

CHAIRMAN AND CEO'S STATEMENT

Dear Shareholders,

2015 was a challenging year for business. Global markets saw weaker industrial production and trade volumes, a collapse in oil prices and increasing financial volatility.

In 2015, Group net profit was S\$548.9 million and Group turnover S\$9.5 billion, compared to S\$801.1 million and S\$10.9 billion respectively in 2014. Our Utilities business recorded S\$701.5 million in net profit. Despite intense competition in Singapore's power market, the business delivered strong profit growth of 72%, driven by overseas contributions and gains from divestments that unlocked value for our shareholders. Meanwhile, our Marine business faces a challenging period and uncertainties in Brazil. 2015 saw Sembcorp Marine making prudent impairment and provisions totalling S\$609 million for its rig contracts, of which S\$329 million relate to Sete Brasil, as well as recording S\$192 million of associate / joint venture losses. As a result, at the Sembcorp Industries level, the Marine business posted a net loss of S\$176.4 million. In 2015, our Urban Development business contributed S\$33.5 million to the Group's net profit.

The Group's return on equity was 9.4% and our earnings per share amounted to 29.2 cents.

Commitment to Creating and Delivering Value

At Sembcorp, we are committed to building a Group that creates and delivers long-term value. Two decades ago, we started our Utilities business to increase our recurring income streams. Today, the Utilities business is the largest profit contributor to the Sembcorp Group. We believe that Sembcorp's diversified portfolio, balanced between different businesses and geographies, gives us strength and resilience as a Group.

We continue to manage Sembcorp's portfolio of assets for value creation. In 2015, we divested

our solid waste management joint venture in Australia, as well as municipal water operations in Bournemouth, UK and Zhumadian, China. These deals allowed us to realise a net gain of over S\$400 million and deploy resources to businesses and markets with high growth potential.

Furthermore, we continue to focus on prudent financial management and on maintaining an efficient and optimal mix of funding facilities and borrowings. To improve our financial flexibility, in 2015, we issued S\$600 million subordinated perpetual securities under our S\$2 billion multi-currency debt issuance programme.

With sound strategies and strong capabilities, we are confident that we will be able to manage astutely and operate effectively through the present challenges, while nimbly capturing opportunities for future growth.

Through efforts such as these, we aim to deliver on an important commitment to our shareholders: to provide sustainable dividends, while continuing to invest for future growth. We are pleased to inform you that despite the challenging market conditions, the Board of Directors is proposing a final dividend of 6 cents per ordinary share for 2015. Together with the interim dividend of 5 cents per ordinary share paid in September, this brings our total dividend for the year to 11 cents per ordinary share, an amount consistent with our past payout ratio. Based on the closing share price on February 17, 2016, our dividend yield was 4.3%.



Ang Kong Hua, Chairman (right)
Tang Kin Fei, Group President & CEO (left)

Building the Future

In today's global environment, the expected terrain for companies is one of change, volatility and keen competition. The imperative on our part is to ensure the resilience of our businesses. At Sembcorp, we have maintained a focus on building a global company with sustainable businesses. We believe that although the road ahead holds challenges, it is also rich in opportunities. With sound strategies and strong capabilities, we are confident that we will be able to manage astutely and operate effectively through the present challenges, while nimbly capturing opportunities for future growth.

In 2015, we focused not only on managing costs and operational excellence, but also on building the future. We achieved significant milestones in the execution and development of a strong pipeline of projects to underpin our future growth and also enhanced our competitiveness through organisational transformation.

In 2015, we marked the 20th anniversary of the founding of our **Utilities** business. Over the years, we have built up a strong income base in our Utilities business and it has become a major pillar of the Sembcorp Group. It is now a leading developer, owner and operator of energy and water assets in 15 countries worldwide. The business' overseas growth strategy remains on track, with overseas operations contributing 60% of its net profit excluding corporate costs and significant items. With our strong capabilities in development as well as engineering, procurement and construction management, we continue to build platforms for growth particularly in emerging markets, where industrialisation and urbanisation drive demand for our essential solutions.

