

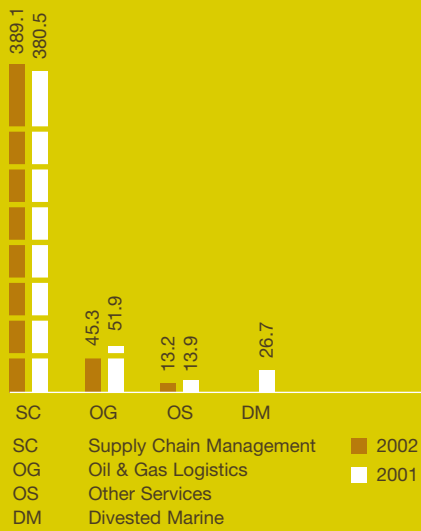
Marine Engineering

A global leader in marine engineering, we specialise in ship repair, newbuilding, ship conversion and offshore engineering. We have an established global presence with eight strategically located shipyards in Brazil, China, Indonesia and Singapore. With a combined docking capacity of 2.2 million dead weight tonnes (dwt), we have the largest ship repair and marine-related facilities east of the Suez.

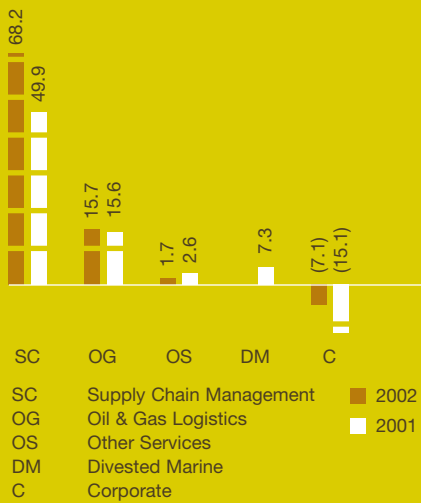
COMPETITIVE EDGE

- Established regional track record with in-depth knowledge of the Asian customer base
- Globally positioned through strategic global partnership with Kuehne & Nagel
- First-mover advantage in China and India
- Offering comprehensive supply chain management services by harnessing the latest information technology, supply chain optimisation models and decision support tools
- Partnering global leader in supply chain security and asset management – Savi Technology – to develop a secure supply chain management system

TURNOVER BY BUSINESS (\$m)



PATMI (EXCLUDING EXCEPTIONAL ITEMS) BY BUSINESS (\$m)





Tan Kwi Kin
President & CEO
SembCorp Marine

	2002 S\$'000	2001 S\$'000
Revenue	1,006,897	850,064
PATMI	57,342	50,427

Note: Figures are taken at SembCorp Industries' Group Level for the Key Business

KEY FACTS

- A global leader in marine engineering
- Global network of eight shipyards in key international locations
- The largest ship repair and marine-related facilities east of the Suez, with a combined docking capacity of 2.2 million dwt
- A world leader in the repair of VLCCs, the conversion FPSO/FSO units, and the repair, upgrading and building of jack-ups and semi-submersibles
- A key niche player in the newbuilding of product tankers, feeder container vessels and offshore supply vessels

Marine Engineering

STRATEGY

To remain a world leader in ship repair, ship conversion and offshore engineering, we will:

Build a strong international network of shipyards through our Global Hub Strategy

We continue to strengthen our global presence with a network of strategically located shipyards. We have a substantial sphere of influence in the Asia-Pacific with four shipyards in Singapore, two in China, and one in Indonesia, while our shipyard in Brazil positions us closer to the offshore and conversion markets in the Gulf of Mexico, South America and the West African region. This global presence will enable us to continue to dominate the marine engineering market against the backdrop of increasing competitive pressure from low cost shipyards. We will also continue to explore the establishment of new hubs such as in the Middle East and the European regions.

Leverage the brands and reputation of our shipyards

Our shipyards operate as distinct brand names and have developed expertise in particular niches. We will capitalise on this strong branding, individual reputations and services to become a market leader

across different segments of the global marine industry.

Focus on higher value and niche markets

We will continue to leverage our proven capability in handling complex vessels such as Very Large Crude Carriers (VLCC), container vessels, liquid natural gas/liquid petroleum gas tankers, chemical tankers and cruise ships, and will also focus on turnkey projects with high design, engineering and procurement content. We will also continue to grow our niche markets in the construction of container vessels, chemical tankers, conversion of Floating Production, Storage and Offloading (FPSO) systems and Floating Storage and Offloading (FSO) systems and the upgrading of semi-submersibles and jack-ups.

