



MEDIA RELEASE

SATS 1Q REVENUE UP 5.8% FOLLOWING INVESTMENTS FOR FUTURE GROWTH; PROFIT DOWN 14.4% IMPACTED BY MACRO HEADWINDS

- 5.8% revenue growth driven by the consolidation of GTR, as well as growth of aviation catering subsidiaries in Japan and Singapore, with increasing flights handled and aviation meal volumes.
- 1Q profits impacted by Jet Airways suspension, lower foreign exchange gains and lower cargo volumes due to global trade uncertainties.

SINGAPORE, 18 July 2019 – SATS Ltd. (SATS) today reports its unaudited results for the first quarter ended 30 June 2019.

HIGHLIGHTS OF THE GROUP'S UNAUDITED RESULTS:

	1Q FY19-20 (S\$ million)	Favourable / (Unfavourable) Change (S\$ million)	Favourable / (Unfavourable) Change (%)
Revenue	465.1	25.7	5.8
Expenditure	(408.3)	(33.8)	(9.0)
Operating profit	56.8	(8.1)	(12.5)
Share of results of associates/JVs, net of tax	14.6	(0.7)	(4.6)
Profit attributable to owners of the Company	54.7	(9.2)	(14.4)
EBITDA ⁽¹⁾	97.8	(2.5)	(2.5)
Earnings per share (cents) - basic	4.9	(0.8)	(14.0)
Return on Equity (%/ppt) ⁽²⁾	3.3	(0.5)	n.m.

Note:

⁽¹⁾ EBITDA refers to earnings (including Share of results of associates/joint ventures) before interest, tax, depreciation and amortisation; and excluding one-off items.

⁽²⁾ 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

1Q FY19-20 (1 April – 30 June 2019)

For the first quarter ended 30 June 2019, Group revenue grew \$25.7 million or 5.8% year-on-year to \$465.1 million with both Food Solutions and Gateway Services recording growth. Revenue from Food Solutions rose \$1.9 million or 0.8% to \$241.4 million as core aviation catering subsidiaries improved performance. Gateway Services' revenue increased \$23.7 million or 11.9% to \$223.3 million, of which \$22.5 million was attributable to the consolidation of GTR entities, Ground Team Red Holdings Sdn Bhd and Ground Team Red Sdn Bhd, which took effect from January 2019. The growth was partially offset by the decrease in cargo revenue as a result of lower cargo volume.

Group expenditure was higher by \$33.8 million or 9% year-on-year at \$408.3 million, largely driven by the consolidation of GTR entities which accounted for \$20.6 million of the increase. Staff costs grew by \$22 million, largely due to the volume growth and consolidation of GTR entities. The cost of raw materials reduced by \$1.5 million with better yield derived from the usage of raw materials, while licence fees remained flat compared to the corresponding quarter last year. The adoption of SFRS(I) 16 *Leases* from 1 April 2019 has impacted the accounting of various operating and financial expenses, including depreciation and amortisation, as well as company premises expenses. Other costs increased \$10.9 million as a result of higher maintenance expenses for ground support equipment and vehicle expenses, IT expenses to support digitalisation and transformation projects, fuel costs, recognition of operating lease expense with the adoption of the new accounting standard and lower foreign exchange gains. Excluding the GTR consolidation, the Group would have recorded a lower increase of \$13.2 million or 3.5% in expenditure.

Operating profit for the quarter was \$56.8 million, reflecting a drop of \$8.1 million or 12.5% from the previous corresponding quarter. The SFRS(I) 16 adoption had a net adverse impact of \$0.5 million on the Group's profit.

Share of after-tax profits from associates/joint ventures decreased \$0.7 million or 4.6% to \$14.6 million, with lower contributions from Gateway Services' associates/joint ventures, while Food Solutions' were maintained. Excluding a \$3.3 million provision for credit losses for Jet Airways, share of results of associates/joint ventures would have increased by \$2.6 million or 17%.

Profit attributable to owners of the Company was \$54.7 million, \$9.2 million or 14.4% lower year-on-year. Earnings per share declined 14.0% to 4.9 cents.

