



MEDIA RELEASE

SATS FY17-18 NET PROFIT RISES 1.4% TO \$261.5M

- Share of profits from associates and joint ventures grows 9.2% to \$71.2 million
- Overall growth in operating volumes mitigates price pressures
- Proposed full year dividend of 18 cents (FY16-17: 17 cents); ROE remains creditable at 16.2%

SINGAPORE, 30 May 2018 – SATS Ltd. (SATS) today reports its unaudited results for the fourth quarter and full year ended 31 March 2018.

HIGHLIGHTS OF THE GROUP'S UNAUDITED RESULTS:

| | 4Q FY17-18 (S\$ million) | Favourable / (Unfavourable) Change (S\$ million) | Favourable / (Unfavourable) Change (%) |
|--|--------------------------------|---|---|
| Revenue | 423.5 | (2.3) | (0.5) |
| Expenditure | (377.4) | 2.6 | 0.7 |
| Operating profit | 46.1 | 0.3 | 0.7 |
| Share of results of associates/JVs, net of tax | 24.0 | (4.8) | (16.7) |
| Profit attributable to owners of the Company | 65.4 | (1.2) | (1.8) |
| Underlying net profit ⁽¹⁾ | 51.5 | (0.1) | (0.2) |
| Earnings per share (cents) - basic | 5.9 | (0.1) | (1.7) |
| Return on Equity (%/ppt) ² | 4.1 | (0.1) | n.m. |

| | FY17-18 (S\$ million) | Favourable / (Unfavourable) Change (S\$ million) | Favourable / (Unfavourable) Change (%) |
|--|--------------------------|---|---|
| Revenue | 1,724.6 | (4.8) | (0.3) |
| Expenditure | (1,498.2) | 0.6 | 0.04 |
| Operating profit | 226.4 | (4.2) | (1.8) |
| Share of results of associates/JVs, net of tax | 71.2 | 6.0 | 9.2 |
| Profit attributable to owners of the Company | 261.5 | 3.6 | 1.4 |
| Underlying net profit ⁽¹⁾ | 236.1 | 1.8 | 0.8 |
| Earnings per share (cents) - basic | 23.4 | 0.2 | 0.9 |
| Return on Equity (%/ppt) ² | 16.2 | (0.5) | n.m. |

Note:

- 1 Underlying net profit refers to net profit attributable to owners of the Company excluding the following one-off items:

| | 4 th Quarter | | Full Year | |
|---|-------------------------|---------|-----------|---------|
| | 2017-18 | 2016-17 | 2017-18 | 2016-17 |
| (i) Gain on disposal of assets held for sale, net of tax | 2.3 | – | 9.3 | 9.3 |
| (ii) Write-back of earn-out consideration | – | – | 4.5 | – |
| (iii) Loss on divestment/dilution of interest in associates | – | – | – | (0.7) |
| (iv) Surplus arising from finalisation of valuation | 11.6 | 15.0 | 11.6 | 15.0 |

- 2 Return on equity is profit attributable to owners of the Company expressed as a percentage of the average equity holders' funds.

GROUP EARNINGS**4Q FY17-18 (1 January – 31 March 2018)**

For the fourth quarter ended 31 March 2018, Group revenue decreased \$2.3 million or 0.5% year-on-year to \$423.5 million. Food Solutions' revenue declined \$5.7 million or 2.4% to \$228.3 million, while Gateway Services' revenue grew \$3.3 million or 1.7% to \$194.7 million despite the deconsolidation of SATS HK Limited ("SHK") in July 2017.

The Group's expenditure fell \$2.6 million or 0.7% to \$377.4 million, largely attributed to the deconsolidation of SHK which reduced staff costs, office premises and utilities expenses by \$10.9 million and \$3.2 million respectively. Conversely, the decrease was partially offset by increased raw materials costs, licence fees, depreciation and amortisation, as well as other costs. Cost of raw materials was up \$2.7 million mainly driven by higher on-board sales, while licence fees increased \$4.5 million in the absence of rebates. Depreciation and amortisation charges were higher by \$1.6 million in line with additional capital expenditure incurred, and other costs rose \$2.7 million mainly due to higher fuel consumption, exchange losses, and lower grants.

