

Letter to Shareholders



PETER SEAH LIM HUAT
Chairman

TANG KIN FEI
Group President & CEO

Sembcorp's good performance in 2009 despite the challenging global business environment has demonstrated the strength of our strategy and the solid fundamentals of our businesses.

Dear Shareholders,

In 2009, Sembcorp delivered strong profit growth despite the very difficult global economic environment that followed the worst financial crisis since the 1930s.

Our profit after tax and minority interest (PATMI) for the year grew 35% to S\$682.7 million, while turnover was S\$9.6 billion compared to S\$9.9 billion in the previous year. The Group's return on equity was a healthy 23% and earnings per share amounted to 38.4 cents. Economic value added was a positive S\$770.5 million, while cash and cash equivalents stood at a strong S\$2.6 billion.

For 2009, the Board of Directors is proposing a final tax exempt one-tier dividend of 15 cents per ordinary share. This marks an increase of 36% from 2008's 11 cents per ordinary share.

Maintaining Momentum, Positioning for the Future

While Sembcorp's focus in the past year has been on operational excellence, efficiency and cost management, we have also continued our efforts to position ourselves for the future. During the year, we expanded our businesses, strengthened our operational and technological capabilities and embarked on strategic initiatives that will give Sembcorp a solid competitive advantage over the long term.

In 2009, our Utilities business in Singapore commenced operations for the first phase of our 228,000 cubic metres per day Sembcorp NEWater Plant. The plant is set to be Singapore's largest NEWater plant and one of the world's largest water recycling facilities upon its full completion. We also strengthened our Jurong Island facilities to cater to additional demand, expanding our existing service corridor in Sakra and Seraya and extending it into the upcoming Tembusu area. In addition, during the year, we increased our integrated wastewater treatment capacity on the island by over 50% to serve new customers, with an additional plant employing membrane bioreactor technology. Sembcorp is the only company in Singapore

which has successfully applied this advanced technology in the treatment of industrial wastewater, which produces high-quality effluent with lower energy consumption, minimal chemical usage and reduced sludge. Meanwhile, in China, we completed the country's first plant capable of treating third party customers' high concentration industrial wastewater without customers having to invest in pre-treatment facilities. This 15,000 cubic metres per day facility in the Zhangjiagang Free Trade Port Zone has been named a bilateral demonstration project by the governments of China and Singapore for integrated water management.

In the Middle East, a key strategic milestone was achieved when our Utilities business secured our first project in Oman with the award of a 15-year contract to supply power and water to the Oman Power and Water Procurement Company. With this, our 60%-owned joint venture company will invest approximately US\$1 billion to develop, build, own and operate an independent water and power plant in Salalah, Oman. Targeted to begin full commercial operations in the first half of 2012, the facility is set to be the largest and most energy-efficient power and water plant in the Governorate of Dhofar in southern Oman, with a gross power generation capacity of 490 megawatts and a seawater desalination capacity of 69,000 cubic metres per day. Our success in securing the project against competition from global utilities players attests to our growing standing as an international energy and water player. Despite the very difficult financial climate, we also obtained long-term non-recourse project financing for this substantial investment. This project marks our second strategic beachhead in the Middle East after the UAE, where we own and operate a combined water and power plant in the Emirate of Fujairah, encompassing the world's largest operating hybrid desalination facility using both seawater reverse osmosis (SWRO) and thermal multi-stage flash distillation (MSF) technologies. In March 2009,

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we successfully completed a power expansion to this Fujairah facility, bringing the plant's power generation capacity to 893 megawatts.

In 2009, our Marine business secured new orders worth S\$1.2 billion, bringing its orderbook to S\$5.5 billion as at the end of the year with completions and deliveries stretching to early 2012. During the year, the business commenced construction of a modern, work-efficient and integrated new yard facility in Singapore to position the business for sustainable growth. Development of the 206-hectare facility will harness the business' 46 years' experience in managing and operating shipyards and will take place in phases. Initial operations are targeted to begin in mid-2012, and the facility's first phase of 73.3 hectares is expected to be fully completed by the end of 2013. The new yard facility will offer customers enhanced services, faster turnaround time and more cost-competitive solutions. With this strategic initiative, the business is well poised to respond to the anticipated increase in dock capacity demand and offshore oil and gas activities driven by growth in seaborne and oil trade in Asia.

We have also taken steps to strengthen our Marine business' global network of shipyards. In 2009, we formed a joint venture with Kakinada Seaports to establish and operate a marine and offshore facility at the Kakinada port on the east coast of India, one of the world's key oil and gas exploration areas. In February 2010, we also announced that we would be building a new shipyard in Brazil to cater directly to one of the fastest growing offshore oil and gas exploration and production markets in the world. 825,000 square metres of freehold land with 1.6 kilometres of coastline in the state of Espirito Santo in Brazil was acquired for this project. The site's strategic proximity to the offshore Espirito Santo Basin, one of the recently discovered giant pre-salt oil basins of Brazil, makes it an ideal location from which to support the country's oil and gas activities.

