MEDIA RELEASE

SATS 2Q LOSS NARROWER THAN 1Q AT S$33.2 MILLION

- Air cargo improves with 22.5% QoQ volume increase
- OPEX reduced by 46.6% as cost base continues to be reshaped
- Group's underlying loss reduced to S$1.6 million excluding impairments

SINGAPORE, 12 November 2020 – SATS Ltd. (SATS) today reports its business update for the second quarter and unaudited results for the first half ended 30 September 2020.

HIGHLIGHTS OF THE GROUP'S UNAUDITED RESULTS:

	2Q FY20-21 (S$ million)	**Favourable / (Unfavourable) Change (S$ million)**	**Favourable / (Unfavourable) Change (%)**
Revenue	231.1	(266.3)	(53.5)
Expenditure	(231.1)	201.3	46.6
Operating (loss)/profit	0.0	(65.0)	(100.0)
Share of results of associates/JVs, net of tax	(12.8)	(26.5)	(193.4)
(Loss)/profit attributable to owners of the Company	(33.2)	(93.9)	(154.7)
Underlying net (loss)/profit (1)	(1.6)	(62.3)	(102.6)
EBITDA (2)	20.5	(86.3)	(80.8)
Earnings per share (cents) – basic	(3.0)	(8.4)	(155.6)
Return on Equity (%/ppt) (3)	n.m.	(5.7)	n.m.

	1H FY20-21 (S$ million)	**Favourable / (Unfavourable) Change (S$ million)**	**Favourable / (Unfavourable) Change (%)**
Revenue	440.5	(522.0)	(54.2)
Expenditure	(476.5)	364.2	43.3
Operating (loss)/profit	(36.0)	(157.8)	(129.6)
Share of results of associates/JVs, net of tax	(44.2)	(72.5)	(256.2)
(Loss)/profit attributable to owners of the Company	(76.9)	(192.3)	(166.6)
Underlying net (loss)/profit (1)	(45.3)	(160.7)	(139.3)

n.m. – not meaningful

EBITDA [2]	(13.4)	(218.0)	(106.5)
Earnings per share (cents) - basic	(6.9)	(17.2)	(167.0)
Return on Equity (%/ppt) [3]	n.m.	(11.9)	n.m.

Note:

[1] Underlying net (loss)/profit refers to net (loss)/profit attributable to owners of the Company excluding the following one-off items.

	2nd Quarter / 1st Half 2020-21	2019-20
(i) Impairment loss on investment in an associate and long-term investment	(31.6)	–

[2] EBITDA refers to earnings (including Share of results of associates/joint ventures) before interest, tax, depreciation and amortisation, and excludes one-off items. Excluding share of results of associates/joint ventures, EBITDA for 2Q FY2020-21 and 1H FY20-21 would be $33.3 million and $30.8 million respectively.

[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

2Q FY20-21 (1 July – 30 September 2020)

The pace of air travel recovery continued to be slow and uncertain, as many countries have imposed stricter entry restrictions and border closures to stem the spread of the coronavirus. In Asia Pacific, passenger movements measured by revenue passenger-kilometres (RPK) performed better than industry-wide RPKs by 6.1% in August, with a 69.2% annual contraction versus a global drop of 75.3% year-on-year.

Global air cargo demand continued to be resilient, with overall decline in cargo tonne-kilometres (CTKs) improving from a year-on-year decline of 14.4% in July to 12.6% in August. Between July and September, global passenger and cargo movements increased only marginally, with IATA downgrading its global 2020 passenger traffic forecast to a sharper decline of 66% instead of 63% previously.

For the second quarter ended 30 September 2020, Group revenue decreased $266.3 million or 53.5% year-on-year to $231.1 million, with both Food Solutions and Gateway Services posting a sharp decline in aviation revenue due to the impact of the COVID-19 pandemic. Revenue from Gateway Services decreased by $138.1 million or 61.1% to $87.8 million, and Food Solutions' revenue dropped by $131.4 million or 48.5% to $139.6 million. In line with the drop in aviation volumes, overall flights handled and meal volumes dropped by more than 70% and 90% respectively year-on-year, while cargo tonnage improved 22.6% quarter-on-quarter.