Enhance long-term partnerships and alliances

We continue to develop long-term alliance partnerships with our customers. These not only provide a stable baseload, but also help the ship owners and shipyards to further develop and improve on our systems and cost structures.

OPERATIONS REVIEW

Despite continued economic gloom this year, SembCorp Marine (SembMarine) posted a

record-high turnover of S\$1.0 billion for the first time. This was an 18 per cent increase in turnover from 2001. This improvement was mainly due to the increased revenue from newbuildings and ship conversion contracts.

SembMarine's Profit After Tax and Minority Interests (PATMI) contribution to the Group grew 14 per cent to S\$57.3 million, making up 32 per cent of the Group's PATMI. The improvement in profitability came from a healthy orderbook in ship conversion, newbuilding and offshore.

Our orderbook carried over into 2003 was a healthy S\$1.4 billion. In 2002, we secured a US\$244 million contract with Brazil's Petrobras Netherlands BV to convert a VLCC to an FPSO unit (P-50). On completion, the P-50 will be one of the world's largest FPSOs.

Long-term alliances provide a stable clientele base which contributes on average 15 to 25 per cent of our ship repair revenues every year. In 2002, we secured new alliance partners when we signed the Favoured Customer Contracts with Norway's Tschudi & Eitzen and USA's Alaska Tanker as well as an evergreen alliance with BHP & T-Billiton of Australia. Sembawang Shipyard will exclusively retrofit and dry-dock vessels

ORDERBOOK

As of end-December 2002, our orderbook was S\$1.4 billion at the Group level.

Sector	Project	Value (S\$m)	Client	Completion Date
Newbuilding	Construction of 2 semi-submersibles and 2 jack-ups and container vessels	448	GlobalSantaFe International Corporation and various owners	2003 and 2004
Ship conversion and offshore engineering	Conversions to FPSO, FSO, pipe lay barge, etc	652	Various owners	From 1 st quarter 2003 to 2004
Overseas	Topsides and utilities modules	334	Halliburton Productos Ltda & KPSM	End-2003

belonging to these three new alliance partners. We also launched the world's first Ship Repair Alliance e-Collaboration Portal www.semballiance.com with Shell International Trading and Shipping Company.

We delivered two key projects this year. A S\$50 million contract, done in conjunction with SMOE of SembCorp Utilities, for the fabrication and integration of topside facilities onto an FPSO for the Shell Petroleum Development Company of Nigeria and a S\$67 million Cablesip 'ASEAN Explorer' for ACPL Marine, a leader in the submarine telecommunications fibre optic cable industry.

Our acquisition of Dalian COSCO Marine Engineering took effect in April 2002 with key personnel posted to the Dalian COSCO Marine Engineering yard in China.

Meanwhile, we streamlined our operations in Singapore. Atlantis Shipyard became a wholly-owned subsidiary, and was renamed Jurong SML. Merged with SML's shipyard operations, Jurong SML will now operate as a mid-sized shipyard, giving us a single vehicle specialising in the repair and conversion of mid-sized vessels. We also secured the remaining 35 per cent interest in Karimun Sembawang Shipyard in Indonesia.

SembMarine divested its entire 25.5 per cent share in non-core Jurong Technologies Industrial Corporation for S\$11.8 million, and disposed its 30 per cent interest in MR Tech. In December, we announced plans to unwind our cross-shareholdings in JPL Industries. SembMarine's shareholding in JPL Industries is now 53.8 per cent while Jurong Clavon, a 50 per cent-owned associate of SembMarine, will cease to be a shareholder of JPL Corporation.

In October, the proposed privatisation of our marine engineering unit did not secure the requisite approval of SembMarine's minority shareholders. SembMarine remains a 63.6 per cent-owned listed subsidiary of SembCorp Industries.

OUTLOOK

With our current orderbook, we expect to maintain our performance in 2003.

Ship repair will remain competitive with increasing competition from low cost centres such as China and Vietnam. However, an increase in freight rates and the more stringent requirements are expected to have positive impact on the market.

Market fundamentals for FPSO/FSOs remain

strong despite short-term geopolitical uncertainties. Offshore deepwater rig utilisation remains strong particularly in West Africa, Brazil and the Asia-Pacific region. There is also a healthy on-going demand for the repair and upgrading of our existing rig fleets. Demand continues to be healthy in the niche market for product tankers, feeder container vessels and offshore supply vessels, while opportunities for the newbuilding of offshore drilling rigs remain bright due to the ageing fleets.

