



A pioneer of the multi-utility concept, SembCorp Utilities set up its integrated utilities facility (pictured) in 1995, offering steam, gas, water and other services to petrochemical customers on Jurong Island, Singapore.

Delivery

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The 12,500 m³/day wastewater treatment plant (pictured) was SembCorp Utilities' first investment in Nanjing Chemical Industrial Park, China.

Strong growth in Group turnover and PATMI was primarily driven by our Utilities and Marine Engineering businesses.

Overview

The Group achieved 25% growth in turnover to S\$7.4 billion in 2005. Our Utilities and Marine Engineering businesses contributed to 72% of Group turnover. Group Profit After Tax and Minority Interest (PATMI) before exceptional items in 2005 was S\$278.5 million compared to S\$227.7 million in 2004, which represents 22% growth.

PATMI excluding the profit contribution from Kuehne & Nagel (KNI) and exceptional items in 2005 was 45% higher as compared to last year.

The Group recorded exceptional items of S\$24.8 million for 2005. The exceptional items comprised mainly gains on disposals of associates and investments and write back of provision for loans and other recoverables. An unrealised foreign exchange loss relating to an amount accumulated in connection with the Solitaire arbitration was also recorded.

Turnover

All key businesses recorded higher turnover with Utilities and Marine Engineering contributing to 72% of the Group's turnover.

Utilities turnover increased by 12% to S\$3.3 billion. Its Singapore and UK operations continued to do well as power prices remained high, while turnover in its Offshore Engineering unit declined with the completion of some of its projects.

Marine Engineering turnover increased by 56% to S\$2.1 billion. This was due to growth across all its business segments, in particular the offshore conversion and the rig building segments. Logistics' growth in 2005

was mainly attributed to its Supply Chain Management operations in North Asia, Southeast Asia and South Asia. Turnover for Engineering & Construction was higher as compared to last year due to the recognition of a specific project in 2005.

Turnover from overseas businesses increased by 40% to S\$3.9 billion, accounting for 53% of Group turnover in 2005.

Earnings

The Group achieved a strong growth of 22% in PATMI before exceptional items, driven mainly by our Utilities and Marine Engineering business units.

PATMI before exceptional items for Utilities increased by 36% to S\$147.1 million in 2005. Strong growth continued to come from its operations in UK and joint venture in Vietnam, while its Singapore operations delivered stable performance. Losses from its Offshore Engineering unit also reduced in 2005.

The Group's share of PATMI before exceptional items from Marine Engineering grew 22% to S\$73.4 million. This was due to better overall operating profits and contribution from the associated company acquired during the year. Higher earnings in Logistics came from Supply Chain Management operations in North Asia and Southeast Asia. The weaker performance by Environmental Engineering was mainly due to the write-off of an amount due from a customer on settlement. In addition, its results were also affected by disposal costs at its construction and demolition premises, higher fuel costs and start-up costs for new overseas operations.

The Group incurred lower professional fees with respect to the Solitaire arbitration in 2005.

Cashflow and liquidity

As at December 31, 2005, the Group had cash and cash equivalents of S\$1.2 billion as compared to S\$2.1 billion as at end 2004. Cash and cash equivalents as at December 2004 included S\$1.3 billion received by Logistics, for the disposal of its 20% stake in KNI. In 2005, S\$702 million was paid to our shareholders and minority shareholders of Logistics via special interim dividends and capital reduction.

Our operating cashflow has been steadily growing. In 2005, cash generated from operations was S\$828 million as compared to S\$494 million the previous year. The increase was mainly due to better performance of our underlying businesses and better working capital management.

Cash outflow from investing activities was S\$99.9 million, as compared to a cash inflow of S\$1.2 billion the previous

year. The cash inflow in 2004 was substantially contributed by the proceeds from the divestment of Logistics' stake in KNI of about S\$1.3 billion. Cash outflow for the addition of fixed assets was S\$366 million, incurred mainly with respect to the acquisition of plant and machinery as well as capital work-in-progress for the Utilities and Marine Engineering businesses.