During the year, our Industrial Parks business underscored its growing focus as a developer of modern integrated townships with an emphasis on sustainable urban development. In Vietnam, the business received an investment certificate to expand its integrated township and industrial park in Binh Duong, Vietnam,

by an additional 700 hectares. With this, we are now positioned as a major integrated township and industrial park developer in the country, with 4,845 hectares of land in Vietnam under development. In China, we announced a new phase of development for the Wuxi-Singapore Industrial Park (WSIP) to add mixed-use commercial and residential developments, a business and information technologies park and a "Solar City" photovoltaic park to the industrial park. With this, the WSIP will be a complete residential, commercial and industrial development. We also announced the co-development of the Sino-Singapore Nanjing Eco High-tech Island, a new bilateral project under the cooperation framework of the Singapore-Jiangsu Cooperation Council. Nanjing City's largest foreign collaborative development to date, the 1,500 hectare island in Jiangxinzhou aims to attract research and development centres with a modern, ecologically-friendly work-live-play environment.

Essential Solutions for Growing Needs

Sembcorp's good performance in 2009 despite the challenging global business environment has demonstrated the strength of our strategy and the solid fundamentals of our businesses. These strong businesses lie at the heart of Sembcorp's ability to deliver value to our shareholders and growth in the long term.

In Utilities, we have established ourselves as a global leader in the provision of energy, water and on-site logistics and services to multiple customers in industrial sites. Our Marine business is a global leader in the marine and offshore industry and our Industrial Parks business has established a strong reputation in Asia's emerging growth markets for its expertise in owning, developing, marketing and managing integrated townships and industrial parks. Meanwhile, against the background of growing interest in innovative and environmentally responsible solutions, our Environment unit offers opportunities to enhance the Group's competitiveness through synergies with the energy, water and integrated township businesses.

In the face of globalisation and urbanisation, the world's demand for energy, water and other urban solutions continues to grow. As a provider of these essential solutions, we believe that Sembcorp is in the

right businesses and well-placed to benefit from these growth trends. Furthermore, in the coming years, the world's economic recovery and growth is expected to be led by emerging economies, notably those in Asia. Sembcorp has established strong positions in many of these growth markets. Backed by a sound balance sheet, we will continue to build on these positions and capitalise on opportunities to expand our businesses internationally.

A Commitment to Sustainability

At Sembcorp, we believe that carrying out our business responsibly and making a meaningful contribution to a sustainable world is an integral part of being a truly successful company. Sembcorp continues to strive to ensure that our activities not only deliver value to our shareholders but also create mutual benefit for our customers, suppliers, partners and communities wherever we operate. For instance, in response to the challenges posed by climate change and increasingly scarce natural resources, Sembcorp's businesses apply technology to produce energy in greener ways, create innovative solutions for clean, sustainable water and recover precious resources from waste. In this way, we not only do our part to limit the impact of our activities on the environment, but also help our partners, customers and communities do the same. In addition, Sembcorp maintains an ongoing commitment to contribute to the communities in which we operate, through supporting social development and community investment projects. In 2009, we contributed just over S\$1 million in cash and in kind in support of our local communities.

Acknowledgments

We would like to take this opportunity to record our deep appreciation to Ms Yong Ying-I, who will be retiring from the board at our next annual general meeting. An independent director of Sembcorp since 2003, Ms Yong has also served on the board's Audit and Risk Committees. We would like to thank her for her sterling contributions. We would also like to extend a warm welcome to Mr Ang Kong Hua, who joined our board as an independent director on February 26, 2010. Mr Ang has also been appointed to the board's

Executive Committee, Executive Resource & Compensation Committee and Nominating Committee. A well-known corporate figure in Singapore, he brings with him a wealth of experience including 28 years at the helm of NSL, formerly known as NatSteel, an established industrial conglomerate in Singapore.

At this point, we would like to thank our customers and business partners for their continuing support. Last but not least, we turn to Sembcorp's talented management team and employees around the world. Sembcorp's ability to deliver outstanding performance depends on their commitment, expertise and creativity in providing essential solutions to meet our customers' growing needs. In this very challenging past year, they have responded magnificently. On behalf of the board, we would like to thank them for their contribution and dedication. We will continue to invest in strengthening our strong employee team, through initiatives for people development and talent management and through building leadership bench strength. As Sembcorp's businesses continue to grow, this committed team will remain the foundation of your company's success.



Peter Seah Lim Huat
Chairman
February 26, 2010



Tang Kin Fei
Group President & CEO
February 26, 2010