



# Focused on Utilities

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One of the core services in our extensive integrated utilities range is wastewater treatment. In Singapore, our integrated wastewater treatment facility (foreground) has a total capacity of 5,520 m<sup>3</sup>/day.





## Strong Performance

Special Feature

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# Robust financial track record

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SembCorp Utilities (SembUtilities), a wholly-owned subsidiary of SembCorp Industries, is a leading integrated utilities and energy player. The business has delivered strong performance over the past five years. With a unique integrated utilities business model, our Utilities business offers sustainable earnings, good returns and attractive growth.

Underpinned by long-term contracts that provide high earnings visibility, we are committed to pursuing profitable growth. Our efforts revolve around three elements:

### **Organic growth**

We aim to grow our business organically by maintaining our market leadership and developing our competitive position. We seek to expand in tandem with demand through strategic partnership with our customers. We look to extending our international customer base and expanding our scope of services to meet customers' changing needs. Through the optimisation of our resources and assets, we also aim to lower our cost base, enhance our returns and sharpen our competitiveness.

### **Developing a project pipeline**

To provide the platform for future growth, we continually identify and develop a new pipeline of projects. Leveraging on our industry knowledge and strong customer relationships, our project development efforts are focused on opportunities that provide us scope for sustainable and profitable growth.

### **New M&A and partnership opportunities**

We aim to build leading positions in growth markets through selective acquisitions and partnerships. We concentrate on markets that offer the best prospects for long-term growth and projects that offer earnings security and strategic advantage.

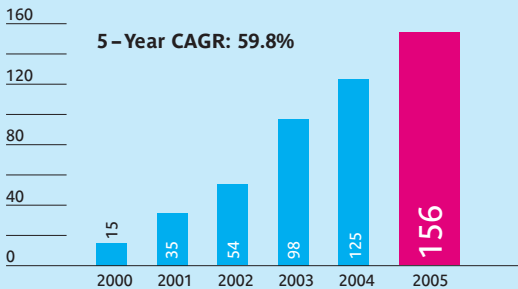
# Double-digit turnover growth

## 60% net profit CAGR<sup>1</sup>

## ROE above 20%

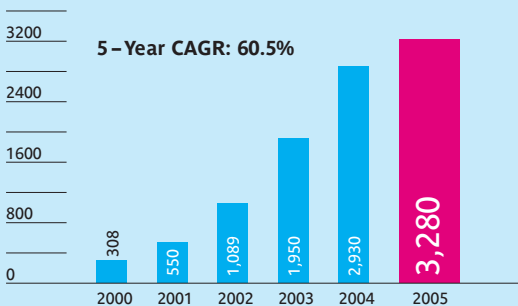
SembUtilities PATMI<sup>2</sup> (\$ million)

2000	2001	2002	2003	2004	2005
15	35	54	98	125	156



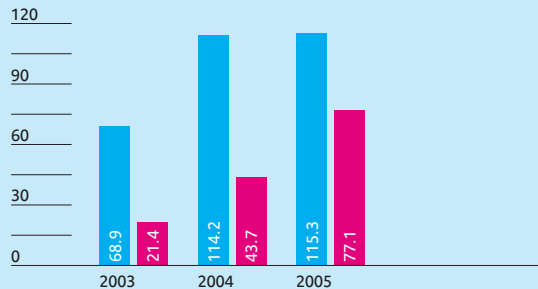
SembUtilities Turnover (\$ million)

2000	2001	2002	2003	2004	2005
308	550	1,089	1,950	2,930	3,280



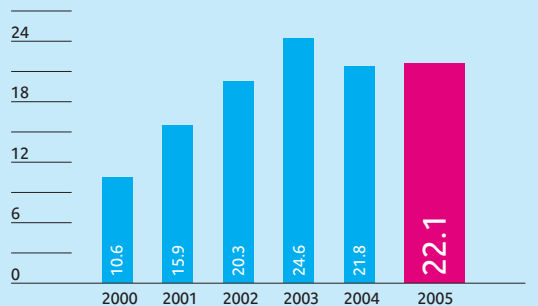
Energy and Integrated Utilities PATMI<sup>2</sup> (\$ million)

	2003	2004	2005
Local	68.9	114.2	115.3
Overseas	21.4	43.7	77.1



SembUtilities Return On Equity (%)

2000	2001	2002	2003	2004	2005
10.6	15.9	20.3	24.6	21.8	22.1



<sup>1</sup> Refers to the Compounded Annual Growth Rate over a five-year period from 2000 to 2005

<sup>2</sup> Profit After Tax and Minority Interest

# Smart investments

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Astute investment decisions have played a critical role in the success of SembUtilities. We are focused and disciplined in evaluating acquisition and partnership opportunities, even as we pursue growth in the international arena. Smart investments, such as our UK operations on Teesside and power plant in Vietnam, have continued to generate value and contribute to the strong performance of Utilities in 2005.

