

## LETTER TO SHAREHOLDERS

In 2011, our Group delivered a robust operating performance and achieved significant milestones in the execution and development of more than S\$5 billion worth of new projects.

Dear Shareholders,

Sembcorp delivered a strong performance in 2011. Our net profit attributable to shareholders (net profit) for the year grew 2% from S\$792.9 million in 2010 to S\$809.3 million, while turnover was up 3% from S\$8.8 billion in the previous year to S\$9.0 billion. Our main profit contributors continued to be our Utilities and Marine businesses, which accounted for 37% and 55% of Group net profit respectively. Our Utilities business delivered robust profit growth in 2011, with net profit growing 32% to S\$304.4 million, while Marine's net profit was S\$456.2 million compared to S\$492.8 million in 2010.

The Group's return on equity was 20.4% and earnings per share amounted to 45.3 cents. Economic value added was a positive S\$728.2 million, while cash and cash equivalents stood at S\$3.0 billion.

For 2011, we are pleased to inform you that the Board of Directors is proposing a final tax exempt one-tier dividend of 17 cents per ordinary share, comprising an ordinary dividend of 15 cents and a bonus dividend of 2 cents.

### Maintaining Momentum, Achieving Milestones

In a year marked by economic uncertainty, our Group delivered a robust operating performance. We also continued to position our businesses for sustainable growth with the achievement of significant milestones in the execution and development of more than S\$5 billion worth of new projects.

Providing a growing recurring earnings base, our **Utilities** business delivered a strong performance. Record profits for the business were driven by good operating performance in Singapore, China and the

Middle East & Africa. Our Singapore operations, underpinned by a solid performance from our existing combined cycle gas turbine cogeneration plant, remained the business' key contributor. During the year we also saw the commencement of the delivery of an additional 90 billion British thermal units per day of natural gas from West Natuna Sea in the fourth quarter of the year. This second gas sales agreement increases our existing supply by 26%. We also successfully integrated businesses we had acquired into the Group and made significant progress in executing our new projects in Singapore, Oman and India.

During the year, we integrated the operations of Cascad into the Sembcorp Group following our acquisition in 2010. Demonstrating our ability to execute and extract value from acquisitions, its municipal water and wastewater businesses in 18 operating locations across eight countries delivered a good performance. In Australia, our solid waste management associate, SembSITA Australia, is now the second largest waste management operator in the country with the successful acquisition and integration of WSN Environmental Solutions, a solid waste management service provider formerly owned by the New South Wales government.

We strengthened our market position as a global leader in the provision of energy, water and on-site logistics to industrial sites with our successful expansion into a new growth area on Jurong Island, Singapore. During the year, we commenced construction of facilities to provide the integrated supply of steam, water and industrial wastewater treatment as well as a new combined cycle gas turbine cogeneration plant in the Banyan and Angsana districts of the island. Our industrial

**ANG KONG HUA**, Chairman (right)  
**TANG KIN FEI**, Group President & CEO (left)



### The key to Sembcorp's long-term sustainability lies in the strength of our businesses.

wastewater treatment capacity will more than double when the new 9,600 cubic metres per day industrial wastewater treatment plant, capable of treating multiple streams of complex industrial wastewater, is operational in the second half of 2012. Meanwhile, our new cogeneration plant, our second on Jurong Island, will increase our generation capacity in the Singapore energy market by 50%. Complementing our existing facility with a capacity of 400 megawatts of power and 200 tonnes per hour of process steam, this initial phase is due for completion in the fourth quarter of 2013.

Key milestones were also achieved in Oman and India where we are actively building platforms for future growth. In Oman, we successfully met a tight timeline to complete the first phase of the US\$1 billion Salalah Independent Water and Power Plant on schedule. With the completion of the first phase, the facility began dispatching 61 megawatts of net power to the Dhofar power grid in southern Oman in July 2011. Targeted to begin full commercial operations in the second quarter of 2012, the project is set to be the most energy-efficient power and water plant in Dhofar, with a total gross power capacity of 490 megawatts and water production capacity of 15 million imperial gallons (69,000 cubic metres) per day. Meanwhile, in India, we completed our acquisition of a 49% stake in Thermal Powertech Corporation India and commenced construction of the 1,320-megawatt coal-fired power plant applying high efficiency supercritical technology in Krishnapatnam, Nellore District in Andhra Pradesh. The S\$1.9 billion plant, our first in the fast-growing Indian energy market, is expected to begin full commercial operations in 2014.

