

# OPERATING AND FINANCIAL REVIEW

Group Structure	50
Group Financial Review	52
• Group Financial Highlights	52
• Group Quarterly Performance	53
• Five-year Financial Performance Profile	54
• Turnover	58
• Net Profit	58
• Cash Flow and Liquidity	59
• Financial Position	60
• Shareholder Returns	60
• Economic Value Added	60
• Value Added and Productivity Data	60
• Critical Accounting Policies	61
• Financial Risk Management	61
• Treasury Management	65
• Facilities	65
• Borrowings and Issuance of Medium-term Notes	65
Utilities Review	68
Marine Review	80
Urban Development Review	88

# GROUP STRUCTURE

## UTILITIES

**Sembcorp Utilities 100%**

### SINGAPORE

Sembcorp Cogen	100%
Sembcorp Power	100%
Sembcorp Gas	70%
Sakra Island Carbon Dioxide	30%
Sembcorp NEWater	100%
Sembcorp Renewables	100%

### CHINA

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 Reclaimed Water Co	80%
Sembcorp Lianyungang Water Co	80%
Yancheng China Water Co	49%
Guohua Sembcorp (Chenba'erhu) Wind Power Co	49%
Guohua AES (Hulunbeier) Wind Power Co	49%
Guohua Sembcorp (Xinba'erhu) Wind Power Co	49%
Sembcorp Fushun Water Co	100%
Sembcorp Fushun On-site Logistics Co	100%
Sembcorp Shenyang Water Co	80%
Sembcorp Xinmin Water Co	90.9%
Qitaihe Sembcorp Water Co	90.9%
Yangcheng International Power Generating Co	25%
Sembcorp Changzhi Water Co	100%
Sembcorp Tianjin Lingang Industrial Area Wastewater Treatment Co	90%
Guohua AES (Huanghua) Wind Power Co	49%
Sembcorp Sanhe Yanjiao Water Co	94.3%
Sembcorp Qinzhou Water Co	80%
Fuzhou Sembcorp Water Co	72%
Sembcorp Jingmen Water Co	95%

### INDIA

Sembcorp Utilities India	100%
Thermal Powertech Corporation India	65%
Sembcorp Gayatri O&M Co	70%
NCC Power Projects	49%
Green Infra	60%

### INDONESIA

Adhya Tirta Batam	50%
Adhya Tirta Sriwijaya	40%

### PHILIPPINES

Subic Water and Sewerage Co	30%
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### VIETNAM

Phu My 3 BOT Power Co	66.7% *
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### OMAN

Sembcorp Salalah Power and Water Co	40%
Sembcorp Salalah O&M Services Co	70%
Centralised Utilities Company	35%

### 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%

### NORWAY

Biowater Technology	29.6%
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### UK

Sembcorp Utilities (UK)	100%
Sembcorp Bournemouth Water	100%
Sita Sembcorp UK	40%

### ANTIGUA

Sembcorp (Antigua) Water	100%
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### 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%
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**Sembcorp Environment 100%**

### SINGAPORE

SembWaste	100%
Sembcorp Tay Paper Recycling	60%

### AUSTRALIA

SembSita Australia	40%
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\* Figure reflects the effective equity held by the Group

## MARINE

**Sembcorp Marine 61.1%**

### SINGAPORE

Jurong Shipyard	100%
Sembawang Shipyard	100%
SMOE	100%
PPL Shipyard	85%
Jurong SML	100%
Sembcorp Marine Technology	100%

### BRAZIL

Estaleiro Jurong Aracruz	100%
Jurong do Brasil Prestação de Serviços	100%

### INDONESIA

SMOE Indonesia	90%
Karimun Sembawang Shipyard	100%

### INDIA

Sembmarine Kakinada	40%
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### NORWAY

GraviFloat	12%
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### UK

Sembmarine SLP	70%
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### USA

Sembmarine SSP	100%
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### CHINA

COSCO Shipyard Group	30%
Shenzhen Chiwan Offshore Petroleum Engineering Co	35%

## 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%
VSIP-Sembcorp Gateway Development Co	68.4%

### CHINA

Wuxi-Singapore Industrial Park Development Co	45.4%
Sino-Singapore (Chengdu) Innovation Park Development Co	25%
Sino-Singapore Nanjing Eco Hi-tech Island Development Co	21.5%

### INDONESIA

Kawasan Industri Kendal	49%
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### SINGAPORE

Sembcorp Properties	100%
Sembcorp Properties (China)	100%
Sembcorp Infra Services	100%
Sembcorp Development Indonesia	100%
Sembcorp Development Vietnam	100%
Gallant Venture	12%

**Sembcorp Parks Management 75%**

## 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 2, 2015. Shareholdings of entities listed under Sembcorp Utilities, Sembcorp Environment, Sembcorp Marine and Sembcorp Development reflect stakes held by the above companies in these entities.

# GROUP FINANCIAL REVIEW

## GROUP FINANCIAL HIGHLIGHTS

	2014	2013	Change (%)
<b>For the Year (\$ million)</b>			
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

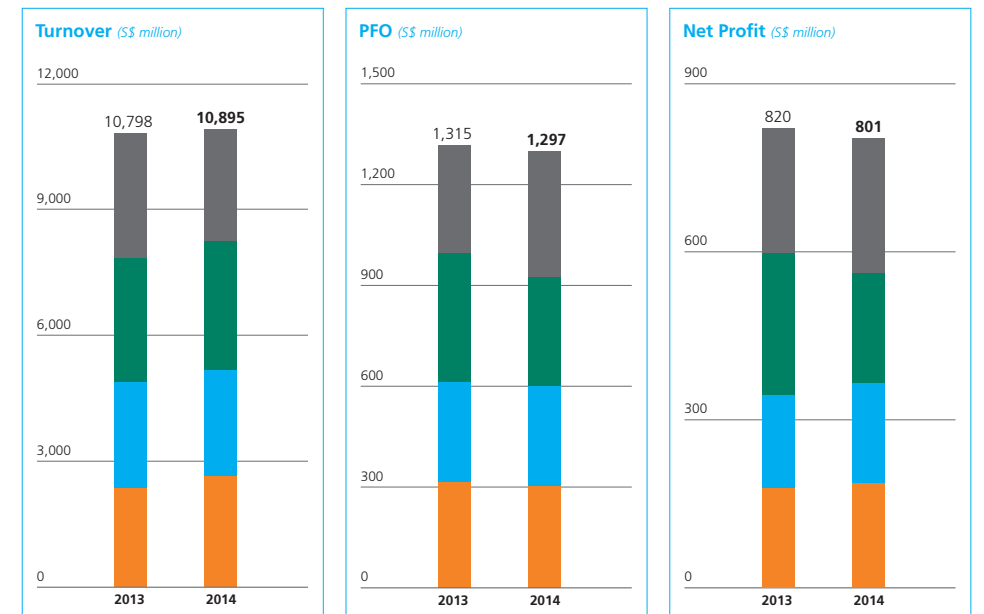
### Shareholder Returns

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		Total	1Q	2Q	2013		Total
			3Q	4Q				3Q	4Q	
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 <sup>1</sup>	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

<sup>1</sup> 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.

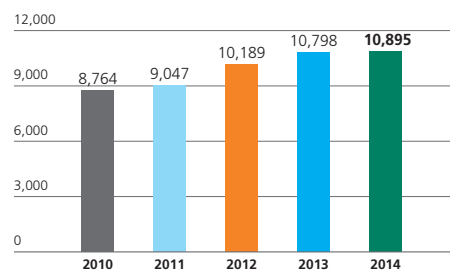
The Utilities business' net profit improved by 2% to S\$231.3 million with all regions registering growth except for operations on Teesside, UK, while the Marine business' contribution to net profit grew 22% to S\$524.9 million.

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.

