

GROUP FINANCIAL REVIEW

GROUP FINANCIAL HIGHLIGHTS

	2014	2013	Change (%)
For the Year (\$ million)			
Turnover	10,895	10,798	1
Earnings before interest, tax, depreciation and amortisation	1,457	1,477	(1)
Profit from operations	1,297	1,315	(1)
– Earnings before interest and tax	1,139	1,160	(2)
– Share of results: Associates & JVs, net of tax	158	155	2
Profit before tax	1,246	1,214	3
Net profit	801	820	(2)
Economic value added	525	619	(15)
Return on total assets (%)	7.5	9.1	(18)
Return on equity (%)	15.2	17.1	(11)

Capital Position (\$ million)

Owners' funds	5,414	5,027	8
Total assets	17,176	13,754	25
Net debt / (cash)	3,082	(349)	NM
Operating cash flow	(57)	1,509	NM
Free cash flow	(29)	1,475	NM
Capital expenditure and equity investment	1,625	1,455	12
Total debt-to-capitalisation ratio	0.40	0.23	74
Total debt-to-capitalisation ratio (less cash and cash equivalents)	0.26	Net cash	NM
Interest cover (times)	20.8	12.5	66

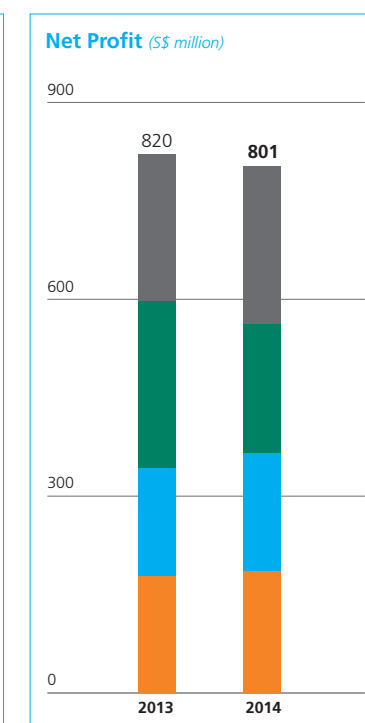
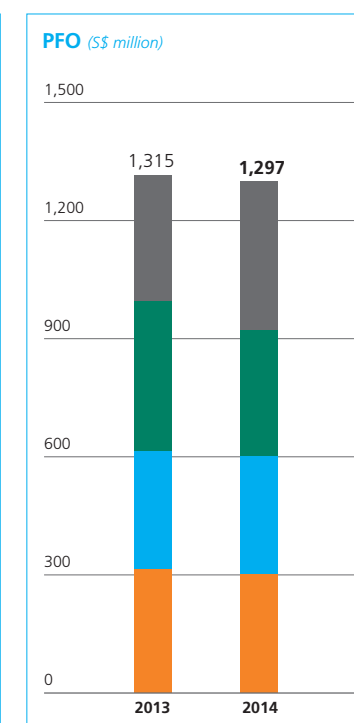
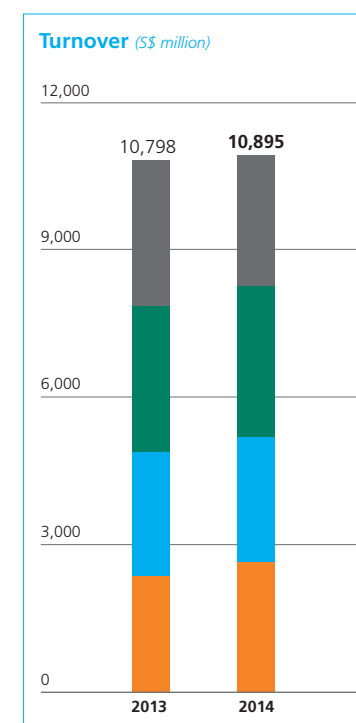
Shareholder Returns

Net assets per share (\$)	3.15	2.93	7
Earnings per share (cents)	44.31	45.70	(3)
Dividends per share (cents)			
– Ordinary	16	15	7
– Bonus	–	2	(100)
Payout ratio (%)	36.1	37.2	(3)
Last traded share price (\$)	4.45	5.49	(19)
Total shareholder returns (%)	(15.6)	7.8	NM

