

## Chairman's Statement



Our mission is to be the first-choice provider of food solutions and gateway services by delighting customers with our innovation and passion. To achieve this, we will leverage our world-class facilities, comprehensive suite of services and new technologies to give us scale advantages and improve connectivity for our customers.



**Edmund Cheng**  
Chairman



## Dear Shareholders,

For the financial year in review, SATS operated in a very challenging business environment. Uncertainty in the global economy, pressure on airline profits arising from overcapacity in Asia and competition from the Middle Eastern carriers, as well as increased manpower costs continued to weigh on our performance. In addition, we had to grapple with lower meal volumes due to the shift of Qantas Airways' transit hub from Singapore to Dubai and the foreign exchange translation impact arising from the weakening of the Japanese Yen.

As a result, our revenue declined 1.8% year-on-year to \$1.79 billion and profit attributable to owners of the Company dropped 2.4% to \$180.4 million. Our return on equity was 12.8%, up from 12.7% a year ago. As at 31 March 2014, our total assets grew marginally to \$2.02 billion while cash and cash equivalents declined 16% to \$339.6 million due mainly to dividends paid to shareholders and our \$118.3 million investment in PT Cardig Aero Services (CAS). Free cash flow generated during the year amounted to \$189.8 million and debt-equity ratio was a healthy 0.08 times.

Taking into consideration our financial performance as well as capital management and long-term growth objectives, your Board of Directors has proposed a final ordinary dividend of 8 cents per share. Including the interim ordinary dividend of 5 cents per share paid on 5 December 2013, the total dividend of 13 cents per share translates to a dividend payout ratio of 80.8%. If approved at the forthcoming Annual General Meeting on 23 July 2014, the proposed dividend will be paid on 13 August 2014.

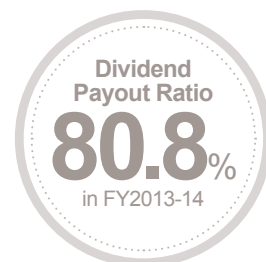
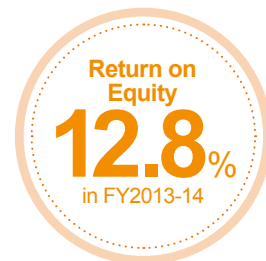
## Growing Scale, Enhancing Connectivity

SATS has set a clear direction to realise our refreshed vision to be Asia's leading food solutions and gateway services company. We will operate state-of-the-art facilities to provide food solutions that delight our customers and improve connectivity for our customers through our comprehensive gateway services across the region.

Our mission is to be the first-choice provider of food solutions and gateway services by delighting customers with our innovation and passion. To achieve this, we will leverage our world-class facilities, comprehensive suite of services and new technologies to give us scale advantages and improve connectivity for our customers.

We are also constantly on the lookout for ways to do more, with greater efficiency and cost-effectiveness. SATS has been championing productivity improvements for years, powered by our shared values of innovation and collaboration. New technology is multiplying opportunities for us to invent new ways of working and drive greater efficiencies to address rising manpower costs.

Moreover, the seamless coordination of our extensive operations will enable us to better connect our customers and passengers at different gateways across Asia, saving them valuable time, providing greater convenience and improving reliability.



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## Chairman's Statement



As a responsible corporate citizen, our duties lie not just with our shareholders, but also with the communities where we live and work. We believe in active citizenship as a means of giving back and strengthening connectivity with our communities.



### Growing Market

Our focus continues to be on Asia including the Middle East, with Indonesia, China, and India as our priority markets first. We know we can scale up further and better connect our extensive operations across the region.

Asia's middle-class population is booming. Rising affluence goes hand-in-hand with increasing demand for travel and high quality, cosmopolitan food. We are poised to capitalise on these growth trends with our state-of-the-art facilities and comprehensive suite of services, which will give us the scale we need to serve both the existing and emerging needs of our customers.

In our home market, the expansion of Changi Airport is progressing steadily. Terminal 4's completion in 2017 will increase the airport's capacity by 16 million to 82 million passengers. The third runway will be ready by early 2020s. Terminal 5, to be operational in mid-2020s, will double the existing handling capacity of Changi Airport to 135 million passengers. These plans represent

opportunities to extend our partnerships with new and existing customers.