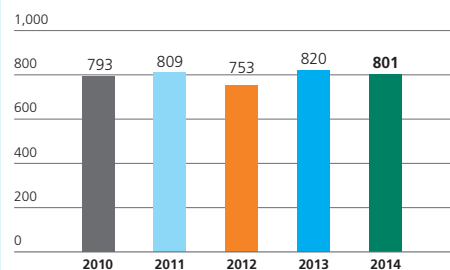
	2014	2013	2012	2011	2010
<b>For the Year</b> (\$ million)					
Turnover	<b>10,895</b>	10,798	10,189	9,047	8,764
Earnings before interest, tax, depreciation and amortisation <sup>1</sup>	<b>1,457</b>	1,477	1,403	1,370	1,489
Profit from operations	<b>1,297</b>	1,315	1,266	1,272	1,396
– Earnings before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

<sup>1</sup> 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.

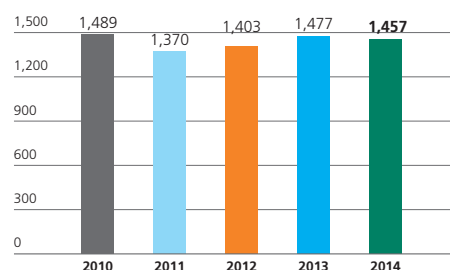
Turnover (\$\$ million)



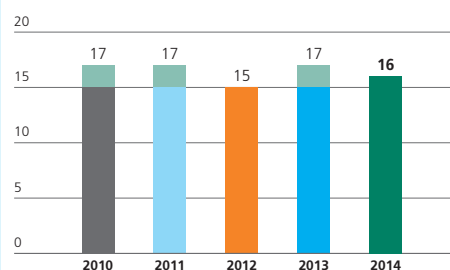
Net Profit (\$\$ million)



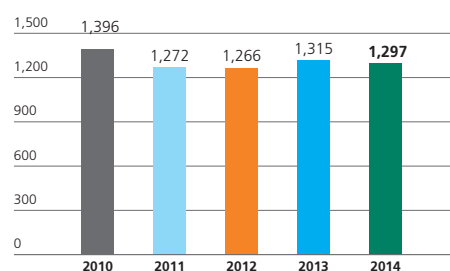
EBITDA (\$\$ million)



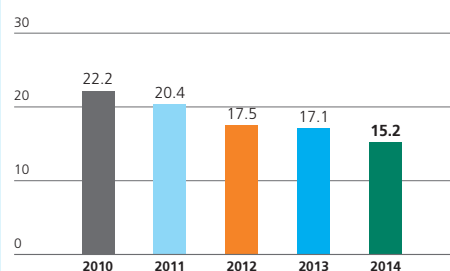
Net Ordinary Dividend Per Share (cents)



PFO (\$\$ million)



ROE (%)



Review by Business (\$\$ million)

	2014	%	2013	%	2012	%	2011	%	2010	%
<b>Turnover</b>										
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
	<b>10,895</b>	<b>100</b>	<b>10,798</b>	<b>100</b>	<b>10,189</b>	<b>100</b>	<b>9,047</b>	<b>100</b>	<b>8,764</b>	<b>100</b>

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)	-
	<b>1,297</b>	<b>100</b>	<b>1,315</b>	<b>100</b>	<b>1,266</b>	<b>100</b>	<b>1,272</b>	<b>100</b>	<b>1,396</b>	<b>100</b>

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	-	-
	<b>801</b>	<b>100</b>	<b>820</b>	<b>100</b>	<b>753</b>	<b>100</b>	<b>809</b>	<b>100</b>	<b>793</b>	<b>100</b>

## Performance Scorecard (\$ million)

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

<sup>1</sup> 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

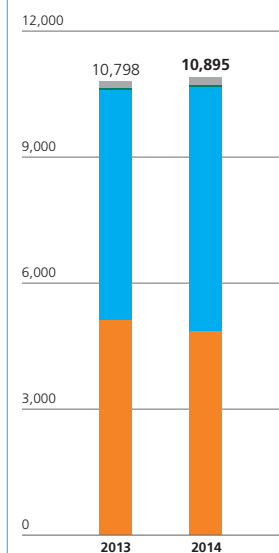
The Group recorded a net profit of S\$801.1 million in 2014 compared to S\$820.4 million in 2013, while profit from operations was S\$1.3 billion, comparable to previous year.

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.

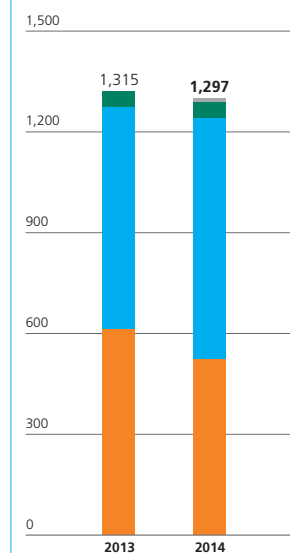
## Turnover (\$ million)

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



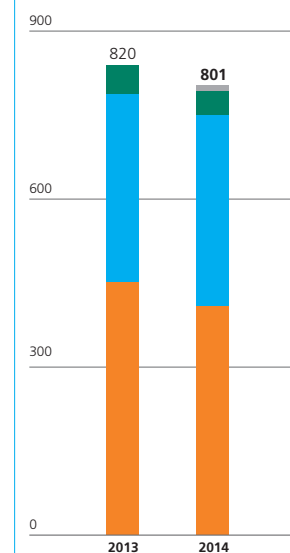
## PFO (\$ million)

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



## Net Profit (\$ million)

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



## 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.

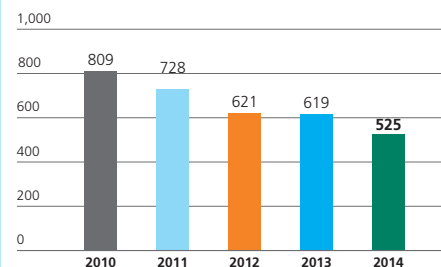
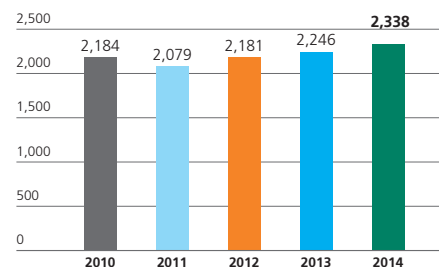
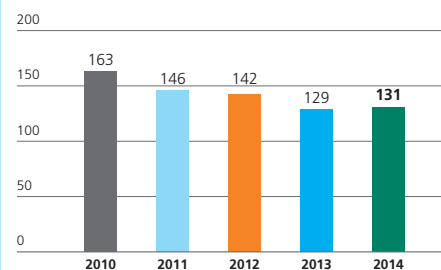
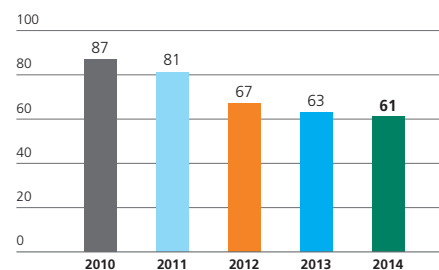
The adoption of the FRSs below (including consequential amendments) does not have any significant impact on the Group's financial statements, except for additional disclosures in the Notes to the Financial Statements.