GROUP QUARTERLY PERFORMANCE (\$ MILLION)

	1Q	2Q	2014 3Q	4Q	Total	1Q	2Q	2013 3Q	4Q	Total
Turnover	2,627	2,534	3,070	2,664	10,895	2,350	2,500	2,974	2,974	10,798
Earnings before interest, tax, depreciation and amortisation ¹	324	331	375	427	1,457	351	374	416	336	1,477
Profit from operations	301	298	322	376	1,297	313	298	382	322	1,315
– Earnings before interest and tax	247	254	297	341	1,139	276	273	353	258	1,160
– Share of results: Associates & JVs, net of tax	54	44	25	35	158	37	25	29	64	155
Profit before tax	287	286	315	358	1,246	279	270	353	312	1,214
Net profit	185	179	196	241	801	177	165	254	224	820
Earnings per share (cents)	10.25	9.87	10.86	13.33	44.31	9.90	9.26	14.15	12.39	45.70

¹ Earnings before interest, tax, depreciation and amortisation excludes major non-cash items such as the effects of fair value adjustments, re-measurements, impairments and write-offs.



■ First Quarter ■ Second Quarter ■ Third Quarter ■ Fourth Quarter

FIVE-YEAR FINANCIAL PERFORMANCE PROFILE

2014

Sembcorp delivered a healthy performance in 2014 amid challenging market conditions. Net profit for the year was S\$801.1 million, while turnover stood at S\$10.9 billion. The Utilities and Marine businesses continued to be our main profit contributors, accounting for 51% and 42% of Group net profit respectively.

In 2014, the Utilities business reported a net profit of S\$408.0 million, compared to S\$449.9 million in 2013. The business achieved a 7% net profit growth in 2014 from 2013 excluding significant items recorded in 2013. These significant items comprised gains from the initial public offering of Sembcorp Salalah Power and Water Company (Sembcorp Salalah), offset by an impairment made for operations in the UK.

The Marine business contributed S\$340.0 million to the Group's net profit in 2014, compared to S\$336.9 million in 2013. Meanwhile, the Urban Development business reported a net profit of S\$44.3 million, compared to S\$50.2 million in the previous year.

Return on equity for the Group was 15.2% and earnings per share amounted to 44.3 cents.

2013

Sembcorp delivered a robust performance for 2013. Net profit grew 9% to S\$820.4 million from S\$753.3 million in 2012, while

turnover increased 6% to S\$10.8 billion from S\$10.2 billion the previous year.

In 2013, the Utilities business delivered strong profit growth of 20%, with net profit increasing to S\$449.9 million from S\$374.6 million in 2012, underpinned by solid growth from operations in China and gains from the initial public offering of Sembcorp Salalah, offset by an impairment made for operations in the UK.

The Marine business reported a net profit of S\$336.9 million in 2013, up 3% from S\$326.7 million in 2012. Meanwhile, the Urban Development business reported a 22% increase in net profit to S\$50.2 million from S\$41.1 million the previous year.

2012

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.

In 2012, our Utilities business achieved net profit of S\$374.6 million, growing 23% from S\$304.4 million in 2011. This was due to better performance from our Singapore operations, attributable to additional gas sales during the year.

Our Marine business contributed S\$326.7 million in net profit for the year.

2011

Sembcorp delivered a strong performance in 2011 compared to 2010. Net profit for the full year grew 2% to S\$809.3 million from S\$792.9 million in 2010, while turnover was up 3% to S\$9.0 billion from S\$8.8 billion in the previous year.

Our Utilities business delivered robust profit growth in 2011, with net profit growing 32% to S\$304.4 million. The Marine business' contribution to net profit was 13% lower at S\$456.2 million, mainly due to fewer jack-up and semi-submersible rig projects. 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.

2010

Sembcorp's net profit for the year grew 16% to S\$792.9 million from S\$682.7 million the previous year, while turnover was S\$8.8 billion compared to S\$9.6 billion in 2009.

