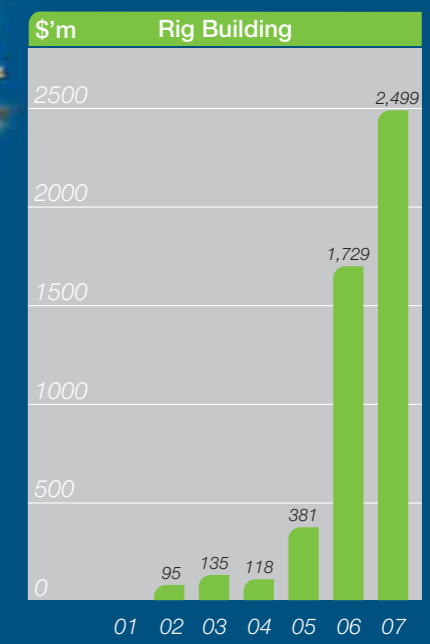
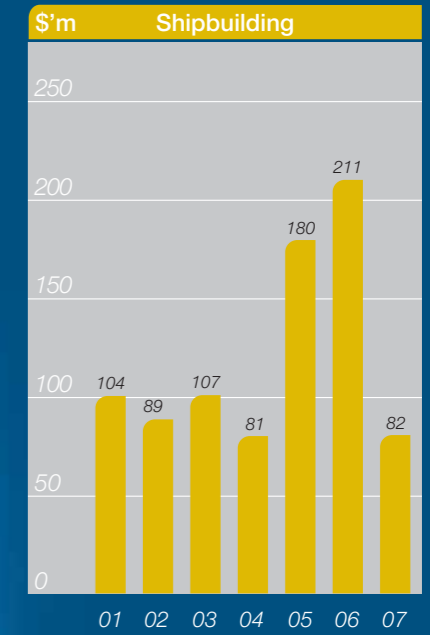
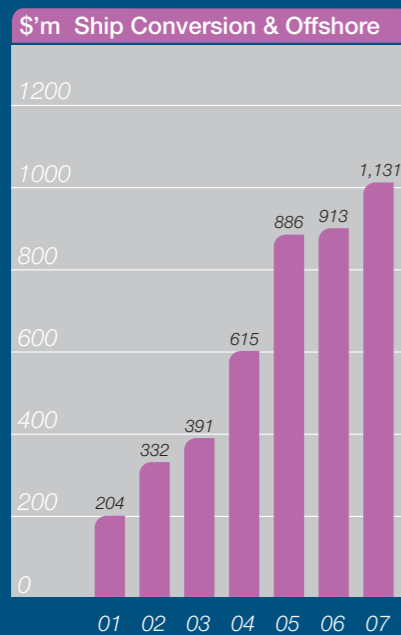
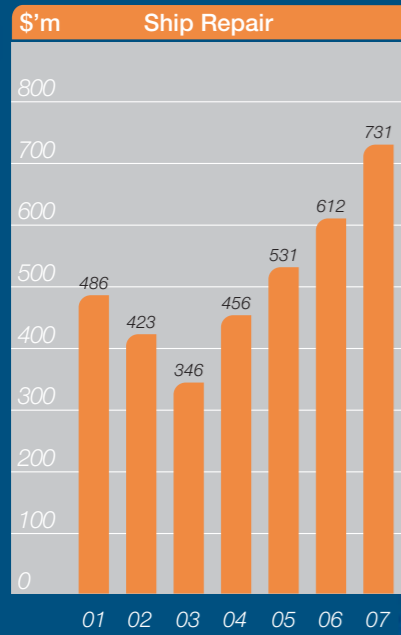


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The Global Economic Backdrop

Following strong growth through the third quarter of 2007, the global economic growth slowed markedly in the final quarter of 2007 in the face of significant headwinds from the financial sector, originating in the US sub-prime sector.

Economic growth in the United States slowed notably in the fourth quarter, with recent indicators showing weakening in manufacturing and housing sector activity, employment and consumption. Growth had also slowed in Western Europe. In Japan, growth was dampened by a tightening in building standards and weaker consumer and business sentiment. Despite some slowing of export growth, emerging market and developing economies had thus far continued to expand strongly, led by China and India. These economies had benefited from the strong momentum of domestic demand, more disciplined macro-economic policy frameworks and, for commodity exporters, from high food and energy prices as well.

Headline inflation increased since mid-2007 in both advanced and emerging market economies. In the US, the Federal Reserve had been cutting interest rates in response to increasing downside risks to activity, while policy had been on hold in Europe and Japan. Meanwhile, central banks continued to tighten monetary policy in many emerging market economies, where food and energy represented a higher share of consumption baskets and overheating was more of a concern.

Against this background, global growth has been projected at 4.1 per cent in 2008, down from 4.9 per cent in 2007 (Table 1). The projections for the advanced economies have been reduced significantly. Projected growth in the US in 2008 has been lowered to 1.5 per cent on a year-on-year basis, down from 2.2 per cent in 2007. Similarly for Europe, growth forecast has been lowered to 1.3 per cent.

Growth in emerging market and developing economies is also expected to ease, moderating from 7.8 per cent in 2007 to 6.9 per cent in 2008. In China, growth is projected to decelerate from 11.4 per cent to 10 per cent, which should help alleviate overheating concerns.

Singapore Economy

For 2007 as a whole, growth of the Singapore economy was still an above-trend 7.7 per cent, following 8.2 per cent in 2006. Economic growth moderated in the fourth quarter of 2007, with GDP growth at 5.4 per cent year-on-year, compared with the 9.5 per cent increase in the previous quarter. This slowdown reflected largely a sharp decline in biomedical manufacturing rather than the impact of the slowing US economy.

According to the Ministry of Trade and Industry, external economic conditions have deteriorated, and the downside risks have increased since November 2007. There is a broad consensus now that the US economy is entering a slowdown. The key uncertainty

	2005 %	2006 %	Estimates 2007 %	Projections 2008 %
World Output	4.4	5.0	4.9	4.1
Advanced economies of which				
United States	2.5	3.0	2.6	1.8
Euro area (15)	3.1	2.9	2.2	1.5
Japan	1.5	2.8	2.6	1.6
Other advanced economies	1.9	2.4	1.9	1.5
China	3.2	3.7	3.8	2.8
Emerging market and developing economies	7.0	7.7	7.8	6.9
Africa	5.9	5.8	6.0	7.0
Central and eastern Europe	5.6	6.4	5.5	4.6
Commonwealth of Independent States	6.6	8.1	8.2	7.0
Developing Asia	9.0	9.6	9.6	8.6
Of which				
China	10.4	11.1	11.4	10.0
Middle East	5.6	5.8	6.0	5.9
Western Hemisphere	4.6	5.4	5.4	4.3

Source : IMF

(Table 1)

Sectorial Growth Rates

Sector	2006 %	2007 %	1Q07 %	2Q07 %	3Q07 %	4Q07 %
Total	8.2	9.2	13.4	5.1	-4.8	7.7
Manufacturing	11.9	-1.6	14.0	19.1	-24.9	5.8
Construction	3.6	32.5	24.7	13.3	27.3	20.3
Wholesale & Retail Trade	10.4	15.9	8.1	1.9	0.4	7.3
Transport & Storage	4.7	8.3	5.6	0.3	7.3	5.1
Financial Services	10.6	36.8	29.1	-7.3	10.3	16.9
Business Services	6.9	5.3	16.4	4.5	8.8	7.8

Source : Singapore Department of Statistics

is over the length and severity of this slowdown, which in turn could influence how the rest of the world and key industries are affected.

