



A Subsidiary of **SINGAPORE AIRLINES** 

No. 01/10

27 July 2009

SATS' 1Q PROFIT GREW 17% TO \$40.4M

HIGHLIGHTS OF THE SATS GROUP'S UNAUDITED RESULTS

(in S\$ million)	1Q2009-10 (Mar - Jun 09)	Year-on- Year change
Operating revenue	351.7	44.1%
Operating profit	43.7	14.4%
Share of profits of assoc. companies	9.1	106.8%
Other non-operating income/(expenses)	(1.0)	n.m.
Profit before tax	51.8	17.5%
Profit attributable to equity holders	40.4	17.1%
Earnings per share (cents) - basic	3.7	15.6%

n.m. - not meaningful

GROUP EARNINGS

1Q2009-10 (1 April - 30 June 2009)

Group revenue rose 44% (+\$107.7 million) to \$351.7 million. The growth came mainly from the addition of Singapore Food Industries (SFI), which contributed \$132.9 million to Group revenue. The quarter saw lower aviation revenue, which fell 12%, in tandem with the weak aviation industry. Group operating profit increased 14% (+\$5.5million) to \$43.7 million.

The Group continued with our cost management measures in view of the challenging operating environment. In this quarter, we benefited from the jobs credit of \$6.1 million, a scheme that is part of the one-off resilience package from the Singapore Government.

Note: The SATS Group comprises the parent holding unit, its subsidiaries and associated companies. A summary of the financial statistics is shown in Annex A. All monetary figures are in Singapore Dollars.

Contribution from our overseas associates improved by 107% (+\$4.7 million) to \$9.1 million due mainly to non-recurrence of the \$3.7 million VAT provision made in the first quarter of FY2008-09. This issue has been resolved going forward and the associated company involved will continue to engage the relevant authority in respect of prior years. The provision made remains on the balance sheet for now.

Group profit before tax grew 17% (+\$7.7 million) to \$51.8 million while net profit attributable to equity holders increased 17% (+\$5.9 million) to \$40.4 million.

Free cash flow generated during the first quarter of FY2009-10 amounted to \$74.9 million, down 6% (-\$4.8 million), due to higher capital expenditure.

GROUP FINANCIAL POSITION (as at 30 June 2009)

Total equity of the Group grew 4% (+\$56.6 million) to \$1.47 billion. Total assets remained at \$2.10 billion.

Net asset value per share increased 5% to \$1.35 while debt equity ratio dropped slightly from 0.18 to 0.16 due to the repayment of loans.

The Group's cash balance as at 30 June 2009 was \$366.3 million.

GROUP OPERATING PERFORMANCE

Compared to the corresponding period last year, flights handled grew 6% in the first quarter of FY2009-10 while all other indices recorded contractions. The increase in flights handled was attributed to more flights from low-cost carriers as well as the addition of Tiger Airways since April 2009.

	<u>1Q2009-10</u>	<u>1Q2008-09</u>	<u>% change</u>
Passengers handled ('M)	7.51	7.92	- 5.3
Flights handled ('000)	23.52	22.10	+ 6.4
Unit services handled ('000)	19.38	20.81	- 6.9
Cargo/mail processed ('000 tonnes)	325.81	396.27	- 17.8
Gross meals produced ('M)	5.44	6.48	- 16.0
Unit meals produced ('M)	4.31	5.19	- 17.0

COSTS MANAGEMENT

On a quarter-on-quarter comparison, some of the operating data such as passengers and flights handled, unit services and cargo tonnage seemed to suggest that the downturn has bottomed out, though a recovery in the aviation segment is not imminent.

Profit contribution from our aviation business is expected to remain weak. Continued vigilance over cost in this segment will be our priority as we ride out this difficult period. Over the last three quarters, we have managed a frugal agenda in concert with our unions to minimise overtime and expenses claims, cut capacity in our cargo operations, reduce contract staff and be more efficient in our workforce deployment. Our workforce in the aviation segment has also declined from 8,400 to the current levels of 8,100 due to natural attrition and reduction in foreign workers.

For 2009, we are recommending a general pay freeze. We will further examine ways to reduce wage levels by reviewing the total compensation policies and align employee benefits to the practices of similar companies in the airport services and food solutions industries. We are committed to undertake this review in concert with our unions and management staff and to effect any changes collaboratively to achieve sustainable cost levels, without compromising the safety aspects and quality of our services.

OUTLOOK

The addition of SFI will contribute positively to the Group's performance as well as open new avenues of growth in the food industry.

Despite some emerging signs that the Singapore economy is en route to recovery albeit patchy and slow, demand in the aviation sector remains soft.

Trading liquidity in SATS is likely to increase if the proposed distribution in specie of SATS shares by Singapore Airlines (SIA) is successful. Upon this event, SATS will cease to be a subsidiary of SIA.

ABOUT SINGAPORE AIRPORT TERMINAL SERVICES LIMITED (SATS)

With over 60 years of operating experience and an emerging global presence, SATS is Singapore's leading provider of Airport Services and Food Solutions.

Our comprehensive scope of Airport Services encompasses airfreight handling, passenger services, ramp handling, baggage handling, aviation security, aircraft interior cleaning while our Food Solutions business comprises inflight catering, food trading and logistics, industrial catering, chilled and frozen food manufacturing as well as airline linen laundry.

Listed on the Singapore Exchange since May 2000, SATS is a subsidiary of Singapore Airlines (SIA). For more information on SATS, please visit www.sats.com.sg.

ANNOUNCEMENT INFORMATION

The complete SATS Group's 1Q2009-10 results are available on the following websites: www.sats.com.sg and www.irasia.com/listco/sg/sats/index.htm.

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ANNEX A

GROUP FINANCIAL STATISTICS

	1QFY2009-10	1QFY2008-09
Financial Results (S\$ million)		
Total revenue	351.7	244.0
Total expenditure	308.0	205.8
Operating profit	43.7	38.2
Share of profits from associated companies	9.1	4.4
Other non-operating income / (expenses)	(1.0)	1.5
Profit before taxation	51.8	44.1
Profit attributable to equity holders	40.4	34.5
Per Share Data		
Earnings after tax (cents) - basic ^{R1}	3.7	3.2
- diluted ^{R2}	3.7	3.2
Financial Position (S\$ million)		
	As at 30 June 2009	As at 31 March 2009
Equity attributable to equity holders	1,454.3	1,398.0
Total assets	2,097.1	2,095.9
Total debt	233.8	251.4
Total debt equity ratio (times) ^{R3}	0.16	0.18
Net asset value per share (\$) ^{R4}	1.35	1.29

^{R1} Earnings after tax per share (basic) is computed by dividing the profit attributable to equity holders by the weighted average number of ordinary shares in issue.

^{R2} Earnings after tax per share (diluted) is computed by dividing the profit attributable to equity holders by the weighted average number of ordinary shares in issue after adjusting for the dilutive effect on the exercise of all outstanding share options granted to employees.

^{R3} Total debt equity ratio is total debt divided by equity attributable to equity holders.

^{R4} Net asset value per share is computed by dividing equity attributable to equity holders by the number of ordinary shares in issue.