



**UNAUDITED RESULTS FOR SECOND QUARTER AND HALF YEAR
ENDED 30 SEPTEMBER 2014**

- 1(a) An income statement and statement of comprehensive income, or a statement of comprehensive income (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

CONSOLIDATED INCOME STATEMENT

For the second quarter and half year ended 30 September 2014 (in \$ million)

| | GROUP | | | |
|--|-------------------------|----------------|----------------------|----------------|
| | 2 nd Quarter | | 1 st Half | |
| | 2014-15 | 2013-14 | 2014-15 | 2013-14 |
| Revenue | 442.2 | 452.1 | 877.4 | 886.6 |
| Expenditure | | | | |
| Staff costs | (202.2) | (197.5) | (406.1) | (395.5) |
| Cost of raw materials | (90.0) | (96.4) | (175.3) | (184.2) |
| Licensing fees | (19.4) | (19.3) | (38.8) | (38.6) |
| Depreciation and amortisation charges | (16.9) | (19.1) | (33.8) | (38.9) |
| Company premise and utilities expenses | (32.2) | (32.5) | (63.1) | (61.6) |
| Other costs | (39.0) | (40.7) | (78.1) | (80.5) |
| | <u>(399.7)</u> | <u>(405.5)</u> | <u>(795.2)</u> | <u>(799.3)</u> |
| Operating profit | 42.5 | 46.6 | 82.2 | 87.3 |
| Interest on borrowings | (0.2) | (0.7) | (0.6) | (1.3) |
| Interest income | 0.3 | 0.4 | 0.5 | 0.6 |
| Dividend from long-term investment, gross | - | 0.6 | - | 0.6 |
| Gain/(loss) on disposal of property, plant and equipment | 0.2 | - | (0.6) | (0.2) |
| Share of results of associates/joint venture, net of tax | 10.8 | 11.8 | 21.2 | 24.3 |
| Impairment of assets held for sale | - | - | (0.1) | (1.7) |
| Other non-operating income | - | 0.2 | - | 0.2 |
| | <u>53.6</u> | <u>58.9</u> | <u>102.6</u> | <u>109.8</u> |
| Profit before tax | | | | |
| Income tax expense | (7.9) | (10.0) | (14.6) | (15.0) |
| Profit for the period | <u>45.7</u> | <u>48.9</u> | <u>88.0</u> | <u>94.8</u> |
| Profit attributable to: | | | | |
| Owners of the Company | 47.1 | 48.7 | 90.4 | 94.9 |
| Non-controlling interests | (1.4) | 0.2 | (2.4) | (0.1) |
| | <u>45.7</u> | <u>48.9</u> | <u>88.0</u> | <u>94.8</u> |
| Underlying net profit ⁽¹⁾ | 47.1 | 48.7 | 90.5 | 96.6 |

1. Underlying net profit refers to net profit attributable to owners of the Company excluding the following one-off items: Impairment loss on carrying value of Assets Held for Sale (\$0.1 million in 1H FY14-15, \$1.7 million in 1H FY13-14).

Notes - Profit for the period is arrived at after crediting/(charging) the following items (in \$ million):

| | GROUP | | | |
|---|-------------------------------|----------------|----------------------------|----------------|
| | 2nd Quarter | | 1st Half | |
| | 2014-15 | 2013-14 | 2014-15 | 2013-14 |
| Foreign exchange gain/(loss), net | 0.4 | (0.2) | 0.5 | 0.2 |
| (Allowance)/write-back of doubtful debts, net | (0.1) | 0.2 | (0.1) | 0.4 |
| Write-off for stock obsolescence, net | (0.1) | (0.1) | (0.3) | (0.3) |
| Overprovision of taxation in respect of prior years | 0.2 | 0.2 | 2.0 | 4.0 |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the second quarter and half year ended 30 September 2014 (in \$ million)

| | GROUP | | | |
|---|-------------------------------|----------------|----------------------------|----------------|
| | 2nd Quarter | | 1st Half | |
| | 2014-15 | 2013-14 | 2014-15 | 2013-14 |
| Profit for the period | 45.7 | 48.9 | 88.0 | 94.8 |
| Other comprehensive income: | | | | |
| <u>Items that may be reclassified subsequently to profit or loss:</u> | | | | |
| Foreign currency translation | 2.9 | (14.5) | (7.7) | (17.8) |
| Reclassification of foreign currency translation to profit or loss | (0.1) | - | 0.9 | - |
| Other comprehensive income for the period, net of tax | 2.8 | (14.5) | (6.8) | (17.8) |
| Total comprehensive income for the period | 48.5 | 34.4 | 81.2 | 77.0 |
| Total comprehensive income attributable to: | | | | |
| Owners of the Company | 52.6 | 33.1 | 85.8 | 78.7 |
| Non-controlling interests | (4.1) | 1.3 | (4.6) | (1.7) |
| Total comprehensive income for the period | 48.5 | 34.4 | 81.2 | 77.0 |