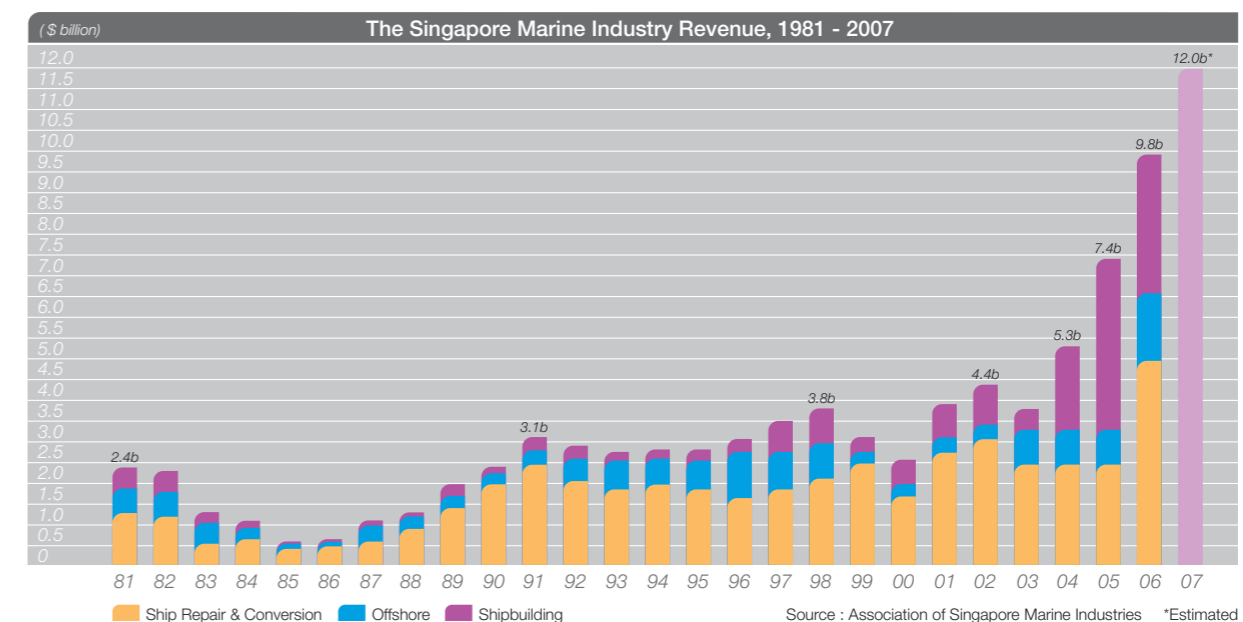
In view of the greater downside risks, the Ministry has revised the 2008 forecast for the Singapore economy to between 4.0 and 6.0 per cent, from the previous 4.5 to 6.5 per cent. Current conditions suggest that the US will likely enter a mild recession in the first half but its strong fundamentals, coupled with fiscal and monetary stimulus, will help to support recovery in the second half. Growth in the region will be moderate but remain healthy.

Singapore Marine Industry's Performance

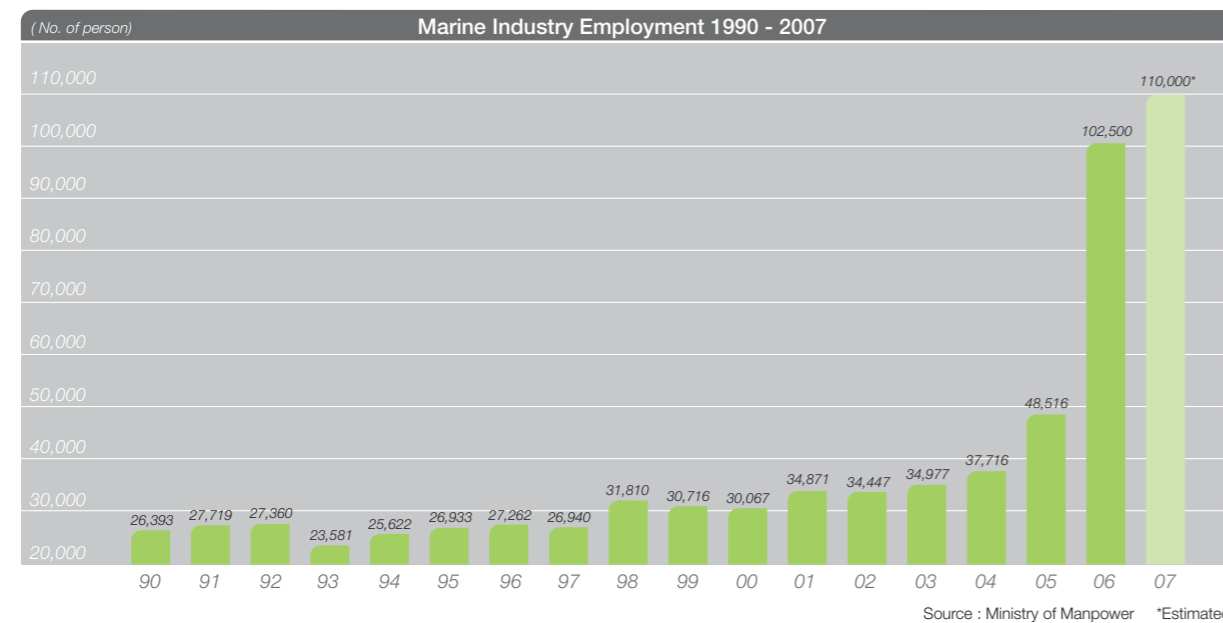
The Singapore marine industry performed well in 2007. In 2006, the industry achieved a total turnover of \$9.8 billion, up 32 per cent from \$7.43 billion in 2005. The estimated turnover for 2007 is \$12 billion.

The industry's impressive performance was driven by the offshore sector, which continued to see strong growth underpinned by high oil prices and an increased level of oil and gas exploration and production activities. In fact, the last two years had seen an escalation of offshore projects, both in terms of new builds as well as the repair and upgrade of existing rigs coming to the Singapore shipyards. This milestone achievement and strong growth in output further affirmed Singapore's leading position in the global offshore rig construction and floating-production-storage-offloading (FPSO) conversion markets.

The offshore sector grew by 36 per cent to \$3.23 billion in 2006, constituting 33 per cent of the industry's total turnover. Revenue from the ship repair and conversion sector was also strong. Ship repair and conversion contributed \$4.9 billion



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or 50 per cent to total turnover in 2006. The increase in global oil and gas development activities also saw a tandem increase in demand for offshore supply and support vessels. Shipbuilding revenue grew by 32 per cent year-on-year to \$1.67 billion in 2006, contributing 17 per cent to the industry's total revenue.

Total Employment

The high level of business activities in the industry also resulted in the need for more manpower, both local and overseas, to join the marine workforce. Total employment in the industry reached

102,500 in 2006, inclusive of administrative and other non-production employees. In 2007, it is expected to grow further.

Safety Performance

The marine industry continued to place strong emphasis in safety in its drive towards an incident-free work environment. Its key thrusts in this direction included instilling a safety culture in the industry, advocating zero tolerance towards safety infringements, going beyond regulations, raising safety ownership as well as implementing risk assessment and safe work practices.



Sembcorp Marine:

Overall Sectorial Performance

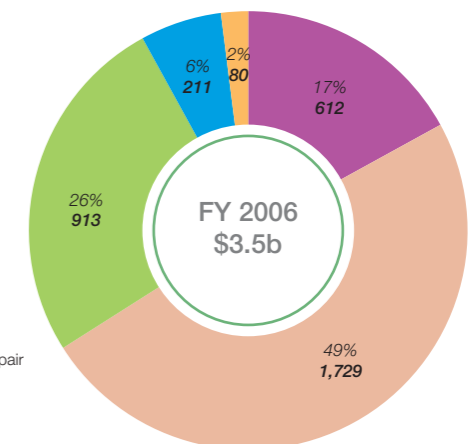
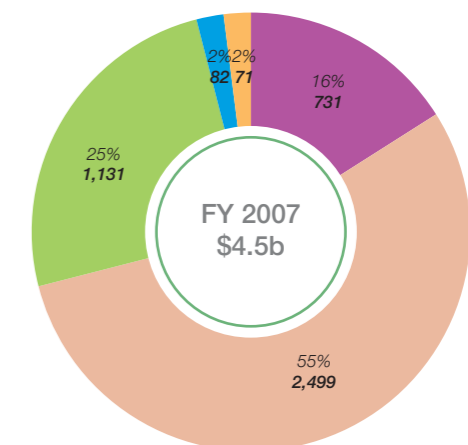
Sembcorp Marine Group's revenue for 2007 was derived from the four main sectors of ship repair, shipbuilding, ship conversion & offshore and rig building.

Group revenue increased from \$3,545.0 million to \$4,513.1 million in 2007, marking a significant improvement of 27.3 per cent. This increase was

attributed to growth from the ship repair, ship conversion and offshore, and rig building sectors. Ship repair revenue increased 19.4 per cent from \$612.1 million in 2006 to \$731.1 million in 2007, while shipbuilding revenue declined by 61.3 per cent from \$210.6 million to \$81.6 million in 2007. The ship conversion and offshore sector registered an increase of 23.8 per cent from \$913.4 million to \$1,130.5 million in 2007. However, it was the rig-building sector that was the star performer in 2007, registering a growth of 44.5 per cent from \$1,728.9 million in 2006 to \$2,498.9 million.

