Sembcorp's cogeneration plant in Shanghai, China

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Company Overview

Sembcorp's aim is to build sustainable businesses that deliver long-term shareholder value and growth.

Business Description

Sembcorp Industries is a Singapore-listed company with assets totalling more than S$12.5 billion. The Group is primarily involved in the following businesses:

- Utilities
- Marine
- 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 industrial and municipal wastewater treatment, as well as the production and supply of reclaimed, desalinated and potable water and 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 services.

The *Marine* business has a strong global reputation and 50 years of proven track record in providing a full spectrum of integrated solutions from ship repair, shipbuilding, ship conversion, rig building to offshore engineering and construction. With operations spanning across Singapore, Indonesia, China, Brazil, India, the UK and USA, it offers one of the largest marine and offshore engineering facilities in the region. By leveraging on complementary facilities and capabilities, the business provides customers a full range of integrated customised solutions, from conceptualisation and design, engineering, procurement and construction, to commissioning and delivery.

The *Urban Development* business owns, develops, markets and manages 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 build sustainable businesses that deliver long-term shareholder value and growth. The Group pursues the following strategic directions:

Build upon strong business models and brand name

Sembcorp has developed and will continue to build on strong business models in each of our key 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 bundled energy, water and on-site logistics to customers in energy-intensive industrial sites, and as a developer, owner and operator of large-scale combined power and water plants.

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 base-load in ship repair.

Our Urban Development business 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.

At the same time, 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 their quality of life.

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 the established relationships and successes of one another. 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 as a whole. 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.

A developer, owner and operator of energy and water assets, we have a proven track record in identifying, securing, financing and executing greenfield and brownfield projects. On the energy front, we apply technologies for greater efficiency and lower emissions, including combined cycle gas turbine, wind power and combined power and desalination technologies. We also have the ability to produce energy from a diversity of fuels including natural gas, coal as well as renewable sources such as biomass, energy-from-waste and wind. On the water front, we have developed distinctive capabilities as operators of reliable and efficient facilities serving both industrial customers and households. Our specialised expertise includes the treatment of complex high concentration industrial wastewater from multiple sources for industrial sites, as well as the production of water through desalination and water reclamation for water-stressed regions.

Our Marine business' proprietary technologies and designs for rigs, drillships and vessels allow us to serve our customers with technologically-advanced solutions. For instance, our proprietary Jurong Espadon drillship design represents the next generation of high specification drillships with advanced capabilities for operational efficiency and ultra-deepwater operations worldwide. This strategic expansion of our product offering to cover the drillship market will enable us to deliver a complete solution in the ultra-deepwater segment, strengthening our leadership in this growing market. 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 Urban Development business takes an integrated approach to designing self-sufficient urban developments, featuring world-class industrial, business, commercial and residential space. We are a valued partner to governments, with our ability to deliver the economic engine to support industrialisation by attracting local and international investments to our urban developments. We have an established track record in the development of raw land, including master planning, land preparation and infrastructure development as well as 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.

Develop new income streams

Sembcorp is committed to developing our key businesses to generate new income streams. We seek to expand in tandem with demand through strategic partnerships with our customers, and continuously develop innovative and competitive solutions that 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, we also actively invest in green business lines which will give us an edge in an increasingly resource-scarce world.

A disciplined and accountable approach

At Sembcorp, we believe that we can only build sustainable businesses through a disciplined and accountable approach. We recognise that well-defined corporate governance processes are essential in enhancing corporate accountability and long-term sustainability, and that our approach should at the same time include economic, social and environmental considerations. Through maintaining high standards of corporate governance as well as responsibly managing our impacts and better meeting society's needs and expectations, we believe we can create shared value for our shareholders and other stakeholders and enhance our competitiveness.

Guohua Sembcorp Wind Power Companies in Hulunbeier and Huanghua, China

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%
Sembcorp Qidong Water Co	95%
Yancheng China Water Co	49%
Sembcorp Tianjin Lingang Industrial Area Wastewater Treatment Co	90%
Sembcorp Sanhe Yanjiao Water Co	94.3%
Guohua AES (Huanghua) Wind Power Co	49%
Yangcheng International Power Generating Co	25%
Guohua AES (Chenba'erhu) Wind Power Co	49%
Guohua AES (Hulunbeier) Wind Power Co	49%
Guohua AES (Xinba'erhu) Wind Power Co	49%
Sembcorp Fushun Water Co	100%
Sembcorp Fushun On-site Logistics Co	100%
Shenyang Sembcorp Water Co	80%
Sembcorp Xinmin Water Co	90.9%
Qitaihe Sembcorp Water Co	90.9%
Sembcorp Qinzhou Water Co	80%
Fuzhou Sembcorp Water Co	72%
Zhumadian China Water Co	51%
INDIA	
Sembcorp Utilities India	100%
Thermal Powertech Corporation India	49%
Sembcorp Gayatri O&M Co	70%
INDONESIA	
PT Adhya Tirta Batam	50%
PT Adhya Tirta Sriwijaya	40%
PHILIPPINES	
Subic Water and Sewerage Co	30%
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 Utilities (South Africa)	100%
Sembcorp Silulumanzi	100%
Sembcorp Siza Water	73.5%
UK	
Sembcorp Utilities (UK)	100%
Sembcorp Bournemouth Water	100%
ANTIGUA	
Sembcorp (Antigua) Water	100%
CHILE	
Sembcorp Utilities (Chile)	100%
Sembcorp Aguas Chacabuco	100%
Sembcorp Aguas Del Norte	100%
Sembcorp Aguas Lampa	100%
Sembcorp Aguas Santiago	100%
PANAMA	
Aguas de Panama	100%
Sembcorp Environment	**100%**
SINGAPORE	
SembWaste	100%
Sembcorp Tay Paper Recycling	60%
AUSTRALIA	
SembSita Australia	40%
INDIA	
SembRamky Environmental Management	51%

MARINE

Sembcorp Marine	**60.7%**
SINGAPORE	
Jurong Shipyard	100%
Sembawang Shipyard	100%
PPL Shipyard	85%
SMOE	100%
Jurong SML	100%
Sembcorp Marine Technology	100%
UK	
Sembmarine SLP	70%
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%

URBAN DEVELOPMENT

Sembcorp Development	**100%**
VIETNAM	
Vietnam Singapore Industrial Park JV Co	47.4%
Vietnam Singapore Industrial Park & Township Development Joint Stock Co	45.2%
VSIP Bac Ninh Co	45.2%
VSIP Hai Phong Co	45.2%
VSIP Quang Ngai Co	47.4%
CHINA	
Wuxi-Singapore Industrial Park Development Co	45.4%
Sino-Singapore Nanjing Eco Hi-tech Island Development Co	21.5%
Sino-Singapore (Chengdu) Innovation Park Development Co	25%
INDONESIA	
PT Kawasan Industri Kendal	49%
SINGAPORE	
Gallant Venture	23.9%
Sembcorp Parks Management	**75%**
Sembcorp Development Indonesia	100%
Sembcorp Development Vietnam	100%

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 6, 2013

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


Sembcorp's combined power and desalination facility in Salalah, Oman

Group Review

Performance Scorecard *(S$ million)*

	2012	2011	Change (%)
Turnover	**10,189.1**	9,047.1	13
EBITDA	**1,384.6**	1,335.9	4
PFO	**1,266.2**	1,271.7	–
– EBIT	**1,103.0**	1,101.1	–
– Share of results: Associates & JVs, net of tax	**163.2**	170.6	(4)
PBT	**1,154.8**	1,270.6	(9)
Net profit	**753.3**	809.3	(7)
EPS *(cents)*	**42.2**	45.3	(7)
ROE *(%)*	**17.5**	20.4	(14)

Overview

Sembcorp reported a net profit of S$753.3 million for the full year 2012, compared to S$809.3 million in 2011. Turnover grew 13% to S$10.2 billion from S$9.0 billion in the previous year. The Utilities and Marine businesses continued to be our main profit contributors, accounting for 48% and 42% of Group net profit respectively.