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

**STATEMENTS OF FINANCIAL POSITION
As at 30 September 2014 (in \$ million)**

| | GROUP | | COMPANY | |
|---|------------------|------------------|------------------|------------------|
| | 30.9.2014 | 31.3.2014 | 30.9.2014 | 31.3.2014 |
| Equity attributable to owners of the Company: | | | | |
| Share capital | 371.4 | 367.9 | 371.4 | 367.9 |
| Treasury shares | (10.3) | (15.7) | (10.3) | (15.7) |
| Share-based compensation reserve | 11.2 | 13.6 | 11.2 | 13.6 |
| Statutory reserve | 8.1 | 7.9 | – | – |
| Foreign currency translation reserve | (124.1) | (119.5) | – | – |
| Revenue reserve | 1,165.1 | 1,164.6 | 911.6 | 953.2 |
| Other reserves* | (8.2) | (2.0) | (8.3) | (2.1) |
| | <u>1,413.2</u> | <u>1,416.8</u> | <u>1,275.6</u> | <u>1,316.9</u> |
| Non-controlling interests | 90.6 | 97.6 | – | – |
| Total equity | <u>1,503.8</u> | <u>1,514.4</u> | <u>1,275.6</u> | <u>1,316.9</u> |
| Non-current assets | | | | |
| Property, plant and equipment | 563.0 | 567.9 | 10.1 | 9.5 |
| Investment properties | 8.4 | 9.2 | 285.1 | 295.3 |
| Intangible assets | 181.1 | 185.0 | 9.3 | 10.8 |
| Investment in subsidiaries | – | – | 541.0 | 541.0 |
| Investment in associates | 443.3 | 473.2 | 264.1 | 264.1 |
| Investment in a joint venture | 22.6 | 21.6 | 12.0 | 12.0 |
| Long-term investments | 8.4 | 8.3 | 7.9 | 7.9 |
| Loan to subsidiaries | – | – | 266.1 | 263.0 |
| Deferred tax assets | 20.9 | 21.2 | – | – |
| Other non-current assets | 8.5 | 8.8 | – | – |
| | <u>1,256.2</u> | <u>1,295.2</u> | <u>1,395.6</u> | <u>1,403.6</u> |
| Current assets | | | | |
| Trade and other receivables | 292.1 | 287.5 | 54.1 | 55.5 |
| Prepayments | 16.8 | 13.8 | 2.0 | 2.7 |
| Amount due from associates | 3.0 | 3.6 | 3.0 | 3.6 |
| Inventories | 47.7 | 46.3 | 0.3 | 0.3 |
| Assets of disposal groups classified as held for sale | 24.1 | 32.6 | – | 1.0 |
| Cash and short-term deposits | 338.4 | 340.8 | 207.9 | 188.2 |
| | <u>722.1</u> | <u>724.6</u> | <u>267.3</u> | <u>251.3</u> |
| Less: Current liabilities | | | | |
| Bank overdraft - secured | – | 1.2 | – | – |
| Trade and other payables | 252.4 | 267.3 | 257.1 | 204.6 |
| Income tax payable | 42.6 | 42.4 | 9.7 | 9.5 |
| Term loans | 16.2 | 15.8 | – | – |
| Finance leases | 0.5 | 0.6 | – | – |
| Liabilities of disposal group classified as held for sale | – | 2.2 | – | – |
| | <u>311.7</u> | <u>329.5</u> | <u>266.8</u> | <u>214.1</u> |
| Net current assets | 410.4 | 395.1 | 0.5 | 37.2 |
| Less: Non-current liabilities | | | | |
| Deferred tax liabilities | 57.4 | 61.3 | 27.9 | 28.4 |
| Term loans | 93.3 | 96.4 | 92.6 | 95.5 |
| Finance leases | – | 0.2 | – | – |
| Defined benefit plan | 3.9 | 4.8 | – | – |
| Other long-term liabilities | 8.2 | 13.2 | – | – |
| | <u>162.8</u> | <u>175.9</u> | <u>120.5</u> | <u>123.9</u> |
| Net assets | <u>1,503.8</u> | <u>1,514.4</u> | <u>1,275.6</u> | <u>1,316.9</u> |

* Other Reserves comprise of Gain/(Loss) on Treasury Shares and Fair Value Reserve.

1(b)(ii) Aggregate amount of group's borrowings and debt securities

(In \$ million)

Amount repayable in one year or less, or on demand

| As at 30.09.2014 | | As at 31.03.2014 | |
|-------------------------|------------------|-------------------------|------------------|
| <u>Secured</u> * | <u>Unsecured</u> | <u>Secured</u> * | <u>Unsecured</u> |
| 12.7 | 4.0 | 13.5 | 4.1 |

Amount repayable after one year

| As at 30.09.2014 | | As at 31.03.2014 | |
|-------------------------|------------------|-------------------------|------------------|
| <u>Secured</u> * | <u>Unsecured</u> | <u>Secured</u> * | <u>Unsecured</u> |
| 0.6 | 92.7 | 0.9 | 95.7 |

Details of any collateral

- * Secured by property, plant and equipment and other assets belonging to certain subsidiaries in the Group.