Sector	FY 2007 \$'m	FY 2006 \$'m	+/() \$'m	+/() %
Ship Repair	731.1	612.1	119.0	19.4
Shipbuilding	81.6	210.6	(129.0)	(61.3)
Ship conversion/offshore	1,130.5	913.4	217.1	23.8
Rig Building	2,498.9	1,728.9	770.0	44.5
Others	71.0	80.0	(9)	(11.2)
Total	4,513.1	3,545.0	968.1	27.3

Rig Building registered record growth contributing 55% to total revenue for FY 2007.



■ Rig Building
■ Ship Conversion & Offshore
■ Shipbuilding
■ Ship Repair
■ Others

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Sembcorp Marine :

Ship Repair Sector

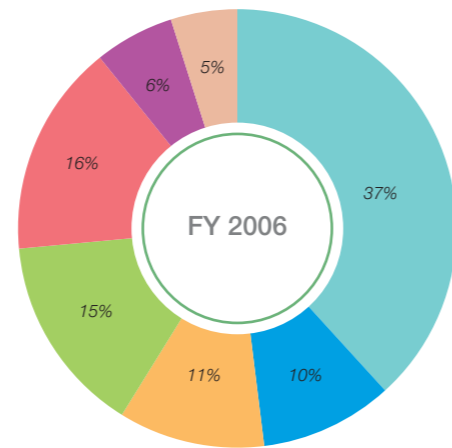
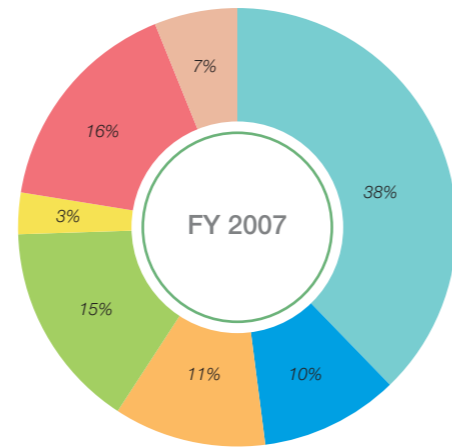
By sector contributions, ship repair accounted for 16 per cent of the Group's total revenue, at \$731.1 million in 2007 as compared with \$612.1 million in 2006. Ship repair continued to register strong growth in 2007, attributed mainly to increased volume, shortage of dock space, higher-value repairs, the ability to deliver on schedule and the high health, safety, security and environment standards being upheld.

Although the number of vessels repaired in 2007 declined from 314 to 256 in 2007, average value per vessel increased from \$1.95 million to \$2.86 million in 2007.

By vessel types, tanker repairs accounted for 38 per cent in the ship repair sector followed by LNG and LPG tankers at 15 per cent and bulk carriers at 11 per cent. Offshore upgrading comprising FPSO and rig repairs accounted for 7 per cent, container vessels at 10 per cent, passenger ships at 3 per cent and others at 16 per cent.

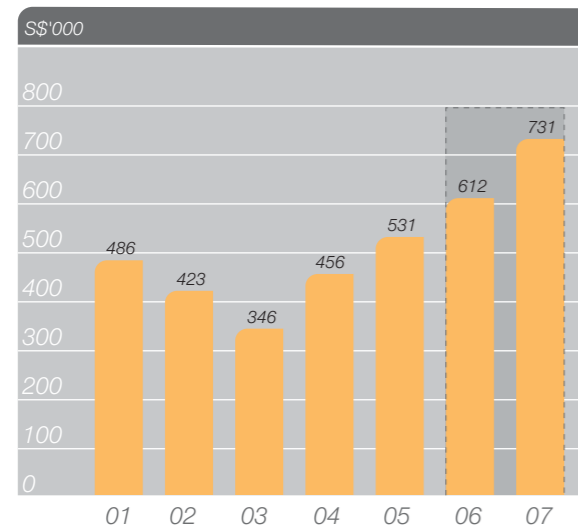
Average value per vessel increased by 47% from \$1.95 million to \$2.86 million.

Year	2007	2006	% change
No of vessels repaired	256	314	(18)
Average value per vessel (\$m)	2.86	1.95	47
Revenue contribution (\$m)	731.1	612.1	19



Market Outlook for the Ship Repair Sector

The ship repair market demand showed robust growth in the past year. In 2008, overall ship repair demand is expected to remain strong despite the possibility of a slowdown in global shipping demand in view of a weakened US economy and recessionary fears that could reduce repair demand. However, the Group does not expect the impact to be adverse in 2008. This is because the continued robust economic growth in China and India, which is expected to partially cushion the negative impact of a US economic slowdown, will continue to drive Asian oil and bulk demand.



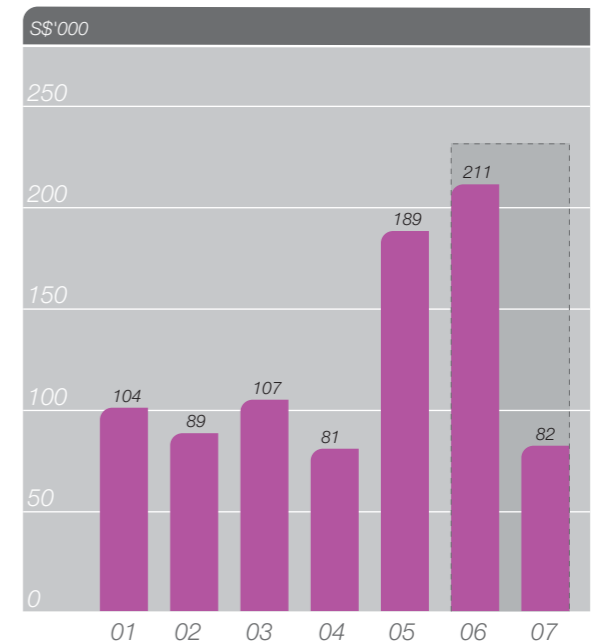
Sembcorp Marine :

Shipbuilding Sector

Shipbuilding contributed \$81.6 million, or 2 per cent, of the Group's revenue in 2007, a decline of 61.3 per cent from \$210.6 million in 2006. The year saw the completion of three vessels, comprising one 2,600 TEU container vessel and one double-hull tanker to Kuwait Oil Tanker and 15 units of floating platform pontoons to the Defence Science & Technology Agency. Work-in-progress comprised two units of the 2,600 TEU container vessels, one each for Wan Hai Lines and Reederei F Laeisz, and one double-hull tanker to Kuwait Oil Tanker. Going forward, shipbuilding activities will be scaled down as resources are redeployed to grow the rig-building and offshore sectors.

Shipbuilding activities will scale down with resources channeled to growing rig building and offshore sectors.

No. completed FY2007	3	<ul style="list-style-type: none"> * 5th unit 2,600 TEU vessel for Wan Hai Lines * Fabrication of 15 units of Floating Pontoons * 1st unit 5,100 dwt tanker for Kuwait Oil Tanker
No. of projects in work-in-progress stages	3	<ul style="list-style-type: none"> * 6th unit 2,600 TEU vessel for Wan Hai Lines * 2nd unit 2,600 TEU vessel for Reederei F Laeisz * 2nd unit 5,100 dwt tanker for Kuwait Oil Tanker



Market Outlook for Shipbuilding Sector

Singapore shipyards continued to enjoy a niche market position for shipbuilding of customised and specialised vessels. These included barges, tugs, supply vessels, pleasure crafts and yachts, and to a lesser extent, container ships, offshore supply vessels, cable-laying ships and tankers. Buoyed by the robust market fundamentals, strong demand is expected especially for new builds of offshore supply vessels and feeder container vessels in the future.



