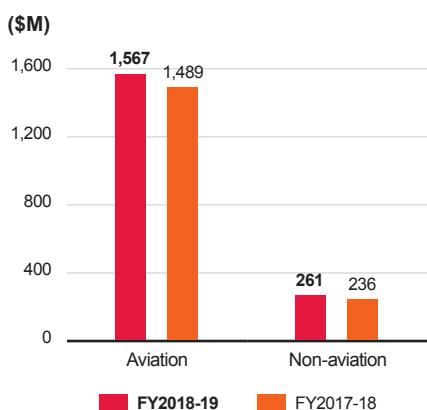
Notes:

- Food Solutions: revenue from inflight catering, institutional catering, chilled, frozen and retort food manufacturing, hospitality services and airline linen and laundry services.
- Gateway Services: revenue from airport and cruise terminal services, including ground and cargo handling, passenger and security services, baggage handling, apron services and cargo logistics services.
- Others: revenue mainly from the corporate services.

INDUSTRY



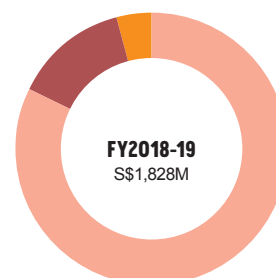
● Aviation	85.7%
● Non-aviation	14.3%



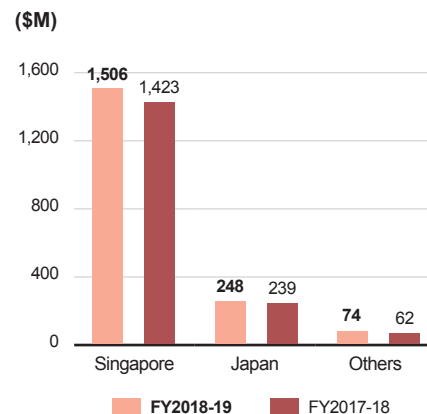
Notes:

- Aviation: revenue from aviation-related businesses in Food Solutions and Gateway Services.
- Non-aviation: revenue from SATS Food Services group, Food and Allied Support Services Corporation group, SATS-Creuers Cruise Services, SATS China Group and corporate services.

GEOGRAPHY



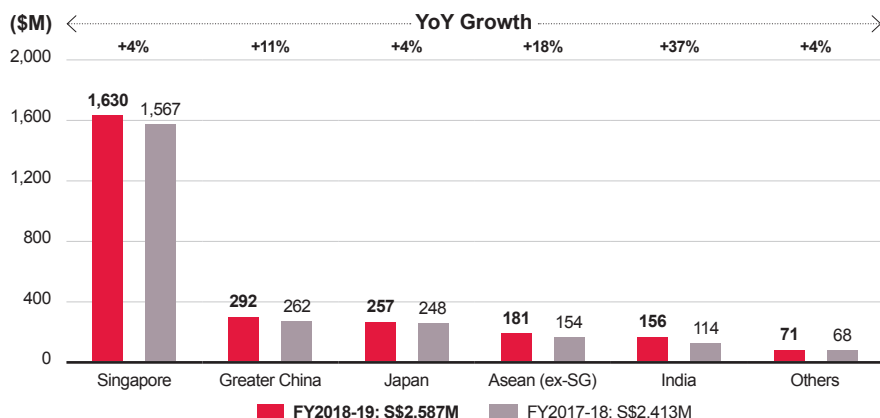
● Singapore	82.4%
● Japan	13.6%
● Others	4.0%



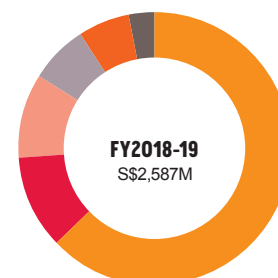
Notes:

- Singapore: revenue from Food Solutions and Gateway Services businesses in Singapore.
- Japan: revenue from TFK.
- Others: revenue from SATS Food Services group (Australia), Food and Allied Support Services Corporation group (Abu Dhabi and India), GTR entities, SATS China Group and SATS Saudi.

COMBINED REVENUE BY GEOGRAPHICAL LOCATION*



* Combined revenue is the aggregate of the total consolidated revenue and proportionate share of revenue from its associates/joint ventures (Aggregated Revenue – Non-SFRS(I)).



