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

"Lower Profits"

FINANCIAL HIGHLIGHTS For the year ended 31 December 2015			
	2015 FY	**2014 FY**	**Growth %**
Revenue ($m)	958	1,342	(29)
Earnings before interest and tax (EBIT) ($m)	71.8	100.8	(29)
Other income, net ($m)	7.4	12.1	(39)
Finance income, net ($m)	3.6	3.9	(8)
Profit before tax (PBT) ($m)	88.3	122.8	(28)
Profit attributable to shareholders ($m)	85.7	108.1	(21)
Economic value added (EVA) ($m)	76.5	93.6	(18)

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

"Marine sector recorded lower profits in 2015 compared to 2014 due mainly to weaker performance from Shipbuilding and Engineering business groups.

We expect challenging operating environment and remain focused on building up our order book in 2016."

Ng Sing Chan, President

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Marine sector audited results for the year ended 31 December 2015:

			FY2015 $'000	FY2014 $'000	+ / (-) %
1.	(a)	**Revenue**	**958,373**	**1,341,951**	**(28.6)**
	(b)	Cost of sales	(836,564)	(1,187,968)	(29.6)
	(c)	**Gross Profit**	**121,809**	**153,983**	**(20.9)**
	(d)	Distribution and selling expenses	(5,979)	(8,906)	(32.9)
	(e)	Administrative expenses	(35,068)	(33,150)	5.8
	(f)	Other operating expenses	(8,967)	(11,092)	(19.2)
	(g)	**Profit from operations**	**71,795**	**100,835**	**(28.8)**
	(h)	Other income	7,482	12,115	(38.2)
	(i)	Other expenses	(115)	(37)	210.8
	(j)	Other income, net	7,367	12,078	(39.0)
	(k)	Finance income	3,716	3,931	(5.5)
	(l)	Finance costs	(103)	-	NM
	(m)	Finance income, net	3,613	3,931	(8.1)
	(n)	Share of results of associates and joint ventures, net of tax	5,500	5,936	(7.3)
	(o)	**Profit before taxation**	**88,275**	**122,780**	**(28.1)**
	(p)	Taxation	(2,558)	(14,695)	(82.6)
	(q)	**Profit for the year**	**85,717**	**108,085**	**(20.7)**
		Attributable to:			
	(r)	**Shareholders of the Company**	**85,725**	**108,086**	**(20.7)**
	(s)	Non-controlling interests	(8)	(1)	700.0
			85,717	**108,085**	**(20.7)**

* NM - Not Meaningful

2.	(a)	Profit from operations is arrived at after charging/(crediting) the following:			
		Depreciation and amortisation	29,609	27,098	9.3
		(Write-back of allowance)/allowance for doubtful debts & bad debts written off, net	(564)	2,110	(126.7)
		(Write-back of allowance)/allowance for inventory obsolescence, net	(498)	448	(211.2)
	(b)	Finance income, net comprises:			
		Interest income	3,716	3,796	(2.1)
		Foreign exchange (loss)/gain, net	(53)	135	(139.3)
		Interest expenses	(50)	-	NM
			3,613	3,931	(8.1)

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			FY2015 $'000	FY2014 $'000	+ / (-) %
3.	(a)	Profit for the year [1(q) above] as a percentage of revenue	8.9%	8.1%	
	(b)	Profit attributable to shareholders [1(r) above] as a percentage of share capital and reserves at end of year	39.2%	58.4%	
4.	(a)	Revenue reported for first half year	533,527	671,455	(20.5)
	(b)	Profit for the period reported for first half year	44,702	45,873	(2.6)
	(c)	Revenue reported for second half year	424,846	670,496	(36.6)
	(d)	Profit for the period reported for second half year	41,015	62,212	(34.1)

5. (a) There was an adjustment of $2,170,000 for under provision of current tax and $2,219,000 for over provision of deferred tax in respect of prior years (FY2014: There was an adjustment of $4,172,000 for over provision of current tax and $1,833,000 for under provision of deferred tax in respect of prior years).

(b) There was disposal of a property with a gain of $0.7 million (FY2014: There was no disposal of property during the year).