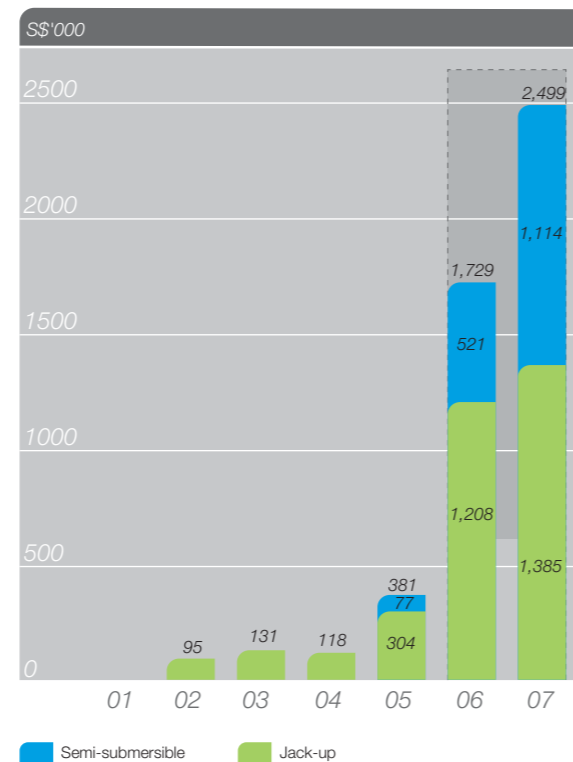
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Sembcorp Marine :

Rig Building Sector

The rig-building sector registered the highest growth at \$2,498.9 million, a 44.5 per cent increase from \$1,728.9 million in 2006. Five units of the Baker Marine Pacific Class 375 rigs were delivered to various owners in 2007. At year-end, eleven units of the jack-ups were in work-in-progress stages, with five units in the early and planning stages. At the same time, four units of semi-submersible rigs were in work-in-progress stages, with three units in early and planning stages.

- 2 units of jack-ups achieved initial 20% recognition in 4Q 2007. No revenue recognition was achieved in 3Q 2007.
- No major revenue recognition for semi-submersible in 4Q 2007 as compared with 1 unit that achieved initial 20% recognition in 3Q 2007.



Jack-ups

No. completed in FY2007	5	* 3rd unit Jack-up for Apexindo * 4th unit Jack-up for Maersk * 5th unit Jack-up for Deep Drilling Invest * 6th unit Jack-up for WilSuperior * 7th unit Jack-up for Seadrill
No. of projects in work-in-progress stages	11	* 8th unit Jack-up for Petrojack II * 9th unit Jack-up for Japan Drilling * 10th unit Jack-up for Petrojack III * 11th unit Jack-up for Awilco * 12th unit Jack-up for Aban Lloyd * 13th unit Jack-up for Sinvest * 14th unit Jack-up for JackInvest I * 15th unit Jack-up for Awilco * 16th unit Jack-up for Vantage Energy * 17th unit Jack-up Barge for Aramco * 18th unit Jack-up for Awilco
In planning & engineering stage	5	* 19th unit Jack-up for Vantage Energy * 20th unit Jack-up for Petropod * 21st unit Jack-up for Vantage Energy * 22nd unit Jack-up for Vantage Energy * 23rd unit Jack-up for EDC

Semi-Submersible

No. completed in FY2007	nil	
No. in WIP stage	4	* 1st unit Semi-submersible for Seadrill * 2nd unit Semi-submersible for Seadrill * 3rd unit Semi-submersible for PetroMena * 4th unit Semi-submersible for PetroMena
In planning & engineering stage	3	* 5th unit Semi-submersible for PetroMena * 6th unit Semi-submersible for Seadrill * 7th unit Semi-submersible for Atwood



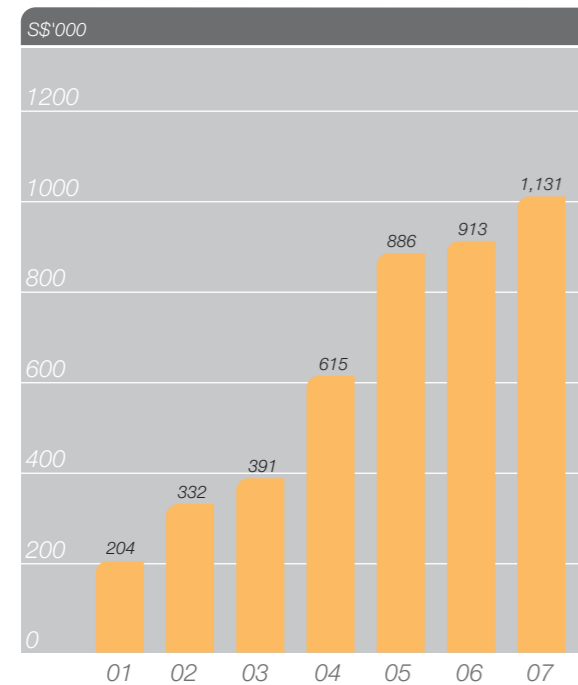
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Sembcorp Marine :

Ship Conversion and Offshore Sector

The Group's ship conversion and offshore sector accounted for \$1,130.5 million, or 25 per cent, of total revenue in 2007. A total of four projects, comprising two FPSO conversions, one FSO conversion and one unit integration and

Ship Conversion & Offshore activities expected to be strong for FY 2007.



commissioning of the production modules for P-54, were delivered in 2007. Work-in-progress included a total of 11 projects comprising FPSO conversions, drillship conversion, semi-submersible conversion and offshore platforms. Two projects, the heavy lift crane vessel and the semi-submersible rig conversion units, were in the early stages of production, with no revenue recognition for these two units in 2007.

No. completed in FY2007	4	* FPSO Cidade do Rio de Janeiro MV14 conversion * YUUM K'AK'NÁAB FPSO conversion * FSO Cidade de Macae MV15 conversion * P-54 Integration and Commissioning
No. of projects in work-in-progress stages	11	* Heavy Lift Derrick Pipelay Vessel for SapuraCrest * ConocoPhillips topsides installation & commissioning * Rarua FPSO conversion * Aoka Mizu FPSO conversion * Joides Resolution (Drillship) * Aker Smart I FPSO conversion * Montara Venture FPSO conversion * Noble Danny Adkins * CPOC Offshore Platform Integrated Deck * Offshore Platforms for Tunu Field * Conversion to DP2 Accommodation & repair vessels (1 + 5)
In planning & engineering stage	2	* Noble Jim Day * DP3 Heavy Lift crane vessel

Market Outlook for the Rig Building, Ship Conversion and Offshore Sectors

The underlying market drivers for the floating production sector remain very strong as global oil demand continues to grow, supply remains tight and oil prices climb above the US\$100 mark. Exploration and production activity also remains robust, with high rig utilisation level and strong rig rates.

Global oil demand expected to grow 2.3 per cent in 2008

Global oil demand has grown each year over the past ten years, with annual growth ranging from 0.3 per cent to 4.2 per cent. IEA projected a 1.2 per cent higher demand for 2007 and an even higher 2.3 per cent growth in demand for 2008, based on an assumption that the world economy would continue to grow at a strong pace. There are concerns that in the short-term, global economic growth could slow down due to the US sub-prime market and the falling US dollar impacting export markets. However, in the long-term, oil demand is expected to grow at 3.5 per cent between 2007 and 2030, based on the most recent IEA projection. Satisfying this demand requires 30 mb/d of new oil supply to be brought on-stream over the next 23 years, which still does not take into account the need to find additional oil to offset the loss of supply from depleting fields.

Driving the demand is the increased energy consumption in China and India. Energy demand in China is projected to more than double over the next 25 years as China is expected to overtake the US as the world's largest energy consumer soon after 2010. Increased demand from the transport sector will account for two-thirds of the increase in Chinese oil consumption. In India, energy demand is also expected to more than double by 2030. Combined oil imports by China and India are expected to surge from 5.4 mb/d in 2006 to 19.1 mb/d in 2030.

