

Chairman's Statement

Dear Shareholders,

FY2011-12 has been a significant year for SATS, despite the numerous challenges we have had to face. Uncertainties in the global economy coupled with the protracted Eurozone debt crisis have caused some turbulence to the aviation industry. The aftermath of Japan's March 11 earthquake also directly affected our inflight catering operations in Tokyo.

I am heartened that despite macro circumstances and the deconsolidation of the Daniels Group's (Daniels) results since October 2011, the Group recorded a net profit of \$170.9 million after tax and non-controlling interests for the financial year ended 31 March 2012.

We also kept to our business strategy, managed our risks and assets allocation, and more importantly, sharpened our strategic focus on growing our gateway and food businesses in Asia and the Middle East.

At the same time, we launched a new brand identity to better reflect our strategic directions and our commitment to continually delight customers with strong value propositions. Through this new brand identity, we aim to build a unified and consistent representation across our two businesses as we continue to grow our presence in the Asia Pacific region.

FY2011-12 RESULTS AND DIVIDENDS

In the year under review, I am pleased to report that Group revenue rose 24.1% year-on-year to \$1,685.4 million.

Our gateway services revenue improved 9.4% to \$602.7 million, led by increased flights and passengers handled at Singapore Changi Airport as well as better performance by our Hong Kong subsidiary, SATS HK.

Our food solutions revenue grew 35.2% due mainly to the full-year consolidation of TFK Corporation (TFK), an inflight caterer in Tokyo which we acquired in December 2010. We started consolidating TFK's results in the fourth quarter of FY2010-11 and as a result, its contribution to Group revenue was only \$72.6 million in FY2010-11, compared to \$302.6 million in FY2011-12. Excluding TFK, our food solutions revenue grew organically by 6.9% on the back of higher inflight meal volumes in Singapore.

Group operating profit remained at \$169 million as operating expenses increased 27.6% to \$1,516.4 million. Excluding TFK, operating expenses rose 8.9%, with higher staff and raw material costs being the key contributors to the increase.



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Share of results of associates and joint ventures, net of tax, fell 12.2% to \$41.2 million due to a stronger Singapore dollar and weaker performance from those associates that were affected by the soft cargo demand.

On 25 October 2011, we sold our entire stake in Daniels, a chilled food manufacturer in the UK. The absence of Daniels' contribution, coupled with the loss arising from its divestment, saw our profit attributable to owners of the Company declining 10.7% to \$170.9 million. Excluding the \$22.1 million year-on-year impact from Daniels as well as one-off items, our underlying net profit declined at a lower rate of 4.3% to \$177.5 million.

As at 31 March 2012, the Group's total assets amounted to \$2.12 billion, down 8.5% from a year ago due mainly to the deconsolidation of Daniels, and payments of ordinary and special dividends to shareholders during the year. Cash and cash equivalents rose from \$296.1 million to \$470.1 million and gross debt-to-equity ratio remained at a healthy 0.1 times.

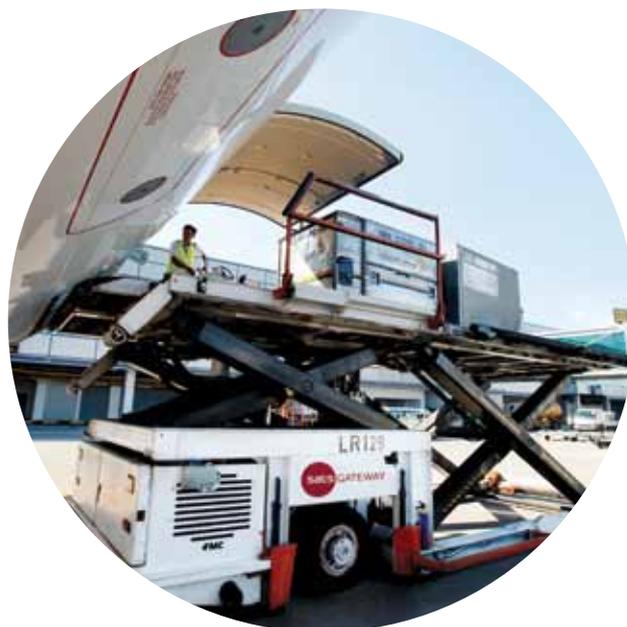
In view of our financial performance and liquidity position, and taking into account our capital management considerations, your Board is pleased to recommend a final ordinary dividend of 6 cents per share and a special dividend of 15 cents per share. Including the interim ordinary dividend of 5 cents per share paid on 9 December 2011, the proposed total dividends will be 26 cents per share, compared to 17 cents per share in the previous financial year. This represents a dividend payout ratio of 168.6% of profit attributable to owners of the Company. The proposed final and special dividends, if approved at the forthcoming Annual General Meeting on 26 July 2012, will be paid on 15 August 2012.

