



MEDIA RELEASE

SATS SECOND QUARTER PATMI FALLS 9% IN THE ABSENCE OF ONE-TIME GAIN

SINGAPORE, 8 November 2018 – SATS Ltd. (SATS) today reports its unaudited results for the second quarter and first half ended 30 September 2018.

HIGHLIGHTS OF THE GROUP'S UNAUDITED RESULTS:

	2Q FY18-19 (S\$ million)	Favourable / (Unfavourable) Change (S\$ million)	Favourable / (Unfavourable) Change (%)
Revenue	453.1	18.3	4.2
Expenditure	(387.1)	(13.4)	(3.6)
Operating profit	66.0	4.9	8.0
Share of results of associates/JVs, net of tax	14.0	(4.0)	(22.2)
Profit attributable to owners of the Company	65.7	(6.5)	(9.0)
Underlying net profit ¹	65.7	0.5	0.8
Earnings per share (cents) - basic	5.9	(0.6)	(9.2)
Return on Equity (%/ppt) ²	4.0	(0.4)	n.m.

	1H FY18-19 (S\$ million)	Favourable / (Unfavourable) Change (S\$ million)	Favourable / (Unfavourable) Change (%)
Revenue	892.5	31.2	3.6
Expenditure	(761.6)	(14.9)	(2.0)
Operating profit	130.9	16.3	14.2
Share of results of associates/JVs, net of tax	29.3	(4.2)	(12.5)
Profit attributable to owners of the Company	129.6	0.1	0.1
Underlying net profit ¹	129.6	7.1	5.8
Earnings per share (cents) - basic	11.6	-	-
Return on Equity (%/ppt) ²	8.0	(0.1)	n.m.

Note:

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

	2 nd Quarter		1 st Half	
	2018-19	2017-18	2018-19	2017-18
(i) Gain on disposal of assets held for sale, net of tax	-	7.0	-	7.0

² Return on equity is profit attributable to owners of the Company expressed as a percentage of the average equity holders' funds for the respective periods (non-annualised).

GROUP EARNINGS

2Q FY18-19 (1 July – 30 September 2018)

For the second quarter ended 30 September 2018, Group revenue grew \$18.3 million or 4.2% to \$453.1 million, on the back of increased volume growth in Food Solutions and Gateway Services. Food Solutions' revenue rose \$6.1 million or 2.5% to \$250.9 million, while Gateway Services' revenue was higher by \$11.9 million or 6.3% at \$201.6 million. Excluding the deconsolidation impact of SATS HK Limited ("SHK"), the Group's underlying revenue would have improved \$22.2 million or 5.2%, with Gateway Services' revenue reflecting a higher growth of \$15.8 million or 8.5%.

The Group's expenditure was higher by \$13.4 million or 3.6% at \$387.1 million, due to increased costs across expenditure categories except for other costs. Key contributors included increases of \$5.9 million in staff costs, \$2.9 million in company premises and utilities expenses, \$2.2 million in raw materials costs, \$1.4 million in licence fees, as well as \$1 million in depreciation and amortisation. Other costs were maintained despite higher IT expenses, fuel costs, and professional fees, cushioned by foreign exchange gains and grants received.

Group operating profit for the quarter recorded a growth of \$4.9 million or 8% to \$66 million.

Share of after-tax profits from associates/joint ventures declined \$4 million or 22.2% to \$14 million for the quarter, underscored by lower contributions from both Gateway Services' and Food Solutions' associates/joint ventures.

Profit attributable to owners of the Company decreased \$6.5 million or 9% to \$65.7 million, in the absence of the \$7 million gain on disposal of assets held for sale comprising the deconsolidation of SHK, restructuring of Jilin Zhong Xin Cheng Food Co. Ltd. and SG IPF Pte Ltd, as well as lower contributions from associates/joint ventures. Underlying net profit inched up \$0.5 million or 0.8% year-on-year, excluding the one-off gain of \$7 million on disposal of assets held for sale in 2Q FY2017-18. Earnings per share dropped 0.6 cents to 5.9 cents.

1H FY18-19 (1 April – 30 September 2018)

For the six months ended 30 September 2018, Group revenue achieved an increase of \$31.2 million or 3.6% to \$892.5 million, underpinned by volume growth in both Food Solutions and Gateway Services. Revenue contribution from Food Solutions was higher by \$12.5 million or 2.6% to \$490.4 million, while Gateway Services' revenue improved \$18.4 million or 4.8% to \$401.2 million. Excluding the impact of SHK's deconsolidation, the Group's underlying revenue would have increased \$46.8 million or 5.5%, while Gateway Services' revenue would have registered a higher growth of \$34 million or 9.3%.