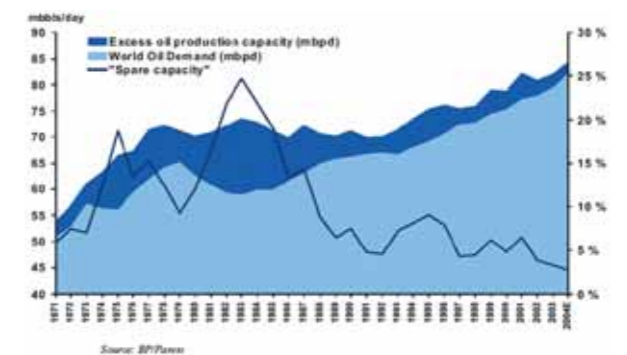
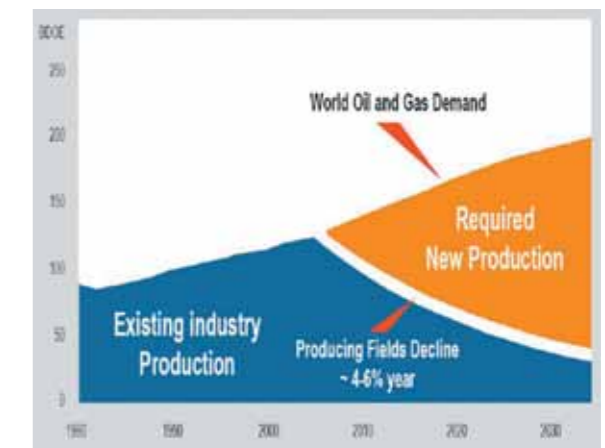
Adequate oil supply remains a major concern

Concerns about oil supply continue to grow. According to the November 2007 IMA report, there was nothing on the horizon to suggest that the

concerns would diminish. In fact, it was far more likely in the foreseeable future to have a shock from oil supply disruption than a downturn in oil demand. Political instability in Nigeria, nationalisation policies in Venezuela and mayhem in Iraq all happening concurrently could pose threats to future oil supply.

- Demand for oil is increasing
- Excess oil production capacity is decreasing
- Capacity to meet future oil demand is a major concern
- Need to replenish depletion of reserves
- High oil prices will continue to support offshore fleet construction

"The Oil Squeeze" : Oil Prices hit US\$100...



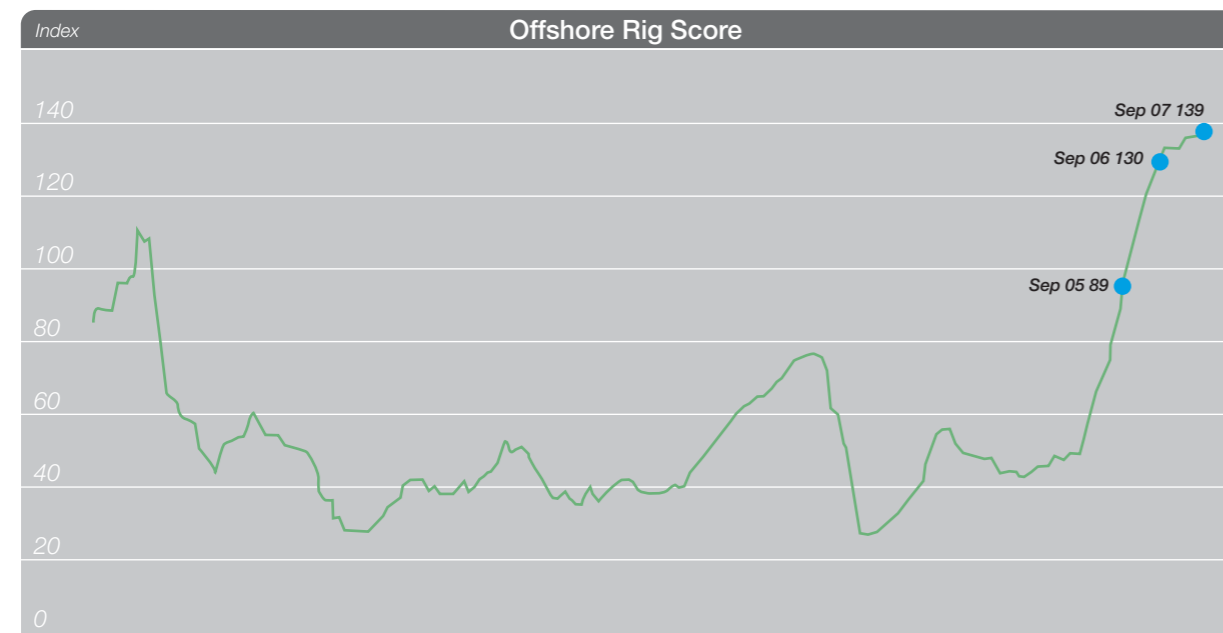
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Oil prices have risen above US\$100

Reflecting demand-supply fundamentals, compounded by speculators in the futures market, crude oil prices have risen and breached the US\$100 mark. The spot price for WTI crude as at November 2007 was already hovering above US\$95, while Brent was trading at US\$93.40. The NYMEX futures price for light sweet crude also jumped. These expected high oil prices set the scene for exploration and production activity.

Deepwater exploration and production continue to strengthen

Deepwater drilling activity has absorbed virtually all of the available drill ships and semi-submersibles, creating record day rates and revenue backlog for the drilling contractors. Day rates of US\$500,000, and greater, are being realised for ultra-deepwater rigs. All deepwater drilling contractors are reporting record backlogs. Reflecting the tight rig markets, the Global Santa Fe SCORE index, which tracks the profitability of rig contracts over time, continues at a record level. The base is set at a level that equals the sum of the daily cash operating cost plus approximately US\$700 per day per US\$1 million invested. The higher the index, the more profitable the current market. The index in September 2007 was 139, compared to 130 a year ago and 89 two years before.