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



## Productivity Data

	2014	2013	2012	2011	2010
Average staff strength	<b>17,806</b>	17,401	15,343	14,194	13,415
Employment costs (\$ million)	<b>871</b>	916	781	739	725
Profit after tax per employee (\$ thousands)	<b>61</b>	63	67	81	87
Value added (\$ million)	<b>2,338</b>	2,246	2,181	2,079	2,184
Value added per employee (\$ thousands)	<b>131</b>	129	142	146	163
Value added per dollar employment costs (\$)	<b>2.68</b>	2.45	2.79	2.81	3.01
Value added per dollar investment in property, plant and equipment (\$)	<b>0.22</b>	0.30	0.30	0.33	0.40
Value added per dollar sales (\$)	<b>0.21</b>	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
<b>Source of Funding</b>			
Cash and cash equivalents	1,661	2,256	2,060
<b>Funded facilities (including multicurrency debt issuance programme)</b>			
Committed funded facilities	5,868	3,277	3,418
Less: Amount drawn down	(4,525)	(1,991)	(2,415)
<b>Unutilised committed funded facilities</b>	<b>1,343</b>	<b>1,286</b>	<b>1,003</b>
Uncommitted funded facilities	4,383	4,625	4,519
Less: Amount drawn down	(418)	(116)	(33)
<b>Unutilised uncommitted funded facilities</b>	<b>3,965</b>	<b>4,509</b>	<b>4,486</b>
<b>Total unutilised funded facilities</b>	<b>5,308</b>	<b>5,795</b>	<b>5,489</b>
<b>Trade-related facilities</b>			
Facilities available	4,291	3,141	2,852
Less: Amount used	(1,903)	(1,589)	(1,285)
<b>Unutilised trade-related facilities</b>	<b>2,388</b>	<b>1,552</b>	<b>1,567</b>
<b>Funding Profile</b>			
<b>Maturity profile</b>			
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
<b>Debt mix</b>			
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			
<b>Debt Ratios</b>						
<b>Interest cover ratio</b>						
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
<b>Debt / capitalisation (D/C) ratios</b>						
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

# UTILITIES REVIEW



Sembcorp's Thermal Powertech Corporation India project in Andhra Pradesh, India

## Competitive Edge

- A leading developer, owner and operator of energy and water assets with strong operational, management and technical capabilities
- Operations in 14 countries with an established presence in Asia and a strong growing presence in emerging markets
- Strong track record in generating and supplying power, steam and natural gas, and providing total water and wastewater treatment solutions for industries and water-stressed regions
- Global leader in the provision of energy, water and on-site logistics to multiple industrial site customers

## Performance Scorecard

Financial Indicators (\$ million)	2014	2013	Change (%)
Turnover	<b>4,890.9</b>	5,137.6	(5)
EBITDA	<b>629.1</b>	713.8	(12)
PFO	<b>521.9</b>	612.9	(15)
– EBIT	<b>432.9</b>	532.2	(19)
– Share of results: Associates & JVs, net of tax	<b>89.0</b>	80.7	10
Net profit	<b>408.0</b>	449.9	(9)
ROE (%)	<b>14.8</b>	19.3	(23)

## Operational Indicators

	2014	2013
Power capacity (megawatts)	<b>7,879</b>	7,277
Steam capacity (tonnes per hour)	<b>4,532</b>	4,702
Water & wastewater treatment capacity (cubic metres per day)	<b>9,514,726</b>	8,578,498

Note: Capacity refers to total gross capacity of facilities in operation and under development.

## PFO\* by Geography

- Singapore
- Overseas



\* Excluding Corporate

## PFO\* by Segment

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



\* Excluding Corporate

Key Developments



Commenced operation of the 400-megawatt Sembcorp Cogen @ Banyan in October, strengthening our market leadership on Jurong Island, Singapore



Acquired a 60% stake in Green Infra, a leading renewable energy group with 700 megawatts of wind and solar power assets in six resource-rich states in India



Marked a milestone at our first power project in India, Thermal Powertech Corporation India, with the synchronisation of the plant's first 660-megawatt unit to the grid



Expanded our power business in China with a conditional agreement for two coal-fired power plants in Chongqing totalling 1,620 megawatts. The plants' strategic mine-mouth location will allow for power production at a competitive cost



Named Asia's Leading Private Sector Developer by Project Finance International (PFI) in its inaugural PFI Asia Best Practice citations



Named the Leader in Wastewater Treatment for Chemical Industrial Parks by ChinaWaterNet at the China Water Industry Annual Award 2013

OPERATIONS AND FINANCIAL REVIEW

Underlying operations deliver growth in earnings

Underpinned by contribution from its overseas operations, the Utilities business delivered profit growth from its underlying operations despite intense competition in Singapore's power market.

The business' turnover was S\$4.9 billion in 2014 compared to S\$5.1 billion in 2013, while net profit was S\$408.0 million, compared to S\$449.9 million last year. Excluding significant items in 2013<sup>1</sup>, net profit grew by 7% in 2014.

Profit from operations (PFO) stood at S\$521.9 million, a 15% decline from last year's S\$612.9 million. Excluding 2013's significant items, PFO decreased by 6% in 2014.

PFO (\$ million)	2014	2013	Change (%)
Singapore	285.7	304.8	(6)
Rest of ASEAN, Australia & India	62.5	46.1	36
China	86.4	85.7	1
Middle East & Africa	46.4	111.5	(58)
UK	46.4	(52.0)	NM
The Americas	9.3	3.1	199
Corporate*	(14.8)	113.7	NM
Total PFO	521.9	612.9	(15)
Less: Interests & taxes	(113.9)	(163.0)	30
Net profit	408.0	449.9	(9)

\* Includes Sembcorp Salalah Power and Water Company IPO gains in 2013

<sup>1</sup> Significant items in 2013 amounted to S\$68.6 million, comprising the gain from the IPO of Sembcorp Salalah Power and Water Company, partially offset by an impairment for Teesside operations in the UK.

Singapore operations accounted for 53% of total PFO, while overseas operations accounted for 47%.

In 2014, PFO from operations in **Singapore** decreased 6% to S\$285.7 million, reflecting intense competition in the local power market. The Uniform Singapore Energy Price continued to slide, averaging S\$137 per megawatt for the year compared to S\$173 per megawatt in 2013. New income streams from the Banyan facilities, short-term merchant income and improved contractual rates in the solid waste management business helped to mitigate the decline in PFO.

The business' PFO from the **Rest of ASEAN, Australia & India** grew 36% to S\$62.5 million. In Vietnam, we raised our effective stake in Phu My 3 power plant to 66.7% and commenced recognition of our additional 33.3% stake in September. Arising from this transaction, a S\$10.3 million one-off net gain was recognised. Meanwhile, our solid waste management associate in Australia, the other major contributor within this region, delivered a comparable performance to last year's.

PFO contribution from our business in **China** stood at S\$86.4 million in 2014, comparable to S\$85.7 million in 2013. Our Yangcheng coal-fired

power plant and Shanghai Cao Jing cogeneration plant delivered a better performance in 2014, but this was offset by weaker performance by our wind power assets and water operations. In the fourth quarter, an increase in the natural gas tariff was implemented by the government, affecting the performance of the gas-fired Shanghai Cao Jing plant for the quarter.

Our **Middle East and Africa** operations registered a PFO of S\$46.4 million in 2014 compared to S\$111.5 million in 2013, due to the deconsolidation of Sembcorp Salalah Power and Water Company after its initial public offering in September 2013. Meanwhile, operations in the **UK** recorded a PFO of S\$46.4 million, backed by an improved performance on Teesside. As part of our strategy to restructure our business on Teesside and develop the Wilton International site into a green hub, we divested our asset protection business and de-commissioned two ageing coal-fired boilers on the site. During the year, we also successfully extended contracts with two on-site customers. Meanwhile, our businesses in **the Americas** spanning Chile, Panama and the Caribbean registered a combined PFO of S\$9.3 million, compared to S\$3.1 million in 2013, on the back of an improved operating performance.

**BUILDING A STRONG DEVELOPMENT PIPELINE TO DRIVE LONG-TERM GROWTH**

**Growing Our Portfolio**

Adding over 3,400 megawatts of power and 1.6 million cubic metres per day of water and wastewater treatment capacity to our operating portfolio in 2015 and 2016

In 2014, we remained focused on sowing the seeds for future growth. In 2015 and 2016, we will add over 3,400 megawatts of power and 1.6 million cubic metres per day of water and wastewater treatment capacity to our operating portfolio, bringing our gross power and water capacity to almost 7,900 megawatts and over 9.5 million cubic metres per day.