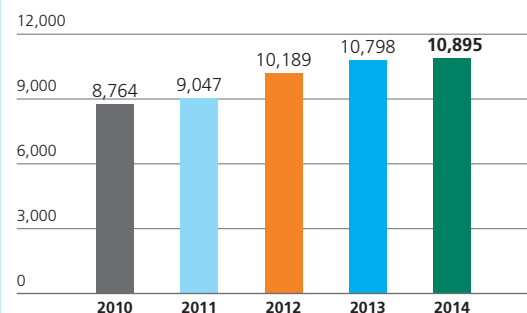
The Utilities business' net profit improved by 2% to S\$231.3 million with all regions registering growth except for operations on Teesside, UK, while the Marine business' contribution to net profit grew 22% to S\$524.9 million.

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

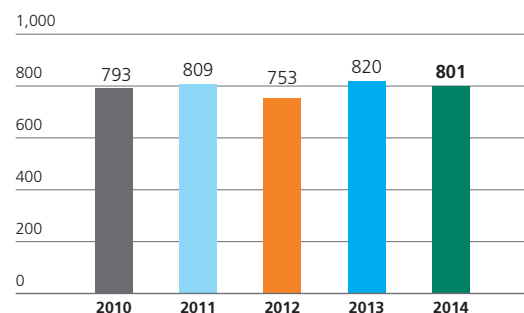
	2014	2013	2012	2011	2010
For the Year (\$ million)					
Turnover	10,895	10,798	10,189	9,047	8,764
Earnings before interest, tax, depreciation and amortisation ¹	1,457	1,477	1,403	1,370	1,489
Profit from operations	1,297	1,315	1,266	1,272	1,396
– Earnings before interest and tax	1,139	1,160	1,103	1,101	1,236
– Share of results: Associates & JVs, net of tax	158	155	163	171	160
Profit before tax	1,246	1,214	1,155	1,271	1,367
Net profit	801	820	753	809	793
At Year End (\$ million)					
Property, plant and equipment and investment properties	7,749	5,148	5,180	4,273	3,463
Other non-current assets	3,297	2,916	2,510	2,263	2,064
Net current assets	773	788	1,028	1,520	1,900
Non-current liabilities	(4,587)	(2,322)	(3,074)	(2,815)	(2,407)
Net assets	7,232	6,530	5,644	5,241	5,020
Share capital and reserves (including perpetual securities)	5,616	5,230	4,503	4,115	3,815
Non-controlling interests	1,616	1,300	1,141	1,126	1,205
Total equity	7,232	6,530	5,644	5,241	5,020
Per Share					
Earnings (cents)	44.31	45.70	42.17	45.32	44.44
Net assets (\$)	3.15	2.93	2.52	2.31	2.13
Net ordinary dividends (including bonus dividends) (cents)	16	17	15	17	17
Financial Ratios					
Return on equity (%)	15.2	17.1	17.5	20.4	22.2
Return on total assets (%)	7.5	9.1	9.5	10.7	12.2
Interest cover (times)	20.8	12.5	10.0	20.9	24.4
Total debt-to-capitalisation ratio	0.40	0.23	0.30	0.29	0.26
Total debt-to-capitalisation ratio (less cash and cash equivalents)	0.26	Net cash	0.05	Net cash	Net cash

¹ Earnings before interest, tax, depreciation and amortisation excludes major non-cash items such as the effects of fair value adjustments, re-measurements, impairments and write-offs.

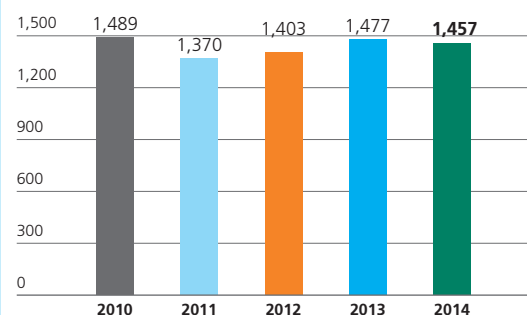
Turnover (\$ million)