● Singapore	63%
● Greater China	11%
● Japan	10%
● Asean (ex-SG)	7%
● India	6%
● Others	3%

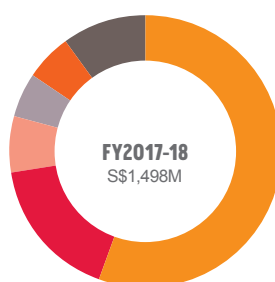
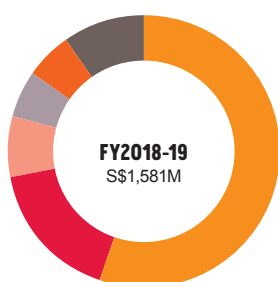
The Group's combined revenue increased 7.2% year-on-year with overseas contribution grew from 35.1% to 37.0%.

FINANCIAL REVIEW

EXPENDITURE

Group operating expenditure increased \$82.8 million or 5.5% to \$1,581 million, driven by higher volume of business activities as well as the consolidation of GTR entities during the year. Staff costs were also higher due to new T4 operations and reduced employment credits while both cost of raw materials and licence fees increased in tandem with revenue. Depreciation and amortisation were higher due to new projects and assets whereas the increase in company premise and utilities expenses was largely due to additional rental space and higher utility rates. Other costs increased due to higher fuel costs and IT expenses as we continue to invest in technological initiatives to improve service and productivity. Other costs rose to support increased project activities. In particular, professional services costs increased, mitigated by foreign exchange gains and grants received during the year.

● Staff costs	55.3%
● Cost of raw materials	16.9%
● Company premise and utilities	7.2%
● Depreciation and amortisation	5.4%
● Licence fees	5.6%
● Other costs	9.6%



● Staff costs	55.6%
● Cost of raw materials	16.9%
● Company premise and utilities	6.9%
● Depreciation and amortisation	5.2%
● Licence fees	5.6%
● Other costs	9.8%

FINANCIAL POSITION

Total equity attributable to the owners of the Company increased \$15.1 million to \$1,649.2 million as at 31 March 2019 primarily due to profits generated during the year, partly offset by dividends paid, purchase of treasury shares and reduction in share-based compensation reserve due to the re-issuance of treasury shares for vested shares from equity based compensation plans.

Total assets increased \$60.1 million to \$2,408.4 million, largely due to higher intangible assets and investment in associates, partly offset by lower investment in joint ventures following the reclassification of investments in GTR entities to investments in subsidiaries.

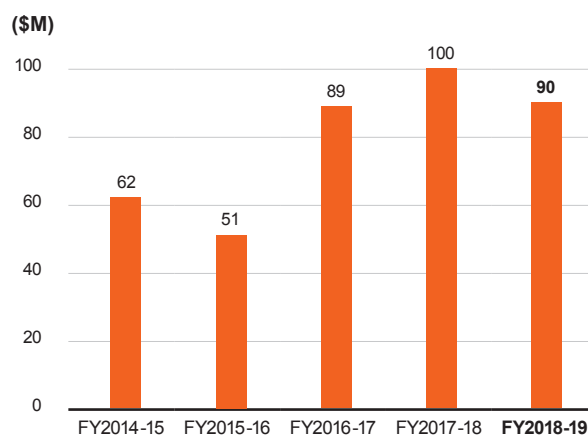
The Group continued to invest for long-term growth with capital expenditure of \$90.5 million, \$9.6 million (9.6%) lower compared to last year. The Group's net asset value per share as at end of current financial year was \$1.48, an improvement of 1.1% over last year.

The Group's cash and cash equivalents was \$23.4 million lower at \$349.9 million as at 31 March 2019 due to new investments, capital expenditure, purchase of treasury shares and dividends paid to shareholders.

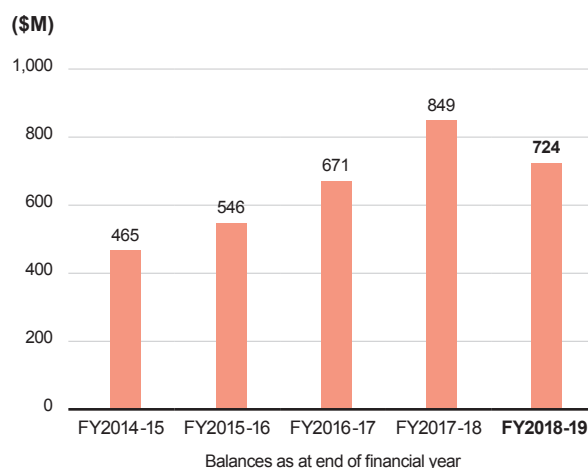
Net cash from operating activities improved \$50.1 million to \$295.7 million in FY2018-19 due to better working capital management and higher profits generated.

