



SembCorp  
Marine

## 1H 2004 Results Announcement

August 2, 2004

### Scope of Briefing

#### Part I

- Financial Review

#### Part II

- Operations Review & Outlook
- Strategy for Growth
- Outlook for 2H 2004 & Financial Targets

#### Part III

- Q & A

# Financial Review



## 1H 2004 Performance Highlights



- Revenue increased 18% to \$576 million
- Operating profit increased 6% to \$43.1 million
- PBT (before exceptional items) increased 4% to \$52.5 million
- PATMI (before exceptional items) increased 16% at \$46.0 million
- EPS before EI at 3.24 cents (1H 2003 : 2.81 cents) : up 15%
- Operating cashflow at \$58.4 million (1H 2003 : \$57.3m)
- Total interim dividend for 1H 2004 : 1.5 cents per share
  - \* 2003 : Interim dividend of 0.75 cents and special dividend of 0.75 cents, making a total of 1.5 cents per share less tax
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## Earnings & EPS

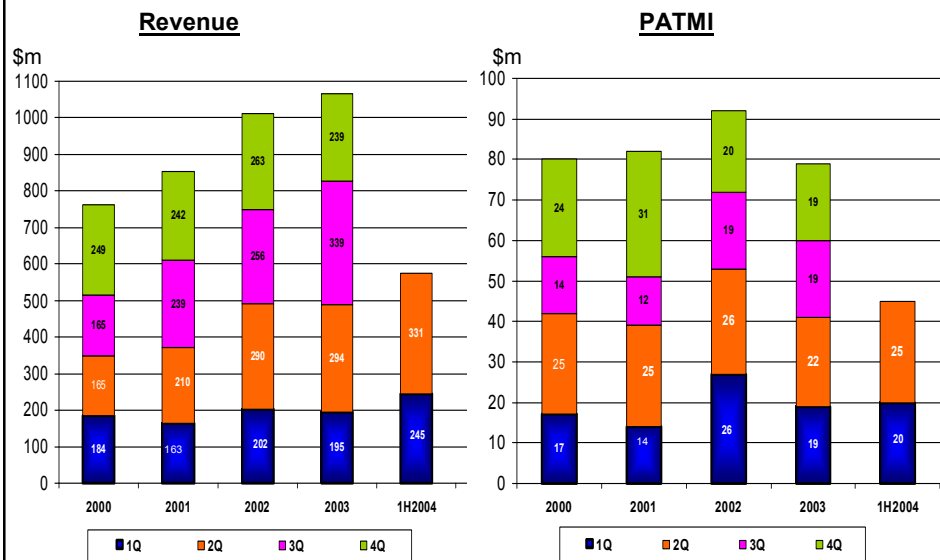


PATMI growth at 15%

Description	Year		% change
	1H 2004	1H 2003	
Revenue (\$'m)	575.8	489.8	18
EBITDA	63.5	58.8	8
Operating Profit (\$'m)	43.1	40.7	6
Pre-tax Profit (\$'m)	52.5	50.9	3
PATMI before EI* (\$'m) & tax over provision	41.7	39.1	7
PATMI including EI* (\$'m)	46.0	40.1	15
EPS (cents) - before EI	3.24	2.81	15
- after EI	3.24	2.84	14

\* Exceptional items

## 5-Year Revenue & PATMI



## Performance of Associates

(Profit before Tax)



Increasing contributions from Cosco (Dalian) Shipyard

Year Company	1H 2004 (\$'m)	1H 2003 (\$'m)	% Change
Jurong Shipyard Inc	0.30	0.81	(63.0)
PPL Shipyard*	NA	0.88	- 100
Cosco(Dalian) Shipyard	3.20	1.41	127.0
Bohai Sembawang°	NA	0.12	- 100
Others	0.03	0.12	(75.0)
<b>Total</b>	<b>3.53</b>	<b>3.34</b>	<b>5.8</b>

