

SEMBCORP MARINE LIMITED

First Quarter Financial Statement

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

	Group		
	1Q2004	1Q2003	+ / (-)
	\$'000	\$'000	%
Turnover	245,005	195,449	25.4
Cost of sales	(214,687)	(169,844)	26.4
Gross profit	30,318	25,605	18.4
Other operating (expense)/income, net	(1,270)	3,204	n.m.
General and administrative expenses	(11,163)	(11,032)	1.2
Operating profit	17,885	17,777	0.6
Dividend and net interest income	2,913	3,442	(15.4)
Share of results of associated companies & joint venture	872	2,506	(65.2)
Profit before tax	21,670	23,725	(8.7)
Taxation	(1,331)	(4,797)	(72.3)
Profit after taxation	20,339	18,928	7.5
Minority Interests	(301)	(420)	(28.3)
Net profit attributable to members of the Company	20,038	18,508	8.3
Earnings per share (cents)			
Basic	1.41	1.31	7.6
Diluted	1.40	1.30	7.7

n.m. : not meaningful

(a) items, which if significant must be included in the income statement.

	Group		
	1Q2004	1Q2003	+ / (-)
	\$'000	\$'000	%
Investment income	5	56	(91.1)
Interest income	3,334	3,500	(4.7)
Interest on borrowings	(426)	(114)	273.7
Depreciation and amortization	(10,338)	(9,469)	9.2
Write-back of provision for doubtful debts, net and bad debts written off	150	20	650.0
Provision for stock obsolescence, net	(22)	(12)	83.3
Foreign exchange (loss)/gain, net	(3,185)	1,075	n.m.
Profit after taxation as a percentage of Turnover	8.30%	9.68%	(14.3)
Net profit attributable to shareholders as a percentage of Issued Capital and Reserves at end of period	2.11%	1.93%	9.3

n.m. : not meaningful

Notes:

- (i) The Group tax charge in 1Q 2004 included a net write-back of an over-provision of tax for \$4,328,000 in respect of prior years (1Q 2003: \$Nil).
- (ii) The Group profit on disposal of property, plant and equipment in 1Q 2004 amounted to \$75,000 (1Q 2003: \$Nil).
- (iii) There were no extraordinary and exceptional items during the period.

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

Balance Sheet

	Group		Company	
	31-Mar-2004	31-Dec-2003	31-Mar-2004	31-Dec-2003
	\$'000	\$'000	\$'000	\$'000
Non Current Assets				
Fixed assets	455,906	452,720	177,563	178,693
Subsidiary companies	-	-	374,335	350,499
Associated companies & joint venture	54,081	58,700	26,826	27,026
Other long-term investments	86,075	71,776	82,263	67,967
Long-term trade debtors	159,545	168,639	65,537	66,784
Goodwill on consolidation	3,231	3,615	-	-
Total Non Current Assets	758,838	755,450	726,524	690,969
Current Assets				
Stocks and work-in-progress	433,526	255,972	-	-
Trade debtors	167,910	210,455	83,608	81,440
Other debtors	76,610	100,452	107,084	90,479
Fixed deposits	140,226	152,753	1,401	1,336
Bank and cash balances	58,899	50,033	7,462	4,746
Total Current Assets	877,171	769,665	199,555	178,001
Current Liabilities				
Trade creditors	391,650	373,425	5,033	5,335
Other creditors and provisions	30,125	21,343	3,297	1,195
Excess progress billings over work-in-progress	2,768	19,572	-	-
Borrowings	171,619	101,029	84,619	30,000
Provision for taxation	19,309	15,804	-	-
Total Current Liabilities	615,471	531,173	92,949	36,530
Net Current Assets	261,700	238,492	106,606	141,471
Total Assets less Current Liabilities	1,020,538	993,942	833,130	832,440
Non-Current Liabilities				
Deferred taxation	43,771	47,678	28,892	31,781
Hire purchase creditors	1,144	1,165	-	-
Provision for retirement gratuities	3,195	3,226	-	-
Total Non-Current Liabilities	48,110	52,069	28,892	31,781
	972,428	941,873	804,238	800,659
Capital & Reserves				
Share Capital	142,115	142,005	142,115	142,005
Reserves	805,514	785,122	662,123	658,654
	947,629	927,127	804,238	800,659
Minority interests	24,799	14,746	-	-
	972,428	941,873	804,238	800,659

1(b)(ii) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand

As at 31-Mar-2004		As at 31-Dec-2003	
Secured	Unsecured	Secured	Unsecured
-	171,619,000	-	101,029,000

Amount repayable after one year

As at 31-Mar-2004		As at 31-Dec-2003	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Details of Collateral Not applicable

