



BUSINESS UPDATE FOR THE GROUP FOR 3Q2023 AND 9M2023 (UNAUDITED)

Further to the media release entitled “SATS Posts 3Q Earnings of \$0.5m with Revenue Growing 54.5% YoY” and presentation slides entitled “3Q FY23 Performance Review”, each dated 13 February 2023 (together, the “**Media Release**”), SATS Ltd. wishes to provide additional unaudited condensed consolidated financial information for the third quarter and nine months ended 31 December 2022, as set out below. Such additional financial information is being voluntarily provided to assist shareholders and investors in understanding the information set out in the Media Release, and is not intended to be construed as the release of quarterly or interim financial statements for the purposes of the Singapore Exchange Securities Trading Limited listing rules.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT OF THE GROUP FOR THE THIRD QUARTER AND NINE MONTHS ENDED 31 DECEMBER 2022

	Unaudited			
	3rd Quarter		9 Months	
(in S\$ million)	2022-23	2021-22	2022-23	2021-22
REVENUE	475.7	307.8	1,280.2	877.3
EXPENDITURE				
Staff costs	(222.4)	(140.1)	(649.1)	(383.5)
Cost of raw materials	(87.8)	(83.9)	(245.5)	(237.3)
Licence fees	(18.9)	(1.1)	(37.1)	(13.5)
Depreciation and amortisation charges	(46.1)	(29.1)	(130.1)	(89.9)
Company premise and utility expenses	(31.6)	(18.8)	(85.8)	(52.2)
Other costs	(70.0)	(44.3)	(176.0)	(106.4)
	(476.8)	(317.3)	(1,323.6)	(882.8)
OPERATING LOSS	(1.1)	(9.5)	(43.4)	(5.5)
Interest on borrowings	(3.3)	(4.4)	(14.0)	(12.9)
Interest income	3.5	0.8	6.6	2.3
Share of results of associates/joint ventures, net of tax	10.2	12.1	27.8	13.0
Other non-operating loss, net	(11.3)	(6.1)	(27.2)	(6.9)
LOSS BEFORE TAX	(2.0)	(7.1)	(50.2)	(10.0)
Income tax (expense)/credit	(1.3)	5.8	6.3	14.7
(LOSS)/PROFIT FOR THE PERIOD	(3.3)	(1.3)	(43.9)	4.7
Profit/(Loss) attributable to:				
Owners of the Company	0.5	5.1	(32.0)	18.3
Non-controlling interests	(3.8)	(6.4)	(11.9)	(13.6)
	(3.3)	(1.3)	(43.9)	4.7
Earnings/(loss) per Share (cents)				
Basic	–	0.5	(2.9)	1.6
Diluted	–	0.5	(2.8)	1.6
EBITDA⁽¹⁾	55.2	31.7	114.5	97.4

Note: (1) EBITDA refers to earnings (including share of results of associates/joint ventures) before interest, tax, depreciation and amortisation; and excludes one-off items. Excluding share of results of associates/joint ventures, EBITDA for 9M2023 and 9M2022 would be S\$86.7 million and S\$84.4 million respectively while EBITDA for 3Q2023 and 3Q2022 would be S\$45.0 million and S\$19.6 million respectively.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE GROUP AS AT 31 DECEMBER 2022

(in S\$ million)	(Unaudited) As at 31 December 2022	(Audited) As at 31 March 2022
Equity attributable to owners of the Company		
Share capital	369.2	367.9
Treasury shares	(0.9)	(8.5)
Share-based compensation reserve	4.0	4.9
Statutory reserve	13.9	13.5
Foreign currency translation reserve	(166.2)	(119.5)
Revenue reserve	1,336.3	1,368.8
Other reserves	(24.8)	(24.5)
	1,531.5	1,602.6
Non-controlling interests	202.2	231.1
Total equity	1,733.7	1,833.7
Non-current assets		
Property, plant and equipment	566.8	589.6
Right-of-use assets	325.1	312.8
Intangible assets	534.4	553.2
Investment in associates	361.3	393.8
Investment in joint ventures	61.5	60.2
Long-term investments	14.3	14.6
Loan to associate	4.1	2.2
Deferred tax assets	62.7	57.4
Other non-current assets	10.5	12.5
	1,940.7	1,996.3
Current assets		
Trade and other receivables	521.5	387.8
Prepayments and deposits	30.7	36.7
Amounts due from associates/joint ventures	2.1	2.3
Inventories	91.0	83.2
Cash and short-term deposits	590.1	786.0
	1,235.4	1,296.0
Current liabilities		
Trade and other payables	513.1	457.9
Amounts due to associates/joint ventures	11.4	11.4
Income tax payable	25.9	18.2
Term loans	10.6	101.7
Lease liabilities	44.5	41.4
	605.5	630.6
Net current assets	629.9	665.4