\* as associated company ° divested Dec 2003

## Capital/Gearing/ROE



Net Cash at a healthy level at \$59.5 million

Year Description	30Jun04	31Dec03	% change
Shareholders' Funds	934.7	927.1	0.8
Capital Employed	960.0	941.9	1.9
Net Cash	59.5	101.8	(41.1)
ROE (%)	4.94	4.34*	13.8
Net Asset Value (cents)	65.73	65.29	0.7

\* As at 30 June 2003

## Free Cashflow



Net Cash increased by 145.4% as compared with 1H 2003

Description \ Year	1H 2004	1H 2003	% change
Cashflow from operation before reinvestment in working capital	58.4	57.3	1.9
Net cash used in operating activities	(18.7)	(31.5)	40.6
Net cash provided by investing activities	9.3	3.1	200.0
Dividends paid to shareholders	39.8	55.3	( 28.0)
Net increase/(decrease) in cash & cash equivalent	12.2	(26.9)	145.4

## Capex



Our Investment in the marine business is set to grow

Description \ Year(\$m)	2004 Revised	2004 Budget	1H 2004 Actual
Building	0.6	0.8	0.3
Plant/Machinery & Cranes	23.8	34.5	9.8
Office Equipment & Tools	4.6	6.4	1.9
Other Investment			
Cosco Corporation	14.0	-	14.0
Cosco Shipyard Group	49.0	45.0	-
Others	0.3	-	0.3
<b>Sub-total</b>	<b>63.3</b>	<b>45.0</b>	<b>14.3</b>
<b>Total</b>	<b>92.3</b>	<b>86.7</b>	<b>26.3</b>

## Funds from Sale of Vessels



1 unit Anchor Handling Tug US\$17.5m

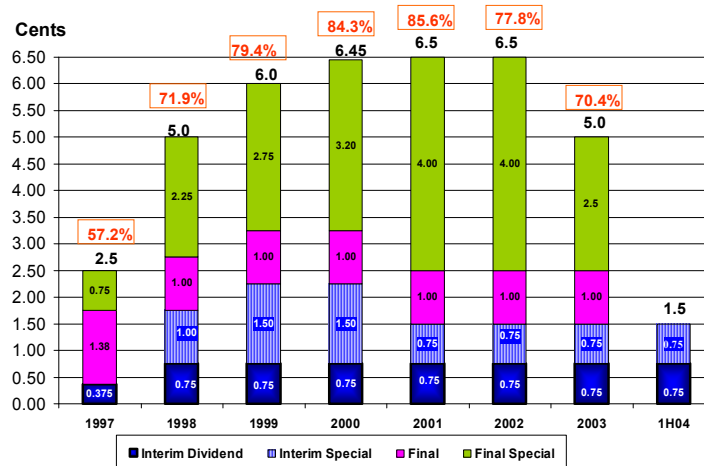
2 units Container Vessels US\$18.5m

**Total Fund US\$36.0 million**

## Dividend Payout Policy



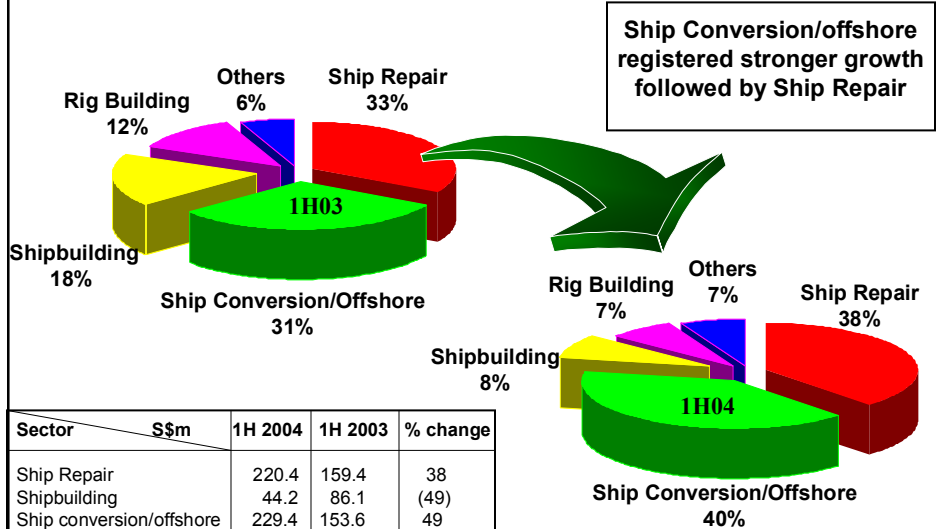
Dividend payout ratio has been consistently high at above 70% with gross dividend yield averaging 6% for the past 5 years  
We will continue to pay high dividend