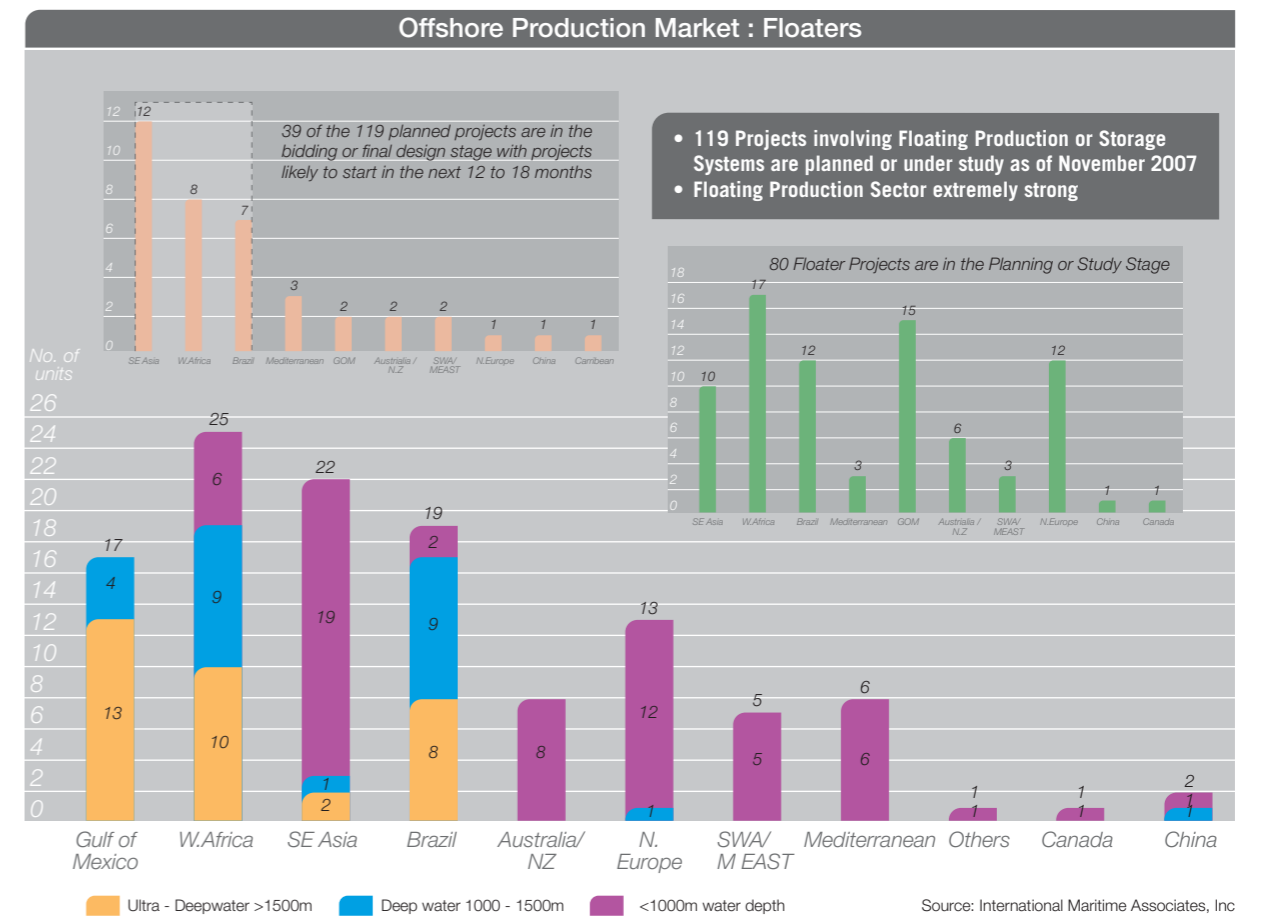


Source: International Maritime Associates, Inc

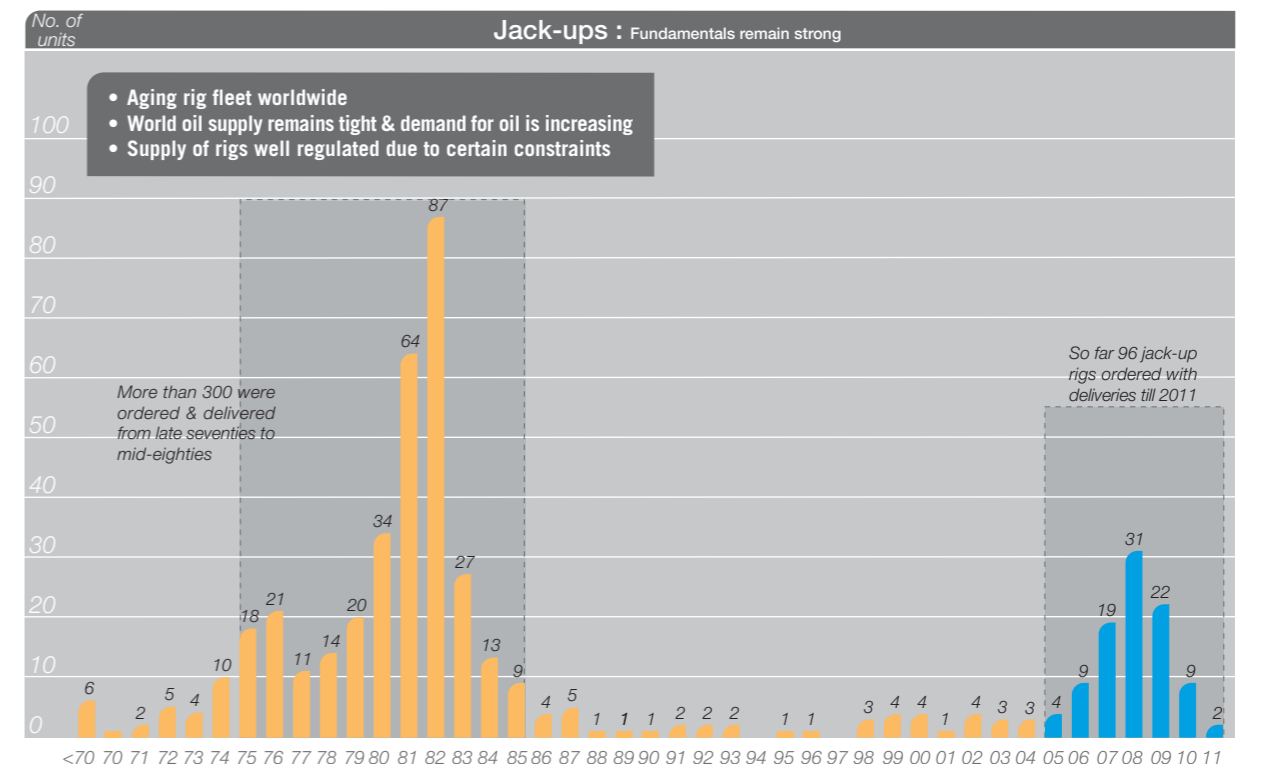
Floaters are being planned or under study

There are now 202 floating production systems in service worldwide. FPSO vessels comprise 60 per cent of the current total, production semis at 20 per cent, tension leg platforms at 10 per cent, production spars at 8 per cent and production barges at 2 per cent. There are also 86 floating storage offloading vessels without production capability in service worldwide. IMA's report dated November 2007 identified 119 projects currently in the bidding, design or planning stage that potentially required a floating production or storage system. If all these projects materialise, they would generate a requirement for 92 to 109 production floaters, 15 to 26 floating storage units, three to five re-gas floater terminals and three to four jack-up mobile offshore production units.

From the 119 planned projects identified by IMA, 39 are in the bidding or final stage, with projects likely to start in the next 12 to 18 months. Almost 70 per cent of these projects are concentrated in Southeast Asia with 12 projects, Brazil with seven projects, and West Africa with eight projects.

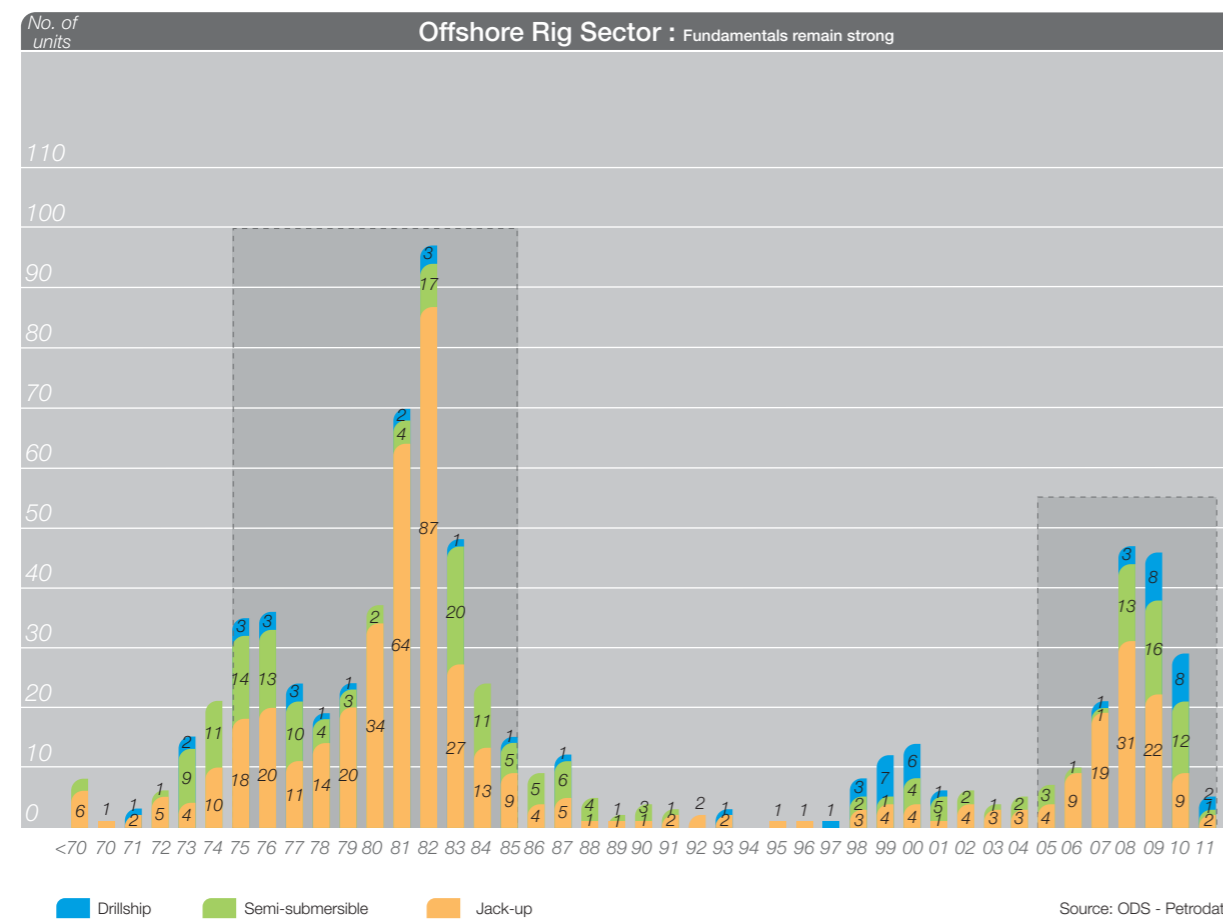
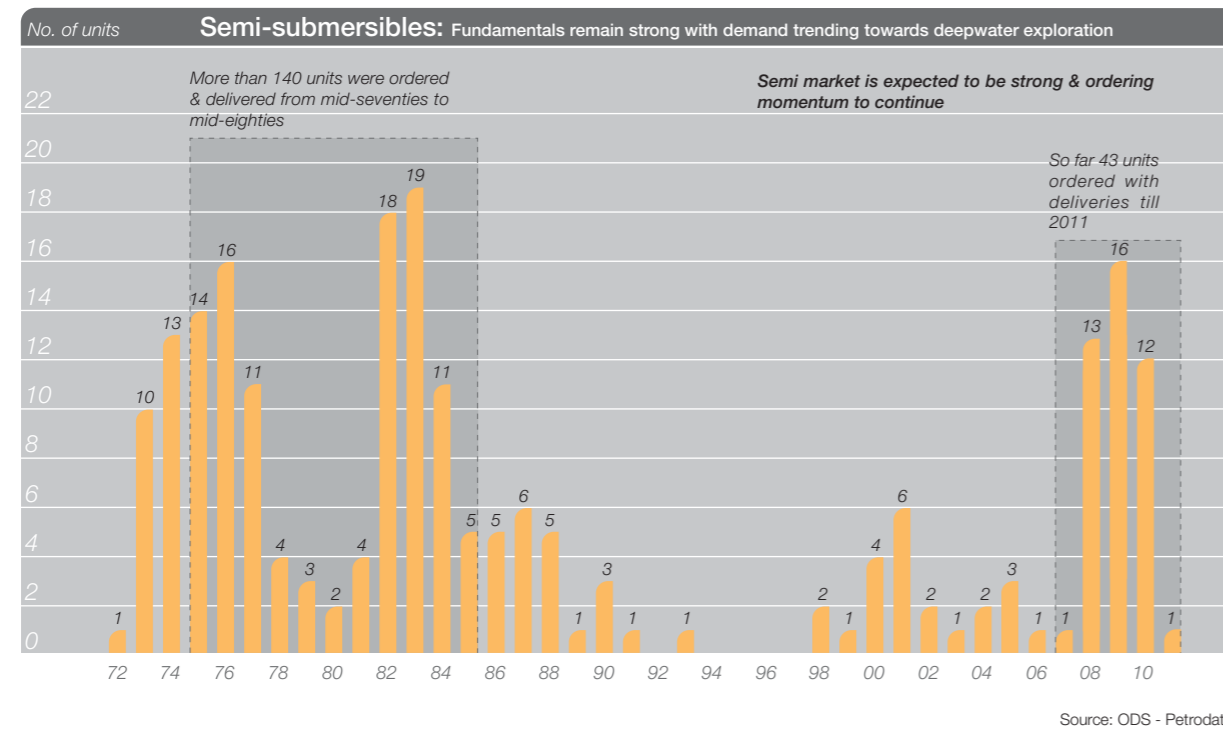