Turnover

The Group achieved a turnover of S$10.2 billion, with the Utilities and Marine businesses contributing 99% of total turnover.

The Utilities business' turnover increased by 15% to S$5.6 billion, mainly attributable to growth from our Singapore operations, driven primarily by additional gas sales following the delivery of a further 90 billion British thermal units per day of natural gas imported from Indonesia's West Natuna Sea, which started in November 2011. The business' turnover in 2012 increased also due to higher turnover contribution from the Middle East upon commencement of full operation of our Salalah Independent Water and Power Plant in Oman in May 2012.

The Marine business' 2012 turnover increased by 12% to S$4.4 billion mainly due to the higher revenue recognition for rig building and offshore platform projects.

Net Profit

The Group recorded a net profit of S$753.3 million in 2012 compared to net profit of S$809.3 million in 2011, while profit from operations was S$1,266.2 million compared to S$1,271.7 million in the previous year.

In 2012, our Utilities business achieved record profits of S$374.6 million, growing 23% from S$304.4 million in 2011. While Singapore operations remained the business' largest profit contributor, contribution from our overseas operations also grew with China, Vietnam, Australia and the Middle East delivering an improved performance over 2011.

Meanwhile, our Marine business contributed S$326.7 million in net profit compared to S$456.2 million in 2011, due to lower margin from new design rigs and resumption of margin recognition on completion and delivery of the *Songa Eclipse* semi-submersible rig in 2011.

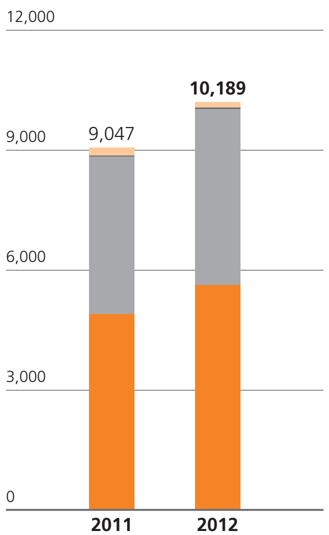
Cash Flow and Liquidity

As at December 31, 2012, the Group's cash and cash equivalents stood at S$2.1 billion.

Cash flows from operating activities before changes in working capital increased from S$1,380.8 million in 2011 to S$1,418.9 million in 2012. Net cash inflow from operating activities for 2012 was S$620.4 million compared to

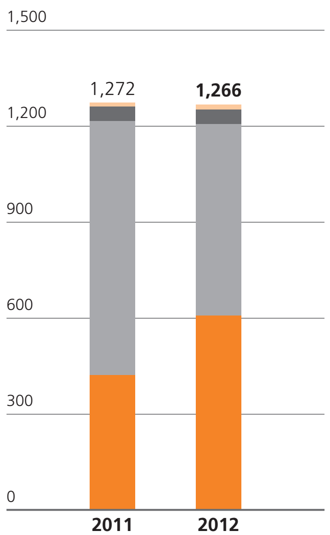
Turnover *(S$ million)*

	2011	2012
Utilities	4,893	**5,615**
Marine	3,957	**4,428**
Urban Development	9	**12**
Others / Corporate	188	**134**
	9,047	**10,189**



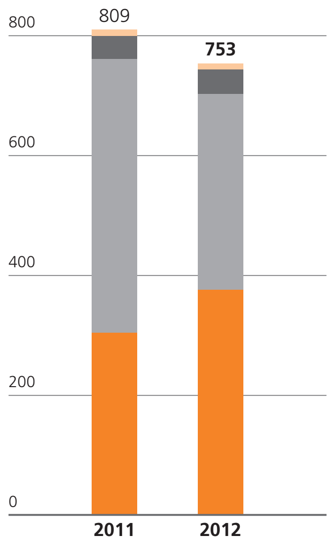
PFO *(S$ million)*

	2011	2012
Utilities	421	**607**
Marine	793	**599**
Urban Development	46	**44**
Others / Corporate	12	**16**
	1,272	**1,266**



Net Profit *(S$ million)*

	2011	2012
Utilities	304	**375**
Marine	456	**327**
Urban Development	39	**41**
Others / Corporate	10	**10**
	809	**753**



S$913.4 million in 2011 mainly due to increase in working capital and a tax refund from Inland Revenue Authority of Singapore in 2011.

Net cash outflow from investing activities for 2012 was S$1,229.9 million. S$1,129.9 million was spent on the purchase of property, plant and equipment and payment for intangible assets and S$203.6 million on the acquisition of non-controlling interests, new and additional investments in a subsidiary, associates and joint ventures as well as investment in a long-term fund. The above cash outflows were partially offset by dividends, interests and proceeds from sale of assets received amounting to S$103.6 million.

Net cash outflow from financing activities of S$309.6 million for 2012 was mainly related to dividends paid, partially offset by net proceeds from borrowings.

Financial Position

Group shareholders' funds increased to S$4.5 billion as at December 31, 2012 from 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. Interests in associates and joint ventures increased mainly due to the Utilities business' acquisition of power assets in China and the Urban Development business' new investment in Chengdu and higher share of profits contributed by its associates and joint ventures during the year. Inventories and work-in-progress increased primarily due to payment terms of rig building projects. Cash and cash equivalents decreased mainly as a result of payment of dividends to shareholders and the Marine business' increase in working capital for ongoing projects. Excess of progress billings over work-in-progress increased significantly mainly due to receipts from customers for rig building projects-in-progress. Interest-bearing borrowings increased due to higher bank borrowings mainly to fund the Marine business' capital expenditures and the construction of our new cogeneration plant in Singapore, as well as from the drawdown of project financing debts.

Shareholder Returns

Return on equity (ROE) for the Group was 17.5% and earnings per share (EPS) amounted to 42.2 cents in 2012.

Subject to approval by shareholders at the next annual general meeting, a final ordinary one-tier tax exempt dividend of 15.0 cents per share has been proposed for the financial year ended December 31, 2012.

Economic Value Added

The Group generated positive economic value added (EVA) of S$620.7 million in 2012.

Our net operating profit after tax for 2012 amounted to S$1.1 billion while capital charges increased to S$523.6 million, mainly due to a higher capital base.

Value Added and Productivity Data

In 2012, the Group's total value added was S$2.4 billion. This was absorbed by employees in wages, salaries and benefits of S$781.1 million, by governments in income and other taxes of S$203.3 million and by providers of capital in interest and dividends of S$443.6 million, leaving a balance of S$1.0 billion reinvested in business.

Critical Accounting Policies

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

With effect from January 1, 2012, the Group adopted the following new / amended FRSs:

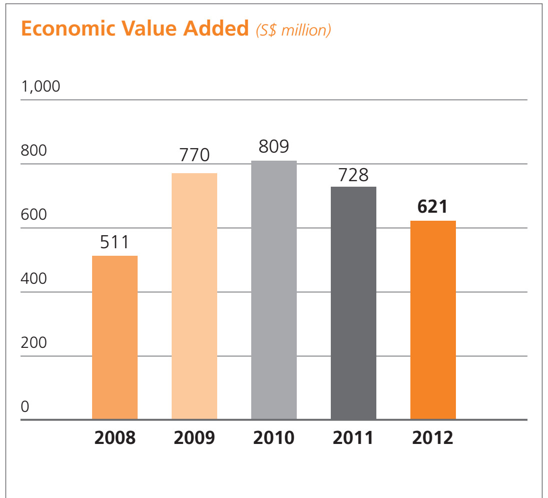
Amendments to FRS 12
Deferred Tax: Recovery of Underlying Assets
Amendments to FRS 101
Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendments to FRS 107 Disclosures
Transfer of Financial Assets

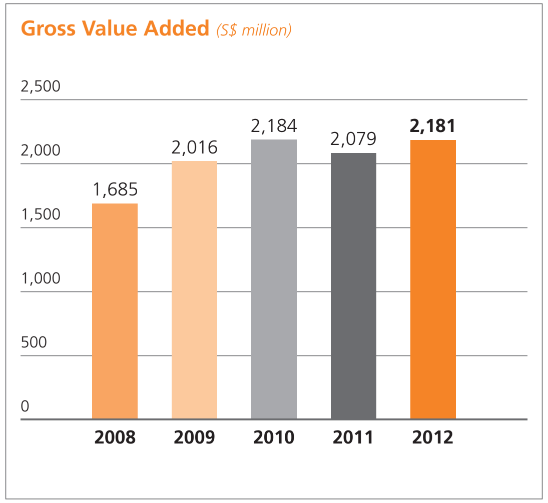
The adoption of the above FRSs (including consequential amendments) does not have any significant impact on the Group's financial statements.