Net cash used in investing activities totalled \$72.4 million in FY2018-19 compared to \$182.2 million a year ago. This was mainly due to lower investment in associates/joint ventures and absence of proceeds from the disposal of assets held for sale.

INVESTMENT IN CAPITAL EXPENDITURE



CARRYING VALUE OF INVESTMENT IN ASSOCIATES/ JOINT VENTURES



Net cash used in financing activities totalled \$244.9 million in FY2018-19, \$48.1 million higher than last year, mainly attributable to higher dividends paid to shareholders, purchase of treasury shares and repayment of term loans.

Free cash flow generated for the year was \$208 million, an improvement of \$61.7 million year-on-year.

VALUE ADDED

The value added of the Group was \$1,163.3 million, an increase of \$37.7 million or 3.3% compared to the preceding financial year. The distribution for FY2018-19 is reflected in the chart below.

Value Added Statement (\$ million)	FY2018-19	FY2017-18	FY2016-17	FY2015-16	FY2014-15
Total Revenue	1,828.0	1,724.6	1,729.4	1,698.2	1,753.2
Less: Purchase of goods and services	747.8	712.4	682.0	692.6	792.4
	1,080.2	1,012.2	1,047.4	1,005.6	960.8
Add/(less):					
Interest income	4.1	4.2	4.6	3.5	1.6
Share of profits before tax of associates/joint ventures	80.5	88.5	80.1	59.7	61.3
(Loss)/Gain on disposal of property, plant and equipment	(0.5)	0.4	0.6	(0.4)	(2.2)
Gain on disposal of assets held for sale	–	15.5	9.3	–	–
Write-back of earn-out consideration	11.6	4.5	–	–	–
Impairment loss on investment in associates	(11.6)	–	–	–	–
Gain on sale of investment	–	0.3	–	–	–
Income from long-term investments	–	–	0.7	–	0.7
Other non operating income	(1.0)	–	–	–	–
Exceptional items	–	–	(0.7)	0.5	(0.2)
Total value added available for distribution	1,163.3	1,125.6	1,142.0	1,068.9	1,022.0
Applied as follows:					
To employees					
- Salaries and other staff costs	748.3	707.3	743.3	720.5	714.6
To government					
- Corporate taxes *	73.1	73.4	63.3	58.5	47.3
To supplier of capital					
- Dividends	200.9	190.3	178.2	155.5	145.6
- Interest on borrowings	0.8	0.8	1.2	1.1	1.2
Retained for future capital requirements					
- Depreciation and amortisation	84.9	78.5	73.5	70.4	68.2
- Non-controlling interests	7.8	4.1	2.8	(2.2)	(5.0)
- Retained profits	47.5	71.2	79.7	65.1	50.1
Total value added	1,163.3	1,125.6	1,142.0	1,068.9	1,022.0
Value added per \$ revenue	0.64	0.65	0.66	0.63	0.58
Value added per \$ employment cost	1.55	1.59	1.54	1.48	1.43
Value added per \$ investment in fixed assets	0.70	0.70	0.75	0.71	0.67

Note:

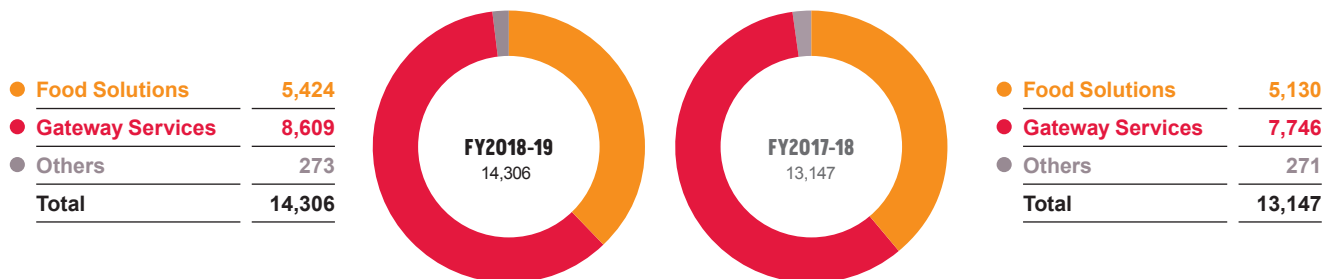
* Includes share of tax of associates and joint ventures.