(in S\$ million)	(Unaudited) As at 31 December 2022	(Audited) As at 31 March 2022
Non-current liabilities		
Deferred tax liabilities	87.0	90.4
Term loans	109.2	109.1
Note payables	300.0	300.0
Lease liabilities	296.4	285.7
Other payables	44.3	42.8
	836.9	828.0
Net assets	1,733.7	1,833.7

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS OF THE GROUP
FOR THE THIRD QUARTER AND NINE MONTHS ENDED 31 DECEMBER 2022**

	Unaudited			
	3rd Quarter		9 Months	
(in S\$ million)	2022-23	2021-22	2022-23	2021-22
Cash flows from operating activities				
Loss before tax	(2.0)	(7.1)	(50.2)	(10.0)
Adjustments for:				
Interest (income)/expense, net	(0.2)	3.6	7.4	10.6
Depreciation and amortisation charges	46.1	29.1	130.1	89.9
Unrealised foreign exchange (gain)/loss	(1.8)	0.5	(1.9)	0.2
Share of results of associates/joint ventures, net of tax	(10.2)	(12.1)	(27.8)	(13.0)
Gain on disposal of property, plant and equipment	(0.4)	(0.1)	(1.1)	—
Impairment loss on property, plant and equipment	—	6.1	—	6.8
Share-based payment expense	1.6	—	7.7	6.3
Gain from sale of an associate	—	—	(1.9)	—
Provision for doubtful debts	0.1	11.1	0.1	10.8
Other non-cash items	5.6	0.2	6.0	0.2
Operating cash flows before working capital changes	38.8	31.3	68.4	101.8
Changes in working capital:				
Increase in receivables	(40.2)	(52.7)	(126.6)	(116.1)
Decrease/(increase) in prepayments and deposits	11.3	(7.8)	6.0	(8.1)
(Increase)/decrease in inventories	(14.3)	26.0	(13.9)	37.5
Increase in payables	18.4	24.6	65.6	20.6
Decrease/(increase) in amounts due from associates/joint ventures, net	0.6	(2.1)	(1.8)	(1.1)
Cash generated from/(used in) operations	14.6	19.3	(2.3)	34.6
Interest paid to third parties	(4.2)	(4.4)	(14.9)	(12.9)
Income taxes paid	(2.8)	(0.8)	(1.9)	(16.7)
Net cash from/(used in) operating activities	7.6	14.1	(19.1)	5.0

(in S\$ million)	Unaudited			
	3rd Quarter		9 Months	
	2022-23	2021-22	2022-23	2021-22
Cash flows from investing activities				
Capital expenditure	(24.9)	(22.5)	(85.6)	(54.0)
Dividends from associates/joint ventures	9.5	–	23.4	21.4
Proceeds from disposal of property, plant and equipment	20.0	–	22.6	0.1
Proceeds from disposal of interest in subsidiary	–	–	–	0.3
Proceeds from disposal of interest in associate	–	–	3.1	–
Investment in subsidiaries, net of cash acquired	–	–	–	(20.2)
Investment in joint venture	–	–	(0.1)	–
Loan to associate	–	(2.1)	–	(2.1)
Interest received from deposits	3.5	0.8	6.5	2.2
Net cash from/(used in) investing activities	8.1	(23.8)	(30.1)	(52.3)
Cash flows from financing activities				
Repayments of term loans	(112.3)	–	(112.3)	(150.0)
Repayments of lease liabilities	(12.3)	(5.1)	(44.0)	(17.2)
Proceeds from borrowings	14.2	8.0	30.3	16.2
Dividends paid to non-controlling interest	–	–	(18.6)	(2.4)
Net cash (used in)/from financing activities	(110.4)	2.9	(144.6)	(153.4)
Net decrease in cash and cash equivalents	(94.7)	(6.8)	(193.8)	(200.7)
Effect of exchange rate changes	(4.5)	(0.4)	(2.1)	(0.8)
Cash and cash equivalents at beginning of financial period	689.3	685.5	786.0	879.8
Cash and cash equivalents at end of financial period	590.1	678.3	590.1	678.3

Review of Group Performance

Third Quarter ended 31 December 2022

Business activities increased on the back of the continued aviation recovery with flight volume reaching 71% of pre-pandemic levels. As such, Group revenue grew S\$167.9 million, or 54.5% year-on-year (“YoY”), to S\$475.7 million. Revenue from Food Solutions rose S\$66.4 million, or 39.9% YoY, to S\$232.9 million, while revenue from Gateway Services increased S\$102.4 million, or 73.0% YoY, to S\$242.7 million in 3Q2023 over the same period last year. The consolidation of AAT, a subsidiary of the Group effective March 2022, contributed S\$30.5 million to Gateway Services’ revenue.