# Operations Review & Outlook



## Turnover by Segments



## Ship Repair : Review



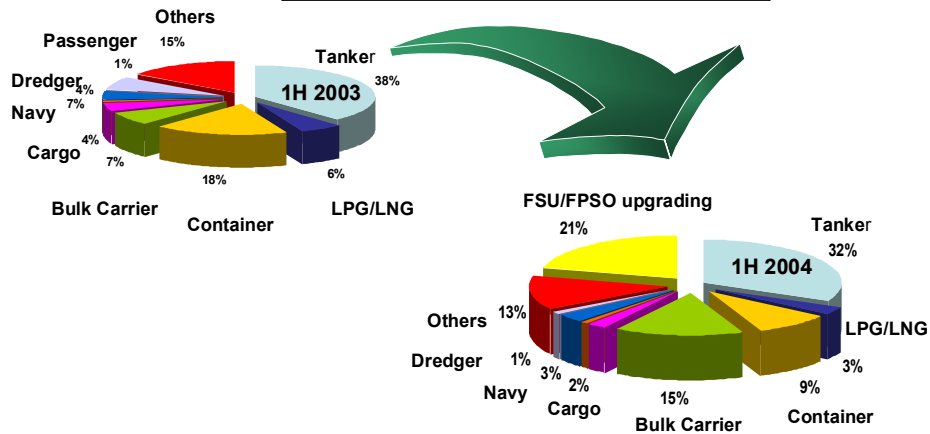
Ship repair revenue registered strong growth at 38% to \$220.4 million for 1H 2004 as compared with \$159.4 million in 1H 2003

Description \ Year	1H 2004	1H 2003	% change
Revenue contributions	220.4	159.4	38
No. of vessels	172	172	-
Gross tonnage (m)	7.4	6.5	14
Average value per vessel (\$m)	1.28	0.93	37
No. of VLCCs	23	18	28

## Ship Repair : Review



FSU/FPSO upgrading works accounted for 21% of ship repair vessel type





## Ship Repair : Enquiry Levels



Enquiries remain at high level

2004			2003		
1Q	2Q	1H 2004	1Q	2Q	1H 2003
417	457	874	397	412	809

## Shipbuilding : Review



Lower shipbuilding contribution at \$44.2 million in 1H 2004 as compared with \$86.1 million in 1H 2003 mainly due to shipbuilding projects that are at early stages of production

Description \ Year	1H 2004	1H 2003	% change
No. of vessels delivered	1	nil	100
No. of vessels (WIP)	6	3	100
Percentage completion (\$m)	44.2	86.1	( 49)

WIP – work in progress  
( ) no. of coastal vessels

## Shipbuilding : Review



No major completion in 1H 2004  
except 1 small Fast Boat

### Projects Completed & Delivered in 1H 2004

Project Name	Type	Customer
● 1 unit	Fast Boat	DML Overseas

## Shipbuilding



Majority of shipbuilding projects are in early stages of production

Project Name/Type	Customer	Delivery schedule
● 2 <sup>nd</sup> unit 2,500 TEU container	Reederei Karl Schluter	4Q 2004
● 4 units 3,200 hp tugs	Pacific Workboats	4Q 2004
● 1 <sup>st</sup> unit 2,600 TEU container	Wan Hai Lines	1Q 2005
● 2 <sup>nd</sup> unit 2,600 TEU container	Wan Hai Lines	2Q 2005
● 3 <sup>rd</sup> unit 2,600 TEU container	Wan Hai Lines	4Q 2005
● 4 <sup>th</sup> unit 2,600 TEU container	Wan Hai Lines	2Q 2006