1(c) **A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year**

Cash Flow Statement for the period ended 31 March

	1Q2004	Group 1Q2003
	\$'000	\$'000
Cash flow from operating activities:		
Operating profit	17,885	17,777
Adjustments for:		
Depreciation of fixed assets	9,148	7,866
Gain on sale of fixed assets	(75)	-
Amortisation of goodwill on consolidation of subsidiary companies	413	237
Amortisation of redeemable convertible loan stock discount	-	35
Operating income before reinvestment in working capital	27,371	25,915
Decrease/(increase) in debtors	92,403	(27,971)
Increase in stocks and work-in-progress	(186,908)	(40,750)
Increase in creditors	6,594	15,407
Cash used in operations	(60,540)	(27,399)
Investment and interest income received	3,372	3,061
Interest paid	(326)	(111)
Income taxes paid	(2,056)	(8,516)
Net cash used in operating activities	(59,550)	(32,965)
Cash flow from investing activities:		
Acquisition of subsidiary companies	(660)	-
Purchase of fixed assets	(7,394)	(3,359)
Purchase of other long term investments	(14,298)	(190)
Proceeds from sale of fixed assets	86	-
Dividend from associated companies	741	329
Capital refund from associated companies	-	124
Net cash used in investing activities	(21,525)	(3,096)
Cash flow from financing activities:		
Dividend paid by subsidiary to minority shareholders	(401)	-
Additional/(repayment) short term bank loan	70,590	(4,000)
Repayment of hire purchase creditors	(419)	(69)
Proceeds from issue of new shares:		
- by the Company	796	271
- by a subsidiary company to minority shareholder	6,848	-
Net cash provided by/(used in) financing activities	77,414	(3,798)
Net decrease in cash and cash equivalents	(3,661)	(39,859)
Cash and cash equivalents at beginning of period	148,407	109,180
Effect of exchange rate changes on cash and cash equivalents	-	(115)
Cash and cash equivalents at end of period	144,746	69,206

The acquisition of subsidiary companies in 2004 has been shown as a single item. The effect on the individual assets and liabilities is set out below.

	1Q 2004	Group	1Q 2003
	\$'000		\$'000
Fixed assets	4,976		-
Other long term unquoted investment	1		-
Stocks and work-in-progress	7,450		-
Debtors	18,454		-
Bank and cash balances	456		-
Bank overdrafts, unsecured	(722)		-
Finance leases	(704)		-
Creditors	(22,157)		-
Current taxation	(310)		-
Deferred tax	(102)		-
	<hr/>		<hr/>
Net assets acquired	7,342		-
Minority interests	(3,304)		-
Amount taken up as associated company	(3,671)		-
Goodwill on acquisition	27		-
	<hr/>		<hr/>
Purchase consideration paid	394		-
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The acquisition of subsidiaries, net of cash is represented by:

Cash paid	(394)	-
Less: Bank and cash balances	456	-
Add : Bank overdrafts, unsecured	(722)	-
	<hr/>	<hr/>
Net cash outflow	(660)	-
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Cash and cash equivalents included in the consolidated statement of cash flows comprise:

	1Q 2004	Group	1Q 2003
	\$'000		\$'000
Fixed deposit, bank and cash balances	199,125		122,580
Less : Fixed deposit pledged with a bank for banking facilities	(54,379)		(53,374)
Cash & cash equivalent in consolidated statement for cash flow	<hr/> 144,746 <hr/>		<hr/> 69,206 <hr/>

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

Statement of Changes in Equity for the period ended 31 March

	<u>Share capital</u> \$'000	<u>Share premium</u> \$'000	<u>Capital reserve</u> \$'000	<u>Foreign currency translation reserve</u> \$'000	<u>Unappropriated profit</u> \$'000	<u>Total</u> \$'000
<u>The Group</u>						
Balance at 1 January 2003	141,432	234,471	17,983	4,595	541,527	940,008
Profit for the period	-	-	-	-	18,508	18,508
Translation differences for the period	-	-	-	(312)	-	(312)
Share issued on exercise of share options	39	232	-	-	-	271
Balance at 31 March 2003	141,471	234,703	17,983	4,283	560,035	958,475

<u>The Group</u>						
Balance at 1 January 2004	142,005	237,950	1,357	(2,566)	548,381	927,127
Profit for the year	-	-	-	-	20,038	20,038
Translation differences for the year	-	-	-	(218)	-	(218)
Share issued on exercise of share options	110	686	-	-	-	796
Written off by an associated company	-	-	(114)	-	-	(114)
Balance at 31 March 2004	142,115	238,636	1,243	(2,784)	568,419	947,629