Group expenditure increased S\$159.5 million, or 50.3% YoY, to S\$476.8 million arising from increased business activities and inflation. Staff costs rose S\$82.3 million YoY due to the ramp up of hiring in support of increased business activities, coupled with a S\$23.9 million YoY reduction in government grant support. The rise in the cost of raw materials, licence fees, and company premise and utility expenses were in line with greater business volume, inflation and increased utility tariffs. Depreciation and amortisation in 3Q 2023 increased S\$17.0 million YoY mainly due to the consolidation of AAT compared to the same period last year. Other costs rose S\$25.7 million mainly due to higher fuel costs and maintenance expenses and foreign exchange translation losses, coupled with lower government grants.

As a result, the Group recorded an operating loss of S\$1.1 million. This was an improvement of S\$8.4 million as compared to the operating loss of S\$9.5 million in 3Q2022.

Share of results from associates/joint ventures was at S\$10.2 million, a decline of S\$1.9 million from S\$12.1 million in 3Q2022.

Other non-operating loss of S\$11.3 million comprised mainly the one-off acquisition expenses the Group incurred.

PATMI was S\$0.5 million, a YoY decrease of S\$4.6 million from PATMI of S\$5.1 million in 3Q2022. Excluding government reliefs, Group PATMI would have been a loss of S\$13.7 million, compared to a loss of S\$33.0 million recorded for the same period last year.

Nine Months ended 31 December 2022

Group revenue grew S\$402.9 million, or 45.9% YoY, to S\$1,280.2 million on the back of continued aviation recovery and cargo volume growth. Revenue from Food Solutions rose S\$158.7 million, or 33.3% YoY, to S\$635.5 million, while revenue from Gateway Services increased S\$246.9 million, or 62.1% YoY, to S\$644.5 million in 9M2023 over the same period last year. The consolidation of AAT effective March 2022, contributed S\$92.6 million to Gateway Services’ revenue.

Group expenditure increased S\$440.8 million, or 49.9% YoY, to S\$1,323.6 million arising from increased business activities and inflation. Staff costs rose S\$265.6 million YoY due to the ramp up of hiring in support of passenger operations and meal production, coupled with a reduction in government grant support. The rise in the cost of raw materials, licence fees, and company premise and utility expenses were in line with greater business volume, inflation and increased utility tariffs and consumption. Depreciation and amortisation increased S\$40.2 million YoY mainly due to the consolidation of AAT in 9M2023. Other costs rose S\$69.6 million YoY mainly due to higher fuel costs and maintenance expenses, coupled with lower government grants. Excluding the consolidation of AAT, Group expenditure would have recorded a lower increase of S\$335.4 million.

The Group recorded an operating loss of S\$43.4 million, a YoY increase of S\$37.9 million.

Share of results from associates/joint ventures was at S\$27.8 million, an increase of S\$14.8 million from S\$13.0 million in 9M2022 largely due to aviation recovery offset by AAT consolidation.

Other non-operating loss of S\$27.2 million comprised mainly the one-off acquisition expenses the Group incurred.

Group net profit attributable to owners of the Company ("PATMI") was a loss of S\$32.0 million, a YoY decrease of S\$50.3 million from Group PATMI of S\$18.3 million in 9M2022. Excluding government reliefs, Group PATMI would have been a loss of S\$65.4 million for the period, an improvement of S\$33.2 million compared to a loss of S\$98.6 million in 9M2022.

GROUP FINANCIAL POSITION REVIEW

Total equity of the Group decreased by S\$100.0 million to S\$1,733.7 million as at 31 December 2022, compared to 31 March 2022. The lower equity was attributable to loss in 9M2023 and foreign currency translation losses.

Non-current assets decreased S\$55.6 million due to lower property, plant and equipment mainly due to disposal of buildings and depreciation expense. The lower investment in associates was attributable to foreign currency revaluation losses and dividend received, partly offset by share of profits. The reduction was partly offset by higher right-of-use assets.

Current assets of the Group decreased S\$60.6 million largely due to lower cash and short-term deposits partly offset by higher trade and other receivables due to higher business volume. The lower cash and short-term deposits was due to capital expenditure and repayment of term loans amounting to S\$112.3 million.

Current liabilities decreased S\$25.1 million mainly due to repayment of term loan partly offset by higher trade and other payables due to increased business activities.

Non-current liabilities of the Group increased by S\$8.9 million mainly due to higher lease liabilities.