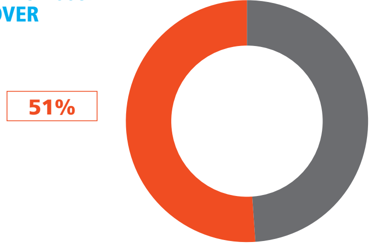
Marine Review

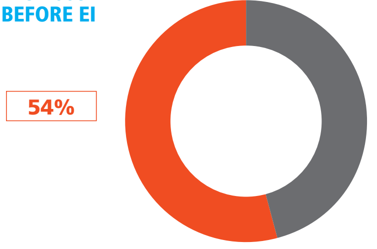
PERFORMANCE SCORECARD *(S$ million)*

	2008	2007	Change (%)
Turnover	**5,063.9**	4,513.1	12
EBITDA	**572.5**	413.1	39
EBIT	**501.8**	349.0	44
PATMI before EI	**473.7**	355.6	33
PATMI after EI	**429.9**	241.0	78
Return on Equity *(%)*	**29**	16	81

CONTRIBUTION TO 2008 GROUP TURNOVER



CONTRIBUTION TO 2008 GROUP PATMI BEFORE EI



KEY DEVELOPMENTS

- Net orderbook at S$9.0 billion as of end December 2008 with completions and deliveries until 2012.
- Secured a record S$5.7 billion of contracts in 2008.
- A record total of 11 rigs were delivered on time or ahead of schedule in 2008.
- Signed a strategic alliance agreement with Mac Laren Shipyard to operate a shipyard in Brazil.

COMPETITIVE EDGE

- Singapore's leading marine and offshore engineering group for more than 45 years.
- Comprehensive portfolio encompassing the full spectrum of integrated solutions from ship repair, shipbuilding, ship conversion, rig repair, rig building, topsides fabrication to offshore engineering and construction.
- Strong track record for quality and timely delivery and the ability to handle complex turnkey projects and repairs while meeting high standards for health, safety, security and environment.
- Global network of shipyards strategically located along major shipping routes.
- Development and ownership of proprietary designs for rigs and container vessels.
- Long-term strategic alliances with international ship operators provide a steady and growing baseload in ship repair.

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OPERATIONS REVIEW

Sembcorp's Marine business delivered strong results in 2008 underpinned by its rig building, offshore & conversion and ship repair businesses. Turnover grew 12% from S$4.5 billion to S$5.1 billion, while profit after tax and minority interest (PATMI) before exceptional items (EI) increased 33% to S$473.7 million, surpassing 2007's PATMI before EI of S$355.6 million. 2008 PATMI grew 78% from S$241.0 million to S$429.9 million. During the year, a one-off charge of S$43.7 million was recorded arising from the full and final commercial settlement of foreign exchange transactions between subsidiary Jurong Shipyard and BNP Paribas. Gross profit and operating margins improved during the year. 2008 gross profit was S$655.2 million and the business' operating margin was 10% compared to S$411.5 million and 8% respectively in 2007. Return on equity for the year stood at a strong 29%.

Net orderbook stood strong at S$9.0 billion as of December 2008, with completions and deliveries until 2012. A record S$5.7 billion of orders were secured during the year.

Ship repair

During the year, ship repair turnover increased 9% to S$795 million. A total of 269 vessels docked at our yards in 2008 and the average value per vessel increased by 3%, from S$2.9 million in 2007 to S$3.0 million. Long-term strategic alliances continued to provide a steady and growing baseload. Together with our regular repeat customers, they made up 86% of total ship repair revenue in 2008.

High value repairs to oil tankers, container vessels, as well as liquefied natural gas (LNG) and liquefied petroleum gas (LPG) tankers, floating production storage and offloading (FPSO) upgrading as well as rig repairs dominated the vessel mix for the segment.

Shipbuilding

During the year, our Marine business successfully delivered a sixth containership for Wan Hai Lines, a second 2,600 twenty-foot equivalent unit vessel for Reederei F Laeisz, and a second 4,950 deadweight tonne tanker for Kuwait Oil Tanker Company.

2008 saw turnover from this segment falling to S$2 million due to the deliberate redeployment of resources to the rig building and offshore conversion sectors.