<u>The Company</u>						
Balance at 1 January 2003	141,432	234,471	960	-	411,916	788,779
Profit for the period	-	-	-	-	1,683	1,683
Share issued on exercise of share options	39	232	-	-	-	271
Balance at 31 March 2003	141,471	234,703	960	-	413,599	790,733

<u>The Company</u>						
Balance at 1 January 2004	142,005	237,950	960	-	419,744	800,659
Profit for the year	-	-	-	-	2,783	2,783
Share issued on exercise of share options	110	686	-	-	-	796
Balance at 31 March 2004	142,115	238,636	960	-	422,527	804,238

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year

During the financial year, the Company issued 1,096,750 ordinary shares of \$0.10 each upon the exercise of options granted under the SembCorp Marine Share Option Plan (the "Plan").

As at 31 March 2004, there were 48,207,650 (31 December 2003: 49,793,300) unexercised options for un-issued ordinary shares of \$0.10 each under the Plan.

The details of the Plan (which was started in 1991 as the Jurong Shipyard Limited Executives' Share Option Scheme) were set out in the financial statements of that year.

2. Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice

The figures have not been audited or reviewed by its auditors, Messrs Ernst & Young.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter)

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

The Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period compared with those of the audited financial statements as at 31 December 2003.

5. If there are any changes in the accounting policies and methods of computation, including any required including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

Not applicable.

6. Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

	Group		
	1Q 2004	1Q 2003	+/(-) %
Earnings per ordinary share of the Group for the financial year based on net profit attributable to shareholders:			
(i) Based on the weighted average number of shares (cents)	1.41	1.31	7.6
Weighted average number of shares	1,420,231,147	1,414,360,538	0.4
(ii) On a fully diluted basis (cents)	1.40	1.30	7.7
Adjusted weighted average number of shares	1,426,904,147	1,420,550,538	0.4

7. **Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year**

	Group			Company		
	Mar-2004	Dec-2003	+/(-) %	Mar-2004	Dec-2003	+/(-) %
Net asset value per ordinary share based on issued share capital at the end of the financial period (cents)	66.68	65.29	2.1	56.59	56.38	0.4

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following: (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current period reported on**

Review of Group Performance

Group Turnover

	1Q 2004	1Q 2003	+/(-)	+/(-)
	S\$m	S\$m	S\$m	%
Ship Repair	95.9	78.7	17.2	21.9
Conversion	105.0	81.0	24.0	29.6
New Building	25.0	18.4	6.6	35.9
Other Activities	19.1	17.3	1.8	10.4
Group Turnover	245.0	195.4	49.6	25.4

The Group's turnover for 1Q 2004 increased by 25.4% from \$195.4 million in 1Q 2003 to \$245.0 million with revenue increases across all business segments.

Group Operating Profit and Pre-tax Profit

The Group operating profit increased by 0.6% from \$17.8 million in 1Q 2003 to \$17.9 million in 1Q 2004. The Group's pre-tax profit decreased 8.7% from \$23.7 million in 1Q 2003 to \$21.7 million. The decrease was mainly attributable to lower contributions from associated companies.

Group Profit Attributable to Members of the Company

The Group's tax charge in 1Q 2004 is much lower than 1Q 2003 mainly due to a \$4.3 million write-back of over-provision of tax in respect of prior years arising from a 2% reduction in corporate income tax rate. This resulted in an increase in the Group's attributable profits of 8.3% from \$18.5 million in 1Q 2003 to \$20.0 million.

9. **Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results**

When the Company announced its results for the full year ended 31 December 2003 on 5 February 2004, it stated that "the Group expects a lower operating profit for the first quarter". However, the Group operating profit has increased marginally in the first quarter of 2004 as compared with the corresponding quarter in 2003. This is mainly due to improvement in the margin for the ship repair business.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

The Group sees an improvement in the ship repair sector and the continued demand for the construction of rigs with better capabilities.

On the current workload, the Group expects to maintain its operating profit for the second quarter. Based on the scheduled completion of projects for the subsequent quarters, the Group expects to improve its operating profit in the current year.

As at 31 March 2004, the Group's outstanding order book for new building, conversion and offshore projects stands at 0.9 billion Singapore dollars.

This release may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from other companies and venues for the sale and distribution of goods and services, shifts in customer demands, customers and partners, changes in operating expenses, including employee wages, benefits and training, governmental and public policy changes. You are cautioned not to place undue reliance on these forward-looking statements, which are based on current view of management on future events.

11. Dividend

(a) Current Financial Period Reported On

Any dividend recommended for the current financial period reported on? No.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? No.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/(recommended), a statement to that effect

No dividend has been declared/(recommended) for this current period.

