



MEDIA RELEASE

SATS NET PROFIT UP 4% IN 2Q FY16-17

- Group 2Q FY16-17 underlying revenue increased 7.7%
- Strong growth in operating volumes across all businesses
- TFK continues to show strong revenue growth of 33.6% in 2Q FY16-17

SINGAPORE, 10 November 2016 – SATS Ltd. (SATS) today reports its unaudited results for the second quarter and first half ended 30 September 2016.

HIGHLIGHTS OF THE GROUP'S UNAUDITED RESULTS:

| | 2Q FY16-17 (S\$ million) | Favourable / (Unfavourable) Change (S\$ million) | Favourable / (Unfavourable) Change (%) |
|---------------------------------------------------|--------------------------------|-----------------------------------------------------------|-------------------------------------------------|
| Revenue | 438.5 | 15.8 | 3.7 |
| Expenditure | (374.9) | (11.4) | (3.1) |
| Operating profit | 63.6 | 4.4 | 7.4 |
| Share of results of associates/JVs, net of tax | 11.5 | (0.4) | (3.4) |
| Profit attributable to owners of the Company | 62.1 | 2.4 | 4.0 |
| Underlying net profit ⁽¹⁾ | 62.1 | 2.4 | 4.0 |
| Earnings per share (cents) - basic | 5.6 | 0.2 | 3.7 |

| | 1H FY16-17 (S\$ million) | Favourable / (Unfavourable) Change (S\$ million) | Favourable / (Unfavourable) Change (%) |
|---------------------------------------------------|--------------------------------|-----------------------------------------------------------|-------------------------------------------------|
| Revenue | 862.7 | 23.1 | 2.8 |
| Expenditure | (744.6) | (8.2) | (1.1) |
| Operating profit | 118.1 | 14.9 | 14.4 |
| Share of results of associates/JVs, net of tax | 23.7 | (1.0) | (4.0) |
| Profit attributable to owners of the Company | 126.2 | 16.9 | 15.5 |
| Underlying net profit ⁽¹⁾ | 117.6 | 10.8 | 10.1 |
| Earnings per share (cents) - basic | 11.4 | 1.5 | 15.2 |

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 2Q FY16-17 and 2Q FY15-16, \$9.3 million in 1H FY16-17 and NIL in 1H FY15-16). (ii) Net gain from transfer of business to a joint venture (NIL in 2Q FY16-17 and 2Q FY15-16, NIL in 1H FY16-17 and \$2.5 million in 1H FY15-16). (iii) Loss on divestment / dilution of interest in associates (NIL in 2Q FY16-17 and 2Q FY15-16, \$0.7 million in 1H FY16-17 and NIL in 1H FY15-16).

GROUP EARNINGS

2Q FY16-17 (1 July – 30 September 2016)

For the second quarter ended 30 September 2016, Group revenue improved 3.7% year-on-year to \$438.5 million. Revenue from Food Solutions rose \$9.7 million or 4% to \$252.7 million, while revenue from Gateway Services increased \$6 million or 3.4% to \$184.5 million. Excluding the impact on revenue from the transfer of the food distribution business to its joint venture company SATS BRF Food (SBRF), the Group's underlying revenue would have increased \$32.4 million or 7.7% while Food Solutions' revenue would have increased \$26.3 million or 10.8%.

Group expenditure increased 3.1% to \$374.9 million. Higher expenditures were recorded in most expense categories except for cost of raw materials and company premise and utilities expenses. Cost of raw materials fell \$3.6 million mainly due to the transfer of food distribution business while the reduction in premise and utilities expenses was attributed to lower maintenance, utilities usage and rates. Staff costs rose \$9.8 million or 4.9% mainly due to service increment, increased subcontract costs to support the business, and the strengthening of the Japanese Yen. The increase in other costs by \$4.4 million was mainly in equipment maintenance costs, transportation, professional fees, cleaning materials as well as lower exchange gain.

Operating profit for the quarter improved 7.4% year-on-year to \$63.6 million.

Share of after-tax profits from associates/joint ventures for the second quarter was \$11.5 million, a decline of \$0.4 million year-on-year, with lower contributions from Gateway Services' associates/joint ventures.

Profit attributable to owners of the Company was \$62.1 million, 4% higher than the corresponding quarter. Earnings per share rose 0.2 cents to 5.6 cents.

1H FY16-17 (1 April – 30 September 2016)

For the six months ended 30 September 2016, Group revenue rose 2.8% to \$862.7 million. Revenue from Food Solutions grew 1.8% to \$492.7 million while Gateway Services' revenue increased 4% to \$367.4 million. Excluding the transfer of the food distribution revenue to SBRF, the Group's underlying revenue would have increased \$68.1 million or 8.1%, and Food Solutions' revenue would have increased \$53.6 million or 11.1%.