## **Disciplined investment criteria**

All investments are made with the objective of advancing our market leadership and maximising long-term shareholder returns. We follow strict investment guidelines to focus our project development efforts, ensure competitive returns and manage risks.

Our investments are generally guided by three basic considerations:

### *Strategic fit*

We are focused on our niche business of providing integrated utilities and industrial site services to multiple customers in process industry clusters. In addition, we consider projects that provide secured offtake and give us the potential to grow into our multi-customer business. These opportunities are explored in target growth markets and where we believe conditions are right for profitable expansion.

### *Financial criteria*

All projects are assessed to ensure they meet strict internal financial criteria, which include aspects such as financing and shareholding structures.

### *Risk assessment*

A thorough assessment of various aspects of risk is undertaken and guidelines are used to manage identified risks and optimise our risk / return profile.

**We are focused and disciplined in evaluating acquisition and partnership opportunities, even as we pursue growth in the international arena.**

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**SembCorp Utilities UK – a strategic acquisition bearing fruit**

SembUtilities gained a foothold in one of the largest petrochemical hub in Europe and one of the UK's most important chemical sites when we acquired SembCorp Utilities UK (SembUtilities UK), a profitable brownfield integrated utilities business similar to our Jurong Island operations in Singapore. This value-accretive acquisition has substantially enhanced SembUtilities' earnings and overseas activities.

Apart from delivering stellar financial returns, SembUtilities UK is also of strategic importance as we continue to build on the management and operational expertise as well as strong customer relationships on Teesside to grow our business globally.

Through its pioneering efforts in renewable energy, our UK operations also provide new opportunities for growth and development. Its new biomass power plant, Wilton 10, which will be operational in 2007, will be one of the largest biomass projects in the UK.

**Phu My 3 – a healthy contribution from Vietnam**

Also contributing to SembUtilities' overseas growth is our stake in Phu My 3, Vietnam's first foreign-invested power plant. Under a secure 20-year power purchase agreement, the 717 megawatt plant commenced commercial operations in March 2004, ahead of schedule, and achieved profitability in its first financial year. This momentum continued into 2005 with Phu My 3 delivering even stronger results in its first full year of operations. This investment not only reinforces the success of SembUtilities' international expansion, it also serves as a springboard for further growth in Vietnam and the region.







Wilton International, UK (pictured) is one of the largest industrial sites in Europe and one of the few capable of servicing the needs of large chemical and industrial plants.





# Unique business model

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We provide one-stop integrated utilities and services to multiple customers in energy intensive industry clusters such as petrochemical hubs. A pioneer, we have lead positions in Singapore and the UK and aim to replicate the success of our model in target growth markets across the globe.

