

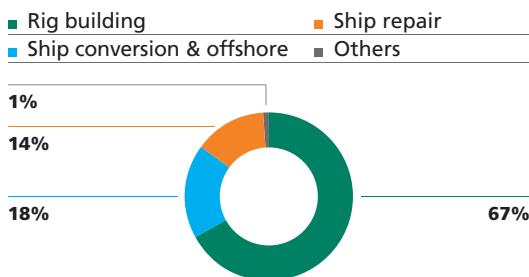
## MARINE REVIEW

### Performance Scorecard (\$ million)

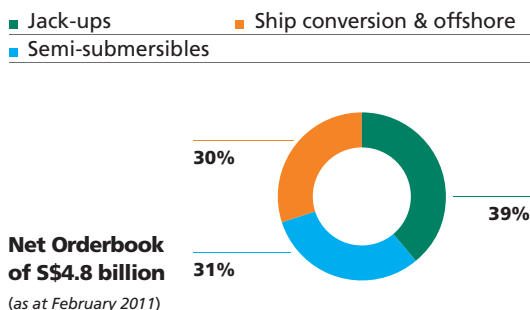
	2010	2009	Change (%)
Turnover	4,554.9	5,724.7	(20)
EBITDA	1,081.8	934.0	16
PFO	1,045.0	877.6	19
– EBIT	998.2	858.3	16
– Share of results: Associates & JVs, net of tax	46.9	19.3	143
Net profit	860.3	700.1	23
ROE (%)	38	44	(12)

Note: Figures taken at Sembcorp Marine level

### Turnover by Segment



### Orderbook Composition



### Competitive Edge

- Singapore's leading marine and offshore engineering group with 48 years' proven track record
- Comprehensive portfolio encompassing the full spectrum of integrated solutions from ship repair, shipbuilding, ship conversion, rig repair and rig building to topsides fabrication and offshore engineering and construction
- Strong track record for quality and timely delivery as well as the ability to handle complex turnkey projects and repairs while meeting high standards for health, safety, security and environment
- Global network of yards strategically located near major shipping routes
- Development and ownership of proprietary designs for rigs, drillships and container vessels
- Long-term strategic alliances with international ship operators provide a steady and growing baseload in ship repair

### Key Developments

- Acquired 825,000 square metres of freehold land for the development of a shipyard in Espirito Santo, Brazil, to cater directly to one of the fastest growing offshore oil and gas exploration and production markets in the world
- Marked a major milestone in our growth and expansion strategy with the ground-breaking of the Integrated New Yard Facility at Tuas View Extension, Singapore
- S\$3.0 billion worth of new orders secured in 2010, including orders for premium and high-specification jack-up rigs
- Current net orderbook of S\$4.8 billion as at February 2011, with completions and deliveries until 2013

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### Operations Review

Sembcorp's Marine business delivered strong results in 2010 underpinned by its rig building, offshore and conversion and ship repair businesses. Turnover was S\$4.6 billion compared to S\$5.7 billion in 2009, while the business' net profit attributable to shareholders of the company (net profit) grew 23% to a record high of S\$860.3 million from S\$700.1 million in the previous year. The business' profit from operations (PFO) also increased 19% to S\$1.0 billion from S\$877.6 million in 2009. A one-off credit of S\$52.6 million arising from the settlement of the disputed foreign exchange transactions with Société Générale was included in the PFO for 2010. This improved performance 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 business' operating profit of S\$998.2 million was 16% higher as compared to 2009. The business' operating margin also improved in 2010 with its gross profit margin increasing from 17% to 25% in the corresponding period, mainly attributable to operational efficiencies and project execution ahead of schedule. Its return on equity for the year stood at a strong 38%.

The Marine business' current net orderbook stands at a strong S\$4.8 billion as at February 2011, with completions and deliveries until 2013. This includes S\$3.0 billion in contracts secured in 2010 and S\$361 million worth of orders secured since the start of 2011, excluding ship repair contracts.

