



UNAUDITED RESULTS FOR FIRST QUARTER ENDED 30 JUNE 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 first quarter ended 30 June 2014 (in \$ million)

| | GROUP | |
|--|-------------------------------|----------------|
| | 1st Quarter | |
| | 2014-15 | 2013-14 |
| Revenue | 435.2 | 434.5 |
| Expenditure | | |
| Staff costs | (203.9) | (198.0) |
| Cost of raw materials | (85.3) | (87.8) |
| Licensing fees | (19.4) | (19.3) |
| Depreciation and amortisation charges | (16.9) | (19.8) |
| Company premise and utilities expenses | (30.9) | (29.1) |
| Other costs | (39.1) | (39.8) |
| | <u>(395.5)</u> | <u>(393.8)</u> |
| Operating profit | 39.7 | 40.7 |
| Interest on borrowings | (0.4) | (0.6) |
| Interest income | 0.2 | 0.2 |
| Loss on disposal of property, plant and equipment | (0.8) | (0.2) |
| Share of results of associates/joint venture, net of tax | 10.4 | 12.5 |
| Impairment of assets held for sale | (0.1) | (1.7) |
| Profit before tax | 49.0 | 50.9 |
| Income tax expense | (6.7) | (5.0) |
| Profit for the period | <u>42.3</u> | <u>45.9</u> |
| Profit attributable to: | | |
| Owners of the Company | 43.3 | 46.2 |
| Non-controlling interests | (1.0) | (0.3) |
| | <u>42.3</u> | <u>45.9</u> |
| Underlying net profit ⁽¹⁾ | 43.4 | 47.9 |

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 1Q FY14-15, \$1.7 million in 1Q FY13-14).

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

| | GROUP | |
|---|-------------------------------|----------------|
| | 1st Quarter | |
| | 2014-15 | 2013-14 |
| Foreign exchange gain, net | 0.1 | 0.4 |
| Allowance for doubtful debts written back, net | – | 0.2 |
| Write-off for stock obsolescence, net | (0.2) | (0.2) |
| Overprovision of taxation in respect of prior years | 1.8 | 3.8 |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the first quarter ended 30 June 2014 (in \$ million)

| | GROUP | |
|---|-------------------------------|----------------|
| | 1st Quarter | |
| | 2014-15 | 2013-14 |
| Profit for the period | 42.3 | 45.9 |
| Other comprehensive income: | | |
| <u>Items that may be reclassified subsequently to profit or loss:</u> | | |
| Foreign currency translation | (10.6) | (3.3) |
| Reclassification of foreign currency translation to profit or loss | 1.0 | – |
| Other comprehensive income for the period, net of tax | (9.6) | (3.3) |
| Total comprehensive income for the period | 32.7 | 42.6 |
| Total comprehensive income attributable to: | | |
| Owners of the Company | 33.2 | 45.6 |
| Non-controlling interests | (0.5) | (3.0) |
| Total comprehensive income for the period | 32.7 | 42.6 |

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 June 2014 (in \$ million)**

