

OVERVIEW

During the year, we increased our turnover and Profit After Tax and Minority Interests (PATMI), notwithstanding the difficult operating environment in 2002.

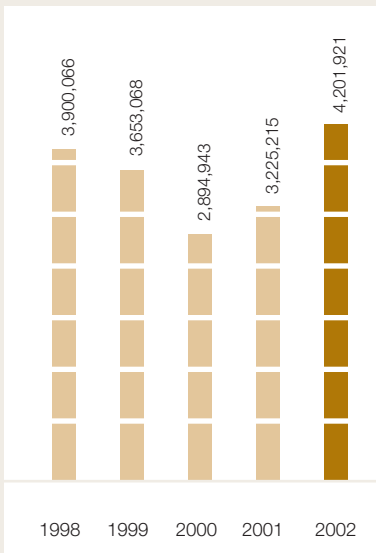
Turnover increased by 30 per cent or S\$1.0 billion in 2002. Half of this increase came

from Utilities and a quarter came from SembCorp Simon-Carves, a subsidiary of SembCorp Engineers and Constructors (SembE&C).

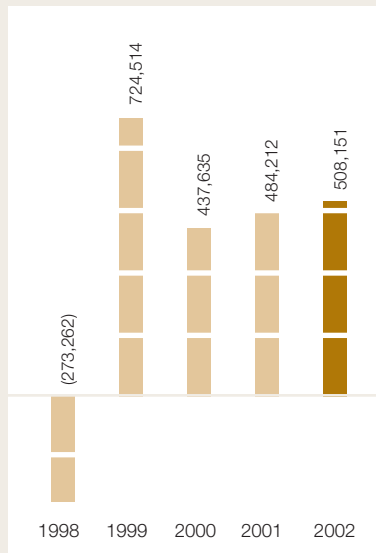
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) and PATMI grew by 5 per cent and 3 per cent respectively.

If not for the problems encountered in SembE&C relating to a deep tunnel sewerage system project and a land reclamation project and the one-time impairment loss on goodwill by an associate, Kuehne & Nagel, the increase in PATMI would have been greater.

TURNOVER (S\$'000)

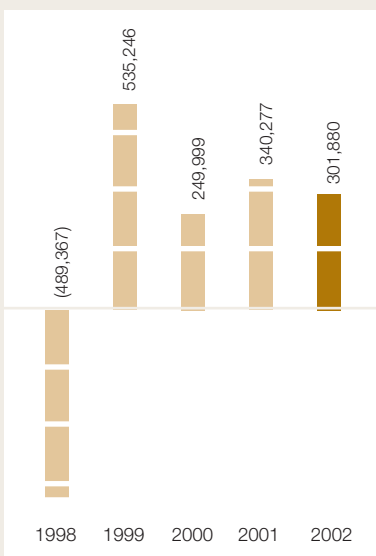


EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (S\$'000)

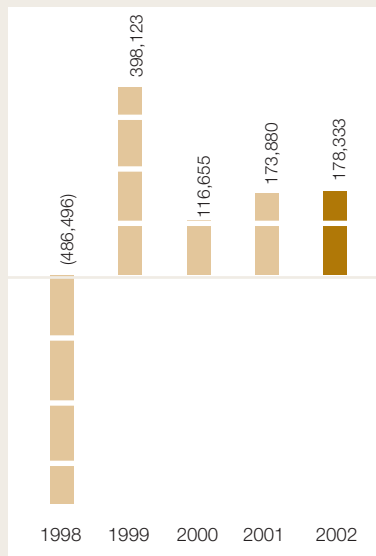


Note: EBITDA was before share of results of associates and joint ventures

PROFIT BEFORE TAX (S\$'000)



PROFIT AFTER TAX AND MINORITY INTERESTS (S\$'000)



Financial Review

TURNOVER

Turnover in Utilities almost doubled in 2002 due to full year contributions from SembCorp Cogen and SembCorp Power which became operational in September 2001. Marine Engineering's turnover hit S\$1.0 billion, attributed mainly to increased revenue from newbuilding and ship conversion jobs, while