Group operating profit for the quarter improved \$0.3 million or 0.7% year-on-year to \$46.1 million. Share of after-tax profits from associates/joint ventures was \$24 million for the quarter, lower by \$4.8 million or 16.7% year-on-year, underscored by lower contributions from Food Solutions' associates/joint ventures and partially balanced by Gateway Services' improved performance.

The quarter also recorded a non-operating income of \$8.5 million posted by the Group's Japan subsidiary, TFK Corporation, for the disposal of 100% equity interest in its Brazil subsidiary, Tokyo Flight Kitchen Restaurants Ltd and its investment property.

Profit attributable to owners of the Company was \$65.4 million, \$1.2 million or 1.8% lower than the last corresponding quarter. Underlying net profit was \$51.5 million, a marginal decline of \$0.1 million or 0.2% year-on-year. Earnings per share dipped 1.7% to 5.9 cents.

FY17-18 (1 April 2017 – 31 March 2018)

For the financial year ended 31 March 2018, the Group stayed resilient despite a competitive operating environment, reporting a marginal decline of \$4.8 million or 0.3%, to \$1.7 billion in revenue. Revenue from Food Solutions decreased \$26.7 million or 2.7% to \$946.6 million, mitigated by a \$21.9 million or 2.9% increase in Gateway Services' revenue to \$776.5 million, which was propelled by strong cargo tonnage and flights handled. Excluding the deconsolidation impact of SHK, Group revenue would have gone up \$25.8 million or 1.5%, while revenue for Gateway Services would have shown a growth of \$52.5 million or 7.3%.

Group expenditure decreased by \$0.6 million to \$1,498.2 million. The decrease in expenditure was primarily due to a reduction in staff costs, raw materials as well as costs for office premises and utilities expenses. Staff costs decreased \$23.4 million or 2.7% with the deconsolidation of SHK, raw materials costs dropped \$5.4 million or 2.1% in line with the decline in meal volume for SFS and TFK. The decrease was partially offset by the increase in licence fees, depreciation and amortisation, and other costs incurred. Licence fees rose significantly by \$16.7 million due to cessation of rebates, while depreciation and amortisation charges rose by \$5 million or 6.8% in line with higher capital expenditure, and other costs grew by \$12.6 million largely from higher fuel consumption, cessation of grants, and exchange losses.

Operating profit for FY17-18 decreased \$4.2 million or 1.8% year-on-year to \$226.4 million, as a result of lower contribution from Food Solutions, which was mitigated by higher operating profit from Gateway Services and lower corporate cost.

Share of after-tax profits from associates/joint ventures for FY17-18 improved \$6 million or 9.2% to \$71.2 million, underpinned by better performance from Gateway Services' associates/joint ventures, and partially offset by a reduction in Food Solutions' associates/joint ventures' performance.

Profit attributable to owners of the Company rose \$3.6 million or 1.4% year-on-year to \$261.5 million, underpinned by strong contribution from associates/joint ventures and higher non-operating gains partially offset by lower operating profit. Underlying net profit was \$236.1 million, an increase of \$1.8 million or 0.8% from the previous year. Earnings per share rose 0.9% to 23.4 cents.

GROUP FINANCIAL POSITION (as at 31 March 2018)

As at 31 March 2018, the Group had total assets of \$2.3 billion. Cash and short-term deposits declined \$132.5 million or 26.2% from 12 months earlier to \$373.3 million. The decrease was mainly due to dividend payments to shareholders, capital expenditure, investments in associates and joint ventures, partly compensated by cash generated from operations, proceeds from disposal of assets held for sale, and dividends received from associates/joint ventures.

Free cash flow generated during the year amounted to \$146.3 million and debt-to-equity ratio remained healthy at 0.07 times.

PROPOSED DIVIDEND

In view of the Group's financial performance in FY17-18, its liquidity position, and capital allocation considerations, the Board of Directors has recommended a final dividend of 12 cents per share. Including the interim dividend of 6 cents per share, this brings the total dividend to 18 cents per share.

The proposed final dividend will be tabled for shareholders' approval at the forthcoming Annual General Meeting on 19 July 2018 and if approved, will be paid on 17 August 2018. The book closure date is 3 August 2018.

