OTTO MARINE LIMITED

9 Temasek Boulevard #33-01 Suntec Tower Two, Singapore 038989
Tel: 6863 2366 Fax: 6863 1127
Regn No: 197902647M

OTTO MARINE LIMITED & ITS SUBSIDIARIES
Registration Number: 197902647M

FIRST QUARTER 2016 FINANCIAL STATEMENTS ANNOUNCEMENT

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OTTO MARINE LIMITED (co regn no : 197902647M)

Unaudited First Quarter Financial Statements

PART I – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a)(i) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

Group

	Q1 2016 US$'000	Q1 2015 US$'000	+/(-) %
Revenue	94,923	148,053	(35.9)
Cost of sales	(75,378)	(146,158)	(48.4)
Gross profit	**19,545**	**1,895**	**931.4**
Other income	1,069	4,637	(76.9)
Selling and administration expenses	(5,737)	(8,097)	(29.1)
Other expenses	(4,879)	(2,361)	106.6
Share of gain/(loss) of associates and joint venture	127	(261)	n.m.
Finance costs	(9,718)	(8,098)	20.0
Profit/(Loss) before income tax	**407**	**(12,285)**	**n.m.**
Income tax expense	(290)	(985)	(70.6)
Profit/(Loss) for the period	**117**	**(13,270)**	**n.m.**
Attributable to:			
Equity holders of the Company	(1,375)	(13,227)	(89.6)
Non-controlling interests	1,492	(43)	n.m.
	117	**(13,270)**	**n.m.**

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1(a)(ii) items, which if significant must be included in the income statement.

	The Group		
	Q1 2016	**Q1 2015**	**+/(-)**
	US$'000	**US$'000**	**%**
Depreciation of property, plant and equipment:			
Included in cost of sales	10,721	8,499	26.1
Included in administrative expenses	176	166	6.0
	10,897	8,665	25.8
Capitalised in construction in progress and inventories	374	374	-
	11,271	9,039	24.7
Interest on borrowings:			
Included in finance costs	9,718	8,098	20.0
Capitalised in construction in progress and inventories	1,653	961	72.0
	11,371	9,059	25.5
Gain (Loss) arising from the changes in the fair value of:-			
-Available-for-sale investment	-	(7)	n.m.
-interest rate swaps contracts	570	-	n.m.
Interest income	368	362	1.7
Net foreign exchange gain (loss)	(4,670)	4,200	n.m.
Impairment loss on a vessel	-	(1,790)	n.m.

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

Balance Sheets	The Group		The Company	
	As at 31 Mar 2016	As at 31 Dec 2015	As at 31 Mar 2016	As at 31 Dec 2015
	US$'000	US$'000	US$'000	US$'000
ASSETS				
Current assets				
Cash and bank balances	10,494	21,830	2,293	4,678
Fixed deposits	10,873	12,890	7,502	7,502
Trade receivables	277,530	230,063	259,598	259,948
Gross amount due from customers for contract work	306	67	-	-
Current portion of finance lease receivables	9,020	9,341	-	-
Deposits, prepayments and other receivables	89,492	80,543	551,285	528,683
Current portion of loan receivables	400	600	75,600	75,600
Inventories	82,226	82,862	-	-
Assets classified as held for sales	165,384	165,384	-	-
Total current assets	645,725	603,580	896,278	876,411
Non-current assets				
Trade receivables	47,417	47,417	-	-
Prepayments and other receivables	39,819	39,819	-	-
Finance lease receivables	4,323	4,425	-	-
Loan receivables	3,600	3,700	-	-
Property, plant and equipment	611,520	642,123	416	515
Goodwill	38,314	38,314	-	-
Investment in subsidiaries	-	-	180,480	180,480
Investment in associates and joint venture	171	475	-	-
Available-for-sale investments	-	-	-	-
Deferred tax asset	776	739	-	-
Total non-current assets	745,940	777,012	180,896	180,995
Total assets	**1,391,665**	**1,380,592**	**1,077,174**	**1,057,406**