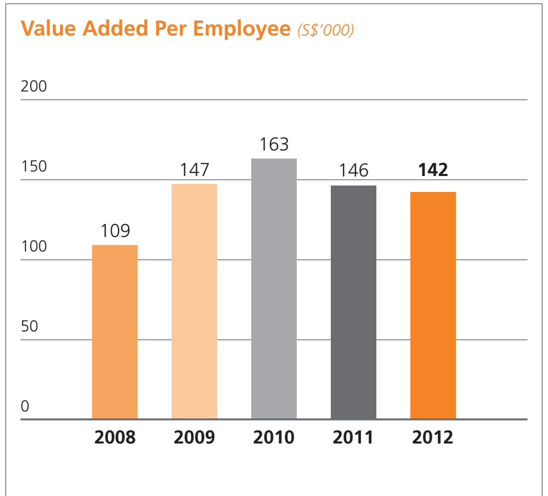
Financial Risk Management

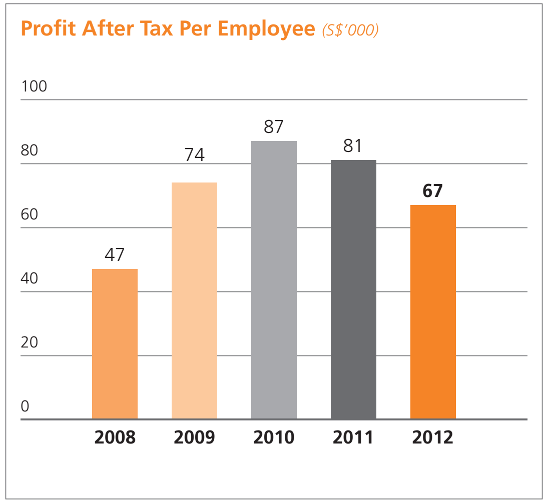
The Group's activities expose it to a variety of financial risks, including changes in interest rates, foreign exchange rates and commodity prices as well as credit risk.

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









Value Added Statement *(S$ million)*

	2012	2011	2010	2009	2008
Value added from					
Turnover	**10,189**	9,047	8,764	9,572	9,928
Less: Bought in materials and services	**(8,008)**	(6,968)	(6,580)	(7,556)	(8,243)
Gross value added	**2,181**	2,079	2,184	2,016	1,685
Investment, interest and other income	**130**	147	168	125	154
Share of results of associates and joint ventures	**207**	206	192	136	140
Other non-operating expenses	**(74)**	(53)	(91)	(59)	(145)
	2,444	2,379	2,453	2,218	1,834
Distribution					
To employees in wages, salaries and benefits	**781**	739	725	710	682
To governments in income and other taxes	**203**	188	249	243	170
To providers of capital on:					
Interest paid on borrowings	**140**	66	61	41	44
Dividends to owners	**304**	304	268	196	267
	1,428	1,297	1,303	1,190	1,163
Retained in business					
Depreciation and amortisation	**282**	235	242	200	195
Retained profits	**450**	505	525	487	240
Non-controlling interests	**280**	337	380	333	224
	1,012	1,077	1,147	1,020	659
Other non-operating expenses	**4**	5	3	8	12
	1,016	1,082	1,150	1,028	671
Total distribution	**2,444**	2,379	2,453	2,218	1,834

Productivity Data

	2012	2011	2010	2009	2008
Average staff strength	**15,343**	14,194	13,415	13,707	15,512
Employment costs *(S$ million)*	**781**	739	725	710	682
Profit after tax per employee *(S$'000)*	**67**	81	87	74	47
Value added *(S$ million)*	**2,181**	2,079	2,184	2,016	1,685
Value added per employee *(S$'000)*	**142**	146	163	147	109
Value added per dollar employment costs *(S$)*	**2.79**	2.81	3.01	2.84	2.47
Value added per dollar investment in property, plant and equipment *(S$)*	**0.30**	0.33	0.40	0.47	0.43
Value added per dollar sales *(S$)*	**0.21**	0.23	0.25	0.21	0.17

The figures above reflect core businesses only.

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.

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 2012 amounted to S$7.9 billion (2011: S$8.2 billion), with unfunded facilities standing at S$2.9 billion (2011: S$2.0 billion).

Borrowings

As at December 31, 2012, the Group's gross borrowings amounted to S$2.4 billion (2011: S$2.2 billion) which was marginally higher than last year. The incremental borrowings were mainly due to a partial drawdown from the S$520.0 million loan facility that was signed in 2011 and drawdown of loans by Sembcorp Marine for its Singapore new yard.

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.

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, 77% (2011: 83%) constituted fixed rate debts which were not exposed to interest rate fluctuations.

As the Group continues to grow, the Group interest expense also increased during 2012 mainly due to our greenfield project in Oman which commenced full commercial operation in May 2012. Prior to May 2012, the interest expense related to the Oman project was capitalised.

Financing & Treasury Highlights *(S$ million)*

	2012	2011	2010
Source of Funding			
Cash and cash equivalents	**2,060**	2,995	3,488
Funded bank facilities and capital markets			
Uncommitted facilities available for drawdown	**4,519**	4,571	4,415
Committed facilities available for drawdown	**3,418**	3,601	3,224
Total funded facilities	**7,937**	8,172	7,639
Less: Amount drawn down	**(2,448)**	(2,184)	(1,743)
Unutilised funded facilities available	**5,489**	5,988	5,896
Unfunded bank facilities			
Unfunded facilities available for drawdown	**2,852**	1,978	1,911
Less: Amount drawn down	**(1,285)**	(773)	(551)
Unutilised unfunded facilities available	**1,567**	1,205	1,360
Total unutilised funded and unfunded facilities	**7,056**	7,193	7,256
Funding Profile			
Maturity profile			
Due within one year	**235**	188	50
Due between one to five years	**950**	757	587
Due after five years	**1,263**	1,239	1,106
	2,448	2,184	1,743
Debt mix			
Fixed rate debt	**1,895**	1,818	1,374
Floating rate debt	**553**	366	369
	2,448	2,184	1,743
Currency denomination of debt			
SGD	**1,158**	757	765
USD	**740**	795	388
GBP	**182**	272	287
OMR	**271**	241	172
RMB	**82**	100	109
Others	**15**	19	22
	2,448	2,184	1,743

Financing & Treasury Highlights *(S$ million)*

	2012	2011	2010
Debt Ratios			
Interest cover ratio			
Earnings before interest, tax, depreciation and amortisation	**1,385**	1,336	1,478
Interest on borrowings	**140**	66	61
Interest cover *(times)*	**9.9**	20.3	24.2
Debt / equity ratio			
Project financing debt	**1,098**	1,024	581
Non project financing debt	**1,350**	1,160	1,162
	2,448	2,184	1,743
Less: Cash and cash equivalents	**(2,060)**	(2,995)	(3,488)
Net debt / (cash)	**388**	(811)	(1,745)
Net (cash) excluding project financing	**(630)**	(1,799)	(2,282)
Net gearing excluding project financing *(times)*	**Net cash**	Net cash	Net cash
Net gearing including project financing *(times)*	**0.07**	Net cash	Net cash

Sembcorp's cogeneration plant on Jurong Island, Singapore

Utilities Review

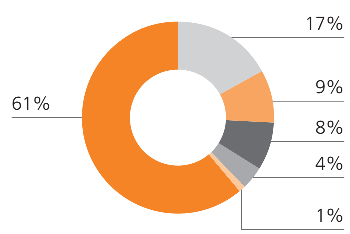
Sembcorp's Utilities business is a leading energy and water player with distinctive capabilities to serve both industrial and municipal sectors. With our strong operational and technical capabilities, we have established ourselves as a global leader in the provision of energy, water and on-site logistics to multiple customers in energy intensive clusters. We also have the ability to generate energy from a variety of fuels including natural gas, coal as well as renewable sources. Our expertise also lies in developing total water solutions, from the treatment of multiple streams of high concentration industrial wastewater to large-scale desalination and water reclamation. With our proven track record in identifying, securing, financing and executing greenfield and brownfield projects, we are well-positioned to ride the world's growing demand for water and energy, driven by globalisation and urbanisation.

