



MEDIA RELEASE

SATS 2Q PROFIT DOWN 7.6% ON CARGO HEADWINDS AND INVESTMENT IN GROWTH INITIATIVES

- 9.8% revenue growth driven by the consolidation of GTR, Country Foods and core aviation activities.
- Dividend maintained at 6 cents per share.

SINGAPORE, 12 November 2019 – SATS Ltd. (SATS) today reports its unaudited results for the second quarter and first half ended 30 September 2019.

HIGHLIGHTS OF THE GROUP'S UNAUDITED RESULTS:

	2Q FY19-20 (S\$ million)	Favourable / (Unfavourable) Change (S\$ million)	Favourable / (Unfavourable) Change (%)
Revenue	497.4	44.3	9.8
Expenditure	(432.4)	(45.3)	(11.7)
Operating profit	65.0	(1.0)	(1.5)
Share of results of associates/JVs, net of tax	13.7	(0.3)	(2.1)
Profit attributable to owners of the Company	60.7	(5.0)	(7.6)
EBITDA ⁽¹⁾	106.8	6.6	6.6
Earnings per share (cents) - basic	5.4	(0.5)	(8.5)
Return on Equity (%/ppt) ⁽²⁾	3.6	(0.4)	n.m.

	1H FY19-20 (S\$ million)	Favourable / (Unfavourable) Change (S\$ million)	Favourable / (Unfavourable) Change (%)
Revenue	962.5	70.0	7.8
Expenditure	(840.7)	(79.1)	(10.4)
Operating profit	121.8	(9.1)	(7.0)
Share of results of associates/JVs, net of tax	28.3	(1.0)	(3.4)
Profit attributable to owners of the Company	115.4	(14.2)	(11.0)
EBITDA ¹	204.6	4.1	2.0

Earnings per share (cents) - basic	10.3	(1.3)	(11.2)
Return on Equity (%/ppt) ²	7.0	(1.0)	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

2Q FY19-20 (1 July – 30 September 2019)

For the second quarter ended 30 September 2019, Group revenue grew \$44.3 million or 9.8% to \$497.4 million with both Food Solutions and Gateway Services posting increased revenue. Food Solutions revenue rose by \$20.1 million or 8% to \$271 million, with growth registered in core aviation entities and the consolidation of Country Foods Pte Ltd ("CFPL"), formerly known as SATS BRF Food Pte Ltd, which contributed \$13.9 million to the increase. In September 2019, the Group acquired the remaining 49% equity interest in CFPL from BRF GmbH for a purchase consideration of \$17 million. Prior to the transaction, CFPL's net profit contribution was reported under share of results of associates/joint ventures. The increase in Food Solutions' revenue was partially offset by absence of revenue relating to the divestment of Food and Allied Support Services Corporate Pte Ltd ("FASSCO") in August 2019.

Gateway Services' revenue increased \$24.3 million or 12.1% to \$225.9 million, of which \$23 million was attributable to the consolidation of Ground Team Red Holdings Sdn Bhd and Ground Team Red Sdn Bhd (collectively known as "GTR entities"), in addition to slight volume growth in flights and passengers handled. The growth was partially offset by lower cargo volume and ship calls for the quarter.

Group expenditure was up \$45.3 million or 11.7% at \$432.4 million, compared to the same quarter last year. The consolidation of GTR entities and CFPL accounted for \$35.2 million of the increased expenditure. This was mitigated by the divestment of FASSCO amounting to \$4.3 million. Staff costs increased by \$19.9 million due to volume growth and the consolidation of newly-added subsidiaries. The higher cost of raw materials was mainly due to the consolidation of CFPL and increased licence fees were in line with higher revenue. 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. Other costs increased \$9.7 million as a result of higher maintenance and hiring costs for ground support equipment and IT expenses relating to IT infrastructure to support digitalisation projects. Excluding the consolidation of the newly-acquired subsidiaries and divestment of FASSCO, Group expenditure would have recorded a lower increase of \$14.4 million or 3.8%.

Operating profit for the quarter decreased \$1 million or 1.5% to \$65 million, compared to the corresponding quarter. Taking into account higher interest expense arising from the adoption of SFRS(I) 16, the negative impact on Group profit after tax and non-controlling interests was \$0.9 million for the quarter.

Share of after-tax profits from associates/joint ventures decreased \$0.3 million or 2.1% to \$13.7 million compared to the corresponding quarter, with lower contributions from Food Solutions' associates/joint ventures partly mitigated by improved performance from Gateway Services' associates/joint ventures.

Profit attributable to owners of the Company was \$60.7 million, with a decline of \$5 million or 7.6% year-on-year for the second quarter. Earnings per share decreased 8.5% to 5.4 cents.

1H FY19-20 (1 April – 30 September 2019)

For the six months ended 30 September 2019, Group revenue increased \$70 million or 7.8% to \$962.5 million. Food Solutions' revenue recorded a growth of \$22 million or 4.5% to \$512.4 million, while Gateway Services' revenue rose \$48 million or 12% to \$449.2 million. The consolidation of CFPL and GTR entities contributed \$13.9 million and \$45.5 million to the increase in both segments' revenue respectively. This increase in revenue was partially offset by the absence of revenue relating to the divestment of FASSCO in August 2019.

Excluding the consolidation impact of CFPL and GTR entities as well as divestment of FASSCO, Group revenue has increased by \$18.4 million or 2.1% following volume growth, with the exception of cargo volume and ship calls for the period.

Group expenditure rose \$79.1 million or 10.4% to \$840.7 million, compared to the corresponding period, largely due to the consolidation of newly-acquired subsidiaries. This was offset by the divestment of FASSCO amounting to \$8.1 million.