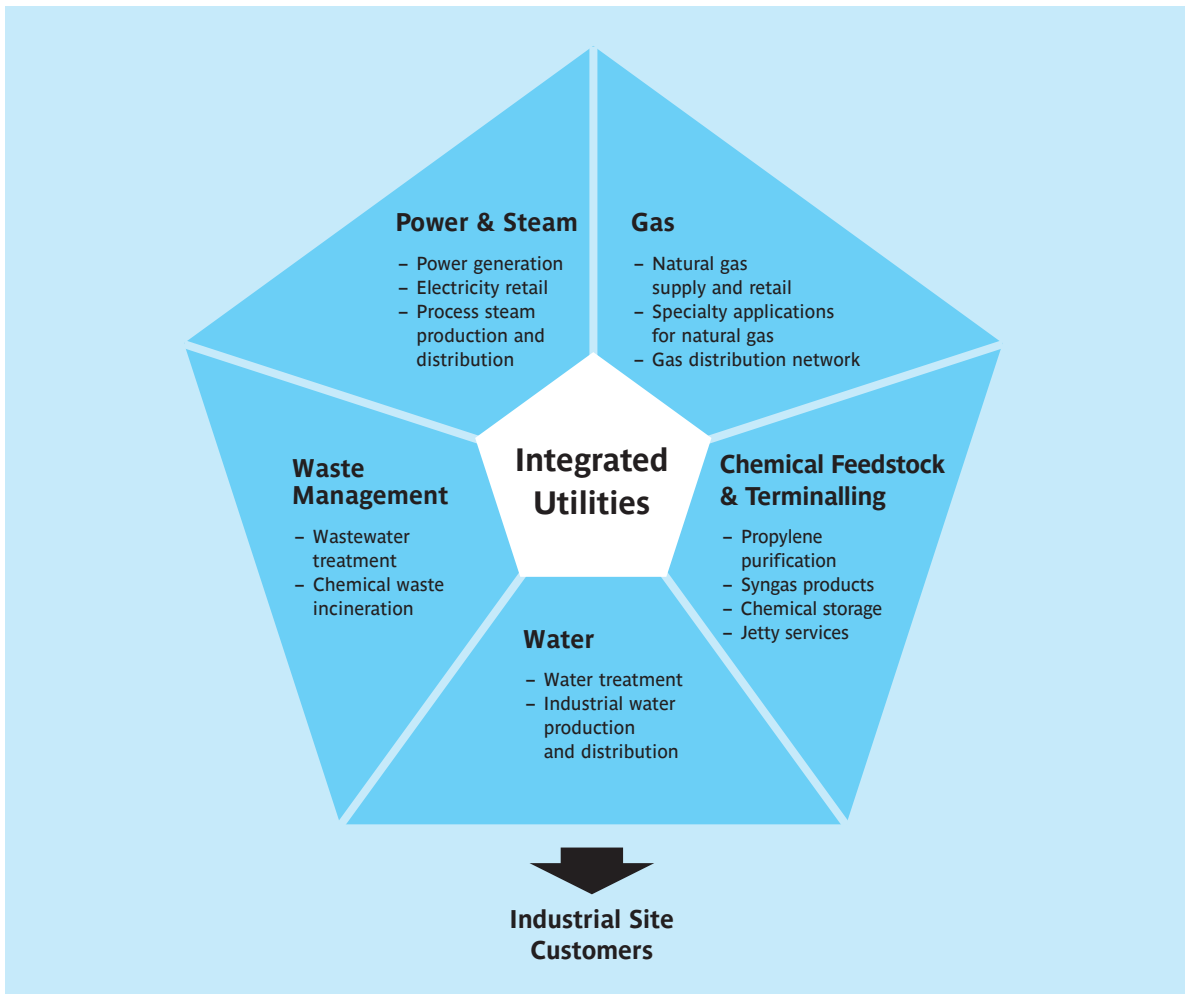
With the majority of SembUtilities' customers with long-term contracts, the business provides stable recurring income and quality earnings with high visibility.

Together with the rapid development of process industries in emerging markets and the growing trend of non-core service outsourcing, we believe that our business model is unique in its ability to provide sustainable earnings and good returns combined with growth.

We offer a full spectrum of third-party utilities and services including power, steam, natural gas, industrial water, wastewater treatment, chemical waste incineration and chemical feedstock.

We provide one-stop integrated utilities and services to multiple customers in energy intensive industry clusters such as petrochemical hubs.

**Multi-customer multi-utility business model**



# Competitive advantage

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We believe that only businesses with a clear competitive edge and leading market positions can deliver sustainable earnings. Therefore, we are relentless in honing our competitive advantage.

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### **A first mover**

Our pioneering experience on Singapore's Jurong Island and well-established facility in the UK have propelled us to industry leadership with a solid track record and international customer base. Through strategic investments in target markets, we continue to seize opportunities to be the first mover in emerging industrial cluster developments.

### **An integrated offer**

We provide a full spectrum of third-party utilities and services as an integrated offer tailored to customers' needs. This allows us to leverage infrastructure and bundling advantages across our investments and reap economies of scale to provide the most competitive offers to our customers.

### **A solid operational track record**

We have a solid track record of operating multi-utility facilities in industrial clusters where the highest level of reliability is required. In Singapore, our cogeneration steam capacity together with multiple boilers backed by ready technical support have allowed us to deliver a steam availability of 100%. In the UK, we achieved a 99.7% operational reliability for 2005. Furthermore, we have developed unique operational and technological capabilities in the treatment of wastewater from multiple sources.

### **Strong strategic relationships**

We have established strong relationships with our Multi-national Corporation (MNC) customers as well as local governments. Intimate knowledge of our customers' needs allows us to serve them distinctively. Successful working relationships with our customers also present opportunities for us to partner them in their expansion both locally and into new markets. We continue to secure and reinforce our relationships with local authorities as we engage and partner them in the development of their industries.

