



MEDIA RELEASE

SATS 3Q NET PROFIT IMPROVES 7.4% TO \$65.1M

- Resilient performance with growth in 3Q FY16-17 operating and net profit
- 9M FY16-17 Return-On-Equity improves to 12.6% from 11.7%

SINGAPORE, 9 February 2017 – SATS Ltd. (SATS) today reports its unaudited results for the third quarter and nine months ended 31 December 2016.

HIGHLIGHTS OF THE GROUP'S UNAUDITED RESULTS:

	3Q FY16-17 (S\$ million)	Favourable / (Unfavourable) Change (S\$ million)	Favourable / (Unfavourable) Change (%)
Revenue	440.9	(0.1)	(0.0)
Expenditure	(374.2)	5.0	1.3
Operating profit	66.7	4.9	7.9
Share of results of associates/JVs, net of tax	12.7	1.1	9.5
Profit attributable to owners of the Company	65.1	4.5	7.4
Underlying net profit ⁽¹⁾	65.1	4.5	7.4
Earnings per share (cents) - basic	5.8	0.3	5.5

	9M FY16-17 (S\$ million)	Favourable / (Unfavourable) Change (S\$ million)	Favourable / (Unfavourable) Change (%)
Revenue	1,303.6	23.0	1.8
Expenditure	(1,118.8)	(3.2)	(0.3)
Operating profit	184.8	19.8	12.0
Share of results of associates/JVs, net of tax	36.4	0.1	0.3
Profit attributable to owners of the Company	191.3	21.4	12.6
Underlying net profit ⁽¹⁾	182.7	15.3	9.1
Earnings per share (cents) - basic	17.2	1.9	12.4

Note:

(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 FY16-17 and 3Q FY15-16, \$9.3 million in 9M FY16-17 and NIL in 9M FY15-16). (ii) Net gain from transfer of business to a joint venture (NIL in 3Q FY16-17 and 3Q FY15-16, NIL in 9M FY16-17 and \$2.5 million in 9M FY15-16). (iii) Loss on divestment/dilution of interest in associates (NIL in 3Q FY16-17 and 3Q FY15-16, \$0.7 million in 9M FY16-17 and NIL in 9M FY15-16).

GROUP EARNINGS

3Q FY16-17 (1 October – 31 December 2016)

For the third quarter ended 31 December 2016, Group revenue was comparable year-on-year at \$440.9 million. Revenue from Food Solutions declined \$4.6 million or 1.8% to \$246.4 million, while revenue from Gateway Services grew \$4.1 million or 2.2% to \$193 million.

Group expenditure decreased \$5 million or 1.3% to \$374.2 million, due to reductions in most expense categories except staff costs and depreciation and amortisation charges. Staff costs rose \$2.6 million due mainly to service increment and higher accrual of staff expenses, while the increase in depreciation and amortisation charges corresponded to additional capital expenditure incurred. Cost of raw materials declined \$5.8 million in view of the lower revenue for Food Solutions. Company premise and utilities expenses were reduced due to lower maintenance expenses as well as lower utility rates and usage.

Operating profit for the quarter improved \$4.9 million or 7.9% year-on-year to \$66.7 million.

Share of after-tax profits from associates/joint ventures increased \$1.1 million or 9.5% to \$12.7 million, with higher contributions from both Food Solutions' and Gateway Services' divisions.

Profit attributable to owners of the Company was \$65.1 million, \$4.5 million or 7.4% higher year-on-year. Earnings per share rose 5.5% to 5.8 cents.

9M FY16-17 (1 April – 31 December 2016)

For the nine months ended 31 December 2016, Group revenue increased \$23 million or 1.8% to \$1,303.6 million. Revenue from Food Solutions grew \$4 million or 0.5% to \$739.1 million, while revenue from Gateway Services improved \$18.3 million or 3.4% to \$560.4 million. Excluding the transfer of the food distribution revenue to its joint venture company SATS BRF Food (SBRF), the Group's underlying revenue would have increased \$68.2 million or 5.3% while Food Solutions' revenue would have increased \$49.2 million or 6.7%.