The repayment of loan and interest, together with the special interim dividends and capital reduction by SembCorp Industries and Logistics, led to a cash outflow from financing activities of S\$1.6 billion.

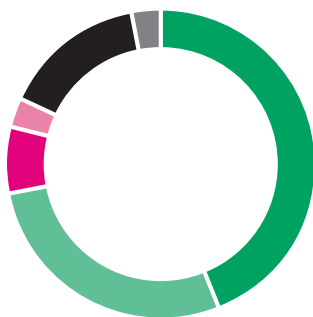
Free cashflow as at December 31, 2005 was S\$968 million.

Shareholder returns

Excluding the exceptional items, Return On Equity (ROE) improved from 12.8% in 2004 to 14.2% in 2005; and Earnings Per Share (EPS) increased from 12.5 cents to 15.7 cents in 2005.

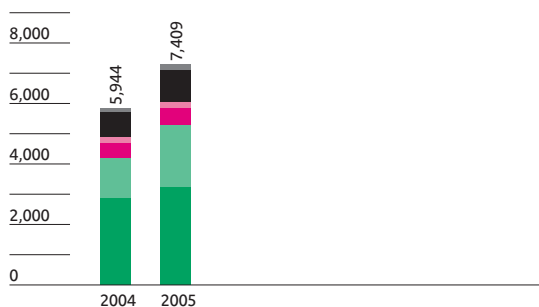
2005 Turnover by activity

Utilities	44%
Marine Engineering	28%
Logistics	7%
Environmental Engineering	3%
Engineering & Construction	15%
Others / Corporate	3%



Turnover (\$ million)

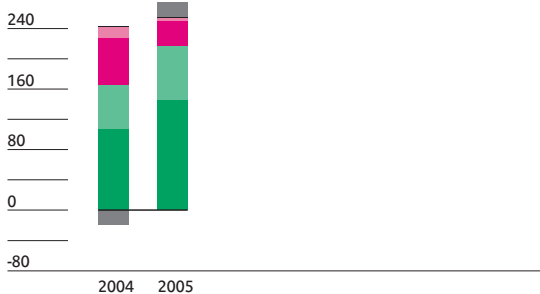
	2004	2005
Utilities	2,909	3,262
Marine Engineering	1,351	2,102
Logistics	500	542
Environmental Engineering	200	217
Engineering & Construction	823	1,096
Others / Corporate	161	190



Group Financial Review

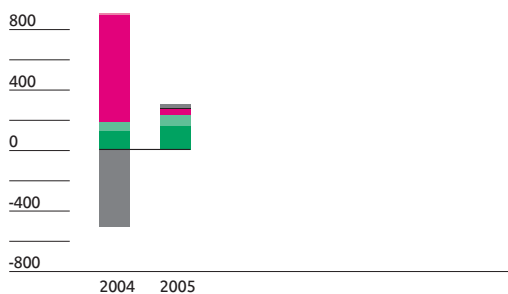
PATMI (before exceptional items) (S\$ million)

	2004	2005
Utilities	108	147
Marine Engineering	60	73
Logistics	64	33
Environmental Engineering	14	5
Engineering & Construction	1	1
Others / Corporate	(19)	19
	<u>228</u>	<u>278</u>



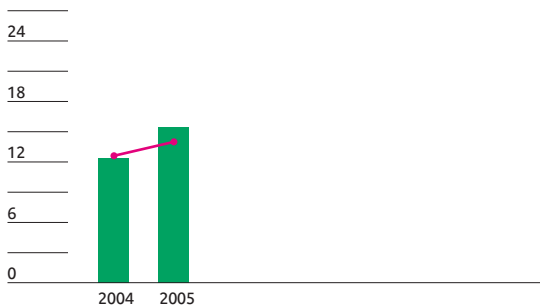
PATMI (after exceptional items) (S\$ million)

	2004	2005
Utilities	125	156
Marine Engineering	60	74
Logistics	712	37
Environmental Engineering	14	5
Engineering & Construction	1	1
Others / Corporate	(521)	30
	<u>391</u>	<u>303</u>