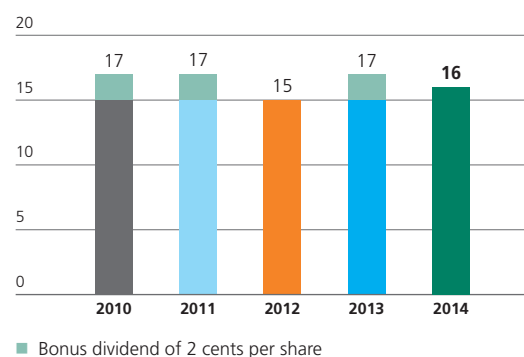
Net Profit (\$ million)



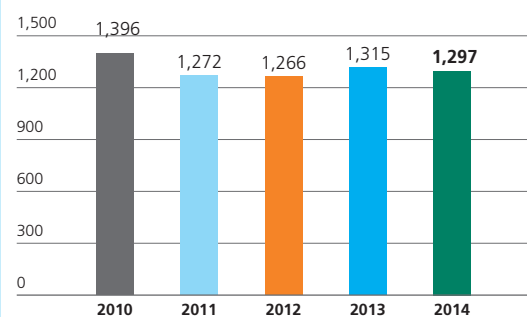
EBITDA (\$ million)



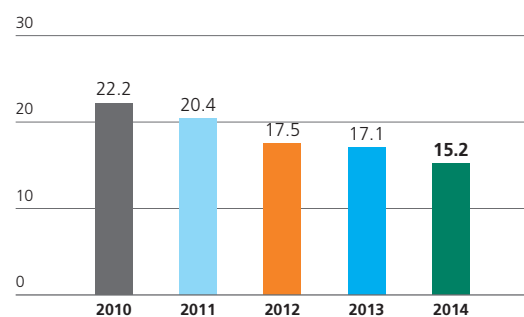
Net Ordinary Dividend Per Share (cents)



PFO (\$ million)



ROE (%)



Review by Business (\$ million)

	2014	%	2013	%	2012	%	2011	%	2010	%
Turnover										
Utilities	4,850	44	5,095	47	5,615	55	4,893	54	3,993	46
Marine	5,831	54	5,523	51	4,428	44	3,957	44	4,554	52
Urban Development	7	-	9	-	12	-	9	-	16	-
Others / Corporate	207	2	171	2	134	1	188	2	201	2
	10,895	100	10,798	100	10,189	100	9,047	100	8,764	100

Profit from Operations

Utilities	522	40	613	47	607	48	421	33	314	22
Marine	718	55	660	50	599	47	793	62	1,045	75
Urban Development	47	4	45	3	44	4	46	4	40	3
Others / Corporate	10	1	(3)	-	16	1	12	1	(3)	-
	1,297	100	1,315	100	1,266	100	1,272	100	1,396	100

Net Profit

Utilities	408	51	450	55	375	50	304	38	231	29
Marine	340	42	337	41	327	43	456	56	525	66
Urban Development	44	6	50	6	41	6	39	5	37	5
Others / Corporate	9	1	(17)	(2)	10	1	10	1	-	-
	801	100	820	100	753	100	809	100	793	100

Performance Scorecard (\$ million)

	2014	2013	Change (%)
Turnover	10,894.7	10,797.6	1
EBITDA ¹	1,456.7	1,476.6	(1)
PFO	1,297.1	1,315.2	(1)
- EBIT	1,138.9	1,160.2	(2)
- Share of results: Associates & JVs, net of tax	158.2	155.0	2
PBT	1,246.4	1,214.4	3
Net profit	801.1	820.4	(2)
EPS (cents)	44.3	45.7	(3)
ROE (%)	15.2	17.1	(11)

¹ EBITDA excludes major non-cash items such as the effects of fair value adjustments, re-measurements, impairments and write-offs.

OVERVIEW

Amid challenging market conditions, Sembcorp delivered a net profit of S\$801.1 million and a turnover of S\$10.9 billion in 2014. The Group's net profit in 2014 was up 3% from 2013 excluding significant items recorded in 2013. These significant items comprised gains from the initial public offering of Sembcorp Salalah Power and Water Company (Sembcorp Salalah), offset by an impairment made for utilities operations in the UK and a fair value loss recorded following the reclassification of Gallant Venture as an available-for-sale financial asset.

The Utilities and Marine businesses continued to be our main profit contributors, accounting for 51% and 42% of Group net profit respectively.