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT
(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year

	Ship & rig repair, building and conversion \$'000	Ship chartering \$'000	Others \$'000	Eliminations \$'000	Total \$'000
(a) By business segment : 1Q 2004					
Revenue					
Sales to external parties	233,669	3,854	7,482	-	245,005
Inter-segment sales	55,709	36	13,990	(69,735)	-
Consolidated sales	289,378	3,890	21,472	(69,735)	245,005
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Results					
Segment results	15,958	926	1,001	-	17,885
Investment and interest income	3,250	89	-	-	3,339
Interest expenses	(426)	-	-	-	(426)
Share of results of associated companies & joint venture	1,582	(17)	(693)	-	872
Profit before taxation	20,364	998	308	-	21,670
Taxation	(1,347)	4	12	-	(1,331)
Profit after taxation	19,017	1,002	320	-	20,339
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Other information					
Capital additions	7,380	-	14	-	7,394
Depreciation	8,150	696	302	-	9,148
Amortisation	1,097	-	93	-	1,190
Segment assets					
Interest bearing assets	417,277	12,225	10,101	-	439,603
Investments in associated companies & joint venture	48,850	1,323	3,908	-	54,081
Tax recoverable	1,411	-	118	-	1,529
Consolidated total assets	1,538,039	67,837	30,133	-	1,636,009
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Segment liabilities					
Interest bearing liabilities	174,299	-	-	-	174,299
Deferred taxation	42,559	124	1,088	-	43,771
Provision for taxation	18,457	49	803	-	19,309
Consolidated total liabilities	639,310	3,560	20,711	-	663,581
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Information by segment on Group operations (cont'd)

	Ship & rig repair, building and conversion	Ship chartering	Others	Eliminations	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
(a) By business segment : 1Q 2003					
Revenue					
Sales to external parties	181,537	5,006	8,906	–	195,449
Inter-segment sales	29,475	–	14,090	(43,565)	–
Consolidated sales	211,012	5,006	22,996	(43,565)	195,449
Results					
Segment results	15,318	1,641	818	–	17,777
Investment and interest income	3,311	241	4	–	3,556
Interest expenses	(114)	–	–	–	(114)
Share of results of associated companies & joint venture	2,088	473	(55)	–	2,506
Profit before taxation	20,603	2,355	767	–	23,725
Taxation	(4,748)	(6)	(43)	–	(4,797)
Profit after taxation	15,855	2,349	724	–	18,928
Other information					
Capital additions	3,252	–	107	–	3,359
Depreciation	6,769	695	402	–	7,866
Amortisation	1,476	–	127	–	1,603
Segment assets	953,079	63,523	58,873	–	1,075,475
Interest bearing assets	338,989	13,424	3,909	–	356,322
Investment in associated companies & joint venture	88,021	246	4,708	–	92,975
Consolidated total assets	1,380,089	77,193	67,490	–	1,524,772
Segment liabilities	443,004	2,423	11,226	–	456,653
Interest bearing liabilities	19,179	–	4,745	–	23,924
Deferred taxation	41,990	170	909	–	43,069
Provision for taxation	30,479	686	771	–	31,936
Consolidated total liabilities	534,652	3,279	17,651	–	555,582

Pricing of inter-segment sales and transfers are carried out on an arm's length basis.

(a) **By geographical area**

The Group operates principally in the Republic of Singapore.

14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments

Please refer to paragraph 8.

15. A breakdown of sales

Not applicable.

16. A breakdown of the total annual dividend (in dollar value for the issuer's latest full year as follows:

	FY 2004	FY 2003
	\$'000	\$'000
(a) Ordinary	-	-
(b) Preference	-	-
(c) Total	-	-

17. Interested Person Transactions

Aggregate value of all transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual

	1Q 2004	1Q 2003
	\$'000	\$'000
Transaction for the Sales of Goods and Services		
Neptune Orient Lines Ltd and its associates	-	5,440
SembCorp Industries Limited and its associates	-	1,005
Transaction for the Purchase of Goods and Services		
Keppel Corporation Ltd and its associates	493	326
Neptune Orient Lines Ltd and its associates	1,162	-
SembCorp Industries Limited and its associates	5,594	5,865
Management and Support Services		
SembCorp Industries Limited	225	225
Total Interested Person Transactions	7,474	12,861
Treasury Transactions – Placement of Funds (as at 31 March)		
SembCorp Industries Limited and its associates	3,500	12,122

BY ORDER OF THE BOARD

KWONG SOOK MAY
COMPANY SECRETARY
04/05/2004