Ship conversion and offshore

Turnover from ship conversion and offshore activities recorded a strong growth of 20%, constituting 27% of the total turnover from our Marine business. S$947 million worth of contracts were secured for conversion and offshore projects in 2008 accounting for 17% of total net orderbook.

Projects completed during the year included FPSO conversions of Aoka Mizu, Raroa and the Dhirubhai-1. Other completed projects included the Sapura 3000, a heavy lift derrick pipelay vessel and FPSO topside modules and integration for ConocoPhillips China.

Conversion projects underway include two semi-submersible drilling rigs for Noble Drilling, an accommodation and repair vessel for Equinox Offshore Accommodation, a dynamic positioning (DP) floating drilling production storage and offloading vessel for Petroserv SA and a floating production storage (FSO) vessel for MODEC.

Other projects in progress include construction of an offshore platform integrated deck for Carigali-PTTEPI, an offshore platform for Maersk Olie og Gas, a fallpipe rock dumping vessel for Tideway, a heavy lift derrick pipelay vessel for SapuraCrest Petroleum, two offshore platforms for TOTAL E&P Indonesie and a DP Class 3 heavy lift crane vessel for Nordic Heavy Lift.

Rig building

The rig building segment registered a 14% growth, from S$2.5 billion in 2007 to S$2.8 billion in 2008, contributing 56% to total turnover. In 2008, we secured S$4.7 billion of new orders for jack-ups and semi-submersibles, which made up 83% of new contracts secured for the year.

Key orders included an order for a deep drilling jack-up rig for Egyptian Drilling Company, two deep drilling jack-up rigs for Egyptian Offshore Drilling Company, two ultra-deepwater semi-submersible drilling rigs for Atwood Oceanic Pacific, an ultra-deepwater semi-submersible drilling rig for Larsen Oil & Gas and two deep drilling jack-up rigs and an ultra-deepwater semi-submersible drilling rig for Seadrill. In 2008, we also secured a contract to build a deep drilling jack-up from Sinopec International (Hong Kong), a subsidiary of China Petroleum & Chemical Corporation. This would be the first jack-up rig to be constructed outside China for China Petroleum and Chemical Corporation.

A total of 29 jack-up rigs have been secured to date since 2004, comprising 27 units based on our propriety Baker Marine Pacific Class 375 (BMC Pacific 375) deep drilling offshore jack-up rig design, a harsh environment jack-up rig and a heavy lift jack-up barge. Since 2005, a total of 10 units of sixth generation DP ultra-deepwater new build semi-submersible drilling rigs based on the Friede & Goldman design have also been secured.

During the year, we also completed and delivered nine BMC Pacific 375 jack-up rigs either on or ahead of schedule. These included PetroJack II, Maersk Convincer, Hakuryu-10, Aban VIII, WilForce, WilSeeker, Emerald Driller, Deep Driller 7 and PetroJack IV.

Strategic partnership in Brazil

During the year, Sembcorp Marine's Jurong Shipyard entered into a strategic alliance agreement with Rio de Janeiro-based Mac Laren Shipyard to operate a shipyard in Brazil. Well-positioned to leverage on the abundance of experienced workforce, offshore related materials and equipment suppliers, the shipyard will enable Sembcorp to be a key player in Brazil's oil and gas construction industry.

MARKET REVIEW AND OUTLOOK

Although the current financial turmoil has a damaging impact on the world economy and the current oil prices, long-term fundamentals and outlook for the marine and offshore industry continue to be positive in light of continued global reliance on oil and gas and accelerating depletion of oil and gas reserves.

Our Marine business however has a strong net orderbook. As at end 2008, its net orderbook stood at S$9.0 billion with completions and deliveries until 2012, including S$5.7 billion of contracts secured in 2008. These projects are expected to provide the business with a sufficient baseload, and will keep our shipyards busy with progressive completions and deliveries from 2009 until 2012.

For ship repair, our strategic alliances and partnerships with long-term customers should provide a stable baseload. Meanwhile, the market for large FPSO units and production platforms is expected to remain strong based on owners' long-term commercial viability of projects. Such projects have longer gestation period and constitute part of the owners' investment portfolio designed to provide future output to replace depleting reserves. Although the immediate economic outlook is uncertain, Sembcorp Marine is well positioned to ride out the challenges of the year ahead with its strong net cash and balance sheet position.