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

CONSOLIDATED STATEMENT OF CASH FLOWS

For the second quarter and half year ended 30 September 2014 (in \$ million)

| | GROUP | | | |
|---|-------------------------|--------------|----------------------|--------------|
| | 2 nd Quarter | | 1 st Half | |
| | 2014-15 | 2013-14 | 2014-15 | 2013-14 |
| <u>Cash flows from operating activities</u> | | | | |
| Profit before tax | 53.6 | 58.9 | 102.6 | 109.8 |
| Adjustments for: | | | | |
| Interest and investment (income)/expense, net | (0.1) | (0.3) | 0.1 | 0.1 |
| Depreciation and amortisation charges | 16.9 | 19.1 | 33.8 | 38.9 |
| Unrealised foreign exchange (gain)/loss | (0.4) | 0.2 | (0.5) | (0.2) |
| (Gain)/loss on disposal of property, plant and equipment | (0.2) | – | 0.6 | 0.2 |
| Share of results of associates/joint venture, net of tax | (10.8) | (11.8) | (21.2) | (24.3) |
| Share-based payment expense | 1.6 | 0.5 | 2.7 | 1.2 |
| Impairment of assets held for sale | – | – | 0.1 | 1.7 |
| Other non-cash items | 0.2 | 0.2 | 0.4 | 0.3 |
| Operating cash flows before working capital changes | 60.8 | 66.8 | 118.6 | 127.7 |
| Changes in working capital: | | | | |
| (Increase)/decrease in receivables | (1.3) | (3.3) | (3.7) | 13.4 |
| Decrease/(increase) in prepayments | 4.0 | 1.6 | (3.0) | (6.2) |
| (Increase)/decrease in inventories | (0.3) | 1.7 | (1.8) | (2.2) |
| Decrease in payables | (24.3) | (38.9) | (21.0) | (24.4) |
| Decrease in amount due from associates | 0.2 | 0.9 | 0.6 | 0.8 |
| Cash generated from operations | 39.1 | 28.8 | 89.7 | 109.1 |
| Interest paid to third parties | (0.2) | (0.7) | (0.6) | (1.3) |
| Income taxes paid | (13.5) | (12.5) | (18.4) | (20.4) |
| Net cash from operating activities | 25.4 | 15.6 | 70.7 | 87.4 |
| <u>Cash flows from investing activities</u> | | | | |
| Capital expenditure | (15.3) | (14.5) | (29.5) | (27.3) |
| Dividends from associates/joint venture | 26.7 | 11.5 | 44.8 | 22.9 |
| Dividends from long-term investment, gross | – | 0.6 | – | 0.6 |
| Proceeds from disposal of interest in a subsidiary | 2.7 | – | 2.7 | – |
| Proceeds from disposal of interest in an associate | – | – | 1.2 | – |
| Proceeds from disposal of property, plant and equipment | 0.2 | 0.2 | 0.4 | 0.4 |
| Interest received from deposits | 0.3 | 0.4 | 0.5 | 0.6 |
| Net cash from/(used in) investing activities | 14.6 | (1.8) | 20.1 | (2.8) |
| <u>Cash flows from financing activities</u> | | | | |
| Repayment of term loans | (0.3) | (0.9) | (0.6) | (2.3) |
| Repayment of finance leases and related charges | (0.1) | (0.4) | (0.3) | (1.0) |
| Drawdown of term loans | – | – | 1.2 | 2.5 |
| Proceeds from exercise of share options | 1.0 | 2.5 | 3.3 | 18.3 |
| Dividends paid | (89.8) | (112.2) | (89.8) | (112.2) |
| Purchase of treasury shares | (5.5) | – | (5.5) | – |
| Capital contributions from non-controlling interests | – | – | 1.5 | 1.1 |
| Dividends paid to non-controlling interests | – | – | (0.3) | – |
| Net cash used in financing activities | (94.7) | (111.0) | (90.5) | (93.6) |
| Net (decrease)/increase in cash and cash equivalents | (54.7) | (97.2) | 0.3 | (9.0) |
| Effect of exchange rate changes | (2.0) | 1.0 | (1.5) | (0.7) |
| Cash and cash equivalents at beginning of financial period | 395.1 | 490.7 | 339.6 | 404.2 |
| Cash and cash equivalents at end of financial period | 338.4 | 394.5 | 338.4 | 394.5 |

