

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



Letter to Shareholders

Sembcorp's Utilities business has a solid track record as a developer, owner and operator of energy and water assets. Our Marine business is a global leader in marine and offshore facilities while our Urban Development business has established a strong reputation in Asia's emerging growth markets for its expertise in developing, marketing and managing large-scale urban developments.

Dear Shareholders,

In a year marked by considerable global economic uncertainty, Sembcorp delivered a satisfactory set of results. For 2012, our net profit was S\$753.3 million compared to S\$809.3 million in 2011, while turnover was S\$10.2 billion compared to S\$9.0 billion in the previous year. The Utilities and Marine businesses continued to be our main profit contributors, accounting for 48% and 42% of Group net profit respectively. Our Utilities business delivered excellent growth to become our largest profit contributor, with net profit growing 23% to S\$374.6 million. Meanwhile, our Marine business contributed S\$326.7 million in net profit compared to S\$456.2 million in 2011 and our Urban Development business recorded a net profit of S\$41.1 million compared to S\$38.7 million in the previous year.

The Group's return on equity was 17.5%, and our earnings per share amounted to 42.2 cents. Economic value added was a positive S\$620.7 million, while cash and cash equivalents stood at S\$2.1 billion.

For 2012, we are pleased to inform you that the Board of Directors is proposing a final tax exempt one-tier dividend of 15.0 cents per ordinary share.

Strong Businesses to Support Long- term Growth

Sembcorp's Utilities business has a solid track record as a developer, owner and operator of energy and water assets. Our Marine business is a global leader in marine and offshore facilities while our Urban Development business has established a strong reputation in Asia's emerging growth markets for its expertise in developing, marketing and managing large-scale urban developments. This balanced portfolio of businesses provides the Group with resilience as well as the ability to deliver value to our shareholders and growth in the long term. During the year, we continued to focus on strengthening these key businesses and positioning them for the future.

Our *Utilities* business turned in a stellar performance for the year, registering record profits and demonstrating the success of our growth strategy. Operations in Singapore delivered strong profit growth mainly due to additional gas sales following the delivery of a further 90 billion British thermal units per day of natural gas imported from Indonesia's West Natuna Sea starting November 2011. While Singapore operations remained the

In 2012, we continued to focus on building platforms for the business' future growth. We achieved significant milestones in the execution and development of our pipeline of projects and actively broadened our asset portfolio for greater recurring income.

business' largest profit contributor, contributions from our overseas operations also grew with operations in China, Vietnam, Australia and the Middle East delivering an improved performance over 2011.

In 2012, we continued to focus on building platforms for the business' future growth. In Singapore and key target emerging markets, we achieved significant milestones in the execution and development of our pipeline of projects and actively broadened our asset portfolio for greater recurring income.

In Singapore, we commenced operations to serve customers in the emerging Banyan, Angsana and Tembusu growth areas of the Jurong Island petrochemical hub with the start-up of a new 9,600 cubic metres per day industrial wastewater treatment plant. Capable of treating multiple streams of complex industrial wastewater, the plant doubles our industrial wastewater treatment capacity in Singapore. This facility, along with an upcoming multi-utilities facility and 400-megawatt cogeneration plant, is set to extend our successful utilities offering to Jurong Island's new growth wing and also strengthen our position as a global leader in the provision of energy, water and on-site logistics to industrial sites.

In Oman, we successfully completed the US\$1 billion Salalah Independent Water and Power Plant, which commenced full commercial operation in May 2012. Our second project in the Middle East, the plant is set to play a major role in meeting growing power and water needs in southern Oman as the largest and most energy-efficient facility in the Governorate of Dhofar. Capable of producing 490 megawatts of power and 15 million gallons (approximately 69,000 cubic metres) of desalinated water per day, the facility provides power and water to the Oman Power and Water Procurement Company under a 15-year long-term supply agreement.

In India, construction of our upcoming 1,320-megawatt power project in Andhra Pradesh continued to progress well. Set to begin commercial operation in the second half of 2014, the upcoming S\$1.9 billion facility will help support India's rapid development by serving its fast-growing power demand. It will employ supercritical technology which allows for enhanced efficiency and reduced emissions of carbon dioxide and other pollutants.

Meanwhile, we took steps to expand our recurring income base and build on the healthy growth of our business in China, establishing a presence for our Utilities business in two new locations during the year. In Qidong in Jiangsu, we announced plans to build, own and operate an industrial wastewater

treatment plant to serve a new industrial park in the Qidong Lvsu Port Economic Development Zone. Meanwhile in Fushun in Liaoning, we will be developing centralised utilities facilities in the Fushun Petrochemical and Fine Chemical Park. Comprising a service corridor network as well as facilities for industrial water treatment and industrial water and firewater supply, these facilities will serve customers in what is set to be the largest integrated refining and petrochemical base in northeastern China. During the year, we also successfully acquired four wind power assets in Inner Mongolia and Hebei, as well as a coal-fired power plant in Shanxi for US\$85.5 million. These new assets will strengthen our business in China, a key growth market where our Utilities footprint now spans 22 operations across 11 provinces.