BUSINESS REVIEW

Gateway Services

SATS continues to be the leading ground handler at Singapore Changi Airport in FY2011-12, serving close to 75% of the scheduled flights there. In the year under review, we continued to build on our service offerings and grow our customer base by securing new ground handling contracts, including those from Air China Cargo, Lao Airlines and Lufthansa. In addition, we renewed our contracts with existing customers such as Air China, China Southern Airlines, China Cargo Airlines, Hainan Airlines, Japan Airlines, Jetstar Asia, SilkAir, Tiger Airways, TNT Airways and Turkish Airlines.

In Hong Kong, our subsidiary SATS HK successfully secured Hong Kong Airlines and Vladivostok Air as new customers. It also renewed several contracts with customers including Air Canada, Cebu Pacific Air, Jet Airways and Tiger Airways.



The favourable performance of our gateway business is testimony to the commitment we have to our customers and more importantly, our drive to constantly innovate and provide better services to our customers.

Earlier in the year, we extended our capabilities in gateway services beyond the aviation sector to include the cruise sector. We collaborated with both cruise lines and airlines to introduce the FlyCruise and CruiseFly services, providing cruise passengers a seamless check-in experience when they arrive or depart from Singapore either by air or sea. Winning the tender in December 2011 to operate and manage the new Marina Bay Cruise Centre Singapore (MBCCS) provided the Group with an opportunity to deploy its competencies just as effectively in the cruise sector. We are looking forward to this challenge as MBCCS commences operations to receive its first vessel on 26 May 2012 and we will do our utmost to deliver a delightful experience for cruise passengers.

Food Solutions

Our food solutions business continued to grow in FY2011-12.

In the area of aviation food, we maintained our leading market position at Singapore Changi Airport. We secured new customers such as Drukair, Lao Airlines and TransAsia Airways, and renewed contracts with existing customers including All Nippon Airways, Jet Airways, SilkAir and United Airlines.

Chairman's Statement

In Japan, our subsidiary TFK has turned around faster than expected. Despite meal volumes plummeting more than 40% in the immediate aftermath of the March 11 disasters, TFK weathered this difficult period and saw steady recovery in its meal volumes month after month. It also successfully renewed contracts with several existing customers such as Air France, FedEx, Lufthansa, Qantas Airways and Scandinavian Airlines, while winning a new contract from Hong Kong Airlines.

For the full year ended 31 March 2012, TFK reported revenue of \$302.6 million and net profit after tax and minority interests of \$4.5 million. Excluding a one-off adjustment arising from its revised retirement benefit plan, TFK reported an underlying net loss of \$1 million. Nonetheless, we remain positive about the long-term growth prospects of the Japanese aviation market.

In April 2011, we acquired a 40% equity stake in Adel Abuljadayel Flight Catering (AAFC) for US\$18.5 million. AAFC is a niche inflight caterer based in Jeddah and Riyadh, Saudi Arabia. Serving mainly private jets and Hajj and Umrah charters, AAFC is part of our strategic thrust to leverage our core competencies to access attractive opportunities, serve our key customers at more locations, and grow our footprint in the Middle East. AAFC will be commencing the construction of its new inflight kitchen in Riyadh this year to cater to the private jets, scheduled airlines and the premier lounge at Riyadh airport.

In the non-aviation food sector, our growth momentum continues. We made our foray into providing remote catering services through Food and Allied Support Services Corporation (FASSCO), a 51:49 joint venture company with OCS Ventures. With our strong food solutions capabilities and uncompromising food safety standards, we will open

new markets and begin to offer remote catering services to large institutional clients in the onshore/offshore oil and gas, mining and construction industries. For a start, FASSCO will target specifically the Asia Pacific market.

On 25 October 2011, we fully divested our stake in Daniels in the UK for £151 million. The Board and Management made the decision during their periodic review of the Group's strategy and business options. They also took into consideration the deteriorating Eurozone conditions, the medium-term business outlook in the UK as well as its exposure to the pound sterling. While Daniels had been earnings accretive since our acquisition of Singapore Food Industries (SFI) in 2009, we believe that it made more sense if Daniels were part of another company in the branded products market, who would be in a better position to boost its growth in this space. The impact of the divestment to SATS should, on balance, be positive in the near to medium term.

Going forward, the Group continues to view the non-aviation sector as an integral part of its food business. The SFI platform is key to grow our food catering and provisioning services in the non-aviation sector both in Singapore and overseas.

