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 first quarter ended 31 March 2016			
	2016 1Q	**2015 1Q**	**Growth %**
Revenue ($m)	214	280	(24)
Earnings before interest and tax (EBIT) ($m)	0.0	18.6	(100)
Other income, net ($m)	2.2	2.8	(22)
Finance income, net ($m)	1.0	1.0	-
Profit before tax (PBT) ($m)	3.4	23.4	(86)
Profit attributable to shareholders ($m)	5.8	21.2	(73)

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

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Marine sector unaudited results for the first quarter ended 31 March 2016:

			1Q2016 $'000	1Q2015 $'000	+ / (-) %
1.	(a)	**Revenue**	**213,516**	**279,634**	**(23.6)**
	(b)	Cost of sales	(200,904)	(249,279)	(19.4)
	(c)	**Gross Profit**	**12,612**	**30,355**	**(58.5)**
	(d)	Distribution and selling expenses	(2,158)	(1,001)	115.6
	(e)	Administrative expenses	(9,175)	(8,643)	6.2
	(f)	Other operating expenses	(1,318)	(2,150)	(38.7)
	(g)	**Profit from operations**	**(39)**	**18,561**	**(100.2)**
	(h)	Other income	2,230	2,863	(22.1)
	(i)	Other expenses	(20)	(32)	(37.5)
	(j)	Other income, net	2,210	2,831	(21.9)
	(k)	Finance income	1,128	950	18.7
	(l)	Finance costs	(179)	0	NM
	(m)	Finance income, net	949	950	(0.1)
	(n)	Share of results of joint ventures, net of tax	259	1,048	(75.3)
	(o)	**Profit before taxation**	**3,379**	**23,390**	**(85.6)**
	(p)	Taxation	2,414	(2,180)	(210.7)
	(q)	**Profit for the period**	**5,793**	**21,210**	**(72.7)**
		Attributable to:			
	(r)	**Shareholders of the Company**	**5,800**	**21,217**	**(72.7)**
	(s)	Non-controlling interests	(7)	(7)	**0.0**
			5,793	**21,210**	**(72.7)**

2.	(a)	Profit from operations is arrived at after charging/(crediting) the following:			
		Depreciation and amortisation	7,166	7,505	(4.5)
		Write-back of allowance for doubtful debts & bad debts written off, net	-	(964)	(100.0)
		Allowance/(write-back of allowance) for inventory obsolescence, net	273	(822)	(133.2)
	(b)	Finance income, net comprises			
		Interest income	1,128	865	30.4
		Foreign exchange gain/(loss), net	(155)	85	(282.4)
		Interest expenses	(24)	-	NM
			949	950	(0.1)

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			1Q2016 $'000	1Q2015 $'000	+ / (-) %
3.	(a)	Profit for the period [1(q) above] as a percentage of revenue	2.7%	7.6%	
	(b)	Profit attributable to shareholders [1(r) above] as a percentage of share capital and reserves at end of period	2.7%	10.9%	
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)

5. (a) There was no over or under provision of current and deferred tax in respect of prior years (1Q2015: There an adjustment of $400,000 for under provision of current tax in respect of prior years).

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

6. Business Group Information

	Revenue			Profit before Taxation		
	1Q2016 $'000	**1Q2015** $'000	**+ / (-)** %	**1Q2016** $'000	**1Q2015** $'000	**+ / (-)** %
By Business Group						
Shipbuilding	114,073	179,059	(36.3)	(11,431)	387	NM
Shiprepair	79,073	82,538	(4.2)	12,172	20,863	(41.7)
Engineering	20,370	18,037	12.9	2,638	2,140	23.3
Total	213,516	279,634	(23.6)	3,379	23,390	(85.6)
By Geographical Areas						
Asia	116,792	90,787	28.6			
USA	60,793	81,448	(25.4)			
Europe	8,017	19,443	(58.8)			
Others	27,914	87,956	(68.3)			
Total	213,516	279,634	(23.6)			
By Country of Incorporation						
Asia	152,723	200,482	(23.8)			
USA	60,793	79,152	(23.2)			
Europe	-	-	-			
Others	-	-	-			
Total	213,516	279,634	(23.6)			

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7. Review of Performance

(a) Revenue

1Q2016 vs 1Q2015

1Q2016	1Q2015	Growth	
$214m	$280m	($66m)	(24%)

Revenue for 1Q2016 was lower than 1Q2015 by 24% or $66 million. The decrease was due mainly to lower revenue recognition from **Shipbuilding** contracts from both the local and US operations.

(b) Profitability

1Q2016 vs 1Q2015

1Q2016	1Q2015	Growth	
$3.4m	$23.4m	($20.0m)	(85%)

The current quarter's profit before tax ("PBT) of $3.4 million was lower than 1Q2015 by 85% or $20.0 million. The lower PBT was due mainly to lower gross profits due to lower **Shipbuilding** revenue coupled with poor **Shipbuilding** performance from the US operations.

8. Prospects

1H2016

Barring unforeseen circumstances, revenue and PBT for 1H2016 are expected to be lower compared to 1H2015.

9. Balance Sheet

	31-Mar-16 $'000	**31-Dec-15** $'000
Property, plant and equipment	320,146	332,533
Joint ventures	8,488	8,229
Intangible assets	145	84
Long-term receivables, non-current	3,471	4,363
Amounts due from related parties, non-current	4,806	4,806
Derivative financial instruments	2,338	2,341
Deferred tax assets	18,862	17,225
Non-current assets	358,256	369,581
Current assets	682,008	633,271
Total assets	**1,040,264**	**1,002,852**
Current liabilities	756,710	709,493
Non-current liabilities	94,779	101,234
Total liabilities	**851,489**	**810,727**
Share capital and reserves	188,750	192,093
Non-controlling interests	25	32
Total equity and liabilities	**1,040,264**	**1,002,852**
Net current assets	**(74,702)**	**(76,222)**

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10. Statement of Cash Flows for the first quarter ended 31 March 2016

	1Q2016 $'000	1Q2015 $'000
Net cash from operating activities	**60,482**	**54,334**
Net cash used in investing activities	**(1,379)**	**(4,618)**
Proceeds from sale of property, plant and equipment	18	120
Purchase of property, plant and equipment	(1,397)	(4,738)
Net cash used in financing activities	**(11,838)**	**(63,486)**
Loans to related corporations	(26,000)	(134,128)
Repayment of loans by related corporations	-	70,642
Proceeds from short term bank loans	20,940	-
Repayment of short term bank loans	(6,754)	-
Interest paid	(24)	-
Net increase/(decrease) in cash and cash equivalents	**47,265**	**(13,770)**
Cash and cash equivalents at beginning of the period	78,605	224,027
Exchange difference on cash and cash equivalents at beginning of the period	(201)	933
Cash and cash equivalents at end of the period	**125,669**	**211,190**

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