| | GROUP | | COMPANY | |
|---|------------------|------------------|------------------|------------------|
| | 30.6.2014 | 31.3.2014 | 30.6.2014 | 31.3.2014 |
| Equity attributable to owners of the Company: | | | | |
| Share capital | 370.3 | 367.9 | 370.3 | 367.9 |
| Treasury shares | (12.0) | (15.7) | (12.0) | (15.7) |
| Share-based compensation reserve | 13.9 | 13.6 | 13.9 | 13.6 |
| Statutory reserve | 8.0 | 7.9 | – | – |
| Fair value reserve | 0.1 | 0.1 | – | – |
| Foreign currency translation reserve | (129.6) | (119.5) | – | – |
| Revenue reserve | 1,202.6 | 1,162.5 | 968.6 | 951.1 |
| | <u>1,453.3</u> | <u>1,416.8</u> | <u>1,340.8</u> | <u>1,316.9</u> |
| Non-controlling interests | 98.3 | 97.6 | – | – |
| Total equity | <u>1,551.6</u> | <u>1,514.4</u> | <u>1,340.8</u> | <u>1,316.9</u> |
| Non-current assets | | | | |
| Property, plant and equipment | 566.5 | 567.9 | 9.0 | 9.5 |
| Investment properties | 9.0 | 9.2 | 290.5 | 295.3 |
| Intangible assets | 183.8 | 185.0 | 9.9 | 10.8 |
| Investment in subsidiaries | – | – | 541.0 | 541.0 |
| Investment in associates | 453.1 | 473.2 | 264.1 | 264.1 |
| Investment in a joint venture | 22.5 | 21.6 | 12.0 | 12.0 |
| Long-term investments | 8.4 | 8.3 | 7.9 | 7.9 |
| Loan to subsidiaries | – | – | 264.9 | 263.0 |
| Deferred tax assets | 21.1 | 21.2 | – | – |
| Other non-current assets | 9.9 | 8.8 | – | – |
| | <u>1,274.3</u> | <u>1,295.2</u> | <u>1,399.3</u> | <u>1,403.6</u> |
| Current assets | | | | |
| Trade and other receivables | 288.6 | 287.5 | 56.1 | 55.5 |
| Prepayments | 20.8 | 13.8 | 2.9 | 2.7 |
| Amount due from associates | 3.2 | 3.6 | 3.2 | 3.6 |
| Inventories | 47.5 | 46.3 | 0.3 | 0.3 |
| Assets of disposal groups classified as held for sale | 32.5 | 32.6 | – | 1.0 |
| Cash and short-term deposits | 395.1 | 340.8 | 255.9 | 188.2 |
| | <u>787.7</u> | <u>724.6</u> | <u>318.4</u> | <u>251.3</u> |
| Less: Current liabilities | | | | |
| Bank overdraft - secured | – | 1.2 | – | – |
| Trade and other payables | 273.1 | 267.3 | 242.9 | 204.6 |
| Income tax payable | 44.5 | 42.4 | 10.0 | 9.5 |
| Term loans | 17.0 | 15.8 | – | – |
| Finance leases | 0.5 | 0.6 | – | – |
| Liabilities of disposal group classified as held for sale | 2.2 | 2.2 | – | – |
| | <u>337.3</u> | <u>329.5</u> | <u>252.9</u> | <u>214.1</u> |
| Net current assets | 450.4 | 395.1 | 65.5 | 37.2 |
| Less: Non-current liabilities | | | | |
| Deferred tax liabilities | 60.5 | 61.3 | 28.0 | 28.4 |
| Term loans | 96.8 | 96.4 | 96.0 | 95.5 |
| Finance leases | 0.1 | 0.2 | – | – |
| Defined benefit plan | 4.3 | 4.8 | – | – |
| Other long-term liabilities | 11.4 | 13.2 | – | – |
| | <u>173.1</u> | <u>175.9</u> | <u>124.0</u> | <u>123.9</u> |
| Net assets | <u>1,551.6</u> | <u>1,514.4</u> | <u>1,340.8</u> | <u>1,316.9</u> |

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 30.06.2014 | | As at 31.03.2014 | |
|-------------------------|------------------|-------------------------|------------------|
| <u>Secured</u> * | <u>Unsecured</u> | <u>Secured</u> * | <u>Unsecured</u> |
| 13.3 | 4.2 | 13.5 | 4.1 |

Amount repayable after one year

| As at 30.06.2014 | | As at 31.03.2014 | |
|-------------------------|------------------|-------------------------|------------------|
| <u>Secured</u> * | <u>Unsecured</u> | <u>Secured</u> * | <u>Unsecured</u> |
| 0.8 | 96.1 | 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 first quarter ended 30 June 2014 (in \$ million)**

