

FINANCIAL REVIEW

was due mainly to better operating profits and contribution from the associated company acquired during the year. Group tax charge was higher in 2005 mainly resulting from a \$4.2 million write-back of prior years' tax over-provision, arising from a 2 per cent reduction in corporate income tax rate in 2004. Excluding the prior year tax provisions, Group attributable profits in 2005 actually increased by 36 per cent from \$89.9 million to \$122.0 million.

2006

Group turnover increased by 67 per cent from \$2.12 billion to \$3.55 billion with growth mainly attributable to the rig building and ship repair businesses.

Group operating profits increased by 83 per cent from \$124.5 million in 2005 to \$228.2 million in 2006. Group pre-tax profits also climbed by 95 per cent from \$159.9 million to \$310.9 million. This improvement was attributable mainly to higher operating margins from the rig building and ship repair businesses, gain on disposal of investments as well as better contribution from associated companies. Group attributable profits increased by 96 per cent from \$121.4 million to \$238.4 million. Excluding the non-operating items of \$20.5 million, Group attributable profits rose by 83 per cent to \$217.8 million.

2007

Group turnover for 2007 increased by 27 per cent from \$3.55 billion in 2006 to \$4.51 billion in 2007 with growth mainly from the rig building, ship repair, offshore and conversion businesses.

Group operating profits increased by 53 per cent from \$228.2 million in 2006 to \$349.0 million in 2007. Group pre-tax profits increased by 17 per cent from \$310.9 million in 2006 to \$364.7 million in 2007. The increase was mainly attributable to higher turnover and operating margin from rig building and ship repair businesses, better contribution from associated companies, and gain on sale of other long-term equity investment amounting to \$229.7 million. This was offset by the \$308.2 million charged to the profit and loss account arising from the Unauthorised Transactions and its related expenses ("the Charge of \$308.2 million"). Excluding the effect arising from the Unauthorised Transactions, pre-tax profit increased 117 per cent to \$673.0 million.

Notwithstanding the Charge of \$308.2 million to the fourth quarter 2007 profit and loss account, the Group reported an increase in net profit from \$238.4 million in 2006 to \$241.0 million in 2007. Excluding the Charge and non-operating items, Group attributable profits increased by 66 per cent to \$362.3 million.



