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 third quarter ended 30 September 2015			
	2015 3Q	**2014 3Q**	**Growth %**
Revenue ($m)	205	336	(39)
Earnings before interest and tax (EBIT) ($m)	10.7	28.6	(63)
Other income, net ($m)	1.8	2.2	(16)
Finance income, net ($m)	0.9	0.1	>500
Profit before tax (PBT) ($m)	15.9	32.7	(51)
Profit attributable to shareholders ($m)	15.1	29.8	(49)

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

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Marine sector unaudited results for the third quarter ended 30 September 2015

			3Q2015 $'000	3Q2014 $'000	+ / (-) %
1.	(a)	**Revenue**	**204,898**	**336,337**	**(39.1)**
	(b)	Cost of sales	(182,141)	(294,787)	(38.2)
	(c)	**Gross Profit**	**22,757**	**41,550**	**(45.2)**
	(d)	Distribution and selling expenses	(1,478)	(1,582)	(6.6)
	(e)	Administrative expenses	(8,414)	(8,614)	(2.3)
	(f)	Other operating expenses	(2,191)	(2,724)	(19.6)
	(g)	**Profit from operations**	**10,674**	**28,630**	**(62.7)**
	(h)	Other income	1,863	2,179	(14.5)
	(i)	Other expenses	(39)	(10)	290.0
	(j)	Other income, net	1,824	2,169	(15.9)
	(k)	Finance income	971	18,601	(94.8)
	(l)	Finance costs	(19)	(18,461)	(99.9)
	(m)	Finance income, net	952	140	>500
	(n)	Share of results of joint ventures, net of tax	2,493	1,747	42.7
	(o)	**Profit before taxation**	**15,943**	**32,686**	**(51.2)**
	(p)	Taxation	(862)	(2,906)	(70.3)
	(q)	**Profit for the period**	**15,081**	**29,780**	**(49.4)**
		Attributable to:			
	(r)	**Shareholders of the Company**	**15,081**	**29,779**	**(49.4)**
	(s)	Non-controlling interests	-	1	(100.0)
			15,081	**29,780**	**(49.4)**

2.	(a)	Profit from operations is arrived at after charging/(crediting) the following:			
		Depreciation and amortisation	7,451	7,152	4.2
		Allowance/(write-back of allowance) for doubtful debts & bad debts written off, net	3	(97)	(103.1)
		Allowance/(write-back of allowance) for stock obsolescence, net	102	(185)	(155.1)
	(b)	Finance income, net comprises:			
		Interest income	894	796	12.3
		Foreign exchange gain, net	77	116	(33.6)
		Fair value changes of financial instruments / hedged items	-	(772)	(100.0)
		Interest expenses	(19)	-	NM
			952	140	>500

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			3Q2015 $'000	3Q2014 $'000	+ / (-) %
3.	(a)	Profit for the period [1(q) above] as a percentage of revenue	7.4%	8.9%	
	(b)	Profit attributable to shareholders [1(r) above] as a percentage of share capital and reserves at end of period	7.1%	13.4%	
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 third quarter	204,898	336,337	(39.1)
	(d)	Profit for the period reported for third quarter	15,081	29,780	(49.4)
	(e)	Revenue reported for first nine months	738,425	1,007,792	(26.7)
	(f)	Profit for the period reported for first nine months	59,783	75,653	(21.0)

5. (a) There was no adjustment for over or under provision of current and deferred tax in respect of prior years (3Q2014: 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 third quarter.