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

STATEMENTS OF CHANGES IN EQUITY

For the second quarter ended 30 September 2014 (in \$ million)

| GROUP | Attributable to owners of the Company | | | | | | | | | | |
|--|---------------------------------------|-----------------|----------------------------------|--------------------|--------------------------------------|-----------------|--|--------------------|---------|---------------------------|--------------|
| | Share Capital | Treasury Shares | Share-Based Compensation Reserve | Statutory Reserve* | Foreign Currency Translation Reserve | Revenue Reserve | Gain/(Loss) on Reissuance of Treasury Shares | Fair Value Reserve | Total | Non-controlling Interests | Total Equity |
| Balance at 1 July 2014 | 370.3 | (12.0) | 13.9 | 8.0 | (129.6) | 1,207.9 | (5.3) | 0.1 | 1,453.3 | 98.3 | 1,551.6 |
| Profit for the period | – | – | – | – | – | 47.1 | – | – | 47.1 | (1.4) | 45.7 |
| Other comprehensive income for the period | – | – | – | – | 5.5 | – | – | – | 5.5 | (2.7) | 2.8 |
| Total comprehensive income for the period | – | – | – | – | 5.5 | 47.1 | – | – | 52.6 | (4.1) | 48.5 |
| Contributions by and distributions to owners | | | | | | | | | | | |
| Share-based payment | – | – | 1.6 | – | – | – | – | – | 1.6 | – | 1.6 |
| Share options exercised and lapsed | 1.1 | – | (0.1) | – | – | – | – | – | 1.0 | – | 1.0 |
| Purchase of treasury shares | – | (5.5) | – | – | – | – | – | – | (5.5) | – | (5.5) |
| Treasury shares reissued pursuant to equity compensation plans | – | 7.2 | (4.2) | – | – | – | (3.0) | – | – | – | – |
| Dividends, net | – | – | – | – | – | (89.8) | – | – | (89.8) | – | (89.8) |
| Total contributions by and distributions to owners | 1.1 | 1.7 | (2.7) | – | – | (89.8) | (3.0) | – | (92.7) | – | (92.7) |
| Others | | | | | | | | | | | |
| Disposal of subsidiary | – | – | – | – | – | – | – | – | – | (3.6) | (3.6) |
| Transfer to statutory reserve | – | – | – | 0.1 | – | (0.1) | – | – | – | – | – |
| Balance at 30 September 2014 | 371.4 | (10.3) | 11.2 | 8.1 | (124.1) | 1,165.1 | (8.3) | 0.1 | 1,413.2 | 90.6 | 1,503.8 |

* Certain countries in which some of the subsidiaries and associates are incorporated legally require statutory reserves to be set aside. The laws of the countries restrict the distribution and use of these statutory reserves.

STATEMENTS OF CHANGES IN EQUITY (cont'd)
For the second quarter ended 30 September 2014 (in \$ million)

| GROUP | Attributable to owners of the Company | | | | | | | | | | |
|--|---------------------------------------|-----------------|----------------------------------|--------------------|--------------------------------------|-----------------|--|--------------------|---------|---------------------------|--------------|
| | Share Capital | Treasury Shares | Share-Based Compensation Reserve | Statutory Reserve* | Foreign Currency Translation Reserve | Revenue Reserve | Gain/(Loss) on Reissuance of Treasury Shares | Fair Value Reserve | Total | Non-controlling Interests | Total Equity |
| Balance at 1 July 2013 | 357.8 | (2.1) | 14.7 | 7.8 | (111.6) | 1,198.8 | – | 0.1 | 1,465.5 | 93.8 | 1,559.3 |
| Profit for the period | – | – | – | – | – | 48.7 | – | – | 48.7 | 0.2 | 48.9 |
| Other comprehensive income for the period | – | – | – | – | (15.6) | – | – | – | (15.6) | 1.1 | (14.5) |
| Total comprehensive income for the period | – | – | – | – | (15.6) | 48.7 | – | – | 33.1 | 1.3 | 34.4 |
| Contributions by and distributions to owners | | | | | | | | | | | |
| Share-based payment | – | – | 0.5 | – | – | – | – | – | 0.5 | – | 0.5 |
| Share options exercised and lapsed | 3.0 | – | (0.6) | – | – | – | – | – | 2.4 | – | 2.4 |
| Issuance of new shares pursuant to equity compensation plans | 1.3 | – | (1.3) | – | – | – | – | – | – | – | – |
| Treasury shares reissued pursuant to equity compensation plans | – | 2.1 | (1.4) | – | – | – | (0.7) | – | – | – | – |
| Dividends, net | – | – | – | – | – | (112.2) | – | – | (112.2) | – | (112.2) |
| Total contributions by and distributions to owners | 4.3 | 2.1 | (2.8) | – | – | (112.2) | (0.7) | – | (109.3) | – | (109.3) |
| Others | | | | | | | | | | | |
| Transfer to statutory reserve | – | – | – | 0.1 | – | (0.1) | – | – | – | – | – |
| Balance at 30 September 2013 | 362.1 | – | 11.9 | 7.9 | (127.2) | 1,135.2 | (0.7) | 0.1 | 1,389.3 | 95.1 | 1,484.4 |

* Certain countries in which some of the subsidiaries and associates are incorporated legally require statutory reserves to be set aside. The laws of the countries restrict the distribution and use of these statutory reserves.