As we take Sembcorp's energy business forward, we aim to build a balanced portfolio of thermal and renewable assets. While the emphasis on renewables has increased, we believe that thermal energy continues to be relevant. In addition to gas,

we believe that coal, an affordable and abundant fuel, will continue to play an important role in the fuel mix in rapidly developing economies where we operate. However, cleaner, higher-efficiency coal technologies will become increasingly important in meeting pressing needs for both electrification and lower emissions. In light of this, we have invested in plants using high-efficiency, low-emissions supercritical technology.

At the same time, we continue to expand our renewable energy business, which presents a new engine for our growth. In 2015, we acquired a majority stake in one of India's leading renewable energy firms, with wind and solar power assets across six renewable resource-rich states in India. The acquisition of this business, renamed Sembcorp Green Infra, has catapulted Sembcorp to become a leading renewable energy player in India. It has also added solar capacities to our global renewable energy portfolio, which now encompasses wind, solar and biomass energy, as well as energy-from-waste. In addition, we maintained our growth momentum in China, the world's largest wind power market, with two expansion projects in Hebei province. We completed the installation of a 48-megawatt wind farm in Jiedijianhe, and began construction of another in Laoshibeih with 150 megawatts of capacity.

In 2015, we continued to strengthen our presence in key emerging markets. In India, we achieved a significant milestone with the successful completion and commencement of operation of our first thermal power plant in the country, a 1,320-megawatt supercritical coal-fired power plant in Andhra Pradesh. We also made good progress on the construction of our second 1,320-megawatt plant on the adjacent site, targeted for completion in 2016. Together with our newly acquired renewable power capacity, we have a total of over 3,500 megawatts of power capacity in operation and under development in

India today. With investments in both thermal and renewable energy, we are now well-positioned to continue to grow in the energy sector with a balanced portfolio of assets.

A strong pipeline of new facilities coming onstream between now and 2018 will continue to expand our income base and provide visibility on future growth.

In China, we continued to focus on expanding our energy and water business, particularly in the areas of niche power and advanced water solutions for industries. In 2015, we formed a joint venture for a 1,620-megawatt mine-mouth coal-fired power project in Chongqing. The project comprises an existing 300-megawatt plant, and an upcoming 1,320-megawatt supercritical plant that is expected to be completed in 2017. As the only mine-mouth coal-fired power plants in Chongqing, these plants' strategic location will enable them to produce power competitively. In Nanjing, we completed a 120,000 cubic metres per day expansion to our industrial water facilities in the Nanjing Chemical Industrial Park. In recognition of Sembcorp's capabilities in providing specialised total water and wastewater solutions for industries, we received a special award at the China Water Industry Annual Awards for being the Leader in Water Treatment for Industrial Parks.

During the year, we marked our entry into Myanmar and Bangladesh, securing our first projects in their fast-growing power sectors. In Myanmar, we signed a memorandum of agreement to develop and operate a 225-megawatt gas-fired independent power plant in Myingyan, Mandalay. Targeted for completion in 2018, the project is set

to be the largest plant of its kind in the country. Sembcorp was awarded the project following an international tender, called by state-owned entity Myanmar Electric Power Enterprise and advised on by the International Finance Corporation, a member of the World Bank Group. Meanwhile in Bangladesh, we secured a 426-megawatt build-own-operate gas-fired power project. Expected to be completed in 2018, this combined cycle gas-fired plant will supply power to the grid under a 22.5-year power purchase agreement with the Bangladesh Power Development Board.

In the UAE, we continued to grow our business organically, commencing operation of a 30 million imperial gallons per day expansion to our Fujairah 1 Independent Water and Power Plant's desalination facilities. With this, the plant has become one of the largest reverse osmosis desalination facilities in the Middle East.