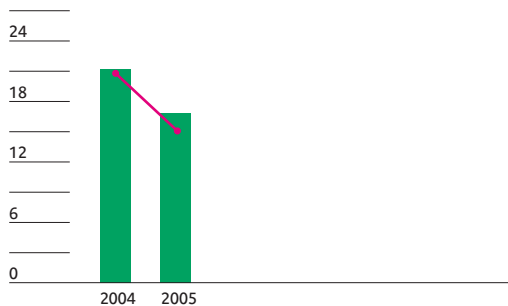
EPS and ROE (before exceptional items)

	2004	2005
Earnings Per Share (cents)	12.5	15.7
Return On Equity (%)	12.8	14.2



EPS and ROE (after exceptional items)

	2004	2005
Earnings Per Share (cents)	21.5	17.1
Return on Equity (%)	21.1	15.3



However, due to lower exceptional gains from the divestment of investments, ROE and EPS after exceptional items was lower compared to the previous year.

Subject to the approval by shareholders at the next Annual General Meeting to be convened, a final dividend of 6.5 cents per share less tax has been proposed for the financial year ended December 31, 2005.

Critical accounting policies

The financial statements are prepared in accordance with the Singapore Financial Reporting Standards (FRS) including related interpretations promulgated by the Council on Corporate Disclosure and Governance (CCDG). With effect from January 1, 2005, the Group adopted the following new/revised FRS, which are relevant to its operations:

FRS 1 (revised)	Presentation of Financial Statements
FRS 2 (revised)	Inventories
FRS 8 (revised)	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 10 (revised)	Events After the Balance Sheet Date
FRS 16 (revised)	Property, Plant and Equipment
FRS 17 (revised)	Leases
FRS 21 (revised)	The Effects of Changes in Foreign Exchange Rates
FRS 24 (revised)	Related Party Disclosures
FRS 27 (revised)	Consolidated and Separate Financial Statements
FRS 28 (revised)	Investment in Associates
FRS 31 (revised)	Interests in Joint Ventures
FRS 32 (revised)	Financial Instruments: Disclosure and Presentation
FRS 33 (revised)	Earnings Per Share
FRS 39	Financial Instruments: Recognition and Measurement
FRS 102	Share-based Payment
FRS 105	Non-current Assets Held for Sale and Discontinued Operations

In January 2006, CCDG issued FRS 21 Amendment Regulations 2006 (FRS 21 Amendment 2006). The amendment is to be applied retrospectively to financial periods beginning January 1, 2006. The Group had

adopted FRS 21 Amendment 2006 for the current financial year beginning January 1, 2005.

The effects of adopting the new/revised FRS in 2005 are set out in note 33 in the Notes to the Financial Statements.

The following are two critical accounting policies that form the basis for which the financial statements are prepared:

Revenue recognition

Revenue on goods sold is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Revenue on service work is recognised when the work is completed. Revenue from repair work, engineering, overhaul, service work and marine and civil construction contracts is recognised based on the percentage of completion method. The stage of completion is assessed by reference to surveys of work performed or by reference to percentage of costs incurred to date to the estimated total costs for each contract, with due consideration made to include only those costs that reflect works performed. Revenue on sale of electricity and gases is billed and recognised upon delivery.

Impairment of assets

The recoverability or realisable value of the Group's assets is assessed in accordance with the various FRS. The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating-unit exceeds its recoverable amount.

Goodwill and intangible assets with indefinite useful lives are tested for impairment annually and as and when indicators of impairment occur.

The rest of the significant accounting policies are set out in Note 2 in the Notes to the Financial Statements.





(Pictured) SembCorp Utilities' integrated wastewater treatment plant in ZhangJiaGang Free Trade Zone. ZhangJiaGang is our third beachhead in China after Nanjing and Shanghai.

Organisational Overview

SembCorp Industries has total assets exceeding S\$7 billion and employs about 12,300 staff, excluding contract staff. Listed on the main board of the Singapore Exchange, SembCorp Industries is a component stock of the Straits Times Index and several MSCI indices.

