



MEDIA RELEASE

SATS 3Q EARNINGS RISE 2.3% to \$66.6M WITH STRONG OVERSEAS GROWTH

SINGAPORE, 13 February 2018 – SATS Ltd. (SATS) today reports its unaudited results for the third quarter ended 31 December 2017.

HIGHLIGHTS OF THE GROUP'S UNAUDITED RESULTS:

	3Q FY17-18 (S\$ million)	Favourable / (Unfavourable) Change (S\$ million)	Favourable / (Unfavourable) Change (%)
Revenue	439.8	(1.1)	(0.2)
Expenditure	(374.1)	0.1	0.0
Operating profit	65.7	(1.0)	(1.5)
Share of results of associates/JVs, net of tax	13.7	1.0	7.9
Profit attributable to owners of the Company	66.6	1.5	2.3
Underlying net profit ¹	62.1	(3.0)	(4.6)
Earnings per share (cents) - basic	6.0	0.2	3.4
Return on Equity (%/ppt) ²	4.2	-	n.m.

	9M FY17-18 (S\$ million)	Favourable / (Unfavourable) Change (S\$ million)	Favourable / (Unfavourable) Change (%)
Revenue	1,301.1	(2.5)	(0.2)
Expenditure	(1,120.8)	(2.0)	(0.2)
Operating profit	180.3	(4.5)	(2.4)
Share of results of associates/JVs, net of tax	47.2	10.8	29.7
Profit attributable to owners of the Company	196.1	4.8	2.5
Underlying net profit ¹	184.6	1.9	1.0
Earnings per share (cents) - basic	17.6	0.4	2.3
Return on Equity (%/ppt) ²	12.3	(0.3)	n.m.

¹ Underlying net profit refers to net profit attributable to owners of the Company excluding the following one-off items: (i) gain on disposal of assets held for sale (NIL in 3Q FY17-18 and 3Q FY16-17, \$7 million in 9M FY17-18 and \$9.3 million in 9M FY16-17), (ii) write-back of earn-out consideration (\$4.5 million in 3Q FY17-18 and NIL in 3Q FY16-17, \$4.5 million in 9M FY17-18 and NIL in 9M FY16-17), (iii) loss on divestment/dilution of interest in associates (NIL in 3Q FY17-18 and 3Q FY16-17, NIL in 9M FY17-18 and \$0.7 million in 9M FY16-17).

² Return on equity is profit attributable to owners of the Company expressed as a percentage of the average equity holders' funds.

GROUP EARNINGS

3Q FY17-18 (1 October – 31 December 2017)

For the third quarter ended 31 December 2017, Group revenue declined 0.2% year-on-year to \$439.8 million. Revenue from Food Solutions fell \$6.1 million or 2.5% to \$240.4 million. Gateway Services' revenue, on the other hand, increased \$5 million or 2.6% to \$199 million despite the deconsolidation of SATS HK Limited ("SHK") which was divested in July 2017. Excluding the impact of the deconsolidation, the Group's underlying revenue would have increased \$10.3 million or 2.4% while Gateway Services' revenue would have increased \$16.4 million or 9%.

Group expenditure in the current quarter decreased slightly by \$0.1 million to \$374.1 million. A reduction in staff costs of \$8.1 million and company premise and utilities expenses of \$1.6 million accounted for most of the reduction in expenses. This reduction was largely due to the deconsolidation of SHK. Cost of raw materials also declined \$1.1 million in line with lower revenue from Food Solutions. Licence fees, increasing since the cessation of rebates from Changi Airport Group in April, rose by \$3.9 million. Depreciation and amortisation charges have increased \$1.3 million due to additional capital expenditure. Other costs have increased \$5.5 million due to higher fuel consumption, exchange losses and lower grants received.

Operating profit for the quarter declined 1.5% year-on-year to \$65.7 million.

Growth from overseas operations continues to be strong. The share of after-tax profits from associates/joint ventures increased 7.9% to \$13.7 million, with higher contributions from Food Solutions.

This quarter also recorded a \$4.5 million write-back of earn-out consideration. The write-back is an adjustment for the earn-out targets not met for the acquisition of additional equity interest in MacroAsia Catering Services Inc ("MACS").

Profit attributable to owners of the Company increased 2.3% to \$66.6 million. Earnings per share rose 0.2 cents to 6.0 cents.