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Balance Sheets	The Group		The Company	
	As at 31 Mar 2016	As at 31 Dec 2015	As at 31 Mar 2016	As at 31 Dec 2015
	US$'000	US$'000	US$'000	US$'000
LIABILITIES AND EQUITY				
Current liabilities				
Borrowings from financial institutions	151,133	165,012	30,927	27,976
Current portion of finance lease payables	3,458	480	249	306
Loan and other payable from related party*	23,451	23,880	-	-
Current portion of loan payables	73,740	72,230	-	-
Trade payables	185,915	167,850	74,062	74,042
Gross amount due to customers for contract work	3,007	1,486	-	-
Other payables*	116,546	105,121	564,129	541,631
Deferred gain - short-term	444	444	-	-
Derivative financial instruments	4,473	7,547		-
Income tax payable	1,232	955	300	-
Liabilities directly associated with assets held for sale	99,687	109,128	-	-
Total current liabilities	663,086	654,133	669,667	643,955
Non-current liabilities				
Borrowings from financial institutions	36,612	38,617	-	-
Finance lease payables	259,462	260,623	90	120
Loan and other payable from related party*	40,724	40,541	35,924	35,741
Loan payables	21,928	21,251	21,928	21,251
Trade payables	154,592	149,818	154,592	149,818
Deferred gain - long-term	7,368	7,479	-	-
Derivative financial instruments	389	959	-	-
Total non-current liabilities	521,075	519,288	212,534	206,930
Total liabilities	**1,184,161**	**1,173,421**	**882,201**	**850,885**
Capital, reserves and non-controlling interests				
Share capital	357,183	357,183	357,183	357,183
Capital reserves	1,546	1,546	1,546	1,546
Hedging deficits	693	(801)	-	-
Acquisition deficits	(30,510)	(30,510)	-	-
Translation reserves	26,693	28,138	31,118	31,115
Accumulated losses	(153,454)	(152,079)	(194,874)	(183,323)
Equity attributable to equity holders of the Company	202,151	203,477	194,973	206,521
Non-controlling interests	5,353	3,694	-	-
Total equity	207,504	207,171	194,973	206,521
Total liabilities and equity	**1,391,665**	**1,380,592**	**1,077,174**	**1,057,406**

*Amounts due to the controlling shareholder or companies held by the controlling shareholder of US$4,800,000 (2015: US$4,800,000) and US$35,924,000 (2015: US$35,741,000) are respectively included in other payables and loan from related party.

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

Amount repayable in one year or less, or on demand

As at 31 Mar 2016		As at 31 Dec 2015	
Secured	**Unsecured**	**Secured**	**Unsecured**
US$'000	**US$'000**	**US$'000**	**US$'000**
193,612	58,170	205,258	56,344

Amount repayable after one year

As at 31 Mar 2016		As at 31 Dec 2015	
Secured	**Unsecured**	**Secured**	**Unsecured**
US$'000	**US$'000**	**US$'000**	**US$'000**
296,074	57,852	299,240	56,992

Details of any collateral

The Group's borrowings are primarily secured by fixed deposits, the mortgage of the relevant vessels and certain property, plant and equipment and inventory, shipyard contracts, insurance taken over the mortgaged vessels, charter agreements and income and proceeds from sale of vessels.

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

	The Group	
	Q1 2016 US$'000	**Q1 2015 US$'000**
Cash flow from operating activities:		
Operating activities		
Profit (Loss) before income tax	407	(12,285)
Adjustment for:		
Share of (profit) loss of associates and joint venture	(127)	261
Depreciation of property, plant and equipment	10,897	8,665
Interest expense	9,718	8,098
Interest income	(368)	(362)
(Gain) Loss arising from changes in fair value of:		
-Interest rate swap contracts	(570)	-
-available-for-sale investment	-	7
Foreign exchange (gain) loss	1,560	(1,688)
Impairment loss on a vessel	-	1,790
Operating cash flows before movements in working capital	**21,517**	**4,486**
Trade receivables	(25,182)	15,067
Construction work-in-progress	1,658	(4,186)
Finance lease receivables	423	317
Other receivables, prepayments and deposits	(8,027)	(9,972)
Inventories	652	(1,786)
Trade payables	20,892	18,180
Other payables	11,634	4,951
Cash generated from operations	**23,567**	**27,057**
Income tax paid	(43)	(649)
Interest received	(222)	254
Net cash from operating activities	**23,302**	**26,662**

