

## Chairman's Statement



**Edmund Cheng**  
Chairman

**SATS has been proactive in pursuing opportunities to become a leading Food Solutions and Gateway Services company by building up into adjacent businesses, and building out our geographic presence to create value for our customers as we connect our services across our operations in Asia.**

### Return on Equity

**15%**

### Earnings per Share

**19.9¢**

### Dear Shareholders,

FY2015-16 marks my 13<sup>th</sup> and last year as Chairman. Looking back, I feel a great sense of fulfilment from the transformation of SATS into a strong multinational company, trusted for our reliable and high quality service.

Over this long period of time, inevitably there were many challenges and crises to overcome, like the Severe Acute Respiratory Syndrome outbreak in 2003 and the world financial crisis in 2008. These testing events helped shape the values and character of our organisation. They taught us the

importance of being agile and made us bold enough to venture out on our own after we were divested from Singapore Airlines in 2009.

FY2015-16 presented another set of challenges: decelerating growth in China; falling oil prices; the weakening Japanese Yen; with declining manufacturing exports and a slowing economy in Singapore. On the aviation front, intense competition between airlines maintained the pressure on their yield and pricing pressure for SATS.

SATS navigated these challenges resourcefully to deliver a creditable performance. For the financial year in review, our Group revenue declined 3.1% year-on-year to \$1.7 billion. Excluding the transfer of revenue to our food distribution joint venture (JV) company SATS BRF Food, and the divestment of Urangan Fisheries, the Group's revenue would have increased 3% or \$53.2 million.

The people of SATS have embraced technology to work smarter and faster, innovating and redesigning processes to enhance productivity and manage costs. This has resulted in a 12.7% increase in profit attributable to owners of the Company to \$220.6 million. Return on equity was 15%, up from 13.7% a year ago.

As at 31 March 2016, our total assets were \$2.1 billion with a 14% increase in cash and cash equivalents to \$489.9 million. Free cash flow generated during the year amounted to \$221.9 million, and debt-to-equity ratio remained healthy at 0.07 times.

In view of our financial performance as well as capital management and long-term growth objectives, your Board of Directors has proposed a final ordinary dividend of 10 cents per share. Including the interim ordinary dividend of 5 cents per share paid on 4 December 2015, the total dividend of 15 cents per share translates to a dividend payout ratio of 75.5%. If approved at the forthcoming Annual General Meeting (AGM) on 19 July 2016, the proposed dividend will be paid on 10 August 2016.

The inclusion of SATS as one of the 30 component stocks in Singapore's benchmark Straits Times Index (STI) from 21 September 2015 was another milestone that reflected the growth in our market capitalisation and consistent trading liquidity.

Being a constituent stock in the STI has helped boost visibility for SATS and heightened exposure to international investors.

### CONTINUING THE MOMENTUM OF GROWTH

SATS has been proactive in pursuing opportunities to become a leading Food Solutions and Gateway Services company by building up into adjacent businesses, and building out our geographic presence to create value for our customers as we connect our services across our operations in Asia.

We formed a strategic partnership with DFASS, to enter into the fast-growing travel retail market. This JV provides SATS with an opportunity to innovate and develop new ways of retailing to travellers and fulfilling their orders.

In January, we entered into a JV agreement with Yihai Kerry, a Chinese subsidiary of Wilmar International. Leveraging our experience in operating large central kitchens, we will be supplying high quality and safe food to the growing middle class population in the major cities in China. In addition, we also expanded into Malaysia through a JV with Brahim's Holdings Berhad. Through the new company – Brahim's SATS Food Services – SATS will be supplying inflight catering to airlines, and extending its service offerings in Malaysia to provide institutional catering too.

We are also expanding our footprint in Oman, and have signed a JV agreement with Oman Air to provide cargo handling services at Muscat International Airport. The JV company – Oman SATS Cargo – will be an addition to our growing network in Asia and the Middle East and will enhance connectivity for our cargo customers across the region.

These investments will create greater momentum for growth.

## Chairman's Statement

### CARING FOR THE COMMUNITY

Our passion to delight extends beyond serving our customers to serving the community at large. In Singapore, our people are encouraged to engage with the community with support from both the SATS Foundation and the SATS Staff Association.

Our overseas operations are equally engaged. Air India SATS Airport Services (AISATS) provided the children and youth of the Trilokpuri resettlement colony in Delhi with computer education and skills. This gave them the opportunity to interact with computers and develop technical and vocational skills to become more self-sufficient. In addition, AISATS organised health check-up camps and medical camps in Hyderabad and Trivandrum respectively.

The Group has also embarked on several projects this year that have provided us with energy savings and minimised our carbon footprint. An example of this would be the

installation of solar panels at PT Jasa Angkasa Semesta and Taj SATS Air Catering, and the replacement of fluorescent lights with energy-efficient LED lights in several of our Singapore operations, as well as at Asia Airfreight Terminal in Hong Kong.

### FORGING AHEAD

We will continue to invest in our people, introduce new technology and innovate to bring value to our customers, partners and shareholders.

In the near to medium term, the business environment will continue to be challenging as financial volatility, tight manpower resources and low consumer confidence cloud Asia. We expect to experience modest and uneven global growth.

However, we have made great progress this financial year and laid the foundation to further the future growth of our business. Not one to rest on our laurels, we will forge ahead to create greater opportunities for our business.

**The people of SATS have embraced technology to work smarter and faster, innovating and redesigning processes to enhance productivity and manage costs.**

### ACKNOWLEDGEMENTS

For the year in review, SATS was awarded one of the top 50 publicly listed companies in ASEAN, as well as one of the top two publicly listed Singapore companies with outstanding achievement, at the inaugural ASEAN Corporate Governance Awards 2015, organised by the Philippine Securities and Exchange Commission.

We are also honoured to have two new Directors, Thierry Breton and Tan Soo Nan, come on the Board during the year. They bring with them extensive knowledge and expertise that will enhance and complement the competencies and skills of the present Board.

For the forthcoming 43<sup>rd</sup> AGM of the Company, two of our fellow Directors David Zalmon Baffsky and Nihal Vijaya Devadas Kaviratne CBE have elected to retire from the Board. David and Nihal have contributed immeasurably through their wise counsel and active participation, and I am privileged to have worked closely with both of them. On behalf of the Company and the Board, I would like to thank them for their invaluable support and stellar service, and wish them every success in their future endeavours.

As already mentioned, I will be retiring as Chairman of the Company with effect from the AGM. I would like to take this opportunity to thank my fellow Board members, SATS' management team, customers, business partners,

staff unions and you, our shareholders, for your trust, confidence, and unwavering support. I would also like to extend my gratitude to all our people for their hard work and commitment in making the SATS brand, a seal of quality. Their collective passion to delight is the cornerstone of our transformation journey and the key to the successful implementation of our long-term strategy.

Succession plans are well in place for Euleen Goh to take on the Chairmanship. She is no stranger, having joined the Board in August 2013. Euleen has been instrumental as the Chairman of the Audit Committee and a member of the Board Executive and Nominating Committee. I know that she will make an excellent Chairman and am confident that under her competent leadership and with the strong management team in position, the Company will continue the growth momentum to drive greater value for years to come.

It has been a memorable and satisfying 13 years. I am truly humbled to have been part of this transformational journey. Farewell, and thank you for your support as loyal shareholders of SATS.

**Edmund Cheng**  
Chairman

24 May 2016

