INANCIAL REVIEW

CASH FLOW

| | 2006 \$'million | 2005 \$'million |
|---|--------------------|--------------------|
| Cash flow from operating activities | | |
| Operating profit | 228 | 125 |
| Depreciation, amortisation and non-cash items | 53 | 39 |
| Operating income before reinvestment in working capital | 281 | 164 |
| Working capital changes | (364) | 143 |
| Net interest received and payment of income tax | (17) | (4) |
| Net cash (used in)/provided by operating activities | (100) | 303 |
| Cash flow used in investing activities | (66) | (173) |
| Dividend paid | (124) | (99) |
| Cash flow from other financing activities | 252 | 31 |
| Cash flow provided by/(used in) financing activities | 128 | (68) |
| Net (decrease)/increase in cash flow | (38) | 62 |
| Cash and cash equivalents at beginning of year | 531 | 469 |
| Cash and cash equivalents at end of year | 493 | 531 |

Operating Activities

During the year, the Group continued to generate healthy cash flow from its operations. This amounted to \$281 million before changes in working capital. Working capital increased by \$364 million due mainly to increased activities in the core businesses of ship repair, shipbuilding, rig building and ship conversion.

After accounting for interest and income tax payments, net cash used in operating activities amounted to \$100 million due mainly to financing of work-in-progress for its record order book of rig building and conversion projects.

Investing Activities

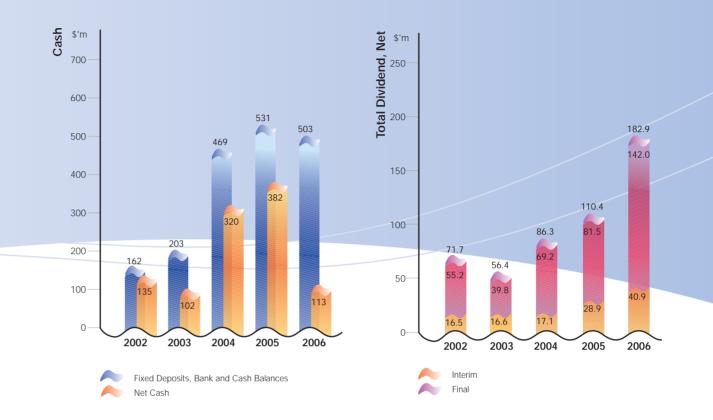
Net cash used in investing activities amounted to \$66 million. During the year, the Group acquired the entire equity interest in SMOE and Sembawang Bethlehem from SembCorp Industries. The two acquisitions would strengthen and enhance the Group's position as a global player in the offshore oil and gas sector.

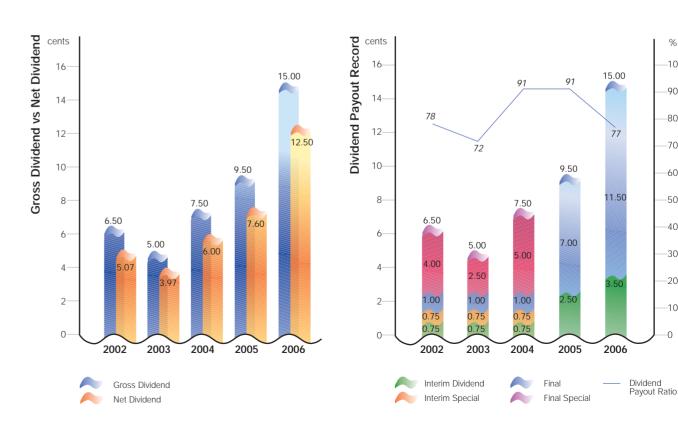
The Group also purchased additional fixed assets of \$126 million, comprising mainly additional facilities, cranes and machineries to execute the existing order book more efficiently and effectively.

Dividend Paid

Dividend paid to SembCorp Marine shareholders amounted to \$124 million or 10.5 cents per share in 2006. This included the final and special dividend of 7.0 cents per share in respect of the financial year ended 2005 and an interim dividend of 3.5 cents per share for 2006.

The Directors are recommending a final dividend of 10.0 cents per share and a one-tier tax exempt dividend of 1.5 cents per share in respect of the financial year ended 2006 and an interim dividend of 3.5 cents per share for 2006. The total dividend for the financial year ended 2006 will be a record 15.0 cents per share. The dividend payout ratio at 77 per cent shows the Group's commitment to shareholder value.





-100

-90

-80

-70

-60

-50

-40

-30

-20

61

60