We

- are the first commercial importer and retailer of natural gas in Singapore and a pioneer in the concept of integrated multi-utility facilities, offering industrial customers with utilities such as energy, steam, industrial water and wastewater treatment in Singapore, United Kingdom, China and other parts of the world;
- own the largest marine engineering facilities east of the Suez Canal, capable of rig building, integrated ship repair, shipbuilding, ship conversion, offshore oil and gas engineering solutions;
- offer comprehensive supply chain management solutions, backed by an extensive and technologically advanced logistics network;
- operate Asia’s premier environmental services company and
- are a global leader in the provision of process engineering solutions to the petrochemical industry.

Line of business	Entity	Main divisions, subsidiaries, associate companies and joint ventures	Equity held by entity (%)	Location
Integrated Utilities & Energy	SembCorp Utilities Pte Ltd	SembCorp Propylene Purification Unit	100	Singapore
		Sakra Island Carbon Dioxide	30	Singapore
		SembCorp Air Products (HYCO)	60	Singapore
		SembCorp Gas	70	Singapore
		SembCorp Cogen	100	Singapore
		SembCorp Power	100	Singapore
		SUT Division (formerly SUT Sakra and SUT Seraya)	100	Singapore
		SembCorp Utilities UK	100	UK
		Nanjing SembCorp SUIWU	75	China
		NCIP SembCorp Water	70	China
		NCIP SembCorp Utilities	34.5	China
		SembCorp Utilities Investment Management (Shanghai)	100	China
		Shanghai Caojing Cogeneration	30	China
		Qianan SembCorp Cogeneration	65	China
	ZhangJiaGang SembCorp Water	80	China	
	Phu My 3 BOT Power	33.3	Vietnam	
Offshore Engineering		SMOE	100	Singapore
		Shenzhen Chiwan Sembawang Engineering	32	China
		PT SMOE Indonesia	90	Indonesia

Line of business	Entity	Main divisions, subsidiaries, associate companies and joint ventures	Equity held by entity (%)	Location
Marine Engineering	SembCorp	Jurong Shipyard	100	Singapore
		Marine Ltd		
		Jurong SML	100	Singapore
		PPL Shipyard	85	Singapore
		Sembawang Shipyard	100	Singapore
		Cosco Shipyard Group	30	China
		Mauá Jurong	35	Brazil
		PT Karimun Sembawang Shipyard	100	Indonesia
Logistics	SembCorp	Singapore Offshore Petroleum Services	100	Singapore
		Logistics Ltd		
		ST-Airport Services	67	Singapore
		SembCorp Logistics (Australia)	76	Australia
		Shenzhen ST-Anda Logistics	51	China
		SembCorp Logistics (India)	100	India
		Footwork Express	38.4	Japan
		SembCorp Kukbo Logistics	51	South Korea
		SembCorp Logistics (Taiwan)	51	Taiwan
		KPN-ST Logistics	46	Thailand
		SembCorp Logistics (Malaysia)	100	Malaysia
		SembCorp-SGN Logistics Vietnam	60	Vietnam
	SembLog-MacroAsia Philippines	51	Philippines	
		PT SembLog Indonesia	51	Indonesia
Environmental Engineering	SembCorp	SembEnviro Tay Paper	60	Singapore
		Environmental		
	Management Pte Ltd	SembWaste	100	Singapore
		SembWaste Cleantech	100	Singapore
		SembVisy Recycling MRF	60	Singapore
		SembSITA Pacific ¹	40	Singapore
		Shanghai SEI SembCorp-Enviro Solution	40	China
		Shanghai SembEnviro Reliance	60	China
		Shanghai SembTay XiangHong Recycling	60	China
	SembRamky Environmental Management	51	India	
Engineering & Construction	SembCorp	SembCorp Simon-Carves	100	UK
		Engineers and		
	Constructors Pte Ltd	PT Sempec Indonesia	100	Indonesia
		SembCorp Infrastructure (India)	100	India
		SembCorp (Tianjin) Construction Engineering	70	China
		SembCorp Engineers and Constructors Middle East	100	UAE
	SYNA Petrochemical Engineering	49	Iran	

¹ SembSITA Pacific holds a 60% stake in SembSITA Australia.

* for full listing please refer to Financial Notes.

