GROUP REVIEW

Performance Scorecard *(S$ million)*

	2011	2010	Change (%)
Turnover	**9,047.1**	8,763.6	3
EBITDA	**1,335.9**	1,478.0	(10)
PFO	**1,271.7**	1,396.0	(9)
– EBIT	**1,101.1**	1,235.9	(11)
– Share of results: Associates & JVs, net of tax	**170.6**	160.1	7
PBT	**1,270.6**	1,367.3	(7)
Net profit	**809.3**	792.9	2
EPS *(cents)*	**45.3**	44.4	2
ROE *(%)*	**20.4**	22.2	(8)

Overview

Sembcorp delivered a strong performance in 2011. Our robust operating performance demonstrated the strength of our businesses. The Group's net profit attributable to shareholders of the company (net profit) in 2011 grew by 2% to S$809.3 million, while turnover was up 3% from S$8.8 billion in the previous year to S$9.0 billion.

Turnover

The Group achieved a turnover of S$9.0 billion, with the Utilities and Marine businesses contributing 98% of total turnover.

The Utilities business' turnover increased by 23%, mainly attributable to our Singapore operations where part of the revenue was indexed to higher High Sulphur Fuel Oil (HSFO) prices recorded during the year. Furthermore, we started receiving our second tranche of natural gas from West Natuna, Indonesia, in November 2011, further boosting revenue during the year.

The Marine business' 2011 turnover decreased by 13% to S$4.0 billion mainly due to lower revenue recognition from rig building projects, as well as the resumption of revenue recognition on delivery of *PetroRig III* semi-submersible rig and the sale of a CJ-70 harsh environment jack-up rig in 2010. This was partially offset by higher revenue recognition from ship conversion and offshore projects.

Net Profit

Group net profit in 2011 grew 2% from S$792.9 million to S$809.3 million, while profit from operations was S$1,271.7 million compared to S$1,396.0 million in the previous year.

Our Utilities business delivered robust profit growth in 2011, with net profit growing 32% to S$304.4 million. Record profits for the business were driven by good operating performance in Singapore, China and the Middle East & Africa. Marine's 2011 net profit contribution to the Group was S$456.2 million compared to S$524.9 million in 2010. The Marine business' net profit was lower mainly due to fewer jack-up and semi-submersible rig projects. The Integrated Urban Development business' higher net profit in 2011 was primarily due to higher land sales recognised.

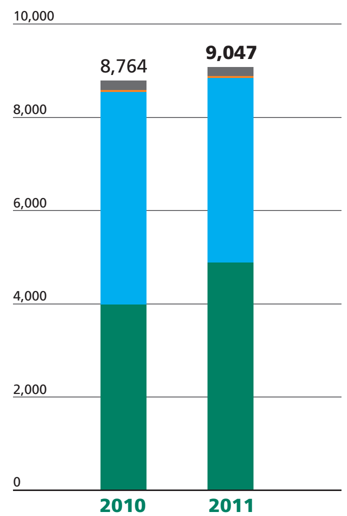
Cash Flow and Liquidity

As at December 31, 2011, the Group's cash and cash equivalents stood at S$3.0 billion.

Cash flows from operating activities before changes in working capital decreased from S$1,440.2 million in 2010 to S$1,380.8 million in 2011. Net cash inflow from operating activities for 2011 was S$975.0 million compared to S$1,702.4 million in 2010, mainly due to Marine's increase in working capital for the ongoing projects.

