

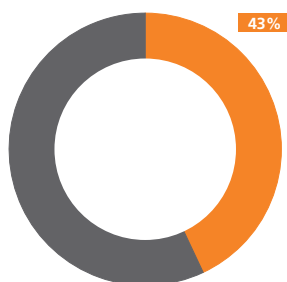
UTILITIES REVIEW

PERFORMANCE SCORECARD (\$ million)

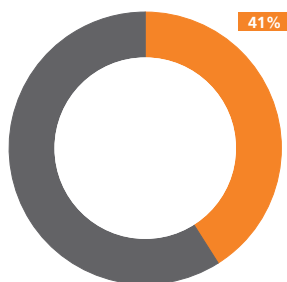
	2007	2006	Change (%)
Turnover	3,765.6	3,464.4	9
EBITDA	404.7	366.9	10
EBIT	302.1	277.5	9
PATMI before EI	230.2	194.1	19
PATMI after EI	230.2	194.1	19
Return on equity (%)	24	24	–

Figures have been restated to reflect re-classifications, including the re-classification of Offshore Engineering from Utilities to Other Businesses.

CONTRIBUTION TO GROUP TURNOVER



CONTRIBUTION TO GROUP PATMI BEFORE EI



KEY DEVELOPMENTS

- Utilities operations in Singapore, the UK and China secured new and renewed long-term contracts worth a total of \$2.2 billion.
- Heads of agreement signed for the importation of an additional 90 billion British thermal units per day of natural gas from Indonesia.
- Secured contract to design, build, own and operate Singapore's newest and largest NEWater plant.
- Secured new customer Ensus, which is building a 400 million litres per annum bio-ethanol plant on the Wilton International site.
- Sembcorp Biomass Power Station, one of the UK's largest biomass renewable energy projects commenced operations in September.
- Expansion of existing water facilities and new beachheads established in Tianjin and Shenyang, Northeast China.

COMPETITIVE EDGE

- A global leader in the provision of centralised utilities and services to multiple customers in energy intensive clusters, such as chemical and petrochemical hubs.
- Strong operational and technical capabilities in energy and water.
- Operations with more than 3,300 megawatts of installed power capacity worldwide and the ability to generate energy from a variety of fuels including renewable sources.
- Singapore's largest water management company with approximately four million cubic metres per day of water capacity in operation and under construction.
- Technical expertise and operational scale in treating high concentration and complex wastewater profiles from multiple sources.
- Strong strategic relationships and partnerships with multinational customers and local governments.

OPERATIONS REVIEW

Sembcorp's Utilities unit posted good growth in 2007. Turnover was S\$3.8 billion, a 9% jump over 2006, while profit after tax and minority interest (PATMI) grew 19% to S\$230.2 million, driven by strong performance from our UK and Singapore operations. Our Utilities business remained the largest profit contributor to the Group and comprised 41% of Group PATMI before exceptional items. Return on equity remained healthy at 24%.

In 2007, our Utilities operations in Singapore, the UK and China secured a total of S\$2.2 billion worth of new and renewed long-term contracts.

Singapore

Our Singapore operations continued to see organic growth on Jurong Island during the year. We secured a total of S\$240 million worth of new and renewed utilities and gas contracts with an average contract duration of approximately 13 years. During the year, we commenced the supply of utilities to several new customers on Jurong Island. We also successfully completed the first major inspection of our cogeneration power facilities.

In November, we signed a heads of agreement for the importation of 90 billion British thermal units per day of natural gas from the West Natuna Sea, Indonesia for delivery in 2010. This additional gas supply will augment our capacity by 26% to a total of 431 billion British thermal units per day, and is primarily intended for process use and the production of steam to meet growing demand in the Jurong Island petrochemical complex. Some quantity of gas is also expected to be consumed by industrial and chemical customers. In February 2008, we also started our retail compressed natural gas (CNG) service on mainland Singapore under the new brand name "Gplus". This is our second CNG retail station as we own and operate Singapore's first CNG refuelling station which is located on Jurong Island.

In January 2008, we secured a strategically important contract to design, build, own and operate Singapore's newest and largest NEWater plant on a 25-year contract with the Public Utilities Board, Singapore's

national water agency. When fully completed in 2010, the S\$180 million facility will produce 50 million gallons (or 228,000 cubic metres) per day of water.

