

CHAIRMAN AND PCEO'S STATEMENT

Dear Shareholders,

This year, a favourable macroeconomic environment together with continued urbanisation, drove stronger demand for air travel, high quality, authentic food, and e-commerce in Asia.

Global air passenger volumes grew 7.2%, with the Asia Pacific region leading the way at 9.0% growth. However, persistent overcapacity and higher oil prices have constrained airline profitability, resulting in pricing pressure on SATS.

We continue to manage this challenging environment by innovating new capabilities with our customers and using technology to gain more productivity from our scale.

With this financial performance in mind, taking into account the opportunities for new investments to achieve our long-term growth objectives, your Board of Directors has proposed a final ordinary dividend of 12 cents per share. Including the interim ordinary dividend payment of 6 cents per share paid on 27 November 2017, the total dividend will be 18 cents per share (FY16-17: 17 cents). If approved at the forthcoming Annual General Meeting on 19 July 2018, the proposed dividend will be paid on 17 August 2018.

Revenue

-0.3% from FY2016-17

\$1.7b

from left to right

Euleen Goh
Chairman

Alex Hungate
President and
Chief Executive Officer



ENABLING GROWTH

SATS has experienced strong volume growth across all segments of the business this year, thanks to our footprint in fast-growing markets across Asia. However, this volume growth did not translate fully into revenue growth due to pricing pressures. We also faced an escalation in operating costs from rising oil prices and the cessation of rebates from Changi Airport concession fees that had been in place for the last two years.

PATMI

+1.4% from FY2016-17

\$261.5m

Against this backdrop, SATS made good progress with our strategy to deploy technological innovations and expand our geographical footprint. For the financial year in review, we achieved revenue of \$1.7 billion, a marginal decline of 0.3% from the year before, due largely to a divestment of 51% of our stake in SATS Hong Kong to Voltaire Capital Investment Limited, as explained further below. Operating profit declined 1.8% to \$226.4 million. However, profits after tax rose 1.8% to \$265.5 million on the back of strong growth from our overseas investments. Productivity, measured by value added per employment cost, increased 3.2% year-on-year. Return on equity remains creditable at 16.2% (FY2016-17: 16.7%).

Our results in FY2017-18 demonstrate agility as we continue to operate successfully in a competitive and changing environment. Our strategy to feed and connect Asia is showing progress, with strong overseas growth cushioning the impact of lower yields.

PARTNERING FOR EXPANSION

To enhance connectivity across Asia, we began by investing in new digital capabilities and technology for the apron, passenger, and cargo operations in our Singapore hub that will strengthen our long-term partnership with our core customer groups and attract new airline partners.

We also formed a joint venture, Ground Team Red Holdings, with AirAsia. SATS owns 49% of Ground Team Red Sdn Bhd in Malaysia, and 60% of SATS Ground Services, an entity that offers ground services at Changi Airport Terminal 4. This Malaysian joint venture expanded our footprint into 15 new airports in November 2017, when it began operations ahead of the completion of the transaction in January 2018.

In India, we expanded our network through a new joint venture with Cargo Services Centre to build

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an international cargo terminal in Mumbai that started operations in April 2018.

Expanding our network further west, we have signed a binding Memorandum of Agreement with Turkish Airlines, to build what will be the world's largest in-flight kitchen, in Istanbul New Airport. When fully completed in 2028, the airport will have the capacity to serve 150 million passengers.

In an established market, Hong Kong, we have improved our competitiveness through divesting 51% of our stake in SATS Hong Kong to Voltaire Capital Investment Limited, a wholly owned subsidiary of Hong Kong Airlines. The partnership will provide our Hong Kong associate with a baseload to improve the scale of our operations and deliver better operating leverage.

In the year, we also restructured the Jilin pig farming joint venture to reduce our stake from 30% to 21%. We generated a one-off gain of \$7 million from both our divestments in Hong Kong and Jilin.

Our investment activities have added 13 new airports and eight new cities to our network. SATS now has a presence in 60 airports across 62 cities.

APPLYING INNOVATION AND TECHNOLOGY

We continue to look for opportunities to use technology to increase connectivity for customers across our operations and enhance productivity. For instance, we have digitised many of our processes to enable quicker turnaround, greater accuracy, and efficiency. Our highly automated eCommerce AirHub reduces the processing time of airmail packages by 50% and can handle as many as 1,800 mail bags a day. We are deploying augmented reality smart glasses across our ramp operations with the goal of reducing cargo and baggage loading time by 25%. In our cargo operations, we have also launched an innovative Smartgate Volumetric Scanner that allows the weight and volume of shipments to be measured and recorded simultaneously within seconds.



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Global air travel continues on a growth trajectory. It is projected to double by 2035 and Asia will be the biggest driver of that demand. With our vision to feed and connect Asia, SATS will continue to invest in technology and our people. We will continue to expand both locally and into overseas markets to build scale and capabilities that enable our customers, partners, and ourselves to harness opportunities for growth



Food Solutions is reducing the cost of preparing high quality, authentic food by automating production and logistics processes. For example, they launched an award-winning, automated guided food delivery trolley that requires only a single person to deliver several carts to airport lounges at one go. Our smart wheelchair deploys a similar technology to allow a convoy of wheelchairs with only one person leading them to take travellers in need of assistance around the airport.