Over the last two decades, Sembcorp's Utilities business has come a long way. Today, we have an energy portfolio of over 10,600 megawatts, including over 9,000 megawatts of thermal power and more than 1,500 megawatts of renewable power in operation and under development. We are a global leader in advanced water and wastewater management for industries, and our water and wastewater treatment facilities have a combined capacity of over 9 million cubic metres per day. A strong pipeline of new facilities coming onstream between now and 2018 will continue to expand our income base and provide visibility on future growth. Backed by our strong positions in key emerging markets, robust track record and advanced technical capabilities, we are confident that Sembcorp's Utilities business will continue to deliver sustainable value for decades to come.

Meanwhile, our **Marine** business faces a challenging period of low oil prices. The outlook for Brazil's oil and gas industry is also uncertain. Although the immediate operating environment

remains difficult, we remain confident in the long-term fundamentals for the offshore and marine industry. Our Marine business has maintained its focus on timely and effective project execution as well as efficient working capital and cost management. At the same time, the business also continues to deepen its capabilities, enhance its competitiveness and position itself for the future.

To this end, the business reached a key milestone in its transformation efforts in 2015. From a multi-brand, multi-business unit entity, the business has now been reorganised into a global integrated company operating under a single brand. Sembcorp Marine is now focused on four key capabilities across its global operations: rigs & floaters, repairs & upgrades, offshore platforms, and specialised shipbuilding. As an integrated company, the business will be able to optimise its capabilities and capacities and increase its efficiency and productivity to better serve its partners and customers. Ultimately, this will help our Marine business stay ahead of the curve, and adapt and excel in a dynamic and increasingly complex business environment.

The business also continued to enhance its capabilities and facilities during the year. A major milestone was achieved with the opening of a state-of-the-art steel structure fabrication workshop at the Sembcorp Marine Tuas Boulevard Yard in Singapore. The largest facility of its kind in Southeast Asia, the fully-covered 120,000-square-metre workshop offers substantial improvements in efficiency, halving man-hours and production time per tonne of steel fabricated. This new workshop strengthens the Marine business' steel fabrication capabilities and forms a key part of the Tuas Boulevard yard's development into a high-tech production hub, which will underpin the business' ability to compete globally on value and scale.

Sembcorp Marine's strategy to widen its portfolio of solutions, move into serving different segments of the oil and gas value chain and build

distinctive capabilities continues to bear fruit. In 2015, our Marine business secured S\$3.2 billion in contract orders, excluding repair and upgrade contracts, despite the challenging macro environment. These include two sizeable contracts to serve players in the oil and gas production segment, worth approximately US\$1 billion each. The first of these contracts was for the construction of the world's largest semi-submersible crane vessel for Heerema Offshore Services. This order will be fulfilled out of the company's Tuas Boulevard yard, with its deeper quayside draft, wider dock space and strong steel structure fabrication capabilities. The second is for three topsides for the Culzean field development for Maersk Oil North Sea UK, encompassing engineering, procurement and construction as well as onshore pre-commissioning services. With these contracts, the business' orderbook stands at S\$10.4 billion as at December 31, 2015.

Our vision is to be a global company and a leader in our industry sectors, by responsibly operating and excelling in sustainable businesses that support development, improve the quality of life and deliver long-term value.

In 2015, our **Urban Development** business achieved healthy land sales. The business sold a total of 211 hectares of land in Vietnam, China and Indonesia. Commitments were also secured from customers for a further 233 hectares of land, bringing the business' net orderbook to 220 hectares to date.

