

GROUP REVIEW

Performance Scorecard (\$ million)

	2010	2009	Change (%)
Turnover	8,763.6	9,572.4	(8)
EBITDA	1,478.0	1,315.7	12
PFO	1,396.0	1,225.5	14
– EBIT	1,235.9	1,116.0	11
– Share of results: Associates & JVs, net of tax	160.1	109.5	46
PBT	1,367.3	1,218.3	12
Net profit	792.9	682.7	16
EPS (cents)	44.4	38.4	16
ROE (%)	22.2	23.1	(4)

Overview

Sembcorp's good performance in 2010 has demonstrated the resilience of our strategy and businesses. The Group's net profit attributable to shareholders of the Company (net profit) in 2010 grew by 16% to \$792.9 million, whilst turnover was \$8.8 billion compared to \$9.6 billion in the previous year.

During the year, the Group recorded an exceptional gain of \$32.1 million comprising the Group's share of the Marine business' full and final amicable settlement of disputed foreign exchange transactions.

Turnover

The Group achieved a turnover of \$8.8 billion, with the Utilities and Marine businesses contributing 98% of total turnover.

The Utilities business' turnover increased by 9%, mainly due to higher high sulphur fuel oil (HSFO) prices as well as the consolidation of Cascal's turnover with effect from July 2010.

The Marine business' 2010 turnover decreased by 20% to \$4.6 billion mainly due to rig building as well as offshore and conversion projects achieving a lower percentage of completion revenue recognition as compared to the prior year. There was also higher variation order settlement for offshore contracts in 2009 as compared to 2010.

Revenue from the Others / Corporate segment was mainly contributed by a subsidiary dealing in specialised construction activities. The increase in turnover in the segment compared to the year

before was mainly due to differences in timing of the recognition of revenue from projects.

Net Profit

The Group net profit in 2010 grew 16% from \$682.7 million to \$792.9 million, while profit from operations (PFO) increased 14% from \$1,225.5 million to \$1,396.0 million.

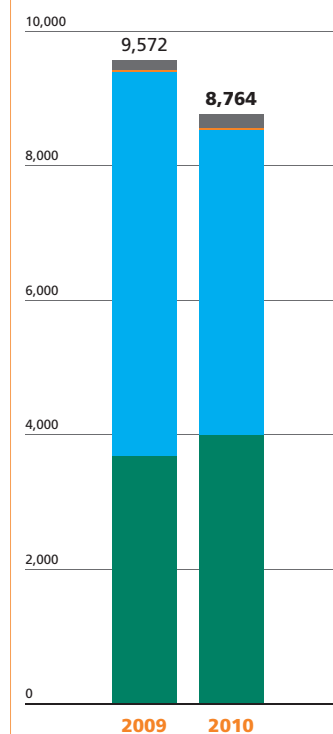
The Utilities business' net profit improved by 2% to \$231.3 million. All regions registered growth except for Teesside operations in the UK. Singapore operations performed well, mainly driven by high electricity prices and higher contribution from our natural gas importation business. Outside Singapore, operations in China and Middle East & Africa also registered strong growth, increasing 226% and 80% respectively. The performance of operations in Teesside, UK was affected by lower volumes as a result of the previously announced closure of some of its customers' facilities, low market spreads for power as well as the write-down of certain ageing assets.

The increase in the Group's share of the Marine business' 2010 net profit was mainly attributable to the execution of projects ahead of schedule and the achievement of better margins for the business' rig building, offshore and conversion projects through higher productivity, as well as the resumption of margin recognition for a rig building project upon securing a buyer.