## Ship Conversion & Offshore : Review



Stronger conversion/offshore due to major progressive completion of P-50 FPSO marine conversion project in 2Q 2004

Year Description	1H 2004	1H 2003	% change
No. of vessels completed	1	5	(80)
No. of vessels (WIP)	6*	4	50
Percentage completion (\$m)	229.4	153.6	40

WIP – work in progress


\* P-54 in preliminary stage

## Ship Conversion & Offshore : Review



Only 1 completion in the 1Q 2004

### Projects Completed & Delivered in 1H 2004

Project Name	Type	Customer
 Jascon 5	Dynamic Positioning Class 3 Pipe-lay/ Construction Barge	Consolidated

## Ship Conversion & Offshore : Review



Several FPSO conversion projects due for completion in 2H 2004

Project Name	Type	Customer	Delivery schedule
P-50	FPSO conversion	Petrobras	3Q 2004
CNOOC 114	FSO conversion	Andromedia SAM	3Q 2004
Erha project	FPSO – new hull	Exxon Mobil	1Q 2005
T. T. Nina	FPSO conversion	Modec	4Q 2004
W. T. Fairway	FPSO conversion	Modec	4Q 2004
P-54*	FPSO conversion	Petrobras	1Q 2007
<b><u>Maua Jurong</u></b>			
P-43	*Topside integration & commissioning	B & R Halliburton	3Q 2004
P-50	*Topside production modules fabrication	Petrobras	2Q 2004
	*Integration & commissioning		1Q 2005

\* Preliminary work

## Rig Building : Review



No major completion in 1H 2004

Description	Year		
	2H 2004	2H 2003	% change
No. of Rigs delivered	1	1	-
No. of Rigs (WIP)	4	3	33.3
Percentage completion (\$m)	\$41.6	\$59.2	(29.7)


WIP – work in progress  
( ) Jack-up undertaken by PPL Shipyard

## Rig Building : Review



1 unit Jack-up delivered in 1H 2004

Completed in 1H 2004

Project Name	Type	Customer
 Constellation II*	Jack-up	GlobalSantaFe

\* PPL Shipyard

## Rig Building : Review



Construction of new Jack-ups at early stage of production

Project Name/Type	Customer	Delivery schedule
• Development Driller I	GlobalSantaFe	3Q 2004
• Development Driller II - Option 2 : expiry mid 05	GlobalSantaFe	1Q 2005
• 1 unit Jack-Up	Kristiansand Drilling	2Q 2006
• 1 unit Jack-Up	Mosbarron Ltd	2Q 2006

## Order Book : Ship Repair



Continuous Strong support & commitment from Alliance/FCC partners & regular customers for 2H 2004

### Ship Repair

- S\$100 million, including from Alliance/FCC partners for 2H2004
- FPSO Munin – major upgrading

## Contracts Secured in 2004



Healthy order book secured in 1H 2004 with more orders to come

Sector	S\$m	Value	Projects
Conversion & offshore		\$1,080	* P-54 FPSO conversion * CNOOC 114
Rig Building		\$ 386	* 2 units Pacific Class 375 Jack-up
<b>Total</b>		<b>\$1,466</b>	

## Total Order Book

(exclusive of Ship Repair)



**Total Order Book remains strong at S\$1.98 billion**

Sector \ S\$m	Contract Value	Balance
Shipbuilding	256.9	239
Ship conversion & offshore	1,397.0	1,304
Rig Building	445.0	378
Topsides & Utility Modules	74.1	59
<b>Total</b>	<b>2,173</b>	<b>1,980</b>