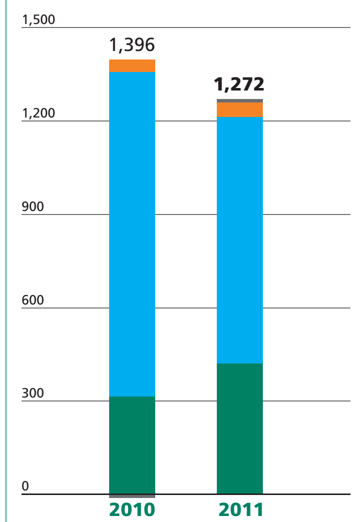
Turnover *(S$ million)*

	2010	2011
■ Utilities	3,993	**4,893**
■ Marine	4,554	**3,957**
■ Integrated Urban Development	16	**9**
■ Others / Corporate	201	**188**
	8,764	**9,047**



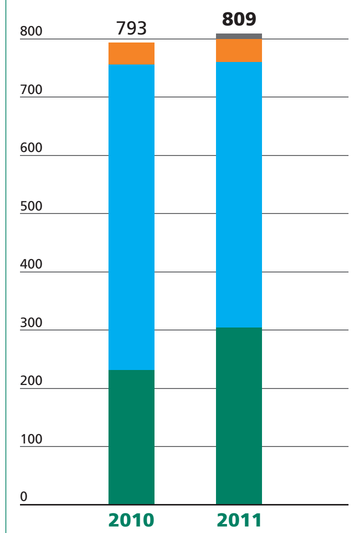
PFO *(S$ million)*

	2010	2011
■ Utilities	314	**421**
■ Marine	1,045	**793**
■ Integrated Urban Development	40	**46**
■ Others / Corporate	(3)	**12**
	1,396	**1,272**



Net Profit *(S$ million)*

	2010	2011
■ Utilities	231	**304**
■ Marine	525	**456**
■ Integrated Urban Development	37	**39**
■ Others / Corporate	–	**10**
	793	**809**



Net cash outflow for investing activities for 2011 was S$1,142.9 million. S$1,090.2 million was spent on purchase of property, plant and equipment and payment for intangible assets and S$197.6 million was used for equity interests into associates and joint ventures. The above cash outflows were partially offset by dividends and interest received of S$140.4 million.

Net cash outflow from financing activities for 2011 was S$323.5 million, mainly related to dividends and interest paid and purchase of treasury shares, partially offset by net proceeds from borrowings.

Financial Position

Group shareholders' funds increased from S$3.8 billion as at December 31, 2010 to S$4.1 billion as at December 31, 2011.

Non-current assets increased primarily due to higher capital work-in-progress mainly for Utilities and Marine projects. Trade and other receivables and trade and other payables increased in line with turnover. Tax recoverable decreased mainly due to receipt of tax refunds from the Inland Revenue Authority of Singapore. Cash and cash equivalents decreased mainly as a result of payment of dividends and funding for capital expenditure. Interest-bearing borrowings increased due to increased bank borrowings from the drawdown of project finance debts.

Shareholder Returns

Return on equity (ROE) for the Group was a healthy 20.4% in 2011 and earnings per share (EPS) increased to 45.3 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 an ordinary dividend of 15.0 cents and a bonus dividend of 2.0 cents, has been proposed for the financial year ended December 31, 2011.

Economic Value Added

The Group generated positive economic value added (EVA) of S$728.2 million in 2011.

Our net operating profit after tax for 2011 amounted to S$1.2 billion while capital charges increased to S$479.1 million, mainly due to a higher capital base.

Value Added and Productivity Data

In 2011, the Group's total value added was S$2.4 billion. This was absorbed by employees in wages, salaries and benefits of S$739.2 million, by governments in income and other taxes of S$188.3 million and by providers of capital in interest and dividends of S$369.7 million, leaving a balance of S$1.1 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, 2011, the Group adopted the following new / amended FRSs and Interpretations of Financial Reporting Standards (INT FRS):

Amendments to FRS 24	Related Party Disclosures
Amendments to FRS 32	Financial Instruments: Presentation – Classification of Rights Issues
Amendments to FRS 103	Business Combinations
Amendments to INT FRS 114	Prepayments of a Minimum Funding Requirement
INT FRS 115	Agreements for the Construction of Real Estate
INT FRS 119	Extinguishing Financial Liabilities with Equity Instruments
Improvements to FRS 2010	

The adoption of the FRSs (including consequential amendments) does not have any significant impact on the Group's financial statements.

