

CHAIRMAN AND PCEO'S STATEMENT

DEAR SHAREHOLDERS,

GROWING RESPONSIBLY WITH CLEAR PURPOSE IS IMPORTANT TO ALL OF US AT SATS, BECAUSE IT GIVES US CONFIDENCE THAT WE ARE BUILDING A SUCCESSFUL FUTURE.

The theme of our annual report this year, **#GrowingWithPurpose**, reflects SATS' commitment to building a sustainable business that will generate long-term value for all, including our community of stakeholders. Growing responsibly with clear purpose is important to all of us at SATS, because it gives us confidence that we are building a successful future. As we expand to feed and connect Asia, we harness the passion of our people to collaborate with our customers, business partners, suppliers and the community to innovate new services and solutions that are fit-for-purpose.

STRONGEST REVENUE GROWTH IN FIVE YEARS

Our results this year show that partnerships with our network of stakeholders are enabling faster, sustainable growth. For the year ended 31 March 2019, revenue increased 6% to S\$1.8 billion. Our technology initiatives helped us to increase efficiency to lift operating profit by 9% to S\$247 million. EBITDA for the year improved by 5% to end at S\$384 million due to higher operating profits. Return on equity remains creditable at 15.1%.

Asia Pacific airlines are adding capacity at a rapid pace to meet demand, leading to continued pressure on their yields. In 2018, Asia Pacific air traffic rose 7.3%¹, capacity grew 6.4%¹ while load factor inched up marginally by 0.7%¹ to 80.6%. The disruption caused by US-China trade tensions and the suspension of Boeing's 737 Max has also generated uncertainties in business planning. These events are creating pricing pressure for SATS and dampening aviation growth, especially cargo.

¹ <https://airlines.iata.org/news/passenger-numbers-up-in-2018-but-trade-tensions-continue-to-concern>

OUR RESULTS THIS YEAR SHOW THAT PARTNERSHIPS WITH OUR NETWORK OF STAKEHOLDERS ARE ENABLING FASTER, SUSTAINABLE GROWTH.

REVENUE

S\$1.8B

+6.0% YoY

EBITDA

S\$383.8M

+5.3% YoY



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#GROWINGWITHPURPOSE

from left to right

EULEEN GOH
CHAIRMAN

ALEX HUNGATE
PRESIDENT AND
CHIEF EXECUTIVE
OFFICER

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Marina Bay Cruise Centre Singapore saw a 65% increase in ship calls over last year, with Royal Caribbean's *Voyager of the Sea* and Dream Cruises' *Genting Dream* homeporting there.

Our reputation as Asia's leading provider of Gateway Services and Food Solutions has helped us to win new customers across the region, resulting in volume growth across all segments of our business. For example, ship calls at Marina Bay Cruise Centre Singapore (MBCCS) increased 65% over last year, with two cruise liners, Royal Caribbean International's *Voyager of the Sea* and Dream Cruises' *Genting Dream*, homeporting at MBCCS.

In view of the Group's strong cash flow and balance sheet, taking into consideration plans for capital allocation, your Board of Directors has proposed a final ordinary dividend of 13 cents per share, an increase of 1 cent per share. Including the interim dividend of

6 cents per share paid on 6 December 2018, the total dividend will be 19 cents per share (FY2017-18: 18 cents). If approved at the forthcoming Annual General Meeting on 18 July 2019, we will pay the proposed dividend on 8 August 2019.

EXPANSION AND COLLABORATION

Deepening our presence in key markets, we extended our partnership with Capital Airport Holding to Beijing Daxing International Airport and are acquiring 50% shareholding in Nanjing Weizhou Airline Food Company, an independent aviation food manufacturer in Jiangsu Province in China. Daxing International Airport is scheduled to open in October 2019 and we expect to complete our purchase of Nanjing

Weizhou Airline Food Company in September 2019. In the year, we also bought out the remaining 40% of the equity interest in Kunshan FoodCo to increase our shareholding in the company to 100%. We have, through strategic expansion in China, built a network of food and gateway operations to serve our customers in the Jing-Jin-Ji and Yangtze River Delta regions.

