MEDIA RELEASE

SATS FY16-17 NET PROFIT GROWS 16.9% TO $257.9M

- 4Q FY16-17 net profit increases to $66.6M, boosted by overseas contributions
- Proposed full year dividend of 17 cents (FY15-16: 15 cents); ROE improves from 15% to 16.7%
- Operating volumes increase across the board, reflecting growth in our Asian markets

SINGAPORE, 19 May 2017 – SATS Ltd. (SATS) today reports its unaudited results for the fourth quarter and full year ended 31 March 2017.

HIGHLIGHTS OF THE GROUP'S UNAUDITED RESULTS:

	4Q FY16-17 (S$ million)	Favourable / (Unfavourable) Change (S$ million)	Favourable / (Unfavourable) Change (%)
Revenue	425.8	8.2	2.0
Expenditure	(380.0)	(12.1)	(3.3)
Operating profit	45.8	(3.9)	(7.8)
Share of results of associates/JVs, net of tax	28.8	17.1	146.2
Profit attributable to owners of the Company	66.6	15.9	31.4
Underlying net profit (1)	51.6	0.9	1.8
Earnings per share (cents) - basic	6.0	1.4	30.4

	FY16-17 (S$ million)	Favourable / (Unfavourable) Change (S$ million)	Favourable / (Unfavourable) Change (%)
Revenue	1,729.4	31.2	1.8
Expenditure	(1,498.8)	(15.3)	(1.0)
Operating profit	230.6	15.9	7.4
Share of results of associates/JVs, net of tax	65.2	17.2	35.8
Profit attributable to owners of the Company	257.9	37.3	16.9
Underlying net profit (1)	234.3	16.2	7.4
Earnings per share (cents) - basic	23.2	3.3	16.6

Note:

(1) Underlying net profit refers to profit attributable to owners of the Company excluding the following one-off items: (i) Gain on disposal of assets held for sale (NIL in 4Q FY16-17 and 4Q FY15-16, $9.3M in FY16-17 and NIL in FY15-16). (ii) Net gain from transfer of business to a joint venture (NIL in 4Q FY16-17 and 4Q FY15-16, NIL in FY16-17 and $2.5M in FY15-16). (iii) Loss on divestment/dilution of interest in associates (NIL in 4Q FY16-17 and 4Q FY15-16, $0.7M in FY16-17 and NIL in FY15-16). (iv) Negative goodwill for Evergreen Sky Catering Corporation ($15M in 4Q FY16-17 and NIL in 4Q FY15-16, $15M in FY16-17 and NIL in FY15-16).

GROUP EARNINGS

4Q FY16-17 (1 January – 31 March 2017)

For the fourth quarter ended 31 March 2017, Group revenue increased $8.2 million or 2% year-on-year to $425.8 million. Food Solutions' revenue grew $1.6 million or 0.7% to $233.9 million while Gateway Services' revenue improved $6.6 million or 3.6% to $190.4 million.

The Group's expenditure rose $12.1 million or 3.3% to $380 million, with most expense categories increasing year-on-year except for the cost of raw materials and licence fees. Staff costs increased $4.7 million due to service increment and lower government subsidies, while the rise in depreciation and amortisation charges by $1 million was in line with additional capital expenditure incurred. Higher company premise and utilities expenses of $5.2 million were due to the absence of rental rate adjustments made in the same quarter last year, and higher maintenance and utilities costs. The increase in other costs of $3.3 million was mainly from higher equipment maintenance costs, fuel consumption, professional fees and lower grants.

Group operating profit for the quarter declined $3.9 million or 7.8% year-on-year to $45.8 million.

For the quarter, share of after-tax profits from associates/joint ventures was $28.8 million, an increase of $17.1 million or 146.2%. This was mainly due to the recognition of $15 million negative goodwill arising from the increased stake in a long-term investment Evergreen Sky Catering Corporation (ESCC) from 15% to 25% in the quarter. ESCC has since been reclassified from a long-term investment to an associate following the increased stake.