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Group	The Group Q1 2016 US$'000	Q1 2015 US$'000
Investing activities		
Proceeds from capital reduction in available-for-sale investment	-	-
Loan receivables	300	100
Purchase of property, plant and equipment	(52)	(7,050)
Net cash used in investing activities	**248**	**(6,950)**
Financing activities		
Proceeds on borrowings from financial institutions	3,742	14,503
Repayment of borrowings from financial institutions	(25,670)	(25,852)
Repayment of finance lease obligations	(375)	(5,714)
Net proceeds from related party	(614)	-
Repayment of loan payable	(4,078)	(260)
Interest paid	(9,723)	(4,534)
Deposits pledged for borrowings from financial institutions - net	2,031	(384)
Net cash from (used in) financing activities	**(34,687)**	**(22,241)**
Net increase (decrease) in cash and bank balances	**(11,137)**	**(2,529)**
Cash and bank balances at beginning of period	**22,180**	**16,841**
Effects of exchange rate changes on the balance of cash held in foreign currencies	(185)	(188)
Cash and bank balances at end of period	**10,858**	**14,124**
Cash and bank balances at end of period include the following:		
Cash and bank balances	10,494	13,768
Fixed deposits	10,873	13,516
Less: Deposits pledged for borrowings from financial institutions	(10,509)	(13,160)
Deposits earmarked for refund guarantee and other fixed deposits	**364**	**356**
Total	**10,858**	**14,124**

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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 COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 MARCH

	Q1 2016 US$'000	Q1 2015 US$'000
The Group		
Profit (Loss) for the period	117	(13,270)
Other comprehensive income (expense):		
Exchange differences on translating foreign operations	(1,278)	1,383
Cash flow hedge	1,494	196
Other comprehensive income (expense) for the period, net of tax	216	1,579
Total comprehensive income (expense) for the period	333	(11,691)
Total comprehensive expense attributable to:		
Equity holders of the Company	(1,326)	(11,654)
Non-controlling interests	1,659	(37)
	333	(11,691)
The Company		
Loss for the period	(11,551)	(948)
Other comprehensive income (expense):		
Exchange differences on translating foreign operations	3	10
Other comprehensive income (expense) for the period, net of tax	3	10
Total comprehensive expense for the period	(11,548)	(938)
Total comprehensive expense attributable to:		
Equity holders of the Company	(11,548)	(938)
Non-controlling interests	-	-
	(11,548)	(938)

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STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 MARCH

Group	Share Capital	Capital Reserves	Acquisition Deficits	Hedging Reserves (Deficits)	Translation Reserves	Accumulated Losses	Attributable to equity holders of the Company	Non-controlling interests	Total Equity
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
2016									
At 1 Jan 2016	357,183	1,546	(30,510)	(801)	28,138	(152,079)	203,477	3,694	207,171
Cash flow hedge	-	-	-	1,494	-	-	1,494	-	1,494
Total comprehensive expense for the period	-	-	-	-	(1,445)	(1,375)	(2,820)	1,659	(1,161)
At 31 Mar 2016	357,183	1,546	(30,510)	693	26,693	(153,454)	202,151	5,353	207,504

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STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD 31 MARCH (CONT'D)

Group	Share capital	Capital Reserves	Acquisition Reserves (Deficits)	Hedging Reserves (Deficits)	Translation Reserves (Deficits)	Accumulated Profits (Losses)	Attributable to equity holders of the Company	Non-controlling interests	Total Equity
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
2015									
At 1 Jan 2015	357,124	1,546	(30,510)	(1,159)	25,289	(89,222)	263,068	(2,422)	260,646
Cash flow hedge	-	-	-	196	-	-	196	-	196
Total comprehensive income (expense) for the period	-	-	-	-	1,377	(13,227)	(11,850)	(37)	(11,887)
At 31 Mar 2015	357,124	1,546	(30,510)	(963)	26,666	(102,449)	251,414	(2,459)	248,955

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STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 MARCH (CONT'D)

COMPANY	Share Capital US$'000	Capital Reserves US$'000	Translation Reserves (Deficits) US$'000	Accumulated Losses US$'000	Total Equity US$'000
2016					
At 1 Jan 2016	357,183	1,546	31,115	(183,323)	206,521
Total comprehensive expense for the period	-	-	3	(11,551)	(11,548)
At 31 Mar 2016	357,183	1,546	31,118	(194,874)	194,973

COMPANY	Share capital US$'000	Capital Reserves US$'000	Translation Reserves US$'000	Accumulated Losses US$'000	Total Equity US$'000
2015					
At 1 Jan 2015	357,124	1,546	31,108	(152,824)	236,954
Total comprehensive expense for the period	-	-	10	(948)	(938)
At 31 Mar 2015	357,124	1,546	31,118	(153,772)	236,016

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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 of 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 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.