## Ship Repair : Outlook



### **Overall Improvement in Ship Repair Market**

- stronger demand
- market still competitive

### **Freight rates remain strong**

- owners are more willing to spend in dockings

### **Improvement in advance dock booking**

- 12 weeks look ahead as compared with 7 weeks look ahead in February 2004

## Shipbuilding : Outlook



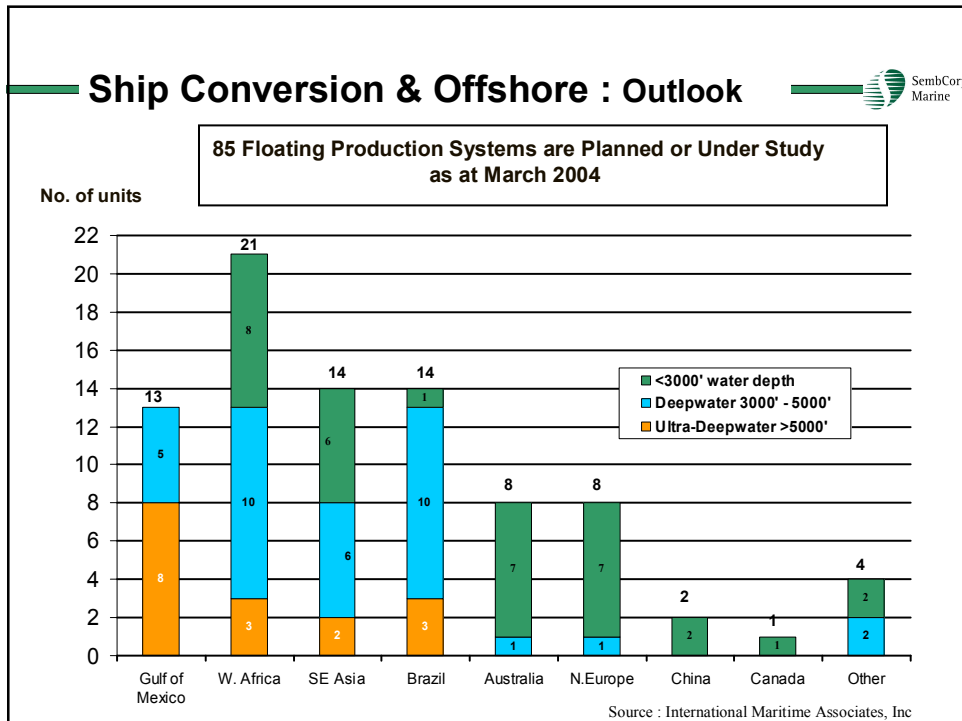
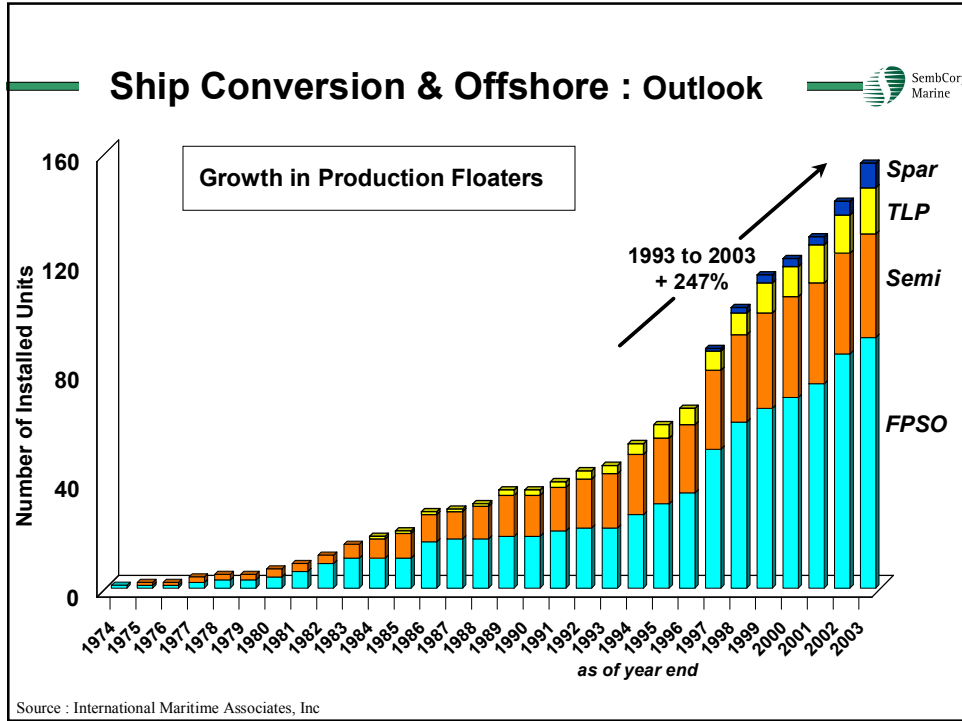
- Shipbuilding supported by strong freight rates
- Continual demand for niche market in feeder container vessels & offshore supply vessels

