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COMPANY OVERVIEW

Sembcorp's aim is to provide shareholder value by focusing on businesses that deliver recurring earnings and have the ability to sustain growth over the long term.

Business Description

Sembcorp Industries is a Singapore-listed company with assets totalling more than S$11 billion. The Group is primarily involved in the following businesses:

- Utilities
- Marine
- Integrated Urban Development

The **Utilities** business provides energy and water to industrial and municipal customers. It operates in 14 countries with an established presence in Asia and a strong growing presence in emerging markets around the world. Key activities in the energy sector include power generation and retail, process steam production and supply, as well as natural gas import, supply and retail. In the water sector, the business offers wastewater treatment, as well as the production and supply of reclaimed, desalinated and potable water as well as water for industrial use. Together with energy and water, the business also offers on-site logistics as part of a bundled offer to industrial customers, as well as solid waste management in Singapore, Australia and India.

The **Marine** business has a strong global reputation and 49 years' proven track record in providing integrated solutions in ship repair, shipbuilding, ship conversion, rig building and offshore engineering and construction, including topsides fabrication. Its global network of shipyards spans Singapore, Brazil, China, Indonesia, India and the USA.

The **Integrated Urban Development** (formerly known as Industrial Parks) business owns, develops, markets and manages integrated urban developments comprising industrial parks as well as business, commercial and residential space in Vietnam, China and Indonesia. The business offers an integrated approach to delivering urban work and living environments that will attract local and international investments. With a track record of more than 20 years undertaking master planning, land preparation and infrastructure development, and transforming raw land into large scale urban developments, the business stands in good stead to capitalise on urbanisation trends in developing countries.

Objective & Strategies

Sembcorp's aim is to provide shareholder value by focusing on businesses that deliver recurring earnings and have the ability to sustain growth over the long term. The Group pursues five strategic directions:

Focus on key businesses

Sembcorp maintains a focus on our key energy, water, marine and integrated urban development businesses, which offer strong fundamentals. Coupled with our solid operational and management capabilities and a disciplined approach towards investment, we believe that focusing on our key businesses will enable us to continue delivering long-term value to our shareholders.

Build upon business models

Sembcorp has developed and will continue to build on strong business models in each of our businesses.

Our Utilities business has established itself as a leading energy and water player. We have a strong track record in supplying power, steam and natural gas to industrial customers and to the grid, and are a trusted provider of total water and wastewater solutions to both industries and households.

Leveraging on our expertise in energy and water, we have established a niche as a global leader for the provision of energy, water and on-site logistics to customers in energy-intensive industrial sites. We also have a proven track record as a developer, owner and operator of large scale combined power and water plants.

Meanwhile, our Marine business has built up a global brand name with a comprehensive range of capabilities encompassing various segments of the value chain in the global marine and offshore industry. Its orderbook provides earnings visibility while long-term strategic alliances with international ship operators provide a steady and growing baseload in ship repair.

Our Integrated Urban Development unit takes an integrated approach to the development of urban work and living environments. Its early involvement in the development of industrial, residential, business and commercial areas also provides potential opportunities for the provision of utilities and other urban solutions.

Leverage capabilities for growth

Sembcorp believes that only businesses with clear competitive edge and leading market positions can deliver sustainable growth. To this end, we continue to leverage the unique capabilities and processes we have built up in each of our businesses, harnessing technology and innovation to further enhance our competitive advantage.

Our businesses operate in synergy and build upon each business' established relationships and successes. With this integrated approach to business, we are able to tap on the strengths of our various businesses to enhance the Group's competitive position. We apply this strength in integration to our new acquisitions, successfully integrating them within the Group to reap the benefits of mergers and acquisitions and provide even more value for our customers and shareholders.

In our energy business, we apply technologies for greater efficiency and lower emissions, such as combined cycle gas turbine, cogeneration and combined power and desalination technologies. We have also developed distinctive capabilities as operators of reliable and efficient water facilities serving both industrial customers as well as households. Our niche expertise in industrial water solutions includes applying energy-efficient and environmentally-friendly technologies for the treatment of complex high concentration wastewater from multiple sources, as well as the production of water through desalination and water reclamation. We also provide essential municipal water services to over five million people worldwide.

Meanwhile, our Marine business' proprietary technologies and designs for rigs, drillships and vessels allow us to serve our customers with technologically-advanced solutions. Our trusted brand name and reputation for quality and on-time delivery also strengthen our position as one of the leading players in the global market.

Our Integrated Urban Development business' integrated approach to designing self-sufficient urban developments, featuring world-class industrial, business, commercial and residential space, demonstrates capabilities which offer us a competitive advantage. This includes the business' credibility and track record in the development of raw land, including master planning, land preparation and infrastructure development, and the ability to extract further value by undertaking the selective development of commercial and residential real estate at choice sites.

With industrialisation and urbanisation, the world's demand for energy, water and other urban solutions continues to grow. As a provider of these essential solutions, Sembcorp is well-positioned with the right businesses and in the right places to benefit from these growth trends and seize opportunities in growing markets.

COMPANY OVERVIEW

Develop new income streams

Sembcorp is committed to developing our core businesses to generate new income streams. We seek to expand in tandem with demand through strategic partnerships with our customers, providing essential solutions to meet their needs. We also look to new markets where there is a demand for our services. To provide a platform for future growth, we continue to identify and develop a pipeline of greenfield and brownfield investments. Applying a disciplined approach, we aim to build leading positions in growth markets through selective acquisitions and partnerships. To support the world's continued development amidst rising urbanisation and population growth, we also actively invest in sustainability and green business lines which will give us an edge in an increasingly resource-scarce world.

Build on strong brand name

At Sembcorp, we aim to capitalise on the strength and reliability associated with our brand. Through understanding the needs of our customers and leveraging on group strength and sector expertise, we deliver solutions that enable them to do business better and enhance the quality of life.

