



MEDIA RELEASE

SATS FY15-16 Net Profit Grows 12.7% to \$220.6M

- Productivity initiatives contribute 3.5% improvement in VApEC ⁽¹⁾ year-on-year
- ROE rises to 15% and total dividend is increased to 15 cents
- Strategic expansion into non-aviation businesses and across the region continues

SINGAPORE, 23 May 2016 – SATS Ltd. (SATS) today reports its unaudited results for the fourth quarter and full year ended 31 March 2016.

HIGHLIGHTS OF THE GROUP'S UNAUDITED RESULTS:

	4Q FY15-16 (S\$ million)	Favourable / (Unfavourable) Change (S\$ million)	Favourable / (Unfavourable) Change (%)
Revenue	417.6	(7.5)	(1.8)
Expenditure	(367.9)	12.5	3.3
Operating profit	49.7	5.0	11.2
Share of results of associates/JVs, net of tax	11.7	(1.4)	(10.7)
Profit attributable to owners of the Company	50.7	(0.9)	(1.7)
Underlying net profit ⁽²⁾	50.7	(0.9)	(1.7)
Earnings per share (cents) - basic	4.6	(0.1)	(2.1)

	FY15-16 (S\$ million)	Favourable / (Unfavourable) Change (S\$ million)	Favourable / (Unfavourable) Change (%)
Revenue	1,698.2	(55.0)	(3.1)
Expenditure	(1,483.5)	91.7	5.8
Operating profit	214.7	36.7	20.6
Share of results of associates/JVs, net of tax	48.0	(0.1)	(0.2)
Profit attributable to owners of the Company	220.6	24.9	12.7
Underlying net profit ⁽²⁾	218.1	22.2	11.3
Earnings per share (cents) - basic	19.9	2.4	13.7

(1) Value Added per Employment Cost (VApEC) increased from 1.43 in FY14-15 to 1.48 in FY15-16

(2) Underlying net profit refers to profit attributable to owners of the Company excluding the following one-off items:
 (i) Net gain from transfer of business to a joint venture (Nil in 4Q and \$2.5M in FY15-16; Nil in 4Q and FY14-15)
 (ii) Impairment loss on carrying value of Assets Held for Sale (Nil in 4Q and FY15-16; Nil in 4Q and \$0.2M in FY14-15)

GROUP EARNINGS

4Q FY15-16 (1 January – 31 March 2016)

For the fourth quarter ended 31 March 2016, Group revenue declined by 1.8% year-on-year to \$417.6 million. Food Solutions' revenue fell \$18.6 million or 7.4% to \$232.3 million, due primarily to the transfer of the food distribution business to the joint venture company SATS BRF Food ("SBRF") in June 2015, and the weakening of the Japanese Yen. Excluding the transfer of the food distribution revenue to SBRF, the Group's revenue would have improved \$27.9 million or 6.6% while the Food Solutions' revenue increase would have been \$16.8 million or 6.7%. Gateway Services' revenue also saw an increase of \$10.8 million or 6.2% to \$183.8 million.

Compared to the same quarter last year, Group expenditure decreased 3.3% to \$367.9 million, due to reductions in most expense categories except staff costs and depreciation and amortisation charges. Staff costs rose \$19 million due mainly to higher accrual of staff expenses and contract services while the increase in depreciation and amortisation charges corresponded to additional capital expenditure. Separately, cost of raw materials fell \$21.2 million, in line with lower revenue attributed to the transfer of the food distribution business. Licence fees declined \$2.6 million due partly to rebates received. Company premise and utilities expenses were lower by \$7 million from a drop in utility rates and usage, as well as adjustments to rental rates.

Group operating profit for the quarter improved 11.2% year-on-year to \$49.7 million.

Share of after-tax profits from associates/joint ventures of \$11.7 million for the fourth quarter was lower by \$1.4 million on a year-to-year basis. The Group recorded an impairment of property, plant and equipment of \$2.1 million in this quarter, mainly from the fair value adjustments of certain non-core assets in Japan.

Profit attributable to owners of the Company was \$50.7 million, 1.7% lower year-on-year. Earnings per share dropped 2.1% to 4.6 cents.

FY15-16 (1 April – 31 March 2016)

For the financial year ended 31 March 2016, Group revenue decreased 3.1% to \$1,698.2 million. Revenue from Food Solutions fell 8% to \$967.4 million due to the transfer of the food distribution business, weakening of the Japanese Yen and the loss of revenue from the divestment of its Australian subsidiary, Urangan Fisheries. Excluding the transfer of the food distribution revenue to SBRF and the Urangan divestment, the Group's revenue would have improved \$53.2 million or 3% while the Food Solutions' revenue increase would have been \$24.1 million or 2.3%. Gateway Services' revenue grew 4.1% to \$725.9 million.