STATEMENTS OF CHANGES IN EQUITY (cont'd)
For the second quarter ended 30 September 2014 (in \$ million)

| COMPANY | Share Capital | Treasury Shares | Share-Based Compensation Reserve | Revenue Reserve | Gain/(Loss) on Reissuance of Treasury Shares | Total Equity |
|--|---------------|-----------------|----------------------------------|-----------------|--|--------------|
| Balance at 1 July 2014 | 370.3 | (12.0) | 13.9 | 973.9 | (5.3) | 1,340.8 |
| Profit for the period | – | – | – | 27.5 | – | 27.5 |
| Total comprehensive income for the period | – | – | – | 27.5 | – | 27.5 |
| <u>Contributions by and distributions to owners</u> | | | | | | |
| Share-based payment | – | – | 1.6 | – | – | 1.6 |
| Share options exercised and lapsed | 1.1 | – | (0.1) | – | – | 1.0 |
| Purchase of treasury shares | – | (5.5) | – | – | – | (5.5) |
| Treasury shares reissued pursuant to equity compensation plans | – | 7.2 | (4.2) | – | (3.0) | – |
| Dividends, net | – | – | – | (89.8) | – | (89.8) |
| Total contributions by and distributions to owners | 1.1 | 1.7 | (2.7) | (89.8) | (3.0) | (92.7) |
| Balance at 30 September 2014 | 371.4 | (10.3) | 11.2 | 911.6 | (8.3) | 1,275.6 |
| Balance at 1 July 2013 | 357.8 | (2.1) | 14.7 | 996.2 | – | 1,366.6 |
| Profit for the period | – | – | – | 14.2 | – | 14.2 |
| Total comprehensive income for the period | – | – | – | 14.2 | – | 14.2 |
| <u>Contributions by and distributions to owners</u> | | | | | | |
| Share-based payment | – | – | 0.5 | – | – | 0.5 |
| Share options exercised and lapsed | 3.0 | – | (0.6) | – | – | 2.4 |
| Issuance of new shares pursuant to equity compensation plans | 1.3 | – | (1.3) | – | – | – |
| Treasury shares reissued pursuant to equity compensation plans | – | 2.1 | (1.4) | – | (0.7) | – |
| Dividends, net | – | – | – | (112.2) | – | (112.2) |
| Total contributions by and distributions to owners | 4.3 | 2.1 | (2.8) | (112.2) | (0.7) | (109.3) |
| Balance at 30 September 2013 | 362.1 | – | 11.9 | 898.2 | (0.7) | 1,271.5 |

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as well as the number of shares held as treasury shares, if any, against the total number of issued shared share excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

SHARE CAPITAL AND OPTIONS ON SHARES IN THE COMPANY

(i) Employee Share Option Plan

During the period July 2014 to September 2014, 507,400 options were exercised under the SATS Employee Share Option Plan, which comprises the Senior Executive Share Option Scheme for senior executives and the Employee Share Option Scheme for all other employees.

As at 30 September 2014, the number of outstanding share options was 13,102,935 (30 September 2013: 17,775,310).

The movement of share options of the Company during the period July 2014 to September 2014 is as follows:

| Date of grant | Balance at 1.7.2014 | Forfeited/ Lapsed | Exercised | Balance at 30.9.2014 | Exercise price # | Expired date |
|---------------|---------------------|----------------------|------------------|----------------------|------------------|--------------|
| 1.7.2005 | 2,587,900 | (23,400) | (337,600) | 2,226,900 | \$1.97 | 30.6.2015 |
| 3.7.2006 | 1,893,335 | (23,400) | (41,400) | 1,828,535 | \$1.80 | 02.7.2016 |
| 2.7.2007 | 6,785,000 | (79,200) | (81,200) | 6,624,600 | \$2.76 | 01.7.2017 |
| 1.7.2008 | 2,496,100 | (26,000) | (47,200) | 2,422,900 | \$1.92 | 30.6.2018 |
| | <u>13,762,335</u> | <u>(152,000)</u> | <u>(507,400)</u> | <u>13,102,935</u> | | |

Following approval by the Company's shareholders of the declaration of a special dividend of \$0.04 per share on 26 July 2013, the Committee administering the Share Option Plan has approved a \$0.04 reduction in the exercise prices of all share options outstanding on 19 August 2013. The exercise prices reflected here are the exercise prices after such adjustment (except for the expired grant). The Company has accounted for the modification in accordance with FRS 102. As the incremental fair value of the share options resulted from the modification is \$Nil, no adjustment is made to the share-based payment expenses.

The Company has ceased to issue further grants of share options since the last grant in July 2008.

SHARE CAPITAL AND OPTIONS ON SHARES IN THE COMPANY (cont'd)

(ii) Restricted Share Plan ("RSP") and Performance Share Plan ("PSP")

Management staff are entitled to two share-based incentive plans, the RSP and PSP, which were approved by the shareholders of the Company on 19 July 2005.

For grants from FY 2010-11 to FY 2012-13

RSP award is subject to yearly achievement of financial performance conditions and has an equal vesting over a four-year period. The number of restricted shares awarded is based on individual and corporate performance. PSP is subject to specified performance conditions over a three-year period and the final number of performance shares awarded could range from 0% to 200% of the initial grant of the performance shares.

For grants in FY2013-14

Depending on the achievement of the pre-determined targets over a one-year period for RSP and a three-year period for PSP, the final number of restricted shares and performance shares awarded could range between 0% to 120% of the initial grant of the restricted shares and between 0% to 150% of the initial grant of the performance shares.