TURNOVER

The Group achieved a turnover of S\$10.9 billion, with the Utilities and Marine businesses contributing 98% of total turnover.

The Utilities business' turnover was lower mainly due to the deconsolidation of Sembcorp Salalah, lower gas offtake and lower high sulphur fuel oil prices recorded during the year.

The Marine business' turnover increased by 6% in 2014 to S\$5.8 billion, mainly due to higher revenue recognition for its rig building projects and offshore and conversion projects.

NET PROFIT

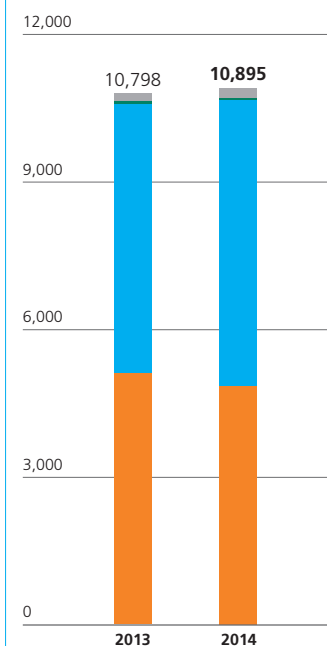
The Group recorded a net profit of S\$801.1 million in 2014 compared to S\$820.4 million in 2013, while profit from operations was S\$1.3 billion, comparable to previous year.

In 2014, the Utilities business' net profit was S\$408.0 million compared to S\$449.9 million in 2013. Excluding significant items in 2013, which amounted to S\$68.6 million (comprising gains from the initial public offering of Sembcorp Salalah and offset by an impairment made for utilities operations in the UK), our Utilities business achieved a 7% net profit growth in 2014.

Meanwhile, our Marine business contributed S\$340.0 million in net profit, compared to S\$336.9 million in 2013. This was mainly due to higher operating profit. In 2013, our Marine business also reported lower tax expense due to a write-back of tax on recognition of tax incentives.

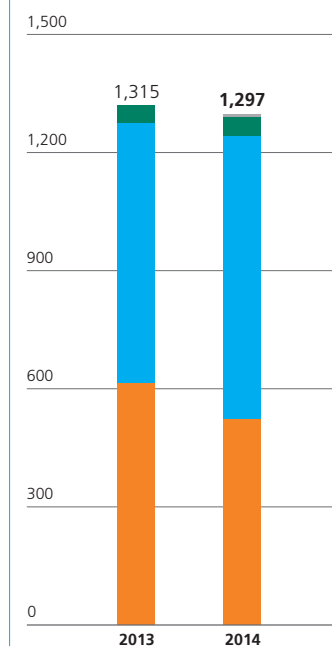
Turnover (\$ million)

	2013	2014
Utilities	5,095	4,850
Marine	5,523	5,831
Urban Development	9	7
Others / Corporate	171	207
	10,798	10,895



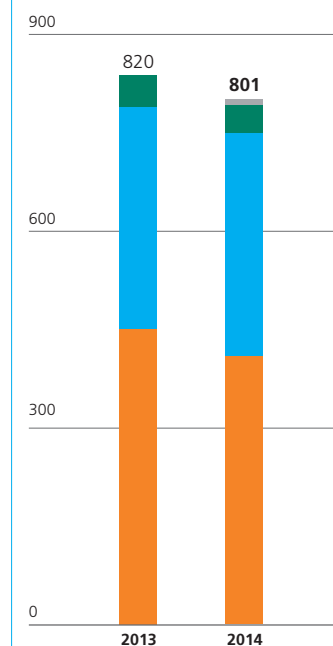
PFO (\$ million)

	2013	2014
Utilities	613	522
Marine	660	718
Urban Development	45	47
Others / Corporate	(3)	10
	1,315	1,297



Net Profit (\$ million)

	2013	2014
Utilities	450	408
Marine	337	340
Urban Development	50	44
Others / Corporate	(17)	9
	820	801



CASH FLOW AND LIQUIDITY

As at December 31, 2014, the Group's cash and cash equivalents stood at S\$1.7 billion.

