



## MEDIA RELEASE

### SATS 3Q NET PROFIT UP 12.8% TO \$60.6M

**SINGAPORE, 12 February 2016** – SATS Ltd. (SATS) today reports its unaudited results for the third quarter and nine months ended 31 December 2015.

#### HIGHLIGHTS OF THE GROUP'S UNAUDITED RESULTS:

	<b>3Q FY15-16 (S\$ million)</b>	<b>Favourable / (Unfavourable) Change (S\$ million)</b>	<b>Favourable / (Unfavourable) Change (%)</b>
Revenue	441.0	(9.7)	(2.2)
Expenditure	(379.2)	20.4	5.1
Operating profit	61.8	10.7	20.9
Share of results of associates/JVs, net of tax	11.6	(2.2)	(15.9)
Profit attributable to owners of the Company	60.6	6.9	12.8
Underlying net profit <sup>(1)</sup>	60.6	6.8	12.6
Earnings per share (cents) - basic	5.5	0.7	14.6

	<b>9M FY15-16 (S\$ million)</b>	<b>Favourable / (Unfavourable) Change (S\$ million)</b>	<b>Favourable / (Unfavourable) Change (%)</b>
Revenue	1,280.6	(47.5)	(3.6)
Expenditure	(1,115.6)	79.2	6.6
Operating profit	165.0	31.7	23.8
Share of results of associates/JVs, net of tax	36.3	1.3	3.7
Profit attributable to owners of the Company	169.9	25.8	17.9
Underlying net profit <sup>(1)</sup>	167.4	23.1	16.0
Earnings per share (cents) - basic	15.3	2.4	18.6

**Note:**

- (1) 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 3Q and \$2.5M in 9M FY15-16; Nil in 3Q and 9M FY14-15). (ii) Impairment loss on carrying value of Assets Held for Sale (Nil in 3Q and 9M FY15-16; \$0.1M in 3Q and \$0.2M in 9M FY14-15).

## **GROUP EARNINGS**

### **3Q FY15-16 (1 October – 31 December 2015)**

For the third quarter ended 31 December 2015, Group revenue decreased 2.2% year-on-year to \$441 million. Revenue from Food Solutions dropped \$19.2 million or 7.1% to \$251 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 loss of revenue from the transfer of the food distribution business to SBRF, the Group's revenue would have increased by \$29.2 million or 6.5% while the Food Solutions' revenue increase would have been \$19.7 million or 7.3%. Gateway Services' revenue had also increased by \$9.5 million or 5.3% to \$188.9 million.

Group expenditure shrank 5.1% to \$379.2 million, due to reductions in most expense categories except staff costs and depreciation and amortisation charges. Manpower costs rose \$11.5 million due mainly to higher accrual of staff expenses and contract services while depreciation increase was in line with additional capital expenditure. Cost of raw materials fell \$18.7 million in line with lower revenue mainly from the transfer of the food distribution business. Licence fees decreased \$2 million due partly to rebates received. Company premise and utilities expenses were lower by \$4.7 million from a drop in utility rates and usage. Other costs were also lower due to reduction in fuel and gas costs, distribution charges, sales and marketing expenses and rental of equipment.

Consequently, operating profit for the quarter improved 20.9% year-on-year to \$61.8 million.

Share of after-tax profits from associates/joint ventures for the third quarter was lower at \$11.6 million by \$2.2 million on a year-to-year basis. Associates/joint ventures from both Gateway Services and Food Solutions showed weaker results in the quarter.

Tax expenses increased \$2 million in line with higher profits generated in the quarter.

Profit attributable to owners of the Company was \$60.6 million, 12.8% higher year-on-year. Earnings per share rose 14.6% to 5.5 cents.

### **9M FY15-16 (1 April – 31 December 2015)**

For the nine months ended 31 December 2015, Group revenue declined 3.6% to \$1,280.6 million. Revenue from Food Solutions fell 8.2% to \$735.1 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 Pty Ltd. Excluding the loss of revenue from food distribution business transfer and divestment of Urangan, the Group's revenue would have increased by \$25.4 million or 1.9% while the Food Solutions' revenue increase would have been \$7.4 million or 0.9%. Gateway Services' revenue had also grown \$18.1 million or 3.5% to \$542.1 million compared to the last corresponding period.

Group expenditure declined \$79.2 million to \$1,115.6 million, with all expense categories recording reductions except staff costs and depreciation and amortisation charges.