Sembcorp's combined power and desalination plant in Fujairah, UAE

GROUP STRUCTURE

SEMBCORP INDUSTRIES

UTILITIES

Sembcorp Utilities	**100%**
SINGAPORE	
Sembcorp Cogen	100%
Sembcorp Power	100%
Sembcorp Gas	70%
Sakra Island Carbon Dioxide	30%
Sembcorp NEWater	100%
CHINA	
Sembcorp Utilities Investment Management (Shanghai)	100%
Sembcorp (China) Holding Co	100%
Shanghai Cao Jing Co-generation Co	30%
Sembcorp Nanjing SUIWU Co	95%
Sembcorp NCIP Water Co	95%
Zhangjiagang Free Trade Zone Sembcorp Water Co	80%
Zhangjiagang Free Trade Zone Sembcorp Water Recycling Co	80%
Yancheng China Water Co	48.2%
Sembcorp Tianjin Lingang Industrial Area Wastewater Treatment Co	90%
Sembcorp Sanhe Yanjiao Water Co	92.7%
Shenyang Sembcorp Water Co	80%
Sembcorp Xinmin Water Co	89.4%
Qitaihe Sembcorp Water Co	89.4%
Sembcorp Qinzhou Water Co	80%
Fuzhou Sembcorp Water Co	70.8%
Zhumadian China Water Co	50.1%
INDIA	
Thermal Powertech Corporation India	49%
Sembcorp Gayatri O&M Co	70%
Sembcorp Utilities India	100%
INDONESIA	
PT Adhya Tirta Batam	49.2%
PT Adhya Tirta Sriwijaya	39.3%
PHILIPPINES	
Subic Water and Sewerage Co	29.5%
VIETNAM	
Phu My 3 BOT Power Co	33.3%
OMAN	
Sembcorp Salalah Power and Water Co	60%
Sembcorp Salalah O&M Services Co	70%
UAE	
Emirates Sembcorp Water & Power Co	40%
Sembcorp Gulf O&M Co	100%
SOUTH AFRICA	
Sembcorp Silulumanzi	98.3%
Sembcorp Siza Water	72.2%
UK	
Sembcorp Utilities (UK)	100%
Sembcorp Bournemouth Water	98.3%
ANTIGUA	
Sembcorp (Antigua) Water	98.3%
BONAIRE & CURAÇAO	
Sembcorp St Maarten Water	98.3%
CHILE	
Sembcorp Aguas Chacabuco	98.3%
Sembcorp Aguas Del Norte	98.3%
Sembcorp Aguas Lampa	98.3%
Sembcorp Aguas Santiago	98.3%
PANAMA	
Aguas de Panama	98.3%
Sembcorp Environment	**100%**
SINGAPORE	
SembWaste	100%
Sembcorp Tay Paper Recycling	60%
AUSTRALIA	
SembSita Australia	40%
INDIA	
SembRamky Environmental Management	51%

MARINE

Sembcorp Marine	**60.60%**
SINGAPORE	
Jurong Shipyard	100%
Sembawang Shipyard	100%
PPL Shipyard	85%
SMOE	100%
Jurong SML	100%
Sembcorp Marine Technology	100%
BRAZIL	
Estaleiro Jurong Aracruz	100%
Jurong do Brasil Prestação de Serviços	100%
CHINA	
COSCO Shipyard Group	30%
Shenzhen Chiwan Offshore Petroleum Equipment Repair & Manufacture Co	35%
INDONESIA	
PT SMOE Indonesia	90%
PT Karimun Sembawang Shipyard	100%
INDIA	
SembMarine Kakinada	40%
USA	
Sembcorp-Sabine Shipyard	100%

INTEGRATED URBAN DEVELOPMENT

Sembcorp Development#	**100%**
VIETNAM	
Vietnam Singapore Industrial Park JV Co	40.4%
Vietnam Singapore Industrial Park & Township Development Joint Stock Co	40.3%
VSIP Bac Ninh Co	40.3%
VSIP Hai Phong Co	40.3%
CHINA	
Wuxi-Singapore Industrial Park Development Co	45.4%
Sino-Singapore Nanjing Eco Hi-tech Island Development Co	21.5%
SINGAPORE	
Gallant Venture	23.9%
Singapore-Sichuan Investment Holdings	50%
Sembcorp Parks Management	**56%**

OTHER BUSINESSES

Sembcorp Design and Construction	**100%**
Shenzhen Chiwan Sembawang Engineering Co	**32%**
Singapore Precision Industries / Singapore Mint	**100%**

This list of companies is not exhaustive.

The Utilities business also includes the SUT and PPU divisions of Sembcorp Industries.

Figures reflect shareholdings as at March 8, 2012.

 # Sembcorp Industrial Parks was renamed Sembcorp Development with effect from March 8, 2012.

Shareholdings of companies listed under Sembcorp Utilities, Sembcorp Environment, Sembcorp Marine and Sembcorp Development reflect stakes held by the above entities.

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.

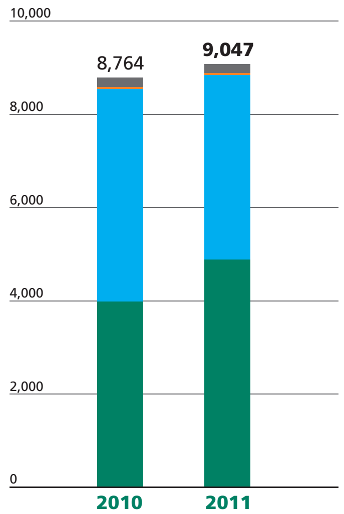
Cash Flow and Liquidity

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.

