



MEDIA RELEASE

SATS 3Q PROFIT UP 3.5% DRIVEN BY HIGHER EARNINGS FROM JOINT VENTURES

SINGAPORE, 13 February 2019 – SATS Ltd. (SATS) today reports its unaudited results for the third quarter and nine months ended 31 December 2018.

HIGHLIGHTS OF THE GROUP'S UNAUDITED RESULTS:

	3Q FY18-19 (S\$ million)	Favourable / (Unfavourable) Change (S\$ million)	Favourable / (Unfavourable) Change (%)
Revenue	464.0	24.2	5.5
Expenditure	(398.7)	(24.6)	(6.6)
Operating profit	65.3	(0.4)	(0.6)
Share of results of associates/JVs, net of tax	20.7	7.0	51.1
Profit attributable to owners of the Company	68.9	2.3	3.5
Underlying net profit ¹	63.1	1.0	1.6
EBITDA ²	106.5	3.0	2.9
Earnings per share (cents) - basic	6.2	0.2	3.3
Return on Equity (%/ppt) ³	4.3	0.1	n.m.

	9M FY18-19 (S\$ million)	Favourable / (Unfavourable) Change (S\$ million)	Favourable / (Unfavourable) Change (%)
Revenue	1,356.5	55.4	4.3
Expenditure	(1,160.3)	(39.5)	(3.5)
Operating profit	196.2	15.9	8.8
Share of results of associates/JVs, net of tax	50.0	2.8	5.9
Profit attributable to owners of the Company	198.5	2.4	1.2
Underlying net profit ¹	192.7	8.1	4.4
EBITDA ²	306.5	9.7	3.3
Earnings per share (cents) - basic	17.8	0.2	1.1
Return on Equity (%/ppt) ³	12.3	0.0	n.m.

Note:

¹ Underlying net profit refers to net profit attributable to owners of the Company excluding the following one-off items.

	3 rd Quarter		9 Months	
	2018-19	2017-18	2018-19	2017-18
(i) Gain on disposal of assets held for sale, net of tax	–	–	–	7.0
(ii) Write-back of earn-out consideration	11.6	4.5	11.6	4.5
(iii) Impairment loss on investment in associates	(11.6)	–	(11.6)	–
(iv) Share of DFASS SATS Pte Ltd profits from the disposal of business to KrisShop Pte Ltd, net of tax	5.8	–	5.8	–

² EBITDA refers to earnings before interest, tax, depreciation and amortisation

³ Return on Equity is profit attributable to owners of the Company expressed as a percentage of the average equity holders' funds for the respective periods (non-annualised).

GROUP EARNINGS**3Q FY18-19 (1 October – 31 December 2018)**

For the third quarter ended 31 December 2018, Group revenue grew \$24.2 million or 5.5% to \$464 million, on the back of increased volume growth in Food Solutions and Gateway Services. Food Solutions' revenue rose \$12 million or 5% to \$252.4 million with growth registered in all core catering subsidiaries in Singapore, Japan and China. Gateway Services' revenue increased \$12.3 million or 6.2% to \$211.3 million, with increased revenue contributions from SATS ground services at Singapore Changi Airport's Terminal 4 and cruise terminal operations at Marina Bay Cruise Centre Singapore.

The Group's expenditure was higher by \$24.6 million or 6.6% at \$398.7 million, driven mainly by volume growth with increased costs across all expenditure categories. Key contributors included increases of \$10.6 million in staff costs partly due to reduced employment credits, \$5 million in raw materials costs related to increased meal volume, \$3.3 million in company premises and utilities expenses, \$1.1 million in licence fees, as well as \$1.2 million in depreciation and amortisation. Other costs rose with higher IT renewal expenses, fuel costs, and professional fees related to new projects and investments, cushioned by grants received.

Group operating profit for the quarter was \$65.3 million, a decline of \$0.4 million or 0.6% from the last corresponding quarter.

Share of after-tax profits from associates/joint ventures increased \$7 million or 51.1% to \$20.7 million for the quarter, underscored by higher contributions from Gateway Services' associates/joint ventures. The share of profits included a gain of \$5.8 million recognised in DFASS SATS Pte Ltd ("DSPL") for the disposal of business to KrisShop Pte Ltd (previously known as Singapore Airport Duty-Free Emporium (Private) Limited) ("KSPL").

KSPL is a joint venture amongst Singapore Airlines Limited ("SIA"), SATS Ltd. and DFASS (Singapore) Pte Ltd. ("DFASS") to engage in travel retail business in Singapore, offering inflight and ground-based duty-free and duty-paid goods, as well as mail order and pre-order services. Following the completion of the share subscription, SIA will hold approximately 70% whilst SATS

and DFASS will each hold approximately 15% of the issued share capital of KSPL. KSPL has since been accounted for as an associated company of the SATS Group. Excluding the gain, share of results from associates/joint ventures increased \$1.2 million.

Profit attributable to owners of the Company rose \$2.3 million or 3.5% to \$68.9 million. Excluding one-off gain of \$5.8 million in DSPL, the underlying net profit rose \$1 million or 1.6% year-on-year to \$63.1 million.