Performance Scorecard *(S$ million)*

	2012	2011	Change (%)
Turnover	**5,661.6**	4,937.4	15
EBITDA	**715.4**	497.4	44
PFO	**606.6**	420.8	44
– EBIT	**534.6**	355.7	50
– Share of results: Associates & JVs, net of tax	**72.0**	65.1	11
Net profit	**374.6**	304.4	23
ROE *(%)*	**19.5**	18.9	3

PFO by Geography

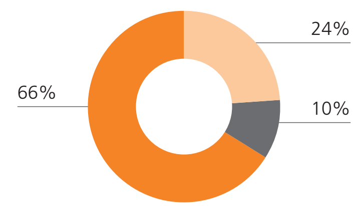
- Singapore
- Rest of ASEAN, Australia & India
- UK
- Middle East & Africa
- China
- The Americas



Note: PFO excluding contribution from 'Corporate'

PFO by Segment

- Energy
- Water
- On-site logistics & solid waste management



Note: PFO excluding contribution from 'Corporate'

Utilities Review

Key Developments

- Started full commercial operation of our US$1 billion Salalah Independent Water and Power Plant in Oman
- Commenced commercial operation of our newest and largest S$40 million industrial wastewater treatment facility in the new growth area of Jurong Island in Singapore
- Officially opened our first woodchip-fuelled biomass steam production plant on Jurong Island in Singapore, and announced further plans to grow our energy-from-waste capacity on Jurong Island
- Grew our renewable energy capabilities with the successful completion of our US$85.5 million acquisition of power assets in China, which included four wind power assets
- Entered into a joint venture agreement to build, own and operate an industrial wastewater treatment plant in the Qidong Lvsi Port Economic Development Zone in Jiangsu province, China
- Selected by the Fushun government to develop centralised utilities facilities in the Fushun Hi-tech Industrial Zone in Liaoning province, China

Operations Review

The Utilities business continued to deliver strong revenue and profit growth in 2012. Net profit increased 23% from S$304.4 million to S$374.6 million on the back of a 15% jump in revenue from S$4.9 billion in 2011 to S$5.7 billion. Profit from operations (PFO) grew 44% from S$420.8 million to S$606.6 million, driven by strong growth from our Singapore and Middle East operations.

During the year in review, PFO from our Singapore operations increased 44%, contributing 61% of the business' PFO. While our Singapore operations remained the largest contributor, our overseas operations in China, Vietnam, Australia and the Middle East also posted strong improvements in PFO. Our operations in the Middle East registered strong growth following the commencement of full commercial operation of our 60%-owned Salalah Independent Water and Power Plant (Salalah IWPP) in Oman in May 2012. Our operations in China also recorded growth, mainly due to our newly acquired power assets in the country. The acquisition has been accretive to earnings immediately following its completion in September 2012. In 2012, the Utilities business secured contracts from the industrial sector amounting to S$1.5 billion, primarily for gas supply, utilities and on-site logistics services.

We also made good headway in strengthening our capabilities in renewable energy. In Singapore, we officially opened our first energy-from-waste plant in April 2012 on Jurong Island, which will provide a sustainable and economical source of steam supply to our customers. We also announced plans to further grow our energy-from-waste capacity in the country. In China, we added wind energy to our global renewable energy portfolio with a US$85.5 million acquisition of power assets, including a 49% stake in four wind power assets in Inner Mongolia and Hebei. These wind power assets will provide a platform to accelerate our growth in the renewable energy sector and in China, the largest wind power market in the world. With these strategic investments, our renewable energy capacity in operation and under development now accounts for approximately 5% of our total power portfolio.

In January 2013, we successfully completed the squeeze-out proceedings for Sembcorp Utilities (Netherlands), formerly known as Cascal, under the Dutch Civil Code in the Netherlands. With this, Sembcorp now owns 100% of the shareholding in the company, completing our acquisition of Cascal whose operations have already been integrated into the Group since July 2010.

Singapore

Despite our cogeneration plant's planned major maintenance, PFO from our Singapore operations grew 44% to S$373.4 million, from S$258.6 million in 2011. The growth was driven primarily by additional gas sales following the delivery of a further 90 billion British thermal units per day of natural gas imported from Indonesia's West Natuna Sea, which started in November 2011. With this second gas sales agreement, we supply a total of 431 billion British thermal units per day of natural gas, an increase of 26%. During the year in review, our Singapore operations secured contracts totalling S$1.2 billion, laying the foundation for sustainable long-term growth.

On Jurong Island, we commenced commercial operation of our newest and largest industrial wastewater treatment plant. With a capacity of 9,600 cubic metres per day, the S$40 million plant doubled our industrial wastewater treatment capacity in Singapore. We also started providing industrial wastewater treatment services to German specialty chemicals company LANXESS' butyl rubber facility in August 2012. The industrial wastewater treatment plant is part of our upcoming S$960 million cluster of facilities to serve companies setting up operations in the new growth areas of Jurong Island, namely Banyan, Angsana and Tembusu. The facilities also comprise a combined cycle gas turbine cogeneration plant that can produce 400 megawatts of power and 200 tonnes per hour of process steam, and a multi-utilities centre that will provide the integrated supply of steam, water, industrial water and wastewater treatment services, cooling water and other services. Both the cogeneration plant and multi-utilities centre are expected to be completed in December 2013. At the same time, we will extend our service corridor network to connect customers in the new growth areas and the rest of Jurong Island.

To achieve further improvements in efficiency, cost and environmental sustainability, we will develop a new technology and innovation centre, which will be located at the same site as our upcoming cogeneration plant. The centre will house our researchers and engineers who will develop and integrate innovative processes and run test-beds for emerging technologies relevant to the Utilities business.

Our latest woodchip-fuelled biomass steam production plant on Jurong Island marked a step forward in our strategy to grow our renewable energy capabilities. The new S$34 million plant produces 20 tonnes per hour of process steam, using waste wood collected and processed by our solid waste management business. Leveraging our capabilities in our solid waste management and energy businesses, the plant uses recovered waste wood to provide an alternative economical source of energy for our customers, while reducing greenhouse gas emissions. We are in the midst of expanding capacity by another 40 tonnes per hour of steam with the construction of a second boiler, scheduled for completion in June 2013. Together, both boilers will produce 60 tonnes per hour of steam and reduce carbon dioxide emissions by an estimated 70,000 tonnes a year.

Our plans to expand our energy-from-waste capacity on Jurong Island will help to enhance the island's competitiveness to remain an attractive location to investors. In addition, by recovering waste meant for incineration at a fee and processing it into a resource, our energy-from-waste plants not only convert a cost into revenue, but also provide our customers with an alternative economical source of energy, thereby enhancing Sembcorp's competitiveness at the same time.

Utilities Review

Rest of ASEAN, Australia & India

The region registered a marked improvement, with PFO growing 50% to S$51.4 million from S$34.2 million in 2011. The increase in PFO was due to higher contribution from our solid waste management business in Australia, which recognised one-off costs relating to its acquisition of WSN Environmental Solutions in 2011 and higher electricity output from our power plant in Vietnam.