OUTLOOK

Our business strategy is gaining traction. Our financial performance, despite margin pressures, has been creditable driven by higher contributions from our overseas associates. At Changi, the deployment of technology has enabled us to handle the growing traffic with increased productivity and helped to offset ongoing price pressure.

Looking ahead, the robust growth in passenger and cargo traffic and increased demand for high-quality food across Asia will present exciting opportunities for SATS. We will continue to improve service and productivity to strengthen the Singapore air hub and grow with our customers and business partners. Beyond Singapore, we will expand our network of 60 airports, to support our

customers with world class service standards. As we expand to more locations, we are digitising our operations to provide new services that will link these locations together into one seamless network. These new services will benefit airlines, their passengers, air freight shippers and eCommerce customers.

We are also connecting our aviation and non-aviation food solutions across the region, with a single supply chain, and shared culinary innovation and technology across all our kitchens. Our technology-driven, people-led approach ensures that we will continue to innovate and develop the talent that will sustain our success.

Alex Hungate, President and Chief Executive Officer of SATS, said *“The Group has gained ground this year despite a challenging operating environment. Our investment in new technologies helped us to alleviate price pressures, as we handled higher operating volumes with better productivity, and enhanced our reputation for service and innovation. In FY17-18, we remained resilient and increased net profit by 1.4%, as well as maintained strong return-on-equity at 16.2%.”*

“Digitising our operations is an important step towards a seamless network that will better serve our clients, business partners, and passengers as we continue our expansion into the key aviation hubs in the region. We will build momentum through constant innovation and talent development to support our next phase of growth.”

END

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 60 airports and 62 cities 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 FY17-18 results of SATS are available at www.sats.com.sg.

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ANNEX A: GROUP FINANCIAL STATISTICS

| Financial Results (S\$ million) | 4Q FY17-18 | 4Q FY16-17 | FY17-18 | FY16-17 |
|---|-------------|-------------|--------------|--------------|
| Revenue | 423.5 | 425.8 | 1,724.6 | 1,729.4 |
| Expenditure | (377.4) | (380.0) | (1,498.2) | (1,498.8) |
| Operating profit | 46.1 | 45.8 | 226.4 | 230.6 |
| Share of results of associates/JVs, net of tax | 24.0 | 28.8 | 71.2 | 65.2 |
| Profit before tax | 79.7 | 76.4 | 321.6 | 309.1 |
| Profit attributable to owners of the Company | 65.4 | 66.6 | 261.5 | 257.9 |
| Underlying net profit | 51.5 | 51.6 | 236.1 | 234.3 |
| Per Share Data | | | | |
| Earnings per share (cents) | | | | |
| - Basic ^{R1} | 5.9 | 6.0 | 23.4 | 23.2 |
| - Diluted ^{R2} | 5.8 | 5.9 | 23.2 | 23.0 |
| Return on turnover (%) ^{R3} | 15.4 | 15.6 | 15.2 | 14.9 |

| Financial Position (S\$ million) | As at 31-MAR-18 | As at 31-MAR-17 |
|---|--------------------|--------------------|
| Equity attributable to owners of the Company | 1,634.1 | 1,603.5 |
| Total assets | 2,348.3 | 2,279.4 |
| Total debt | 106.4 | 108.6 |
| Gross debt/equity ratio (times) ^{R4} | 0.07 | 0.07 |
| Net asset value per share (\$) ^{R5} | 1.46 | 1.44 |

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.

ANNEX B: OPERATING STATISTICS

| | 2H FY17-18 | 2H FY16-17 | Change (%) | FY17-18 | FY16-17 | Change (%) |
|------------------------------------|---------------|---------------|---------------|----------|----------|---------------|
| Passengers Handled ('M) | 28.34 | 26.35 | 7.6 | 54.30 | 51.53 | 5.4 |
| Flights Handled ('000) | 80.66 | 87.50 | (7.8) | 165.94 | 171.38 | (3.2) |
| Cargo/Mail Processed ('000 tonnes) | 923.97 | 876.78 | 5.4 | 1,828.85 | 1,717.42 | 6.5 |
| Gross Meals Produced ('M) | 35.61 | 33.40 | 6.6 | 70.51 | 67.61 | 4.3 |
| Ship Calls Handled | 156 | 125 | 24.8 | 189 | 147 | 28.6 |

Notes:

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