| | GROUP | |
|---|--------------------|----------------|
| | 1st Quarter | |
| | 2014-15 | 2013-14 |
| <u>Cash flows from operating activities</u> | | |
| Profit before tax | 49.0 | 50.9 |
| Adjustments for: | | |
| Interest expense, net | 0.2 | 0.4 |
| Depreciation and amortisation charges | 16.9 | 19.8 |
| Unrealised foreign exchange gain | (0.1) | (0.4) |
| Loss on disposal of property, plant and equipment | 0.8 | 0.2 |
| Share of results of associates/joint venture, net of tax | (10.4) | (12.5) |
| Share-based payment expense | 1.1 | 0.7 |
| Impairment of assets held for sale | 0.1 | 1.7 |
| Other non-cash items | 0.2 | 0.1 |
| Operating cash flows before working capital changes | 57.8 | 60.9 |
| Changes in working capital: | | |
| (Increase)/decrease in receivables | (2.4) | 16.7 |
| Increase in prepayments | (7.0) | (7.8) |
| Increase in inventories | (1.5) | (3.9) |
| Increase in payables | 3.3 | 14.5 |
| Decrease/(increase) in amount due from associates | 0.4 | (0.1) |
| Cash generated from operations | 50.6 | 80.3 |
| Interest paid to third parties | (0.4) | (0.6) |
| Income taxes paid | (4.9) | (7.9) |
| Net cash from operating activities | 45.3 | 71.8 |
| <u>Cash flows from investing activities</u> | | |
| Capital expenditure | (14.2) | (12.8) |
| Dividends from associates | 18.1 | 11.4 |
| Proceeds from disposal of interest in an associated company | 1.2 | – |
| Proceeds from disposal of property, plant and equipment | 0.2 | 0.2 |
| Interest received from deposits | 0.2 | 0.2 |
| Net cash from/(used in) investing activities | 5.5 | (1.0) |
| <u>Cash flows from financing activities</u> | | |
| Repayment of term loans | (0.3) | (1.4) |
| Repayment of finance leases and related charges | (0.2) | (0.6) |
| Drawdown of term loans | 1.2 | 2.5 |
| Proceeds from exercise of share options | 2.3 | 15.8 |
| Capital contributions from non-controlling interests | 1.5 | 1.1 |
| Dividends paid to non-controlling interests | (0.3) | – |
| Net cash from financing activities | 4.2 | 17.4 |
| Net increase in cash and cash equivalents | 55.0 | 88.2 |
| Effect of exchange rate changes | 0.5 | (1.7) |
| Cash and cash equivalents at beginning of financial period | 339.6 | 404.2 |
| Cash and cash equivalents at end of financial period | 395.1 | 490.7 |

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 first quarter ended 30 June 2014 (in \$ million)**