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 businesses within the Group, where appropriate.

SFS also actively manages the cash within the Group by taking in surplus funds from businesses 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 track 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$2.0 billion medium-term note programme, the Group's total funded facilities as at end 2011

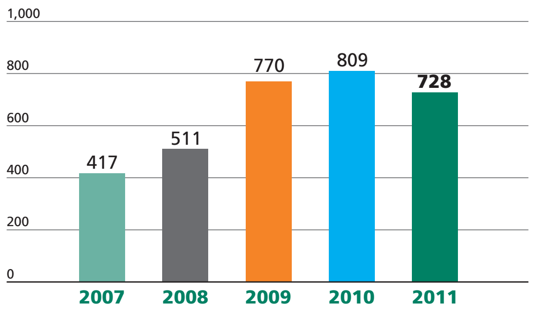
Economic Value Added *(S$ million)*

	Note	2011	2010
Net operating profit before income tax expense		**1,100**	1,207
Adjust for			
Share of associates' and joint ventures' profits		**206**	192
Interest expense	1	**69**	58
Others	2	**(7)**	(3)
Adjusted profit before interest and tax		**1,368**	1,454
Cash operating taxes	3	**(161)**	(245)
Net operating profit after tax (NOPAT)		**1,207**	1,209
Average capital employed	4	**8,120**	6,774
Weighted average cost of capital *(%)*	5	**5.9**	5.9
Capital charge		**479**	400
Economic value added (EVA)		**728**	809
Non-controlling share of EVA		**(256)**	(314)
EVA attributable to shareholders		**472**	495
Less: Unusual items (UI) gains	6	**–**	–
EVA attributable to shareholders (excluding UI)		**472**	495

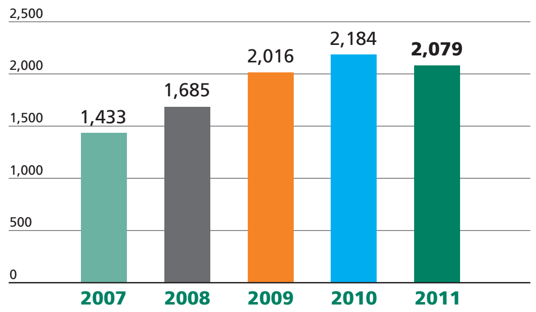
Notes:

1. *Interest expense includes imputed interest on present value of operating leases and capitalised interest charged to income statement upon disposal of the assets.*
2. *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.*
3. *The reported current tax is adjusted for the statutory tax impact of interest expense.*
4. *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.*
5. *The weighted average cost of capital is calculated in accordance with the Sembcorp Group EVA Policy as follows:*
   i. *Cost of equity using capital asset pricing model with market risk premium at 5.0% (2010: 6.0%);*
   ii. *Risk-free rate of 2.69% (2010: 2.61%) based on yield-to-maturity of Singapore Government 10-year Bonds;*
   iii. *Ungeared beta ranging from 0.5 to 1.0 (2010: 0.5 to 1.0) based on Sembcorp Industries' risk categorisation; and*
   iv. *Cost of debt rate at 2.63% (2010: 4.15%).*
6. *Unusual items (UI) refer to gain / loss on divestment of subsidiaries, associates, joint ventures, long-term investments and disposal of major property, plant and equipment.*