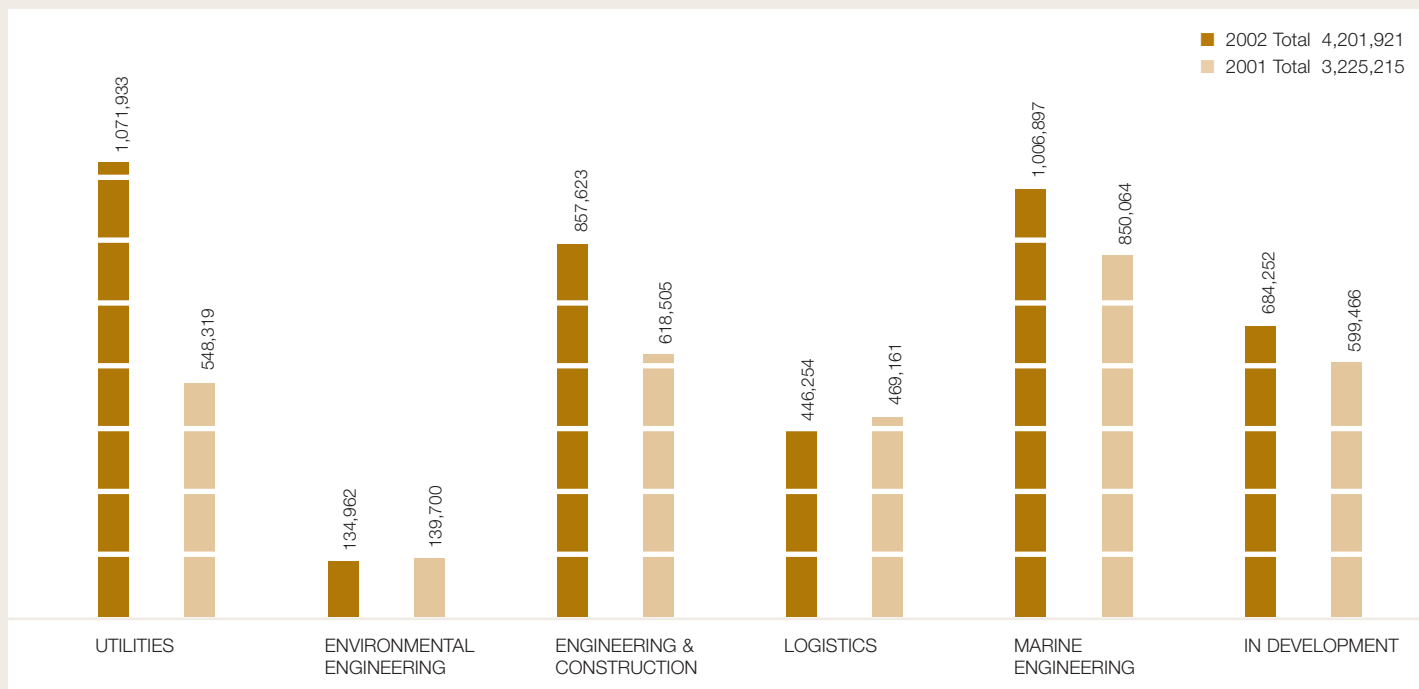
Engineering & Construction's turnover increased due to a full year contribution from SembCorp Simon-Carves, which was acquired in May 2001.

The increases in turnover in the various Key Businesses were offset by a reduction in turnover in Logistics due to the divestment

of a major portion of its marine services business and some investments in 2001.

Turnover from Singapore increased by 20 per cent to S\$2.3 billion. There was also substantial improvement in turnover contributed from China, Europe and the United States.

TURNOVER BY ACTIVITY (S\$'000)



TURNOVER BY ACTIVITY (S\$'000)

	2002	%	2001	%
Key Businesses				
Utilities	1,071,933	26	548,319	17
Environmental Engineering	134,962	3	139,700	4
Engineering & Construction	857,623	20	618,505	19
Logistics	446,254	11	469,161	15
Marine Engineering	1,006,897	24	850,064	26
Sub-total for Key Businesses	3,517,669	84	2,625,749	81
In Development				
Food Processing & Distribution	392,289	9	373,928	12
Minting	18,752	*	20,843	1
Industrial Parks	103,369	3	84,588	3
Building Materials	77,799	2	72,334	2
Properties, Financial Services, Hotels & Resorts	88,255	2	46,843	1
Corporate	3,788	*	930	*
Sub-total for In Development	684,252	16	599,466	19
Total	4,201,921	100	3,225,215	100