### Ship repair

During the year, ship repair turnover stood at S\$646.1 million compared to S\$706 million in 2009 and accounted for 14% of total revenue. A total of 282 vessels docked at our yards in 2010 and the average value per vessel was S\$2.3 million. Long-term strategic alliance customers continued to provide a steady and growing baseload. Together with our regular repeat customers, they contributed 85% of total ship repair revenue in 2010. High value repairs to oil tankers, container vessels, liquefied natural gas (LNG) and liquefied petroleum gas (LPG) tankers, passenger ships and drillships as well as floating

production storage and offloading (FPSO) upgrading dominated the segment.

During the year, we secured a long-term contract from Carnival Corporation & plc, to provide ship repair, refurbishment and upgrading services for its passenger ships operating in the Far East. This followed two earlier repair, upgrading and refurbishment projects secured with Carnival Australia and Carnival Cruise Line (United Kingdom), both part of Carnival Corporation & plc.

As a world leader for LNG repairs, the business was awarded several repair contracts for LNG carriers. These include repairs for five membrane LNG carriers for China LNG Shipping (International) Company, repair works for three LNG carriers for K Line Ship Management and an LNG carrier longevity contract from North West Shelf LNG Venture which is a Favoured Customer Contract partner. The business also secured a cargo ship life extension contract from Bluescope Steel and the renewal of a long-term contract with Eitzen Group for the scheduled repair and upgrading of its ships.

Other upgrading and repair orders secured during the year included a ship repair contract from a regular Taiwanese customer, a contract for lengthening and dry-docking repairs from Interislander, and upgrading and repair jobs for both Star Cruises (Malaysia) and PT Pelayaran Nasional Indonesia.

Three other upgrading and repair projects worth S\$92 million were secured in 2011, including an upgrade of a dynamically positioned heavy-lift and pipelay vessel, an LNG carrier longevity project, and an upgrade of a drillship.

### Ship conversion and offshore

Turnover from ship conversion and offshore activities in 2010 was lower than the previous year at S\$820.4 million, compared with S\$1.3 billion in 2009. The sector constituted 18% of the total turnover of the Marine business. Projects completed during the year included two FPSO conversions for Tanker Pacific Offshore Terminals and MODEC, a floating, drilling production, storage and offloading vessel conversion for Petroserv as well as an offshore platform for Maersk Olie og Gas.

During the year, the Marine business secured a S\$130 million contract to carry out the pre-conversion of a very large crude carrier (VLCC) into a FPSO, to be renamed *P62*, for Petrobras Netherlands and a

S\$550 million contract from ConocoPhillips Skandinavia to build the Ekofisk accommodation topside to be installed in the North Sea.

In 2010, the business was also awarded two offshore conversion contracts worth S\$75 million, comprising the conversion of the tanker *BW Genie* into a floating production unit (FPU) for BW Offshore and the upgrading of FPSO *Glas Dowr* for Bluewater Energy Services, as well as a S\$351 million contract to convert an Aframax tanker into a FPSO vessel, to be renamed *FPSO Petrojarl Cidade de Itajai*, for Teekay Petrojarl Production.

Further adding to its offshore orderbook, the business secured a S\$123 million contract in January 2011 for the engineering, procurement, construction and commissioning of a dynamically positioned blue-water research vessel, to be named *RV Investigator*, for Teekay Shipping (Australia).

### Rig building

The rig building segment contributed S\$3.1 billion or 67% of our Marine business' total turnover, compared to S\$3.6 billion in 2009. During the year, we completed and delivered six proprietary Pacific Class 375 design jack-up rigs on or ahead of schedule: the *Setty* for the Egyptian Drilling Company, *Tam Dao 02* for Vietsovetro, *West Leda* for Seadrill, *Sneferu* for Egyptian Drilling, *El Qaher I* for Egyptian Offshore Drilling Company and *Kan Tan 6* for SINOPEC as well as a heavy-lift jack-up barge, *ARB-3*, for Aramco Overseas. In addition, we completed and delivered two newbuild Friede & Goldman semi-submersibles, the *PetroRig III* for Grupo R and *West Orion* for Seadrill, as well as the *Noble Jim Day*, a semi-submersible converted from a bare-deck hull, for Noble Drilling.

The business also sold a CJ-70 harsh-environment jack-up rig to a subsidiary of Seadrill.