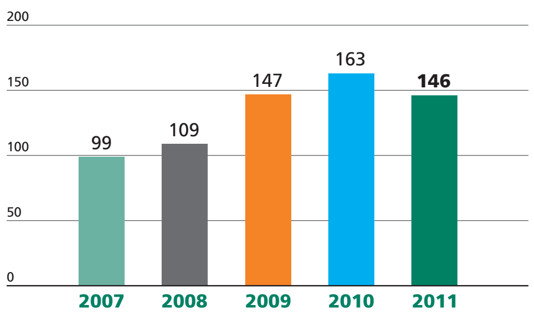
Economic Value Added *(S$ million)*



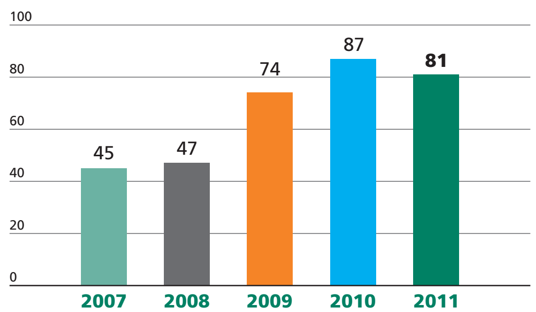
Gross Value Added *(S$ million)*



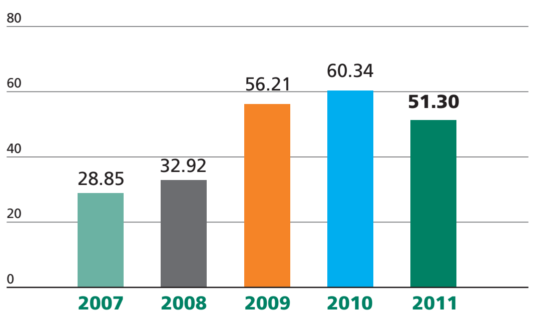
Value Added Per Employee *(S$'000)*



Profit After Tax Per Employee *(S$'000)*



Economic Value Added Per Employee *(S$'000)*



amounted to S$8.2 billion (2010: S$7.6 billion), with unfunded facilities standing at S$2.0 billion (2010: S$1.9 billion).

Borrowings

In 2011, SFS signed a S$520.0 million bank loan comprising a S$230.0 million loan maturing in September 2017 and a S$290.0 million loan maturing in September 2020. The Group aims to term out the loans such that their maturity profile mirrors the life of our core assets, while we continue our focus on maintaining adequate liquidity for the Group's businesses.

We continue to build on our banking relationships to ensure that we are able to secure funding on competitive terms as and when commercially viable and strategically attractive opportunities arise.

Value Added Statement *(S$ million)*

	2011	2010	2009	2008	2007
Value added from					
Turnover	**9,047**	8,764	9,572	9,928	8,619
Less: Bought in materials and services	**(6,968)**	(6,580)	(7,556)	(8,243)	(7,186)
Gross value added	**2,079**	2,184	2,016	1,685	1,433
Investment, interest and other income	**147**	168	125	154	461
Share of associates' profit	**114**	109	65	91	114
Share of joint ventures' profit	**92**	83	71	49	60
Other non-operating expenses	**(53)**	(91)	(59)	(145)	(348)
	2,379	2,453	2,218	1,834	1,720
Distribution					
To employees in wages, salaries and benefits	**739**	725	710	682	636
To government in income and other taxes	**188**	249	243	170	186
To providers of capital on:					
Interest paid on borrowings	**66**	61	41	44	54
Dividends to shareholders	**304**	268	196	267	498
	1,297	1,303	1,190	1,163	1,374
Retained in business					
Depreciation and amortisation	**235**	242	200	195	185
Retained profits	**505**	525	487	240	28
Non-controlling interests	**337**	380	333	224	125
	1,077	1,147	1,020	659	338
Other non-operating expenses	**5**	3	8	12	8
	1,082	1,150	1,028	671	346
Total distribution	**2,379**	2,453	2,218	1,834	1,720