* Less than 1%

EARNINGS

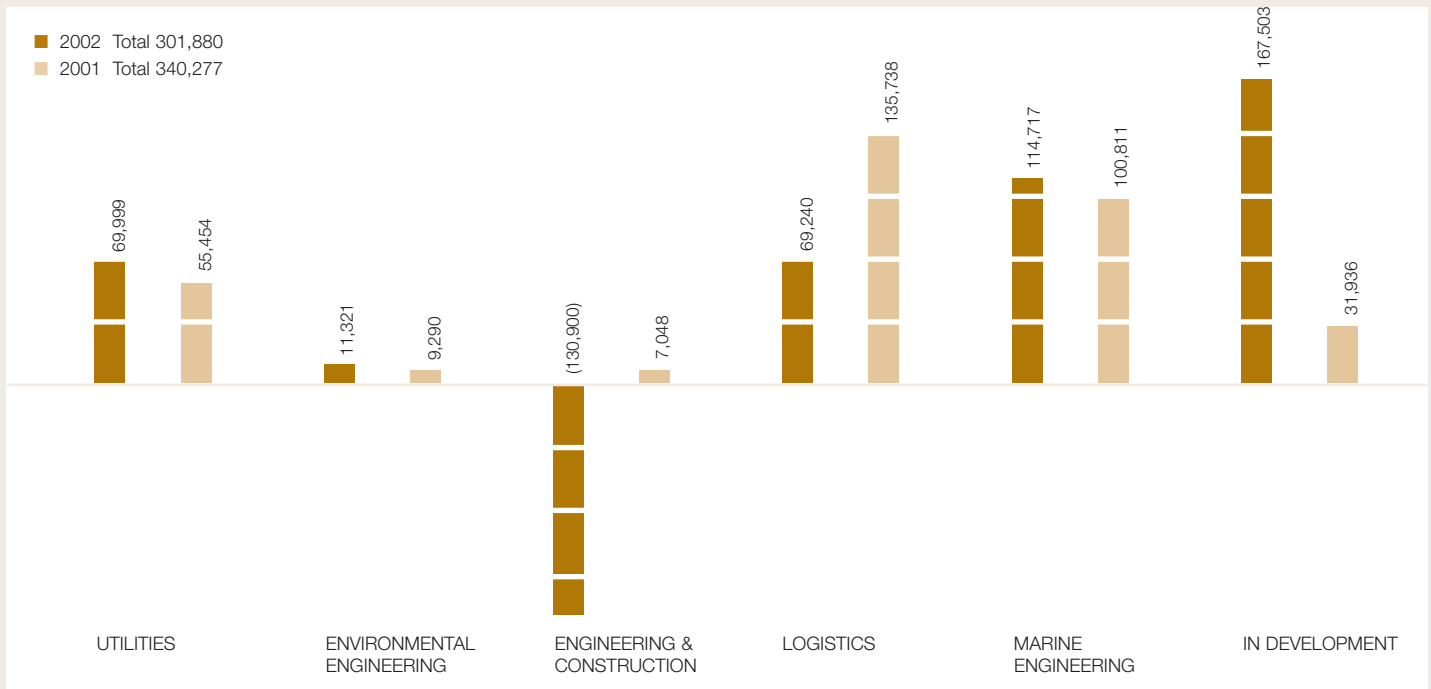
Contribution to PATMI came mainly from Utilities, Marine Engineering and Logistics. Together they contributed 77 per cent to Group PATMI.

Utilities' PATMI registered a healthy growth of 55 per cent primarily due to increased contributions from centralised utilities, offshore engineering and SembCorp Gas. SembCorp Cogen's performance was

however adversely affected by the high spinning reserve costs under the old electricity market rules.

Marine Engineering grew 14 per cent on the back of a healthy order book in ship conversion, newbuilding and offshore; and was further strengthened by a net exceptional gain arising from the sale of Jurong Technologies Industrial Corporation.

Logistics' PATMI declined by 54% as a result of the extraordinary goodwill amortisation taken up by Kuehne & Nagel. Excluding exceptionals, Logistics recorded a growth of 30 per cent, primarily due to growth in supply chain management. Joint marketing efforts and process integration with its associate, Kuehne & Nagel, have also borne fruit and brought in new contracts.