6. Business Group Information

By Business Group

	Revenue			Profit before Taxation		
	2015 $'000	**2014** $'000	**+ / (-)** %	**2015** $'000	**2014** $'000	**+ / (-)** %
Third Quarter						
Shipbuilding	134,567	264,504	(49.1)	1,294	10,877	(88.1)
Shiprepair	42,874	54,229	(20.9)	12,747	19,644	(35.1)
Engineering	27,457	17,604	56.0	1,902	2,165	(12.1)
Total	204,898	336,337	(39.1)	15,943	32,686	(51.2)
Nine Months Ended 30 September						
Shipbuilding	487,556	774,828	(37.1)	12,856	31,022	(58.6)
Shiprepair	190,758	177,462	7.5	51,321	50,331	2.0
Engineering	60,111	55,502	8.3	4,754	7,512	(36.7)
Total	738,425	1,007,792	(26.7)	68,931	88,865	(22.4)

	Revenue		
	3Q2015 $'000	**3Q2014** $'000	
By Geographical Areas			
Asia	97,344	85,365	14.0
USA	86,015	90,664	(5.1)
Europe	6,850	13,757	(50.2)
Others	14,689	146,551	(90.0)
Total	204,898	336,337	(39.1)
By Country of Incorporation			
Asia	120,980	247,852	(51.2)
USA	83,918	88,485	(5.2)
Total	204,898	336,337	(39.1)

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7. Review of Performance

(a) Revenue

3Q2015 vs 3Q2014

3Q2015	3Q2014	Growth	
$205m	$336m	($131m)	(39%)

3Q2015 revenue compared to 3Q2014 decreased by 39% or $131 million to $205 million due mainly to lower revenue recognition from **Shipbuilding** contracts and lower **Shiprepair** activities from both the local and US operations.

(b) Profitability

3Q2015 vs 3Q2014

3Q2015	3Q2014	Growth	
$15.9m	$32.7m	($16.8m)	(51%)

3Q2015 profit before tax (PBT) compared to 3Q2014 decreased by 51% or $16.8 million to $15.9 million due mainly to weaker **Shipbuilding** and **Shiprepair** performance from both operations.

8. Prospects

FY2015

Barring unforeseen circumstances, revenue and profit before tax for FY2015 are expected to be lower compared to FY2014.

9. Balance Sheet

	30-Sep-15 $'000	**31-Dec-14** $'000
Property, plant and equipment	340,202	334,075
Joint ventures	8,431	8,159
Intangible assets	87	94
Derivative financial instruments, non-current	2,723	605
Amounts due from related parties, non-current	4,806	12,806
Long-term receivables, non-current	4,417	1,001
Deferred tax assets	12,732	19,021
Non-current assets	373,398	375,761
Current assets	701,002	738,494
Total assets	**1,074,400**	**1,114,255**
Current liabilities	778,034	856,315
Non-current liabilities	109,268	99,068
Total liabilities	**887,302**	**955,383**
Share capital and reserves	187,065	158,834
Non-controlling interests	33	38
Total equity and liabilities	**1,074,400**	**1,114,255**
Net current liabilities	**(77,032)**	**(117,821)**

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10. Statement of Cash Flows for the third quarter ended 30 September 2015

	3Q2015 $'000	3Q2014 $'000
Net cash from operating activities	**10,052**	**25,249**
Net cash from/(used in) investing activities	**2,969**	**(1,487)**
Proceeds from sale of property, plant and equipment	722	8
Dividends from joint ventures	4,680	500
Purchase of property, plant and equipment	(2,433)	(1,995)
Net cash from/(used in) financing activities	**15,220**	**(58,000)**
Proceeds from short term bank loans	24,239	-
Repayment of loans by a related corporation	1,000	-
Loans to related corporations	(10,000)	(58,000)
Interest paid	(19)	-
Net increase/(decrease) in cash and cash equivalents	**28,241**	**(34,238)**
Cash and cash equivalents at beginning of period	103,247	321,789
Exchange difference on cash and cash equivalents	1,468	650
Cash and cash equivalents at end of period	**132,956** [1]	**288,201** [2]

[1] Cash and cash equivalents at the end of 3Q2015 was after deducting $172.0 million of short term net lending to a related party.
[2] Cash and cash equivalents at the end of 3Q2014 was after deducting $88.2 million of short term net lending to a related party.

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