The year also saw international recognition for Sembcorp's capabilities as a leading global water

player. Sembcorp was named the Water Company of the Year at the Global Water Intelligence's 2011 Global Water Awards. In addition to winning the top honour at the prestigious Global Water Awards, we also clinched the Desalination Deal of the Year award for our Salalah Independent Water and Power Plant.

In 2011, our **Marine** business continued to deliver satisfactory results underpinned by its rig building, ship conversion and offshore and ship repair sectors. During the year, we completed and delivered a record number of four semi-submersible rigs, three jack-up rigs and five ship conversion and offshore projects on schedule or ahead of schedule. This included the *Gajah Baru* platforms for Premier Oil Natuna Sea as well as the *West Elara*, a Gusto MSC CJ70 150A harsh-environment jack-up rig for Seadrill. Classed among the biggest and most advanced jack-up rigs in the world, the *West Elara* is our Marine business' first harsh-environment, high-specification jack-up newbuild and the largest of its kind constructed in Singapore. Sembcorp Marine has a net orderbook of S\$6.3 billion as at February 2012, with completions and deliveries till 2015. This includes S\$1.3 billion in contract orders secured since the start of 2012, excluding ship repair contracts. For ship repair, several long-term contracts were secured during the year which will provide a stable baseload for the business.

Over the course of the year, we also strengthened our Marine business' global network of shipyards. In Brazil, an important milestone was achieved with the groundbreaking of Sembcorp Marine's wholly-owned Estaleiro Jurong Aracruz, our first overseas Integrated New Yard Facility in the state of Espirito Santo, Brazil's second largest oil producer. Strategically placed close to the rich oil and gas basin of Espirito Santo, one of Brazil's giant pre-salt reservoirs,

Estaleiro Jurong Aracruz is well-positioned to support developments in one of the fastest growing offshore oil and gas exploration markets in the world. In February 2012, Estaleiro Jurong Aracruz secured its first project, a US\$792.5 million contract from a subsidiary of Sete Brasil Participações for the design and construction of a drillship based on our proprietary Jurong Espadon drillship design. This represents the first drillship that our Marine business is building for Brazil. In India, we increased our stake in Sembmarine Kakinada from 19.9% to 40%, making us the largest single shareholder of the joint venture facility. Located in the east coast of India, the integrated marine and offshore facility is well-placed to capitalise on the development and long-term growth potential of the offshore industry in India and South Asia. Meanwhile in Singapore, construction of the Integrated New Yard Facility in Tuas View Extension is progressing on schedule. The state-of-the-art yard, with its innovative work-efficient design, represents a major milestone in our growth and expansion strategy as it will further bolster our home-based capabilities to deliver value-added cost-efficient solutions to our customers. Upon the yard becoming operational in 2013, our ship repair and ship conversion and offshore capacity will nearly double from the current 1.9 million deadweight tonnes.

2011 was also a fruitful year for our **Integrated Urban Development** business (formerly known as Industrial Parks) as we continued to step up our presence, undertaking integrated developments comprising industrial parks as well as business, commercial and residential space in Vietnam and China.

In 2011, our Vietnam Singapore Industrial Park (VSIP) joint venture turned in a solid year led by industrial land sales. Following the success of our first four VSIP projects, a memorandum of understanding was signed with the People's Committee of Quang Ngai province during the year to explore the feasibility of a fifth VSIP, a 1,020-hectare integrated

urban development in Quang Ngai province, central Vietnam. The signing was witnessed by the President of Vietnam His Excellency Truong Tan Sang and Singapore Prime Minister Lee Hsien Loong. In China, we sold the first plot of land in the Sino-Singapore Nanjing Eco Hi-tech Island, kick-starting a mixed-use development, *New One North*. The development will comprise a research and development park, an exhibition centre and a waterfront commercial-leisure-residential precinct overlooking Nanjing city on the mainland.

In 2011, the business sold a total of 226 hectares of land, a 24% increase from the previous year and had 227 hectares of land commitments at year-end. During the year, we also studied the feasibility of a new integrated development in Chengdu, China. The Singapore-Sichuan Hi-tech Innovation Park, to be located in Chengdu's Tianfu New City central business district, adds 500 hectares to our saleable land bank. With a total gross project size of 7,687 hectares and 2,711 hectares of land available for sale, our projects in Vietnam and China provide a robust development pipeline. Together with our track record in the development of raw land, including land preparation and infrastructure development, and our ability to extract further value by undertaking the selective development of commercial and residential estate at choice sites, we believe that the business is poised for growth in the coming years.

