2Q and 1H14/15 Performance Review

13 November 2014

Forward Looking Statements

This presentation may contain forward-looking statements regarding, among other things, the Company's outlook, business and strategy which are current as of the date they are made. These forward-looking statements are based largely on the current assumptions, expectations and projections of the directors and management of SATS about our business, and the industry and markets in which we operate. These statements are not guarantees of SATS' future performance and are subject to a number of risks and uncertainties, some of which are beyond the Company's control and are difficult to predict. Future developments and actual results could differ materially from those expressed in the forward-looking statements. In light of these risks and uncertainties, there can be no assurance that the forward-looking information will prove to be accurate. SATS does not undertake to update these forward-looking statements to reflect events or circumstances which arise after publication.

Agenda

- Executive Summary
- Operating Statistics
- Group Financial Review
- Outlook

Executive Summary: 2Q14/15 Performance

- Challenging operating landscape for Singapore and overseas gateway associates
- Singapore unit services and passengers handled declined y-o-y as airlines right-sized capacity to match market demand
- TFK’s performance worsened due to overcapacity at Narita and reduction in meal volumes for some key customers
- Operating profit declined 8.8% as cost pressure continues
- PATMI remained resilient at $47.1M, down $1.6M
- Strong balance sheet supports execution of strategy to grow scale and enhance connectivity

Operating Statistics

Operating Statistics for Singapore Aviation Business

	2Q14/15	2Q13/14	Change (%)	1H14/15	1H13/14	Change (%)
Passengers Handled ('M)	10.81	11.09	(2.5)	21.50	21.70	(0.9)
Flights Handled ('000)	32.33	33.28	(2.9)	65.50	65.65	(0.2)
Unit Services Handled ('000)	27.98	28.43	(1.6)	56.28	56.05	0.4
Cargo/Mail Processed ('000 tonnes)	393.09	372.42	5.6	781.48	742.83	5.2
Gross Meals Produced ('M)	6.77	6.65	1.8	13.24	13.09	1.1
Unit Meals Produced ('M)	5.29	5.22	1.3	10.40	10.28	1.2

In 2Q14/15, unit services, flights handled and passengers handled decreased y-o-y as airlines right-sized their capacity to match market demand.

* *The above aviation operating data cover Singapore operations only.*
* *Except for unit and gross meals produced, all data include LCC operations.*

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Group Financial Review

2Q14/15 Highlights

Revenue	
$442.2M	-2.2%

- Revenue decreased 2.2%. Lower food solutions revenue (-4.7%) was partially offset by higher gateway services revenue (+2.1%).

Operating profit	
$42.5M	-8.8%

- Operating profit declined 8.8% as the drop in top-line outpaced the reduction in operating expenditure.
- Rising manpower costs remains a challenge.

Share of results of Associates/JV, net of tax	
$10.8M	-8.5%

- Share of after-tax profits from associates/JV declined 8.5% mainly due to lower contribution from some gateway associates arising from pricing pressure and lower cargo volumes.

PATMI	
$47.1M	-3.3%

- PATMI remained resilient at $47.1M, down $1.6M or 3.3%.

1H14/15 Highlights

Revenue	
$877.4M	-1.0%

- Revenue declined 1%. Lower food solutions revenue (-2.9%) was partially offset by higher gateway services revenue (+2%).

Operating profit	
$82.2M	-5.8%

- Operating profit decreased 5.8% as the decline in top-line outpaced the reduction in operating expenditure.
- Rising manpower costs remains a challenge.

Share of results of Associates/JV, net of tax	
$21.2M	-12.8%

- Share of after-tax profits from associates/JV declined 12.8% mainly due to lower contribution from some gateway associates.

PATMI	
$90.4M	-4.7%

- PATMI decreased 4.7% to $90.4M.
- Underlying net profit was $90.5M, 6.3% lower y-o-y.

Debt-to-equity	
0.08 times	-

- Debt-to-equity ratio remained healthy at 0.08 times.
- Cash and cash equivalents stood at $338.4M.
- Free cash flow generated year-to-date amounted to $41.2M.