## Ship Conversion & Offshore : Outlook



- **World demand for oil continues to grow**
  - expected growth of 1.6% annually from 2003 to 2030 (IEA projection)
  - GDP growth estimated at 4% annually over next 4 years (IMF)
- **Oil and gas prices have remained strong**
  - oil spot prices have soared to the upper US\$30s
  - natural gas prices have also been very strong
- **Favourable E & P Activity**
  - deepwater offshore E & P in 2004 to increase



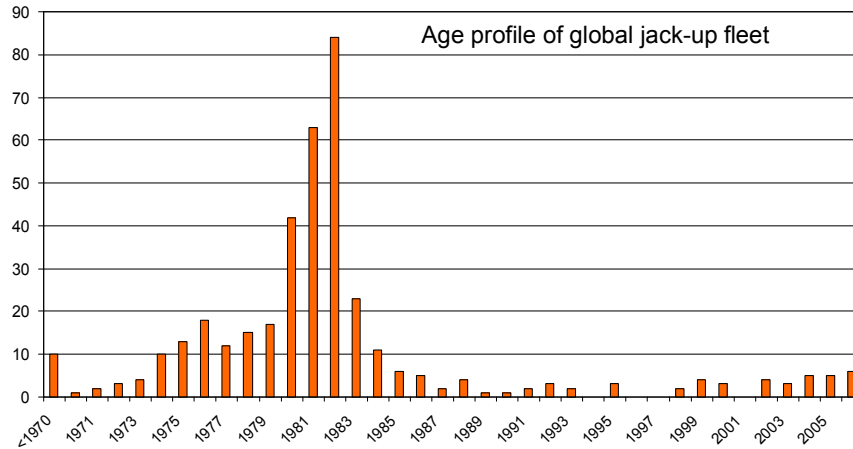


## Rig Building : Outlook



The jack-up rig fleet is growing old and will have to be replaced within a few years

No. of units



Source : ODS - Petrodata

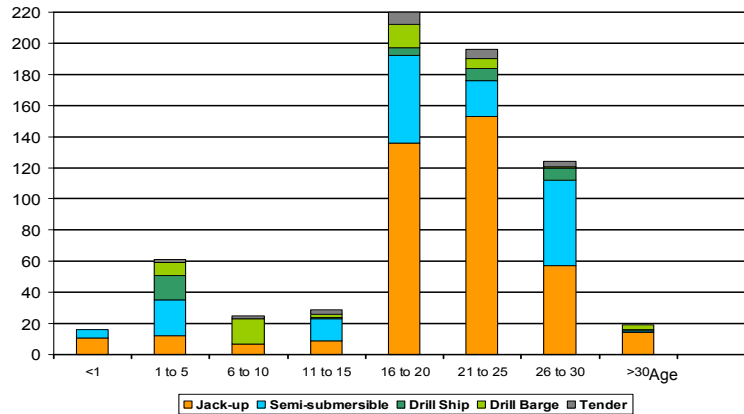
## Rig Building : Outlook



Potential demand for newbuilding and upgrading

- average age of Jack-ups 21 years
- average age of semi-submersibles 20 years

No. of units



Source : Rigzone

# Strategy for Growth



## Strategy for Sustained Growth



- **Strengthening home-based shipyards**
  - maximising resources
  - building competence
- **Diversity in product mix and moving up the value chain**
  - ship repair to shipbuilding, ship conversion/offshore & rig building
- **Strengthening our Global Hubs**
  - China
  - Brazil
- **Technology-based**
  - proprietary designs for container vessels & rigs
  - IT leverage
- **Strategic Alliances with customers**
  - growing baseload