In 2015, we continued to grow the reach of our urban developments across key markets. In Vietnam, we established two new Vietnam

Singapore Industrial Park (VSIP) projects in the northern and north central regions of the country. The first, VSIP Hai Duong, is a 150-hectare industrial park close to VSIP's earlier projects in Bac Ninh and Hai Phong. Connected by highway to both Hanoi and Hai Phong port, the project has 110 hectares of industrial land for immediate sale and has already secured three customers. The second new project, VSIP Nghe An, broke ground for its first phase, comprising 198 hectares of industrial land and 81 hectares of commercial and residential land. The project is within the newly established Dong Nam Economic Zone, which offers generous investment incentives to manufacturers for up to 15 years. These and other VSIP projects stand to benefit from an expected boost to Vietnam's manufacturing sector from the recently-signed Trans-Pacific Partnership.

Meanwhile in China, marketing efforts for the Singapore-Sichuan Hi-tech Innovation Park project in Chengdu, Sichuan province, proved highly successful, with 10 customers bringing RMB11.4 billion in investment capital to the site in 2015. These companies are mostly in biomedical sciences, a targeted industry sector for the development. During the year, we also announced the development of *Riverside Quay*, a 5.7-hectare mixed-use development on Sino-Singapore Nanjing Eco Hi-tech Island in Nanjing, Jiangsu province. The development will offer both high-end residential apartments for sale and industrial office space for lease. It will also house the *Nanjing International Water Hub*, a cluster of industrial offices targeted at technology, research and development, engineering as well as commercial players in the water industry.

Sembcorp's Urban Development business has a portfolio of 13 industrial parks and integrated townships, spanning more than 10,000 hectares in key emerging markets. With over two decades' track record, the business has attracted over US\$18 billion in direct investments, as well as more than 800 multinational and leading local

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corporations as customers. Going forward, we will continue to expand our orderbook and land bank and focus on execution, while positioning ourselves to extract further value through commercial and residential projects within our developments.

A Global Company

At Sembcorp, our vision is to be a global company and a leader in our industry sectors, by responsibly operating and excelling in sustainable businesses that support development, improve the quality of life and deliver long-term value.

Key to our resilience, ability to deliver and capacity for growth, is our focus on what we view as the building blocks of a global company: *People & Capabilities, Solutions & Innovation, and Governance & Discipline.*

It is our firm belief that the success of our company is driven by the excellence of our people and our distinctive capabilities. To create and deliver long-term value, we recognise the need for a deep pool of talent, strong capabilities as well as world-class procedures and systems. In addition, to compete on a global scale, we need to have strong business models with industry-leading solutions that leverage technology and innovation. Above all, our strategies and actions need to be undergirded by a firm commitment to best practice governance and corporate responsibility.

In 2015, we continued to invest in strategic capability development. A good example of this

was the enhancement of our renewable energy capabilities. In 2015, we not only increased our renewable energy capacity by 1,166 megawatts, but also increased the spread of our portfolio and capabilities, which now encompass wind, solar and biomass energy as well as energy-from-waste. Furthermore, we strengthened our specialist renewable energy teams at our corporate office as well as in China and India, to drive the business from both strategic and operational levels.

We remain confident of the future. The world's demand for energy, water and other urban solutions continues to grow. As a provider of these essential solutions with a focus on rapidly developing economies, we believe that Sembcorp is in the right businesses.

In addition, during the year we continued our drive to exploit technological developments for future growth, led by our board-level Technology Advisory Panel. We invested in platforms and partnerships that enable us to strengthen our technological edge, including a collaboration with Singapore's Economic Development Board (EDB) to be the nation's first industrial 'living laboratory'. As a living laboratory, we will grant technology providers access to our facilities on Jurong Island for late-stage test-bedding and co-innovation of water and environmental technologies. We will also jointly invest up to S\$8 million with EDB to support the commercialisation of research and development projects from pilot testing to market-ready stage.

In line with our strategy to accelerate growth in key emerging markets like China and India, we

continued to strengthen our in-country resources to enhance our competitive positioning in these fast-growing markets. In India, we established a new India headquarters in New Delhi to drive growth and manage our investments, governance and stakeholder relationships within the country. In China, we further strengthened our organisation with business development, project development and asset management capabilities. In recognition of our contribution to China's sustainable growth, we were named a Top 10 ASEAN Company in China by the China-ASEAN Business Council during the year.