Glossary

Newbuildings

The construction of all types of marine vessels. These may be ship-shaped or mobile drilling units such as jack-ups and semi-submersibles.

Tankers

Vessels of varying sizes that are used for the transportation of crude oil.

Bulkers

Vessels of varying sizes that are used for transporting dry commodities.

VLCC

Very Large Crude Carriers of 180,000 dwt to less than 300,000 dwt.

ULCC

Ultra Large Crude Carriers, usually of 300,000 dwt and above.

FPSO

Floating Production, Storage and Offloading.

These systems are tanker-like vessels moored to the ocean floor. They are able to store oil produced from subsea wells and offload the hydrocarbons to shuttle tankers, and are ideally suited for fields with limited infrastructure. FPSOs are used in deepwater and ultra deepwater endeavours.

FSO

Floating Storage and Offloading. These systems are used when oil and gas processing is performed at a separate facility.

Semi-submersible

Mobile floating drilling platforms. Also known as Semis. The lower hull is partially submerged and the unit is moored with wires and/or chains or is dynamically positioned. Semis are most often used for the development and exploration drilling in water depths up to 10,000 ft. Semis are used worldwide and are particularly favoured in harsh environments because of their superior motion characteristics.

Jack-up

Mobile, self-elevating drilling platforms with legs that are lowered to the ocean floor to provide a foundation for the drilling platform, which lies well above the surface to allow storm waves to pass underneath. They are used in water depths of less than 350 ft (shallow water).

Freight Rate

Day charter rates for all types of vessels.



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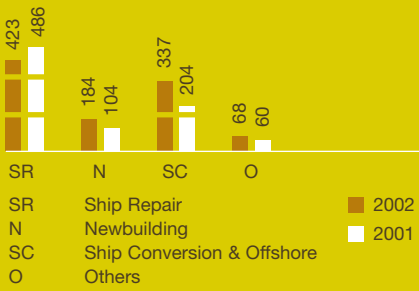
GLOBAL NETWORK OF SHIPYARDS

Shipyards	% Ownership	Location	Capacity (dwt)	Facilities	Activities
Jurong Shipyard	100	Singapore	1,100,000	Berthing quays, workshops, cranes	Ship repair, newbuilding, ship conversion offshore engineering
Sembawang Shipyard	100	Singapore	710,000	Berthing quays workshops, cranes	Ship repair, ship conversion and refurbishment and modification of passenger vessels
Jurong SML	100	Singapore	52,500	3 slipways	Repair of small and medium-sized vessels, construction of mid-sized vessels
PPL Shipyard	50	Singapore	–	700 metres water frontage, water depth of 6.5 metres	Design and construction of offshore drilling rigs
Karimun Sembawang Shipyard	100	Karimun, Indonesia	65,000	Workshop and engineering facilities	Ship repair, conversion, steel fabrication and piping works
Bohai Sembawang Shipyard	50	Tianjin, China	85,000	Berths and workshops	Ship repair, conversion, onshore and offshore engineering
Dalian COSCO Marine Engineering	20	Dalian, China	230,000	1,400 metre-long berths and workshops	Ship repair, conversion, offshore engineering
Mauá Jurong	35	Brazil	60,000	Berths and workshops	Shipbuilding, ship repair, topside fabrication, conversion and construction of floating production and drilling units

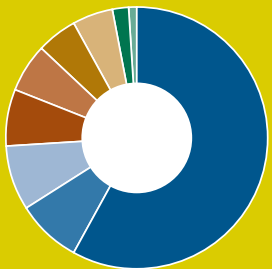
COMPETITIVE EDGE

- An established reputation with international ship owners and oil majors with more than 30 years of proven track record
- An extensive track record for quality, timely delivery and the ability to handle complex turnkey projects with high Health, Safety and Environment standards and within budget
- Global network of strategically located shipyards providing service hubs along major shipping routes, each with a strong brand name and its own niche market
- Long-term contracts and partner alliance arrangements that provide a stable client base

TURNOVER BY BUSINESS (\$\$m)



SHIP REPAIR BY VESSEL TYPE (%)



Tanker	58
Passenger	8
Others	8
Dredger	7
LPG/LNG	6
Container	5
Bulk Carrier	5
Navy	2
Cargo	1