The Industrial Parks business' higher net profit in 2010 was driven by healthy take-up for industrial, commercial and residential land in its Vietnam

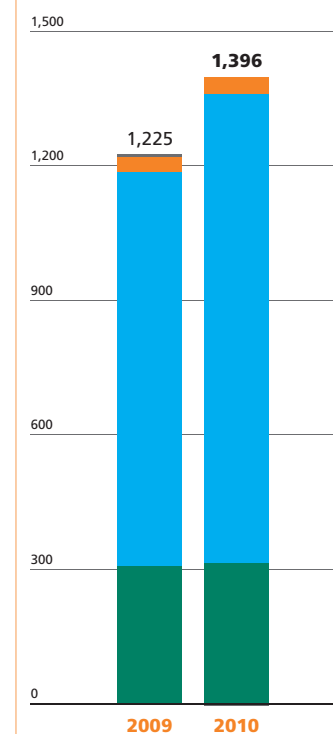
Turnover (\$ million)

	2009	2010
■ Utilities	3,680	3,993
■ Marine	5,723	4,554
■ Industrial Parks	15	16
■ Others / Corporate	154	201
	9,572	8,764



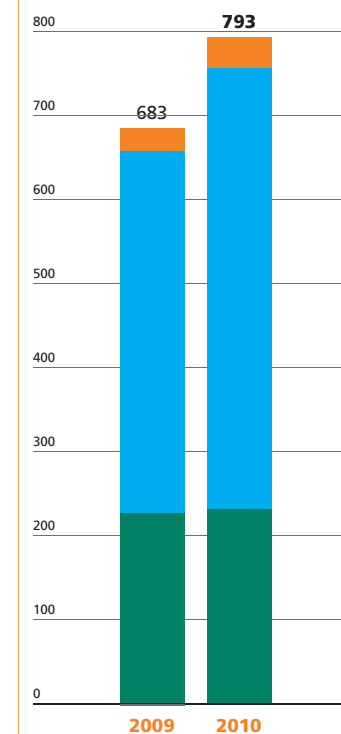
PFO (\$ million)

	2009	2010
■ Utilities	307	314
■ Marine	878	1,045
■ Industrial Parks	34	40
■ Others / Corporate	6	(3)
	1,225	1,396



Net Profit (\$ million)

	2009	2010
■ Utilities	227	231
■ Marine	430	525
■ Industrial Parks	28	37
■ Others / Corporate	(2)	-
	683	793



industrial parks as well as improved contribution from the business' associate, Gallant Venture.

The exceptional item in 2010 relates to the Marine business' full and final amicable settlement of disputed foreign exchange transactions.

Cash Flow and Liquidity

As at December 31, 2010, the Group had cash and cash equivalents of \$3.5 billion.

Cash flows from operating activities before changes

in working capital increased from \$1,355.6 million in 2009 to \$1,440.2 million in 2010. Net cash inflow from operating activities for 2010 increased to \$1,702.4 million, mainly due to receipts from ongoing and completed projects.

Net cash outflow from investing activities for 2010 was \$761.4 million. \$632.3 million was spent on expansion and operational capital expenditure and \$18.8 million was for equity interests in an associate and joint ventures. \$197.0 million (net of cash

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acquired) was spent for the acquisition of a 92.26% equity interest in Cascal and S\$15.8 million for an additional 5.4% equity interest in Cascal. The above cash outflows were partially offset by dividends and interest received of S\$97.3 million.

The net cash outflow from financing activities of S\$29.5 million in 2010 related mainly to dividends and interest paid, partially offset by net proceeds from borrowings.

During the financial year, the Company issued 3,630,192 new ordinary shares amounting to S\$17.1 million for the acquisition of all remaining shares in The China Water Company (CWC) not already held by its municipal water subsidiary Cascal from Waterloo Industrial, CWC's only other shareholder.

Financial Position

Group shareholders' funds increased from S\$3.3 billion at December 31, 2009 to S\$3.8 billion at December 31, 2010. The decrease in 'Other reserves' was mainly due to foreign currency translation loss; partially offset by fair value gain on Cosco Corporation (Singapore) (Cosco) shares held by the Marine business.

Non-current assets, with the exception of investment properties, increased primarily due to the consolidation of Cascal. 'Interests in associates' and 'Interests in joint ventures' increased due to higher contributions recorded in 2010. Intangible assets include goodwill as well as intangible assets arising from service concession agreements. 'Other financial assets' increased, mainly due to fair value adjustments of Cosco shares held by the Marine business.