Significant Events in 2005

JANUARY

SembCorp Logistics (SembLog) forms two separate 51:49 joint ventures to expand its supply chain management operations to Indonesia and the Philippines.

SembCorp Engineers and Constructors' (SembE&C) unit **SembCorp Simon-Carves** secures contract to design the world's largest single-stream Low Density Polyethylene plant for Huntsman at the Wilton International site on Teesside, UK.

FEBRUARY

SembCorp Utilities' (SembUtilities) unit **SMOE**, in partnership with **Sembawang Shipyard**, secures a US\$200 million order to build and integrate floating production, storage and offloading topsides for ConocoPhillips China.

SembUtilities divests its 30% stake in Kwinana Cogeneration Plant in Australia for S\$32 million.

SembCorp Marine's (SembMarine) **PPL Shipyard** secures two rig building contracts worth US\$253.3 million from Apexindo and Sinvest.

SembMarine's subsidiary, **Jurong Shipyard** secures a US\$50 million contract to fabricate a deep draft semi-submersible hull for Atlanta Offshore.

In partnership with Huisman Special Lifting Equipment, **SembMarine's** subsidiary, **Sembawang Shipyard** secures a US\$150 million contract to design and construct a pipelay vessel for SapuraCrest Petroleum.

MARCH

SembCorp Industries divests its remaining 28.8% equity stake in Pacific Internet for S\$43.4 million.

SembCorp Utilities UK (SembUtilities UK) receives approval to build Wilton 10, a 30 megawatt wood-burning power station and one of the largest biomass renewable energy projects in the UK.

PPL Shipyard secures a US\$121 million rig building contract from Wilsuperior.

APRIL

PPL Shipyard secures a US\$129 million rig building contract from Seatankers Management.

Jurong Shipyard secures a US\$127.1 million rig building contract from Petrojack.

MAY

SembCorp Industries appoints Tang Kin Fei as Group President & CEO. Mr Tang succeeds Deputy Chairman & CEO Wong Kok Siew who passed away while in office in February 2005.

SembCorp Industries distributes S\$214.8 million to shareholders via a capital reduction exercise.

PPL Shipyard secures a US\$130 million rig building contract from Japan Drilling.

SembLog conducts a S\$250 million capital reduction exercise.

JUNE

SembUtilities forms an 80:20 joint venture to provide third-party wastewater treatment services in the ZhangJiaGang Free Trade Zone in Jiangsu Province, China.

Jurong Shipyard secures a US\$780 million contract to build two ultra-deepwater semi-submersible rigs for Seatankers and a US\$131 million contract to build a jack-up rig for Petrojack.

JULY

SembCorp Industries launches the Group-wide Trailblazer-Wong Kok Siew Fund focusing on children, youth and education to give talented young people a headstart in life.

AUGUST

Jurong Shipyard secures orders worth US\$804 million to build two ultra-deepwater semi-submersible rigs for PetroMena and SeaDrill.

OCTOBER

PPL Shipyard secures a US\$144 million rig building contract from Awilco Offshore.

PPL Shipyard establishes a strategic hub in the Gulf of Mexico through its acquisition of Sabine Shipyard in Texas, USA.

NOVEMBER

SembCorp Industries appoints Heng Chiang Gnee to the post of President & CEO of **SembCorp Environmental Management**.

SembUtilities receives the 2005 International Business Award from the UK Trade & Investment in recognition of its strategic and long-term investment in the UK.

SembUtilities acquires a 70% stake in NCIP SembCorp Water to build, own and operate a water treatment facility in Nanjing Chemical Industrial Park, China.

SembUtilities UK receives the British Safety Council's prestigious Sword of Honour award for the management of workplace health and safety.

DECEMBER

SembUtilities' subsidiary, **SembCorp Gas** secures its first Compressed Natural Gas (CNG) commercial supply contract with SMART Automobile to power Singapore's first fleet of CNG taxis.

SembUtilities acquires a 34% stake in NCIP SembCorp Utilities and becomes the exclusive provider of third-party integrated utilities services within Nanjing Chemical Industrial Park, China.