The RSP award dated 16 July 2013 is not subject to any performance conditions and will vest equally over a two-year period.

For grant in FY2014-15

The RSP award is subject to the achievement of the pre-determined targets over a one-year period. The final number of restricted shares awarded could range between 0% to 120% of the initial grant of the restricted shares.

As at 30 September 2014, the number of shares outstanding under the Company's Restricted Share Plan ("RSP") and Performance Share Plan ("PSP") were 3,573,850 and 1,867,299 (30 September 2013: 1,686,538 and 1,197,292) respectively.

SHARE CAPITAL AND OPTIONS ON SHARES IN THE COMPANY (cont'd)

The details of the shares awarded under RSP and PSP are as follows:

RSP

| Date of grant | Balance at 1.7.2014 / Date of grant | Number of Restricted Shares | | | Balance at 30.9.2014 |
|---------------|---|-----------------------------|-----------|--------------------------|-------------------------|
| | | Vested | Forfeited | Adjustments [#] | |
| 02.08.2010 | 194,852 | (194,852) | – | – | – |
| 01.08.2011 | 98,366 | (49,200) | – | – | 49,166 |
| 03.08.2011 | 454,855 | (232,800) | (11,525) | – | 210,530 |
| 01.08.2012 | 649,053 | (222,400) | (18,530) | – | 408,123 |
| 11.10.2012 | 34,695 | (11,600) | – | – | 23,095 |
| 16.07.2013 | 207,236 | (103,700) | – | – | 103,536 |
| 15.11.2013 | 1,522,500 | (523,800) | (29,200) | 37,400 | 1,006,900 |
| 03.12.2013 | 161,000 | (54,800) | – | 3,300 | 109,500 |
| 06.08.2014 | 1,670,000 | – | (7,000) | – | 1,663,000 |
| | 4,992,557 | (1,393,152) | (66,255) | 40,700 | 3,573,850 |

Adjustments at the end of the performance period upon meeting stated performance targets

PSP

| Date of grant | Balance at 1.7.2014 / Date of grant | Number of Performance Shares | | Balance at 30.9.2014 |
|---------------|--|------------------------------|-----------|-------------------------|
| | | Vested | Forfeited | |
| 03.08.2011 | 505,561 | (435,300) | (70,261) | – |
| 11.03.2013 | 683,587 | – | (16,288) | 667,299 |
| 15.11.2013 | 874,000 | – | – | 874,000 |
| 03.12.2013 | 326,000 | – | – | 326,000 |
| | 2,389,148 | (435,300) | (86,549) | 1,867,299 |

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

| As at 30 September 2014 | As at 31 March 2014 |
|-------------------------|---------------------|
| 1,120,644,276 | 1,118,936,074 |

1(d)(iv) A statement showing all sales, transfer, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

| Group and Company Treasury Shares | Number of Shares | | \$ million | |
|---|------------------|-----------|------------|---------|
| | 2014-15 | 2013-14 | 2014-15 | 2013-14 |
| Balance at 30 June | 3,907,851 | 621,777 | 12.0 | 2.1 |
| Purchases during the period | 1,840,000 | – | 5.5 | – |
| Issuance of treasury shares pursuant to equity compensation plans | (2,335,852) | (614,476) | (7.2) | (2.1) |
| Balance at 30 September | 3,411,999 | 7,301 | 10.3 | – |

2 Whether the figures have been audited, or reviewed and in accordance with which standard.

The figures have not been audited nor reviewed.

3 Where the figures have been audited or reviewed, the auditor's report (including any qualifications or emphasis of matter).

Not applicable.

4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period compared with those of the audited financial statements as at 31 March 2014 except for the adoption of the Financial Reporting Standards (FRS) and INT FRS that are mandatory for financial years beginning on or after 1 April 2014. The adoption of these FRS and INT FRS has no significant impact on the financial statements.

The Group reviews the estimated useful lives of property, plant and equipment annually. Judgement is required in determining the useful lives and residual value of depreciable assets, after considering the actual condition of its property, plant and equipment, industry standards, the depreciation estimates used by comparable companies and its asset replacement policy. On 1 April 2014, the Group revised the useful lives of certain plant and equipment based on the review. As a result of this change, the Group's depreciation expense was reduced by \$3.8 million for the first half year of FY2014-15.

5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

Per indicated in Note 4 above.

- 6 Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

| | GROUP | | | |
|---|-------------------------|---------|----------------------|---------|
| | 2 nd Quarter | | 1 st Half | |
| | 2014-15 | 2013-14 | 2014-15 | 2013-14 |
| Earnings per share based on net profit attributable to owners of the Company (cents): | | | | |
| (i) Basic * | 4.2 | 4.3 | 8.1 | 8.5 |
| (ii) Diluted ** | 4.2 | 4.3 | 8.0 | 8.4 |

* Based on weighted average number of fully paid shares in issue.

** Based on weighted average number of fully paid shares in issue after adjusting for dilution of shares under the various employee share plans.