'Inventories and work-in-progress' decreased and 'Cash and cash equivalents' increased, mainly due to receipts from the Marine business' completed rig building projects. 'Assets held for sale' mainly relates to the disposal of property, plant and equipment (PPE) by the Utilities business. 'Deferred tax liabilities' increased mainly due to the consolidation of Cascal. Increase in 'Provisions' was mainly due to higher provision for restoration of PPE by the Marine business. 'Interest-bearing borrowings' increased primarily due to medium-term notes issued by the Group's wholly-owned treasury subsidiary, Sembcorp Financial Services (SFS), increased bank borrowings for the acquisition of Cascal and funding of Utilities operations, mainly in Oman. The increase in 'Other long-term liabilities' was mainly due to an amount owed to a non-controlling

interest of a subsidiary as well as the consolidation of Cascal.

Shareholder Returns

Return on equity (ROE) for the Group was a healthy 22.2% in 2010 and earnings per share (EPS) increased to 44.4 cents.

Subject to approval by shareholders at the next annual general meeting, a final tax exempt one-tier dividend of 17.0 cents per ordinary share comprising a final ordinary dividend of 15 cents per ordinary share and a final bonus dividend of 2 cents per ordinary share has been proposed for the financial year ended December 31, 2010.

Economic Value Added

The Group generated positive economic value added (EVA) of S\$809.4 million in 2010. This positive EVA creation was mainly driven by better Group earnings.

Our net operating profit after tax (NOPAT) for 2010 amounted to S\$1.2 billion whilst capital charges increased to S\$399.6 million, mainly due to a higher capital base.

Value Added and Productivity Data

In 2010, the Group's total value added was S\$2.5 billion. This was absorbed by employees in wages, salaries and benefits of S\$724.9 million, by governments in income and other taxes of S\$248.6 million and by providers of capital in interest and dividends of S\$328.7 million, leaving a balance of S\$1.2 billion reinvested in business.

Critical Accounting Policies

Sembcorp's financial statements are prepared in accordance with Singapore Financial Reporting Standards (FRS).

With effect from January 1, 2010, the Group adopted the following new / amended FRS and Interpretations of Financial Reporting Standards (INT FRS):

FRS 27 (revised)	Consolidated and Separate Financial Statements
FRS 103 (revised)	Business Combinations
Improvements to FRSs 2009	
Amendment to FRS 102 Share-based Payment – Group Cash-settled Share-based Payment Transactions	

The adoption of the above FRS (including consequential amendments) does not have any significant impact on the Group's financial statements, except for the impact of FRS 103 and FRS 27 as indicated below.

The revised FRS 103 introduces a number of changes in accounting for business combinations occurring after July 1, 2009. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. The Amendments to FRS 27 require that a change in the ownership interest of

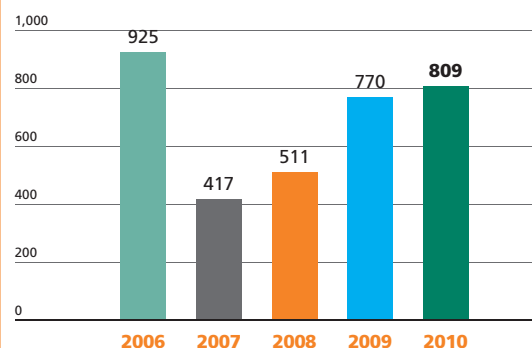
a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary whereby losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests, even if doing so causes the non-controlling interests to have a deficit balance. These changes in the revised FRS 103 and Amendments to FRS 27 will affect accounting for acquisitions or