Group expenditure was \$761.6 million, up \$14.9 million or 2% compared to the same period last year, reflecting increases in all expenditure except other costs. Staff costs were higher by \$3 million, while the cost of raw materials and licence fees were \$8 million and \$2.1 million respectively, in line with higher revenue. Depreciation and amortisation increased in tandem with additions to capital expenditure, while company premises and utilities expenses were up \$2.5 million due to higher utilities consumption and rates. A \$3 million reduction in other costs, attributable to foreign exchange gains compared to foreign exchange losses in the same period last year, as well as grants received, partially offset the increases. Higher IT expenses, fuel costs, and professional fees were also partly mitigated by the same.

Operating profit rose to \$130.9 million, \$16.3 million or 14.2% over the same period last year, in line with higher revenue.

Share of after-tax profits from associates/joint ventures declined \$4.2 million or 12.5% year-on-year to \$29.3 million, due to lower contributions from both Gateway Services' and Food Solutions' associates/joint ventures.

Profit attributable to owners of the Company saw a marginal increase of \$0.1 million or 0.1% year-on-year to \$129.6 million, while underlying net profit was \$129.6 million, a \$7.1 million or 5.8% improvement over the same period last year. Earnings per share remained unchanged at 11.6 cents.

GROUP FINANCIAL POSITION (as at 30 September 2018)

As at 30 September 2018, the Group had total assets of \$2.3 billion. Cash and short-term deposits decreased \$91.6 million to \$281.7 million. This decline was primarily due to dividend payments to shareholders, capital expenditure, investments in associates/joint ventures, as well as purchase of treasury shares. The decrease in current assets was partly compensated by higher trade and other receivables, prepayment and deposits, and receivables from associates/joint ventures and inventories.

Free cash flow generated during the first six months amounted to \$63.4 million and debt-to-equity ratio remained healthy at 0.06 times.

INTERIM DIVIDEND

The Board of Directors has declared an interim dividend of 6 cents per share, payable on 7 December 2018. The book closure date is 23 November 2018.

OUTLOOK

In the near term, trade tensions and weakening sentiment are impacting emerging market currencies and trade volumes. At the same time, higher oil prices and competition in the airline industry will continue to result in pricing pressures on SATS.

Notwithstanding the short-term challenges, with aviation volumes and demand for safe, quality food set to increase, SATS intends to pursue organic and inorganic growth opportunities.

SATS will also continue to invest in people and technology to digitalise services, enhance culinary capabilities, and improve productivity.

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 over 60 locations 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 FY18-19 results of SATS are available at www.sats.com.sg.

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ANNEX A: GROUP FINANCIAL STATISTICS

Financial Results (S\$ million)	2Q FY18-19	2Q FY17-18	1H FY18-19	1H FY17-18
Revenue	453.1	434.8	892.5	861.3
Expenditure	(387.1)	(373.7)	(761.6)	(746.7)
Operating profit	66.0	61.1	130.9	114.6
Share of results of associates/JVs, net of tax	14.0	18.0	29.3	33.5
Profit before tax	80.3	87.0	161.2	157.2
Profit attributable to owners of the Company	65.7	72.2	129.6	129.5
Underlying net profit	65.7	65.2	129.6	122.5
Per Share Data				
Earnings per share (cents)				
- Basic ^{R1}	5.9	6.5	11.6	11.6
- Diluted ^{R2}	5.9	6.4	11.6	11.5
Return on turnover (%) ^{R3}	14.5	16.6	14.5	15.0

Financial Position (S\$ million)	As at 30-SEP-18	As at 31-MAR-18
Equity attributable to owners of the Company	1,607.0	1,634.1
Total assets	2,287.2	2,348.3
Total debt	96.8	106.4
Gross debt/equity ratio (times) ^{R4}	0.06	0.07
Net asset value per share (\$) ^{R5}	1.44	1.46

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

	1HFY18-19	1HFY17-18	Change (%)
Passengers Handled ('M)	29.48	25.96	13.6
Flights Handled ('000)	82.21	85.28	(3.6)
Cargo/Mail Processed ('000 tonnes)	934.35	904.88	3.3
Gross Meals Produced ('M)	38.20	34.90	9.5
Ship Calls Handled	113	33	242.0

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 in-flight and institutional catering meals.*
- iv. *Flights and passengers handled by SATS HK Ltd have been excluded from the above operating statistics since August 2017.*