| GROUP | Attributable to owners of the Company | | | | | | | | | |
|--|---------------------------------------|-----------------|----------------------------------|---------------------|--------------------|--------------------------------------|-----------------|---------|---------------------------|--------------|
| | Share Capital | Treasury Shares | Share-Based Compensation Reserve | Statutory Reserve * | Fair Value Reserve | Foreign Currency Translation Reserve | Revenue Reserve | Total | Non-controlling Interests | Total Equity |
| Balance at 1 April 2014 | 367.9 | (15.7) | 13.6 | 7.9 | 0.1 | (119.5) | 1,162.5 | 1,416.8 | 97.6 | 1,514.4 |
| Profit for the period | – | – | – | – | – | – | 43.3 | 43.3 | (1.0) | 42.3 |
| Other comprehensive income for the period | – | – | – | – | – | (10.1) | – | (10.1) | 0.5 | (9.6) |
| Total comprehensive income for the period | – | – | – | – | – | (10.1) | 43.3 | 33.2 | (0.5) | 32.7 |
| Contributions by and distributions to owners | | | | | | | | | | |
| Share-based payment | – | – | 1.1 | – | – | – | – | 1.1 | – | 1.1 |
| Share options exercised and lapsed | 2.4 | – | (0.2) | – | – | – | 0.1 | 2.3 | – | 2.3 |
| Treasury shares reissued pursuant to equity compensation plans | – | 3.7 | (0.6) | – | – | – | (3.1) | – | – | – |
| Total contributions by and distributions to owners | 2.4 | 3.7 | 0.3 | – | – | – | (3.0) | 3.4 | – | 3.4 |
| Others | | | | | | | | | | |
| Disposal of interest in an associated company | – | – | – | (0.1) | – | – | – | (0.1) | – | (0.1) |
| Capital contributions from non-controlling interests | – | – | – | – | – | – | – | – | 1.5 | 1.5 |
| Dividends paid to non-controlling interests | – | – | – | – | – | – | – | – | (0.3) | (0.3) |
| Transfer to statutory reserve | – | – | – | 0.2 | – | – | (0.2) | – | – | – |
| Balance at 30 June 2014 | 370.3 | (12.0) | 13.9 | 8.0 | 0.1 | (129.6) | 1,202.6 | 1,453.3 | 98.3 | 1,551.6 |
| At 1 April 2013, as previously reported | 338.4 | (2.1) | 17.7 | 7.6 | 0.1 | (111.0) | 1,150.8 | 1,401.5 | 95.2 | 1,496.7 |
| Effects of adopting FRS19 (Revised) | – | – | – | – | – | – | 1.9 | 1.9 | 1.6 | 3.5 |
| Balance at 1 April 2013, as restated | 338.4 | (2.1) | 17.7 | 7.6 | 0.1 | (111.0) | 1,152.7 | 1,403.4 | 96.8 | 1,500.2 |
| Profit for the period | – | – | – | – | – | – | 46.2 | 46.2 | (0.3) | 45.9 |
| Other comprehensive income for the period | – | – | – | – | – | (0.6) | – | (0.6) | (2.7) | (3.3) |
| Total comprehensive income for the period | – | – | – | – | – | (0.6) | 46.2 | 45.6 | (3.0) | 42.6 |
| Contributions by and distributions to owners | | | | | | | | | | |
| Share-based payment | – | – | 0.7 | – | – | – | – | 0.7 | – | 0.7 |
| Share options exercised and lapsed | 19.4 | – | (3.7) | – | – | – | 0.1 | 15.8 | – | 15.8 |
| Total contributions by and distributions to owners | 19.4 | – | (3.0) | – | – | – | 0.1 | 16.5 | – | 16.5 |
| Others | | | | | | | | | | |
| Transfer to statutory reserve | – | – | – | 0.2 | – | – | (0.2) | – | – | – |
| Balance at 30 June 2013 | 357.8 | (2.1) | 14.7 | 7.8 | 0.1 | (111.6) | 1,198.8 | 1,465.5 | 93.8 | 1,559.3 |

* 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 first quarter ended 30 June 2014 (in \$ million)

| COMPANY | Share Capital | Treasury Shares | Share-Based Compensation Reserve | Revenue Reserve | Total Equity |
|--|------------------|--------------------|--|--------------------|-----------------|
| Balance at 1 April 2014 | 367.9 | (15.7) | 13.6 | 951.1 | 1,316.9 |
| Profit for the period | – | – | – | 20.5 | 20.5 |
| Total comprehensive income for the period | – | – | – | 20.5 | 20.5 |
| <u>Contributions by and distributions to owners</u> | | | | | |
| Share-based payment | – | – | 1.1 | – | 1.1 |
| Share options exercised and lapsed | 2.4 | – | (0.2) | 0.1 | 2.3 |
| Treasury shares reissued pursuant to equity compensation plans | – | 3.7 | (0.6) | (3.1) | – |
| Total contributions by and distributions to owners | 2.4 | 3.7 | 0.3 | (3.0) | 3.4 |
| Balance at 30 June 2014 | 370.3 | (12.0) | 13.9 | 968.6 | 1,340.8 |
| Balance at 1 April 2013 | 338.4 | (2.1) | 17.7 | 982.2 | 1,336.2 |
| Profit for the period | – | – | – | 13.9 | 13.9 |
| Total comprehensive income for the period | – | – | – | 13.9 | 13.9 |
| <u>Contributions by and distributions to owners</u> | | | | | |
| Share-based payment | – | – | 0.7 | – | 0.7 |
| Share options exercised and lapsed | 19.4 | – | (3.7) | 0.1 | 15.8 |
| Total contributions by and distributions to owners | 19.4 | – | (3.0) | 0.1 | 16.5 |
| Balance at 30 June 2013 | 357.8 | (2.1) | 14.7 | 996.2 | 1,366.6 |

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 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 April 2014 to June 2014, 1,212,350 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 June 2014, the number of outstanding share options was 13,762,335 (30 June 2013: 18,969,950).