FINANCIAL REVIEW

STAFF STRENGTH AND PRODUCTIVITY

The average number of full-time equivalent employees in the Group for current financial year was 14,306. The 8.8% increase in headcount included employees from GTR entities and additional staff required to support organic business growth.

The breakdown of the average number of employees is set out as follows:



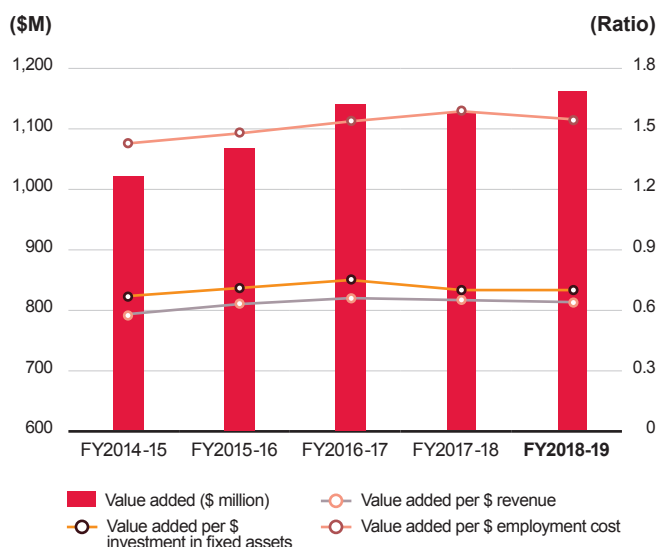
Staff productivity achieved during the year, measured by value added per employment cost, decreased 2.5% from 1.59 times to 1.55 times mainly due to expansion in staff strength and manpower costs.

Productivity Analysis	FY2018-19	FY2017-18	FY2016-17	FY2015-16	FY2014-15
Value added (\$ million)	1,163.3	1,125.6	1,142.0	1,068.9	1,022.0
Value added per employee (\$)	81,316	85,620	83,127	76,635	71,704
Value added per \$ employment cost (times)	1.55	1.59	1.54	1.48	1.43
Revenue per employee (\$)	127,780	131,182	125,882	121,749	123,004
Staff costs per employee (\$) **	52,304	53,803	54,102	51,653	50,134

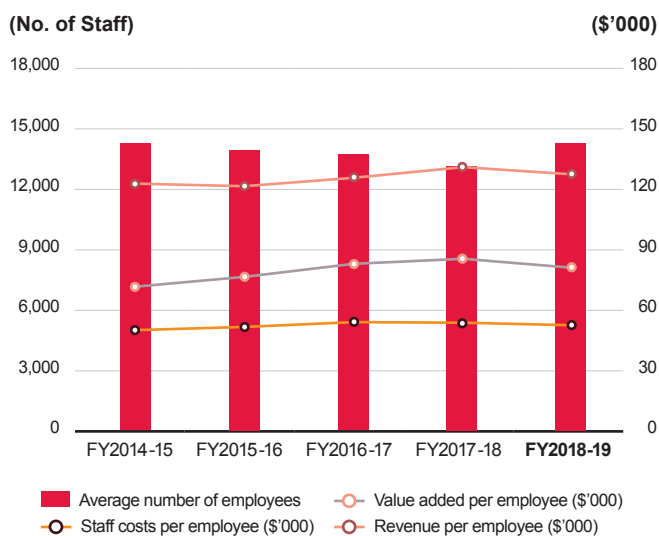
Note:

** Staff costs exclude cost of contract labour.

GROUP VALUE ADDED PRODUCTIVITY RATIOS



GROUP STAFF STRENGTH AND PRODUCTIVITY



ECONOMIC VALUE ADDED (EVA)

EVA for the Group was \$111.1 million, a growth of \$10.0 million or 9.9% over the preceding financial year attributed to higher net operating profit after tax (NOPAT).