**Solid Pipeline of Projects**

	2015	2016
<b>Thermal Energy</b> 2,640MW	<ul style="list-style-type: none"> <li>• <b>Thermal Powertech Corporation India (Unit 1)</b> Andhra Pradesh, INDIA 660MW</li> <li>• <b>Thermal Powertech Corporation India (Unit 2)</b> Andhra Pradesh, INDIA 660MW</li> </ul>	<ul style="list-style-type: none"> <li>• <b>NCC Power Projects (Unit 1)</b> Andhra Pradesh, INDIA 660MW</li> <li>• <b>NCC Power Projects (Unit 2)</b> Andhra Pradesh, INDIA 660MW</li> </ul>
<b>Renewable Energy</b> 797MW and 140tph of steam	<ul style="list-style-type: none"> <li>• <b>Huanghua Wind Power Expansion</b> Hebei, CHINA 48MW</li> <li>• <b>Wind and Solar Power in India</b> Gujarat, Karnataka, Madhya Pradesh, Maharashtra, Rajasthan and Tamil Nadu, INDIA 700MW</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Energy-from-Waste Facility</b> Jurong Island, SINGAPORE 140tph of steam</li> <li>• <b>Wilton 11 Energy-from-Waste Facility</b> Teesside, UK 49MW or 190tph of steam</li> </ul>
<b>Water</b> 1.6 million m <sup>3</sup> /day	<ul style="list-style-type: none"> <li>• <b>Fujairah 1 Desalination Expansion</b> Fujairah, UAE 30MIGD / 136,800m<sup>3</sup>/day</li> <li>• <b>Nanjing Industrial Water Plant Expansion</b> Jiangsu, CHINA 120,000m<sup>3</sup>/day</li> <li>• <b>Changzhi Total Water Management Plant</b> Shanxi, CHINA 1.3 million m<sup>3</sup>/day <i>Partial operations</i></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Lianyungang Industrial Wastewater Treatment Plant</b> Jiangsu, CHINA 20,000m<sup>3</sup>/day</li> <li>• <b>Changzhi Total Water Management Plant</b> Shanxi, CHINA 1.3 million m<sup>3</sup>/day <i>Full completion</i></li> <li>• <b>Jingmen Industrial Wastewater Treatment Plant</b> Hubei, CHINA 10,000m<sup>3</sup>/day</li> </ul>

*m<sup>3</sup>/day*: cubic metres per day; *MIGD*: million imperial gallons per day; *MW*: megawatts; *tph*: tonnes per hour

**ASEAN and the Middle East**

Besides securing new projects to build up our project pipeline, we have also maintained a strong focus on the execution of projects under development. During the year, we added 400 megawatts of gross power and 200 tonnes per hour of steam to our total operating capacity with the completion and operation of Sembcorp Cogen @ Banyan, our second cogeneration plant in Singapore's Jurong Island petrochemical hub. This investment reinforces our position as the preferred supplier of energy, water and on-site logistics to companies on Jurong Island. Meanwhile in the UAE, our 30 million imperial gallons per day expansion to the desalination capacity of the Fujairah 1 Independent Water and Power Plant is progressing well and is expected to come onstream in the third quarter of 2015.

**China**

In 2014, we continued efforts to extend the reach of our industrial water and wastewater treatment business in China, particularly in the industrial and petrochemical sectors. We made good progress in the construction for an upcoming 120,000 cubic metres per day expansion to our Nanjing industrial water facilities, as well as an upcoming total water management plant to serve a major coal-to-chemicals customer in Changzhi. As at end 2014, these plants were respectively 70% and 37% complete, with the Nanjing expansion on track for completion in the first half of 2015, and partial operations for the Changzhi project expected in 2015. In addition, in response to customer feedback that a higher demand was expected, we increased the planned cooling water capacity of the Changzhi plant by a further 144,000 cubic metres per day. This brings the project's total water capacity to 1.3 million cubic metres per day. The project has been selected by the governments of China and Singapore as a joint showcase for integrated water management.

In June, we signed a joint venture agreement to acquire and upgrade an existing wastewater treatment facility at the Lianyungang Lingang Chemical Industrial Park. We will equip the facility to effectively treat high concentration wastewater and increase its capacity to 20,000 cubic metres per day. This project is significant as it kicks off a new collaboration with the Jiangsu Environment Protection Department, which has chosen Sembcorp as their partner to improve industrial wastewater management at Jiangsu's industrial parks. If successful, this could provide a model that can be replicated at industrial parks across Jiangsu and other provinces.

On the energy front, we inked a conditional joint venture agreement for a mine-mouth coal-fired power project in Chongqing. Sembcorp will hold 49% in the joint venture, which will own an existing 300-megawatt coal-fired power plant and develop an adjacent 1,320-megawatt coal-fired power plant targeted for completion in 2017. The entire project will cost approximately RMB6 billion (approximately S\$1.2 billion). The plants' strategic mine-mouth location offers significant savings in logistics costs and will enable the production of power at a lower cost.

**India**

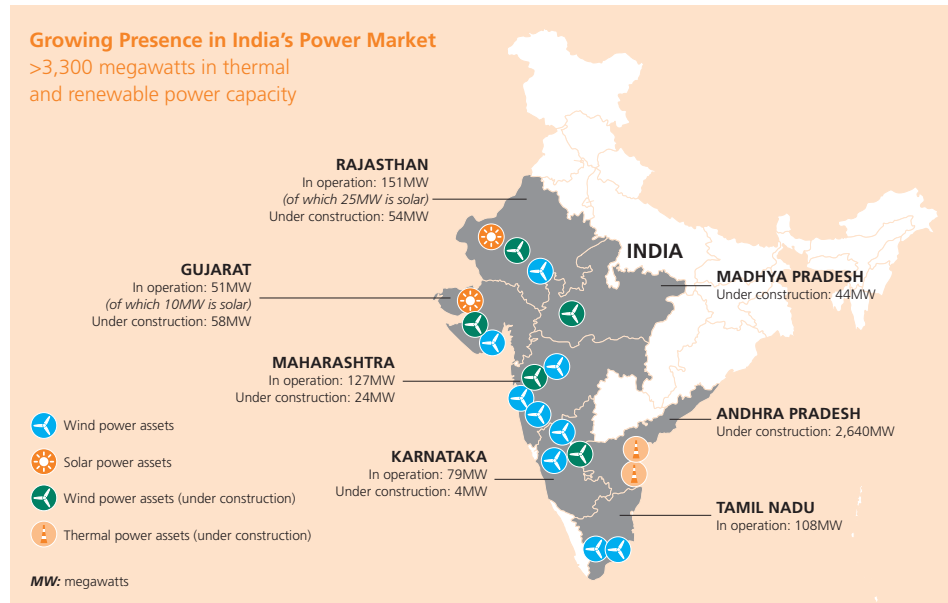
Construction of our two supercritical coal-fired projects in Nellore, Andhra Pradesh is progressing well, and the plants are on track to be completed in 2015 and 2016 respectively.

The first of these 1,320-megawatt power plants will commence commercial operation of its initial 660-megawatt unit in the first quarter of 2015. The plant's second 660-megawatt unit is expected to undergo commissioning soon and begin commercial operation in the third quarter of the year. During the year, we increased our stake in this US\$1.5 billion project from 49% to 65%, giving us majority control. To maintain flexibility,

the plant's load will be sold through a mixture of long-term, medium-term and short-term contracts. To date, we have secured power purchase agreements for the sale of 900 megawatts of power, including a long-term agreement to supply 500 megawatts to the states of Andhra Pradesh and Telangana.

We embarked on our second coal-fired power project in the country early in the year, with the acquisition of a 49% stake in a 1,320-megawatt

facility being built on an adjacent site. This acquisition doubled our thermal power capacity in India to 2,640 megawatts. The proximity of both plants will enable us to benefit from operational synergies, such as shared coal importation and logistics infrastructure and a common management team. The total investment for our 49% stake amounts to Rs 923.4 crores (approximately S\$190.7 million), and we intend to increase our share to 65% upon receipt of relevant approvals.