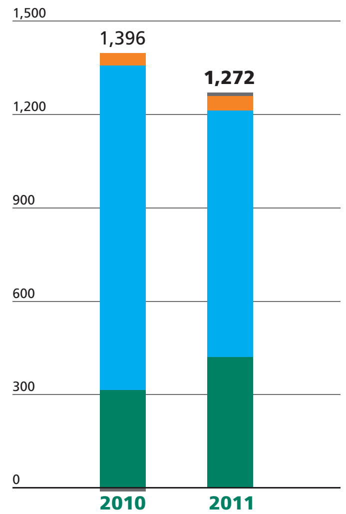
Turnover *(S$ million)*

	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**



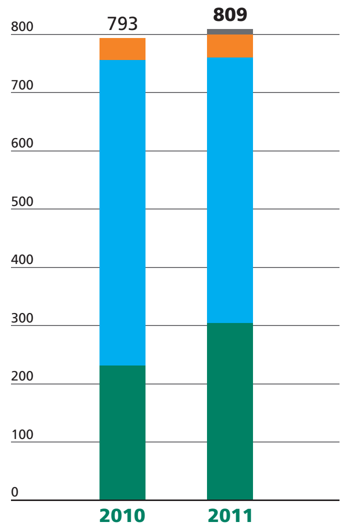
PFO *(S$ million)*

	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

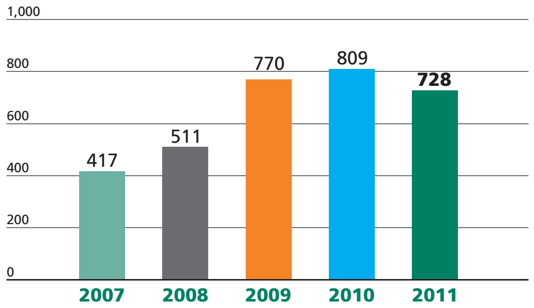
Economic Value Added *(S$ million)*

	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

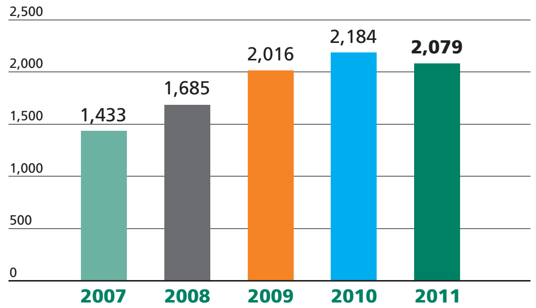
Notes:

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.*

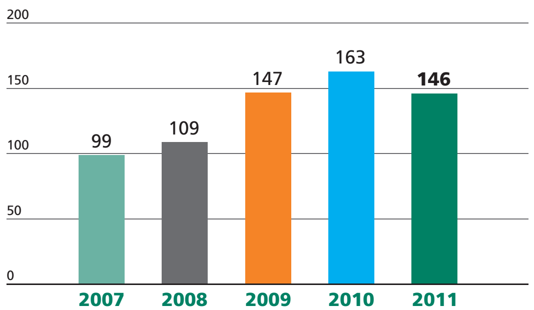
Economic Value Added *(S$ million)*



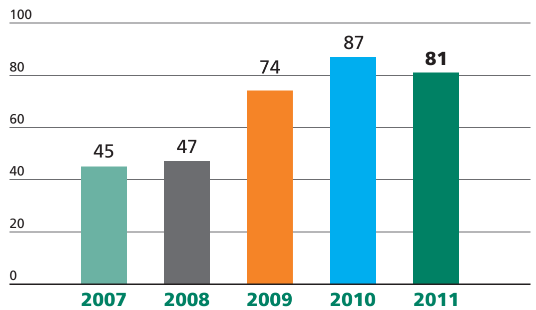
Gross Value Added *(S$ million)*



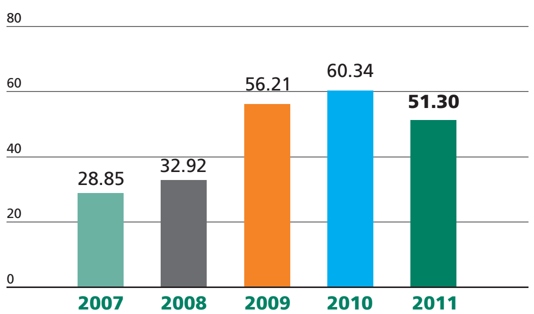
Value Added Per Employee *(S$'000)*



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

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

Sembcorp's facilities on Jurong Island, Singapore

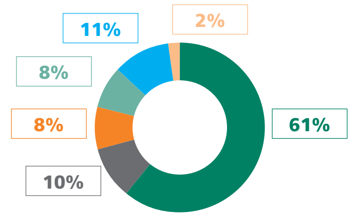
UTILITIES REVIEW

Performance Scorecard *(S$ million)*

	2011	2010	Change (%)
Turnover	**4,937.4**	4,031.8	22
EBITDA	**497.4**	395.3	26
PFO	**420.8**	313.5	34
– EBIT	**355.7**	244.0	46
– Share of results: Associates & JVs, net of tax	**65.1**	69.5	(6)
Net profit	**304.4**	231.3	32
ROE *(%)*	**18.9**	15.8	20

PFO by Geography

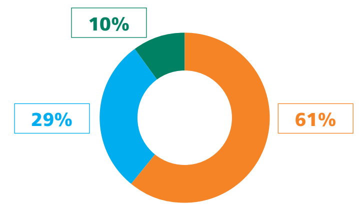
- Singapore
- China
- Rest of Asia & Australia
- Middle East & Africa
- UK
- The Americas



Note: PFO excluding contribution from 'Corporate'

PFO by Segment

- Energy
- Water
- On-site Logistics & Solid Waste Management



Note: PFO excluding contribution from 'Corporate'

Key Developments

- Commenced construction of our new combined cycle gas turbine cogeneration plant and integrated industrial wastewater treatment plant in the new growth area of Jurong Island
- Completed the first phase of our US$1 billion Salalah Independent Water and Power Plant in Oman on schedule, meeting the tight project timeline
- Completed the acquisition of our 49% stake in Thermal Powertech Corporation India with the injection of the first tranche of equity
- Opened our first water reclamation plant in China, an award-winning plant capable of producing 20,000 cubic metres per day of industrial water and up to 4,000 cubic metres per day of demineralised water in the Zhangjiagang Free Trade Port Zone
- Successfully completed the integration of Cascal operations into the Group

Competitive Edge

- A leading developer, owner and operator of energy and water assets with strong operational and technical capabilities
- A global leader in the provision of energy, water and on-site logistics to multiple customers in energy intensive clusters
- Ability to produce energy from a diversity of fuels including natural gas, coal and renewable sources
- Expertise in providing total water solutions for industrial and municipal sectors including the treatment of multiple streams of high concentration industrial wastewater as well as large scale desalination and water reclamation
- Proven track record in identifying, securing, financing and executing greenfield and brownfield projects

Operations Review

The Utilities business delivered strong profit growth in 2011. We recorded a 22% increase in turnover from S$4.0 billion a year ago to S$4.9 billion and grew our net profit attributable to shareholders (net profit) by 32% from S$231.3 million to a record S$304.4 million. Profit from operations (PFO) increased 34% from S$313.5 million to S$420.8 million. Singapore operations performed exceptionally well, with PFO growing 31% and contributing 61% of the business' PFO during the year under review. Operations outside Singapore contributed 39% of the PFO, with China and the Middle East & Africa registering the strongest growth at 53% and 51% respectively. Total contracts secured from the industrial sector during the year amounted to S$1.7 billion, comprising primarily new gas contracts secured in Singapore.