Group expenditure rose \$3.2 million or 0.3% to \$1,118.8 million. Staff costs grew \$26.1 million primarily due to service increment, increased subcontract costs to support additional business volumes as well as higher accrual of staff expenses. Depreciation and amortisation charges increased \$2.1 million in line with higher capital expenditure. Other costs recorded a higher expense by \$1.9 million mainly due to increases in equipment maintenance costs, professional fees and cleaning materials. This was partly mitigated by savings in fuel consumption, higher grants and foreign exchange gain. The Group incurred lower cost of raw materials by \$22.9 million, attributed to the transfer of food distribution business while company premise and utilities expenses dropped \$3.7 million from lower maintenance expenses as well as reduction in utility rates and usage.

Operating profit for the nine months was \$184.8 million, an increase of 19.8 million or 12% over the corresponding period last year.

Share of after-tax profits from associates/joint ventures recorded an increase of \$0.1 million or 0.3% to \$36.4 million, with higher contributions from Gateway Services' associates/joint ventures.

On 30 June 2016, the Group announced the completion of the disposal of its Senoko property. The Group recorded a gain on disposal of \$9.3 million from this transaction during the first quarter. Conversely, the Group has also recorded a loss of \$0.2 million from the divestment of its interest in an associate, International Airport Cleaning Co., Ltd., and a loss of \$0.5 million on dilution of shareholdings in its associate Beijing Airport Inflight Kitchen Limited from 40% to 28%.

Profit attributable to owners of the Company increased \$21.4 million or 12.6% year-on-year to \$191.3 million. Underlying net profit was \$182.7 million, \$15.3 million or 9.1% higher than the corresponding period last year. Earnings per share rose 12.4% to 17.2 cents.

GROUP FINANCIAL POSITION (as at 31 December 2016)

As at 31 December 2016, the Group had total assets of \$2.2 billion. Cash and short-term deposits decreased by \$65.1 million to \$424.8 million. The decrease was mainly attributed to dividends of \$178.2 million paid to shareholders during the period, capital expenditure and investments, partly offset by cash generated from operations, dividends from associates/joint ventures and proceeds from disposal of assets held for sale. Free cash flow generated during the first nine months amounted to \$117.6 million and debt-to-equity ratio remained healthy at 0.07 times.

OUTLOOK

The operating environment continues to be challenging with airline margins under increasing pressure.

We will accelerate the harnessing of technology to improve productivity, seek new opportunities beyond Singapore and develop new ventures outside aviation.

In line with our strategy of feeding and connecting Asia, we are expanding our inflight catering facilities in Singapore to handle larger batch sizes for the expected increase in volume at Changi Airport. We are also extending our cargo network into the Middle East with projects both in Dammam, Saudi Arabia and Muscat, Oman.

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 47 airports, 53 cities and 14 countries 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 FY16-17 results of SATS are available at www.sats.com.sg.

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ANNEX A: GROUP FINANCIAL STATISTICS

Financial Results (S\$ million)	3Q FY16-17	3Q FY15-16	9M FY16-17	9M FY15-16
Revenue	440.9	441.0	1,303.6	1,280.6
Expenditure	(374.2)	(379.2)	(1,118.8)	(1,115.6)
Operating profit	66.7	61.8	184.8	165.0
Share of results of associates/JVs, net of tax	12.7	11.6	36.4	36.3
Profit before tax	80.0	73.3	232.7	204.7
Profit attributable to owners of the Company	65.1	60.6	191.3	169.9
Underlying net profit	65.1	60.6	182.7	167.4
Returns				
Return-On-Equity (%) ^{R1}	4.2	4.2	12.6	11.7
Return-On-Turnover (%) ^{R2}	14.8	13.7	14.7	13.3

Financial Position (S\$ million)	As at 31-DEC-16	As at 31-MAR-16
Equity attributable to owners of the Company	1,544.2	1,490.8
Total assets	2,159.1	2,105.7
Total debt	107.6	110.7
Gross debt/equity ratio (times) ^{R3}	0.07	0.07
Net asset value per share (\$) ^{R4}	1.39	1.34

Notes:

The Group financial statistics should be read in conjunction with the explanatory footnotes found on page 1 of this media release.

^{R1} Return on equity is profit attributable to owners of the Company expressed as a percentage of the average equity holders' funds.

^{R2} Return on turnover is computed by dividing profit attributable to owners of the Company by total revenue.

^{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.