2Q and 1H14/15 Financials

$M	2Q14/15	2Q13/14	Favourable/ (Unfavourable) Change (%)	1H14/15	1H13/14	Favourable/ (Unfavourable) Change (%)
Revenue	442.2	452.1	(2.2)	877.4	886.6	(1.0)
Expenditure	(399.7)	(405.5)	1.4	(795.2)	(799.3)	0.5
Operating Profit	**42.5**	**46.6**	**(8.8)**	**82.2**	**87.3**	**(5.8)**
EBITDA	59.0	65.9	(10.5)	115.5	126.0	(8.3)
Share of Results of Associates/JV, Net of Tax	10.8	11.8	(8.5)	21.2	24.3	(12.8)
Impairment of Assets Held for Sale	-	-	-	(0.1)	(1.7)	94.1
PBT	**53.6**	**58.9**	**(9.0)**	**102.6**	**109.8**	**(6.6)**
PATMI	**47.1**	**48.7**	**(3.3)**	**90.4**	**94.9**	**(4.7)**
Underlying Net Profit*	***47.1***	***48.7***	**(3.3)**	***90.5***	***96.6***	**(6.3)**

2Q14/15 PATMI remained resilient at $47.1M.

** Underlying net profit refers to profit attributable to owners of the Company excluding one-off items*

Financial Indicators

%	2Q14/15	2Q13/14	Change (ppt)	1H14/15	1H13/14	Change (ppt)
Operating Margin	9.6	10.3	(0.7)	9.4	9.8	(0.4)
EBITDA Margin	13.3	14.6	(1.3)	13.2	14.2	(1.0)
PBT Margin	12.1	13.0	(0.9)	11.7	12.4	(0.7)
PATMI Margin	10.7	10.8	(0.1)	10.3	10.7	(0.4)
Underlying Net Margin	10.7	10.8	(0.1)	10.3	10.9	(0.6)

Cents	2Q14/15	2Q13/14	Change (%)	1H14/15	1H13/14	Change (%)
EPS Based on Net Profit Attributable to Shareholders	4.2	4.3	(2.3)	8.1	8.5	(4.7)

	30-Sep-14	31-Mar-14
NAV Per Share ($)	1.26	1.27
Debt-to-Equity Ratio	0.08	0.08

Debt-to-equity ratio remained healthy at 0.08 times.

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Group Segmental Revenue

$M	2Q14/15	2Q13/14	Change (%)	1H14/15	1H13/14	Change (%)
By Business:						
Food Solutions	267.7	281.0	(4.7)	530.4	546.2	(2.9)
Gateway Services	173.4	169.8	2.1	344.6	337.7	2.0
Corporate	1.1	1.3	(15.4)	2.4	2.7	(11.1)
Total	**442.2**	**452.1**	**(2.2)**	**877.4**	**886.6**	**(1.0)**
By Industry:						
Aviation	354.8	363.6	(2.4)	707.2	717.6	(1.4)
Non-Aviation	86.3	87.2	(1.0)	167.8	166.3	0.9
Corporate	1.1	1.3	(15.4)	2.4	2.7	(11.1)
Total	**442.2**	**452.1**	**(2.2)**	**877.4**	**886.6**	**(1.0)**
By Geographical Location:						
Singapore	361.7	357.3	1.2	717.6	708.8	1.2
Japan	59.1	71.4	(17.2)	118.2	136.7	(13.5)
Others	21.4	23.4	(8.5)	41.6	41.1	1.2
Total	**442.2**	**452.1**	**(2.2)**	**877.4**	**886.6**	**(1.0)**

Food Solutions and Gateway Services accounted for approximately 60% and 40% of Group revenue respectively.

