MEDIA RELEASE

SATS 3Q REVENUE GROWS 17.6%; PROFIT DOWN 13.9% ON HEADWINDS

- Revenue growth from catering in Japan and recent acquisitions.
- 3Q profit affected by softer cargo volumes due to global trade uncertainties and continued investment for future growth.
- SATS will be impacted by COVID-19 but is well prepared to weather the disruption.

SINGAPORE, 13 February 2020 – SATS Ltd. (SATS) today reports its unaudited results for the third quarter and nine months ended 31 December 2019.

HIGHLIGHTS OF THE GROUP'S UNAUDITED RESULTS:

	3Q FY19-20 (S$ million)	**Favourable / (Unfavourable) Change (S$ million)**	**Favourable / (Unfavourable) Change (%)**
Revenue	545.6	81.6	17.6
Expenditure	(482.7)	(84.0)	(21.1)
Operating profit	62.9	(2.4)	(3.7)
Share of results of associates/JVs, net of tax	14.7	(6.0)	(29.0)
Profit attributable to owners of the Company	59.3	(9.6)	(13.9)
Underlying net profit[1]	59.3	(3.8)	(6.0)
EBITDA[2]	108.1	7.2	7.1
Earnings per share (cents) - basic	5.3	(0.9)	(14.5)
Return on Equity (%/ppt)[3]	3.6	(0.7)	n.m.

	9M FY19-20 (S$ million)	**Favourable / (Unfavourable) Change (S$ million)**	**Favourable / (Unfavourable) Change (%)**
Revenue	1,508.1	151.6	11.2
Expenditure	(1,323.4)	(163.1)	(14.1)
Operating profit	184.7	(11.5)	(5.9)
Share of results of associates/JVs, net of tax	43.0	(7.0)	(14.0)
Profit attributable to owners of the Company	174.7	(23.8)	(12.0)
Underlying net profit[1]	174.7	(18.0)	(9.3)
EBITDA[2]	312.7	11.3	3.7

Earnings per share (cents) - basic	15.6	(2.2)	(12.4)
Return on Equity (%/ppt)[3]	10.7	(1.6)	n.m.

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

	3rd Quarter		9 Months	
	2019-20	2018-19	2019-20	2018-19
(i) Write-back of earn-out consideration	–	11.6	–	11.6
(ii) Impairment loss on investment in associates	–	(11.6)	–	(11.6)
(iii) Share of DFASS SATS Pte Ltd profits from the disposal of business to KrisShop Pte Ltd, net of tax	–	5.8	–	5.8

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

<u>3Q FY19-20 (1 October – 31 December 2019)</u>

For the third quarter ended 31 December 2019, Group revenue grew $81.6 million or 17.6% to $545.6 million, recording growth in both Food Solutions and Gateway Services. Food Solutions' revenue increased $58.4 million or 23.1% to $310.8 million, primarily due to the consolidation of Country Foods Pte. Ltd. ("CFPL") (formerly known as SATS BRF Food Pte. Ltd.) and Nanjing Weizhou Airline Food Corp., Ltd. ("NWA"), which contributed $42.3 million and $14.9 million respectively.

Gateway Services' revenue rose $23 million or 10.9% to $234.3 million, mainly attributable to $23.5 million registered from the consolidation of Ground Team Red Holdings Sdn Bhd and Ground Team Red Sdn Bhd (collectively known as "GTR entities"), and partly offset by lower cargo volume and ship calls.

Group expenditure was higher by $84 million or 21.1% at $482.7 million, compared to the same quarter last year. This increase was offset by the divestment of Food and Allied Support Services Corporate Pte Ltd ("FASSCO"), amounting to $5 million. The consolidation of new subsidiaries mentioned in the earlier paragraphs accounted for $76.8 million of the expenditure.

Staff costs increased by $23.4 million, corresponding with volume growth and the consolidation of newly-added subsidiaries. Raw materials costs rose largely due to the consolidation of CFPL and NWA, while higher license fees were in line with increased revenue. The increase in depreciation and amortisation costs resulting from the adoption of SFRS(I) 16 Leases was partially mitigated by the decrease in company premises and utilities expenses. Higher depreciation costs were also partly attributable to new projects and assets. Other costs increased $13 million mostly due to higher maintenance and hiring costs for ground support equipment, fuel costs, and IT expenses relating to IT infrastructure for digitalisation projects. Excluding the consolidation of newly-acquired subsidiaries and divestment of FASSCO, Group expenditure would have recorded a lower increase of $12.3 million or 3.1%.