### A Balanced Portfolio for Sustainability

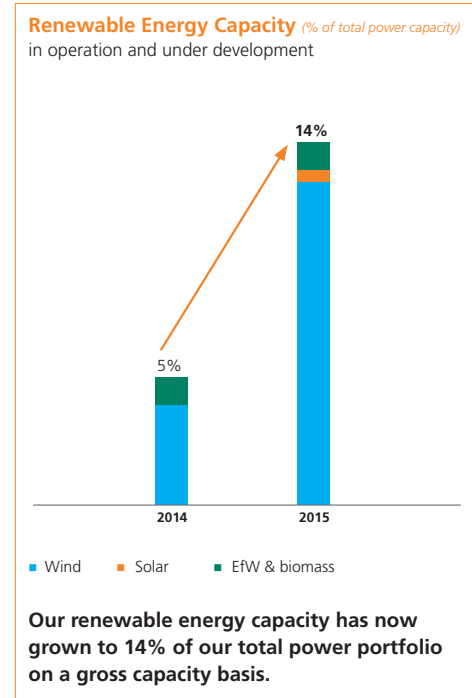
#### Growing our renewable energy business and capabilities globally

Expanding our renewable energy capabilities and capacity as part of having a balanced portfolio of high-efficiency thermal and renewable energy assets is a key element in our strategy for building a sustainable power portfolio. To this end, we have made meaningful progress. From 5% of our total power capacity in 2014, renewable energy now comprises 14% of our total power portfolio on a gross capacity basis.

In China, our 48-megawatt wind power capacity expansion in Huanghua, Hebei province, was completed in February 2015. Meanwhile, construction of our energy-from-waste (EfW) facilities in Singapore and the UK is 38% and 48% complete respectively. Our upcoming 140 tonnes of steam per hour EfW facility on Singapore's Jurong Island will be our largest in the country, and both it and our 49-megawatt EfW facility on Wilton International in the UK are targeted for completion in 2016.

In February 2015, we marked our entry into India's fast-growing renewable energy market with the acquisition of a 60% stake in Green Infra, a leading renewable energy group with wind and solar power assets in six states across the southern, western and central regions of the country. The addition of Green Infra will add approximately 700 megawatts of operating assets to Sembcorp's renewable energy portfolio in 2015. The acquisition almost triples Sembcorp's total renewable energy

capacity to over 1,000 megawatts globally. With gas-fired and coal-fired thermal power plants, as well as a global renewable portfolio that encompasses wind, solar, energy-from-waste and biomass assets, Sembcorp is now well-positioned for growth in both the thermal and renewable energy sectors.



**Renewable Energy**

Sembcorp's renewable energy portfolio includes wind power, solar power, energy-from-waste (EfW) and biomass energy assets in Singapore, China, India and the UK. Our renewable energy capacity stands at over 1,000 megawatts of power in operation and under development, accounting for 14% of our total power capacity, as well as 330 tonnes per hour of steam.



**Wind**

Sembcorp has 961 megawatts of wind power assets in operation and under development in China and India. In China, Sembcorp has four wind power assets across Inner Mongolia and Hebei, with a combined capacity of 296 megawatts. In India, Sembcorp's 665 megawatts of wind power assets are found in six states across the country's renewable resource-rich southern, western and central regions.



**Solar**

Sembcorp has 35 megawatts of solar power assets in operation, located in the states of Rajasthan and Gujarat in India's western region.



**Energy-from-Waste**

Sembcorp's woodchip boiler plant on Singapore's Jurong Island produces 60 tonnes per hour of steam using waste wood collected and processed by the company's solid waste management operations. Sembcorp is also developing a 140 tonnes per hour steam facility on Jurong Island that will be fuelled entirely by industrial and commercial waste. Both our Jurong Island EfW facilities demonstrate our unique capabilities to manage the entire EfW value chain in Singapore.

In addition, Sembcorp is developing an EfW plant on the Wilton International site in the UK which will produce up to 49 megawatts of power or 190 tonnes per hour of steam using municipal and commercial waste.



**Biomass**

On the Wilton International site in the UK, Sembcorp runs the country's first large-scale wood-fired renewable energy plant. The biomass power station uses sustainable virgin wood and recycled wood collected from waste disposal sites throughout the country to produce 35 megawatts of power and 130 tonnes per hour of steam.

**Optimising the Management of Our Assets  
Enhancing competitiveness with technology and innovation**

In October, we officially opened the new Sembcorp Technology & Innovation Centre on Jurong Island in Singapore. Comprising laboratories and applied research and development facilities, it is a centre for the development and integration of innovative processes and the commercialisation of emerging technologies.

It also houses an advanced global asset management system to centrally manage our international utilities operations from Singapore. Currently in development, the Sembcorp Global Asset Management System will allow us to better harness our collective global expertise, drive operational excellence and optimise asset performance for enhanced reliability, availability and cost effectiveness.

**The Sembcorp Global Asset Management System**

Sembcorp's new global asset management system will comprise the following three modules, allowing for the centralised management of an international portfolio of utilities plants.



**Process optimisation module**  
To benchmark plant performance data and provide automatic alerts for any abnormalities



**Troubleshooting module**  
To assist Sembcorp's technical experts in addressing operational issues through the use of predictive analytics



**Predictive maintenance module**  
To identify potential equipment problems even before any disruptions happen and allow for greater optimisation of scheduled maintenance and component replacement

## OUTLOOK

In 2015, the world's economy is expected to face strong and complex cross-currents, leading to a mixed economic outlook. According to the World Bank's Global Economic Prospects, while the global economy is expected to grow by a moderate 3% in 2015 against a lower-than-expected 2.6% in 2014, low oil prices are expected to contribute to diverging prospects for oil-exporting and oil-importing countries.

In Singapore, the Ministry of Trade and Industry forecasts the economy to grow between 2% and 4% in 2015, compared to 2.9% in 2014. Meanwhile, the Economic Development Board has lowered its fixed asset investments forecast for 2015 to a range of between S\$9 billion to S\$11 billion, from S\$10 billion to S\$12 billion in 2014. The lower forecast reflects factors such as a sharper focus on attracting projects that are in line with Singapore's stage of economic development, as well as greater uncertainty in the outlook for the global economy. The Utilities business environment in Singapore is expected to be challenging in 2015, with continued intense competition in the power market as well as low oil prices.

According to the World Bank, China's economy is expected to grow at a moderate 7.1% in 2015, down from its estimated 7.4% growth in 2014. The government is expected to continue with its pursuit of structural reforms to make the economy more

market driven and maintain its strong promotion of greater environmental protection.

Meanwhile, the World Bank forecasts that India's economy will grow by an estimated 6.4% in 2015, up from an estimated 5.6% in 2014. This signals regained economic momentum and continued recovery from two years of modest growth between 2012 and 2013, to growth levels that are more in line with the country's high long-term potential. The new government continues to push ahead with measures to reform the power sector, including efforts to resolve coal issues and encourage greater growth in renewable energy. The first of our 1,320-megawatt power plants in India will commence operation in phases in 2015, followed by our second 1,320-megawatt power plant in 2016. Together with our recent acquisition of Green Infra, this will bring our gross power capacity in India to over 3,300 megawatts, comprising both thermal and renewable energy assets.

Despite the mixed global economic outlook, essential energy and water solutions will continue to remain relevant, particularly in emerging growth markets. Sembcorp has built up a successful track record in developing large-scale greenfield projects and is well-positioned to secure opportunities. Our Utilities business remains focused on operational excellence and efficiency, as well as the execution of our significant pipeline of projects and the pursuit of new growth opportunities to deliver long-term growth.