Profit attributable to owners of the Company was $66.6 million, $15.9 million or 31.4% higher than the last corresponding quarter. Underlying net profit was $51.6 million, $0.9 million or 1.8% higher year-on-year. Earnings per share grew 30.4% to 6 cents.

FY16-17 (1 April – 31 March 2017)

For the financial year ended 31 March 2017, the Group returned to growth, with revenue up 1.8% or $31.2 million year-on-year to $1.7 billion. Revenue from Food Solutions increased $5.6 million or 0.6% to $973 million, while Gateway Services' revenue increased $24.9 million or 3.4% to $750.8 million. Excluding the transfer of the food distribution revenue to SATS BRF Food Pte. Ltd. (SBRF), the Group's underlying revenue would have grown $76.4 million or 4.5% while Food Solutions' underlying revenue would have improved $50.8 million or 5.3%.

Group expenditure increased $15.3 million or 1% to $1,498.8 million. Most expense categories grew except for raw material costs and licence fees. Raw material costs dropped $24.8 million or 8.8% due mainly to the transfer of food distribution business to SBRF. Conversely, staff costs increased $30.8 million or 3.7% primarily due to service increment, higher subcontract costs to support the increased business volumes, higher accrual of staff expenses as well as lower subsidies received. Depreciation and amortisation charges increased $3.1 million or 4.4% in line with higher capital expenditure, while other costs were higher by $5.2 million or 4% mainly from increases in equipment maintenance costs, professional fees and cleaning materials, partly mitigated by higher foreign exchange gain.

Operating profit for FY16-17 improved $15.9 million or 7.4% year-on-year, due to productivity initiatives and operating leverage.

Share of after-tax profits from associates/joint ventures for the full year was $65.2 million, an increase of $17.2 million or 35.8% from last year, largely from Food Solutions where there was an inclusion of the negative goodwill of $15 million from the acquisition of ESCC as explained above.

On 30 June 2016, the Group announced the completion of the disposal of its Senoko property asset held for sale, leading to a gain on disposal of $9.3 million in the first quarter. This gain was partially offset by losses of $0.2 million from the divestment of an associate International Airport Cleaning Co. Ltd., and $0.5 million on dilution of the shareholdings in an associate, Beijing Airport Inflight Kitchen Ltd., from 40% to 28%.

Profit attributable to owners of the Company grew $37.3 million or 16.9% year-on-year to $257.9 million. Underlying net profit was $234.3 million, $16.2 million or 7.4% higher than last year. Earnings per share rose 16.6% to 23.2 cents.

GROUP FINANCIAL POSITION (as at 31 March 2017)

As at 31 March 2017, the Group had total assets of $2.3 billion. Cash and short-term deposits increased $15.9 million or 3.2% from 12 months earlier to $505.8 million. The increase was mainly due to cash generated from operations, dividends received from associates/joint ventures, proceeds from disposal of assets held for sale, partly offset by dividends paid to shareholders and the investments in associates, joint ventures and long-term investments.

Free cash flow generated during the year amounted to $220.8 million and debt-to-equity ratio remained healthy at 0.07 times.

PROPOSED DIVIDEND

In view of the Group's financial performance in FY16-17, its liquidity position as well as capital allocation considerations, the Board of Directors has recommended a final dividend of 11 cents per share. Including the interim dividend of 6 cents per share, this brings the total dividend to 17 cents per share, up from 15 cents last year.

The proposed final dividend will be tabled for shareholders' approval at the forthcoming Annual General Meeting on 21 July 2017 and if approved, will be paid on 11 August 2017. The book closure date is 28 July 2017.

OUTLOOK

Uncertainties in world trade flows and intense competition in the aviation industry are putting pressure on airline yields, which could lead to lower margins for SATS.

However, we will continue our strategy of connecting and feeding Asia as the growth in air travel, eCommerce and demand for high quality, safe food remain high. We will accelerate the use of technology to increase productivity, gain greater scale economies, and link our regional operations to serve our customers better.

We intend to make further investments in capital and new business opportunities in additional locations in the coming year.