To enhance connectivity, we rolled out an RFID-enabled tracking system for high value and express cargo in our hubs in Singapore, China, India and Indonesia. This solution will allow airlines, shippers and consignees to track the uplift and delivery of such cargo in real-time, from its origin to the destination airport. The opening of Dammam and GTR cargo terminals in Saudi Arabia and Malaysia respectively has extended connectivity for our customers to even more locations.

The need for modern-day travellers to always stay connected could turn airlines into “sky-high retailers”, with potential for broadband-enabled airline revenue in Asia Pacific projected to hit US\$10.3 billion² by 2035. So, earlier this year, we formed a joint venture, KrisShop Pte Ltd, with Singapore Airlines (SIA) and 3Sixty (formerly DFASS Group), to offer in-flight and ground-based duty-free and duty-paid goods.

² <http://www.lse.ac.uk/business-and-consultancy/consulting/assets/documents/sky-high-economics-chapter-one.pdf>

To strengthen collaboration with SIA further, we signed a new five-year contract with the airline, with the option to renew for another five years upon expiry. This long-term partnership will enable SATS to better support SIA in their transformation plans to enhance customer experience and raise operational efficiency.

GROWING WITH PURPOSE

We connect people and businesses across Asia Pacific and provide nutritious, authentic food for the growing population in Asia’s major cities. However, with this important purpose comes great responsibility.

To help us prioritise our sustainability initiatives this year, we engaged with a broad base of stakeholders including customers, suppliers, the investment

WE PLACE PURPOSE AT THE HEART OF OUR BUSINESS AND INTO THE HANDS OF OUR PEOPLE.



SIA and SATS inked a five-year commitment to strengthen hub competitiveness with the renewal of a suite of aviation services contracts.

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community, government regulators, non-government organisations (NGOs), the media, supranational institutions, our communities, business associations, employees and trade unions, in order to gain fresh perspectives.

During the year, we made progress in minimising the impact our business has on the environment. In March 2019, we launched our FreshTech line, to reduce waste by extending the shelf life of freshly-cooked meals with no deterioration in taste or nutrition. We are also exploring plant-based proteins in our recipes to offer healthier meal options that have a lower carbon footprint.

We also started a trial to better capture data on waste streams in our kitchens, and deployed special converters to

RETURN ON EQUITY

15.1%

-1.1 ppt YoY

turn waste into energy in the form of refuse-derived fuel. In addition, we seek to eliminate single-use plastics. For example, AISATS uses nylon nets in place of disposable plastic shrink wraps to cover cargo skids upon acceptance, for safe and efficient handling during x-ray screening and storage at AISATS Air Freight Terminal.

Digitising our processes also helps to reduce unnecessary movement of people and equipment, reducing carbon emissions and waste. We have implemented digital twin technology to optimise resource planning, enhance knowledge management and improve operational efficiency, using simulation and real-time data. AISATS uses automated exterior aircraft cleaning in Indira Gandhi International Airport that reduces the time taken for the task from six hours to two hours, and cuts down the use of water.



SATS adopts a technology-driven, people-led approach towards creating innovative food solutions that nourish communities.



SATS President and CEO, Alex Hungate shares the company's strategy and outlook through regular engagements with the investment community.

We place purpose at the heart of our business and into the hands of our people. Our experienced, talented people are highly engaged (achieving a high employee engagement score of 76% vs. Asia's average of 65%). We will continue to invest in them with the launch of our SATS Academy, helping them along in their personal journeys to learn new skills, embrace technology, and grow with SATS.

ACKNOWLEDGEMENTS

We thank our colleagues across the region who work with such passion and dedication to provide award-winning service to our customers. We are also grateful for the invaluable guidance we receive from our board members and their commitment to upholding the highest standards of corporate governance. Winning Best Managed Board and Best CEO (large capitalisation category) at the Singapore Corporate Awards 2018 affirms the valuable contributions of our board members to ensure greater

transparency and accountability for SATS. We welcome Ms Jenny Lee as an Independent Non-Executive Director and believe that her 16 years of experience in venture capital investment will enhance and complement the existing competencies and skills of our Board.

Importantly, we would especially like to thank our customers, business partners, and union leaders for their spirit of collaboration and continued partnership; also, our shareholders for their trust in us.

EULEEN GOH

Chairman

ALEX HUNGATE

President and Chief Executive Officer

23 May 2019