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



# MARINE REVIEW



The state-of-the-art Semmarine Integrated Yard @ Tuas, Singapore

## Competitive Edge

- A leading global marine & offshore engineering group, offering a full spectrum of integrated solutions from ship repair, specialised shipbuilding, ship conversion, rig building and repair to offshore engineering and construction
- Proven capabilities in managing complex turnkey projects and delivering timely and innovative solutions
- Global network of yards strategically located in Singapore, Brazil, Indonesia, India, the UK and China
- Development and ownership of proprietary designs and technology for rigs, drillships as well as floating production and drilling solutions

## Performance Scorecard

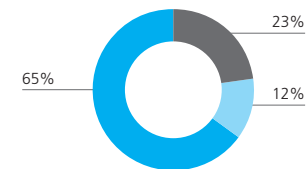
Financial Indicators (\$ million)	2014	2013	Change (%)
Turnover	<b>5,830.7</b>	5,525.9	6
EBITDA	<b>823.6</b>	749.6	10
PFO	<b>717.8</b>	660.0	9
– EBIT	<b>708.0</b>	648.8	9
– Share of results: Associates & JVs, net of tax	<b>9.8</b>	11.2	(12)
Net profit	<b>560.1</b>	555.7	1
ROE (%)	<b>19.9</b>	21.7	(8)

*Note: Figures taken at Sembcorp Marine level*

Operational Indicators (\$ billion)	2014	2013
Net orderbook	<b>11.4</b>	12.3

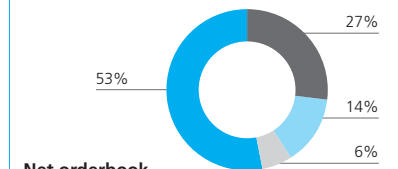
## Turnover by Segment

- Rig building
- Offshore conversions & platforms
- Repair & others



## Orderbook Composition

- Drillships
- Offshore conversions & platforms
- Jack-up rigs
- Semi-submersibles



**Net orderbook**  
**\$511.4 billion**  
as at December 31, 2014

Key Developments



Secured contract orders worth S\$4.2 billion in 2014. As at end 2014, net orderbook stood at S\$11.4 billion with completion and deliveries till 2019



Estaleiro Jurong Aracruz commenced initial operation in the second half of 2014. The yard also received its first drillship unit, Arpoador



Sembcorp Marine named Shipyard of the Year at the 2014 Lloyd's List Asia Awards

OPERATIONS AND FINANCIAL REVIEW

Turnover grows on increased contribution from rig building and offshore platform projects

The Marine business achieved growth in turnover and net profit despite challenging market conditions.

Turnover increased 6% to S\$5.8 billion, mainly from higher contribution from rig building and offshore platform projects.

Turnover (\$ million)	2014	2013	Change (%)
Rig building	3,779	3,564	6
Offshore conversions & platforms	1,353	1,204	12
Repair	622	681	(9)
Others	79	77	2
Total turnover	5,833	5,526	6

Profit from operations (PFO) rose 9% to S\$717.8 million, while net profit grew 1% to S\$560.1 million. Return on equity stood at 20%.

Rig building

In the rig building segment, turnover increased 6% to S\$3.8 billion, contributing 65% to the overall Marine business' revenue, similar to the previous year. Eight jack-up rigs were delivered in 2014, including four rigs for Noble Corporation, two rigs for Oro Negro and one each for Seadrill and Perisai.

Offshore conversions and platforms

The offshore conversion and platform segment posted a 12% increase in earnings to S\$1.4 billion. During the year, we completed and delivered six projects, with three major project deliveries from the fixed platform segment and another three comprising offshore and conversion projects.

	2014	2013
Number of projects completed and delivered	6	4
- Offshore and conversion	3	2
- Fixed platforms	3	2

Repair

Turnover for the repair segment declined 9% to S\$622 million, reflecting the weak conditions in the shipping market. Volume, however, remained strong, as the larger drydocks and additional capacity at the Sembmarine Integrated Yard @ Tuas opened up new customer segments for the business, such as repairs for larger vessels. 439 ships were repaired in 2014 compared to 373 in 2013, but the average repair value per ship fell to S\$1.4 million compared to S\$1.8 million last year. This was due to ship owners opting for smaller repair packages amidst a weak shipping market.

Despite this, the segment continued to secure significant repair projects during the year. In November, we completed the S\$25 million extensive revitalisation of Royal Caribbean International's 137,276-gross tonnage passenger cruise ship *Voyager of the Seas*. In addition, we secured a long-term favoured customer contract from GasLog LNG Services to provide ship repair, refurbishment, upgrading and related marine services for its fleet of 20 liquefied natural gas (LNG) carriers. Under this contract, three to five of GasLog's LNG carriers are expected to dock at our yard for refitting each year.

Healthy S\$11.4 billion orderbook underpins earnings till 2019

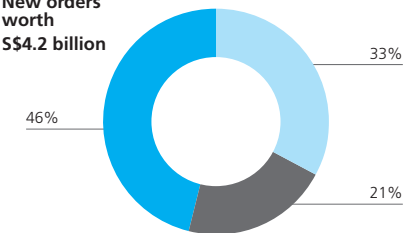
As at December 31, 2014, our net orderbook stood at S\$11.4 billion, excluding repair and upgrade contracts. This includes a total of S\$4.2 billion in new rig building, offshore conversion & platform contracts and drillships secured in 2014. Completions and deliveries stretch into 2019, underpinning earnings for the next five years.

Our strategy to broaden our product offering and enhance our competitiveness with the development and ownership of proprietary designs continues to

bear fruit. During the year, we won contracts to build two drillships worth US\$1.1 billion, from a subsidiary of US-based Transocean. These contracts for the construction of our proprietary Jurong Espadon III drillships are a strong endorsement of our drillship design and execution capabilities.

Contracts Secured in 2014

New orders worth S\$4.2 billion



- Offshore conversions & platforms
  - S\$600 million FPSO conversions for Saipem
  - US\$190 million LNG process modules assembly for Bechtel
  - US\$696 million FPSO conversion for OOGTK Libra
  - Two contracts worth S\$222 million to build an offshore substation platform for Siemens and convert a VLCC into an FPSO vessel for MODEC Offshore Production Systems
- Drillships
  - Two Jurong Espadon III drillships worth US\$1.1 billion for Transocean
- Jack-up rigs
  - US\$214.3 million Pacific Class 400 deep drilling jack-up rig for Marco Polo Marine
  - US\$236 million Friede & Goldman JU 2000E rig for Hercules North Sea
  - US\$240 million Pacific Class 400 high-specification jack-up rig for BOT Lease Co

Meanwhile, contracts secured in the offshore conversion and platform segment reached an all-time high of S\$1.9 billion. Contracts secured included a S\$600 million project from Saipem to convert two very large crude carriers (VLCCs) into floating, production, storage and offloading (FPSO) units for the Kaombo project in Angola; and a US\$696 million project from OOGTK Libra (a joint venture between Brazil's Odebrecht Oil & Gas and Teekay Offshore) to convert a shuttle tanker into an FPSO vessel for Brazil's Libra Field. The latter will be the first conversion project to be carried out at the Sembmarine Integrated Yard @ Tuas.

**LAYING THE FOUNDATION FOR LONG-TERM SUSTAINABLE GROWTH**

**Sembmarine Integrated Yard @ Tuas**  
Developing a next-generation fully integrated marine & offshore engineering hub

During the year, we announced details of the next phase of development for our Sembmarine Integrated Yard @ Tuas. To be developed into a leading next-generation fully integrated marine & offshore engineering hub, the yard will enhance our long-term competitive position in the global offshore & marine industry.

Firstly, a new steel fabrication facility will be built to serve as the central kitchen for steel fabrication for the entire Tuas yard. The S\$222 million multi-functional facility will offer a streamlined, seamless and extensively automated production process from

steel stock yard to final assembly and finishing shop once it is completed in the third quarter of 2015.