PROFIT BEFORE TAX BY ACTIVITY (\$S'000)**PROFIT BEFORE TAX BY ACTIVITY (\$S'000)**

	2002	%	2001	%
Key Businesses				
Utilities	69,999	23	55,454	16
Environmental Engineering	11,321	4	9,290	3
Engineering & Construction	(130,900)	(43)	7,048	2
Logistics	69,240	23	135,738	40
Marine Engineering	114,717	38	100,811	30
Sub-total for Key Businesses	134,377	45	308,341	91
In Development				
Food Processing & Distribution	39,803	13	38,883	11
Minting	3,167	1	2,913	1
Industrial Parks	5,696	2	8,363	3
Internet Service Provider	3,515	1	(1,595)	*
IT Services	654	*	4,938	1
Building Materials	(13,175)	(4)	(1,781)	(1)
Properties, Financial Services, Hotels & Resorts	(19,563)	(7)	(2,587)	(1)
Travel & Retail	9	*	3,730	1
Others	(8,886)	(3)	(1,229)	*
Corporate	156,283	52	(19,699)	(6)
Sub-total for In Development	167,503	55	31,936	9
Total	301,880	100	340,277	100

* Less than 1%

Financial Review

Environmental Engineering's improved performance was due to on-going restructuring and costs containment measures.

Engineering & Construction made a loss of S\$127 million. Substantial provisions for foreseeable losses relating to a deep tunnel sewerage system project and a land

reclamation project were made during the year.

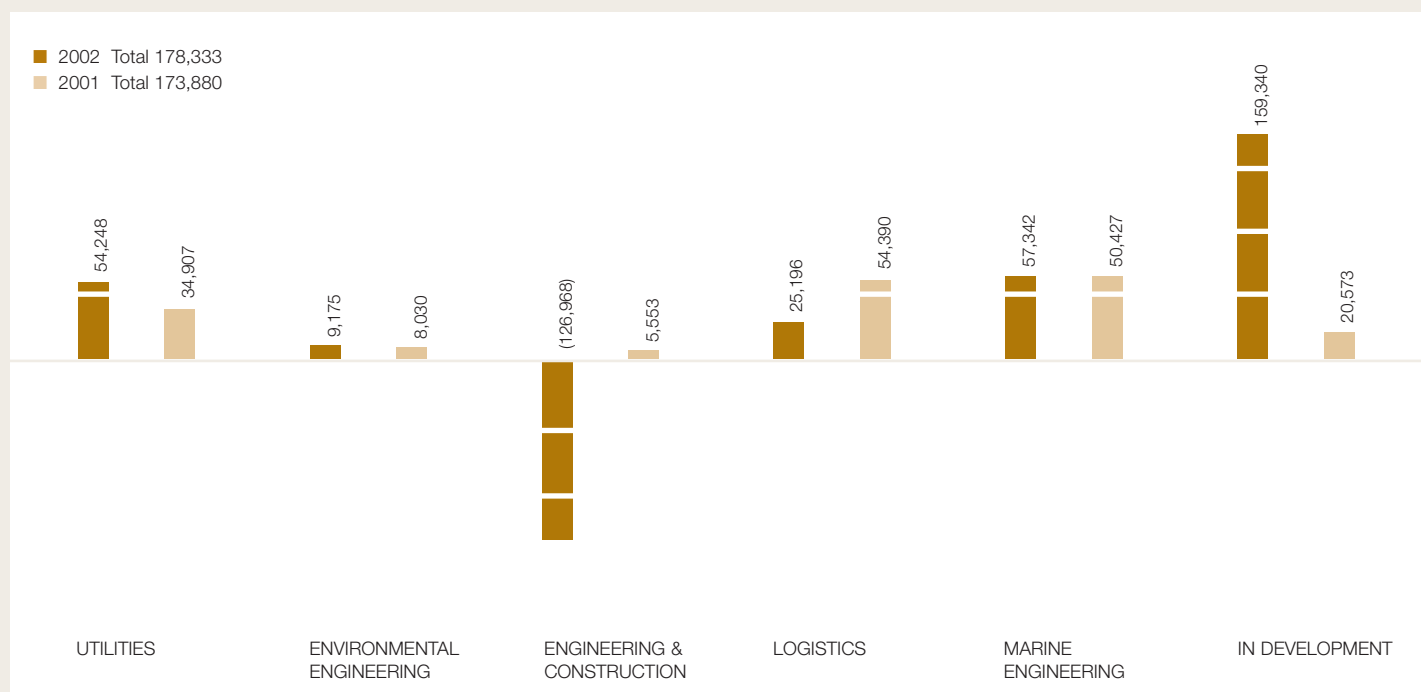
We also made impairment provisions of S\$34 million for our properties and investments in In Development.