#### Growing Sustainable Businesses

In today's volatile global economic environment, the key to Sembcorp's long-term sustainability lies in the strength of our businesses. We aim to enhance shareholder value by excelling in businesses that deliver recurring earnings and have the ability to sustain growth over the long term. This means an unrelenting focus on operational excellence and performance, but also the same unremitting commitment to growing businesses that can deliver lasting value.

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As a provider of essential solutions, we believe that we are in the right businesses – businesses that meet the needs of the global market and provide innovative solutions to the challenges our world is facing.

Our energy business supports industrialisation and powers households. Our water and wastewater solutions enhance quality of life and limit environmental impact. Our Marine business supports progress in the oil and gas and marine sectors with a full spectrum of integrated solutions, while our Integrated Urban Development business supports urban development in emerging markets. With globalisation and urbanisation, the world's demand for these solutions will continue to grow. As a provider of these essential solutions, we believe that we are in the right businesses – businesses that meet the needs of the global market and provide innovative solutions to the challenges our world is facing. With a global footprint across six continents including growing emerging economies such as China, India, South Africa, Brazil and Chile, we are well-positioned with the reach and scale to meet the growing needs in these markets. At the same time, it is our belief that a climate of business uncertainty is inevitably accompanied by opportunity. All our businesses are well-placed to take advantage of value-enhancing and strategically attractive opportunities that may arise.

While we generate returns for shareholders by providing essential solutions to our customers, we aim to do so responsibly, and in a sustainable manner. We believe that truly sustainable businesses will not only create economic value, but will do so in a way that creates benefit for customers, suppliers, partners and communities wherever they operate. For Sembcorp, this translates to doing our part to limit the environmental impact of our activities and helping our customers and communities do the same, as well as being a responsible employer and maintaining a commitment to invest in communities where we operate. It also means seeking out

opportunities to increase our competitiveness through addressing sustainability impacts and by better meeting society's needs and expectations. For instance, in response to the challenges posed by climate change and scarce natural resources, our businesses apply technology to produce energy efficiently in greener ways, create innovative solutions for clean sustainable water and recover resources from waste. Our new woodchip-fuelled biomass steam production plant in Singapore that was completed in 2011 is a case in point. The plant produces process steam for our customers on Jurong Island from waste wood collected and processed by our solid waste collection business and enhances our competitiveness on the petrochemical hub.

Meanwhile, in the communities where we operate, we continue to support causes relating to the environment, children and education, sports and the elderly. In 2011, we were also heartened by the recognition we received for efforts in carrying out our business responsibly. During the year, Sembcorp was selected as an index component of the Dow Jones Sustainability Asia Pacific Index. This index represents the top 20% of the largest 600 companies in the Asia Pacific developed region based on long-term economic, environmental and social criteria. Sembcorp is honoured to be one of only four Singapore companies selected for this index.

### Acknowledgements

We would like to take this opportunity to record our deep appreciation to Richard Hale and Lee Suet Fern, who retired from the board at the last annual general meeting. Mr Hale served as an independent director of the company for over 10 years, chairing the board's Audit and Risk

Committees, while Mrs Lee served as an independent director and a member of the board's Audit and Risk Committees for over five years. We thank Mr Hale and Mrs Lee for their invaluable contributions during their time with us.

We would also like to extend a warm welcome to Tham Kui Seng, who joined our board as an independent director during the year. Formerly the Chief Corporate Officer of CapitaLand, Mr Tham brings to the board a strong background in management in various industries, including a decade's experience in the real estate business.

Our thanks must also go to our shareholders, for your continued confidence in Sembcorp. While there may be further global economic challenges ahead, we remain confident of Sembcorp's future. We have robust and resilient businesses. We have strong operational and technological capabilities and enviable market positions established in key markets around the world. We have a healthy pipeline of projects and will continue to make every effort to build platforms for our future growth.

Last but not least, we turn to Sembcorp's talented team of employees around the world. Sembcorp's ability to deliver outstanding performance and sustainable value depends on their commitment, expertise and creativity in providing essential solutions to our customers. On behalf of the board, we would like to thank them for their steadfast contribution and dedication in 2011. As Sembcorp meets tomorrow's needs and grows sustainable businesses, this committed team will remain the foundation of your company's success.



**Ang Kong Hua**  
Chairman  
February 27, 2012



**Tang Kin Fei**  
Group President & CEO  
February 27, 2012