Operating profit for the nine months was \$165 million, a significant increase of 23.8% over the same period last year.

Share of after-tax profits from associates/joint ventures rose 3.7% year-on-year to \$36.3 million, with growth mainly in the Food Solutions' associates/joint ventures.

On 3 June 2015, the Group completed the transfer of the food distribution business to the joint venture company SBRF, and the sale of a 49% stake in SBRF to BRF GmbH. SBRF has since been accounted for as a joint venture company. In line with the above transfer and sale, the Group recorded a "net gain from transfer of business to a joint venture" of \$2.5 million, comprising the fair value gain of \$13.3 million on re-measurement of the retained interest in SBRF, and the loss on disposal of interest of \$10.8 million in it.

Tax expense was \$10.8 million higher year-on-year mainly in line with higher profits, tax adjustments on the transfer of assets to SBRF and lower prior year tax adjustments.

Profit attributable to owners of the Company increased 17.9% year-on-year to \$169.9 million, while underlying net profit was \$167.4 million or 16% higher than the corresponding period last year. Earnings per share rose 18.6% to 15.3 cents.

#### **GROUP FINANCIAL POSITION (as at 31 December 2015)**

As at 31 December 2015, the Group had total assets of \$2.04 billion. Cash and short-term deposits increased by \$5.9 million to \$416.8 million. The increase was mainly due to cash generated from operations, dividends received from associates and 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 and capital expenditure.

Free cash flow generated during the first nine months amounted to \$98.0 million and debt-to-equity ratio remained healthy at 0.07 times.

#### **OUTLOOK**

Economic uncertainty and low consumer confidence across most of Asia suggest that the challenging operating environment will continue. However, our focus on raising productivity by adopting new technologies and driving economies of scale has prepared us well for these headwinds.

The long-term growth prospects for Gateway Services and Food Solutions are intact and we shall continue to expand our geographic presence in the region and build up into adjacent businesses, as demonstrated by our recent acquisition of a 49% equity stake in an airline catering company in Malaysia and our joint ventures in the travel retail business in Singapore and food supply business in China.

## **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](http://www.sats.com.sg).

## **ANNOUNCEMENT INFORMATION**

The complete 3Q and 9M FY15-16 results of SATS are available at [www.sats.com.sg](http://www.sats.com.sg).

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## ANNEX A: GROUP FINANCIAL STATISTICS

Financial Results (S\$ million)	3Q FY15-16	3Q FY14-15	9M FY15-16	9M FY14-15
Revenue	441.0	450.7	1,280.6	1,328.1
Expenditure	(379.2)	(399.6)	(1,115.6)	(1,194.8)
<b>Operating profit</b>	<b>61.8</b>	<b>51.1</b>	<b>165.0</b>	<b>133.3</b>
Share of results of associates/JVs, net of tax	11.6	13.8	36.3	35.0
<b>Profit before tax</b>	<b>73.3</b>	<b>64.3</b>	<b>204.7</b>	<b>166.9</b>
<b>Profit attributable to owners of the Company</b>	<b>60.6</b>	<b>53.7</b>	<b>169.9</b>	<b>144.1</b>
<b>Underlying net profit</b>	<b>60.6</b>	<b>53.8</b>	<b>167.4</b>	<b>144.3</b>
<b>Per Share Data</b>				
Earnings per share (cents)				
- Basic <sup>R1</sup>	5.5	4.8	15.3	12.9
- Diluted <sup>R2</sup>	5.4	4.8	15.2	12.8
Return on turnover (%) <sup>R3</sup>	13.7	11.9	13.3	10.9

Financial Position (S\$ million)	As at 31-DEC-15	As at 31-MAR-15
Equity attributable to owners of the Company	1,464.9	1,441.1
Total assets	2,039.8	2,019.7
Total debt	108.7	105.3
Gross debt/equity ratio (times) <sup>R4</sup>	0.07	0.07
Net asset value per share (\$) <sup>R5</sup>	1.32	1.30

### Notes:

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

<sup>R1</sup> 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.

<sup>R2</sup> 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.

<sup>R3</sup> Return on turnover is computed by dividing profit attributable to owners of the Company by total revenue.

<sup>R4</sup> Gross debt/equity ratio is computed by dividing total debt by equity attributable to owners of the Company.

<sup>R5</sup> 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.