During the year, we also sold off our non-core investments in Singapore Food Industries and

Singapore Computer Systems and realised profits of S\$168 million and S\$23 million respectively.

SembCorp Industries continues to focus on its five Key Businesses and sees strong contribution from its three Key Businesses namely Utilities, Marine Engineering and Logistics.

PROFIT AFTER TAX AND MINORITY INTERESTS BY ACTIVITY (S\$'000)



PROFIT AFTER TAX AND MINORITY INTERESTS BY ACTIVITY (S\$'000)

	2002	%	2001	%
Key Businesses				
Utilities	54,248	31	34,907	20
Environmental Engineering	9,175	5	8,030	5
Engineering & Construction	(126,968)	(71)	5,553	3
Logistics	25,196	14	54,390	31
Marine Engineering	57,342	32	50,427	29
Sub-total for Key Businesses	18,993	11	153,307	88
In Development				
Food Processing & Distribution	22,397	12	20,748	12
Minting	2,952	2	2,219	1
Industrial Parks	(132)	*	7,734	4
Internet Service Provider	2,140	1	(1,854)	(1)
IT Services	357	*	3,515	2
Building Materials	(10,763)	(6)	28	*
Properties, Financial Services, Hotels & Resorts	(19,714)	(11)	(2,659)	(1)
Travel & Retail	(79)	*	1,596	1
Others	(6,806)	(4)	(1,261)	(1)
Corporate	168,988	95	(9,493)	(5)
Sub-total for In Development	159,340	89	20,573	12
Total	178,333	100	173,880	100

* Less than 1%

CAPITAL EXPENDITURE AND CASHFLOW

Of the total capital expenditure amounting to S\$334 million in 2002, we spent S\$152 million on investments and S\$182 million on fixed assets.

During the year, cashflow from operating activities improved substantially due to better collections from debtors and better creditor management.

The proceeds from the equity placement and divestments were used to make substantial repayment of debt amounting to about S\$0.9 billion.

	2002 S\$m	2001 S\$m	Increase/(Decrease) S\$m
Capital Expenditure:			
Fixed Assets	182.1	267.7	(85.6)
Investments	152.0	176.9	(24.9)

FINANCIAL INDICATORS

Earnings Per Share (EPS) would have risen in accordance to the increase in PATMI. However, as a result of the increase in share capital, EPS fell from 10.83 cents to 9.89 cents. Return on Equity, calculated on a much higher equity base was 14.0 per cent, which was higher than the target of 12 per cent. Return on Total Assets edged down slightly from 5.8 per cent to 5.6 per cent.

Net Tangible Assets Per Share increased by 37 per cent to 81 cents due to the increase in capital, share premium and profits during the year. Interest cover was a healthy 5.4 times.

With net debt reduced to only S\$1.3 billion and total of shareholders' funds and minority interests increased by S\$0.5 billion to S\$2.2 billion, our debt/equity ratio has been

reduced substantially from 1.3 times in 2001 to only 0.6 times at the end of 2002. Excluding project finance loans, our net gearing ratio came down to 0.4 times.

Our balance sheet has been significantly strengthened as at the end of the year under review.

	2002	2001	Increase/(Decrease)
Shareholders' Funds (S\$m)	1,515.4	1,025.7	489.7
Return on Equity (%)	14.0	18.5	(4.5)
Return on Total Assets (%)	5.6	5.8	(0.2)
Net Tangible Assets Per Share (S\$)	0.81	0.59	0.22
Earnings Per Share (cents)	9.89	10.83	(0.94)
Interest Cover (times)	5.4	5.4	-
Net Gearing (times)	0.6	1.3	(0.7)
Economic Value Add (EVA™) (S\$m)	(80.5)	(56.2)	(24.3)
Weighted Average Cost of Capital (%)	8.2	8.4	(0.2)
EVA attributable to shareholders (S\$m)	(39.0)	(12.9)	(26.1)