Cash flows from operating activities before changes in working capital stood at close to S\$1.5 billion in 2014, a slight increase compared to 2013. Net cash from operating activities for 2014 was an outflow of S\$57.4 million compared to a net

cash inflow of S\$1.5 billion in 2013, mainly arising from change in working capital for ongoing rig building projects.

Net cash outflow from investing activities for 2014 was S\$1.4 billion. S\$1.6 billion was spent on purchase of property, plant and equipment and equity investments. This cash outflow was partially reduced by dividends received and net cash inflow

from the acquisition of Thermal Powertech Corporation India (TPCIL).

Net cash inflow from financing activities of S\$900.6 million for 2014 was mainly related to net proceeds from borrowings, partially offset by dividends and interest paid.

FINANCIAL POSITION

Group shareholders' funds increased to S\$5.4 billion as at December 31, 2014 from S\$5.0 billion as at December 31, 2013.

Non-current assets increased primarily due to an increase in equity interest in TPCIL from 49% to 65%. With this, TPCIL became a subsidiary of Sembcorp and its financials were consolidated into the Group's financial statements thereafter. The increase in non-current assets was also a result of additional equity investments by the Utilities business, mainly in India and Vietnam, as well as our share of profits contributed by associates and joint ventures during the year.

Inventories and work-in-progress increased primarily due to the payment terms of rig building projects. The excess of progress billings over work-in-progress decreased mainly due to timing of billing for rig building projects.

Interest-bearing borrowings increased, mainly arising from the consolidation of TPCIL and additional borrowings by the Marine business for capital expenditure for its Brazil yard.

SHAREHOLDER RETURNS

Return on equity for the Group was 15.2% and earnings per share amounted to 44.3 cents in 2014.

Subject to approval by shareholders at the next annual general meeting, a final ordinary one-tier tax exempt dividend of 11.0 cents per share has been proposed for the financial year ended December 31, 2014. Together with an interim dividend of 5.0 cents per ordinary share paid in September 2014, this brings our total dividend for the year to 16.0 cents per ordinary share.

ECONOMIC VALUE ADDED

The Group generated positive economic value added of S\$524.7 million in 2014.

Our net operating profit after tax for 2014 amounted to S\$1.2 billion, while capital charges increased to S\$642.9 million, mainly due to a higher capital base for building up our capacities.

VALUE ADDED AND PRODUCTIVITY DATA

In 2014, the Group's total value added was S\$2.6 billion. This was absorbed by employees in wages, salaries and benefits of S\$871 million, by governments in income and other taxes of S\$273 million and by providers of capital in interest and dividends of S\$463 million, leaving a balance of S\$1.0 billion reinvested in business.

CRITICAL ACCOUNTING POLICIES

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

With effect from January 1, 2014, the Group adopted the following new / amended FRSs, set out in the table below.

The adoption of the FRSs below (including consequential amendments) does not have any significant impact on the Group's financial statements, except for additional disclosures in the Notes to the Financial Statements.

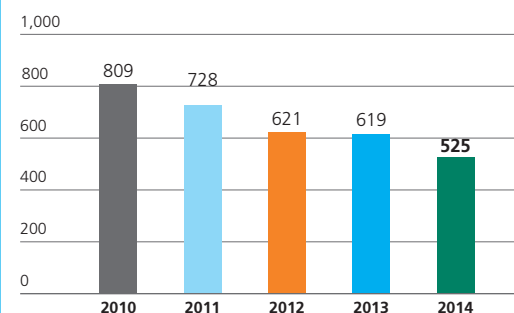
FRS 27 (2011)	Separate Financial Statements
FRS 28 (2011)	Investments in Associates and Joint Ventures
FRS 110	Consolidated Financial Statements
FRS 111	Joint Arrangements
FRS 112	Disclosure of Interests in Other Entities
Amendments to FRS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to FRS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to FRS 39	Novation of Derivatives and Continuation of Hedge Accounting
Amendments to FRS 110, FRS 111 and FRS 112	Transition Guidance
Amendments to FRS 110, FRS 112 and FRS 27	Investment Entities
INT FRS 121	Levies