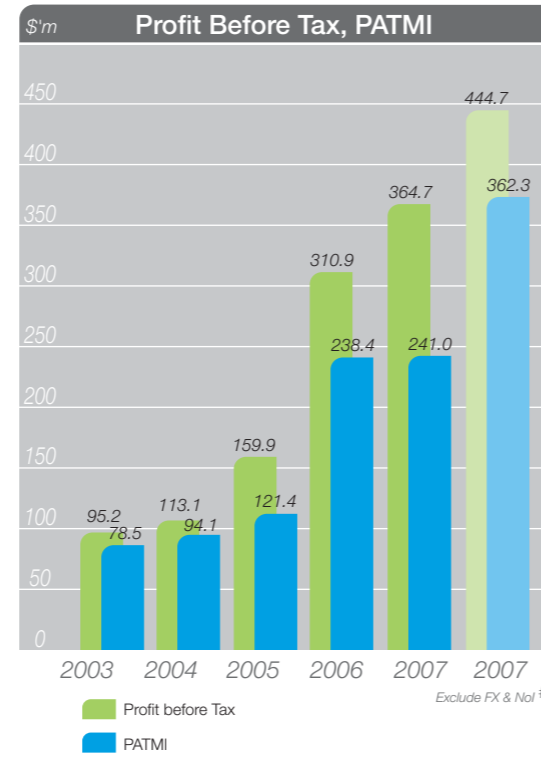
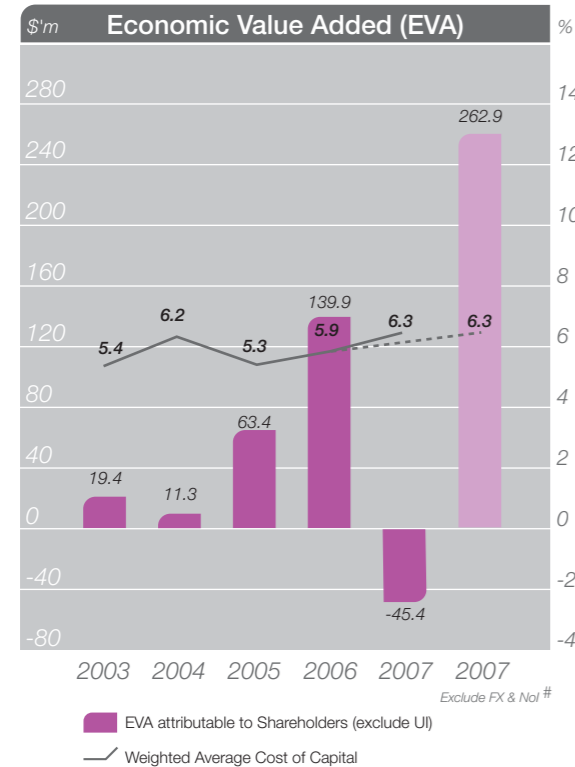
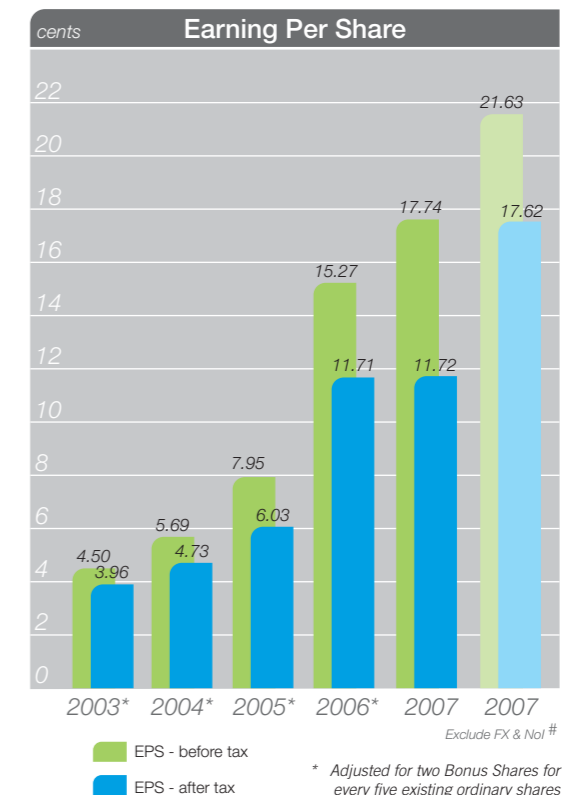
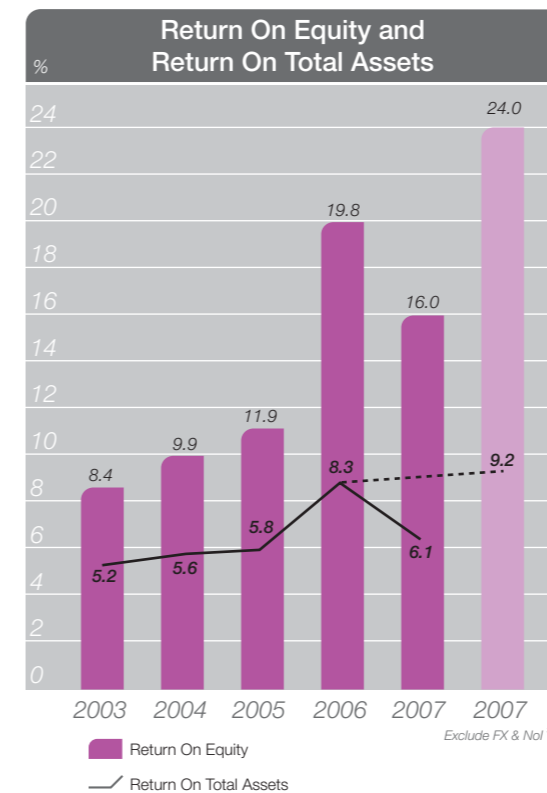
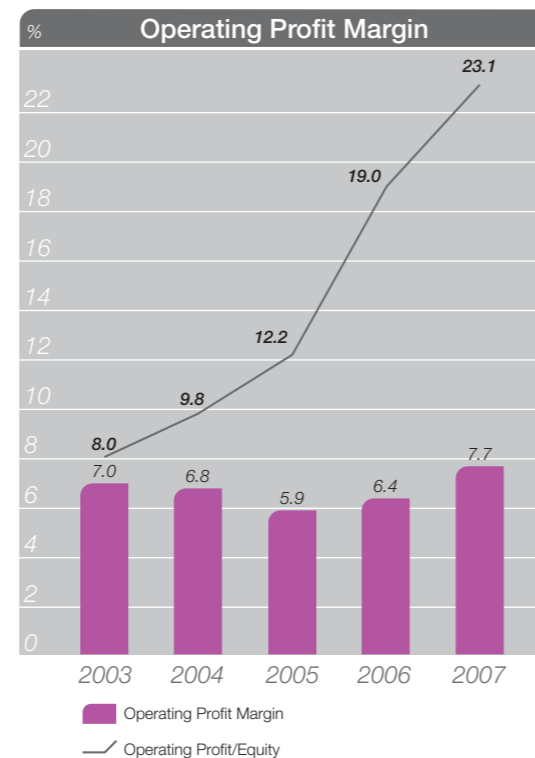
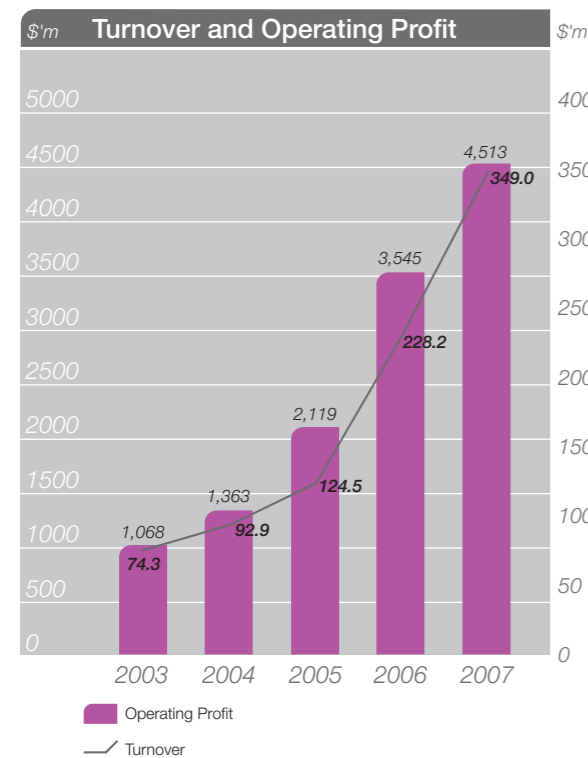
GROUP FIVE-YEAR FINANCIAL SUMMARY

