ST Engineering

News Release

Details on how the business of the Sector is managed and its related performance are set out below. This information is given on a voluntary basis and from the perspective of the Sector management, as its disclosure is not required by law or regulation.

Marine

"Comparable revenue"

FINANCIAL HIGHLIGHTS For the second quarter ended 30 June 2016			
	2016 2Q	**2015 2Q**	**Growth %**
Revenue ($m)	248	254	(2)
Earnings before interest and tax (EBIT) ($m)	17.0	26.2	(35)
Other income, net ($m)	2.6	0.9	179
Finance income, net ($m)	0.8	1.1	(23)
Profit before tax (PBT) ($m)	20.4	29.6	(31)
Profit attributable to shareholders ($m)	16.7	23.5	(29)

- Economic Value Added for the first half of 2016 was $17.2 million

"The Marine sector achieved comparable revenue despite the industry facing strong headwinds. Profit before tax was lower due to weaker margins from Shipbuilding and Shiprepair.

We will intensify our efforts to look for niche projects to build up our order book for the years ahead."

Ng Sing Chan, President

N.B.: All currencies are in Singapore dollars.

Marine

Marine sector unaudited results for the second quarter ended 30 June 2016

			2Q2016 $'000	2Q2015 $'000	+ / (-) %
1.	(a)	**Revenue**	**248,239**	**253,893**	**(2.2)**
	(b)	Cost of sales	(216,114)	(215,224)	0.4
	(c)	**Gross Profit**	**32,125**	**38,669**	**(16.9)**
	(d)	Distribution and selling expenses	(3,180)	(1,687)	88.5
	(e)	Administrative expenses	(9,297)	(8,654)	7.4
	(f)	Other operating expenses	(2,627)	(2,166)	21.3
	(g)	**Profit from operations**	**17,021**	**26,162**	**(34.9)**
	(h)	Other income, net	2,658	970	174.0
	(i)	Other expenses	(45)	(33)	36.4
	(j)	Other income, net	2,613	937	178.9
	(k)	Finance income	1,035	1,139	(9.1)
	(l)	Finance costs	(192)	(51)	276.5
	(m)	Finance income, net	843	1,088	(22.5)
	(n)	Share of results of associates and joint ventures, net of tax	(31)	1,411	(102.2)
	(o)	**Profit before taxation**	**20,446**	**29,598**	**(30.9)**
	(p)	Taxation	(3,733)	(6,106)	(38.9)
	(q)	**Profit for the period**	**16,713**	**23,492**	**(28.9)**
		Attributable to:			
	(r)	**Shareholders of the Company**	**16,713**	**23,492**	**(28.9)**
	(s)	Non-controlling interests	-	-	-
			16,713	**23,492**	**(28.9)**

2.	(a)	Profit from operations is arrived at after charging/(crediting) the following:			
		Depreciation and amortisation	7,100	7,102	(0.0)
		Allowance for doubtful debts & bad debts written off, net	1,478	2	>500
		Allowance for stock obsolescence, net	229	121	89.3
	(b)	Finance income, net comprises:			
		Interest income	1,035	1,224	(15.4)
		Foreign exchange loss, net	(98)	(136)	(27.9)
		Interest expenses	(94)	-	NM
			843	1,088	(22.5)

Marine

		2Q2016 $'000	2Q2015 $'000	+ / (-) %
3.	(a) Profit for the period [1(q) above] as a percentage of revenue	6.7%	9.3%	
	(b) Profit attributable to shareholders [1(r) above] as a percentage of share capital and reserves at end of period	9.1%	13.3%	

		2016 $'000	2015 $'000	+ / (-) %
4.	(a) Revenue reported for first quarter	213,516	279,634	(23.6)
	(b) Profit for the period reported for first quarter	5,793	21,210	(72.7)
	(c) Revenue reported for second quarter	248,239	253,893	(2.2)
	(d) Profit for the period reported for second quarter	16,713	23,492	(28.9)
	(e) Revenue reported for first half year	461,755	533,527	(13.5)
	(f) Profit for the period reported for first half year	22,506	44,702	(49.7)

5. (a) There was no over or under provision of current and deferred tax in respect of prior years (2Q2015: There was no over or under provision of current and deferred tax in respect of prior years).

(b) There was no disposal of property during the second quarter.