Source: International Maritime Associates, Inc



Source: ODS - Petrodata company As at January 2008

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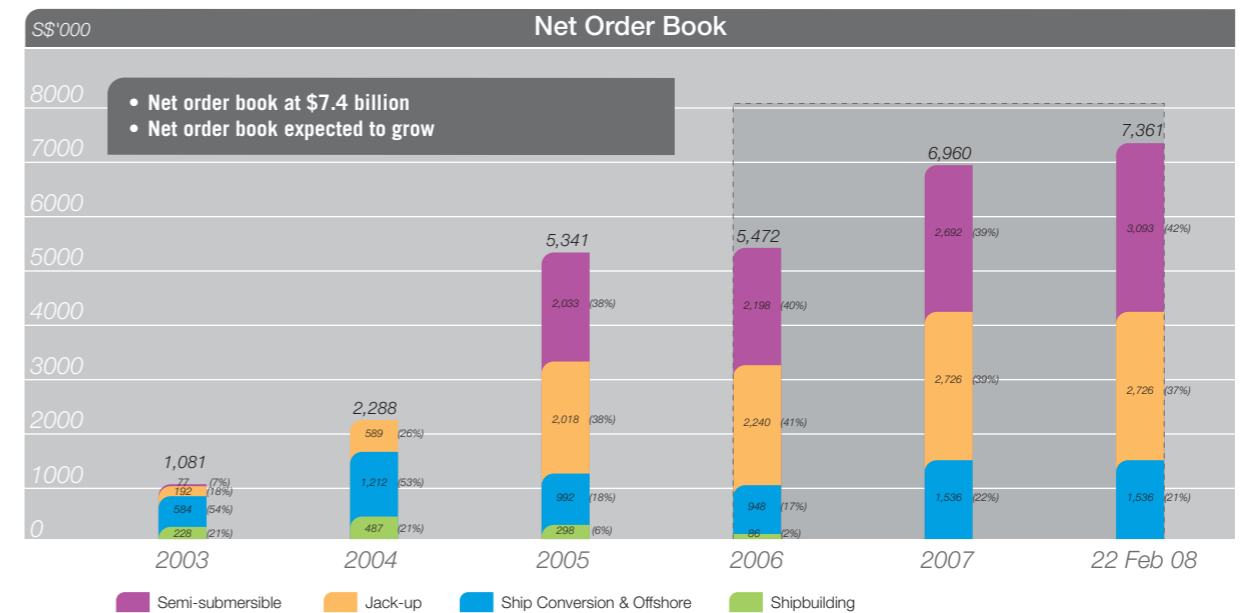
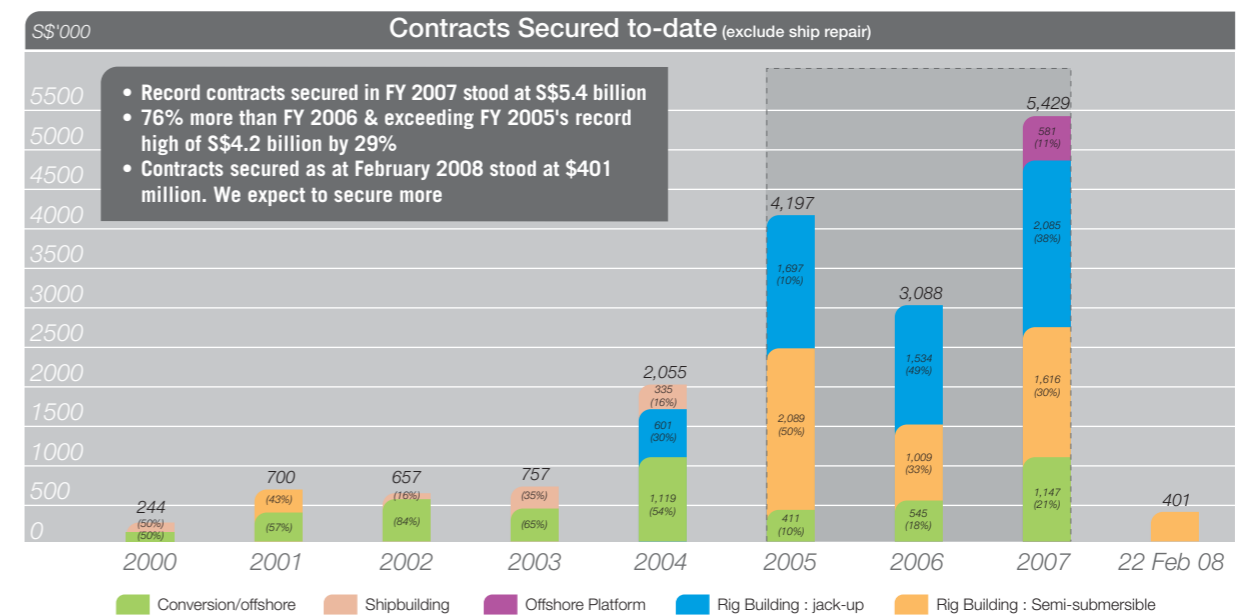