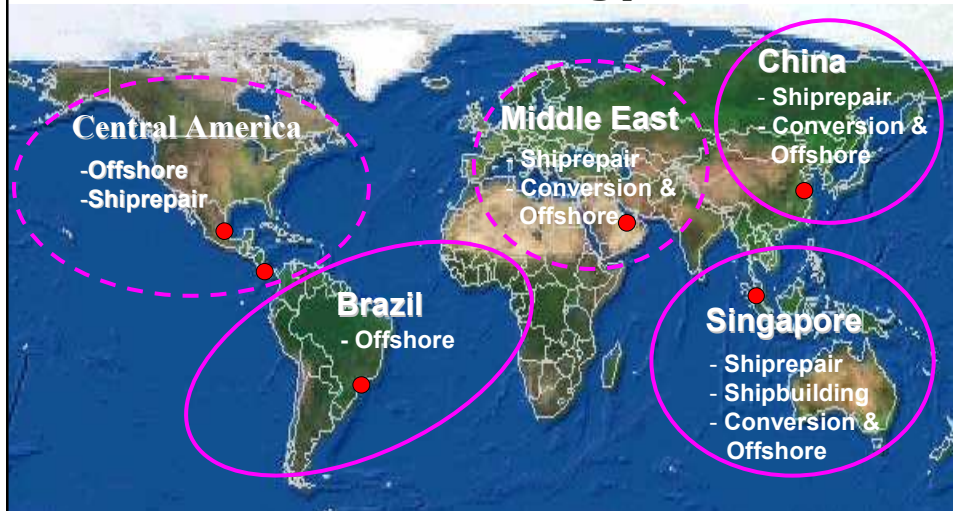
## Enlarge & Strengthen "Home-Based" Shipyards



## Diversity in Product Mix

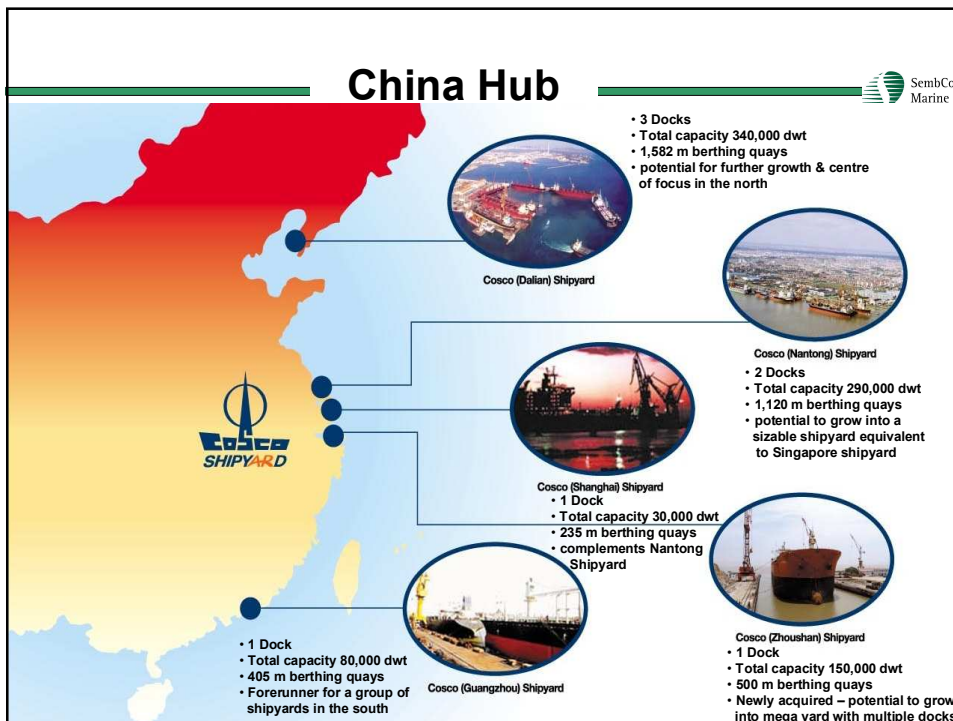


# Hub Strategy



Duplicate and expand our capabilities and capacities with a “network of strategically located facilities in Singapore, China, Brazil, Central America, and Middle East.”