With greater convenience for travellers in mind, we have launched a mobile app, Ready To Travel, to enrich their travelling experience. The app provides useful and timely information to help them navigate within 12 airports (with more to come) and integrates customised service options such as airport lounge access, concierge services, insurance coverage, and overseas data connectivity to enhance the travellers' experience.

These integrated information systems help to make our services seamless for customers. At the same time, we are investing in cybersecurity across systems, people, and processes to help keep their data safe.

TECHNOLOGY-DRIVEN, PEOPLE-LED

As Asia's leading provider of Food Solutions and Gateway Services, our activities have helped airports, airlines, and businesses in the region to grow. Beyond enabling the growth of the industry, we cherish the role that we play in connecting and reuniting friends and families efficiently from all over the world and facilitating the trade flows that drive economic success.

By putting our people at the heart of our strategy to Feed and Connect Asia, we are confident that we can continue to play a vital role in Asia's future growth. Our technology-driven, people-led approach recognises that the reputation and success of our company is powered by their ideas and passion.

To provide a focus for their innovation efforts, we launched TechnIC@SATS with funding from Civil Aviation Authority of Singapore and the Economic Development Board in May last year. TechnIC@SATS has become a resource for our people to harness the power of technology, to reimagine services and redesign processes and job roles.

Productivity Value Added Per Employment Cost

+3.2% from FY2016-17

1.59

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The adoption of technology has created opportunities for our people to enhance their skills and benefit from our Progressive Wage Model. For example, 104 Apron Equipment Operators and 216 Catering Loading Assistants and Operations Assistants have been able to advance their skills and compensation.

We encourage all of our people to commit to a journey of lifelong learning. We believe that the development of new skills and capabilities should be celebrated, and have inaugurated awards that recognise their achievements. For example, in Singapore, we have SkillsFuture Fellowships for those who have displayed skills mastery as well as the personal commitment to mentorship and the skills development of others. The monetary award of S\$10,000 will support them in their lifelong journey of skills mastery. We also work collaboratively with our unions to guide our employees to make the best use of their SkillsFuture credit so that they remain competitive and relevant in the workforce. In India, AISATS has a similar programme with Unnathi Protection of Human Rights Society on skills upgrading.

Return on Equity

(FY2016-17: 16.7%)

16.2%

Debt-to-Equity Ratio

(FY2016-17: 0.07 times)

0.07

To develop our future leaders, we have launched the Global Leadership Programme, with a focus on increasing agility, resilience, and the ability to work successfully across cultures. We plan to take 48 leaders through this programme by the end of 2022.

HEALTHIER COMMUNITIES

In Asia's bustling cities, people have less and less time to prepare food at home and are becoming more dependent on prepared food. Our culinary team works with our food science experts to develop great tasting, nutritious food that can be cooked in large batches without the use of preservatives. In this way, we are proud to be able to contribute towards healthier communities. For example, in China, SATS Yihai Kerry provides freshly prepared meals to Hema Supermarket, Alibaba's O2O store. The Singapore Health Promotion Board endorses our subsidiary, SATS Food Services, which supplies freshly cooked food to schools and institutions in Singapore, as Healthier Caterer of the Year. SATS Catering has, in the year, also obtained Marine Stewardship Council's MSC certification for buying from sustainable fisheries. 7% of the seafood in meals prepared by SATS in Singapore is sourced from MSC-certified sources.

We have made progress in converting to the use of renewable energy and water. To reduce carbon emissions, we have a four-year master plan to turn all diesel-fuelled ground equipment to electric power. Currently, 48 hybrid tractors are being used for our operations in Changi Airport Terminal 2 and 3. A solar panel installation in our Airfreight Terminal 5 and 6 provides 4.5GWh/year of electricity for our activities. In India, our associate, AISATS, has also introduced solar panels on some of their ground handling equipment.



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By 2020, we aim to convert 59% of our diesel ground support equipment (GSE) to electric ones.



SUSTAINABLE SUCCESS

SATS now produces 171,200,000 meals and manages 661,000 flights, 106,700,000 passengers and 4,705,000 tonnes of cargo a year. Looking ahead, robust growth in passenger and cargo traffic and increased demand for high-quality food across Asia will present exciting opportunities for SATS. Our strategy is gaining traction and we believe that SATS is on a path to sustainable success in the future.

We recognise that our future must be anchored on the strength of partnership with our customers and business associates. We appreciate their confidence in us and look to continue to serve and thrive together with them. We thank our SATS Board members for their valuable guidance and commitment, the executive management team for their strong leadership, SATS union for the close

collaboration, our employees for their new ideas and hard work, and you, our shareholders, for your trust in us.

Two of our fellow directors, Koh Poh Tiong and Thierry Breton have decided to step down at the forthcoming AGM. We would like to thank Poh Tiong and Thierry for their invaluable contributions and active participation. We will miss their wise counsel.

Euleen Goh
Chairman

Alex Hungate
President and Chief Executive Officer

23 May 2018