6. Business Group Information

By Business Group

	Revenue			Profit before Taxation		
	2016 $'000	**2015** $'000	**+ / (-)** %	**2016** $'000	**2015** $'000	**+ / (-)** %
Second Quarter						
Shipbuilding	164,452	173,930	(5.4)	5,193	11,175	(53.5)
Shiprepair	71,661	65,346	9.7	14,039	17,711	(20.7)
Engineering	12,126	14,617	(17.0)	1,214	712	70.5
Total	248,239	253,893	(2.2)	20,446	29,598	(30.9)
First Half Year						
Shipbuilding	278,525	352,989	(21.1)	(6,238)	11,562	(154.0)
Shiprepair	150,734	147,884	1.9	26,211	38,574	(32.1)
Engineering	32,496	32,654	(0.5)	3,852	2,852	35.1
Total	461,755	533,527	(13.5)	23,825	52,988	(55.0)

	Revenue		
	2Q2016 $'000	**2Q2015** $'000	
By Geographical Areas			
Asia	126,258	83,170	51.8
USA	98,454	107,058	(8.0)
Europe	3,917	8,245	(52.5)
Others	19,610	55,420	(64.6)
Total	248,239	253,893	(2.2)
By Country of Incorporation			
Asia	149,785	151,603	(1.2)
USA	98,454	102,290	(3.8)
Total	248,239	253,893	(2.2)

Marine

7. Review of Performance

(a) Revenue

2Q2016 vs 2Q2015

2Q2016	2Q2015	Growth	
$248m	$254m	($6m)	(2%)

Revenue for 2Q2016 was comparable to 2Q2015.

(b) Profitability

2Q2016 vs 2Q2015

2Q2016	2Q2015	Growth	
$20.4m	$29.6m	($9.2m)	(31%)

2Q2016 profit before tax ("PBT) of $20.4 million was lower than 2Q2015 by 31% or $9.2 million. The lower PBT was due mainly to lower gross profits as a result of lower revenue and weaker margins from **Shipbuilding** and **Shiprepair** business group coupled with higher operating expenses mainly from higher allowance for doubtful debts.

8. Prospects

2H2016

Barring unforeseen circumstances, revenue for 2H2016 is expected to be lower than 1H2016 but PBT is expected to be higher compared to 1H2016.

9. Balance Sheet

	30-Jun-16 $'000	**31-Dec-15** $'000
Property, plant and equipment	314,933	332,533
Associates and joint ventures	8,457	8,229
Investments	141	84
Long-term receivables, non-current	2,705	4,363
Deferred tax assets	17,641	17,225
Amounts due from related parties, non-current	4,806	4,806
Derivative financial instruments, non-current	2,544	2,341
Non-current assets	351,227	369,581
Current assets	692,900	633,271
Total assets	**1,044,127**	**1,002,852**
Current liabilities	791,855	709,493
Non-current liabilities	95,718	101,234
Total liabilities	**887,573**	**810,727**
Share capital and reserves	156,529	192,093
Non-controlling interests	25	32
Total equity and liabilities	**1,044,127**	**1,002,852**
Net current liabilities	**(98,955)**	**(76,222)**

Marine

10. Statement of Cash Flows for the second quarter ended 30 June 2016

	2Q2016 $'000	2Q2015 $'000
Net cash from/(used in) operating activities	**28,476**	**(52,648)**
Net cash used in investing activities	**(2,254)**	**(8,975)**
Proceeds from sale of property, plant and equipment	-	10
Acquisition of other intangible assets	(64)	-
Purchase of property, plant and equipment	(2,190)	(8,985)
Net cash used in financing activities	**(20,784)**	**(45,425)**
Repayment of short-term bank loans	(19,117)	-
Proceeds from short-term bank loans	6,714	-
Repayment of loans by related corporations	61,000	59,598
Loans to related corporations	(25,000)	(61,000)
Dividend paid to shareholders	(44,287)	(44,023)
Interest paid	(94)	-
Net increase/(decrease) in cash and cash equivalents	**5,438**	**(107,048)**
Cash and cash equivalents at beginning of period	125,669	211,190
Exchange difference on cash and cash equivalents	(33)	(895)
Cash and cash equivalents at end of period	**131,074**	**103,247**

11. Economic Value Added (EVA)

EVA for 1H2016 was $17.2 million, a decrease of $21.4 million or 56% compared to 1H2015. The weighted average cost of capital was 5.6% for 2016 (2015: 5.5%).

Media Contact:
Nancy Toh
Senior Vice President / Group Financial Controller
Tel: (65) 6860 9213
Fax: (65) 6861 3028
Email: tohnancy@stengg.com