9M FY17-18 (1 April – 31 December 2017)

For the nine months ended 31 December 2017, Group revenue decreased 0.2% to \$1,301.1 million. Revenue from Food Solutions fell 2.8% to \$718.3 million while Gateway Services' revenue increased 3.3% to \$581.8 million. Excluding the impact of the deconsolidation of SHK, the Group's underlying revenue would have increased \$16.5 million or 1.3%, while Gateway Services' revenue would have increased \$37.6 million or 6.9%.

Group expenditure rose 0.2% to \$1,120.8 million. Licence fees increased \$12.2 million due to the cessation of rebates. Depreciation and amortisation charges rose \$3.4 million in line with higher capital investments. Other costs were higher by \$9.9 million due to higher fuel costs, increased marketing activities, exchange losses, and lower grants received.

These increases were mitigated by the reduction in staff costs of \$12.5 million, \$8.1 million in raw materials cost and \$2.9 million in company premise and utilities expenses.

Operating profit for the nine months was \$180.3 million, a decrease of 2.4% from the same period last year.

The share of after-tax profits from associates/joint ventures increased 29.7% to \$47.2 million, with higher contributions from both Food Solutions and Gateway Services.

For the nine months, the Group recorded a one-off gain of \$5.2 million from the divestment of 51% equity interest in SHK, a \$1.8 million gain from the restructuring of Jilin Zhong Xin Cheng Food Co., Ltd and SG IPF Pte Ltd transactions and a \$4.5 million write-back of earn-out consideration for the acquisition of additional equity interest in MACS.

Profit attributable to owners of the Company increased 2.5% year-on-year to \$196.1 million, while underlying net profit was \$184.6 million, 1% higher than the corresponding period last year. Earnings per share rose 2.3% to 17.6 cents.

GROUP FINANCIAL POSITION (as at 31 December 2017)

As at 31 December 2017, the Group had total assets of \$2.3 billion. Cash and short-term deposits decreased \$79.2 million to \$426.6 million. This decline was mainly due to the payment of dividends to shareholders, capital expenditures and investments in associates and joint ventures. The decrease was partially offset by cash generated from operations, proceeds from disposal of assets held for sale as well as dividends received from associates and joint ventures.

Free cash flow generated during the first nine months amounted to \$74.8 million and debt-to-equity ratio remained healthy at 0.06 times.

OUTLOOK

SATS' performance remains resilient despite a challenging operating environment. Changi Airport's growth in passenger and cargo traffic will present opportunities for the company to strengthen our operations in Singapore with greater efficiency and innovative products and services.

We will continue to broaden and deepen our presence in overseas markets to boost overseas contributions to our business and draw on scale efficiencies.

END

ABOUT SATS

SATS is Asia's leading provider of Gateway Services and Food Solutions.

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. Our Food Solutions include airline catering, institutional and remote catering, aviation laundry as well as food distribution and logistics.

SATS is present in 60 airports and 62 cities across Asia 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 FY17-18 results of SATS are available at www.sats.com.sg.

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ANNEX A: GROUP FINANCIAL STATISTICS

Financial Results (S\$ million)	3Q FY17-18	3Q FY16-17	9M FY17-18	9M FY16-17
Revenue	439.8	440.9	1,301.1	1,303.6
Expenditure	(374.1)	(374.2)	(1,120.8)	(1,118.8)
Operating profit	65.7	66.7	180.3	184.8
Share of results of associates/JVs, net of tax	13.7	12.7	47.2	36.4
Profit before tax	84.7	80.0	241.9	232.7
Profit attributable to owners of the Company	66.6	65.1	196.1	191.3
Underlying net profit	62.1	65.1	184.6	182.7
Per Share Data				
Earnings per share (cents)				
- Basic ^{R1}	6.0	5.8	17.6	17.2
- Diluted ^{R2}	5.9	5.8	17.4	17.1
Operating Margin (%)	14.9	15.1	13.9	14.2
PATMI Margin (%)	15.1	14.8	15.1	14.7

Financial Position (S\$ million)	As at 31-DEC-17	As at 31-MAR-17
Equity attributable to owners of the Company	1,593.5	1,603.5
Total assets	2,254.8	2,279.4
Total debt	102.7	108.6
Gross debt/equity ratio (times) ^{R3}	0.06	0.07
Net asset value per share (\$) ^{R4}	1.42	1.44

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} Gross debt/equity ratio is computed by dividing total debt by equity attributable to owners of the Company.

^{R4} 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.