- 7 Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current financial period reported on and (b) immediately preceding financial year.

| | GROUP | | COMPANY | |
|--|-----------------|-----------------|-----------------|-----------------|
| | As at 30.9.2014 | As at 31.3.2014 | As at 30.9.2014 | As at 31.3.2014 |
| Net asset value per ordinary share (cents) | 126.1 | 126.6 | 113.8 | 117.7 |

- 8 A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

GROUP FINANCIAL PERFORMANCE

Second Quarter FY2014-15

Group net profit attributable to owners of the Company for the second quarter was \$47.1 million, \$1.6 million or 3.3% lower than the corresponding quarter last year.

Against the same quarter last year, Group revenue dropped \$9.9 million or 2.2% to \$442.2 million. The revenue from Food Solutions dropped by \$13.3 million or 4.7% to \$267.7 million, largely attributed to the weaker result from its Japan subsidiary Tokyo Flight Kitchen ("TFK") as well as loss of contributions from its Australian subsidiary Urangan Fisheries Pty Ltd ("Urangan") which was divested in July 2014. The weakening of the Japanese Yen had also impacted the Food Solutions' revenue. Revenue from Gateway Services had increased by \$3.6 million or 2.1% to \$173.4 million.

Group expenditure decreased by \$5.8 million or 1.4% to \$399.7 million, resulting mainly from lower cost of raw materials, depreciation charges and other costs. The reduction was partially offset by higher staff costs. The lower cost of raw material was in tandem with the lower revenue while the reduction in depreciation charges of \$2.2 million or 11.5% was largely attributed to the revision in the estimated useful lives of certain asset classes during the quarter.

Operating profit for the quarter was \$42.5 million, a drop of \$4.1 million or 8.8% over the same quarter last year attributed to lower revenue.

Share of after-tax profits from overseas associates/joint venture for the second quarter was \$10.8 million, \$1.0 million or 8.5% lower than the same quarter last year. The Group recorded lower profit contributions from the Gateway associates, which were affected by drop in cargo volumes and rates pressure.

Revenue by business segment is summarised below:

| | Revenue | | | | |
|------------------|--------------|------------|--------------|------------|--------------|
| | 2Q FY2014-15 | % | 2Q FY2013-14 | % | Growth |
| | \$m | | \$m | | % |
| Food Solutions | 267.7 | 61 | 281.0 | 62 | (4.7) |
| Gateway Services | 173.4 | 39 | 169.8 | 38 | 2.1 |
| Corporate | 1.1 | - | 1.3 | - | (15.4) |
| | 442.2 | 100 | 452.1 | 100 | (2.2) |

First Half FY2014-15

Group net profit attributable to owners of the Company for the first half was \$90.4 million, \$4.5 million or 4.7% lower than the corresponding period last year. The underlying net profit was \$90.5 million, \$6.1 million or 6.3% lower than last year.

Against the same period last year, Group revenue declined by \$9.2 million or 1.0% to \$877.4 million. The revenue from Food Solutions dropped by \$15.8 million or 2.9% to \$530.4 million, largely due to the same reasons as the 2Q FY2014-15 mentioned above, namely lower contributions from TFK, Urangan and weakening of the Japanese Yen. Gateway Services revenue increased by \$6.9 million or 2.0% to \$344.6 million, supported by the growth in cargo tonnage in Singapore.

Group expenditure dropped by \$4.1 million or 0.5% mainly due to lower cost of raw materials, depreciation charges and other costs, partially offset by higher staff costs as well as company premises and utilities expenses. The lower depreciation charges of \$5.1 million or 13.1% was largely attributed to the revision in the estimated useful lives of certain asset classes as well as some of its assets being fully depreciated.

Operating profit for the first half year was \$82.2 million, a drop of \$5.1 million or 5.8% over the same period last year as a result of the lower revenue recorded.

Share of after-tax profits from overseas associates/joint venture for the first half was \$21.2 million, \$3.1 million or 12.8% lower than last year. Similar to the quarter, the Group recorded lower profit contributions from the Gateway associates, arising from reduction in cargo volumes and price pressure.

Revenue by business segment is summarised below:

| | Revenue | | | | |
|------------------|--------------|------------|--------------|------------|--------------|
| | 1H FY2014-15 | % | 1H FY2013-14 | % | Growth |
| | \$m | | \$m | | % |
| Food Solutions | 530.4 | 61 | 546.2 | 62 | (2.9) |
| Gateway Services | 344.6 | 39 | 337.7 | 38 | 2.0 |
| Corporate | 2.4 | - | 2.7 | - | (11.1) |
| | 877.4 | 100 | 886.6 | 100 | (1.0) |

Statement of Financial Position Review

Total equity of the Group stood at \$1,503.8 million as at 30 September 2014, a decrease of \$10.6 million compared to \$1,514.4 million as at 31 March 2014. The drop in equity was mainly due to FY2013-14 final dividend of \$89.8 million paid to shareholders in August 2014, partially offset by the profit generated during the half year.

Investment in associates dropped by \$29.9 million mainly due to dividends received from the associates during the six months.