Group expenditure shrank \$91.7 million to \$1,483.5 million. Similar to the fourth quarter, all expense categories recorded reductions except staff costs and depreciation and amortisation charges.

Despite a decline in revenue, efforts made to contain expenditure have yielded positive returns, as Group operating profit significantly increased 20.6% to \$214.7 million over last year.

Share of after-tax profits from associates/joint ventures for the full year was \$48 million, reflecting a slight decline of \$0.1 million or 0.2% year-on-year, with better performances from the Food Solutions' associates/joint ventures. There was an impairment of property, plant and equipment of \$2.1 million as explained above.

Tax expense was \$12.7 million higher year-on-year mainly in line with higher profit, tax adjustments on the transfer of assets to SBRF and some deferred tax adjustments.

Profit attributable to owners of the Company grew 12.7% year-on-year to \$220.6 million. Underlying net profit was \$218.1 million or 11.3% higher than last year. Earnings per share rose 13.7% to 19.9 cents.

GROUP FINANCIAL POSITION (as at 31 March 2016)

As at 31 March 2016, the Group had total assets of \$2.1 billion. Cash and short-term deposits increased \$79 million to \$489.9 million. The increase was mainly attributed to cash generated from operations, dividends received from associates/joint ventures, proceeds from exercise of share options and the classification of cash balances of \$18.8 million to assets of disposal groups classified as held for sale as at 31 March 2015. The above increases were partly offset by dividends paid to shareholders, capital expenditure, investments in associates/joint ventures and purchase of treasury shares.

Free cash flow generated during the year amounted to \$222 million and debt-to-equity ratio remained healthy at 0.07 times.

PROPOSED DIVIDEND

In view of the Group's financial performance in FY15-16, its liquidity position as well as capital allocation considerations, the Board of Directors has recommended a final dividend of 10 cents per share. Including the interim dividend of 5 cents per share, this brings the total dividend to 15 cents per share and translates to a payout ratio of 75.5% of profit attributable to owners of the Company in FY15-16. This compares to an ordinary payout ratio of 79.6% in FY14-15.

The proposed final dividend will be tabled for shareholders' approval at the forthcoming Annual General Meeting on 19 July 2016 and if approved, will be paid on 10 August 2016. The book closure date is 27 July 2016.

OUTLOOK

Our focus on productivity from scale and use of technology will continue to position us well to weather global economic and political uncertainties as well as intense competition. Airline load factors are improving although airline yields are still weak.

Investments in technology will bring more value to our customers as we connect our services across our operations in Asia.

While our aviation business in Singapore remains a pillar of strength, we have been developing our non-aviation business and expanding across the region. The growth of tourism in the region as well as demand for safe, high quality food from the burgeoning urban populations of Asia are also creating new growth opportunities for us.

Said Mr Alex Hungate, President and CEO of SATS, "Our financial performance in FY15-16 was strong, considering the challenging economic environment and intense competition. Strategic investment in technology has helped us to improve productivity and enhance services while scaling the business. We generated underlying revenue growth of 3% and achieved 12.7% increase in profit.

Our aviation business in Singapore remains a pillar of strength for SATS. In line with our vision to feed and connect Asia, we are also leveraging new opportunities created by the growth of tourism in the region as well as the demand for safe, high quality food from the burgeoning urban populations of Asia to pursue non-aviation business and expand beyond Singapore."

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 at 45 airports and 12 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 4Q and FY15-16 results of SATS are available at www.sats.com.sg.

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ANNEX A: GROUP FINANCIAL STATISTICS

Financial Results (S\$ million)	4Q FY15-16	4Q FY14-15	FY15-16	FY14-15
Revenue	417.6	425.1	1,698.2	1,753.2
Expenditure	(367.9)	(380.4)	(1,483.5)	(1,575.2)
Operating profit	49.7	44.7	214.7	178.0
Share of results of associates/JVs, net of tax	11.7	13.1	48.0	48.1
Profit before tax	60.5	57.9	265.2	224.8
Profit attributable to owners of the Company	50.7	51.6	220.6	195.7
Underlying net profit	50.7	51.6	218.1	195.9
Per Share Data				
Earnings per share (cents)				
- Basic ^{R1}	4.6	4.7	19.9	17.5
- Diluted ^{R2}	4.5	4.6	19.7	17.4
Return on turnover (%) ^{R3}	12.1	12.1	13.0	11.2
Financial Position (S\$ million)				
	As at	As at		
	31-MAR-16	31-MAR-15		
Equity attributable to owners of the Company	1,490.8	1,441.1		
Total assets	2,105.7	2,019.7		
Total debt	110.7	105.3		
Gross debt/equity ratio (times) ^{R4}	0.07	0.07		
Net asset value per share (\$) ^{R5}	1.34	1.30		

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.