As a responsible energy player, Sembcorp aims to have a portfolio of assets with a diversified fuel mix, including a growing component of low carbon generation capacity. In line with this strategy, we achieved significant milestones in 2012 towards the growth of our renewable energy capabilities. In Singapore, we opened our first energy-from-waste facility on Jurong Island with a woodchip boiler capable of producing 20 tonnes per hour of steam and are in the process of expanding the facility by a further 40 tonnes per hour. Leveraging synergies between our energy and solid waste management businesses, this facility will offer a sustainable and economical source of energy to our customers and enhance our competitiveness on the petrochemical hub. Meanwhile in China, we added wind energy to our global renewable energy portfolio following our acquisition of the wind power assets in Inner Mongolia and Hebei. With a combined gross power capacity of 248 megawatts, these wind power facilities will provide a platform to accelerate our growth in the renewable energy sector and in China, the largest wind power market in the world. With these strategic investments, our renewable energy capacity in operation and under development around the world now represents around 5% of our total power portfolio.

Amidst the volatile global economic environment and a competitive market, our *Marine* business delivered satisfactory results underpinned by its rig building, ship conversion and offshore and ship repair operations. The business achieved a record net orderbook of S\$13.6 billion as at February 21, 2013, with completions and deliveries stretching to 2019. This includes S\$11.9 billion in contract orders secured from the start of 2012 to date, excluding ship repair contracts.

During the year, the business continued to lay the foundations for its long-term growth. Strengthening its leadership in the growing market for ultra-deepwater solutions, our *Marine* business successfully expanded its product offering, securing orders for new products including a US\$385.5 million semi-submersible well intervention rig from Helix Energy Solutions, a US\$568 million harsh-environment semi-submersible rig from North Atlantic Drilling and a second unit of harsh-environment accommodation semi-submersible rig worth US\$295.2 million from Prosafe. In 2012, our

Marine business also successfully broke into the high-specification drillship market, securing orders for the construction of seven new drillships worth over US\$5.6 billion for Sete Brasil. Scheduled for deliveries between 2015 to 2019, the drillships will be among the first to be built in Brazil to cater to oil and gas discoveries in the offshore giant pre-salt fields of the Santos Basin. They will be built based on our proprietary Jurong Espadon design, which represents the next generation of high-specification drillships with state-of-the-art capabilities for efficient operation in ultra-deepwater conditions. With the strong demand for these units, Sembcorp's Marine business is poised to become a leading builder of drillships in Brazil and a strategic partner in the country's ambitious drillship programme for its deepwater oil fields.

In 2012, the business made progress in the strengthening of its global network of shipyards. Construction of our Integrated New Yard Facility in Singapore's Tuas View Extension remains on track, with the 73.3-hectare first phase due to become fully operational in the second half of 2013. In addition, we acquired a 34.5-hectare site for the second phase development of the yard. Located adjacent to the new yard facility's upcoming first phase, this second phase will be developed in stages over a period of four to five years. Meanwhile, Sembcorp Marine's wholly-owned shipyard Estaleiro Jurong Aracruz in Brazil remains on track to be fully completed by end 2014.

In December 2012, a jack-up rig under construction at our Marine business' Jurong Shipyard in Singapore tilted. At the time of the incident, the company acted quickly, successfully evacuating all workers off the rig in around 20 minutes and ensuring all were accounted for within an hour. In mid-January 2013, the tilted rig was successfully restored to an upright position and this was followed by the resumption of work on the rig at the end of the month. There were no fatalities or serious injuries. Safety is of the utmost importance to us, and we are fully committed to strengthening our businesses' safety provisions and ability to respond to emergencies.

In 2012, our *Urban Development* business performed well despite challenging global economic conditions. The business sold a total of 158 hectares of land in Vietnam and China during the year and received commitments from customers for a further 167 hectares of land, bringing the total commitment as at year-end to 236 hectares.

During the year, the business took major steps to position itself for growth and expand its landbank. It increased its total gross project size in Vietnam, China and Indonesia by more than 40% with new projects in these key emerging markets. In Vietnam, the business launched its fifth Vietnam Singapore Industrial Park (VSIP) project, a 1,120-hectare urban development in Quang Ngai, following government issuance of the investment licence. VSIP Quang Ngai is set to build on the success of our first four VSIP projects and expand the reach of our brand in Vietnam. In China, we broke ground for our newest project in the country, the Singapore-Sichuan Hi-tech Innovation Park.