Group expenditure for the quarter saw a reduction of $201.3 million, or 46.6% year-on-year, to $231.1 million, as the Group continued to reshape its cost base. Staff cost was significantly reduced by $142 million or 61.3% due to a combination of factors such as government reliefs, as well as lower contract services and headcount required to manage the lower volumes. Licence fees were also lower in line with reduced aviation volumes. Raw material costs decreased by $20.4 million or 25% to $61.3 million, as a result of lower aviation volumes, partially offset by the consolidation of the newly consolidated entities, namely Country Foods Pte. Ltd. ("CFPL"), Nanjing Weizhou Airline Food Corp., Ltd. ("NWA") and Monty's Bakehouse UK Limited ("MBUK"). The 18.5% increase in depreciation and amortisation cost was mainly due to the consolidation of new subsidiaries and newly acquired systems. Group-wide cost-containment measures have reduced other operating expenditures by $19.1 million or 42.7% to $25.6 million.

While the decline in Group revenue continued to outpace the reduction in Group expenditure after taking into account government reliefs, SATS achieved operating breakeven for the current quarter, compared to an operating profit of $65 million for the same quarter last year.

SATS' share of results from associates/joint ventures experienced a year-on-year decline from $13.7 million profit to a loss of $12.8 million, as COVID-19 impacted the performance of all associates and joint ventures across the Group.

Despite the challenging operating environment, the Group narrowed its net loss by $10.5 million to $33.2 million quarter-on-quarter. Excluding impairments, the Group's underlying net loss amounted to $1.6 million for the second quarter. Without government reliefs, the underlying net loss would have been $73.5 million for the quarter.

<u>1H FY20-21 (1 April – 30 September 2020)</u>

For the six months ended 30 September 2020, Group revenue declined $522 million or 54.2% year-on-year to $440.5 million. The Group's performance has been significantly impacted by the steep drop in demand for air travel since the onset of the COVID-19 pandemic. Driven by the sharp decline in aviation volumes, revenue from Food Solutions decreased $236.9 million or 46.2% to $275.5 million, while Gateway Services' revenue dropped $289.8 million or 64.5% to $159.4 million. This was mitigated by revenue contribution from newly consolidated entities, namely CFPL, NWA and MBUK, amounting to $86.8 million.

Group expenditure decreased $364.2 million or 43.3% year-on-year to $476.5 million. Staff costs dropped by $278.9 million, mainly due to government reliefs and the right-sizing of the workforce to manage lower aviation volumes. The cost of raw materials fell $19 million as a result of lower aviation volumes, partially offset by the consolidation of the newly consolidated entities. Licence fees dropped $36.5 million in line with lower aviation revenue. Depreciation and amortisation rose $12.3 million primarily due to new ROU assets, investments and systems acquired last year. Group-wide cost containment measures have led to a decrease in company premises and utilities expenses. Other costs were also lower, partly offset by the higher provision for doubtful debts of $7.7 million made in the current period. Excluding the consolidation of CFPL, NWA, and MBUK, Group expenditure would be further reduced by $88.2 million.

However, the decline in revenue outpaced the reduction in Group expenditure, resulting in an operating loss for the Group of $36 million, compared to an operating profit of $121.8 million from the same period last year.

Share of after-tax profits from associates/joint ventures was down $72.5 million or 256.2%, leading to a loss of $44.2 million, as COVID-19 significantly impacted the performance of aviation associates and joint ventures.

Other non-operating loss of $31.6 million relates mainly to the impairment made for investment in an associate and long-term investment due to the pandemic.

Due to the steep decline in aviation volumes and the loss contributed by overseas entities, Group net profit attributable to owners of the Company declined $192.3 million or 166.6%, resulting in a net loss of $76.9 million year-on-year.

GROUP FINANCIAL POSITION (as at 30 September 2020)

As at 30 September 2020, total equity of the Group decreased $97.5 million to $1,708 million, compared to 31 March 2020. The lower equity was largely attributable to losses for the period.

Non-current assets decreased $112.9 million due to lower property, plant and equipment, as well as investment in associates and joint ventures. Property, plant and equipment was down mainly due to depreciation for the period. The lower investment in associates and joint ventures was largely attributable to lower share of results from associates and joint ventures, as well as impairments made in the current period. A total impairment charge of $31.6 million was made to investment in an associate and long-term investment for the current period.