(Pictured) SembCorp Utilities' multiple boilers on Jurong Island, Singapore. The boilers augment the steam output from our cogeneration plant ensuring that steam availability is maintained at 100%.





(Pictured) Shanghai Caojing Cogeneration plant's demineralised water facility, which has an output of 1,000 m<sup>3</sup>/day.









SembCorp Utilities has extended its portfolio of services in China's Nanjing Chemical Industrial Park (pictured) to include wastewater treatment, industrial water and third-party integrated utilities.





# Growing with our customers



Working together as an extended team, we look to build trust and long-term commitment through strategic partnership with our customers. With a customer base of over 70 MNCs, our aim is to grow with our customers.

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**Growing in tandem with customer demand**

As industry players expand their facilities in response to rising global petrochemical demand, we aim to grow with them. With a focus on our customers' needs, we are able to use our expertise and systems to enhance their productivity and assist them in obtaining optimum performance, even as they expand. We also continually seek to broaden our offering at existing sites to support our customers' growth.

**Partnership in new markets**

Our strong customer relationships bring us growth opportunities as we partner our customers in their expansion into new markets. Backed by a strong operational track record and international presence, we are able to take advantage of our cross-border experience and industrial and technological know-how to service our customers on a regional or even global basis.

# Beachheads in growing markets

Fundamental to the sustained growth of our business is the development of new profit centres where we have a distinctive position. We aim to do this by leveraging our existing facilities to develop new projects. We also seek to provide scope for future growth by entering new target markets through acquisition and partnership opportunities. We are focused on businesses in markets that show the best growth potential and those that would provide a platform for us to replicate our integrated utilities business model.

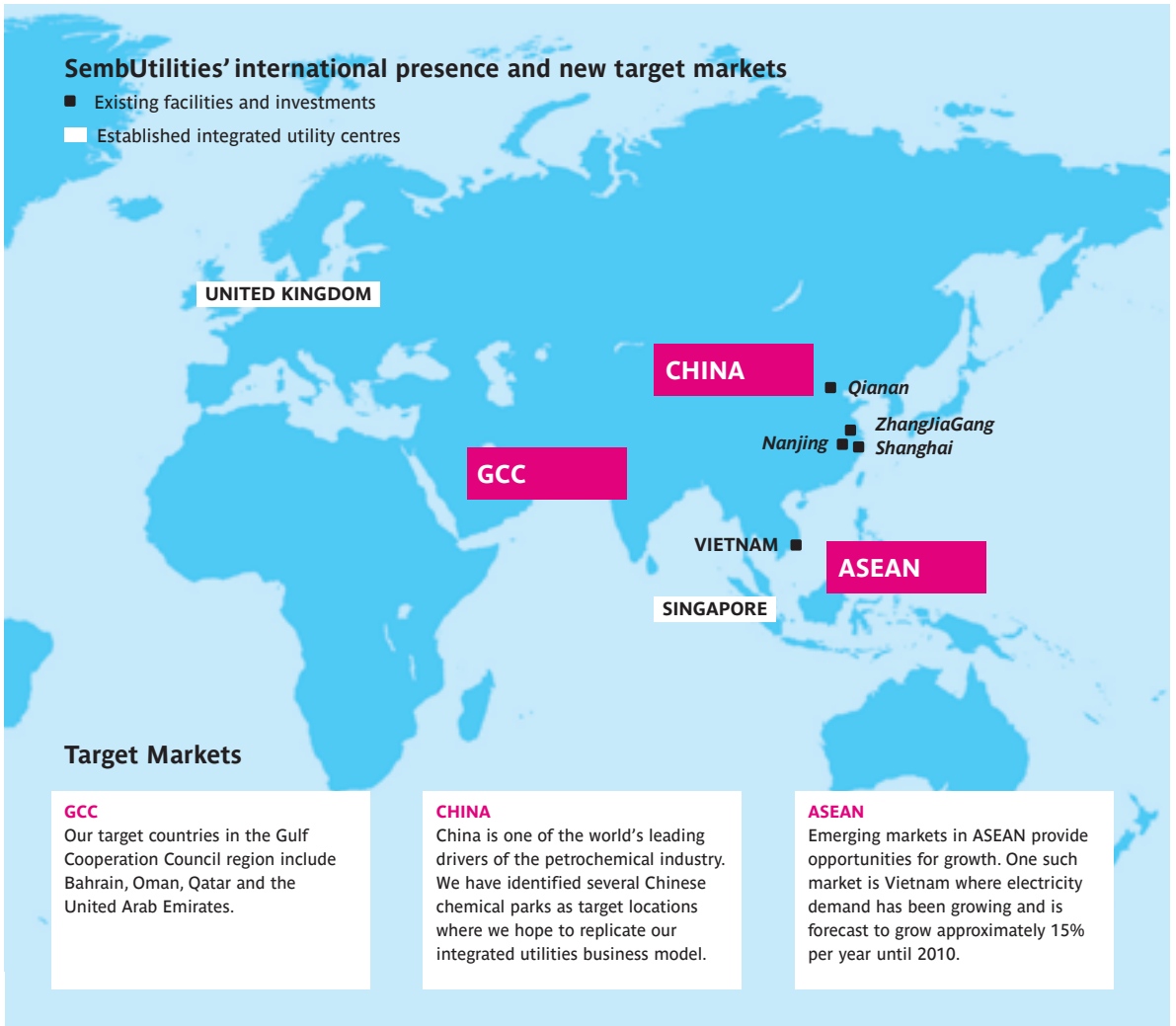
We aim to leverage our established facilities in Singapore and the UK as well as greenfield and brownfield investments in China and Vietnam to grow our service offerings within the cluster development or market. In addition, we have identified three priority regions with growing markets where we intend to extend our activities: China, Gulf Cooperation Council (GCC) and Association of Southeast Asian Nations (ASEAN).