New rig orders clinched during the year included the building of two turnkey Pacific Class 400 jack-ups valued at up to US\$364 million from Atwood Oceanics Pacific, with options for three additional jack-up units; the construction of two turnkey Friede & Goldman JU2000E jack-ups worth US\$384 million for Seadrill, with options for four additional jack-up rigs; as well as the building of two turnkey premium Friede & Goldman JU3000N jack-up rigs valued at up to US\$400 million for a subsidiary of Noble Corporation, with options for another four jack-up units and a

US\$195 million turnkey jack-up rig for Transocean based on the Pacific Class 400 design.

In January 2011, Atwood Oceanics Pacific exercised the first of its three jack-up options granted in 2010 with delivery at the end of June 2013.

### Strategic milestones

In February, the business positioned itself for future sustainable growth by announcing its acquisition of land for the development of a new shipyard in Brazil to cater directly to one of the fastest growing offshore oil and gas exploration and production markets in the world. The business acquired 825,000 square metres of freehold land with 1.6 kilometres of coastline in the state of Espirito Santo, the second largest oil-producing state in Brazil, for this project. Located in the municipality of Aracruz, the site is strategically located close to the offshore Espirito Santo Basin, which is one of the recently discovered giant pre-salt oil basins of Brazil, making it an ideal location from which to support the country's oil and gas activities.

On completion, the shipyard will be equipped with state-of-the-art facilities for constructing drillships, building semi-submersible rigs, undertaking FPSO integration, fabricating topside modules and constructing platform supply vessels, in addition to the traditional activities of drilling rig repairs, ship repairs and modification works.

In Singapore, the business marked a major milestone in its growth and expansion strategy with the ground-breaking of its Integrated New Yard Facility at Tuas View Extension in June. As Singapore's first purpose-built, custom-designed integrated yard facility, the 206 hectare landmark development will further reinforce our Marine business' competitive edge through enhanced work-efficient processes as well as state-of-the-art facilities and equipment.

With its new technologies and optimised layout, the New Yard Facility will enable the business to benefit from resource optimisation and economies of scale through greater operational synergy, production efficiency and critical mass. This will enable it to provide customers enhanced services, faster turnaround time and more cost-competitive solutions.

Designed as a centralised and integrated 'one-stop solutions' hub for ship repair and conversion, shipbuilding, rig building and offshore engineering

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and construction, the New Yard Facility will be well-equipped to serve a wide range of vessels, including VLCCs, new generations of mega containerhips, LNG carriers and passenger ships, while meeting new regulatory and environmental standards.

The facility will be built in three phases over a period of six years. When fully completed it will increase the business' total dock capacity by 62% from 1.9 million deadweight tonnes to 3.1 million deadweight tonnes. Under the first phase of its development, 73.3 hectares will be developed for ship repair and ship conversion operations. This first phase featuring four drydocks with a total capacity of 1.6 million deadweight tonnes is scheduled for completion in 2013, with partial operations targeted to commence in the second half of 2012.

### Market Review and Outlook

Although global recovery has improved in the past months, recent events in the Middle East and North Africa may create uncertainties in the world economy which may have an impact on businesses.

Fundamentals for the oil and gas industry remain intact with oil prices expected to be sustained above US\$80 per barrel. Exploration and production (E&P) spending budgets continue to show positive development with oil companies reporting their intention to increase E&P spending further in 2011.

Given the ageing rig fleets and the increasing focus in the jack-up market on newer, safer and more efficient rigs, demand for premium and high-specification rigs is expected to remain strong. Since the fourth quarter of 2010, Sembcorp Marine has already secured eight firm orders for jack-up rigs amounting to S\$2.0 billion with options for another ten units.

While drilling activities in the Gulf of Mexico have slowed pending finalisation in deepwater drilling regulations, deepwater drilling activities for the rest of the world are nonetheless expected to increase. This optimism is reflected in the number of offshore newbuild orders secured since the last quarter of 2010, in particular for drillships by drilling contractors. With its proven track record in deepwater rigs, our Marine business will be well-positioned to meet the industry's most stringent operating requirements, capture new orders and grow its market share. Overall enquiries for this segment have improved, though competition remains keen.

Meanwhile, the ship repair market continues to improve with continued demand for bigger docks. The Marine business has secured several long-term contracts from its customers, particularly in the niche segments of the repair, upgrading and life extension of LNG carriers as well as passenger and cruise vessels. These long-term customers will continue to provide a stable baseload for the business' ship repair sector going forward.