At the same time, there are new business models emerging from the aviation industry as low-cost carriers challenge the status quo. We will align our resources to meet the changing priorities of our customers and to help them accelerate the generation of new revenue streams. This strategy will enable us to stay ahead of the curve whilst capturing the significant growth opportunities across Asia.

### Seeking Value-Creating Opportunities

In February this year, we made a strategic move to acquire a 41.65% equity stake in CAS for \$118.3 million. CAS is the leading gateway and food service provider in Indonesia with a presence in 23 cities and 17 airports across the country. Indonesia is an attractive market where domestic passenger traffic is projected to grow at an annual rate of close to 20%, reaching 180 million passengers by 2021 while

international passenger traffic is expected to grow at 5.4% per annum, up till 2017. SATS has developed a successful partnership with CAS over the last 10 years through our associate, PT Jasa Angkasa Semesta. We look forward to collaborating with CAS to add scale to our presence in Indonesia and improve connectivity for our customers.

### Connecting with the Community

As a responsible corporate citizen, our duties lie not just with our shareholders, but also with the communities where we live and work. We believe in active citizenship as a means of giving back and strengthening connectivity with our communities.

The SATS Foundation forms the cornerstone of our efforts to connect with the community, through initiatives which are geared towards the long-term by enabling and empowering its beneficiaries. This year, the SATS Foundation maintained its support for the Assumption Pathway School (APS) as well

as RSVP Singapore. APS caters to students who are unable to enter secondary school, based on their Primary School Leaving Examination results while RSVP Singapore is a non-profit organisation that aims to promote and enable senior volunteerism.

Community support must be an organisation-wide effort and our employees continue to be a driving force behind our charitable work throughout the year. In the last 12 months, the SATS Staff Association that brings our employees together in meaningful community service work, has supported nearly 30 different projects and events. Our employees rose to the occasion, pouring in time, effort and personal financial resources into supporting these good causes.

In July last year, we partnered with Metta School to commission a special art project involving its special needs students. SATS senior management visited the school and worked with its students

to create Hari Raya-themed coasters which were given out to our staff as tokens of appreciation. We raised nearly \$40,000 for the students through this project.

In November, we were deeply saddened to learn of the damage wrought by Typhoon Haiyan in the Philippines. Working hand-in-hand with our local associate, MacroAsia Catering Services, we delivered 23,000 ready-to-eat meals to affected areas, which we hope had played some small part in easing the challenges faced by the victims in the wake of the disaster. Similarly, we partnered with PT Jasa Angkasa Semesta to provide ready-to-eat meals to the victims affected by the flooding in Jakarta in January this year.

### Acknowledgements

With the strong support of our staff and management, the leadership transition since July 2013 had been a smooth one. On 1 January 2014, Alex Hungate took over as President and Chief Executive Officer from Tan Chuan Lye. Having served on the Board since July 2011, Alex is no stranger to SATS and the Company is already benefiting from his global leadership experience.

I am pleased to inform you that Chuan Lye has been appointed as Chairman of Food Solutions. A large part of his career was spent leading and transforming SATS' food business into what it is today, so there can be no better person than Chuan Lye to take on this new role.

We are also privileged to have two new directors, Euleen Goh and Yap Chee Meng, come on board during the year. Euleen brings her

strong grounding in banking and finance to bear in her role as Chairman of the Audit Committee while Chee Meng joins us as Chairman of the Risk and Safety Committee with his wealth of experience in finance and strategy development. I would like to take this opportunity to thank my fellow Board members for their invaluable contributions and wise counsel.

For the forthcoming Annual General Meeting of the Company, two of our fellow Directors Keith Tay and David Heng have elected to retire from the Board. I am sad to bid farewell to Keith and David who have served close to seven and five years on the Board respectively. Keith has contributed immeasurably through his active participation and invaluable experience while David has also served with distinction on the Board. On behalf of the Company and the Board, I wish to express our deep appreciation for their unstinting service and wish them well in their future endeavours.

My sincere thanks go also to our customers, business partners and staff unions for their trust and unwavering support, as well as to you, our shareholders, for your continued confidence and loyalty.

Finally, I would like to extend my utmost gratitude to our dedicated employees who are driven to give their best to achieve the Company's objectives and have been the cornerstone of our growth and success throughout the years.

**Edmund Cheng**

Chairman

28 May 2014