Secondly, on the back of robust demand for the yard's four VLCC drydocks, we began construction for a S\$489 million second phase extension to the yard. With marine works scheduled for completion in 2017, this 34.5-hectare second phase will add on three new drydocks, including a dedicated drydock for offshore facilities and rig building, upgrades and repairs. When completed, the yard, with its total of seven drydocks, will be well-placed to benefit from anticipated growth in demand for modern docking capacity. It will also be positioned to deliver value-added and cost-competitive solutions to better meet the needs of our growing list of global customers and alliance partners.

**Estaleiro Jurong Aracruz**  
Integrated yard in Brazil commences operation

In the second half of 2014, our wholly-owned shipyard Estaleiro Jurong Aracruz commenced operation. This important achievement marked a new chapter for our Marine business. Equipped with a 3,600-tonne heavy lift floating crane, which is the largest of its kind in Latin America, the yard has opened its doors to receive *Arpoador*, the first of seven drillships ordered by Sete Brasil.

With its prime location close to Brazil's pre-salt basins and active exploration and production areas in the Gulf of Mexico and West Africa, Estaleiro Jurong Aracruz will position our Marine business to capture further opportunities in these areas.

**Sembmarine Integrated Yard @ Tuas, SINGAPORE**

**PHASE I**  
73.3 hectares  
Four VLCC drydocks: 1.55 million dwt



**VLCC drydock**  
350m x 66m x (-8.5m)

**Longest and deepest repair dock in Asia**  
412m x 66m x (-11m)  
Capable of docking containerhips of up to 18,000 TEU

**VLCC drydock**  
350m x 66m x (-8.5m)

**Widest drydock in Singapore**  
360m x 89m x (-8.5m)  
Accommodates jack-up and semi-submersible rigs

**PHASE II**  
34.5 hectares  
Expected completion in 2017



**Dedicated drydock for mega-offshore facilities**  
255m x 110m x (-12m)

**Steel fabrication shop**  
New facility to offer a streamlined and extensively automated production process. Set to be the central kitchen for steel fabrication for all three phases of the yard, greatly improving efficiency  
*To be completed in 3Q2015*

**Two drydocks catering to mid-size Suezmax commercial ships**  
255m x 52m x (-8m)

**Features include:**

- Natural deep waters** → Enables installation of semi-submersible thrusters without towing rigs to sea
- Special reinforced load-out areas for offshore modules of up to 20,000 tonnes** → Enables direct lifting and deployment of topside modules onto hulls without requiring the hulls to be towed out to sea
- Three finger piers and a basin ranging from 210m to 400m with maximum draft from 9m to 15m** → Enables ultra-deepwater semi-submersibles and cruise ships to be berthed without restrictions

*dwt*: deadweight tonnes; *m*: metres; *TEU*: twenty-foot equivalent units; **3Q**: third quarter

**Estaleiro Jurong Aracruz, BRAZIL**

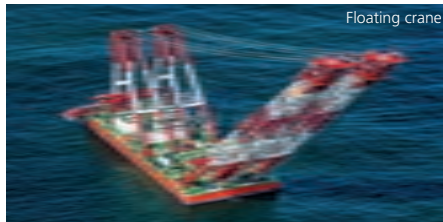
Commenced initial operation in 2H2014  
Full completion expected end 2015



82.5-hectare integrated yard located in Aracruz, state of Espírito Santo

**An integrated yard capable of undertaking a wide range of services:**

- Construction of drillships, semi-submersibles and jack-up rigs
- Construction of platforms and supply vessels
- FPSO integration
- Topsides modules fabrication
- Drilling rig repair, ship repair and modification works



**Equipped with the biggest floating crane in Latin America**

Model: L3602 floating crane  
Weight: approximately 10,000 tonnes  
Dimensions: 110m x 46m x 7.5m  
Lifting capacity: 3,600 metric tonnes

2H: second half; m: metres

**Investing in technology to stay ahead**

In line with our ongoing efforts to stay ahead and offer new and innovative solutions to our customers, we

acquired a 12% stake in GraviFloat of Norway and purchased the business assets of Houston-based SSP Offshore, including its flagship SSP Floater technology and entire portfolio of proprietary SSP® solutions.

**New Technologies and Solutions**

**Sembmarine SSP**



Proprietary technologies and solutions including the flagship SSP Floater technology for next-generation circular hull forms



**GraviFloat**



Modularised LNG and LPG terminals for installation in shallow waters

A spin-off from one of Europe's leading naval architecture and maritime engineering firms LMG Marin, GraviFloat was formed to design, deliver and operate modularised LNG and liquefied petroleum gas (LPG) terminals for installation in shallow waters. The terminals, which are re-deployable, offer a more cost-competitive solution compared with floating storage and regasification units and land terminals. GraviFloat's technology also allows LNG terminals to be fully built and completed at a shipyard. Our total investment for 12% of GraviFloat was US\$4 million and we have the right to increase our stake up to 20% through further equity injection.

Meanwhile, our US\$21 million acquisition of SSP Offshore's assets allows us to expand into circular-based floaters and own the full range of the company's intellectual property, including proprietary products related to its next-generation SSP floaters. The SSP floater technology has a wide range of applications from deepwater drilling, production and storage units, to logistics support hubs, and can be customised for region-specific operating requirements such as harsh environments and

arctic conditions. SSP floaters offer cost savings to customers by eliminating the need for turret, swivel or catenary anchor leg mooring buoy facilities in production and storage operations and offloading. They also offer fabrication flexibility, as they can be built with simple block construction methods without the need for a drydock.

**OUTLOOK**

With the steep decline in oil prices in the second half of 2014, major oil and gas companies have announced reduced capital expenditure and deferred some of their planned projects. The Marine business continues to face tough competition in upcoming tenders in the offshore exploration and production sectors.

For the ship repair sector, demand for the business' large docks remains strong which would help to cushion the impact of weaker demand in the offshore rig building segment.

The business' performance in 2015 will be supported by its orderbook.

# URBAN DEVELOPMENT REVIEW



Artist's impression of the Sino-Singapore Nanjing Eco Hi-tech Island, China

## Competitive Edge

- Over 20 years' track record in undertaking master planning, land preparation and infrastructure development to transform raw land into urban developments
- Significant land bank of integrated urban developments comprising industrial parks as well as business, commercial and residential space in Vietnam, China and Indonesia
- A valued partner to governments, with the ability to deliver the economic engine to support industrialisation and urbanisation by attracting local and international investments

## Performance Scorecard

Financial Indicators (\$ million)	2014	2013	Change (%)
Turnover <sup>1</sup>	10.7	12.5	(14)
PFO	47.5	45.1	5
– EBIT	(0.3)	(4.7)	94
– Share of results: Associates & JVs, net of tax	47.8	49.8	(4)
Net profit	44.3	50.2	(12)
ROE <sup>2</sup> (%)	6.4	8.2	(22)

### Notes:

<sup>1</sup> Most of our Urban Development businesses are associates or joint ventures. Turnover reflected consists of payment for services provided to these associates or joint ventures.

<sup>2</sup> Excluding its returns on Sembcorp's corporate office on 30 Hill Street and its investment in Gallant Venture, the Urban Development business' ROE for 2014 and 2013 was 9% and 12% respectively.

## Operational Indicators (hectares)

	2014	2013
Saleable land inventory	5,410	5,446
Land sold (cumulative)	1,633	1,494
Net orderbook	198	281
Land available for sale	3,579	3,671

Note: Figures are based on current planned estimates and exclude projects under Gallant Venture.

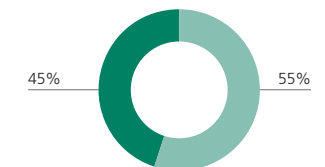
## Remaining Saleable Land by Geography

■ Vietnam ■ China ■ Indonesia



## Remaining Saleable Land by Segment

■ Industrial ■ Commercial\* & residential



\* Commercial land also includes office space for research & development, innovation and technology purposes.