At Sembcorp, we believe that we are in the right businesses, businesses that power the future, providing solutions that are essential to support the world's development.

Spanning 1,000 hectares and targeting modern, innovative and knowledge-intensive industries, the project is set to become a vibrant mixed-use work-live development encompassing industrial, commercial and residential space. The project is strategically located within the central business district of Tianfu New City and is part of a newly established national-level economic development zone in Chengdu, one of the cities identified by the government to spearhead development in western China. Meanwhile, in Indonesia, we formed a joint venture with a wholly-owned subsidiary of PT Kawasan Industri Jababeka for a new urban development. The 860-hectare project will be located along the Jakarta-Semarang-Surabaya Economic Corridor in Kendal Regency, Central Java.

Our Urban Development business now has a portfolio of projects totalling more than 10,257 hectares in gross project size. With continued urbanisation and industrialisation in emerging markets, the demand for industrial, commercial and residential space is set to grow. With the ability to deliver the economic engine to support industrialisation through attracting local and international investments to its urban developments, Sembcorp is a valued partner to governments. Together with our strong track record in the development of raw land, including land preparation and infrastructure development, as well as our ability to extract further value from our landbank through selective commercial and residential development, we believe our Urban Development business is in a good position to grow to become a third pillar to support Sembcorp's growth, alongside our Utilities and Marine businesses.

Powering the Future

At Sembcorp, we believe that we are in the right businesses, businesses that power the future, providing solutions that are essential to support the world's development. Our businesses operate in some of the world's fastest growing markets, where urbanisation and industrialisation drive demand for our solutions. From growing energy needs and increasing water scarcity to the varied demands of international oil and gas players, as well as the pressing challenges of urbanisation, Sembcorp helps to address issues foremost on the minds of companies and governments today. Strategically positioned in emerging growth markets, we are building strong platforms for growth with a healthy pipeline of energy and water projects, a strong marine orderbook and a sizeable urban development landbank.

We also recognise the importance of technology and innovation in enabling us to provide solutions that meet the needs of the future and in maintaining our relevance and competitiveness. In 2012, we continued to invest in

Underpinning Sembcorp's businesses is a commitment to long-term sustainability. We aim to generate lasting value for all our stakeholders. This means seeking opportunities to increase our competitiveness through addressing our sustainability impacts and by better meeting society's needs and expectations.

strengthening our technological edge, announcing the development of a new technology and innovation centre comprising laboratories and applied research and development facilities. Targeted for completion in the second half of 2013, the centre will house Sembcorp researchers and engineers who will provide technological support for our global utilities operations, as well as develop innovative processes and run test-beds for relevant emerging technologies aimed at further enhancing efficiency, cost and environmental performance.

Underpinning Sembcorp's businesses is a commitment to long-term sustainability. We aim to generate lasting value for all our stakeholders. This means seeking opportunities to increase our competitiveness through addressing our sustainability impacts and by better meeting society's needs and expectations. As we strive for excellence and continuous improvement in identifying, understanding and responding to changing economic, social and environmental challenges facing our businesses today, we have evolved our approach to focus our sustainability agenda on issues of the greatest significance to our businesses and our stakeholders. We have also aligned our reporting with this approach and the Global Reporting Initiative G3.1 Level B sustainability report within this annual report is now centred on these material issues. We believe that this approach will serve to drive progress, performance and transparency as we play our part in contributing to a sustainable future.

A Note of Welcome and of Thanks

We would like to take this opportunity to extend a warm welcome to Dr Teh Kok Peng, who joined our board as an independent director on October 15, 2012. He brings to the board a wealth of valuable experience, including a distinguished background in finance, international economics and private equity, as well as many years of investment experience in China, a key target market for the Group.

We would also like to thank Low Sin Leng, who retired on December 31, 2012, for her significant contributions to Sembcorp. A key executive of the Group, Sin Leng played a critical role in driving the growth of the Urban Development business as Executive Chairman of Sembcorp Development. She is succeeded as head of the business by Kelvin Teo, previously its President and COO. We have every confidence that Kelvin will build on the success of our Urban Development business and take it to even greater heights.

As a company, much of the credit for our success is due to our dedicated employees. With their keen understanding of our customers' needs, Sembcorp's talented employees around the world leverage the strength and expertise of our entire Group to deliver essential solutions to our customers and sustainable value to our shareholders. We would like to thank them for their passion and hard work, and also you, our shareholders, for your continued confidence in Sembcorp. With your support and driven by the commitment and expertise of the Sembcorp team, we believe that the company is well-positioned to power growth and deliver value well into the future.



Ang Kong Hua
Chairman
February 26, 2013



Tang Kin Fei
Group President & CEO
February 26, 2013