Said Alex Hungate, President and Chief Executive Officer of SATS, "FY16-17 was a difficult year with fierce competition across the aviation industry, a muted regional climate and an uncertain global outlook. We are adapting quickly, upskilling our people and injecting new technologies into our operations to enhance productivity and improve the quality of our offerings. As a result, we generated underlying revenue growth of 4.5% and increased net profit by 16.9%, with return-on-equity rising to 16.7%."

"We have made progress with our strategy to feed and connect Asia this financial year. We will continue to grow into new geographies and complementary businesses while investing in people-led technological innovation across the Company."

– End –

ABOUT SATS

SATS is Asia's leading provider of Gateway Services and Food Solutions.

Our comprehensive Gateway Services encompass airfreight handling, passenger services, ramp handling, baggage handling, aviation security services, aircraft interior and exterior cleaning as well as cruise centre management. Our Food Solutions include airline catering, institutional and remote catering, aviation laundry as well as food distribution and logistics.

SATS is present in 47 airports, 53 cities and 14 countries across Asia and the Middle East.

SATS has been listed on the Singapore Exchange since May 2000. For more information, please visit www.sats.com.sg.

ANNOUNCEMENT INFORMATION

The complete 4Q and FY16-17 results of SATS are available at www.sats.com.sg.

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ANNEX A: GROUP FINANCIAL STATISTICS

Financial Results (S$ million)	4Q FY16-17	4Q FY15-16	FY16-17	FY15-16
Revenue	425.8	417.6	1,729.4	1,698.2
Expenditure	(380.0)	(367.9)	(1,498.8)	(1,483.5)
Operating profit	**45.8**	**49.7**	**230.6**	**214.7**
Share of results of associates/JVs, net of tax	28.8	11.7	65.2	48.0
Profit before tax	**76.4**	**60.5**	**309.1**	**265.2**
Profit attributable to owners of the Company	**66.6**	**50.7**	**257.9**	**220.6**
Underlying net profit	***51.6***	***50.7***	***234.3***	***218.1***
Per Share Data				
Earnings per share (cents)				
- Basic [R1]	6.0	4.6	23.2	19.9
- Diluted [R2]	5.9	4.5	23.0	19.7
Return on turnover (%) [R3]	15.6	12.1	14.9	13.0

Financial Position (S$ million)	As at 31-MAR-17	As at 31-MAR-16
Equity attributable to owners of the Company	1,603.5	1,490.8
Total assets	2,279.4	2,105.7
Total debt	108.6	110.7
Gross debt/equity ratio (times) [R4]	0.07	0.07
Net asset value per share ($) [R5]	1.44	1.34

Notes:

The Group financial statistics should be read in conjunction with the explanatory footnotes found on page 1 of this media release.

[R1] Earnings per share (basic) is computed by dividing profit attributable to owners of the Company by the weighted average number of fully paid shares in issue.

[R2] Earnings per share (diluted) is computed by dividing profit attributable to owners of the Company by the weighted average number of fully paid shares in issue after adjusting for dilution of shares under various employee share plans.

[R3] Return on turnover is computed by dividing profit attributable to owners of the Company by total revenue.

[R4] Gross debt/equity ratio is computed by dividing total debt by equity attributable to owners of the Company.

[R5] Net asset value per share is computed by dividing equity attributable to owners of the Company by the number of ordinary shares (excluding treasury shares) in issue.

ANNEX B: OPERATING STATISTICS

	2H FY16-17	2H FY15-16	Change (%)	FY16-17	FY15-16	Change (%)
Passengers Handled ('M)	26.35	25.47	3.5	51.53	48.45	6.4
Flights Handled ('000)	87.50	84.02	4.1	171.38	162.24	5.6
Cargo/Mail Processed ('000 tonnes)	876.78	816.98	7.3	1,717.42	1,596.22	7.6
Gross Meals Produced ('M)	33.40	33.54	(0.4)	67.61	64.34	5.1
Ship Calls Handled	125	95	31.6	147	110	33.6

Notes:

i. The above operating data cover SATS and its subsidiaries, but does not include joint ventures and associates.

ii. Passengers handled comprises full service and low cost carrier as well as cruise ship passengers.

iii. Gross meals include both inflight and institutional catering meals.