FINANCIAL RISK MANAGEMENT

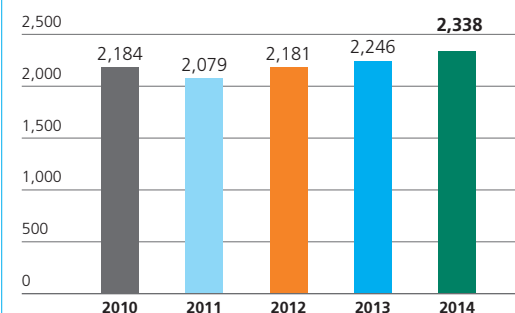
The Group's activities expose it to a variety of financial risks, including changes in interest rates, foreign exchange rates and commodity prices, as well as credit risk.

Please refer to the Risk Management and Internal Controls chapter of this report for details on the management of these risks.

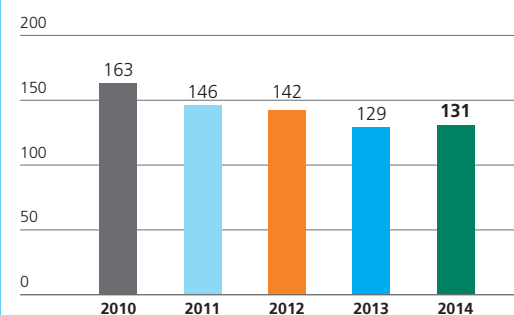
Economic Value Added (\$ million)



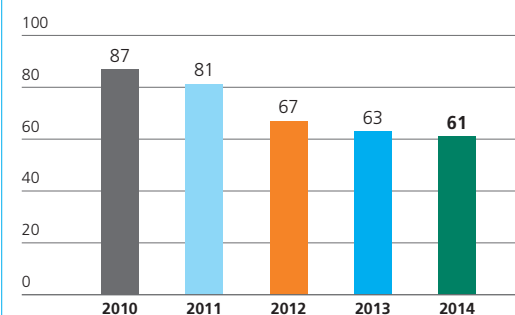
Gross Value Added (\$ million)



Value Added Per Employee (\$ thousands)



Profit After Tax Per Employee (\$ thousands)



Value Added Statement (\$ million)

	2014	2013	2012	2011	2010
Value Added from					
Turnover	10,895	10,798	10,189	9,047	8,764
Less: Bought in materials and services	(8,557)	(8,552)	(8,008)	(6,968)	(6,580)
Gross value added	2,338	2,246	2,181	2,079	2,184
Investment, interest and other income	253	308	130	147	168
Share of results of associates and joint ventures	195	190	207	206	192
Other non-operating expenses	(168)	(95)	(74)	(53)	(91)
	2,618	2,649	2,444	2,379	2,453
Distribution					
To employees in wages, salaries and benefits	871	916	781	739	725
To governments in income and other taxes	273	205	203	188	249
To providers of capital in:					
Interest on borrowings	70	118	140	66	61
Dividends to owners	393	268	304	304	268
	1,607	1,507	1,428	1,297	1,303
Retained in Business					
Depreciation and amortisation	315	303	282	235	242
Retained profits	399	548	450	505	525
Non-controlling interests	283	277	280	337	380
Profit attributable to perpetual securities holders	9	4	-	-	-
	1,006	1,132	1,012	1,077	1,147
Other non-operating expenses	5	10	4	5	3
	1,011	1,142	1,016	1,082	1,150
	2,618	2,649	2,444	2,379	2,453

Productivity Data

	2014	2013	2012	2011	2010
Average staff strength	17,806	17,401	15,343	14,194	13,415
Employment costs (\$ million)	871	916	781	739	725
Profit after tax per employee (\$ thousands)	61	63	67	81	87
Value added (\$ million)	2,338	2,246	2,181	2,079	2,184
Value added per employee (\$ thousands)	131	129	142	146	163
Value added per dollar employment costs (\$)	2.68	2.45	2.79	2.81	3.01
Value added per dollar investment in property, plant and equipment (\$)	0.22	0.30	0.30	0.33	0.40
Value added per dollar sales (\$)	0.21	0.21	0.21	0.23	0.25

The figures above reflect data for core businesses only.