**Key Developments**



Maiden profits from Singapore-Sichuan Hi-tech Innovation Park, China



Positive response to public land auction at Sino-Singapore Nanjing Eco Hi-tech Island, China



Commitments secured for land in new Kendal Industrial Park in Indonesia even before the launch of the project

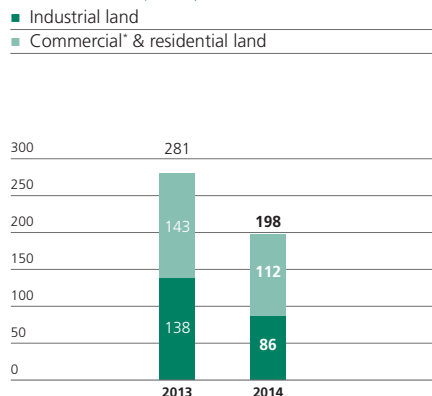
**OPERATIONS & FINANCIAL REVIEW**

**Creditable performance amid a challenging year**

Against the backdrop of difficult market conditions, our Urban Development business recorded a net profit of S\$44.3 million compared to S\$50.2 million the previous year. Profit from operations (PFO) stood at S\$47.5 million compared to S\$45.1 million in 2013.

2014 saw a slower property market in China and dampened investor sentiment in Vietnam following an unrest in the country. With investor confidence returning in the fourth quarter, the business ended the year with a total of 140 hectares of land sales in Vietnam and China. It also received commitments from customers for a further 56 hectares of land, bringing its net orderbook to a total of 198 hectares as at end 2014. Industrial land accounted for 78% of the land sold in 2014, while commercial and residential land accounted for the remaining 22%.

**Net Orderbook (hectares)**



\* Commercial land also includes office space for research and development, innovation and technology purposes.

**Vietnam**

2014 was a challenging year for our Vietnam operations. In May, unprecedented riots broke out across several provinces in the country. Binh Duong province, where our Vietnam Singapore Industrial Park (VSIP) I and II are located, was amongst the worst hit. In the aftermath of the unrest, we saw cancellations and delays for land orders across all VSIP projects, with dampened sentiment continuing through the second and third quarters of the year.

Notwithstanding this, our Vietnam business delivered a credible performance for the year. With investor confidence recovering late in the fourth quarter, we ended 2014 with higher land sales than in 2013. In terms of product mix, industrial land continued to form the bulk of land sold in the VSIPs, accounting for 94%, while the remaining 6% of land sold comprised higher-margin land for commercial and residential purposes.

During the year, we incorporated Sembcorp Infra Services to provide on-site warehousing and logistics operations to customers within the VSIP. This new subsidiary will offer tenants multiple pick-up and delivery points across the VSIP projects. It will also offer 15,000 square metres of warehouse space in VSIP Hai Phong by end 2015. Response so far has been encouraging, with a number of customers already making reservations to take up warehouse space. This new unit widens our suite of value-added solutions for tenants of the VSIPs, and is expected to contribute recurring income to the business.

**China**

In 2014, China's economy posted its weakest growth in 24 years. This translated to a sluggish market for land sales. Furthermore, the country saw a slowdown in industrial growth, with the Purchasing Managers' Index decreasing to 50.1 in December 2014 compared to 51.0 in December 2013.

In particular, the performance of our Wuxi-Singapore Industrial Park (WSIP) project, which relies on factory rental and electricity distribution as its main sources of income, was affected by poor sentiment in both the property and manufacturing sectors. Despite this, the development saw the entry of a new long-term tenant during the year. It handed over an 11,000-square metre factory built to specifications for Muehlbauer, which began an eight-year lease in June. Take-up for commercial and residential projects launched by WSIP was marginally higher compared to 2013. These projects included WSIP's business and technology park, which saw 65% of its initial phase taken up; the International Garden City residential project, where 171 or 97% of the apartment units have been sold; as well as Hongshan Mansion, a new residential development which has also sold 21 units or 19% of its initial phase.

Meanwhile, our Sino-Singapore Nanjing Eco Hi-tech Island (SNEI) project saw a slowdown in new land sales for much of the year. However, this was mitigated by several announcements from the local and central governments from the third quarter of the year. In September, Nanjing's municipal government announced the abolition of restrictions that limit the number of homes that residents can own, while in October, the central government eased monetary policy by lowering its benchmark lending rates. The impact of these announcements was immediately seen in an improved take-up of residential units in Jiangxinzhou, where SNEI is located, as well as in good response to a public auction of land in the SNEI in December, with land sales to be booked next year.

In 2014, our Singapore-Sichuan Hi-tech Innovation Park made maiden profits from a land sale. The 1,000-hectare innovation park, located in the central business district of Chengdu's Tianfu New City and within a newly established national-level economic zone, broke ground in 2012.

**Development Progress at the Sino-Singapore Nanjing Eco Hi-tech Island**



*Riverside Commercial Complex (under construction in the foreground) overlooking mainland Nanjing*



*Pedestrian bridge linking the island to mainland Nanjing*

**Development Progress at the Vietnam Singapore Industrial Park Projects**



*13 ready-built factories have been completed at VSIP Hai Phong with 10 factories already tenanted*



*33 companies have commenced operation at VSIP Bac Ninh*

**Indonesia**

In Indonesia, our new Kendal Industrial Park (KIP) project in Central Java has already begun to draw interest from both local and foreign manufacturers. Two companies have signed expressions of interest to buy land, even before the formal launch of the project.

Located along the Jakarta-Semarang-Surabaya Economic Corridor in Central Java, KIP is positioned to benefit from the spillover of manufacturing activity from greater Jakarta. During the year, the detailed engineering design for the entire 860-hectare project was completed. The first of KIP's eight ready-built factories was also constructed, with the remaining seven to be built on demand. Land and infrastructure development for the project continues to progress in preparation for handover of prepared land to customers in 2015.

Following the dilution of Sembcorp's stake in Gallant Venture (GV) to 11.96% and the reclassification of GV as an available-for-sale

financial asset, our subsidiary Sembcorp Parks Management has ceased to provide marketing services to Batamindo Industrial Park and Bintan Industrial Estate.

**OUTLOOK**

The Urban Development business has an orderbook of 198 hectares of land, which will be converted into sales in the next two years. This comprises 86 hectares of industrial land and 112 hectares of commercial and residential land. In addition, we continue to receive enquiries for land within our projects in Vietnam, China and Indonesia.

While the World Bank has projected global growth to rise moderately to 3% in 2015, risk factors for our business include residual uncertainty as to the outcome of government measures to promote sustained recovery in the Vietnam and China property markets. Other risk factors include

economic uncertainty in the eurozone, which may affect our customers' export markets, and the weak yen drawing Japanese investment and manufacturing activities back to their home base.

Going forward, the outlook for our key markets is expected to improve. In 2014, Vietnam recorded gross domestic product growth of just under 6%, marking its highest growth in three years. Investor confidence appears to have recovered since the last quarter of 2014 and in November, Vietnam's parliament approved new regulations for the real estate sector permitting foreign ownership of property. This is expected to boost interest in residential real estate. Furthermore, the country is looking forward to the conclusion of the Trans-Pacific Partnership, which is expected to benefit Vietnam and its industries, such as the garment and footwear manufacturing sectors.

While China's growth has moderated, the impact on its real estate sector is expected to be mitigated by new measures introduced by the

authorities, including a rate cut by the People's Bank of China in November. Furthermore in the third quarter of 2014, the government lifted restrictions in Chengdu, Wuxi and Nanjing on the number of homes that residents can own. This is expected to provide a boost to the property market over the next year.

Meanwhile in Indonesia, pre-launch interest in KIP has been very encouraging. With the development's strategic location in Central Java, it is well-positioned to capture the spillover of manufacturing activities from Jakarta. The project has secured commitments for land, and continues to receive enquiries from Jakarta-based manufacturers.

In 2015, the business is expected to deliver a steady operating performance. As we continue to focus on the successful execution of our new projects, we believe we are ready to respond quickly to a growth momentum in orderbook and deliver land to our customers.