In April 2011, we were named the Water Company of the Year at Global Water Intelligence's 2011 Global Water Awards. This top honour at the prestigious Global Water Awards recognises the water company that has made "the most significant contribution to the development of the international water sector in 2010". Besides clinching the top honour, our Salalah Independent Water and Power Plant (IWPP) in Oman won the Desalination Deal of the Year award, in recognition of its "financial innovation or in meeting the demands of challenging circumstances". Despite the deal coming at the tail end of the financial crisis, the project's financing team nevertheless secured funding support at a competitive cost. Both these awards attest to our growing standing as a trusted global water services provider.

During the year, we also successfully integrated the operations of Cascal into Sembcorp, following our acquisition of the municipal water and wastewater service provider in 2010. Fully integrated into the Group, its operations performed well in 2011 with its maiden full year contribution boosting our Utilities performance. The success of this acquisition demonstrates Sembcorp's capabilities in executing and extracting value from acquisitions. We were not only able to successfully identify a suitable acquisition target that complemented Sembcorp's existing business, but we were also able to smoothly integrate 18 municipal water operations across eight countries into the Group. The integration also involved the rationalisation and streamlining of operations, alignment of systems, processes and policies as well as the establishment of a unified organisation-wide branding.

Singapore

Sembcorp's Singapore operations delivered strong PFO growth in 2011. Our Singapore operations' 31% increase in PFO to S$258.6 million was driven primarily by strong performance from our cogeneration plant due to high energy prices during the period.

During the year, our multi-utilities operations on Jurong Island performed well and continued to provide its petrochemical customers on the island with reliable utilities, maintaining an average of 97% availability and 100% reliability. To further enhance our competitiveness on Jurong Island, we completed a woodchip-fuelled biomass steam production plant, with a steam capacity of 20 tonnes per hour, in November 2011. Leveraging synergy across our businesses, the biomass plant uses waste wood collected and processed by our solid waste management business to generate efficient green steam for our customers on the island. In November 2011, we also started receiving the second tranche of natural gas from West Natuna, Indonesia. This second gas sales agreement is for a total of 90 billion British thermal units per day and increases our existing supply by 26%. In 2011, a total of S$1.6 billion worth of new and renewed utilities and gas contracts were secured. In addition, our solid waste management business also secured a new S$121 million contract in July 2011 to serve the Bedok sector in Singapore. The seven-year contract, which began in November 2011, entails the provision of refuse collection and recycling services. With this contract, Sembcorp now serves five out of nine geographical sectors in Singapore.

In 2011, our expansion projects in the new growth area of Jurong Island continued to make good progress. We commenced construction of our new combined cycle gas turbine cogeneration plant, our second on Jurong Island, in the second half of 2011. With a capacity of 400 megawatts of power and 200 tonnes per hour of process steam in the initial phase, the plant is expected to be completed by the fourth quarter of 2013. Construction of our new 9,600 cubic metres per day integrated industrial wastewater treatment plant also commenced in 2011. Expected to begin operations in the second half of 2012, the plant will be capable of treating high concentration industrial wastewater with chemical oxygen demand of up to 800 milligrammes per litre, which is two times the concentration of municipal sewage. Once operational, Sembcorp's industrial wastewater treatment capacity will more than double. At the same time, we are also developing a new multi-utilities facility in the area, expected to be completed by the fourth quarter of 2013. As a provider of third-party open access service corridor networks across the island, we also continued to extend our service corridor network to the new growth area, connecting customers located there to the rest of Jurong Island. These new facilities in the Banyan and Angsana districts of Jurong Island will serve the energy and water needs of our customers as well as other companies in the new area, reinforcing our market position as a global leader in the provision of energy, water and on-site logistics to multiple customers in energy intensive clusters.

China

Our operations in China continued to deliver a strong performance in 2011, contributing S$41.2 million of PFO, an increase of 53% over 2010. This growth was largely underpinned by better performance from our cogeneration plant in Shanghai due to higher electricity tariffs, full year contribution from our municipal water business as well as higher customer demand. In 2011, volume demand from our existing customers grew, with volume demand for industrial wastewater treatment, industrial water and municipal water growing approximately 20%, 30% and 12% respectively over the previous year. Our China operations also secured a total of S$63 million of new and renewed contracts in 2011.

During the year, we continued to expand our facilities and grow our water and wastewater capabilities in various targeted industrial sites. In Zhangjiagang, we opened our first water reclamation plant in China, capable of producing 20,000 cubic metres per day of industrial water and up to 4,000 cubic metres per day of demineralised water for supply to customers in the Zhangjiagang Free Trade Port Zone. This award-winning facility is able to produce industrial water using treated effluent from Sembcorp's existing centralised industrial wastewater treatment plant in the zone, thereby promoting water reuse and environmental conservation. In Nanjing, we expanded our industrial water capacity output by 20% to 120,000 cubic metres per day, while in Qinzhou we completed our 15,000 cubic metres per day industrial wastewater treatment plant in the Qinzhou Port Economic & Technological Development Zone.

Focusing on industrial sites and the water-stressed regions of China, and leveraging our extended presence through our newly-acquired municipal operations from Cascal, we also signed several letters of intent and memoranda of understanding during the year to explore opportunities to expand our water and multi-utilities business in the provinces of Liaoning, Jiangsu, Shandong, Inner Mongolia, Hebei, Tianjin and Heilongjiang.

Rest of Asia & Australia

PFO from Rest of Asia and Australia declined 24% in 2011 to S$34.2 million due to one-off integration costs and purchase price allocation adjustments relating to the acquisition of WSN Environmental Solutions (WSN) in Australia as well as lower contribution from our Phu My 3 power plant in Vietnam, which was impacted by lower tariffs and the depreciation of the US dollar.

Looking to expand our reach in Vietnam, we signed a memorandum of understanding with the People's Committee of Quang Ngai Province in January 2012 to explore the feasibility of developing a 1,200-megawatt coal-fired power plant in Dung Quat Economic Zone, located in central Vietnam's Quang Ngai province. Meanwhile, in India, we made progress on our first investment in the fast-growing Indian energy market. In February 2011, we injected the first tranche of equity for our 49% stake in Thermal Powertech Corporation India. The total consideration that will be injected by Sembcorp for the entire 49% stake is Rs1,042 crores (S$293 million). In the same month, we commenced construction of the 1,320-megawatt coal-fired power plant in Krishnapatnam, Nellore District, Andhra Pradesh. Construction has been progressing well and full commercial operation is expected to begin in 2014.

In Australia, our solid waste management associate, SembSITA Australia, strengthened its leading position with the completion of the A$235 million acquisition of WSN, a solid waste management service provider previously owned by the New South Wales government, in January 2011. Adding over 90 facilities and service centres nationwide, SembSITA is now the second largest waste management operator in Australia and the largest in the state of New South Wales.