Nil

1(d)(iii) and (iv) Statement showing all sales, transfers, disposals, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Information pursuant to clause 1(d)(iii):

	As at 31 Mar 2016	As at 31 Dec 2015
Total number of issued shares excluding treasury shares	212,354,622	212,354,622

Information pursuant to clause 1(d)(iv):

The Company does not have any treasury shares as at end of the immediately preceding financial period and during the current financial period.

1(e) Negative assurance confirmation on interim financial results pursuant to rule 705(5) of the Listing Manual

We, the undersigned, hereby confirm that to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited interim financial results for the three months ended 31 March 2016 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Yaw Chee Siew
Executive Chairman

See Kian Heng
Group Chief Executive Officer and
Group Executive Director

13 May 2016

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

The figures have not been audited or reviewed by the Company's auditors.

3. Where the figures have been audited or reviewed, the auditor's report (including any qualifications or emphasis of a 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 financial statements for the current financial period compared with those of the audited financial statements as at 31 December 2015 except for the changes mentioned in Section 5.

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 reason for, and the effect of, the change

In the current financial year, the Group and the Company have adopted all new and revised FRSs and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for annual periods beginning on or after 1 January 2016. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group's and the Company's accounting policies and have no material effect on the financial statements.

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

		The Group		
		Q1 2016	**Q1 2015**	**+/(-) %**
Earnings (Loss) per ordinary share of the Group for the financial period based on net profit attributable to shareholders:				
(i)	Based on the weighted average number of shares (US cents)	(0.65)	(6.23)*	(89.6)
	Weighted average number of shares ('000)	212,355	212,244*	n.m.
(ii)	On a fully diluted basis (US cents)	(0.65)	(6.23)*	n.m.
	Adjusted weighted average number of shares ('000)	212,355	212,244*	n.m.

*On 25 August 2015, the Company completed the Share Consolidation where every 20 existing shares registered in the name of each shareholder have been consolidated into one Consolidated Share. To be comparable, the weighted average number of shares has been adjusted to take into consideration the effect of the Share Consolidation.

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 period reported on and (b) immediately preceding financial year.

	The Group			The Company		
	As at 31 Mar 2016	**As at 31 Dec 2015**	**+/(-) %**	**As at 31 Mar 2016**	**As at 31 Dec 2015**	**+/(-) %**
Net asset value per ordinary share based on issued share capital at the end of the financial period (US cents)	97.72	97.56	0.2	91.81	97.25	(5.6)

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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 period reported on

Review of Group Performance

1. Q1 2016 versus Q1 2015

	Shipyard US$'000	Shipping and chartering US$'000	Subsea services US$'000	Elimination (Note 1) US$'000	Group US$'000
Q1 2016					
External revenue	46,568	44,944	3,411	-	94,923
Inter-segment revenue	1,320	-	4,732	(6,052)	-
Total revenue	47,888	44,944	8,143	(6,052)	94,923
Cost of sales	(31,111)	(45,411)	(4,908)	6,052	(75,378)
Gross profit (loss)	16,777	(467)	3,235	-	19,545
Q1 2015					
External revenue	105,982	39,804	2,267	-	148,053
Inter-segment revenue	111	-	4,680	(4,791)	-
Total revenue	106,093	39,804	6,947	(4,791)	148,053
Cost of sales	(98,084)	(48,092)	(4,773)	4,791	(146,158)
Gross profit (loss)	8,009	(8,288)	2,174	-	1,895
Variance					
External revenue	(59,414)	5,140	1,144	-	(53,130)
Inter-segment revenue	1,209	-	52	(1,261)	-
Total revenue	(58,205)	5,140	1,196	(1,261)	(53,130)
Cost of sales	66,973	2,681	(135)	1,261	70,780
Gross profit (loss)	8,768	7,821	1,061	-	17,650

Note 1 Inter-segment revenue are eliminated upon consolidation.

Revenue

External revenue decreased by US$53.1 million mainly contributed by the shipyard segment.