6. Business Group Information

By Business Group

Fourth Quarter vs Third Quarter (unaudited)	**Revenue**			**Profit before Taxation**		
	4Q2015 $'000	**3Q2015** $'000	**+ / (-)** %	**4Q2015** $'000	**3Q2015** $'000	**+ / (-)** %
Shipbuilding	126,020	134,567	(6.4)	2,174	1,294	68.0
Shiprepair	71,464	42,874	66.7	20,675	12,747	62.2
Engineering	22,464	27,457	(18.2)	(3,505)	1,902	(284.3)
Total	219,948	204,898	7.3	19,344	15,943	21.3

Full Year Ended 31 December	**Revenue**			**Profit before Taxation**		
	FY2015 $'000	**FY2014** $'000	**+ / (-)** %	**FY2015** $'000	**FY2014** $'000	**+ / (-)** %
Shipbuilding	613,576	1,004,822	(38.9)	15,030	38,576	(61.0)
Shiprepair	262,222	260,632	0.6	71,996	73,327	(1.8)
Engineering	82,575	76,497	7.9	1,249	10,877	(88.5)
Total	958,373	1,341,951	(28.6)	88,275	122,780	(28.1)

	Revenue		
	FY2015 $'000	**FY2014** $'000	
By Geographical Areas			
Asia	372,780	360,572	3.4
USA	370,882	405,497	(8.5)
Europe	40,796	61,877	(34.1)
Others	173,915	514,005	(66.2)
Total	958,373	1,341,951	(28.6)
By Country of Incorporation			
Asia	598,188	945,858	(36.8)
USA	360,185	396,093	(9.1)
Total	958,373	1,341,951	(28.6)

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7. Review of Performance

(a) Revenue

FY2015 vs FY2014

FY2015	FY2014	Growth	
$958m	$1,342m	($384m)	(29%)

Revenue for FY2015 of $958 million was lower than FY2014 by 29% or $384 million due mainly to lower revenue recognition from **Shipbuilding** contracts from both the local and US operations.

(b) Profitability

FY2015 vs FY2014

FY2015	FY2014	Growth	
$88.3m	$122.8m	($34.5m)	(28%)

FY2015 profit before tax (PBT) of $88.3 million was lower than FY2014 by 28% or $34.5 million due mainly to weaker **Shipbuilding** performance from both operations.

8. Prospects

FY2016

Barring unforeseen circumstances, revenue for FY2016 is expected to be higher compared to FY2015 whilst PBT is expected to be lower than FY2015.

9. Balance Sheet

	31-Dec-15 $'000	**31-Dec-14** $'000
Property, plant and equipment	332,533	334,075
Associates and joint ventures	8,229	8,159
Intangible assets	84	94
Long-term receivables, non-current	4,363	1,001
Deferred tax assets	17,225	19,021
Amounts due from related parties, non-current	4,806	12,806
Derivative financial instruments, non-current	2,341	605
Non-current assets	369,581	375,761
Current assets	633,271	738,494
Total assets	**1,002,852**	**1,114,255**
Current liabilities	709,493	856,315
Non-current liabilities	101,234	99,068
Total liabilities	**810,727**	**955,383**
Share capital and reserves	192,093	158,834
Non-controlling interests	32	38
Total equity and liabilities	**1,002,852**	**1,114,255**
Net current liabilities	**(76,222)**	**(117,821)**

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10. Statement of Cash Flows for the year ended 31 December 2015

	FY2015 $'000	FY2014 $'000
Net cash (used in)/from operating activities	**(52,265)**	**112,462**
Net cash used in investing activities	**(10,850)**	**(15,064)**
Proceeds from sale of property, plant and equipment	853	39
Dividends from joint ventures	5,430	1,000
Proceeds from insurance settlement	-	5,220
Purchase of property, plant and equipment	(17,133)	(21,323)
Net cash used in financing activities	**(83,827)**	**(209,460)**
Proceeds from short term bank loans	29,354	-
Repayment of short term bank loan	(11,197)	-
Proceeds from related corporation loans	2,829	-
Repayment of related corporation loans	(2,852)	-
Loans to related corporations	(199,128)	(115,494)
Repayment of loans by related corporations	156,240	19,814
Dividends paid to shareholder	(59,023)	(113,780)
Interest paid	(50)	-
Net decrease in cash and cash equivalents	**(146,942)**	**(112,062)**
Cash and cash equivalents at beginning of the year	224,027	333,058
Exchange difference on cash and cash equivalents at beginning of the year	1,520	3,031
Cash and cash equivalents at end of the year	**78,605**	**224,027**

11. Economic Value Added (EVA)

EVA for FY2015 was $76.5 million, a decrease of $17.0 million or 18% compared to FY2014. The weighted average cost of capital was 5.5% for 2015 (2014: 5.6%).

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