The movement of share options of the Company during the period April to June 2014 is as follows:

| Date of grant | Balance at 1.4.2014 | Forfeited/ Lapsed | Exercised | Balance at 30.6.2014 | Exercise price # | Expired date |
|---------------|---------------------|----------------------|--------------------|----------------------|------------------|--------------|
| 1.7.2004 | 919,550 | (270,800) | (648,750) | – | \$1.79 | 30.6.2014 |
| 1.7.2005 | 2,766,400 | (17,800) | (160,700) | 2,587,900 | \$1.97 | 30.6.2015 |
| 3.7.2006 | 2,039,035 | (17,800) | (127,900) | 1,893,335 | \$1.80 | 02.7.2016 |
| 2.7.2007 | 6,992,900 | (59,200) | (148,700) | 6,785,000 | \$2.76 | 01.7.2017 |
| 1.7.2008 | 2,646,600 | (24,200) | (126,300) | 2,496,100 | \$1.92 | 30.6.2018 |
| | <u>15,364,485</u> | <u>(389,800)</u> | <u>(1,212,350)</u> | <u>13,762,335</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 grant in FY2013-14

Depending on the achievement of the pre-determined targets over a three-year period for both RSP and 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.

As at 30 June 2014, the number of shares outstanding under the Company's Restricted Share Plan ("RSP") and Performance Share Plan ("PSP") were 3,322,557 and 2,389,148 (30 June 2013: 2,332,052 and 1,711,504) respectively.

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

RSP

| Date of grant | Number of Restricted Shares | | | Balance at 30.6.2014 |
|---------------|--|----------|-----------------|----------------------|
| | Balance at 1.4.2014 / Date of grant | Vested | Forfeited | |
| 02.08.2010 | 194,852 | – | – | 194,852 |
| 01.08.2011 | 98,366 | – | – | 98,366 |
| 03.08.2011 | 454,855 | – | – | 454,855 |
| 01.08.2012 | 649,053 | – | – | 649,053 |
| 11.10.2012 | 34,695 | – | – | 34,695 |
| 16.07.2013 | 207,236 | – | – | 207,236 |
| 15.11.2013 | 1,532,500 | – | (10,000) | 1,522,500 |
| 03.12.2013 | 161,000 | – | – | 161,000 |
| | <u>3,332,557</u> | <u>–</u> | <u>(10,000)</u> | <u>3,322,557</u> |

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

PSP

| Date of grant | Number of Performance Shares | | | Balance at 30.6.2014 |
|---------------|--|--------|-----------|----------------------|
| | Balance at 1.4.2014 / Date of grant | Vested | Forfeited | |
| 03.08.2011 | 505,561 | – | – | 505,561 |
| 11.03.2013 | 683,587 | – | – | 683,587 |
| 15.11.2013 | 874,000 | – | – | 874,000 |
| 03.12.2013 | 326,000 | – | – | 326,000 |
| | 2,389,148 | – | – | 2,389,148 |

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 June 2014 | As at 31 March 2014 |
|--------------------|---------------------|
| 1,120,148,424 | 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 1 April | 5,120,201 | 621,777 | 15.7 | 2.1 |
| Purchases during the period | – | – | – | – |
| Issuance of treasury shares pursuant to equity compensation plans | (1,212,350) | – | (3.7) | – |
| Balance at 30 June | 3,907,851 | 621,777 | 12.0 | 2.1 |

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 \$1.9 million for 1Q 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 | |
|---|-------------------------------|----------------|
| | 1st Quarter | |
| | 2014-15 | 2013-14 |
| Earnings per share based on net profit attributable to owners of the Company (cents): | | |
| (i) Basic * | 3.9 | 4.1 |
| (ii) Diluted ** | 3.8 | 4.1 |

* 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 employee share option plan, restricted share plan (RSP) and performance share plan (PSP).

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 30.6.2014 | As at 31.3.2014 | As at 30.6.2014 | As at 31.3.2014 |
| Net asset value per ordinary share (cents) | 129.7 | 126.6 | 119.7 | 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

First Quarter FY2014-15

Group net profit attributable to owners of the Company for the first quarter was \$43.3 million, \$2.9 million or 6.3% lower than the corresponding quarter last year. The underlying net profit was \$43.4 million, \$4.5 million or 9.4% lower than last year.