OUR EFFORTS RECOGNISED

Our efforts in providing a delightful service experience to our customers continue to be widely recognised. During the year, the following accolades, among others, were received by the Group:

- SATS clinched 37 awards - 15 golds, 15 silvers and 7 stars - at the Excellent Service Award organised by the Singapore Hotel Association and supported by SPRING Singapore;
- China Southern Airlines named its Singapore station, which is supported by SATS, as the "Best Station for 2011" out of its network of 176 stations. The award was presented to SATS for its high standards of service;
- SATS was named the "Most Reliable Caterer" by United Airlines;
- SATS was conferred the "Airport Operations Individual Award" and "Flight Delay Handling Team Award" at the Singapore Airlines CEO Transforming Customer Service Awards 2011, in recognition of its excellent customer service and outstanding team effort in operations management;
- TFK was named the "Overseas Best Caterer" by Vietnam Airlines and the "Mabuhay Best Airline Caterer" by Philippine Airlines in recognition of its outstanding catering service.



In addition, we are gratified that our efforts in other areas have also been recognised:

- SATS came in 5th amongst 657 Singapore listed companies in the Governance and Transparency Index (GTI) 2011. Jointly launched by NUS Business School's Centre for Governance, Institutions and Organisations and The Business Times, the GTI assesses the governance standards and transparency of listed companies, including their investor relations practices;
- SFI was amongst 13 companies to be conferred the "Best Employers in Singapore 2011 Award" by Aon Hewitt, based on its measures of companies' effectiveness in providing a working environment that facilitates employee engagement.

CHARTING OUR FUTURE

SATS has formally confirmed the appointment of Tan Chuan Lye as its President and CEO on 1 April 2012. Chuan Lye has been with SATS for more than 35 years and has extensive experience and knowledge in the aviation and food industries. The Board is confident that Chuan Lye is well placed to steer SATS in achieving its long-term vision with his leadership.

In FY2012-13, the outlook of the global economy and the aviation industry in particular remain uncertain. At home, slower growth is expected for the Singapore economy, which potentially would weigh on demand for air freight. Nevertheless, there remain bright spots for organic growth as passenger traffic at Changi Airport is set to increase on the back of growing regional traffic as well as network expansion by some airlines at Changi Airport. In 2012, Singapore's visitor arrivals are also forecasted to grow, albeit moderately, to between 13.5 million and 14.5 million.

With general cargo demand anticipated to remain weak as well as a strong Singapore dollar, the earnings of some of our overseas associates may continue to be impacted when translated to the home currency.

In charting our growth going forward, we will seek opportunities that will further strengthen our position as a leading services provider in Asia Pacific. This region is the bright spot in the global economy and we will continue to extend our reach here and build our businesses for profitable long-term growth. With our strong balance sheet, we remain confident and ready to access inorganic opportunities in the areas of gateway services and food solutions in key overseas markets.

As we look to strengthen and grow our businesses, we must ensure that we build a strong foundation internally. A key challenge that we face is in keeping our operating costs

low, especially when inflationary pressure on costs persists in the near term. To do that, we must drive productivity improvement by constantly reviewing our processes and streamlining them, whilst pursuing skills upgrading for our workforce. We will continue to foster a close relationship with our unions and also proactively implement more progressive manpower policies.

The Board and Management remain resolute in enforcing safety at the workplace as the nature of our business requires us to stay vigilant at all times and make no compromise in adhering to safety standards. We will continue our efforts to instil safety consciousness in every member of our staff to ensure that SATS remains a safe place to work.

WITH APPRECIATION

On behalf of the Board, I would like to extend my utmost appreciation to every member of our staff, unions, and management. As a service company, our people are the foundation upon which our every success lies. I am grateful for their continued and consistent passion, loyalty and commitment.

I wish to thank my fellow Board members for their wise counsel and support throughout the year. I am sad to bid farewell to two fellow Directors, Ng Kee Choe and Yeo Chee Tong, who will be stepping down from the Board at the forthcoming annual general meeting. Amongst the members of the Board, Kee Choe is the longest serving Director. He has, through his invaluable insights and experience, made a decisive contribution to SATS' successful development over the last 12 years. I also wish to acknowledge Chee Tong for his unstinting service over the last six years. Together with the rest of the Board, I thank them both for their invaluable service and solid contributions to SATS, and they will definitely be missed.

In FY2011-12, we saw the departure of Clement Woon as SATS' President and CEO. During his term, Clement was instrumental in transforming SATS into a leading provider of gateway services and food solutions. The Board would like to thank him for his contributions to SATS and wishes him the very best in his future endeavours.

Finally, to our customers, business partners and shareholders, my sincere thanks for your continued confidence and support.

Edmund Cheng Wai Wing

Chairman

23 May 2012