While we continue on our journey to become a global company, we recognise that enduring value cannot be created without an uncompromising commitment to good governance. Robust governance is a source of competitive advantage and the foundation of value protection and creation. That is why our focus continues to be on having a dynamic governance framework that enables policies and codes to be put into action. Governance and integrity need to be embraced as part and parcel of Sembcorp's culture and DNA by our global team. We do not underestimate the importance nor the challenges of this endeavour, especially as we expand into new regions and operate in demanding geographies with complex risks.

Anchored by our group-wide code of business conduct, our commitment is to uphold the highest standards of governance and ethical practice in all our dealings, across all countries where we operate. In 2015, Sembcorp Industries launched an e-learning course for staff on our code of business conduct, which was rolled out in multiple languages both in Singapore and overseas. This is part of our continuing efforts to ensure that good governance is firmly entrenched in our company culture.

Likewise, we continued to roll out our plan to strengthen our management and governance of health and safety, enhancing engagement with all on-site personnel including that of our contractors. In spite of our efforts, it is with great regret that we

report four fatalities across our global operations in 2015. We had one fatality at our water operations in South Africa and another at the site of our power facility in India. In Singapore, our design and construction business and our Marine business, Sembcorp Marine, reported one fatality each. We are deeply saddened by these incidents. Every incident was investigated thoroughly to identify root causes and the necessary corrective actions have been taken. All efforts continue to be made to build a strong and pervasive safety culture and to ensure responsible and safe operations not just at these sites, but for all our operations. These incidents underscore that excellence in safety is an ongoing journey. We have made significant gains over the course of our safety journey but we have more to do.

A Note of Welcome and of Thanks

On behalf of the board, we would like to extend a warm welcome to Nicky Tan, who joined us as an independent director on November 1, 2015, and was appointed to the board's Executive Committee on January 1, 2016. A valuable addition to the board, Mr Tan has served as a director of some of Singapore's largest listed companies and brings with him a wealth of experience in corporate finance, audit as well as mergers and acquisitions.

We would also like to thank our staff for their dedication and commitment, and our shareholders, customers and other stakeholders for their continued support and trust. In 2015, we paid special tribute to the communities in which we operate. To mark Singapore's golden jubilee and express our commitment to our local heritage and the environment, we pledged S\$10 million to enhance the Cool House, a temperature-controlled glasshouse at the National Orchid Garden within the Singapore Botanic Gardens, a UNESCO World Heritage Site. We also celebrated the 20th anniversary of our Utilities business with a global Sembcorp Gives Back Day initiative,

which saw employees in more than 10 countries volunteering in aid of worthy causes in their local communities. These initiatives demonstrate our recognition that our success is made possible only by the trust our communities place in us. The vision of Sembcorp continues to be rooted in our passion to support development, improve the quality of life and deliver value to all our stakeholders.

As we take Sembcorp ahead, the road will not be without its challenges. We face the continued effects of a global slowdown as well as what could be a sustained period of low oil prices. Competition also continues to be intense.

However, we remain confident of the future. The world's demand for energy, water and other urban solutions continues to grow. As a provider of these essential solutions with a focus on rapidly developing economies, we believe that Sembcorp is in the right businesses. With a strong track record and a focus on delivery, we are well-placed to capture these growth opportunities and benefit from these global megatrends.

Moving forward, we will continue to invest in our *People & Capabilities*, sharpen our *Solutions & Innovation*, and strengthen our *Governance & Discipline*. Led by a committed board and with the support of our staff and stakeholders, we are confident that Sembcorp will successfully navigate the challenges ahead, stay the course, and build a lasting future as a global company that delivers long-term value and growth.



Ang Kong Hua
Chairman
February 17, 2016



Tang Kin Fei
Group President & CEO
February 17, 2016