

The Group's continuous efforts to improve our cashflow generation resulted in significant improvement in cashflow from operations to S\$828 million.

Facilities

The Group consolidates and diversifies its sources of funding by building on its existing and developing new bilateral banking relationships. The Group also accesses the capital markets as and when appropriate. As at end of 2005, the Group's undrawn credit facilities amounted to S\$4.6 billion, consisting of 60% bilateral banking facilities and the remaining 40% accessible from the capital markets.

Cashflow

The Group's continued efforts towards the improvement of our cashflow generation resulted in significant improvement in cashflow from operations to S\$828 million (2004: S\$494 million). Strong core operational performance, down payments from customers together with improved management of debt collection and credit terms as well as divestment proceeds contributed to the improvement in cashflow generation. Accordingly, the gross borrowings of the Group reduced from S\$1.9 billion to S\$1.1 billion by end 2005. Taking into account cash and cash equivalents, the Group remained in a net cash position of S\$125 million (2004: S\$195 million) after paying down S\$845 million of short-term debt during the year.

Borrowings

Our focus remains on the maintenance of an efficient and optimal mix of committed and uncommitted facilities, fixed and floating rate borrowings, prudent financial ratios and the reduction of the cost of funding. As at December 31, 2005, gross borrowings amounted to S\$1.1 billion. Of this, committed funding comprised 90% (2004: 67%) of the Group's gross borrowings and 61% (2004: 59%) of the overall debt portfolio was not exposed

to interest rate fluctuations. The Group continually seeks to limit its interest rate exposure by adopting a prudent debt structure, whilst balancing this with funding cost considerations. The weighted average cost of funding was lower at 3.4% in 2005 (2004: 3.7%). Interest cover ratio remained healthy at 12.4 times (2004: 14.9 times).

The current maturity profile of the Group favours the longer dated maturities, which reduces the impact of refinancing risks. As at end 2005, the Group's debt maturing within one year was reduced to 10% (2004: 54%).

Credit Facilities & Utilisation (S\$ million)

■ Funded credit facilities
■ Unfunded credit facilities
■ Funded facilities utilisation
■ Unfunded facilities utilisation



Treasury management

The Group's financing and treasury activities continues to be mainly centralised within SembCorp Financial Services (SFS), the funding vehicle of the Group. SFS on-lends funds borrowed by it to companies within the Group. SFS also actively manages the cash within the Group by taking in surplus funds from those with excess cash and lending to those with funding requirements. Such proactive cash management continues to be an efficient and cost-effective way of financing the Group's requirements.

Risk management

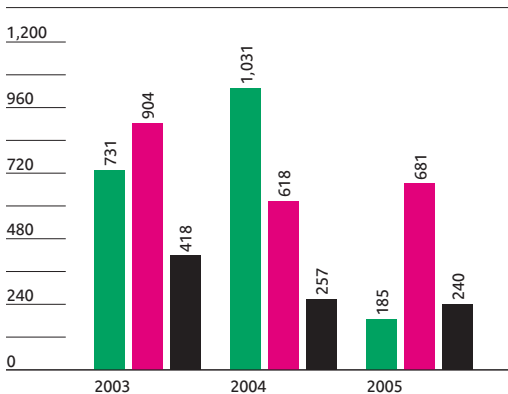
As part of the Group's Enterprise Risk Management framework, our subsidiaries adopted the Group Treasury Policies and Financial Authority Limits. The Group Treasury Policies set out the parameters for management of Group liquidity, counterparty risk, foreign exchange and derivative transactions and financing. The Group utilises various financial instruments to manage exposures to foreign exchange, interest rate and commodity price risks arising

from operational, financing and investment activities. Such transactions hedge the Group against fluctuations in the market prices of the underlying instruments.

The Financial Authority Limits seek to limit and mitigate operational risks by setting out the threshold of approvals required for the entry into contractual obligations and investments.

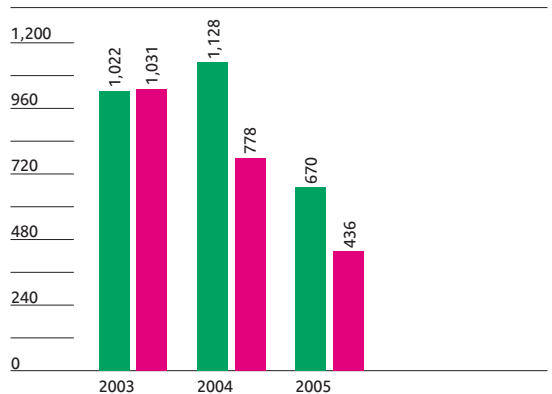
Debt maturity profile (S\$ million)

- < 1 year
- 1-5 years
- > 5 years



Fixed vs floating rate profile (S\$ million)

- Fixed
- Floating



Financial Management

Financing & Treasury Highlights

	Group					
	2005		2004		2003	
	S\$ million	%	S\$ million	%	S\$ million	%
Source of funding						
Funded bank facilities, capital markets and available funds						
Funded facilities available for draw down	4,277		4,664		4,664	
Cash and cash equivalents	1,209		2,100		679	
Total facilities and available funds	5,486		6,763		5,343	
Amount drawn down	1,077		1,788		1,815	
Unutilised funded facilities and funds available	4,409		4,976		3,527	
Unfunded bank facilities						
Unfunded facilities available for draw down	2,667		2,306		1,763	
Amount drawn	1,235		1,289		1,151	
Unutilised unfunded facilities available	1,432		1,018		612	
Total unutilised facilities and funds available	5,841		5,993		4,139	
Committed facilities						
Committed facilities available	997		1,381		1,549	
Amount drawn	997		1,281		1,549	
Funding profile						
Maturity profile						
Due within one year	185	17	1,031	54	731	36
Due between one to five years	681	62	618	32	904	44
Due after five years	240	22	257	13	418	20
	1,106	100	1,906	100	2,053	100
Debt mix						
Floating Rate Debt	436	39	778	41	1,031	50
Fixed Rate Debt	670	61	1,128	59	1,022	50
	1,106	100	1,906	100	2,053	100
Currency denomination of debt						
SGD	829	75	1,510	79	1,634	80
USD	24	2	118	6	132	6
GBP	209	19	212	11	209	10
Others	45	4	65	3	77	4
	1,106	100	1,906	100	2,053	100

Financing & Treasury Highlights

	Group					
	2005		2004		2003	
	S\$ million	%	S\$ million	%	S\$ million	%
Debt ratios						
Interest cover ratio						
Net profit before interest, tax , depreciation and amortisation	666		1,117		583	
Interest on borrowings	54		75		79	
Interest cover (times)	12.4		14.9		7.4	
Debt/Equity Ratio						
Non-recourse Project Financing	399	36	513	27	814	40
Long-term debt	546	49	472	25	579	28
Short-term debt	161	15	921	48	660	32
	1,106	100	1,906	100	2,053	100
Less : Cash and cash equivalents	(1,231)		(2,100)		(679)	
Net (Cash)/ Debt	(125)		(194)		1,374	
Net (Cash)/ Debt excluding project financing	(392)		(575)		762	
Net gearing excluding project financing (times)	Net cash		Net cash		0.3	
Net gearing including project financing (times)	Net cash		Net cash		0.6	
Cost of funding						
Floating		2.73		2.78		2.71
Fixed		3.78		4.57		4.43
Weighted average cost of funds		3.41		3.67		3.69