In Vietnam, we were granted an in-principle approval by the People's Committee of Quang Ngai Province 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. Dung Quat Economic Zone has been earmarked by the Vietnamese government to become a multi-sectorial economic zone and a base for oil refining and petrochemical industries. The development of this power project was explored in conjunction with our Urban Development business, which was then exploring the feasibility of developing its fifth integrated township and industrial park in Quang Ngai province. This project demonstrates the synergy between our businesses and our ability to offer integrated solutions as a Group – in addition to providing a world-class urban development, we are also able to supply essential power to the province.

The construction of our first power plant in India – a 1,320-megawatt coal-fired power plant in Krishnapatnam, Nellore District, Andhra Pradesh – is 65% completed and is on track to be completed in the second half of 2014. The plant will utilise supercritical technology that allows for enhanced efficiency, thereby reducing emissions of carbon dioxide and other pollutants by consuming less fuel per unit of electricity generated. We also made good progress in securing a portion of the plant's fuel supply. We sealed an agreement with PT Bayan Resources to supply approximately one million tonnes per year of coal at a competitive rate for 10 years, and finalised a shipping agreement with NYK of Japan for the same tranche of coal. We remain focused on the execution of this project and will make every effort to ensure its successful completion and delivery.

China

Our operations in China recorded a PFO growth of 14% to S$46.8 million in 2012, due to the four months earnings contribution from our newly acquired assets. The acquisition was completed in September 2012. Performance from our existing industrial and municipal water operations in China, together with our Shanghai cogeneration plant, was comparable to last year's.

We completed a strategic acquisition in China during the year, which gave us our first foothold in China's renewable energy sector. The acquisition of power assets comprised a 49% stake in four wind power assets in Inner Mongolia and Hebei that have a total gross power capacity of 248 megawatts, as well as a 25% stake in a co-operative joint venture for a 2,100-megawatt coal-fired power plant in Shanxi. The co-operative joint venture will expire in 2016. The acquisition from The AES Corporation was a strategic move to strengthen Sembcorp's global energy portfolio and accelerate our growth in the renewable energy sector. Our new wind power assets will also enable us to support the Chinese government's goal to reduce reliance on fossil fuels. China's twelfth Five-Year Plan aims to lift the contribution from non-fossil fuels including renewable energy to 15% of China's energy mix by 2020, from 8% in 2010. In addition, our wind power assets will give us a foothold to tap opportunities in China, the largest wind power market in the world.

In Jiangsu province, we entered into a joint venture agreement with Jiangsu Province Lvsi Coastal Economic Zone Development & Construction Co to build, own and operate an industrial wastewater treatment plant in Qidong Lvsi Port Economic Development Zone (Qidong Lvsi EDZ) – Jiangsu's new petrochemical industrial zone. With an investment of RMB80 million, the plant will be 95% owned by Sembcorp. It will have a design capacity of 10,000 cubic metres per day and capable of treating multiple streams of high concentration industrial wastewater. As part of the agreement, Sembcorp will be the exclusive provider of industrial wastewater treatment services within the Petrochemical & New Materials Industrial Park, a 12-square kilometre park within the Qidong Lvsi EDZ, upon completion of the plant by the second half of 2014. We have also secured a 15-year contract to provide industrial wastewater treatment services to anchor customer, state-owned China National Chemical Engineering Group.

In Liaoning province, our plans are underway to develop centralised utilities facilities in the Fushun Petrochemical and Fine Chemical Park. This project represents a significant milestone as we expand our centralised utilities business in China. Our RMB326.6 million investment will comprise a service corridor network, as well as facilities for industrial wastewater treatment and industrial water and firewater supply. We have been granted exclusivity as the provider of the service corridor network and water supply in the chemical park, which is slated to be the largest integrated refining and petrochemical base in northeastern China. As the first phase, we developed a three-kilometre service corridor network, which was completed in January 2013. At the same time, we acquired a portfolio of existing water assets from the local government and will develop a 3.6-kilometre water pipeline and a new industrial water treatment plant with an initial capacity of 22,500 cubic metres per day in 2013.

With these strategic developments, our Utilities business has an established presence with 22 operations across 11 provinces in China, further strengthening our reputation as an established energy and water player.

Middle East & Africa

PFO from the Middle East and Africa increased 213% from S$32.9 million to S$103.0 million due to contribution from our Salalah IWPP. The facility commenced full commercial operation in May 2012, following the successful completion of acceptance tests.

Salalah IWPP, which consists of a gas-fired power plant and a seawater desalination plant, provides 445 megawatts of power and 15 million imperial gallons per day (MiGD) of water to the government-owned Oman Power and Water Procurement Company under a 15-year contract. Salalah IWPP is the largest and most energy-efficient power and water plant in Dhofar in southern Oman and is our second project in the Middle East.

Our first Middle East plant, Fujairah 1 Independent Water and Power Plant (Fujairah 1 IWPP) in the United Arab Emirates (UAE), is one of the world's largest operating hybrid desalination plants. It continues to deliver good operating performance, underpinned by its long-term purchase agreement with Abu Dhabi Water & Electricity Company (ADWEC). In January 2013, we announced the expansion of Fujairah 1 IWPP's seawater desalination capacity by 30 MiGD. The expansion will boost Sembcorp's total seawater desalination capacity in the UAE from 100 MiGD to 130 MiGD. Targeted for completion in the first half of 2015, the US$200 million expansion

Utilities Review

will make the Fujairah 1 IWPP the largest reverse osmosis desalination facility in the Middle East. We have also signed a 20-year water purchase agreement with ADWEC for this additional 30 MiGD water output.

Together, our two plants in the Middle East will generate a total of 1,383 megawatts of power and 145 MiGD of water, playing a key role in helping to address the region's pressing power and water needs.

As a testament to the high quality of water and service we provide to our customers, both our South African municipal water operations have been accredited with the prestigious Blue Drop award, with Sembcorp Silulumanzi achieving platinum status for winning the Blue Drop award for three consecutive years.

UK and The Americas

PFO from our UK operations declined 45% to S$24.8 million in 2012 due to lower contributions from our Teesside operations, which continues to face a challenging operating environment with low power spreads and carbon prices. Our earnings were also impacted by an extended maintenance shutdown of our 35-megawatt biomass power plant.

Our municipal water operations in Bournemouth continued to perform well during the year. New tariffs were implemented in April 2012, according to the five-year schedule set in the 2010 tariff review with the UK water services regulator, Ofwat.

PFO from our operations in the Americas, comprising Chile, Panama and the Caribbean, declined 12% to S$8.9 million due to a one-off adjustment in 2011 from the change in accounting treatment for a service concession arrangement in Chile. Excluding the one-off item, our operations delivered a steady performance, comparable to last year's.

Market Review and Outlook

The global economy in 2013 is expected to remain fragile, according to the World Bank. The global economy is projected to grow at a relatively weak 2.4% in 2013, comparable to 2.3% in 2012. Developing economies, which have been the main driver of global growth, are estimated to grow by 5.5% in 2013 while high-income countries are forecasted to expand by 1.3%.

In Singapore, the Ministry of Trade and Industry is forecasting Singapore's economy to grow between 1% and 3% in 2013, from 1.3% in 2012. Electricity demand is expected to grow in tandem with economic growth. On the supply side, over 2,400 megawatts of new generation capacity, including the 400 megawatts from our new cogeneration plant, will gradually come onstream over the next few years, starting from 2013. In addition, the completion of Singapore's liquefied natural gas (LNG) terminal in the second quarter of 2013 will bring about a greater supply of natural gas via the arrival of LNG imports. The increase in generation capacity and gas supply is expected to intensify competition and may impact the performance of our Singapore operations.

Meanwhile, over in Europe, the EU Emissions Trading Scheme transitioned into phase three at the start of 2013. With a stricter carbon regime, our operations in Teesside, UK, will no longer be able to benefit from the sale of excess carbon credits. The new carbon regime as well as a proposed UK carbon tax will also reduce the competitiveness of our coal-fired assets.

Nevertheless, we have strong platforms in place for long-term growth. In Singapore, our upcoming projects in the new growth areas of Jurong Island, namely our multi-utilities centre and cogeneration plant, are on track for completion in end 2013. Our second woodchip boiler is also expected to be completed in June 2013, which will further enhance our competitiveness by lowering our cost of steam production. Beyond 2013, our Indian coal-fired power plant will commence operation in the second half of 2014, while the expansion of our seawater desalination capacity in Fujairah will be completed in 2015, adding 1,320 megawatts and 30 MiGD respectively to our power and water capacity in operation.