# China Hub



## Partnership in Growth



The partnership will be a win-win situation for all

### Cosco Shipyard Group

Year (million)	2002		2003		1H2004	
	RMB	S\$	RMB	S\$	RMB	S\$
Revenue	1,381	285	1,651	340	1,137	234
Profit before tax	147	30	257	53	292	60
PATMI	58	12	118	24	138	28
Minority Interests	65	13	112	23	121	25

## Proprietary Design in Container Series



### Specifications

LOA : 213.00m  
 LBP : 202.10m  
 Beam : 32.20m  
 Depth : 16.50m  
 Design Draft : 10.50m  
 Scantling Draft : 11.50m  
 Design Speed : abt 22.80 kts  
 Service Speed : abt 22.30 kts  
 Complements : 25 + 6 suez

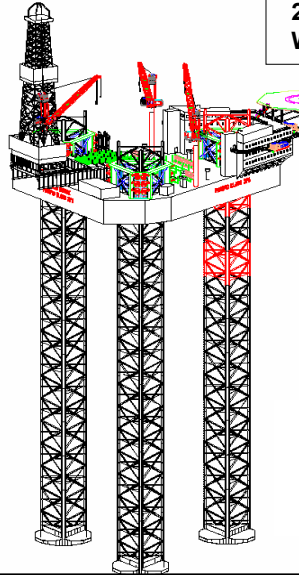
Good response to our proprietary design  
 - the 2600 TEU container series  
 - we expect more units to be ordered



## Proprietary Design in Jack Up

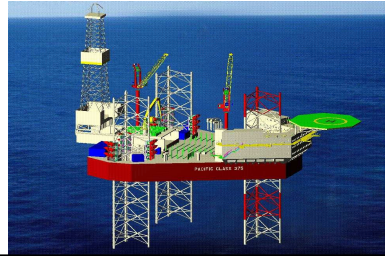


2 Jack –up Rigs were secured : Total value :S\$386 m  
We expect more rigs



### Rig Specifications

Design : Baker Pacific class mobile offshore self-elevating drilling unit  
Operating water depth : shallow water/375 ft  
Drill depth : 30,000 feet  
Cantilever : 70 ft no skid off  
Drawworks : 3,000 HP  
Accommodation : 120 persons



## Strategic Alliance with Customers



Alliance Partners continue to support us with steady & growing baseload

Year Effective	1989	1998	1999	2000	2002	2003	2004
ChevronTexaco Shipping	◆						
Kumaii Senpaku		◆					
NOL Shipping		◆					
P.T. Humpuss Intermoda			◆				
Shell Shipping			◆				
BP Shipping				◆			
BHP & T-Billiton					◆		
JO Tankers					◆		
Primorsk Shipping of CIS				◆			
Tschudi & Eitzen					◆		
Alaska Tanker Co					◆		
V Ships of Monaco						◆	
Taiwan Marine Transport							◆

## Contributions



Alliance partners & regular customers continue to provide stable baseload

Type	1H 2004	1H 2003
Alliance Partners	30%	20%
Regulars	53%	55%
Total	83%	75%

## Outlook for 2H2004 & Financial Targets





## Outlook for 2H 2004 (macro level)



- Strong fundamentals in offshore conversion and newbuilding
- Improving ship repair demand amidst competitive environment
- Good demand for niche shipbuilding

## Financial Targets



- Growth in offshore businesses by 10% to 15%  
**- on track**
- Contributions from overseas yards (Brazil & China) **- on track**
- ROE target of 12% **- annualised at 9.9%**

**Thank You**



**Q & A**