Staff costs were higher by \$41.9 million, mainly attributable to the \$31.7 million added on from CFPL and GTR entities, combined with increases in line with volume growth. The higher cost of raw materials was primarily due to the consolidation of CFPL, while the increase in licence fees corresponded with higher revenue. 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. Other costs increased \$20.6 million as a result of higher maintenance expenses for ground support equipment and IT expenses as compared to the same period last year. Excluding the consolidation of the newly-acquired subsidiaries and divestment of FASSCO, Group expenditure would have recorded a lower increase of \$31.4 million or 4.2%.

Operating profit fell \$9.1 million or 7% to \$121.8 million year-on-year, predominantly due to lower cargo performance and a lower exchange gain for the period. Taking into account the increase in interest expense arising from the adoption of SFRS(I) 16, the negative impact on Group profit after tax and non-controlling interests was \$1.5 million for the period.

Share of after-tax profits from associates/joint ventures decreased \$1 million or 3.4% to \$28.3 million compared to the same period last year, with lower contributions from both Food Solutions' and Gateway Services' associates/joint ventures, arising from a \$3.3 million provision for credit losses. Excluding the provision, share of results of associates/joint ventures would have increased by \$2.3 million or 7.9%.

Profit attributable to owners of the Company declined \$14.2 million or 11% to \$115.4 million.

GROUP FINANCIAL POSITION (as at 30 September 2019)

As at 30 September 2019, total equity of the Group decreased \$11.5 million to \$1,805.6 million, compared to 31 March 2019, largely due to dividend payments to shareholders. The decrease was partly offset by profits for the period.

Non-current assets increased \$219.3 million due to the recognition of right-of-use assets, investment in associates, and long term investments. The recognition of \$196.2 million in right-of-use assets

arising from the adoption of SFRS(I) 16, resulted in \$184 million in non-current lease liabilities and \$14.4 million in current lease liabilities as at 30 September 2019. Higher investment in associates was mainly attributable to an investment of \$21.5 million for 40% equity interest in Beijing CAH SATS Aviation Services Co., Ltd and an additional injection of \$0.5 million in KrisShop Pte. Ltd. The increase in non-current assets was partly compensated by lower investment in joint ventures, attributable to the reclassification of CFPL from investment in joint ventures to investment in subsidiaries, following the acquisition of the remaining 49% equity interest explained in the earlier section.

The Group has 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 \$37.7 million, primarily due to lower cash and short-term deposits resulting from the payment of FY2018-19 final dividends and investment in subsidiaries and associates/joint ventures. The decrease was partially compensated by increases in trade receivables, pre-payments, and inventories.

The Group's current liabilities marginally increased by \$4.8 million, mainly attributable to the recognition of right-of-use lease liabilities of \$14.4 million from the SFRS(I) 16 adoption effective 1 April 2019, offset by lower trade and other payables. The company was in a net current liabilities position as at 30 September 2019, largely due to a lower cash balance following dividend payments to shareholders. The Group's non-current liabilities increased \$188.3 million mainly due to lease liabilities of \$184 million from the adoption of SFRS(I) 16 as explained in the preceding paragraph.

Free cash flow generated during the first six months amounted to \$56.6 million and debt-to-equity ratio has increased to 0.18 times due to the adoption of SFRS(I) 16. Excluding the lease liabilities arising from the new accounting standard, debt-to-equity ratio remained healthy at 0.06 times.

INTERIM DIVIDEND

The Board of Directors has maintained an interim dividend of 6 cents per share, payable on 11 December 2019. The Company targets to provide sustainable dividend payout that take into account cash flow generation and balance sheet strength, along with projected capital requirements and investments. The book closure date is 27 November 2019.

OUTLOOK

The slowdown in trade and economic growth is resulting in weaker cargo volumes in key markets. However, we continue to invest in growth opportunities such as GTR and Country Foods. Even in this difficult environment, SATS continues to generate revenue growth. We also continue to invest in enabling infrastructure for the longer term such as new kitchens, supply chain capabilities, digital control centres for ground handling and new cargo handling facilities.

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 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 2Q FY19-20 and 1H 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)	2Q FY19-20	2Q FY18-19	1H FY19-20	1H FY18-19
Revenue	497.4	453.1	962.5	892.5
Expenditure	(432.4)	(387.1)	(840.7)	(761.6)
Operating profit	65.0	66.0	121.8	130.9
Share of results of associates/JVs, net of tax	13.7	14.0	28.3	29.3
Profit before tax	78.4	80.3	149.3	161.2
Profit attributable to owners of the Company	60.7	65.7	115.4	129.6
Per Share Data				
Earnings per share (cents)				
- Basic ^{R1}	5.4	5.9	10.3	11.6
- Diluted ^{R2}	5.4	5.9	10.3	11.6
Return on turnover (%) ^{R3}	12.2	14.5	12.0	14.5

Financial Position (S\$ million)	As at 30-SEP-19	As at 31-MAR-19
Equity attributable to owners of the Company	1,635.3	1,649.3
Total assets	2,590.0	2,408.4
Total debt	298.3	95.7
Gross debt/equity ratio (times) ^{R4}	0.18	0.06
Net asset value per share (\$) ^{R5}	1.46	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

	1HFY19-20	1HFY18-19	Change (%)
Passengers Handled ('M)	45.72	29.48	55.1
Flights Handled ('000)	184.44	82.21	124.4
Cargo/Mail Processed ('000 tonnes)	910.60	934.35	(2.5)
Gross Meals Produced ('M)	39.66	38.20	3.8
Ship Calls Handled	103	113	(8.8)

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.*