GROUP FINANCIAL POSITION (as at 30 June 2019)

As at 30 June 2019, total equity of the Group increased \$59.6 million to \$1,876.7 million, compared to 31 March 2019. The higher equity was attributable to profits generated and the increase in share-based compensation reserve arising from the grant of share awards under the SATS Restricted Share Plan during the quarter.

Non-current assets grew \$208.5 million due to investment in associates and long-term investments, and the recognition of \$192.3 million in right-of-use assets arising from the adoption of SFRS(I) 16, which resulted in \$182.4 million in non-current lease liabilities and \$10.7 million in current lease liabilities as at 30 June 2019. The increase in investment in associates,

joint ventures and long-term investment were largely due to two joint ventures at Beijing Daxing International Airport, with \$21.5 million for 40% equity in Beijing CAH SATS Aviation Services Co., Ltd. (BCS) to provide ground and cargo handling, and \$6.1 million for 10% equity in Beijing Daxing International Airport Inflight Catering Ltd (DAIC) to offer inflight catering and related services.

Current assets of the Group saw an increase of \$56.3 million primarily due to higher cash and short-term deposits, while current liabilities rose \$19.4 million in relation to SFRS(I) 16 and were partially mitigated by lower income tax payable. The Group's non-current liabilities increased \$185.8 million, mainly contributed by SFRS(I) 16-related lease liabilities, in addition to a higher term loan, which arose from currency translation losses on the Japanese Yen loan.

Free cash flow generated during the first three months amounted to \$69.6 million and debt-to-equity ratio has increased to 0.17 times due to the adoption of SFRS(I) 16. Excluding the impact of SFRS(I) 16, debt-to-equity ratio remained healthy at 0.06 times.

OUTLOOK

The global economy is showing signs of weakness, as reflected in the softening of air cargo volume. Aviation passenger volumes in Asia continue to grow although more slowly, while rapid urbanisation in the region is still driving demand for safe, high-quality food. We anticipate that the cruise industry in Southeast Asia will develop to keep pace with burgeoning consumer interest, with cruise passengers to Singapore forecast to increase.

We aim to strengthen our market leadership by continuing to extend our network across Asia Pacific and digitalising our operations to enhance service and improve productivity.

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ABOUT SATS

SATS is Asia's leading provider of food solutions and gateway services.

Our food solutions include airline catering as well as central kitchens for food service chains and institutions. 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.

SATS is present in over 60 locations and 13 countries across Asia Pacific 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 1Q FY19-20 results of SATS are available at www.sats.com.sg.

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ANNEX A: GROUP FINANCIAL STATISTICS

Financial Results (S\$ million)	1Q FY19-20	1Q FY18-19
Revenue	465.1	439.4
Expenditure	(408.3)	(374.5)
Operating profit	56.8	64.9
Share of results of associates/JVs, net of tax	14.6	15.3
Profit before tax	70.9	80.9
Profit attributable to owners of the Company	54.7	63.9
Per Share Data		
Earnings per share (cents)		
- Basic ^{R1}	4.9	5.7
- Diluted ^{R2}	4.9	5.7
Return on turnover (%) ^{R3}	11.8	14.5

Financial Position (S\$ million)	As at 30-JUN-19	As at 31-MAR-19
Equity attributable to owners of the Company	1,708.6	1,649.3
Total assets	2,673.2	2,408.4
Total debt	291.1	95.7
Gross debt/equity ratio (times) ^{R4}	0.17	0.06
Net asset value per share (\$) ^{R5}	1.53	1.48

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

	1QFY19-20	1QFY18-19	Change (%)
Passengers Handled ('M)	22.56	14.67	53.8
Flights Handled ('000)	91.46	40.91	123.6
Cargo/Mail Processed ('000 tonnes)	452.16	459.59	(1.6)
Gross Meals Produced ('M)	19.25	18.81	2.3
Ship Calls Handled	68	67	1.5

Notes:

- i. *The above operating data cover SATS and its subsidiaries, but does not include joint ventures and associates.*
- ii. *Passengers handled comprise full service and low cost carriers, business aviation, as well as cruise ship passengers.*
- iii. *Gross meals include both in-flight and institutional catering meals.*
- iv. *Flights, cargo, and passengers handled by GTR and SATS Seletar Aviation Services have been included in the above operating statistics since January 2019 and April 2019 respectively.*