Middle East & Africa

PFO from the Middle East and Africa grew 51% from S$21.7 million to S$32.9 million. In the UAE, our Fujairah 1 Independent Water and Power Plant continued to deliver good operating performance, underpinned by its long-term purchase agreement with Abu Dhabi Water & Electricity Company.

In Oman, a significant milestone was achieved when we successfully completed the first phase of our US$1 billion Salalah IWPP in July 2011. The facility met the tight timeline of 19 months from the signing of the power and water purchase agreement and began dispatching 61 megawatts of net power, on schedule, to the Dhofar power grid in southern Oman. Targeted to commence full commercial operations in the second quarter of 2012, the plant will have a total gross power capacity of 490 megawatts and will produce 15 million imperial gallons (69,000 cubic metres) per day of water. Set to be the most energy-efficient power and water plant in Dhofar, this project will enhance our Middle East portfolio and play a major role in meeting the region's pressing power and water needs.

In South Africa, in recognition of our continuing efforts to provide water and sanitation services of the highest quality to our customers, both our municipal operations, Sembcorp Silulumanzi and Sembcorp Siza Water, received the prestigious Blue Drop and Green Drop status for some of its water and wastewater systems in 2011.

UK & The Americas

PFO from the UK improved 46% from S$30.8 million to S$45.0 million largely due to the full year contribution of our municipal water business and a reduction in the UK tax rate from 27% to 25%. Our municipal water operations in Bournemouth delivered a healthy performance during the year, while contribution from our Teesside operations declined marginally compared to the previous year as the business continued to face a challenging operating environment with low power spreads and carbon prices.

In Bournemouth, new tariffs were effected for our municipal operations according to the five-year tariff schedule set during its 2010 tariff review with the UK water services regulator, Ofwat. In Teesside, our 52-megawatt steam condensing turbine project was completed in the fourth quarter of 2011 and commenced dispatching power to the grid in February 2012. Modification works to our biomass plant were also completed to increase heat recovery and enhance our green income from renewable obligation certificates.

Meanwhile, PFO from the Americas, comprising Chile, Panama and the Caribbean, grew from S$2.3 million to S$10.1 million due to full year contribution from the region as well as a one-off adjustment from the change in accounting treatment for a service concession arrangement in Chile.

Market Review and Outlook

In January 2012, the World Bank reduced its forecast for global economic growth in 2012 to 2.5% from 3.6% in its earlier forecasts in June 2011, and cautioned that the financial turmoil generated by the intensification of the fiscal crisis in Europe has spread to both developing and high-income countries and is generating significant headwinds[1]. Growth in the high-income economies is expected to be subdued at 1.4%, with the Eurozone countries expected to contract by 0.3%. Developing countries are still expected to grow, albeit at a slower pace of 5.4% compared to 6.2% previously.

In Singapore, the government expects 2012 Gross Domestic Product growth to be in the range of 1% to 3%, compared to 2011's growth of 4.8%. Singapore's Economic Development Board reported that total fixed asset investment commitments increased from S$12.9 billion in 2010 to S$13.7 billion in 2011 despite economic uncertainties during the second half of the year. After the electronics sector, the chemical sector received the next largest investment commitment at S$2.5 billion. The Economic Development Board is cautiously optimistic about the investment climate in 2012, but expects investment commitments in 2012 to be sustained at 2011's level, citing that investment interest in Asia remains healthy in spite of the uncertainties in the global economy, especially in the Eurozone. Meanwhile, petrochemical companies with confirmed investments continued to push ahead with the construction of their new plants on Jurong Island. These include Denka and Sumitomo Chemical whose plants are expected to start up in 2012; Chang Chun Group, LANXESS, Asahi Kasei and Zeon in 2013; and Jurong Aromatics Corporation and Evonik in 2014.

In 2012, our Utilities business is expected to deliver a steady performance despite our cogeneration plant in Singapore undertaking a planned major maintenance during the year. However, the weaker macro-economic environment may impact power and carbon prices and affect the performance of our energy businesses in Singapore and the UK.

With a healthy pipeline of projects both in Singapore and overseas, we are committed to delivering long-term growth through the focused execution of these projects as well as the active pursuit of new growth opportunities.

[1] *The World Bank, 'Global Economic Prospects January 2012: Uncertainties and vulnerabilities'*

West Triton Baker Marine Pacific Class 375 jack-up rig built by Sembcorp Marine

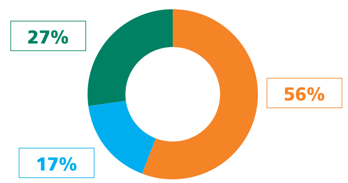
MARINE REVIEW

Performance Scorecard *(S$ million)*

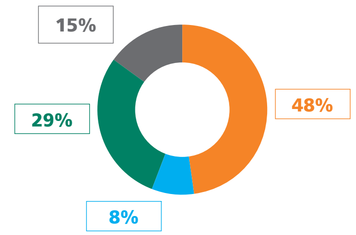
	2011	2010	Change (%)
Turnover	**3,960.2**	4,554.9	(13)
EBITDA	**825.8**	1,081.8	(24)
PFO	**792.4**	1,045.1	(24)
– EBIT	**739.1**	998.2	(26)
– Share of results: Associates & JVs, net of tax	**53.3**	46.9	14
Net profit	**751.9**	860.3	(13)
ROE *(%)*	**30.0**	38.4	(22)

Note: Figures taken at Sembcorp Marine level

Turnover by Segment



Orderbook Composition



Key Developments

- Marked a significant milestone with the ground breaking of our first overseas Integrated New Yard Facility, Estaleiro Jurong Aracruz, in the state of Espirito Santo, Brazil
- Increased shareholding in Sembmarine Kakinada, a joint venture between Sembawang Shipyard and Kakinada Seaports, to 40%
- Delivered one of the world's largest jack-up rigs to Seadrill, specially designed for harsh operating conditions in the North Sea region
- S$3.7 billion worth of new orders secured in 2011, including orders for premium and high-specification jack-up rigs
- Current net orderbook of S$6.3 billion as at February 2012, with completions and deliveries till mid-2015

Competitive Edge

- Singapore's leading marine and offshore engineering group with 49 years of proven track record
- Comprehensive portfolio encompassing the full spectrum of integrated solutions from ship repair, shipbuilding, ship conversion, rig repair and rig building to 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 strategically located yards
- 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

Operations Review

Sembcorp's Marine business recorded a turnover of S$4.0 billion in 2011 compared to S$4.6 billion in 2010 due to the timing, number and value of the projects in varying progressive revenue recognition stages in the three different sectors of rig building, ship conversion and offshore and ship repair.