Economic Value Added (\$ million)	Note	2010	2009
Net operating profit before income tax expense		1,207	1,109
Adjust for			
Share of associates' and joint ventures' profits		192	136
Interest expense	1	58	45
Others	2	(3)	20
Adjusted profit before interest and tax		1,454	1,310
Cash operating taxes	3	(245)	(217)
Net operating profit after tax (NOPAT)		1,209	1,093
Average capital employed	4	6,774	5,376
Weighted average cost of capital (%)	5	5.9	6.0
Capital charge		400	323
Economic value added (EVA)		809	770
Non-controlling share of EVA		(314)	(284)
EVA attributable to shareholders		495	486
Less: Unusual items (UI) gains	6	–	2
EVA attributable to shareholders (excluding UI)		495	484

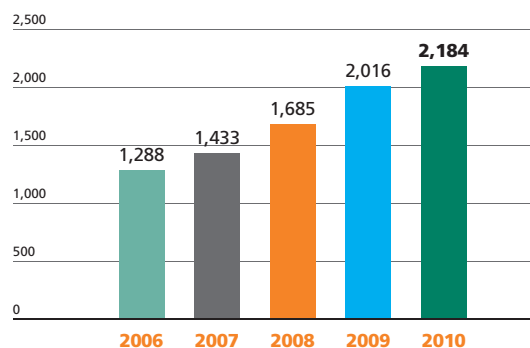
- Interest expense includes imputed interest on present value of operating leases and capitalised interest charged to income statement upon disposal of the assets.
- Other adjustments include recovery of investment costs, timing difference of allowances made for / (write-back) of doubtful debts, warranty, inventory obsolescence and goodwill written off / impaired and construction-in-progress.
- The reported current tax is adjusted for the statutory tax impact of interest expense.
- Average capital employed is computed by taking monthly average total assets less non interest-bearing liabilities plus timing provision, goodwill written off / impaired and present value of operating leases.
- The weighted average cost of capital is calculated in accordance with the Sembcorp Group EVA Policy as follows:
 - Cost of equity using capital asset pricing model with market risk premium at 6.0% (2009: 6.0%);
 - Risk-free rate of 2.61% (2009: 2.08%) based on yield-to-maturity of Singapore Government 10-year Bonds;
 - Ungeared beta ranging from 0.5 to 1.0 (2009: 0.5 to 1.1) based on Sembcorp Industries' risk categorisation; and
 - Cost of debt rate at 4.15% (2009: 4.98%).
- Unusual items (UI) refer to gain / loss on divestment of subsidiaries, associates, joint ventures, long-term investments and disposal of major fixed assets.

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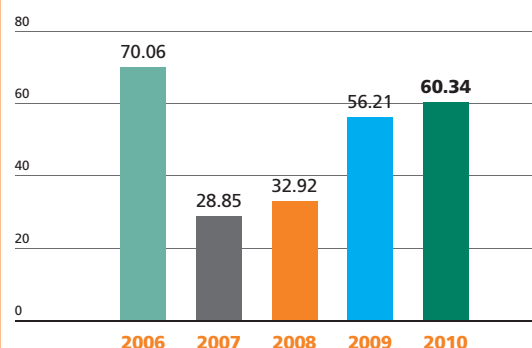
Economic Value Added (\$ million)



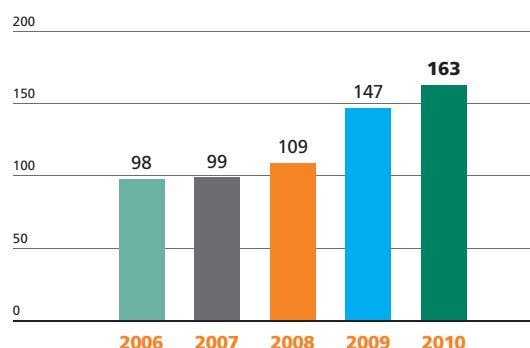
Gross Value Added (\$ million)



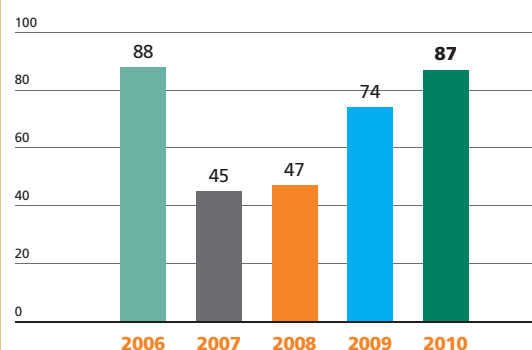
Economic Value Added per Employee (\$'000)



Value Added per Employee (\$'000)



Profit after Tax per Employee (\$'000)



loss of control and transactions involving non-controlling interests.