Current assets of the Group increased $275 million primarily due to higher cash and short-term deposits and inventories, partially compensated by lower trade and other receivables. The higher cash and short-term deposits were largely attributable to the drawdown of credit facilities. A higher inventory balance was related to the increase in business activities for CFPL, while lower trade and other receivables corresponded with lower revenue from reduced business volumes.

The Group's current liabilities was up $9.3 million mainly due to higher term loans, partly offset by lower income tax payable. Non-current liabilities of the Group increased $250.3 million mainly due to higher term loans, which comprised the issuance of $100 million in notes due in 2025, pursuant to the $500 million multi-currency Debt Issuance Programme.

The Group has a cash balance of $818.5 million as at 30 September 2020 with net cash generated from operating activities and capital expenditure of $19 million and $25.8 million for the period respectively. Debt-to-equity ratio has increased to 0.58 times. Excluding the lease liabilities arising from the adoption of SFRS(I)16, debt-to-equity ratio would be 0.45 times.

INTERIM DIVIDEND

In light of the significant uncertainties in our operating environment, the Board of Directors believe that it would be prudent not to pay an interim dividend for FY20-21. This will allow the company to preserve more jobs and capabilities to support our customers as aviation volumes resume, and to pursue opportunities outside of aviation.

OUTLOOK

The outlook remains challenging with flight and passenger volumes still heavily constrained by pandemic-related travel restrictions, although demand for air cargo continues to be more resilient. Flight, passenger and cargo volumes have all climbed from their lows in April 2020, but the trajectory of the recovery remains uncertain with COVID-19 resurgent in some countries.

SATS is committed to supporting the safe reopening of air and cruise travel, by helping to implement thorough passenger health testing protocols, innovative, low-touch meal services, and rigorous in-cabin cleaning. SATS, with its leading cold chain capabilities and protocols, is also ready to assist airlines, shippers and forwarders in the distribution of COVID-19 vaccines across its network of certified pharma-handling cold chain operations, once the vaccines become available.

SATS continues to grow in new customer segments such as foodservice, fast-casual restaurants and supermarkets with a wider range of products and services.

END

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, the UK, and 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 2Q FY20-21 and 1H FY20-21 results of SATS are available at www.sats.com.sg.

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ANNEX A: GROUP FINANCIAL STATISTICS

Financial Results (S$ million)	2Q FY20-21	2Q FY19-20	1H FY20-21	1H FY19-20
Revenue	231.1	497.4	440.5	962.5
Expenditure	(231.1)	(432.4)	(476.5)	(840.7)
Operating (loss)/profit	**0.0**	**65.0**	**(36.0)**	**121.8**
Share of results of associates/JVs, net of tax	(12.8)	13.7	(44.2)	28.3
(Loss)/profit before tax	**(49.5)**	**78.4**	**(119.4)**	**149.3**
(Loss)/profit attributable to owners of the Company	**(33.2)**	**60.7**	**(76.9)**	**115.4**
Underlying net (loss)/profit	**(1.6)**	**60.7**	**(45.3)**	**115.4**
Per Share Data				
Earnings per share (cents)				
- Basic [R1]	(3.0)	5.4	(6.9)	10.3
- Diluted [R2]	(3.0)	5.4	(6.9)	10.3
Return on turnover (%) [R3]	(14.4)	12.2	(17.5)	12.0

Financial Position (S$ million)	As at 30-SEP-20	As at 31-MAR-20
Equity attributable to owners of the Company	1,541.8	1,617.5
Total assets	3,171.9	3,009.8
Total debt	895.7	624.5
Gross debt/equity ratio (times) [R4]	0.58	0.39
Net asset value per share ($) [R5]	1.38	1.45

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

	2Q FY20-21	2Q FY19-20	Change (%)	1H FY20-21	1H FY19-20	Change (%)
Passengers Handled ('M)	1.81	23.15	(92.2)	2.03	45.72	(95.6)
Flights Handled ('000)	20.59	92.98	(77.9)	27.14	184.44	(85.3)
Cargo/Mail Processed ('000 tonnes)	270.62	458.45	(41.0)	491.53	910.60	(46.0)
Gross Meals Produced ('M)	11.30	20.41	(44.6)	20.69	39.66	(47.8)
Ship Calls Handled	-	35	(100)	-	103	(100.0)

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 has been included in the above operating statistics since October 2019. Cargo tonnage handled by SATS Saudi Arabia has been included since March 2020.*