UK

Underpinned by favourable supply contracts, our UK operations continued to deliver strong performance and growth. In total, we secured new and renewed contracts worth S\$1.4 billion, including a 15-year contract with Ensus, which will be locating its new 400 million litres per annum bio-ethanol plant on the Wilton International site. With this, the total external investment attracted by Sembcorp to the site over the last four years amounts to approximately S\$1.5 billion. On the back of securing the Ensus contract, we commenced construction of a new combined heat and power unit on the site. The new combined heat and power unit comprises a gas turbine which would be able to generate an additional 42 megawatts of power and a heat recovery steam generator which would be capable of producing up to 162 tonnes of steam. Expected to be operational end-2008, the new facility will enhance our utilities supply to customers on the site including Ensus.

In September, our 30 megawatt biomass power plant, Sembcorp Biomass Power Station, started operations. The S\$193 million wood-fuelled biomass power station is the first large-scale industrial power plant in the UK to be fuelled entirely by renewable wood. The plant's operations are classified as carbon neutral, making available unused carbon allowances to trade as carbon credits. In addition to carbon credits, Sembcorp Biomass Power Station generates a fresh stream of revenue from the power sold, as well as from Renewable Obligation Certificates (ROCs) and Levy Exemption Certificates (LECs). The opening of the facility is a significant milestone for Sembcorp in green energy and will serve to strengthen our capabilities in producing energy from alternative fuels.

Other markets

In line with our strategy of establishing and growing beachheads in target markets, we continued to strengthen our foothold in China. During the year, our China

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operations secured a total of S\$592 million worth of new contracts comprising mostly 15 to 20 year long-term contracts. We also expanded our operations on existing sites and made inroads into Northeast China.

To meet increasing customer demand, we commenced the expansion of our industrial wastewater treatment capacities in Nanjing and Zhangjiagang. In addition to our current 12,500 cubic metres per day Nanjing wastewater treatment facility, we are now building a new 30,000 cubic metres per day plant. Meanwhile, in Zhangjiagang, our wastewater treatment facility is undergoing a 15,000 cubic metres per day expansion. The Zhangjiagang expansion will complement the facility's existing capacity of 20,000 cubic metres per day and will be the first plant in China to treat high concentration wastewater directly from customers without pre-treatment. It has been selected by the governments of Singapore and China as a joint showcase for collaboration on integrated water resources management. During the year, construction of a 100,000 cubic metres per day industrial water treatment facility in Nanjing Chemical Industrial Park was also completed.

In 2007, we entered the Northeast China market, securing two new beachheads for the operation of wastewater treatment and industrial water facilities. In May, we entered into a 90%-owned joint venture which will build, own and operate an industrial wastewater treatment plant in Tianjin Lingang Industrial Area in Tianjin. The 10,000 cubic metres per day facility is expected to be completed in 2008. Once completed, the facility will undergo a further expansion to cater to the projected increase in customer demand. The total expected investment in the project including the expansion is approximately S\$54 million. In Shenyang, our 50%-owned joint venture will acquire, expand, own and operate an industrial water supply network in the chemical industrial park of the Shenyang Economic & Technological Development Zone in Liaoning Province for approximately S\$17 million. The project, involving the acquisition and expansion of an existing industrial water supply network, will cover fifteen square

kilometres and have the capacity to supply 100,000 cubic metres of industrial water per day.

In Shanghai, our 30%-owned Shanghai Cao Jing Co-generation plant continued to face a shortage of natural gas, which has affected the whole of Shanghai. In 2007, the facility ran one of its two gas turbines for part of the year. Construction of two 130 tonnes per hour supplementary coal fired boilers are underway and these are expected to be operational in the first half of 2008.

In Vietnam, our Phu My 3 power plant continued to do well during the year thanks to growing demand for electricity in Vietnam.

In the UAE, our independent water and power plant in Fujairah completed its first year of operations, surpassing the contractual plant availability. Construction for the 225 megawatt expansion, which will raise total generation capacity of the facility to 760 megawatts, is progressing well and on track to be completed by the first quarter of 2009.

MARKET REVIEW AND OUTLOOK

Singapore

During the year, Singapore's Economic Development Board brought in a record S\$16 billion of manufacturing fixed asset investments into Singapore, the first time it had exceeded the S\$10 billion mark. The chemical sector saw the highest level of investment at S\$9 billion, growing 3% during the year. The Economic Development Board forecasts the fixed asset investment for 2008 to range from S\$17 billion to S\$19 billion, indicating a positive investment outlook for Singapore despite expectations of a worldwide economic slowdown. In September, petrochemical giant ExxonMobil Chemical confirmed plans to build a second world-scale petrochemical project comprising a world-scale steam cracker and associated derivative units on Jurong Island. The cracker, with an annual capacity of one million tonnes per annum of ethylene, is expected to be completed in early 2011. Together with Shell's 800,000 tonnes per annum ethylene cracker, scheduled to be completed in 2009/2010, it is expected to attract a wave of downstream chemical companies to locate on Jurong Island.