The business' profit from operations (PFO) was S$792.4 million compared to S$1.0 billion in 2010 mainly due to fewer jack-up and semi-submersible rig projects. The business' operating margin was 18.6% as compared with 20.7% in 2010, largely attributable to fewer rig building projects, mainly jack-up rigs, as compared to more turnkey semi-submersible rigs in 2010.

The business' net profit attributable to shareholders of the company (net profit) was S$751.9 million compared to S$860.3 million in the previous year due to lower operating profit and the receipt of the full and final amicable settlement of the disputed foreign exchange transactions with Société Générale in 2010. This was offset by the higher interest income received in 2011 for deferred payment granted to customers and write-back of prior years' tax over-provisions. Return on equity for the year stood at 30%.

Ship repair

During the year, ship repair turnover stood at S$643.9 million, comparable to 2010's S$646.1 million and accounting for 16% of total turnover. A total of 264 vessels docked at our yards in 2011, lower than 2010's 282 vessels. However the average value per vessel increased to S$2.4 million from S$2.3 million in 2010. Long-term strategic alliance customers continued to provide a steady and growing baseload. Together with our regular repeat customers, they contributed 82% of total ship repair revenue in 2011. High value repairs to oil tankers, container vessels, liquefied natural gas (LNG) and liquefied petroleum gas (LPG) tankers, passenger ships and upgrading of drillship and floating production storage and offloading (FPSO) units dominated the segment.

During the year, we secured a long-term contract from Teekay Marine Services to provide repairs, refurbishment and upgrading of their fleet of 137 vessels.

Ship conversion and offshore

Turnover from ship conversion and offshore activities in 2011 registered a growth of 31% to S$1.1 billion from S$820.4 million in 2010. The sector contributed 27% of the total turnover of the Marine business. Projects delivered during the year included the conversion of *FPSO PSVM* for MODEC, the upgrading of FPSO *Glas Dowr* for Bluewater Energy Services and the pre-FPSO conversion of *P-62* for Petrobras Netherlands. In addition, we successfully completed the engineering and construction of *Flintstone*, a new generation of environmentally-friendly designed fallpipe rock dumping vessel for Tideway and the *Gajah Baru* platforms for Premier Oil Natuna Sea.

In terms of new contract wins, we secured a S$20 million contract from Golar LNG Energy to convert the *LNG Khannur*, a LNG tanker, to a floating storage and regasification unit, the FPSO conversion of the very large crude carrier (VLCC) tanker *MV TAR II* valued at S$130 million from MODEC and a US$300 million floating storage offloading tanker conversion contract from Mobil Cepu, a subsidiary of Exxon Mobil.

The business secured two contracts for offshore vessels comprising a S$123 million contract for the engineering, procurement, construction and commissioning of the *RV Investigator*, a dynamic positioning (DP) bluewater research vessel for Teekay Shipping (Australia) as well as a US$140 million contract from Equinox Offshore Accommodation to convert a ROPAX vessel into a DP Class 2 Accommodation and Repair Vessel.

Two offshore platform contracts were also secured during the year which included a S$600 million contract from PTTEP International for an Integrated Processing and Living Quarters platform and a contract from Bechtel Overseas for the assembly of process and cryogenic pipe-rack modules for Australia Pacific LNG's liquefied natural gas facility. Valued at US$100 million, the value of this contract may potentially increase in excess of US$150 million.

Rig building

The rig building segment contributed S$2.2 billion or 56% of our Marine business' total turnover, compared to S$3.0 billion in 2010. During the year, we completed and delivered three jack-up rigs on or ahead of schedule: the *El Qaher II*, a proprietary Pacific Class 375 design jack-up rig to Egyptian Offshore Drilling Company; the *West Elara*, a Gusto MSC CJ70 150A harsh-environment jack-up rig, the largest of its kind to be constructed by our Marine business, to Seadrill; and the *Transocean Honor*, the first proprietary Pacific Class 400 design jack-up rig to Transocean. In addition, we completed and delivered four semi-submersible rigs: the *West Pegasus*, a Moss Maritime CS50 MKII design semi-submersible rig, and three newbuild Friede & Goldman ExD ultra-deepwater semi-submersible rigs: the *West Capricorn* for Seadrill, the *Atwood Osprey* for Atwood Oceanics Pacific, and the *Songa Eclipse* for Songa Offshore.

Seven new rig orders were clinched during the year including the building of a turnkey Pacific Class 400 jack-up rig valued at US$182 million from Atwood Oceanics Pacific; a turnkey Gusto MSC CJ70 150A harsh-environment high-specification jack-up rig worth US$450 million from Seadrill; two sets of two turnkey Friede & Goldman JU3000N jack-up rigs valued at US$427.6 million and US$444 million from Noble, the latter with options for another two similar jack-up rigs; and a US$291.6 million GVA 3000E design accommodation semi-submersible rig from Prosafe, with options for another two units.

Strategic milestones

In December 2011, our Marine business achieved an important milestone in its growth and expansion strategy with the ground breaking of the first overseas Integrated New Yard Facility, Estaleiro Jurong Aracruz, in the municipality of Aracruz in the state of Espirito Santo – Brazil's second largest oil producer. Situated on an 82.5-hectare site with 1.6 kilometres of coastline, Estaleiro Jurong Aracruz is strategically located in close proximity to the rich oil and gas basin of Espirito Santo, one of Brazil's giant pre-salt reservoirs, and is poised to further strengthen our business' foothold in the country.

The Integrated New Yard Facility in Brazil will be developed in stages over a period of three years with full completion targeted for end 2014. Estaleiro Jurong Aracruz is well-positioned to serve Brazil's vibrant offshore and marine sector with wide-ranging capabilities in the construction of drilling rigs, FPSO integration, topside modules fabrication, and the repair and upgrading of ships and rigs.

In February 2012, Estaleiro Jurong Aracruz secured a contract worth approximately US$792.5 million from Guarapari Drilling, Netherlands, a subsidiary of Sete Brasil Participacões, for the design and construction of a drillship based on Jurong Shipyard's proprietary Jurong Espadon drillship design. Scheduled for delivery no later than the second quarter of 2015, the Jurong Espadon drillship represents the next generation of high-specification drillships with advanced capabilities for operational efficiency and ultra-deepwater operations worldwide. The order win is expected to be among the first of many orders in Sete Brasil's drillship expansion programme to develop Brazil's giant pre-salt oil fields.

