



## MEDIA RELEASE

### SATS POSTS 16.3% RISE IN Q2 EARNINGS WITH STRONGER OVERSEAS CONTRIBUTION

**SINGAPORE, 9 November 2017** – SATS Ltd. (SATS) today reports its unaudited results for the second quarter and first half ended 30 September 2017.

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

	2Q FY17-18 (S\$ million)	Favourable / (Unfavourable) Change (S\$ million)	Favourable / (Unfavourable) Change (%)
Revenue	434.8	(3.7)	(0.8)
Expenditure	(373.7)	1.2	0.3
Operating profit	61.1	(2.5)	(3.9)
Share of results of associates/JVs, net of tax	18.0	6.5	56.5
Profit attributable to owners of the Company	72.2	10.1	16.3
Underlying net profit <sup>(1)</sup>	65.2	3.1	5.0
Earnings per share (cents) - basic	6.5	0.9	16.1
Return on Equity (%/ppt)	4.4	0.4	n.m.

	1H FY17-18 (S\$ million)	Favourable / (Unfavourable) Change (S\$ million)	Favourable / (Unfavourable) Change (%)
Revenue	861.3	(1.4)	(0.2)
Expenditure	(746.7)	(2.1)	(0.3)
Operating profit	114.6	(3.5)	(3.0)
Share of results of associates/JVs, net of tax	33.5	9.8	41.4
Profit attributable to owners of the Company	129.5	3.3	2.6
Underlying net profit <sup>(1)</sup>	122.5	4.9	4.2
Earnings per share (cents) - basic	11.6	0.2	1.8
Return on Equity (%/ppt)	8.1	(0.3)	n.m.

**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 (\$7 million in 2Q FY17-18 and NIL in 2Q FY16-17, \$7 million in 1H FY17-18 and \$9.3 million in 1H FY16-17). (ii) Loss on divestment / dilution of interest in associates (NIL in 2Q FY17-18 and 2Q FY16-17, NIL in 1H FY17-18 and \$0.7 million in 1H FY16-17).**

## **GROUP EARNINGS**

### **2Q FY17-18 (1 July – 30 September 2017)**

For the second quarter ended 30 September 2017, Group revenue declined 0.8% year-on-year to \$434.8 million. Revenue from Food Solutions fell \$7.9 million or 3.1% to \$244.8 million, while revenue from Gateway Services increased \$4.3 million or 2.3% to \$189.7 million. SATS HK Limited ("SHK") under Gateway Services has been deconsolidated under the current quarter. SHK has been accounted as an associate of the Group subsequent to the completion of the sale of 51% of SATS equity stake in the company to Voltaire Capital Investment Limited in July 2017. Excluding the impact of the deconsolidation, Group's underlying revenue would have increased \$4 million or 0.9% while Gateway Services revenue would have increased \$12 million or 6.8%.

Group expenditure decreased 0.3% to \$373.7 million. The reduction was largely contributed by the deconsolidation of SHK which reduced staff cost, company premises and utilities expenses. This helped to cushion the increase in licence fee due to cessation of rebates by Changi Airport Group since the first quarter.

Operating profit for the quarter declined 3.9% year-on-year to \$61.1 million.

In line with our strategy to grow our network connectivity across the region, share of after-tax profits from associates/joint ventures for the second quarter increased 56.5% to \$18 million, with higher contributions from associates/joint ventures from both Gateway Services and Food Solutions.

The Group recorded a one-off gain of \$5.2 million from the disposal of equity interest in SHK and \$1.8 million from the completion of the restructuring of Jilin Zhong Xin Cheng Food Co., Ltd. ("Jilin JVCo") and SG IPF Pte. Ltd. as announced in June 2017.

Profit attributable to owners of the Company was \$72.2 million, 16.3% higher than the corresponding quarter. Earnings per share rose 0.9 cents to 6.5 cents.

### **1H FY17-18 (1 April – 30 September 2017)**

For the six months ended 30 September 2017, Group revenue decreased 0.2% to \$861.3 million. Revenue from Food Solutions fell 3% to \$477.9 million while Gateway Services' revenue increased 3.7% to \$382.8 million. Excluding the impact from deconsolidation of SATS HK, the Group's underlying revenue would have increased \$6.3 million or 0.7%, while Gateway Services' revenue would have increased \$21.3 million or 5.9%.

Group expenditure rose \$2.1 million to \$746.7 million, with licence fee increasing significantly by \$8.3 million due to cessation of rebates. Depreciation and amortisation charges rose \$2.1 million in line with higher capital investments. These increases were mitigated by lower staff cost of \$4.4 million mostly from deconsolidation of SHK. Raw materials cost declined \$7 million due to lower Food Solutions' revenue.