Financial Risk Management

The Group's activities expose it to a variety of financial risks, including changes in interest rates, foreign exchange rates and commodity prices as well as credit risk.

Please refer to the Risk Management & Mitigation Strategies chapter of this report for details on the management of these risks.

Treasury Management

Sembcorp's financing and treasury activities continue to be mainly centralised within our wholly-

owned subsidiary Sembcorp Financial Services (SFS), the Group's Treasury vehicle. SFS facilitates funding and on-lends funds borrowed by it to the companies within the Group, where appropriate.

SFS also actively manages the cash within the Group by taking in surplus funds from those with excess cash and lending to those with funding requirements. We actively manage the Group's excess cash, deploying it to a number of financial institutions and actively tracking developments in the global banking sector. Such proactive cash management

continues to be an efficient and cost-effective way of managing the Group's cash and financing its funding requirements.

Facilities

Including SFS' S\$1.5 billion and Sembcorp Marine's S\$2 billion medium-term note programme, the Group's total funded facilities as at end 2010 amounted to S\$7.6 billion (2009: S\$6.7 billion), with unfunded facilities standing at S\$1.9 billion (2009: S\$1.9 billion).

Value Added Statement (\$ million)

	2010	2009	2008	2007	2006
Value added from					
Turnover	8,764	9,572	9,928	8,619	8,074
Less: Bought in materials and services	(6,580)	(7,556)	(8,243)	(7,186)	(6,786)
Gross value added	2,184	2,016	1,685	1,433	1,288
Investment, interest and other income	168	125	154	461	778
Share of associates' profit	109	65	91	114	87
Share of joint ventures' profit	83	71	49	60	55
Other non-operating expenses	(91)	(59)	(145)	(348)	(172)
	2,453	2,218	1,834	1,720	2,036
Distribution					
To employees in wages, salaries and benefits	725	710	682	636	624
To government in income and other taxes	249	243	170	186	36
To providers of capital on:					
Interest paid on borrowings	61	41	44	54	53
Dividends to shareholders	268	196	267	498	91
	1,303	1,190	1,163	1,374	804
Retained in business					
Depreciation and amortisation	242	200	195	185	163
Retained profits	525	487	240	28	911
Non-controlling interests	380	333	224	125	130
	1,147	1,020	659	338	1,204
Other non-operating expenses	3	8	12	8	28
	1,150	1,028	671	346	1,232
Total distribution	2,453	2,218	1,834	1,720	2,036

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Productivity Data

	2010	2009	2008	2007	2006
Average staff strength	13,415	13,707	15,512	14,453	13,199
Employment costs (\$ million)	725	710	682	636	624
Sales per employee (\$'000)	653	698	640	596	612
Profit after tax per employee (\$'000)	87	74	47	45	88
Economic value added (\$ million)	809	770	511	417	925
Economic value added spread (%)	11.9	14.3	9.4	8.1	19.2
Economic value added per employee (\$'000)	60.34	56.21	32.92	28.85	70.06
Value added (\$ million)	2,184	2,016	1,685	1,433	1,288
Value added per employee (\$'000)	163	147	109	99	98
Value added per dollar employment costs (\$)	3.01	2.84	2.47	2.25	2.06
Value added per dollar investment in fixed assets (\$)	0.40	0.47	0.43	0.36	0.35
Value added per dollar sales (\$)	0.25	0.21	0.17	0.17	0.16

Borrowings

While Europe and the USA have experienced a slowdown in economic growth in the past year, Asia has nonetheless continued to enjoy robust growth in 2010. Against this background, the market has seen a substantial inflow of funds diverted towards Asia in search of investment opportunities and high returns, offering the Group the opportunity to tap funding markets at a level almost comparable to the period prior to the collapse of Lehman Brothers Holdings. In 2010, the Group seized the opportunity to issue a \$500 million 7-year note maturing in September 2017, a \$300 million 10-year note maturing in April 2020 and a \$100 million 15-year note maturing in August 2025 under SF5' \$1.5 billion medium-term note programme. The Group aims to term out the loans such that their maturity profile mirrors the life of our core assets, while concurrently continuing our focus on maintaining adequate liquidity for the Group's businesses.