The business also continues with the growth and expansion strategy in Singapore with construction of the Integrated New Yard Facility at Tuas View Extension progressing on schedule. As Singapore's first purpose-built, custom-designed integrated yard facility, the 206-hectare development will further reinforce our Marine business' competitive edge through enhanced work-efficient processes as well as state-of-the-art facilities and equipment.

Designed as a centralised and integrated "one-stop solutions" hub for ship repair and conversion, shipbuilding, rig building and offshore engineering and construction, the New Yard Facility will be well-equipped to serve a wide range of vessels including VLCCs, new generations of mega containerships, 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. Under the first phase, 73.3 hectares will be developed for ship repair and ship conversion operations. It will feature four VLCC drydocks with a total capacity of 1.6 million deadweight tonnes and quays of more than three kilometres.

In 2011, the Marine business exercised the option to increase its shareholding in Sembmarine Kakinada (SKL), a joint venture between Sembawang Shipyard and Kakinada Seaports, from 19.9% to 40%, becoming the largest single shareholder of the joint venture facility. The Technical Management and Services Agreement to operate and manage the joint venture was also extended from the current five years to 10 years. This increase in shareholding of SKL, a joint venture established since November 2009, is in line with the business' strategy to establish and grow a hub in India to cater to the growing needs of our customers operating in India and South Asia. SKL will be developed in three phases with the construction of the first phase well underway. When fully completed by end 2012, SKL will offer ship owners and offshore operators a one-stop integrated offshore service facility for the repairs and servicing of offshore vessels and ships, new builds, oil and gas riser and equipment repairs as well as platforms and modules fabrication.

Market Review and Outlook

The Marine business has a net orderbook of S$6.3 billion as at February 2012, with completions and deliveries until mid-2015. This includes S$3.7 billion in contracts secured in 2011 and S$1.3 billion worth of orders secured since the start of 2012, excluding ship repair contracts.

Despite the global macro-economic uncertainty, fundamentals for the offshore oil and gas industry remain intact, underpinned by high oil prices and projected increases in exploration and production spending.

The offshore market continues to display signs of cyclical improvement, especially in the deep and ultra-deepwater segments fuelled by the growing needs of operators in multiple regions, in particular the "Golden Triangle" of Brazil, the Gulf of Mexico and West Africa.

In the Gulf of Mexico, deepwater drilling activities remain robust as operators continue to move ahead with drilling programmes. Day rates for both jack-up and semi-submersible rigs have been strengthening. With offshore drilling moving towards deeper waters, coupled with the business' proven track record in rig building, our Marine business will be well-positioned to capture new orders for high-specification deepwater rigs which meet the industry's most stringent operating requirements.

Ship repair continues to see strong demand with the newly forged long-term partnerships with several renowned international ship owners and operators, in particular in the niche segments for the repair, upgrading and life extension of LNG carriers, passenger and cruise vessels. These alliances and long-term customers will continue to provide a stable and steady baseload for the repair business.

In Brazil, the wholly-owned shipyard Estaleiro Jurong Aracruz is strategically positioned to support developments in one of the world's fastest growing offshore oil and gas exploration markets. In Singapore, the Integrated New Yard Facility in Tuas View Extension will become operational in 2013 and will nearly double the Marine business' ship repair and ship conversion and offshore capacity from the current 1.9 million deadweight tonnes.

Overall, competition is intense though enquiries for the various segments of the market remain robust.

An artist's impression of the VSIP Hai Phong Integrated Township & Industrial Park, Vietnam

INTEGRATED URBAN DEVELOPMENT REVIEW

Performance Scorecard *(S$ million)*

	2011	2010	Change (%)
Turnover[1]	**12.8**	19.7	(35)
EBITDA	**1.2**	4.7	(74)
PFO	**46.1**	40.4	14
– EBIT	**(0.3)**	2.7	N.M.
– Share of results: Associates & JVs, net of tax	**46.4**	37.7	23
Net profit	**38.7**	36.9	5
ROE[2] *(%)*	**7.2**	7.3	(1)

Notes:
[1] Most of our Integrated Urban Development businesses are associates or joint ventures. The turnover is derived from providing services to these associates or joint ventures
[2] Excluding its returns on Sembcorp's corporate office on 30 Hill Street and its investment in Gallant Venture, the Integrated Urban Development business' ROE for 2011 was 13.0%

Key Developments

- Sold a total of 226 hectares of land in Vietnam and China, and had 227 hectares of land commitments at year-end
- Signed a memorandum of understanding to explore the feasibility of a fifth Vietnam Singapore Industrial Park to be located in Quang Ngai province, central Vietnam
- Sold a 13-hectare land plot for the *New One North* project, the first mixed-use development on the Sino-Singapore Nanjing Eco Hi-tech Island
- Took a 50% stake in the Singapore consortium involved in the 1,000-hectare Singapore-Sichuan Hi-tech Innovation Park in Chengdu, Sichuan province, China

Competitive Edge

- Leading Asian developer with over 20 years' experience undertaking master planning, land preparation and infrastructure development, and transforming raw land into large scale urban developments
- Owns, develops, markets and manages integrated urban developments comprising industrial parks as well as business, commercial and residential space in Vietnam, China and Indonesia
- Integrated approach to delivering urban work and living environments that will attract local and international investments
- Over 600 multinational companies and leading local enterprises as tenants
- Opportunities for selective development of commercial and residential real estate at choice sites

Operations Review

Sembcorp's Integrated Urban Development business (formerly known as Industrial Parks) turned in a good performance in 2011. Net profit grew 5% to S$38.7 million, compared to S$36.9 million in 2010, while profit from operations (PFO) increased 14% from S$40.4 million to S$46.1 million. The business benefited from strong land sales in the Vietnam Singapore Industrial Park (VSIP) projects, which registered a 30% growth compared to 2010. Meanwhile, the Wuxi-Singapore Industrial Park (WSIP) continued to see a steady income stream from factory rentals as well as contribution from residential sales.

In 2011, the business sold a total of 226 hectares of land in Vietnam and China, a 24% increase from the previous year's 182 hectares. Industrial land comprised 77% of land sales while commercial and residential land accounted for 23%. The growth in land sales was achieved in spite of a weaker global economic sentiment in the second half of the year. First land sales for both VSIP Hai Phong in Vietnam and the Sino-Singapore Nanjing Eco Hi-tech Island (SNEI) in China were secured during the year.