Group Expenditure

$M	2Q14/15	2Q13/14	Favourable/ (Unfavourable) Change (%)	1H14/15	1H13/14	Favourable/ (Unfavourable) Change (%)
Staff Costs	202.2	197.5	(2.4)	406.1	395.5	(2.7)
Cost of Raw Materials	90.0	96.4	6.6	175.3	184.2	4.8
Licensing Fees	19.4	19.3	(0.5)	38.8	38.6	(0.5)
Depreciation & Amortisation	16.9	19.1	11.5	33.8	38.9	13.1
Company Premise & Utilities	32.2	32.5	0.9	63.1	61.6	(2.4)
Other Costs	39.0	40.7	4.2	78.1	80.5	3.0
Group Expenditure	**399.7**	**405.5**	**1.4**	**795.2**	**799.3**	**0.5**
Group Revenue	**442.2**	**452.1**	**(2.2)**	**877.4**	**886.6**	**(1.0)**

Higher staff costs attributed to increase in pay and allowances, foreign worker levies and contract services. The Group is accelerating its productivity improvement initiatives to mitigate rising manpower costs. Cost of raw materials declined in line with lower food solutions revenue and due to procurement synergies.

Associates/JV Performance by Business

$M	2Q14/15	2Q13/14	Change (%)	1H14/15	1H13/14	Change (%)
PAT	**10.8**	**11.8**	**(8.5)**	**21.2**	**24.3**	**(12.8)**
Food Solutions	2.0	1.5	33.3	3.2	2.9	10.3
Gateway Services	8.8	10.3	(14.6)	18.0	21.4	(15.9)
Dividends Received	**26.7**	**11.5**	**132.2**	**44.8**	**22.9**	**95.6**

Lower gateway associates contribution attributed to pricing pressure and lower cargo volumes at some of our gateway associates.

JAS, AAT, AISATS and MIC accounted for nearly 80% of our share of after-tax profits from associates/JV.

Group Balance Sheet

$M	As at 30 SEP 14	As at 31 MAR 14
Total Equity	1,503.8	1,514.4
Long-term Loans	93.3	96.6
Other Long-Term Liabilities	69.5	79.3
Current Liabilities	311.7	329.5
Total Equity & Liabilities	**1,978.3**	**2,019.8**
Fixed Assets & Investment Property	571.4	577.1
Associated Companies & JV	465.9	494.8
Intangible Assets	181.1	185.0
Other Non-Current Assets & Long-Term Investment	37.8	38.3
Current Assets		
Cash & Short-Term Deposits	*338.4*	*340.8*
Debtors & Other Current Assets	*383.7*	*383.8*
Total Assets	**1,978.3**	**2,019.8**

Cash & short-term deposits decreased slightly due to dividends paid to shareholders, mitigated by cash generated from operating activities and dividends from associates.

Group Cash Flow Statement

$M	1H14/15	1H13/14	Difference
Net Cash From Operating Activities	70.7	87.4	(16.7)
Net Cash From / (Used In) Investing Activities	20.1	(2.8)	22.9
Net Cash Used In Financing Activities	(90.5)	(93.6)	3.1
Net Increase / (Decrease) In Cash & Cash Equivalents	**0.3**	**(9.0)**	**9.3**
Cash & Cash Equivalents At End Of Financial Period	**338.4**	**394.5**	**(56.1)**
Free Cash Flow*	**41.2**	**60.1**	**(18.9)**

Higher net cash from investing activities was due to higher dividends from associates and proceeds from sale of interests in Vietnam associate and Urangan Fisheries, partially offset by higher capex.

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** Free Cash Flow refers to net cash from operating activities less cash purchases of capital expenditure.*

Interim Dividend

$M	1H14/15	1H13/14
Interim dividend declared (cents)	5.0	5.0

Book closure date on 1 December 2014.
Interim dividend to be paid on 12 December 2014.

Outlook

Outlook

Our operating landscape remains challenging given the ongoing pressures on regional aviation and rising manpower costs. Near-term regional aviation growth is also expected to be muted.

We will continue to invest in our state-of-the-art facilities, comprehensive suite of services and new technologies to improve economies of scale and enhance connectivity for our customers. We remain focused on growing new businesses and customer segments.

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