

# Environment Review

## PERFORMANCE SCORECARD (\$ million)

	2008	2007	Change (%)
Turnover	216.8	207.5	4
EBITDA	(0.3)	9.0	NM
EBIT	(9.8)	1.7	NM
PATMI before EI	2.1	13.6	(84)
PATMI after EI	2.1	13.6	(84)
Return on equity (%)	1	7	(86)

### KEY DEVELOPMENTS

- Continued focus on waste-to-resource to enhance the competitiveness of our businesses across the Group.
- Australian joint venture strengthened position in domestic waste-to-resource sector with the acquisition of the remaining 50% interest in SITA-CEC Environmental Solutions and the commencement of construction for two state-of-the-art resource recovery facilities in Sydney and Perth.

### COMPETITIVE EDGE

- A leading environmental management player that provides integrated waste management services in Singapore and Australia with a strong focus on waste-to-resource businesses in the Asia-Pacific region.
- Ability to offer comprehensive integrated environmental management services to municipal, industrial and commercial customers.
- Development and ownership of differentiating waste-to-resource capabilities and solutions.

### OPERATIONS REVIEW

In 2008, Sembcorp's Environment business posted a turnover of S\$216.8 million compared to S\$207.5 million in 2007. Profit after tax and minority interest (PATMI) was S\$2.1 million, compared to S\$13.6 million in the previous year, mainly due to an impairment of S\$7.9 million made for part of its plant and machinery.

During the year, we continued our focus on the post-collection treatment and waste-to-resource business. Our waste-to-resource facilities in Singapore assist in achieving higher recycling rates by extracting recyclable content from waste collected through our collection arm, which is the leading operator in Singapore, serving four out of nine municipalities and collecting approximately one million tonnes of waste per year. During the year, we also commenced a feasibility study on the conversion of recovered resources to alternative fuel, also known as solid recovered fuel

(SRF). SRF is fuel produced from combustible waste that can be used as alternative fuel to produce heat or power, and can potentially replace fossil fuels and reduce greenhouse gas emissions.

Our Australian joint venture, SITA Environmental Solutions, performed well in 2008. During the year, it acquired the remaining 50% interest in its former joint venture, SITA-CEC Environmental Solutions, from its partner CEC Group for A\$13.5 million. Now 100%-owned, SITA-CEC's key resource recovery facilities currently operate in Queensland and New South Wales. The acquisition strengthens SITA's leading position in the Australian alternative waste technology market. In addition, we commenced the construction of two state-of-the-art resource recovery facilities in Sydney and Perth. Construction is expected to be completed by mid-2009.

In India, our subsidiary SembRamky Environmental Management continued to operate eight biomedical

waste facilities throughout India, with a total installed capacity of 12.5 tonnes per day.

During the year, we continued to streamline our businesses, exiting three joint ventures in China. Our stakes in Jiangsu Sembcorp Chunxing Alloy Company and Chongqing Sembcorp Chunxing Alloy Company were divested in June while in September, we exited our paper recycling joint venture in Shanghai.

### MARKET REVIEW AND OUTLOOK

We continue to be focused on waste-to-resource and post-collection treatment. We believe that the long-term prospects for these sectors are promising such as in the production of SRF. In view of volatile oil and resource prices as well as technological advancements in alternative waste treatment, there has been increased attention on deriving renewable energy sources from waste. A sustainable source of alternative fuel, the production of SRF from recovered resources would also allow us to enhance synergies across the Group, particularly with the Utilities business.

Overseas, our Australian joint venture is expected to continue to perform well. It plans to pursue selective expansion opportunities to grow its alternative waste treatment business.

Barring unforeseen circumstances, the performance of our Environment business in 2009 is expected to be better than that of 2008.