Operating profit for the quarter decreased $2.4 million or 3.7% to $62.9 million year-on-year. Taking into account the increase in interest expense arising from the adoption of SFRS(I) 16, the negative impact on the Group's profit after tax and non-controlling interests from the new accounting standard was $1.5 million for the quarter.

Share of after-tax profits from associates/joint ventures decreased $6 million or 29% to $14.7 million, compared to the previous corresponding quarter, with lower contributions from Gateway Services' associates/joint ventures partially compensated by improved performance from Food Solutions' associates/joint ventures.

Profit attributable to owners of the Company was $59.3 million for the third quarter, a decline of $9.6 million or 13.9% year-on-year. Earnings per share decreased 14.5% to 5.3 cents.

9 Months FY19-20 (1 April – 31 December 2019)

For the nine months ended 31 December 2019, Group revenue increased $151.6 million or 11.2% to $1,508.1 million. Revenue from Food Solutions reflected an improvement of $80.4 million or 10.8% to $823.2 million, while Gateway Services' revenue increased $71 million or 11.6% to $683.5 million. The consolidation of CFPL, NWA, and GTR entities contributed $71.2 million and $69 million to the increase in Food Solutions' and Gateway Services' revenue respectively. The increase in revenue was partially offset by the absence of revenue resulting from the divestment of FASSCO in August 2019.

Excluding the impact of the consolidation of recently-acquired entities and divestment of FASSCO, Group revenue increased $23.9 million or 1.8% as a result of volume growth, with the exception of cargo volume and ship calls for the period.

Group expenditure increased $163.1 million or 14.1% to $1,323.4 million, compared to the previous corresponding period, mainly due to the consolidation of newly-acquired subsidiaries as explained above. This was compensated by the divestment of FASSCO amounting to $13.2 million. Staff costs were higher by $65.3 million largely due to the consolidation of CFPL, NWA and GTR entities offset by the divestment of FASSCO, in addition to the corresponding increase from volume growth. The higher cost of raw materials was primarily due to the consolidation of CFPL and NWA. The increase in depreciation and amortisation costs due to the adoption of SFRS(I) 16 Leases was partially offset by the decrease in company premises and utilities expenses. Higher depreciation costs were also partly attributable to new projects and assets. Other costs increased $33.6 million as a result of higher maintenance expenses for ground support equipment, IT expenses to support digitalisation and transformation projects, fuel costs, foreign exchange losses instead of gains incurred last year as well as lower grants received. Excluding the consolidation of the newly-acquired subsidiaries and divestment of FASSCO, Group expenditure would have recorded a lower increase of $43.8 million or 3.8%.

Operating profit fell $11.5 million or 5.9% to $184.7 million year-on-year. Taking into account the increase in interest expense arising from the adoption of SFRS(I) 16, the negative impact on the Group's profit after tax and non-controlling interests from the new accounting standard was $2.9 million for the period.

Share of after-tax profits from associates/joint ventures decreased $7 million or 14% to $43 million, compared to the same period last year, with lower contributions from Gateway Services' associates/joint ventures partly offset by improvements in Food Solutions' associates/joint ventures. The lower share of results from associates/joint ventures was partly attributable to provision for credit losses of $3.3 million in the first quarter. Excluding the credit losses, share of results of associates/joint ventures would have a lower decrease of $3.7 million or 7.4%.

Profit attributable to owners of the Company declined $23.8 million or 12% to $174.7 million.

GROUP FINANCIAL POSITION (as at 31 December 2019)

As at 31 December 2019, total equity of the Group decreased $14.1 million to $1,803 million, compared to 31 March 2019, predominantly due to dividend payments to shareholders. The decrease was partly mitigated by profits for the period.

Non-current assets increased $267.4 million due to the recognition of right-of-use assets as well as higher intangible assets, investment in associates and long-term investments, offset by lower investment in joint ventures. The recognition of right-of-use assets from the adoption of SFRS(I) 16 effective 1 April 2019, resulted in right-of-use assets of $191.8 million with corresponding non-current lease liabilities of $175.8 million and current lease liabilities of $19.9 million as at 31 December 2019.

Intangible assets increased $45.4 million mainly due to $34.1 million arising from the acquisition of 50% equity interest in NWA, as well as $9.6 million from the acquisition of the remaining 49% equity interest in CFPL.

The higher investment in associates was mainly due to an investment of $21.5 million to acquire 40% equity interest in Beijing CAH SATS Aviation Services Co., Ltd, additional injection of $0.5 million in KrisShop Pte. Ltd and share of associates' profits during the period. Investments in joint ventures declined following the reclassification of investments in CFPL to investment in subsidiaries, in line with the acquisition of the remaining equity interest of 49% as explained in the preceding section.