Shipyard – The sale of a comparatively smaller vessel with lower value in 1Q 2016 vis-à-vis 1Q 2015, as well as, the decrease in fabrication revenue contributed to the decrease in shipyard revenue by US$59.4 million.

Shipping and chartering – The increase in revenue of US$5.1 million was contributed primarily by higher utilization in 1Q 2016.

Gross profit (loss)

Shipyard – The vessel sold in 1Q 2016 enjoyed a higher margin resulting in the increase in gross profit.

Shipping and chartering – Despite the increase in depreciation arising from vessels added to the fleet subsequent to 1Q 2015, the increase in revenue in 1Q 2016 and the reduced operating costs from the cost rationalization undertaken resulted in improvement in the gross margin.

Other income

Other income decreased by US$3.6 million primarily due to the absence of net foreign exchange gain (US$4.2 million). The decrease was partially offset by the increase in gain arising from the changes in the fair value of interest rate swap contracts (US$0.5 million).

Other expenses

Other expenses increased by US$2.5 million as a result of an increase in foreign exchange loss (US$4.7 million) partially offset by the absence of impairment loss of property, plant and equipment (US$1.8 million).

Selling and administrative expenses

Selling and administrative expenses decreased by US$2.4 million primarily due to the decrease in salaries and wages (US$1.5 million).

Finance cost

The finance costs increased by US$1.6 million mainly due to interest incurred on certain loan facilities drawn down after 1Q2015.

Share of associate gain/(loss)

Share of associate and joint venture gain in 2015 is primarily due to lower utilisation of the associates' vessels.

Review of Balance Sheet &/or Cash Flow

ASSETS

The material contributing factors to the increase in total assets of US$1,380.6 million as at 31 December 2015 to US$1,391.7 million as at 31 March 2016 was due to increases in (1) trade receivables due amounts to be collected from the sale of a vessel and (2) other receivables and deposits and prepayments to vendors and (3) gross amount due from customers for contract work. The increase was partially offset by decrease in (1) cash and bank balances and fixed deposits, (2) finance lease and loan receivables arising from collection from customers and (3) sale of vessel (including inventories and property, plant and equipment) .

LIABILITIES

The increase in total liabilities from US$1,173.4 million as at 31 December 2015 to US$1,184.1 million as at 31 March 2016 was due to the increase in (1) finance lease payables, (2) trade and other payables due to slower payments to vendors and (3) gross amounts due to customers for vessels under construction. The increase was partially offset by decrease in (1) borrowings from financial institutions, (2) derivative financial instruments and (3) liabilities associated with assets held for sale. The Group has a negative working capital as a result of the classification of certain loans with tenure of more than 12 months from balance sheet date from non-current liabilities to current liabilities in accordance with FRS 1.74.

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

Nil.

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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.

The persistent challenging market condition, particularly for the oil and gas industry, puts continuing pressure on the Group's performance. Against such headwind, the Group continues to focus on improving its fleet utilization while concurrently implementing cost cutting measures.

11. Dividend

(a) Current Financial Period Reported On

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

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend recommend for the corresponding period of the immediately preceding financial year reported on? No

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

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

No dividend has been declared/(recommended) in the current financial period reported on.

OTTO MARINE LIMITED

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13. Interested Person Transactions

There is no interested person transaction that falls under a general mandate by shareholders. The Group has not obtained a general mandate by shareholders for interested person transactions.

	Aggregate value of all transactions excluding transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000) **Q1 2016 US$'000**
Rent expense to Samling Singapore Pte Ltd	148
Interest expense to Brizill International Limited	152
Interest expense to the controlling shareholder for loan extended to Otto Marine Limited	524

14. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1)

The Company confirms that the undertakings under Rule 720(1) of the Listing Manual have been obtained from all its directors and executive officers in the format set out in Appendix 7.7.

BY ORDER OF THE BOARD

CHONG SIEH JIUAN
CHIEF FINANCIAL OFFICER AND JOINT COMPANY SECRETARY

13 MAY 2016

This release may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes, and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, exchange rate movement, cost of capital and capital availability, competition from other shipbuilding and chartering companies, shifts in customer demands, customers and partners, changes in operating expenses, including employee wages, benefits and training, governmental and public policy changes. You are cautioned not to place undue reliance on these forward-looking statements, which are based on current view of management on future events.