We continue to keep our focus on Singapore, where long-term prospects for Jurong Island remain positive with several petrochemical and chemical companies announcing plans to expand their investments. These include Shell, which announced the expansion of its 800,000 tonnes per annum upstream ethylene cracker by over 20%. We will continue to grow in tandem with demand in Singapore. At the same time, our future initiatives will aim at lowering costs while increasing efficiency, thereby increasing our competitiveness and helping our customers stay competitive. Our energy-from-waste solution is one such example.

Looking ahead, we will continue to explore opportunities for growth particularly in our target emerging markets, where we have been extending our footprint. We believe that rapid urbanisation and industrialisation in these markets will drive demand for our solutions.

With our long-term contracts and strong operational performance, our Utilities business will remain focused on the execution of our pipeline of projects and the pursuit of new growth opportunities to deliver long-term growth.

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

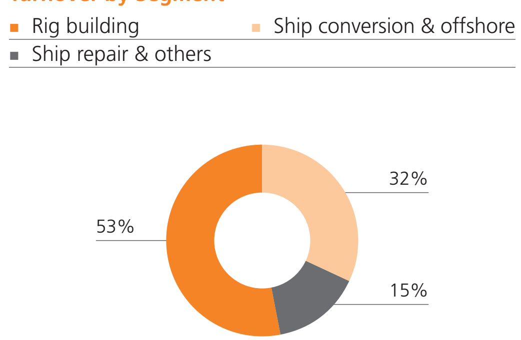
Marine Review

With 50 years of proven track record, Sembcorp Marine is a global leader in marine and offshore solutions. Our Marine business enjoys a strong reputation for integrated solutions from ship repair, shipbuilding and ship conversion, rig building and repair to offshore engineering and construction. From our global network of strategically located shipyards, we support our customers by handling complex turnkey projects and repairs while meeting high standards for health, safety, security and the environment. Over the years, we have developed proprietary designs for rigs, drillships and container vessels and have formed long-term strategic alliances with international ship operators who provide us with a stable base-load.

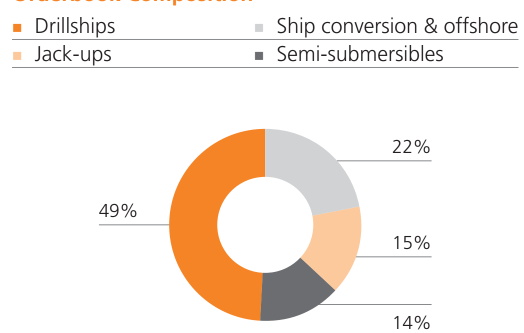
Performance Scorecard *(S$ million)*

	2012	2011	Change (%)
Turnover	**4,430.1**	3,960.2	12
EBITDA	**649.2**	825.8	(21)
PFO	**598.8**	792.4	(24)
– EBIT	**554.8**	739.1	(25)
– Share of results: Associates & JVs, net of tax	**44.0**	53.3	(17)
Net profit	**538.5**	751.9	(28)
ROE *(%)*	**22.2**	30.0	(26)

Turnover by Segment



Orderbook Composition



Net orderbook of S$13.6 billion
(as at February 21, 2013)

Marine Review

Key Developments

- Record net orderbook of S$13.6 billion as at February 2013, with completions and deliveries till 2019
- Record S$11.0 billion of new orders secured in 2012, surpassing the previous high of S$5.7 billion in 2008
- Strategically expanded into the drillship market with seven drillship order wins worth over US$5.6 billion
- Acquired a 34.5-hectare site for the second phase of the 206-hectare Integrated New Yard Facility located at Singapore's Tuas View Extension

Operations Review

Sembcorp Marine's turnover increased 12% from S$4.0 billion in 2011 to S$4.4 billion in 2012 due to higher revenue recognition for rig building and offshore platform projects.

Profit from operations (PFO) was S$598.8 million compared to S$792.4 million in 2011, while operating margin was 12.5% compared to 18.6% in 2011. The decline in operating profit was due to lower margin from new design rigs and resumption of margin on completion and delivery of the *Songa Eclipse* semi-submersible rig in 2011.

The business' net profit in 2012 stood at S$538.5 million, compared to S$751.9 million in 2011. Return on equity was 22%, compared to 30% last year.

During the year in review, the business secured contract orders worth S$11.0 billion, growing the net orderbook from S$5.1 billion as at end 2011 to a record high of S$13.6 billion as at February 21, 2013, with completion and deliveries extending till 2019. This included over US$5.6 billion worth of orders for seven drillships from Sete Brasil. This is part of our new product offering that will enable us to deliver complete solutions in the ultra-deepwater segment and strengthen our position in this fast-growing market.

We also made good progress in the construction of our new integrated shipyards in Brazil and Singapore during the year. Our new yards will enhance our competitiveness as we expand our capacity to offer a one-stop solution to our customers in some of the world's fastest growing oil and gas markets.

In 2012, we also acquired a 20% equity interest in Singapore-based research and development company Ecospec Global Technology to strengthen our regulatory-compliant environmental solutions to ship owners. In addition, we established our first footprint in the UK through the acquisition of a 70% stake in UK-based SLP Engineering (now Sembmarine SLP), which will allow us to provide synergistic support to our North Sea clientele.

In December 2012, a jack-up rig under construction at our Marine business' Jurong Shipyard in Singapore tilted. At the time of the incident, the company acted quickly, successfully evacuating all workers off the rig in around 20 minutes and ensuring all were accounted for within an hour. In mid-January 2013, the tilted rig was successfully restored to its original upright position, and this was followed by the resumption of work on the rig at the end of the month. There were no fatalities or serious injuries. Safety is of the utmost importance to us, and we are fully committed to strengthening our businesses' safety provisions and ability to respond to emergencies.

Ship repair

Turnover for the ship repair segment was S$641.7 million or 14% of our Marine business' revenue in 2012, comparable to S$643.9 million in 2011. A total of 337 vessels docked at our yards in 2012 compared to 264 vessels in 2011, while the average value per vessel was S$1.9 million, compared to S$2.4 million in 2011. Long-term strategic alliance customers continued to provide a steady and growing base-load. Together with our regular repeat customers, they contributed 82% of our total ship repair revenue in 2012. High value repairs to liquefied natural gas (LNG) and liquefied petroleum gas (LPG) tankers, oil tankers, passenger ships and upgrading of drillships and floating production storage and offloading (FPSO) vessels continue to dominate the segment.

During the year, we secured three ship repair contracts totalling S$130 million for floating storage and offloading (FSO) vessel repair and upgrading, as well as LNG carriers' life extensions. This reinforced our reputation as a world-leading shipyard for ship repair and specialised offshore and LNG carriers upgrading. At the same time, we were also awarded a new favoured customer contract to provide ship repair, revitalisation, upgrading and related marine services for Royal Caribbean's fleet of cruise ships.

Ship conversion and offshore

Turnover from ship conversion and offshore grew 30% to S$1.4 billion from S$1.1 billion in 2011. The segment contributed 32% of the Marine business' total revenue. As a leading provider for the conversion of FPSO systems and the turnkey engineering and construction of offshore platforms, we completed and delivered four projects during the year, including *Seven Borealis*, the world's largest heavy lift crane carrier, and *Nusantara Regas Satu*, Asia's first floating storage and regasification unit (FSRU).

During the year, we secured a US$63 million contract for the engineering and construction of two wellhead platforms for Premier Oil Natuna Sea BV and a US$674 million contract from a Petrobras majority-owned consortium for the construction of eight modules and module integration works for two units of FPSO. Work for this project will be undertaken in our wholly-owned Brazil shipyard, Estaleiro Jurong Aracruz.

Rig building

Turnover from the rig building segment, which contributed 53% of our Marine business' total turnover, stood at S$2.4 billion, representing a growth of 7% compared to 2011's turnover of S$2.2 billion.