We continue to build on our banking relationships with a view to ensuring that when commercially viable and strategically attractive opportunities arise, we are able to secure funding on competitive terms.

The Group remains committed to balancing the availability of funding and the cost of funding, together with the need to maintain prudent financial ratios. We also aim to maintain an efficient and

optimal mix of committed and uncommitted facilities and fixed and floating rate borrowings.

As at December 31, 2010, gross borrowings amounted to S\$1.7 billion (2009: S\$967.7 million) which was higher than last year. The incremental borrowings were used to fund the Group's new projects and acquisitions. As the Group continues to grow organically and inorganically, the Group will also potentially tap new borrowings to fund its growth. Of the overall debt portfolio, 79% (2009: 90%) constituted fixed rate debts which were not exposed to interest rate fluctuations.

The Group seeks to limit its interest rate exposure by adopting a prudent debt structure, balancing this with liquidity and cost considerations. The weighted average cost of funding was 5.06% (2009: 4.14%) which was higher than previous year due to the terming out of the loans. The interest cover ratio is still in a very healthy range. With the increase in gross debt, this ratio was reduced to 24.2 times in 2010 as compared to 31.9 times in 2009.

As at end 2010, the portion of the Group's debt maturing beyond one year was 97% (2009: 70%). Only S\$50.1 million of the Group's debt is due within 12 months.

Financing & Treasury Highlights (\$ million)

	2010	2009	2008
Source of Funding			
Cash and cash equivalents	3,488	2,598	2,401
Funded bank facilities and capital markets			
Uncommitted facilities available for drawdown	4,415	3,753	3,831
Committed facilities available for drawdown	3,224	2,918	755
Total funded facilities	7,639	6,671	4,586
Less: Amount drawn down	(1,743)	(968)	(817)
Unutilised funded facilities available	5,896	5,703	3,769
Unfunded bank facilities			
Unfunded facilities available for drawdown	1,911	1,942	1,886
Less: Amount drawn down	(551)	(911)	(816)
Unutilised unfunded facilities available	1,360	1,031	1,070
Total unutilised funded and unfunded facilities	7,256	6,734	4,839
Funding Profile			
Maturity profile			
Due within one year	50	287	287
Due between one to five years	587	546	441
Due after five years	1,106	135	89
	1,743	968	817
Debt mix			
Fixed rate debt	1,374	871	701
Floating rate debt	369	97	116
	1,743	968	817
Currency denomination of debt			
SGD	765	627	591
USD	388	61	39
GBP	287	154	170
OMR	172	82	0
RMB	109	44	17
Others	22	0	0
	1,743	968	817

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Financing & Treasury Highlights (\$ million)

	2010	2009	2008
Debt Ratios			
Interest cover ratio			
Earnings before interest, tax, depreciation and amortisation	1,478	1,316	940
Interest on borrowings	61	41	44
Interest cover (times)	24.2	31.9	21.2
Debt / equity ratio			
Non-recourse project financing	581	307	362
Long-term debt	1,132	430	236
Short-term debt	30	231	219
	1,743	968	817
Less: Cash and cash equivalents	(3,488)	(2,598)	(2,401)
Net debt / (cash)	(1,745)	(1,630)	(1,584)
Net (cash) excluding project financing	(2,282)	(1,752)	(1,825)
Net gearing excluding project financing (times)	Net cash	Net cash	Net cash
Net gearing including project financing (times)	Net cash	Net cash	Net cash
Average cost of funds (%)	5.06	4.14	3.83