

Operating Financial Review

An aerial photograph of a ship's wake in the ocean, showing a central channel of white water flanked by two larger, more turbulent channels of white water, all set against a deep blue sea. The perspective is from directly behind the ship, looking down the length of the wake.

Marine

Marine

RAISING THE BAR ON SHIPBUILDING AND SHIPREPAIR

ST Marine has been providing turnkey shipbuilding, ship conversion and shiprepair services to a worldwide customer base in the naval and commercial markets for over three decades. It has operations in Singapore and the US, under VT Halter Marine.

The year for the Marine sector was highlighted by new products, expanding business from existing customers, and shiprepair projects requiring more engineering expertise. Collectively, these included customers like the Republic of Singapore Navy, US Army, National Oceanic and Atmospheric Administration, Crowley Maritime, Baggermaatschappij Boskalis BV, and China National Petroleum Corporation.

The wide ranging nature of the Marine sector's shipbuilding and shiprepair competencies allows it to attract quality projects, leveraging on its design and engineering expertise to customise ship design to meet the specific needs of customers. Some key new customers that have placed shipbuilding orders are the US Navy, Shreyas World Navigation, Louis Dreyfus Armateurs SAS and Hoegh Autoliners.

Shipbuilding

The sector continued its efforts to secure high value added contracts, capitalising on its knowledge and skills in designing and building sophisticated vessels, as well as project management skills acquired through highly complex and tightly scheduled projects such as the frigates programme.

In September 2006 alone, there were repeat orders for its US operations from existing customers amounting to about US\$450m (\$735m), attesting to the level of confidence and trust that customers have in VT Halter Marine.

Shiprepair

During the year, ST Marine's shiprepair business was highlighted by projects which required higher engineering expertise in both repairs and conversions, reflecting its reputation for customisation and design capabilities.

It also saw expanding business from blue chip maritime customers all over the world, particularly established European shipowners from the Netherlands, Belgium and Germany and customers from the US and Asia. The sector maintained its presence as a key player in the Singapore shiprepair market, especially for tankers, containers and dredgers.

PERFORMANCE OF THE MARINE SECTOR

Half Yearly Performance

The Marine sector's turnover for 2H2006 at \$365m increased by 8% or \$28m over 1H2006 turnover of \$337m due mainly to higher Shipbuilding turnover.

PBT for 2H2006 at \$41.9m increased by 11% or \$4.3m over 1H2006 due mainly to the higher turnover and other income.

Full Year Performance

FY2006 turnover of \$702m for the Marine sector increased by 6% or \$42m compared to FY2005, largely contributed by Shipbuilding and Shiprepair. The higher Shipbuilding turnover was mainly contributed by the US operations, VT Halter Marine, while the higher Shiprepair turnover was the result of a more active shiprepair market.

The Marine sector's PBT of \$79.5m in FY2006 was lower than that of FY2005 by 10% or \$8.4m. The lower PBT was due mainly to lower gross margins as a result of a different sales mix.



The first of the four feeder container vessels for the Transworld Group, OEL Singapore, was launched in June 2006.

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Major Projects

In 2006, ST Marine delivered two of the five locally built frigates, *RSS Intrepid* and *RSS Steadfast*, to the Republic of Singapore Navy and launched the last frigate in the series, *RSS Supreme*.

ST Marine was awarded a \$120m contract for two high end RoRo vessels to transport Airbus A380 sections and components for assembly in Toulouse, France. The customers are Seaplane One and Seaplane Two SAS, a joint venture company of Louis Dreyfus Armateurs SAS of France and Leif Hoegh & Co AS (LH) of Norway.

Its US operations won a US\$199m (about \$315m) contract from the US Navy to construct a missile range instrumentation ship T-AGM(R). This is the first US Navy contract awarded to VT Halter Marine after it joined the ST Engineering Group.

The shipyard was commissioned to build a fourth fisheries survey vessel, worth US\$30m (about \$50m), for the National Oceanic and Atmospheric Administration. It has delivered two vessels so far. This customer also awarded VT Halter Marine a US\$15m (about \$23.7m) contract for a small waterplane area twin hull coastal mapping vessel.

It was also contracted to build four additional articulated tug barge units for Crowley Maritime worth about US\$240m (\$378m), bringing the total order from Crowley Maritime to ten vessels, two of which were delivered this year.

In November 2006, VT Halter Marine was awarded a US\$165m (about \$262.7m) contract by the US Navy to procure long lead time materials and equipment for the Egyptian Navy's fast missile craft project. This is in addition to an earlier contract of US\$28.8m (approximately \$49m) for ship design and brings the amount awarded for this project to date to US\$194m. The total amount for this project, for which VT Halter Marine is the prime contractor, could exceed US\$450m after Phase II is added to the contract.

In shiprepair, the Marine sector clinched two contracts to convert existing vessels to seismic research vessels. One was a \$17m contract to convert a fishing trawler for China National Petroleum Corporation's BGP, one of the world's leading onshore geophysical service contractors in China, and the other was a \$8m contract to convert a platform supply vessel for Seabird Exploration Norway AS.

It also won a \$32m contract for the modification and upgrading of a cutter suction dredger from its existing customer, Baggermaatschappij Boskalis BV, and launched the first two of the four feeder container vessels for Transworld Group.



The last of the series of five locally built frigates, RSS Supreme, was launched by Dr Ivy Ng (wife of Dr Ng Eng Hen, Minister for Manpower & 2nd Minister for Defence).