During the year, we delivered two jack-up rigs and two semi-submersible rigs.

A total of 15 new contracts worth US$7.9 billion were secured in 2012, including seven drillship orders worth over US$5.6 billion from Sete Brasil, five units of Pacific Class 400 jack-up rigs for various customers, a US$385.5 million semi-submersible well intervention rig from Helix Energy Solutions, a US$568 million harsh-environment semi-submersible rig from North Atlantic Drilling and a second unit of the harsh-environment accommodation semi-submersible rig worth US$295.2 million from Prosafe.

Drillships

In 2012, we secured a total of seven orders worth US$5.6 billion from Sete Brasil for the design and construction of seven drillships based on our proprietary Jurong Espadon drillship design.

The strategic expansion of our product offering to cover the drillship market will enable us to deliver a complete solution in the ultra-deepwater segment, strengthening our leadership in the growing market for ultra-deepwater solutions. Our proprietary Jurong Espadon drillship design represents the next generation of high specification drillships with advanced capabilities for operational efficiency and ultra-deepwater operations worldwide. The drillships will be capable of operating at water depths of 10,000 feet and drilling to depths of 40,000 feet, with accommodation facilities for a crew of 180 personnel.

The seven drillship orders not only position us as a reputable builder of drillships, but also

Marine Review

provide the momentum for us to accelerate our shipbuilding programme at our new Brazil shipyard, Estaleiro Jurong Aracruz.

Scheduled for deliveries between the second quarter of 2015 and fourth quarter of 2019, the vessels are among the first in a series of drillships to be built in Brazil to cater to the oil and gas discoveries in the offshore giant pre-salt fields of Espirito Santo. On delivery, all seven drillships will be chartered to Petrobras for 15 years.

Positioned for growth

We continue to make good progress in positioning the business for sustainable growth in the long term. Apart from expanding our product offering to include drillships and harsh-environment accommodation rigs, which will enable us to strengthen our position in the fast-growing ultra-deepwater segment, we are also augmenting our global network of shipyards which will give us a strategic presence in some of the world's fastest growing oil and gas markets.

In Singapore, the 73.3-hectare first phase of our Integrated New Yard Facility at Tuas View Extension is on track to commence operation in the second half of 2013. It will feature four very large crude carrier (VLCC) drydocks with a total capacity of 1.55 million deadweight tonnes and quays of more than three kilometres. With these state-of-the-art facilities and equipment, it is well-equipped to serve a wide range of vessels including new generations of mega containerships, VLCCs, LNG carriers and passenger ships.

With the first phase nearing completion, we kick-started the development of the second phase with the acquisition of a 34.5-hectare site. Located adjacent to the first phase development, the second phase of the new yard will be developed in stages over a period of four to five years.

When fully completed, the entire shipyard, which will be built in phases over an estimated period of 16 years, will span 206 hectares. Designed as a centralised and integrated "one-stop solutions" hub for ship repair and conversion, shipbuilding, rig building and offshore engineering and construction, it is Singapore's first purpose-built, custom-designed integrated yard facility, which will further reinforce our competitive edge.

Meanwhile in Brazil, construction of our wholly-owned Estaleiro Jurong Aracruz, our first overseas Integrated New Yard Facility, is progressing well. 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. The Integrated New Yard Facility 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. It will also be equipped with a one-kilometre berthing quay, a drydock and ancillary piping facilities and steel fabrication workshops. Targeted for full completion by end 2014, the shipyard is poised to further strengthen our foothold in the country. Contracts secured in 2012 that will be undertaken by the yard include the drillships for Sete Brasil and the fabrication and integration works for the Petrobras FPSO vessels P-68 and P-71.

In India, construction of our 40%-owned integrated yard, Sembmarine Kakinada, was completed and the yard commenced commercial operation in January 2013. Strategically located in the east coast of India, the yard offers ship owners and offshore operators a one-stop integrated marine and offshore service facility for the repairs and servicing of offshore vessels and ships, newbuilds, oil and gas riser and equipment repairs as well as platforms and modules fabrication. The joint venture, which is operated and managed by our Marine business under a 10-year technical management and services agreement, is in line with our strategy to establish and grow a hub in India to cater to the growing needs of our customers operating in India and South Asia.

Market Review and Outlook

Our Marine business has a net orderbook of S$13.6 billion with completion and deliveries stretching into 2019. This includes S$11.0 billion in contract orders secured in 2012 and a S$900 million contract secured since the start of 2013, excluding ship repair contracts. Moving ahead, the business remains focused on operational efficiency, productivity improvements, safety management and the timely deliveries of these record orders to our customers.

Amidst the fragile global economic environment, the long-term industry fundamentals for the offshore oil and gas sector remain sound, underpinned by high oil prices and projected increases in offshore exploration and production spending. Demand for rigs is expected to remain strong given the aging rig fleet and the increasing focus by oil companies for new, safer and efficient rigs and rigs capable of operating in harsh environment.

There is continued demand for repair, upgrading and life extension work, in particular in the niche segments of LNG carriers, passenger / cruise vessels and offshore vessels. Demand for the business' big docks remains strong as the alliance and long-term customers continue to provide a stable and steady base-load.

Our Marine business continues to receive healthy enquiries for the various segments although competition remains keen with effects on margin.

Artist's impression of the fourth Vietnam Singapore Industrial Park in Hai Phong, Vietnam

Urban Development Review

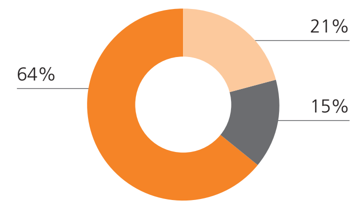
Our Urban Development business is a leading Asian developer with over 20 years of experience in master planning, land preparation and infrastructure development. Our expertise lies in transforming raw land into large-scale urban developments. Over the years, we have built a sound reputation as an owner, developer, manager and marketer of urban developments comprising industrial parks, as well as business, commercial and residential space in Vietnam, China and Indonesia. Our developments in some of the world's fastest growing countries provide the economic engine to drive investments into these emerging markets. To date, we have attracted US$10 billion in foreign direct investments to our integrated developments and over 600 multinational companies and leading local enterprises as tenants. With a gross project size of 10,257 hectares to support our development pipeline in Vietnam, China and Indonesia, there are also opportunities for us to selectively develop commercial and residential real estate at choice sites.

Performance Scorecard *(S$ million)*

	2012	2011	Change (%)
Turnover[1]	**15.6**	12.8	22
EBITDA	**7.7**	1.2	542
PFO	**44.0**	46.1	(5)
– EBIT	**6.3**	(0.3)	NM
– Share of results: Associates & JVs, net of tax	**37.7**	46.4	(19)
Net profit	**41.1**	38.7	6
ROE[2] *(%)*	**7.2**	7.2	–

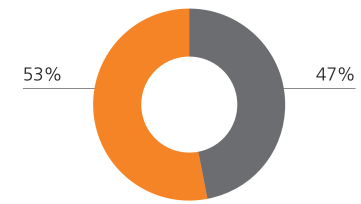
Land Available for Sale by Geography

■ Vietnam ■ China ■ Indonesia



Land Available for Sale by Segment

■ Industrial ■ Commercial & residential



Notes:

[1] Most of our 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 Urban Development business' ROE for 2012 was 12.8%

Note: Land available for sale figures are based on current planned estimates and exclude projects under Gallant Venture

Key Developments

- Entered into a joint venture with Chengdu Hi-tech Investment Group Co to develop the Singapore-Sichuan Hi-tech Innovation Park in Chengdu's Tianfu New City central business district. The groundbreaking ceremony took place in May 2012
- Received the investment certificate issued by the People's Committee of Quang Ngai Province to proceed with our fifth Vietnam Singapore Industrial Park (VSIP) project in Vietnam, VSIP Quang Ngai
- Signed a joint venture agreement with a wholly-owned subsidiary of P.T. Kawasan Industri Jababeka to develop an 860-hectare urban development in Kendal Regency, Central Java, Indonesia

Operations Review

Our Urban Development business performed well in 2012. Net profit grew 6% from S$38.7 million to S$41.1 million while profit from operations (PFO) was S$44.0 million, compared to S$46.1 million in 2011. Land sales and rental income from built-to-suit factories boosted contribution from the Wuxi-Singapore Industrial Park (WSIP) and mitigated the lower land sales from the Vietnam Singapore Industrial Park (VSIP) projects.