To meet growing demand on Jurong Island, we expect

to conclude the fully termed gas sales agreement with Premier Oil Indonesia in 2008 for the importation of 90 billion British thermal units per day of natural gas by 2010. Our 400 tonnes per hour very high pressure boiler is scheduled to be completed in the first half of 2008, and will further boost the efficiency and capacity of our steam production. During the year, we also expect to commence the supply of utilities to Lucite International's methyl methacrylate manufacturing plant. Under the Gas Act, our natural gas unit Sembcorp Gas is required to transfer its onshore natural gas pipeline assets to the designated gas transporter, PowerGas. The government of Singapore has informed Sembcorp Gas that claims for compensation associated with the transfer of its pipeline assets will be considered. The compensation value is still being finalised and the transfer to PowerGas has not been effected.

In 2008, our Singapore operations are expected to continue generating stable earnings, underpinned by long-term contracts.

UK

In the UK, Northeast England's regional exports surpassed the GBP10 billion for the first time in 2007. The strongest contributing sector was chemicals and petrochemicals. The bulk of this industry is situated on Teesside, the location of Wilton International.

There continues to be growth opportunities for Sembcorp both in the UK as well as in Europe. On-site, we expect to commence the supply of utilities to SABIC's 400,000 tonnes per annum low density polyethylene plant in 2008. To enhance our utilities supply, our four new package boilers with a total capacity of 120 tonnes per hour are expected to be completed in the first half of 2008, and our new combined heat and power unit by end-2008. 2008 will also see the first full year of operations of our Sembcorp Biomass Power Station. Outside the UK, we continue to seek suitable opportunities to grow the business in Europe.

Our UK operations have been performing exceptionally well due to favourable supply contracts that are locked in place until end-2007 and March 2008.

With the expiry of these contracts, the performance of the unit is expected to be affected. Nevertheless, the return on our investment in the UK has significantly exceeded all acquisition expectations, and underpinned by long-term contracts, we expect the business to continue as a significant profit contributor to Utilities.

Other markets

According to China's Bureau of Statistics, the country's gross domestic product grew 11.4% in 2007. On the back of this robust growth, China's petrochemical and chemical sector continues to expand with both local as well as multinational companies planning to expand chemical production. In particular, in view of increasing commitment to environmental protection and resource conservation, the demand for industrial wastewater treatment is expected to be strong, especially for the treatment of complex wastewater with high organic and saline content. According to the International Energy Agency, China is set to become the world's largest consumer of energy by about 2010. China's economic boom has led to surging demand for electricity. Exacerbated by a shortage of coal, the country is currently undergoing a power supply crisis. In an effort to control inflation, electricity prices have also been capped. Going forward, the Chinese government is accelerating its development of a modern energy industry, with resource conservation and environmental protection as two basic state policies. It has been encouraging the construction of large power plants and cogeneration of heat and power and is looking to develop clean coal-fired power.

In 2008, three of our wastewater treatment facilities in China are scheduled to commence commercial operations: Nanjing and Tianjin in the first half of the year and Zhangjiagang in the second half of the year. We have a dedicated facility in Nanjing treating high salinity wastewater and another in Zhangjiagang specialising in high concentration wastewater. Our industrial water distribution network in Shenyang is also expected to be operational by the second half of 2008. In view of ongoing natural gas shortage, the performance of our cogeneration

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plant in Shanghai will continue to be contingent on the quantity of allocated gas during the year. Furthermore, country-wide fuel price increases are also expected to affect the profitability of our 30%-owned Shanghai Cao Jing Co-generation plant.

We expect our Phu My 3 power plant in Vietnam and our Fujairah 1 independent water and power project in the UAE to continue performing well in 2008. In Vietnam, Electricity of Vietnam expects power usage in 2008 to increase by 16%. Due to the rapid pace of industrialisation in the country, an additional 2,800 megawatts of electricity per year is expected to be needed up to 2011. With the growth in demand, Vietnam's Ministry of Industry and Trade projects that over 20 power projects will need to be operational between 2008 and 2010. In the UAE, demand for water and electricity is expected to grow at a minimum rate of 10% per year until 2010. In October, the UAE government also approved the privatisation of assets belonging to the Federal Electricity and Water Authority and proposed legislative amendments to allow private investors to participate in the production and transmission of water and electricity in the Emirates. We continue to explore opportunities for growth in these regions, particularly in the fast-growing water and energy sectors.

Overall, our Utilities business is expected to continue being a major profit contributor to Sembcorp in 2008, underpinned by long-term contracts.



Semcorp's wastewater treatment plant
in Nanjing Chemical Industrial Park in China.