In early 2012, the business was renamed Integrated Urban Development, in line with our focus on providing integrated urban solutions. Taking an integrated approach to delivering urban work and living environments, we have more than 20 years of track record transforming raw land into large scale urban developments comprising industrial parks as well as business, commercial and residential space. We also have the ability to extract further value by undertaking selective development of commercial and residential real estate at choice sites.

Vietnam

2011 has been a challenging year for Vietnam. The country's economy expanded 5.9% for the full year, down from an average of 7% in the past decade as the government tightened fiscal and monetary policies to rein in high inflation. Despite the challenging business environment, our VSIP projects performed well, securing high value land sales from several big multinational corporations. For the year, VSIP sold a total of 212 hectares, an increase of 30% from 2010's 163 hectares. Demand for industrial land continued to be strong, accounting for 82% of the sales and growing 73% from the previous year.

In southern Vietnam, our VSIP projects delivered a steady performance, surpassing the previous year's land sales performance and accounting for 58% of VSIP's total land sales. Our first 500-hectare VSIP project in Thuan An district is almost sold out and contributes steady recurrent income from factory rentals and electricity distribution. The second 2,045-hectare VSIP in the New Binh Duong Township is 38% taken up and continues to see interest from potential investors. 68 hectares of land have been committed by customers and another 873 hectares of saleable land remained available as at end 2011.

In northern Vietnam, the 700-hectare VSIP Bac Ninh continued to build on its momentum of securing well-established, long-term customers. Nokia is setting up its first manufacturing facility in Southeast Asia in VSIP Bac Ninh, joining PepsiCo and Foster Electric. The integrated urban development also attracted Malaysia's SP Setia who took up a large plot of residential land for an eco housing project. VSIP Bac Ninh sold 64 hectares of land in 2011 and total land take-up stood at 64% as at end 2011. Investor interest remained healthy with 103 hectares of land committed by potential investors and 142 hectares of saleable land remaining available as at end 2011. Meanwhile, land preparation and infrastructure works continued to progress for our fourth VSIP project in Hai Phong City. During the year, it achieved its first land sales to Kyocera Mita Corporation of Japan. The official inclusion of Hai Phong City in the Dinh Vu-Cat Hai Economic Zone is expected to further boost the attractiveness and marketability of the development.

Following the successful progress of our first four VSIP projects, a memorandum of understanding was signed with the People's Committee of Quang Ngai province during the year to explore the feasibility of a 1,020-hectare integrated urban development in central Vietnam. The proposed development will comprise a 500-hectare industrial park located within the Dung Quat Economic Zone, where government-supported special economic zone incentives will be made available to manufacturers. Separately, 520 hectares of land are expected to be zoned for commercial and residential purposes near downtown Quang Ngai city. The signing was witnessed by the President of Vietnam His Excellency Truong Tan Sang and Singapore Prime Minister Lee Hsien Loong.

China

In 2011, WSIP performed well despite being a mature industrial park that has been operating for 18 years. Rentals from ready-built factories and electricity distribution continue to provide a stable income stream while initiatives to enhance the yield on this project have progressed well. During the year, we completed and handed over a 140,000-square metre custom-built factory to New York Stock Exchange-listed Suntech Power, which will rent the premises under a long-term lease agreement. Five new ready-built factories have also been rented out, including those in the *Solar City* photovoltaic park. In the commercial and residential space, occupancy rates for the business and technology park improved from 38% to 50%. Good take-up was also registered for the *International Garden City* apartment project in Wuxi New District, which sold 137 units during the year, 50% more compared to 2010. Construction of *Hongshan Mansion*, a 108-unit residential development, progressed well during the year and is targeted to be launched in the second quarter of 2012.

Over in Nanjing, the SNEI project has completed its urban master plan, industry positioning study and ecology planning system. Of the island's 1,500-hectare gross land area, 809 hectares will be preserved for eco-tourism, while 715 hectares will be developed which includes 324 hectares of office, commercial and residential land available for sale. Through our joint venture company, we have secured a 13-hectare site to develop the first major mixed-use development on the island named *New One North*. Encompassing a research and development park, an exhibition centre and a waterfront commercial-leisure-residential precinct overlooking Hexi New City on Nanjing mainland, *New One North* will yield about 152,000 square metres in gross floor area.

During the year, we also completed the feasibility study for a new integrated development, the Singapore-Sichuan Hi-tech Innovation Park. Strategically located in Chengdu's Tianfu New City central business district, the project adds 500 hectares to our land bank available for sale. The integrated development will focus on attracting innovative and knowledge-intensive industries in eight clusters comprising information technology, digital media, pharmaceutical research, precision engineering, environmental services, service outsourcing, banking and insurance, and will be developed by a joint venture between the Singapore consortium, in which Sembcorp has a 50% stake, and its Chinese partners.

Indonesia

Our 23.92%-owned associate company Gallant Venture continued to deliver positive results although its profit contribution in 2011 was lower compared to 2010. Its property development business registered lower resort land sales while the industrial parks business continued to face competitive pressure.

Market Review and Outlook

The Integrated Urban Development business is expected to deliver better performance in 2012 compared to 2011, in anticipation of contribution from the SNEI project and underpinned by 227 hectares of land commitments. Our projects in Vietnam and China remain attractive destinations for foreign investors. However, the economic downturn in Europe and the USA may slow down manufacturing exports and delay potential customer investment decisions that could in turn impact the pace of our land sales. The Vietnamese and Chinese governments' measures to stabilise the housing market in their countries may also moderate the demand for commercial and residential space.

In the longer term, industrialisation and urbanisation remain a core priority for both Vietnam and China. The Vietnamese government has set a target to achieve full industrialisation by 2020. Its urban population is expected to reach 59% in 2050 from 30% in 2009[1]. Similarly, China's economic and social priorities are moving towards industry upgrading, sustaining growth and promoting domestic consumption. Its urban population is expected to grow from 46% in 2009 to 73% by 2050[1], adding a projected 46 million middle class households from 2010 to 2015[2].

With 2,711 hectares of land available for sale, our projects in Vietnam and China provide a robust development pipeline. Furthermore, with our ability to extract further value by undertaking selective development of commercial and residential real estate at choice sites, we believe that the business is poised for growth in the coming years.

[1] *United Nations World Urbanisation Prospects, The 2009 Revision*
[2] *Boston Consulting Group: 'Winning in Emerging-market Cities', September 2010*