9 Months FY18-19 (1 April – 31 December 2018)

For the nine months ended 31 December 2018, Group revenue achieved an increase of \$55.4 million or 4.3% to \$1,356.5 million on the back of volume growth in both Food Solutions and Gateway Services. Revenue contribution from Food Solutions grew \$24.5 million or 3.4% to \$742.8 million, contributed in part by \$6.5 million or 3.6% growth in TFK and \$3.9 million or 163% growth in our non-aviation food in China. Gateway Services' revenue improved \$30.7 million or 5.3% to \$612.5 million, driven by volume growth in flights handled as well as increased contribution of \$15.5 million and \$15.8 million, from SATS ground services operations at T4 and cruise terminal operations respectively.

Excluding the impact of SATS HK Limited ("SHK") a wholly owned subsidiary which the Group has divested 51% interest to Voltaire Capital Investment Limited in July 2017, the Group's underlying revenue would have increased \$71 million or 5.5%, while Gateway Services' revenue would have registered a higher growth of \$46.3 million or 8.2%.

Group expenditure rose \$39.5 million or 3.5% to \$1,160.3 million driven mainly by volume growth, reflecting increases in all expenditure categories. Staff costs were higher by \$13.6 million partly due to reduced employment credits, while the cost of raw materials and licence fees increase by \$13 million and \$3.2 million respectively, in line with revenue growth. Depreciation and amortisation increased \$3.5 million, while company premises and utilities expenses were up \$5.8 million due to higher utilities consumption and rates. Other costs increased marginally by \$0.4 million due to higher IT expenses, fuel costs and professional fees attributed to new projects and investments carried out during the period. These were mitigated by foreign exchange gains and grants received.

Operating profit rose by \$15.9 million or 8.8% to \$196.2 million over the same period last year, with revenue growth outpacing expenditures growth.

Share of after-tax profits from associates/joint ventures increased \$2.8 million or 5.9% year-on-year to \$50 million, due to higher contributions from Gateway Services' that included a gain of \$5.8 million from DSPL's disposal of business to KSPL in this quarter.

Profit attributable to owners of the Company saw an increase of \$2.4 million or 1.2% to \$198.5 million. Excluding the one-off gain of \$5.8 million in DSPL, the underlying net profit was \$192.7 million, \$8.1 million or 4.4% improvement over the same period last year. Earnings per share was up 0.2 cents to 17.8 cents.

The Group recorded a write-back of earn-out consideration of \$11.6 million as well as an impairment loss of the same amount from its investment in Brahim's SATS Investment Holdings Sdn. Bhd. ("BSH"). The earn-out consideration of \$11.6 million was part of the purchase consideration in the acquisition of BSH. As the target period had lapsed and earn-out targets were not met, the Group wrote back the earn-out consideration and recorded an impairment loss after assessing its investment in BSH.

GROUP FINANCIAL POSITION (as at 31 December 2018)

As at 31 December 2018, the Group had total assets of \$2.3 billion. Compared to the position held as at 31 March 2018, cash and short-term deposits decreased \$102.6 million to \$270.7 million. This decline was primarily due to dividend payments to shareholders, capital expenditure, investments in associates/joint ventures, as well as purchase of treasury shares.

Free cash flow generated during the nine months amounted to \$119.2 million and debt-to-equity ratio remained healthy at 0.06 times.

OUTLOOK

Despite the slowdown in the global economy, increasing volumes in the aviation industry and strong demand for convenient food in Asian cities are creating growth opportunities for SATS. We are well-positioned to extend our market leadership in Asia Pacific, especially in the large, dynamic markets.

China is a key market for us for scale and connectivity, and we have invested in ground and cargo handling, and catering operations at the new Daxing International Airport in Beijing. Furthermore, we are building new central kitchens in China to supply fast casual restaurant chains in key cities.

At the same time, our new ground and cargo handling ventures in India and Malaysia are already growing profitably.

We continue to enhance the sustainability of our business by digitalising our operations, developing our people, and building new capabilities while seeking acquisitions that can help us accelerate the implementation of our strategy to feed and connect Asia.

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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 over 60 locations and 13 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 3Q and 9M FY18-19 results of SATS are available at www.sats.com.sg.

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ANNEX A: GROUP FINANCIAL STATISTICS

Financial Results (S\$ million)	3Q FY18-19	3Q FY17-18	9M FY18-19	9M FY17-18
Revenue	464.0	439.8	1,356.5	1,301.1
Expenditure	(398.7)	(374.1)	(1,160.3)	(1,120.8)
Operating profit	65.3	65.7	196.2	180.3
Share of results of associates/JVs, net of tax	20.7	13.7	50.0	47.2
Profit before tax	86.4	84.7	247.6	241.9
Profit attributable to owners of the Company	68.9	66.6	198.5	196.1
Underlying net profit	63.1	62.1	192.7	184.6
Per Share Data				
Earnings per share (cents)				
- Basic ^{R1}	6.2	6.0	17.8	17.6
- Diluted ^{R2}	6.2	5.9	17.7	17.4
Return on turnover (%) ^{R3}	14.8	15.1	14.6	15.1

Financial Position (S\$ million)	As at 31-DEC-18	As at 31-MAR-18
Equity attributable to owners of the Company	1,603.9	1,634.1
Total assets	2,298.9	2,348.3
Total debt	96.8	106.4
Gross debt/equity ratio (times) ^{R4}	0.06	0.07
Net asset value per share (\$) ^{R5}	1.44	1.46

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.