Against the same quarter last year, Group revenue increased by \$0.7 million or 0.2% to \$435.2 million. The revenue from Gateway Services increased by \$3.3 million or 2.0% to \$171.2 million while Food Solutions revenue dropped by \$2.5 million or 0.9% to \$262.7 million, largely attributed to the weakening of the Japanese Yen.

Group expenditure increased by \$1.7 million or 0.4% mainly due to higher staff costs as well as company premises and utilities expenses, partially offset by lower cost of raw materials and depreciation charges. The lower depreciation charges of \$2.9 million or 14.6% was largely attributed to the revision in the estimated useful lives of certain asset classes during the quarter as well as some of its assets being fully depreciated.

Operating profit for the quarter was \$39.7 million, a drop of \$1.0 million or 2.5% over same quarter last year attributed to the higher expenditure recorded.

Share of after-tax profits from overseas associates/joint venture for the first quarter was \$10.4 million, \$2.1 million or 16.8% lower than the same quarter last year. The Group recorded lower profit contributions from the Gateway associates arising from reduction in cargo volumes.

Revenue by business segment is summarised below:

| | Revenue | | | | |
|------------------|--------------|------------|--------------|------------|------------|
| | 1Q FY2014-15 | % | 1Q FY2013-14 | % | Growth |
| | \$m | | \$m | | % |
| Food Solutions | 262.7 | 61 | 265.2 | 62 | (0.9) |
| Gateway Services | 171.2 | 39 | 167.9 | 38 | 2.0 |
| Corporate | 1.3 | - | 1.4 | - | (7.1) |
| | 435.2 | 100 | 434.5 | 100 | 0.2 |

Statement of Financial Position Review

Total equity of the Group stood at \$1,551.6 million as at 30 June 2014, an increase of \$37.2 million compared to \$1,514.4 million as at 31 March 2014. The higher total equity was mainly due to the profit generated during the quarter and increase in share capital from the exercise of share options.

Investment in associates dropped by \$20.1 million mainly due to dividends received from the associates during the quarter.

Cash and cash equivalents increased by \$55.5 million to \$395.1 million mainly due to cash inflow from operating activities, dividends received from the associates as well as proceeds received from the exercise of share options, partially offset by capital expenditure.

Cash Flows Review

In 1Q FY2014-15, net cash from operating activities decreased by \$26.5 million compared to last corresponding quarter mainly due to movement in working capital.

Net cash generated from investing activities increased by \$6.5 million over the same period last year, attributed mainly to higher dividends received from the associates and proceeds from disposal of the 15% interest in an associate Tan Son Nhat Cargo Services Company Limited. This was partially offset by the higher capital expenditure.

The cash generated from financing activities recorded a drop of \$13.2 million compared to 1Q FY2013-14 resulting from lower proceeds from the exercise of share options.

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 in view of rising manpower costs and the ongoing pressure on regional aviation. At Changi Airport, we expect moderate growth in passenger traffic and airfreight.

We will continue to invest in our state-of-the-art facilities, comprehensive suite of services and new technologies to obtain scale advantages, improve productivity and enhance connectivity for our customers.

We are also growing new businesses and customer segments.

11 Dividends

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on? No.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? No.

(c) Date Payable

Not applicable.

(d) CLOSURE OF BOOKS

Not applicable.

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

No dividend has been declared/recommended for the quarter ended 30 June 2014.

13 Interested Person Transactions

13.1 The interested person transactions entered into during the first quarter ended 30 June 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 | | |
| Scoot Pte. Ltd. | - | 305 |
| Singapore Airlines Cargo Pte Ltd | - | 540,000 * |
| | <hr/> | <hr/> |
| | - | 540,305 |

* An interested person transaction with a value of \$2,040,000 was entered into with Singapore Airlines Cargo Pte Ltd for the extension of office space lease for a period of 5 years from 1 April 2014 to 31 March 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
22 July 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 three months ended 30 June 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, 22 July 2014