Sembcorp Marine

Summary of Order Book

Record high contracts secured in 2007

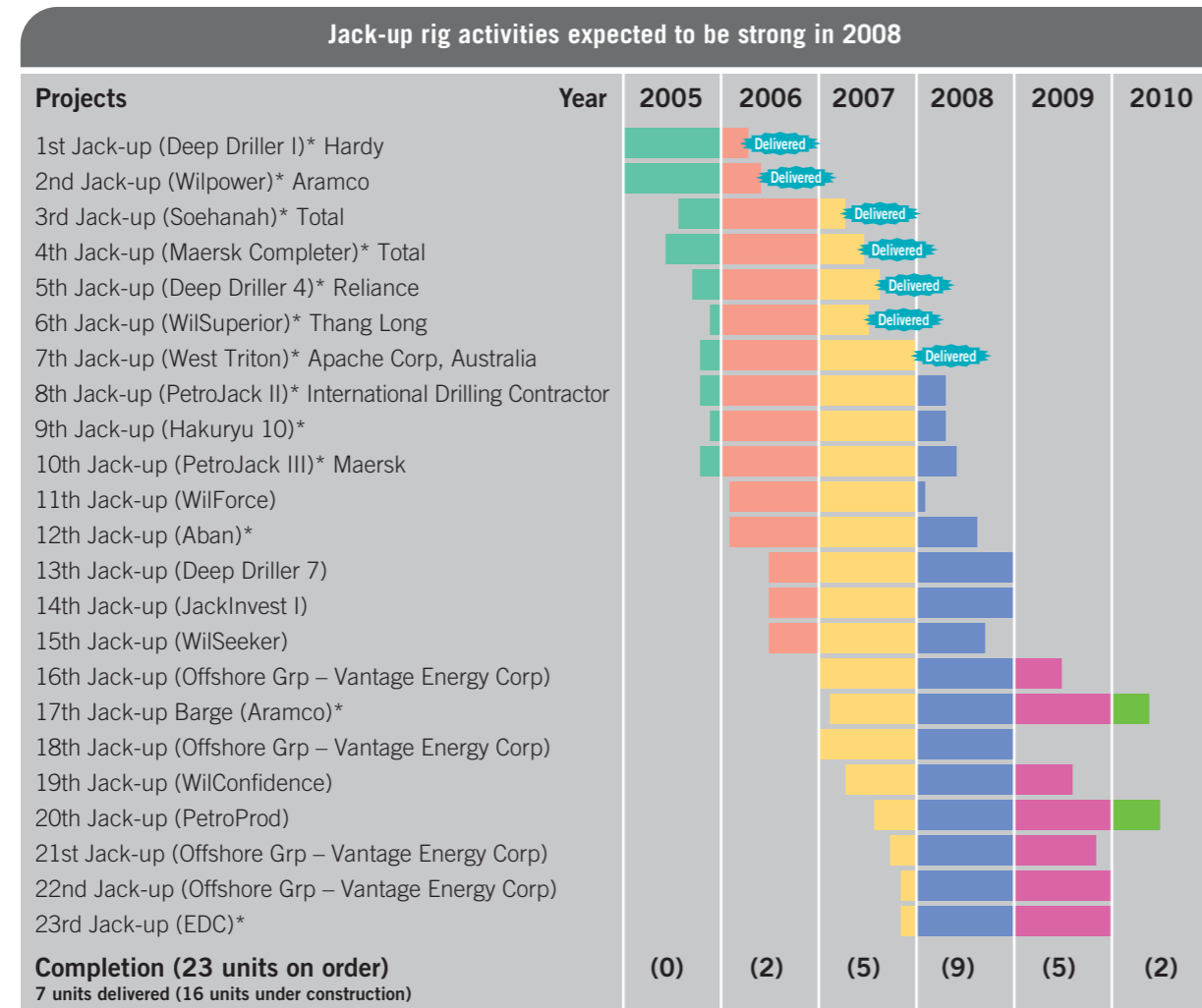
The Group had a strong net order book of \$7.4 billion as at end February 2008 with completion and deliveries till 2011. Contracts secured in 2007 stood at \$5.4 billion, which was 76 per cent more than 2006. Based on the scheduled completion of these projects, the Group expects 2008 to be a better year than 2007.



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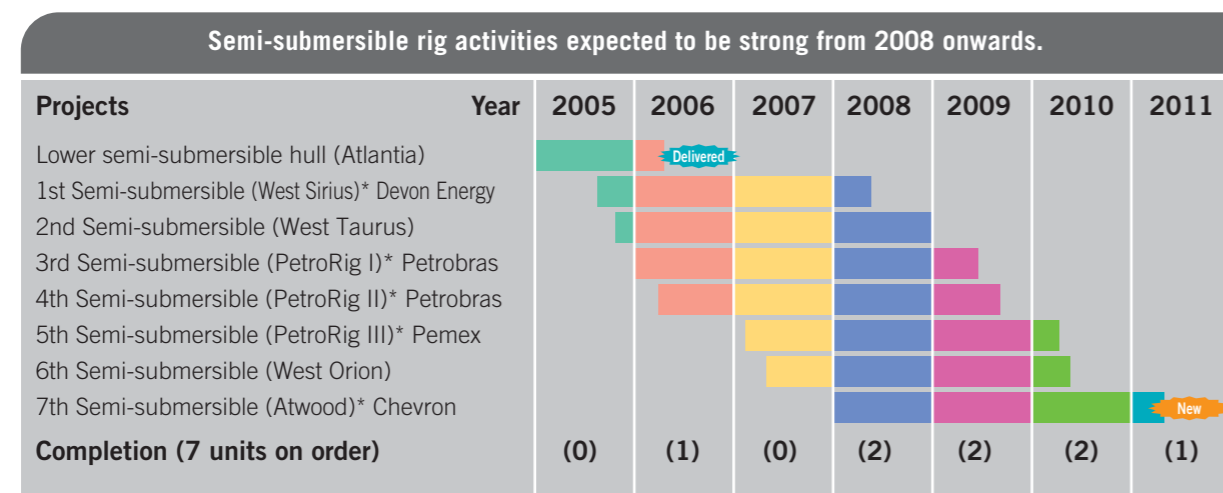
Schedule of Delivery & Completion (exclusive of ship repair)

Jack-up



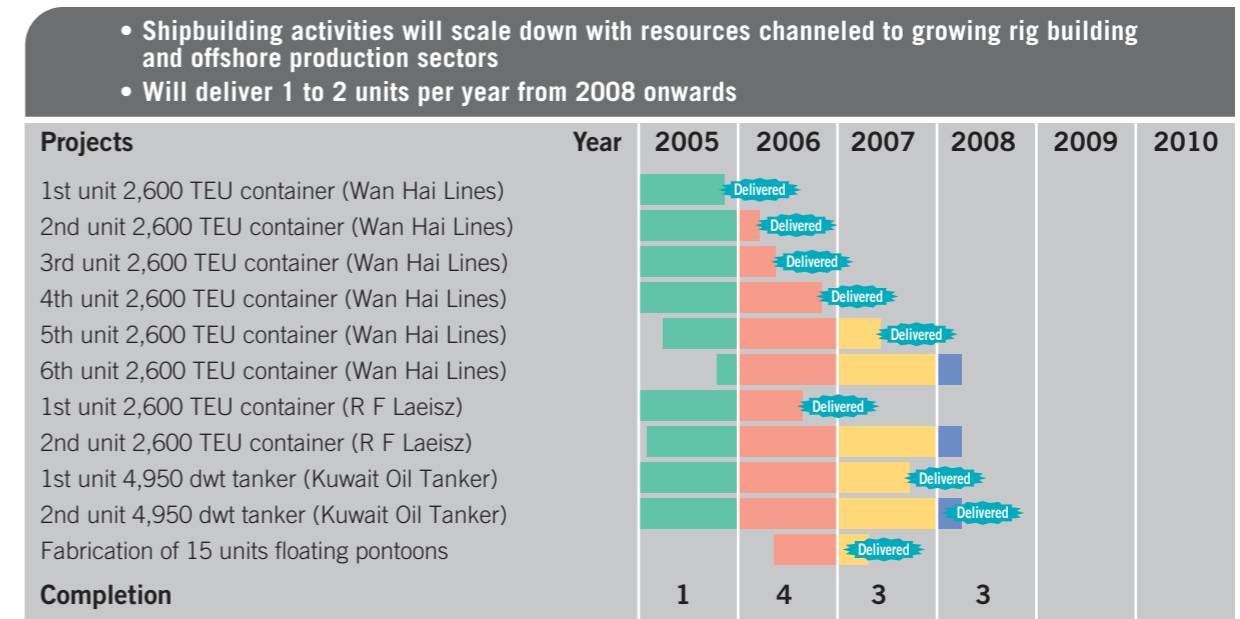
(*) denotes with charter contract

Semi-submersible



(*) denotes with charter contract

Shipbuilding



Ship Conversion & Offshore