## **Well-positioned for future growth in Nanjing**

Nanjing Chemical Industrial Park (NCIP) is one of two state level petrochemical parks in China. In 2003, we made our first investment in NCIP with a 12,500 cubic metres per day wastewater treatment plant. Building on our early entry, we were able to strengthen our presence and extend our portfolio of services in the chemical park. In 2005, we invested in a 100,000 cubic metres per day industrial water treatment facility and also became the exclusive provider of third-party integrated utilities services such as steam, industrial gases and water within the chemical cluster through our joint venture, NCIP SembCorp Utilities. We are now on track to develop an integrated utilities service centre in NCIP and in a good position to participate in the future growth of Nanjing.



Fundamental to the sustained growth of our business is the development of new profit centres where we have a distinctive position.



# Utilities Fact Sheet

Special Feature

Entity	Country	SembUtilities' shareholding	Production Capacity of Key Products		
			Natural gas mmscfd	Power MW	Steam t/hr
SembCorp Cogen	Singapore	100%		815	700
SembCorp Gas	Singapore	70%	325		
SembCorp Utilities	Singapore	100%			560
SembCorp Utilities UK	United Kingdom	100%		227 <sup>1</sup>	650
Nanjing SembCorp SUIWU	China	75%			
NCIP SembCorp Water	China	70%			
Qianan SembCorp Cogeneration	China	65%		36	230
Shanghai Caojing Cogeneration	China	30%		660	728
ZhangJiaGang SembCorp Water	China	80%			
Phu My 3	Vietnam	33%		717	
<b>Total Production Capacity</b>			<b>325</b>	<b>2,455</b>	<b>2,868</b>

mmscfd: million standard cubic feet per day

MW: megawatt

t/hr: tonnes per hour

m<sup>3</sup>/day: cubic metres per day

<sup>1</sup> Includes Wilton 10 power plant with 30 MW capacity



# Our Key Products

Industrial water m <sup>3</sup> /day	Seawater m <sup>3</sup> /day	Cooling water m <sup>3</sup> /day	Firewater m <sup>3</sup> /day	Demineralised water m <sup>3</sup> /day	Raw water m <sup>3</sup> /day	Wastewater treatment m <sup>3</sup> /day
35,000	1,920,000	1,824,000	79,200	26,600		5,520
				48,000	120,000	
						12,500
100,000						
						20,000
135,000	1,920,000	1,824,000	79,200	74,600	120,000	38,020





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“With a distinctive integrated utilities business model that delivers essential services to the process industry, we believe our Utilities business is unique in its ability to offer sustainable earnings and good returns combined with growth potential.”

Tang Kin Fei, Group President & CEO



(Pictured) SembCorp Utilities' Shanghai Caojing Cogeneration plant, the largest combined cycle gas turbine power plant in China, is located in Shanghai Chemical Industrial Park.