The business sold a total of 158 hectares of land in Vietnam and China during the year compared to 226 hectares in 2011. Industrial land accounted for 98% of the land sold, while commercial and residential land accounted for the remaining 2%. Commercial and residential land sales slowed in 2012 due to bank lending restrictions for real estate development in Vietnam. In 2012, we received commitments for a further 167 hectares of land from customers, bringing our total land commitment to 236 hectares. These included commitments for 30 hectares of industrial, commercial and residential land in the new Nanjing and Chengdu projects in China, which we believe is a sign of renewed confidence in the Chinese economy.

During the year, we achieved major milestones in positioning the business for growth and expanding our development pipeline. We secured regulatory approvals for three projects in new beachheads, VSIP Quang Ngai in central Vietnam, Singapore-Sichuan Hi-tech Innovation Park in western China and Kendal Industrial Park in Central Java, Indonesia. With these projects in key emerging markets, we increased our total gross project size in Vietnam, China and Indonesia by more than 40% to 10,257 hectares during the course of the year.

Vietnam

In 2012, Vietnam's economy grew 5.1%, lower than the 5.9% growth achieved in the previous year and the government's 2012 target of 6%. Economic growth continued to be weighed down by weaker external demand from major export markets as well as weakened domestic economy.

Against this backdrop, industrial land sales continued to do relatively well across Binh Duong, Bac Ninh and Hai Phong, achieving total land sales of 138 hectares. Commercial and residential land sales however, were impacted by domestic monetary policy as the Vietnamese government raised bank interest rates and restricted lending for real estate development in a bid to tackle double-digit inflation.

In southern Vietnam, our projects performed relatively well, with the first VSIP project in Thuan An district, which is almost fully sold, contributing steady recurring income from factory rentals and electricity distribution. Despite the weak business environment, 87 hectares of land were sold and 76 hectares have been committed by customers in our second 2,045-hectare VSIP in the New Binh Duong Township. Project take-up rate stood at 42% and 808 hectares of saleable land remained available as at end 2012. Meanwhile in northern Vietnam, land sales slowed considerably in the 700-hectare VSIP Bac Ninh despite land commitments as companies put investment decisions on hold due to banking restrictions. During the year, 17 hectares of land were sold and 42 hectares were committed by customers, bringing the land take-up rate to 65%. Another 157 hectares of land remained available for sale as at end 2012. Our VSIP project in Hai Phong city performed well. The project sold 36 hectares of land during the year, and had land commitments for another 18 hectares. Our projects in Vietnam continued to help drive investments into the country. Collectively, the VSIP projects have attracted more than US$5.5 billion in foreign direct investments.

In April 2012, we received the investment certificate issued by the People's Committee of Quang Ngai Province to proceed with VSIP Quang Ngai – our fifth VSIP project in Vietnam. The US$337.8 million joint venture project comprises a 600-hectare industrial park located within the Dung Quat Economic Zone. Separately, a 520-hectare site has been earmarked for commercial and residential development near downtown Quang Ngai city. Detailed master plans for the industrial, commercial and residential zones are ongoing, and we expect to commence industrial land sales in 2013. With VSIP Quang Ngai, the total gross project size of our VSIP projects has increased 23% to 5,965 hectares.

During the year, we also entered into a 40:60 joint venture with VSIP Joint Venture Co to develop *Gateway*, our first residential project in Vietnam. Located within VSIP Binh Duong in Thuan An district, it is a mid-market residential project of about 163,807 square metres gross floor area, comprising 1,380 apartment units and amenities and will be developed in phases from 2013 onwards. *Gateway* is part of our efforts to develop projects that deliver an integrated urban work and living environment, enhancing the attractiveness of VSIP. Phase one will comprise two blocks of 250 apartment units.

China

China continued to be impacted by sluggish global demand and domestic challenges, which in turn affected potential customer investment decisions. Despite these, we made substantial progress in our China projects.

Our WSIP turned in a good performance with sales of 16 hectares of industrial land, as well as rental income from built-to-suit factories. The WSIP business model focuses on providing a recurring income base through factory space sales and rental. Currently it has a total factory built-up gross floor area of 570,000 square metres. We plan to secure more built-to-suit factories with long-term lease agreements to boost our recurring income base. During the year, we completed and handed over a 28,252-square metre factory to Epcos which has signed a 10-year long-term lease agreement for the premises. In terms of new lease agreements, we secured new customer Osram which will lease the 73,000-square metre initial phase factory for 20 years, as well as Muehlbauer which has signed an eight-year long-term lease agreement for its 11,000-square metre factory. The factories will be completed in 2013 and 2014 respectively. In the commercial and residential space, the business and technology park registered higher occupancy rates for phase one at 61% while the *International Garden City* apartment project sold 24 units and is now 94% taken up. In light of the weak property market, we have delayed the launch of *Hongshan Mansion* residential development to 2013.

Over at the Sino-Singapore Nanjing Eco Hi-tech Island, we secured two customers who committed to taking up a total of 15 hectares of land for residential development and three customers who took up 7.5 hectares for business use. Meanwhile, construction for the mixed-use development *New One North* is progressing well with the completion of the exhibition and office centre expected by mid-2014. Construction for the business park, commercial and residential areas will commence in 2013.

During the year, we signed the joint venture agreement with our Chinese partners for the Singapore-Sichuan Hi-tech Innovation Park project and also celebrated the project's groundbreaking ceremony. Located within Chengdu's Tianfu New City central business district, the 1,000-hectare park will be developed in phases with a start-up area of 300 hectares. The detailed design master plan has been completed and land preparation works on the site have commenced. Land sales are expected to commence in 2014.

Indonesia

To tap the growing investments in Central Java, we entered into a joint venture with a wholly-owned subsidiary of P.T. Kawasan Industri Jababeka, a publicly-listed company on the Jakarta Stock Exchange and one of the leading industrial estate developers in Indonesia. Sembcorp owns a 49% stake in the joint venture to co-develop the 860-hectare Kendal Industrial Park, which is located along the Jakarta-Semarang-Surabaya Economic Corridor in Kendal Regency, Central Java. We have received the investment licence to proceed with the project and are in the process of designing the conceptual master plan. We expect land sales for the project to commence in 2014.

Market Review and Outlook

The Urban Development business is expected to deliver better performance in 2013.

Gross Domestic Product (GDP) growth in Vietnam is expected to hit 5.7% in 2013 from 5.1% in 2012, while China's economy is expected to rebound with a GDP growth forecast of 8.1% in 2013, from 7.8% in 2012. While government measures to stabilise the property markets in these countries may affect the pace of land sales in the short term, we continue to hold a long-term positive outlook for our business.

In Vietnam, we now have a total of five projects. Strategically located in the southern, central and northern economic zones, we are well-positioned to grow in tandem with industrialisation and urbanisation in the country. Our projects in China are also well-positioned for growth. Located in the key growth areas of Wuxi, Nanjing and Chengdu, we expect demand for industrial, commercial and residential space to continue to be driven by urbanisation and the shift towards central-western China development. We also expect Central Java to experience heightened levels of economic activity as the province benefits from spillovers from investments in Jakarta.

The Urban Development business has built up a strong portfolio of projects totalling 10,257 hectares in gross project size in Vietnam, China and Indonesia. With continued urbanisation and industrialisation in these emerging markets, the demand for industrial, commercial and residential space is set to grow. We have an established track record in transforming raw land into large-scale urban developments, and the ability to extract further value from our landbank through selective commercial and residential development. With projects that provide the economic engine to drive investments into some of the world's fastest developing markets, we believe that our Urban Development business is well-positioned for long-term growth.