Group expenditure rose \$8.2 million or 1.1% to \$744.6 million, with cost of raw materials and company premise and utilities expenses recording reductions. Similar to the second quarter, all other expense categories noted increased expenditure.

Operating profit for the six months was \$118.1 million, an increase of 14.4% over the same period last year.

Share of after-tax profits from associates/joint ventures declined 4% year-on-year to \$23.7 million, with lower contributions from both Food Solutions' and Gateway Services' associates/joint ventures.

On 30 June 2016, the Group announced the completion of the disposal of its Senoko property. The Group has recorded a gain on disposal of \$9.3 million from this transaction during the first quarter. Conversely, the Group has 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 15.5% year-on-year to \$126.2 million, while underlying net profit was \$117.6 million or 10.1% higher than the corresponding period last year. Earnings per share rose 15.2% to 11.4 cents.

GROUP FINANCIAL POSITION (as at 30 September 2016)

As at 30 September 2016, the Group had total assets of \$2.2 billion. Cash and short-term deposits decreased \$37.2 million to \$452.7 million. This decline was mainly due to dividends of \$111.4 million paid to shareholders during the second quarter, capital expenditure and investments in associates/joint ventures. The decrease was partly offset by cash generated from operations.

Free cash flow generated during the first six months amounted to \$68.1 million and debt-to-equity ratio remained healthy at 0.08 times.

INTERIM DIVIDEND

The Board of Directors has declared an interim dividend of 6 cents per share, payable on 8 December 2016. The book closure date is 28 November 2016.

OUTLOOK

The operating environment is challenging, with global economic uncertainties and competitive pressures in the aviation business.

Our focus continues to be on harnessing technology to improve productivity, seeking new opportunities in the aviation business beyond Singapore and applying our capabilities to new ventures outside aviation.

SATS Inflight Catering Centre 2 is being expanded to handle larger batch sizes for the increased volume from Changi's Terminal 4 when it opens in 2017. Our cargo projects in Dammam and Oman will increase our presence in the Middle East. SATS eCommerce AirHub, scheduled to be completed early 2017, will enable us to serve our customers better.

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 46 airports, 52 cities and 13 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 2Q and 1H 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) | 2Q FY16-17 | 2Q FY15-16 | 1H FY16-17 | 1H FY15-16 |
|-----------------------------------------------------|-------------|-------------|--------------|--------------|
| Revenue | 438.5 | 422.7 | 862.7 | 839.6 |
| Expenditure | (374.9) | (363.5) | (744.6) | (736.4) |
| Operating profit | 63.6 | 59.2 | 118.1 | 103.2 |
| Share of results of associates/JVs, net of tax | 11.5 | 11.9 | 23.7 | 24.7 |
| Profit before tax | 76.5 | 71.5 | 152.7 | 131.4 |
| Profit attributable to owners of the Company | 62.1 | 59.7 | 126.2 | 109.3 |
| Underlying net profit | 62.1 | 59.7 | 117.6 | 106.8 |
| Returns | | | | |
| Return on equity (%) ^{R1} | 4.0 | 4.1 | 8.4 | 7.6 |
| Return on turnover (%) ^{R2} | 14.2 | 14.1 | 14.6 | 13.0 |

| Financial Position (S\$ million) | As at 30-SEP-16 | As at 31-MAR-16 |
|-----------------------------------------------|--------------------|--------------------|
| Equity attributable to owners of the Company | 1,523.7 | 1,490.8 |
| Total assets | 2,153.8 | 2,105.7 |
| Total debt | 121.2 | 110.7 |
| Gross debt/equity ratio (times) ^{R3} | 0.08 | 0.07 |
| Net asset value per share (\$) ^{R4} | 1.37 | 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.

ANNEX B: OPERATING STATISTICS

| | 1H FY16-17 | 1H FY15-16 | Change (%) |
|--------------------------------------|------------|------------|------------|
| Passengers Handled ('M) | 25.18 | 22.98 | 9.6 |
| Flights Handled ('000) | 83.88 | 78.22 | 7.2 |
| Cargo / Mail Processed ('000 tonnes) | 840.64 | 779.24 | 7.9 |
| Gross Meals Produced ('M) | 34.21 | 30.80 | 11.1 |
| Ship Calls Handled | 22 | 15 | 46.7 |

Notes:

- i. The above operating data cover SATS and its subsidiaries, but does not include joint ventures and associates.
- ii. Passengers handled comprises full service and low cost carrier as well as cruise ship passengers.
- iii. Gross meals include both inflight and institutional catering meals.