

Another record year
with turnover up 56%
and profit up 29%.





This fifth generation ultra-deepwater semi-submersible rig (pictured) delivered by SembCorp Marine's Jurong Shipyard in early 2005 is one of the most technologically advanced drilling rigs in the world.

All business segments of SembMarine achieved strong growth, especially the offshore conversion and rig building segments. Our orderbook reached an all-time high of S\$5.9 billion.

Operations review

SembCorp Marine (SembMarine) performed strongly in 2005, posting record high turnover and Profit After Tax and Minority Interest (PATMI). Turnover increased 56% over 2004 to S\$2.1 billion, while PATMI at S\$121.4 million showed a growth of 29% over the previous year. Operating profit increased by 34% to S\$124.5 million while gross profit increased from S\$120.4 million to S\$169.5 million in 2005. Return On Equity also reached 12% for the first time.

This strong financial performance was due to strong growth across all business segments of SembMarine, as well as increasing contribution from Cosco Shipyard Group. The rig building sector registered the highest growth in 2005. Its turnover contribution grew a robust 223% to S\$381.3 million, representing 18% of SembMarine's turnover. Two units of semi-submersible rigs were successfully completed and delivered to GlobalSanteFe in the first quarter of the year. This was followed by a 133% growth in the turnover contribution from shipbuilding, which stood at S\$188.6 million. Vessels completed and delivered in 2005 include two units of 3,200 hp tugs for Pacific Workboats and one unit of 2,626 TEU container vessel for Wan Hai Lines. Ship conversion grew 44% and contributed S\$886.3 million, or 42% of SembMarine turnover in 2005. Projects completed in the year include the Floating Production Storage & Offloading (FPSO) conversion for Modec Venture 11 and the Erha FPSO Topsides installation and commission for ExxonMobil. Growth in these sectors exceeded the management's target of a 15% growth for the shipbuilding, ship conversion and offshore businesses.

The ship repair segment also grew, contributing to 25% of turnover at S\$530.6 million. 2005 also saw the average

value per vessel increase from S\$1.5 million in 2004 to S\$1.7 million, with 309 vessels repaired.

In October 2005, another strategic hub was established in Texas, USA to serve our customers in the Gulf of Mexico region. PPL shipyard acquired a 100% equity interest in Sabine Industries and its subsidiaries, Sabine Offshore Services and Sabine Shipyards, as well as a 25% equity interest in Sabine Vessels, for a total consideration of US\$6.4 million.

A total of S\$4.2 billion of new contracts was secured in 2005 compared to S\$2.1 billion in 2004. SembMarine's orderbook has now reached an all-time high of S\$5.9 billion (as of February 2006). Contracts secured in 2005 include eight units of our proprietary design Baker Marine Pacific Class 375 deep drilling offshore jack-ups as well as three sixth generation semi-submersibles. Since the launch of the Baker Marine proprietary design in January 2004, 13 new orders for the jack-ups have been secured to-date, comprising a 24% worldwide market share for rigs.

Outlook

SembMarine has a strong orderbook of S\$5.9 billion, excluding ship repair, with deliveries and completions ongoing until 2009. Based on the scheduled completion of these projects, we expect overall performance in 2006 to be stronger than 2005.

The industry is expected to continue benefiting from strength in global freight rates as well as high oil prices. Rig building demand is expected to be strong due to high worldwide rig utilisation rates, unprecedented high charter rates as well as an ageing rig fleet that needs to be replaced. In particular, demand is expected to grow for high specification rigs, where operators are increasingly

Contracts secured in 2005

Month	Value (\$ million)	Details	Client
January	217	1 unit of Baker Marine Pacific Class 375 jack-up rig	Apexindo
February	161	Fabrication & integration of topsides production modules for newbuild FPSO	ConocoPhillips China
	123	Design & construction of a Self-Propelled DP2 Heavy Lift pipelay vessel	SapuraCrest Petroleum
	82	Fabrication of a deep draft semi-submersible hull	Atlantia Offshore
	194	1 unit of Baker Marine Pacific Class 375 jack-up rig	Deep Drilling Invest
March	196	1 unit of Baker Marine Pacific Class 375 jack-up rig	Wisuperior, a subsidiary of Awilco Offshore
April	212	1 unit of Baker Marine Pacific Class 375 jack-up rig	Seatankers
	209	1 unit of Baker Marine Pacific Class 375 jack-up rig	Petrojack II
	215	1 unit of Baker Marine Pacific Class 375 jack-up rig	Japan Drilling
June	1,310	2 units of Friede & Goldman ExD designed semi-submersible rigs	SeaDrill
	216	1 unit of Baker Marine Pacific Class 375 jack-up rig	Petrojack III
July	127	1 unit of FPSO and 1 unit FSO conversions	Modec
August	697	1 unit of Friede & Goldman ExD designed semi-submersible rig	PetroMena
October	238	1 unit of Baker Marine Pacific Class 375 jack-up rig	Awilco
Total	4,197		

prepared to commit to long-term contracts in anticipation of their drilling programmes as well as for floaters, where day rates are increasing across the board. There continues to be buoyant market fundamentals for the ship conversion and offshore sector, with demand for FPSO and Floating Storage & Offloading (FSO) vessels driven mainly by high oil prices and increased exploration and production activities. As at December 31, 2005, 84 production floaters are estimated as being planned or under study.

Despite a competitive environment, the outlook for ship repair is expected to be strong due to favourable freight rates for all categories of vessels, while shipbuilding demand continues to be healthy in the niche market for feeder container vessels and offshore supply vessels.

With a robust market outlook for all sectors in the marine and offshore industry, SembMarine expects to continue to secure new orders in 2006 and beyond.

To achieve sustained growth, SembMarine will continue to leverage on the complementary facilities between our global hubs in Singapore and Brazil and continue to grow the contribution from our overseas hubs. Locally, SembMarine is looking to maximise its Singapore-based yard capacity and is also organising its Sembawang Shipyard to build rigs. We will also seek to increase our market share through the ownership of proprietary vessel and rig designs as well as our strong track record for semi-submersibles. Meanwhile, our strategic alliances with our international clientele continue to provide a steady and growing baseload orderbook. In 2005, ASP Shipmanagement became our alliance partner. Our alliance partners made up 39% of our total ship repair revenue for 2005, up 10% from the previous year. Together with our regular customers, they account for 86% of our turnover from ship repair.

Performance indicators (\$ million)

	2005	2004
Turnover	2,119.3	1,362.8
PATMI	121.4	94.1