For the year	2003 \$'000	2004 \$'000	2005 \$'000	2006 \$'000	2007 \$'000
Turnover	1,067,986	1,362,764	2,119,279	3,545,049	4,513,123
Operating Profit	74,308	92,933	124,549	228,233	349,029
Profit Before Tax - include FX & Nol [#]	95,186	113,089	159,855	310,871	364,721
Profit Before Tax - exclude FX & Nol [#]	93,911	116,155	155,836	283,008	444,660
PATMI - include FX & Nol [#]	78,540	94,087	121,398	238,388	240,989
PATMI - exclude FX & Nol [#]	77,265	97,153	119,361	217,848	362,273
Dividend - Interim	16,584	17,067	28,880	40,867	73,783
Dividend - Final	39,814	69,157	81,495	142,483	106,856
Dividend - Total	56,398	86,224	110,375	183,350	180,639
Group Balance Sheet					
Fixed Assets	452,720	460,020	579,584	679,024	675,585
Associated Companies & JVs	58,700	67,487	106,880	147,255	205,502
Other Investments	71,776	23,666	77,931	346,987	689,554
Other Long Term Assets	172,254	88,258	68,628	69,583	45,990
Current Assets	769,665	1,219,934	1,493,114	2,186,652	2,846,216
Current Liabilities	(531,173)	(651,692)	(982,871)	(1,690,896)	(2,397,423)
Long Term Liabilities	(52,069)	(204,963)	(227,569)	(368,382)	(359,708)
	941,873	1,002,710	1,115,697	1,370,223	1,705,716
Share Capital	142,005	142,761	145,036	418,631	442,549
Capital, Foreign Currency Translation and Other Reserves	236,741	240,772	318,271	209,093	502,173
Retained Profits	548,381	585,367	602,238	710,615	735,338
Minority Interests	14,746	33,810	50,152	31,884	25,656
	941,873	1,002,710	1,115,697	1,370,223	1,705,716
Per Share Data (Cents)					
EPS - include FX & Nol [#]	3.96*	4.73*	6.03*	11.71*	11.72
EPS - exclude FX & Nol [#]	3.90*	4.88*	5.93*	10.70*	17.62
Net Tangible Assets	46.14*	48.00*	52.30*	64.64*	80.76
Net Assets Value	46.64*	48.49*	52.48*	65.30*	81.13
Financial Ratios					
Return on Equity - include FX & Nol [#] (%)	8.41	9.92	11.93	19.83	15.97
Return on Equity - exclude FX & Nol [#] (%)	8.28	10.25	11.73	18.12	24.00
Return on Total Assets - include FX & Nol [#] (%)	5.21	5.56	5.80	8.28	6.11
Return on Total Assets - exclude FX & Nol [#] (%)	5.13	5.74	5.70	7.57	9.18
Operating Profit/Equity (%)	7.96	9.80	12.24	18.99	23.13
Current Ratio	1.45	1.87	1.52	1.29	1.19
Gearing Ratio (%)	10.90	15.44	14.05	29.21	26.29
Dividend Cover	1.39	1.10	1.10	1.30	1.33