The drop in assets of disposal group classified as held for sale was attributed to the divestment of its shares in Urangan and 15% interest in Tan Son Nhat Cargo Services Company Limited ("TCS").

Cash and cash equivalents decreased slightly by \$1.2 million to \$338.4 million mainly due to dividends paid to shareholders, mitigated by cash from operating activities and dividends received from associates.

Cash Flows Review

In 2Q FY2014-15, net cash from operating activities increased by \$9.8 million mainly due to movement in working capital partially offset by the lower profit before tax. The net cash from operating activities for 1H FY2014-15 decreased by \$16.7 million, resulted from lower profit before tax and movement in working capital.

Net cash generated from investing activities improved compared to the same period last year for both 2Q and 1H FY2014-15, attributed mainly to higher dividends received from the associates and joint venture, as well as proceeds from divestment of its shares in Urangan and 15% interest in TCS. This was slightly offset by the higher capital expenditure.

In 2Q and 1H FY2014-15, the cash used in financing activities recorded a drop over the same period last year mainly due to lower dividends paid, partly offset by lower proceeds from the exercise of share options and funds used in the purchase of treasury shares.

- 9 **Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

Not applicable.

- 10 **A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

OUTLOOK

Our operating landscape remains challenging given the ongoing pressures on regional aviation and rising manpower costs. Near-term regional aviation growth is also expected to be muted.

We will continue to invest in our state-of-the-art facilities, comprehensive suite of services and new technologies to improve economies of scale and enhance connectivity for our customers. We remain focused on growing new businesses and customer segments.

- 11 **Dividends**

- (a) **Current Financial Period Reported On**

Any dividend declared for the current financial period reported on? Yes.

| Name of Dividend | Interim |
|---------------------------|-----------------------|
| Type of Dividend | Cash |
| Dividend amount per Share | 5 cents |
| Tax rate | Tax exempt (one-tier) |

- (b) **Corresponding Period of the Immediately Preceding Financial Year**

Any dividend declared for the corresponding period of the immediately preceding financial year? Yes.

| Name of Dividend | Interim |
|---------------------------|-----------------------|
| Type of Dividend | Cash |
| Dividend amount per Share | 5 cents |
| Tax rate | Tax exempt (one-tier) |

- (c) **Date Payable**

The interim dividend will be payable on 12 December 2014.

(d) CLOSURE OF BOOKS

NOTICE is hereby given that, the Transfer Books and Register of Members of the Company will be closed on 1 December 2014 for the preparation of dividend warrants.

Duly completed and stamped transfers together with all relevant documents of or evidencing title received by the Company's Share Registrar, M & C Services Private Limited, at 112 Robinson Road #05-01, Singapore 068902, up to 5.00 p.m. on 28 November 2014 will be registered to determine shareholders' entitlements to the proposed interim dividend. Subject as aforesaid, persons whose securities accounts with The Central Depository (Pte) Limited are credited with ordinary shares in the capital of the Company as at 5.00 p.m. on 28 November 2014 will be entitled to the proposed interim dividend.

12 If no dividend has been declared/recommended, a statement to that effect.

Not applicable.

13 Interested Person Transactions

13.1 The interested person transactions entered into during the second quarter ended 30 September 2014 are as follows:

| | <u>FY2014-15</u> | |
|--|--|---|
| | Aggregate value of all interested person transactions entered into during the financial year below (excluding transactions of value less than S\$100,000 and transactions conducted under the shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual) | Aggregate value of all interested person transactions entered into during the financial year below under the shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual (excluding transactions of value less than S\$100,000) |
| | \$'000 | \$'000 |
| Transactions for the Sale of Goods and Services | | |
| Singapore Airlines Limited | - | 0* |
| | - | - |

* An interested person transaction with a value of \$415,215 was entered into with Singapore Airlines Limited for the extension of office and storage space lease for a period of 5 years from 1 October 2014 to 30 September 2019. A decision was made to grant the said extension on a rent-free basis for commercial reason.

Note: All the transactions set out in the above table were based on records from the Group's Register of Interested Person Transactions for the financial period under review, and include transactions whose durations exceed the financial period under review and/or multiple transactions with the same interested person. The transactions were based on actual or estimated values of the transactions for the entire duration of the relevant transactions in the case of fixed term contracts or annual/periodic values of the transactions in the case of open-ended contracts, taking into account agreed rates.

All the above interested person transactions were done on normal commercial terms.

BY ORDER OF THE BOARD

Prema d/o K Subramaniam
Company Secretary
13 November 2014
Singapore

Singapore Company Registration No: 197201770G

CONFIRMATION BY THE BOARD

We, Edmund Cheng Wai Wing and Alexander Charles Hungate, being two of the directors of SATS Ltd. (the "Company"), do hereby confirm on behalf of the directors of the Company that, to the best of their knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the half year ended 30 September 2014 financial results to be false or misleading in any material respect.

On behalf of the Board of Directors,

EDMUND CHENG WAI WING
Chairman

ALEXANDER CHARLES HUNGATE
Executive Director / President and
Chief Executive Officer

Singapore, 13 November 2014