The Group also recorded a long-term investment of $6.1 million for 10% equity interest in Beijing Daxing International Airport Inflight Catering Ltd, a joint venture with Capital Airports Holding Company Limited and Juneyao Airlines Co., Ltd. to provide inflight catering and other related services at Beijing Daxing International Airport.

Current assets of the Group decreased $35.5 million mainly due to the reclassification of assets held for sale, which relates to the 4% stake in Asia Airfreight Terminal Company Limited to investment in associates, as well as lower cash and short-term deposits mainly attributable to the payment of FY2018-19 final and FY19-20 interim dividends, capital expenditure, acquisition of equity interest in subsidiaries and associates/joint ventures. The cash outflows were partly compensated by net cash from operating activities as well as dividend income from associates/joint ventures. The decrease in current assets was offset by higher trade and other receivables, as well as higher inventories.

The Group's current liabilities increased $59.1 million largely arising from higher trade and other payables, and the recognition of right-of-use lease liabilities of $19.9 million from the adoption of SFRS(I) 16 effective 1 April 2019. The company was in a net current liabilities position as at 31 December 2019, mainly due to lower cash balance following the payment of dividends to shareholders. The Group's non-current liabilities rose $186.9 million principally due to the lease liabilities of $175.8 million from the adoption of SFRS(I) 16 as explained in the preceding paragraph.

Free cash flow generated during the nine months amounted to $115.1 million. Excluding the lease liabilities arising from the new accounting standard, debt-to-equity ratio remained healthy at 0.06 times.

OUTLOOK

The COVID-19 epidemic has caused a significant reduction in air traffic in China, with a sharp decline in passenger and cargo volumes across Asia. Depending on the duration of this epidemic, there will be a consequential impact on the short-term financial performance of SATS. We are taking proactive steps to mitigate the risks and impact of the situation. Safety is our first priority at SATS, hence we have implemented plans to protect members of the public and our staff from the virus. We are working closely with the relevant authorities, suppliers and customers in each country we operate in, to support a coordinated and effective response. The company is in a strong position to weather the disruption to our business with resilience.

Ongoing investments in supply chain processes and systems will provide greater traceability that will further strengthen our ability to respond to contingencies across our network. Recent investments in overseas kitchens in Japan and China, along with ground handling investments in India, Malaysia and Saudi Arabia have enhanced our capabilities, strengthened our market position and diversified our revenue base.

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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 3Q and 9M 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)	3Q FY19-20	3Q FY18-19	9M FY19-20	9M FY18-19
Revenue	545.6	464.0	1,508.1	1,356.5
Expenditure	(482.7)	(398.7)	(1,323.4)	(1,160.3)
Operating profit	**62.9**	**65.3**	**184.7**	**196.2**
Share of results of associates/JVs, net of tax	14.7	20.7	43.0	50.0
Profit before tax	**76.7**	**86.4**	**226.0**	**247.6**
Profit attributable to owners of the Company	**59.3**	**68.9**	**174.7**	**198.5**
Underlying net profit	***59.3***	***63.1***	***174.7***	***192.7***
Per Share Data				
Earnings per share (cents)				
- Basic [R1]	5.3	6.2	15.6	17.8
- Diluted [R2]	5.3	6.2	15.6	17.7
Return on turnover (%) [R3]	10.9	14.8	11.6	14.6

Financial Position (S$ million)	As at 31-DEC-19	As at 31-MAR-19
Equity attributable to owners of the Company	1,618.6	1,649.3
Total assets	2,640.3	2,408.4
Total debt	299.3	95.7
Gross debt/equity ratio (times) [R4]	0.18	0.06
Net asset value per share ($) [R5]	1.45	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

	3QFY19-20	3QFY18-19	Change (%)	9M FY19-20	9M FY18-19	Change (%)
Passengers Handled ('M)	23.71	15.33	54.7	69.43	44.81	54.9
Flights Handled ('000)	93.83	41.93	123.8	278.27	124.14	124.2
Cargo/Mail Processed ('000 tonnes)	485.92	485.49	0.1	1,396.52	1,419.83	(1.6)
Gross Meals Produced ('M)	25.44	19.00	33.9	65.10	57.21	13.8
Ship Calls Handled	81	94	(13.8)	184	207	(11.1)

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. Gross meals produced by Nanjing Weizhou Airline Food Corp. are included in the above operating statistics from October 2019.*