TREASURY MANAGEMENT

Sembcorp Financial Services (SFS), the Group's wholly-owned treasury vehicle, manages the Group's financing activities, as well as its treasury activities in Singapore. As the Group expands outside of Singapore, we also set up additional treasury units in other respective countries to manage local in-country treasury activities where necessary. SFS facilitates funding and on-lends funds borrowed by it to businesses within the Group, where appropriate.

SFS and our overseas treasury units actively manage cash within the Group by setting up cash pooling structures in various countries, where appropriate, to take in surplus funds from businesses and lend it to those with funding requirements. We also actively manage the Group's excess cash, deploying it to a number of financial institutions, and closely 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

As at December 31, 2014, the Group's total credit facilities, including the multicurrency debt issuance programme, amounted to S\$14.5 billion (2013: S\$11.0 billion). This comprised S\$10.3 billion (2013: S\$7.9 billion) in funded facilities and S\$4.3 billion (2013: S\$3.1 billion) in trade-related facilities, including but not limited to bank guarantees, letters of credit, bid bonds and performance bonds. The increase over the previous year was mainly due to the Marine business' new credit facilities to fund its Singapore and Brazil yards, as well as the consolidation of TPCIL following the increase of our share in it from 49% to 65%.

BORROWINGS AND ISSUANCE OF MEDIUM-TERM NOTES

SFS issued S\$100 million of seven-year notes and another S\$150 million of 12-year notes in November 2014 under its S\$2 billion multicurrency debt issuance programme. The Group aims to term out loans such that their maturity profile mirrors the operating life of our core assets, while continuing our focus on maintaining adequate liquidity for our 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.

As at December 31, 2014, the Group's gross borrowings amounted to S\$4.7 billion (2013: S\$1.9 billion). As compared to 2013, the increment of S\$2.8 billion in gross borrowings was mainly due to the Marine business' new credit facilities and the consolidation of TPCIL.

The Group remains committed to balancing the availability of funding and the cost of funding, while maintaining 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, 76% (2013: 80%) constituted fixed rate debts that were not exposed to interest rate fluctuations.

Financing and Treasury Highlights (\$ million)

	2014	2013	2012
Source of Funding			
Cash and cash equivalents	1,661	2,256	2,060
Funded facilities (including multicurrency debt issuance programme)			
Committed funded facilities	5,868	3,277	3,418
Less: Amount drawn down	(4,525)	(1,991)	(2,415)
Unutilised committed funded facilities	1,343	1,286	1,003
Uncommitted funded facilities	4,383	4,625	4,519
Less: Amount drawn down	(418)	(116)	(33)
Unutilised uncommitted funded facilities	3,965	4,509	4,486
Total unutilised funded facilities	5,308	5,795	5,489
Trade-related facilities			
Facilities available	4,291	3,141	2,852
Less: Amount used	(1,903)	(1,589)	(1,285)
Unutilised trade-related facilities	2,388	1,552	1,567
Funding Profile			
Maturity profile			
Due within one year	1,086	414	235
Due between one to five years	1,369	689	950
Due after five years	2,288	804	1,263
	4,743	1,907	2,448
Debt mix			
Fixed rate debt	3,627	1,525	1,895
Floating rate debt	1,116	382	553
	4,743	1,907	2,448

Financing and Treasury Highlights (\$ million)

	2014	2013	2012			
Debt Ratios						
Interest cover ratio						
Earnings before interest, tax, depreciation and amortisation	1,457	1,477	1,403			
Interest on borrowings	70	118	140			
Interest cover (times)	20.8	12.5	10.0			
	2014	D/C ratio	2013	D/C ratio	2012	D/C ratio
Debt / capitalisation (D/C) ratios						
Sembcorp Industries corporate debt	1,322	0.11	1,098	0.13	1,017	0.13
Sembcorp Industries project finance debt	1,680	0.14	243	0.03	1,098	0.14
Sembcorp Marine debt	1,741	0.15	566	0.07	333	0.04
Sembcorp Industries Group gross debt	4,743	0.40	1,907	0.23	2,448	0.30
Less: Cash and cash equivalents	(1,661)	–	(2,256)	–	(2,060)	–
Sembcorp Industries Group net debt / (cash)	3,082	0.26	(349)	Net cash	388	0.05