* Adjusted for two Bonus Shares for every five existing ordinary shares

[#] FX & Nol - Unauthorised foreign exchange transactions & related expenses and Non-Operating Items

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Shareholders' Return

Return on Equity, EVA, Dividends and Earnings per shares

Excluding Unauthorised Transactions and its related expenses (FX) and non-operating items (Nol), return of equity (ROE) improved from 18 per cent in 2006 to 24 per cent in 2007. This increase was due to higher operating margin from rig building and ship repair businesses and better contribution from associated and joint venture companies. Including FX & Nol, ROE decreased from 20 per cent in 2006 to 16 per cent in 2007. The decrease was primarily due to the Charge of \$308.2 million to the profit and loss account offset by gain on sale of other long term equity investment.

Group economic value-added (EVA) attributable to ordinary shareholders was \$144 million. Excluding FX & Nol, Group EVA improved to \$262.9 million.

The Board of Sembcorp Marine is proposing a final one-tier tax exempt dividend of 5.16 cents per share. Together with the interim one-tier tax exempt dividend of 3.57 cents per share (after adjustment for two-for-five bonus shares), total dividend for 2007 would be 8.73 cents. This significant dividend payout ratio at 75 per cent, demonstrates the Group's commitment to shareholder value. The

recommended dividend for 2007 took into consideration the Group's present cashflow position, positive cashflow generated from operations and projected capital requirement. Payment of the final proposed dividend is subject to the approval of shareholders of Sembcorp Marine at the forthcoming Annual General Meeting.

To optimise shareholder value, Sembcorp Marine will continue its policy of paying a high level of dividend to return excess cash generated from operations where possible, as long as the cash is not required for investments in future. Some cash resources will be required for the set up of new facilities and capabilities to expand the existing operations and any potential mergers and acquisitions.

Share Purchase Mandate

Apart from the distribution of dividend to shareholders, the Share Purchase Plan provides the Company an alternate avenue to reward shareholders. The Company will again seek shareholders' approval to renew the Share Purchase Mandate for the purchase of up to 10% of the number of ordinary shares in the capital of the Company in the coming Extraordinary General Meeting.

This will give the Company the flexibility to undertake the share purchase exercise expeditiously.

FX & Nol – Unauthorised foreign exchange transactions & related expenses and Non-Operating Items