Operating profit for the six months was \$114.6 million, a decrease of 3% from the same period last year.

Share of after-tax profits from associates/joint ventures increased significantly by 41.4% to \$33.5 million, with higher contributions from both Food Solutions' and Gateway Services' associates/joint ventures.

The Group has recorded a one-off gain of \$7 million from the divestment of 51% equity interest in SHK and the Jilin JVCo transactions mentioned under the second quarter.

Profit attributable to owners of the Company increased 2.6% year-on-year to \$129.5 million, while underlying net profit was \$122.5 million, 4.2% higher than the corresponding period last year. Earnings per share rose 1.8% to 11.6 cents.

### **GROUP FINANCIAL POSITION (as at 30 September 2017)**

As at 30 September 2017, the Group had total assets of \$2.2 billion. Cash and short-term deposits decreased \$34.4 million to \$471.4 million. This decline was mainly due to payment of dividends to shareholders, capital expenditure and investments in associates/joint ventures. The decrease was partly offset by cash generated from operations, proceeds from disposal of assets held for sale as well as dividends received from associates/joint ventures.

Free cash flow generated during the first six months amounted to \$46.3 million and debt-to-equity ratio remained healthy at 0.07 times.

### **INTERIM DIVIDEND**

The Board of Directors has declared an interim dividend of 6 cents per share, payable on 8 December 2017. The book closure date is 24 November 2017.

### **OUTLOOK**

The operating environment continues to be challenging, with global economic uncertainty and competitive pressures in the aviation business.

Our productivity initiatives have helped us to offset pricing pressures resulting from lower yields in the airline sector.

We expect our recently announced investments in Malaysia and Turkey to make important contributions to growth in the future.

## **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 47 airports, 55 cities and 14 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 2Q and 1H FY17-18 results of SATS are available at [www.sats.com.sg](http://www.sats.com.sg).

## **INVESTOR AND MEDIA CONTACT:**

Carolyn Khiu  
Vice President, Public Affairs & Branding  
SATS  
Direct Line: (65) 6541 8200  
Mobile: (65) 9674 2737  
Email: [Carolyn\\_KhiuLW@sats.com.sg](mailto:Carolyn_KhiuLW@sats.com.sg)

## ANNEX A: GROUP FINANCIAL STATISTICS

Financial Results (S\$ million)	2Q FY17-18	2Q FY16-17	1H FY17-18	1H FY16-17
Revenue	434.8	438.5	861.3	862.7
Expenditure	(373.7)	(374.9)	(746.7)	(744.6)
<b>Operating profit</b>	<b>61.1</b>	<b>63.6</b>	<b>114.6</b>	<b>118.1</b>
Share of results of associates/JVs, net of tax	18.0	11.5	33.5	23.7
<b>Profit before tax</b>	<b>87.0</b>	<b>76.5</b>	<b>157.2</b>	<b>152.7</b>
<b>Profit attributable to owners of the Company</b>	<b>72.2</b>	<b>62.1</b>	<b>129.5</b>	<b>126.2</b>
<b>Underlying net profit</b>	<b>65.2</b>	<b>62.1</b>	<b>122.5</b>	<b>117.6</b>
<b>Per Share Data</b>				
Earnings per share (cents)				
- Basic <sup>R1</sup>	6.5	5.6	11.6	11.4
- Diluted <sup>R2</sup>	6.4	5.6	11.5	11.3
Operating Margin (%)	14.1	14.5	13.3	13.7
PATMI Margin (%)	16.6	14.2	15.0	14.6

Financial Position (S\$ million)	As at 30-SEP-17	As at 31-MAR-17
Equity attributable to owners of the Company	1,596.2	1,603.5
Total assets	2,237.3	2,279.4
Total debt	104.6	108.6
Gross debt/equity ratio (times) <sup>R3</sup>	0.07	0.07
Net asset value per share (\$) <sup>R4</sup>	1.43	1.44

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

<sup>R4</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.

## ANNEX B: OPERATING STATISTICS

	1H FY17-18	1H FY16-17	Change (%)
Passengers Handled ('M)	25.96	25.18	3.1
Flights Handled ('000)	85.28	83.88	1.7
Cargo Tonnage ('000 tonnes)	904.88	840.64	7.6
Gross Meals ('M)	34.90	34.21	2.0
Ship Calls	33	22	50.0

### Notes:

- i. *The above operating data cover SATS and its subsidiaries, but does not include JVs 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.*