Productivity Data

	2011	2010	2009	2008	2007
Average staff strength	**14,194**	13,415	13,707	15,512	14,453
Employment costs *(S$ million)*	**739**	725	710	682	636
Sales per employee *(S$'000)*	**637**	653	698	640	596
Profit after tax per employee *(S$'000)*	**81**	87	74	47	45
Economic value added *(S$ million)*	**728**	809	770	511	417
Economic value added spread *(%)*	**9.0**	11.9	14.3	9.4	8.1
Economic value added per employee *(S$'000)*	**51.30**	60.34	56.21	32.92	28.85
Value added *(S$ million)*	**2,079**	2,184	2,016	1,685	1,433
Value added per employee *(S$'000)*	**146**	163	147	109	99
Value added per dollar employment costs *(S$)*	**2.81**	3.01	2.84	2.47	2.25
Value added per dollar investment in property, plant and equipment *(S$)*	**0.33**	0.40	0.47	0.43	0.36
Value added per dollar sales *(S$)*	**0.23**	0.25	0.21	0.17	0.17

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. Of the overall debt portfolio, 83% (2010: 79%) constituted fixed rate debts which were not exposed to interest rate fluctuations.

As at December 31, 2011, gross borrowings amounted to S$2.2 billion (2010: S$1.7 billion) which was higher than last year. The incremental borrowings were mainly due to drawdown of project finance loans, which were funded at relatively higher interest rates, to fund the construction of our power and water plant in Oman. As a result, Group borrowings and interest expense were slightly higher in 2011 as compared to 2010. The weighted average cost of funding in 2011 was 5.09% (2010: 5.06%) while the interest cover ratio remained in a healthy range of 20.3 times in 2011 (2010: 24.2 times). The lower interest cover ratio in 2011 was due to the combination of lower EBITDA and slightly higher interest expense as compared to 2010.

As the Group strives to grow, the Group's interest expense is expected to increase along with higher borrowings to fund its growth strategy.

Financing & Treasury Highlights *(S$ million)*

	2011	2010	2009
Source of Funding			
Cash and cash equivalents	**2,995**	3,488	2,598
Funded bank facilities and capital markets			
Uncommitted facilities available for drawdown	**4,571**	4,415	3,753
Committed facilities available for drawdown	**3,601**	3,224	2,918
Total funded facilities	**8,172**	7,639	6,671
Less: Amount drawn down	**(2,184)**	(1,743)	(968)
Unutilised funded facilities available	**5,988**	5,896	5,703
Unfunded bank facilities			
Unfunded facilities available for drawdown	**1,978**	1,911	1,942
Less: Amount drawn down	**(773)**	(551)	(911)
Unutilised unfunded facilities available	**1,205**	1,360	1,031
Total unutilised funded and unfunded facilities	**7,193**	7,256	6,734
Funding Profile			
Maturity profile			
Due within one year	**188**	50	287
Due between one to five years	**757**	587	546
Due after five years	**1,239**	1,106	135
	2,184	1,743	968
Debt mix			
Fixed rate debt	**1,818**	1,374	871
Floating rate debt	**366**	369	97
	2,184	1,743	968
Currency denomination of debt			
SGD	**757**	765	627
USD	**795**	388	61
GBP	**272**	287	154
OMR	**241**	172	82
RMB	**100**	109	44
Others	**19**	22	–
	2,184	1,743	968

GROUP REVIEW

Financing & Treasury Highlights *(S$ million)*

	2011	2010	2009
Debt Ratios			
Interest cover ratio			
Earnings before interest, tax, depreciation and amortisation	**1,336**	1,478	1,316
Interest on borrowings	**66**	61	41
Interest cover *(times)*	**20.3**	24.2	31.9
Debt / equity ratio			
Non-recourse project financing	**1,024**	581	307
Long-term debt	**1,013**	1,132	430
Short-term debt	**147**	30	231
	2,184	1,743	968
Less: Cash and cash equivalents	**(2,995)**	(3,488)	(2,598)
Net debt / (cash)	**(811)**	(1,745)	(1,630)
Net debt / (cash) excluding project financing	**(1,799)**	(2,282)	(1,752)
Net gearing including and excluding project financing *(times)*	**Net cash**	Net cash	Net cash
Average cost of funds *(%)*	**5.09**	5.06	4.14

Sembcorp's cogeneration plant in Shanghai, China