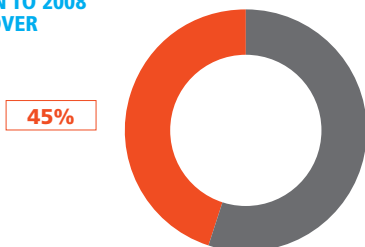


# Utilities Review

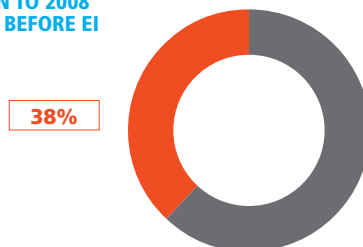
## PERFORMANCE SCORECARD (\$ million)

	2008	2007	Change (%)
Turnover	4,516.4	3,765.6	20
EBITDA	396.6	404.7	(2)
EBIT	289.9	302.1	(4)
PATMI before EI	200.3	230.2	(13)
PATMI after EI	200.3	230.2	(13)
Return on Equity (%)	18	24	(25)

### CONTRIBUTION TO 2008 GROUP TURNOVER



### CONTRIBUTION TO 2008 GROUP PATMI BEFORE EI



### KEY DEVELOPMENTS

- Secured contract to design, build, own and operate Singapore's newest and largest NEWater plant, one of the world's largest reclaimed water plants.
- Concluded gas sales agreement to import an additional 90 billion British thermal units per day of natural gas from Indonesia.
- Completed first full year of operations for the Sembcorp Biomass Power Station, one of the UK's largest biomass renewable energy projects.
- Acquired three water works facilities with a total design capacity of 160,000 cubic metres per day in Shenyang, northeast China.
- Utilities operations in Singapore, the UK and China secured new and renewed contracts worth a total of S\$431 million, of which long-term contracts comprised S\$341 million.

### COMPETITIVE EDGE

- A global leader in the provision of centralised utilities and services to multiple customers in energy intensive clusters.
- Strong operational and technical capabilities in energy and water.
- 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 more than 4 million cubic metres per day of water capacity in operation and under development.
- Technical expertise and operational scale in treating high concentration and complex wastewater profiles from multiple sources.
- Strong strategic relationships and long-term partnerships with multinational customers and local governments.

**OPERATIONS REVIEW**

The Utilities business' turnover increased from S\$3.8 billion in 2007 to S\$4.5 billion in 2008. Profit after tax and minority interest (PATMI) was S\$200.3 million compared to S\$230.2 million in 2007, with Singapore and UK operations contributing S\$130.8 million and S\$67.6 million respectively. Our Utilities business continued to be one of Sembcorp's main profit contributors and contributed 38% of Group PATMI before exceptional items. Return on equity was a healthy 18%.

In 2008, our Utilities operations in Singapore, the UK and China secured new and renewed contracts worth a total of S\$431 million, of which long-term contracts comprised S\$341 million.

**Singapore**

In 2008, our Singapore operations 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. Construction of the S\$180 million facility started in April 2008. The plant has an initial capacity of 15 million imperial gallons (or 69,000 cubic metres) per day which will be available by mid-2009. When fully completed in 2010, the facility will produce 50 million imperial gallons (or 228,000 cubic metres) per day of NEWater and will be one of the world's largest reclaimed water plants.

In October, we concluded our gas sales agreement with Premier Oil and its co-venturers, KUFPEC, Hess and PETRONAS, to import an additional tranche of 90 billion British thermal units per day of natural gas from the West Natuna Sea for delivery between 2010 to 2011. 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 demand in the Jurong Island petrochemical complex. Some quantity of gas is also expected to be consumed by industrial and chemical customers.

As part of the restructuring of the gas industry in Singapore, our natural gas unit Sembcorp Gas was required under the Gas Act to transfer its transmission and distribution pipeline assets located downstream of its receiving terminal on Jurong Island to PowerGas,

the licensed gas transporter under the Gas Act. Notwithstanding the transfer, Sembcorp Gas will continue as an importer and retailer of natural gas in Singapore.

During the year, our Singapore operations also secured a total of S\$86 million worth of new and renewed utilities and gas contracts, of which new 15-year contracts comprised S\$55 million. We commenced the supply of utilities to several new customers on Jurong Island, including a range of utilities and services to Lucite International's new methyl methacrylate manufacturing facility under a 20-year contract. To boost the efficiency and capacity of our steam production, a 400 tonnes per hour very high pressure boiler was completed in July 2008. We also commenced construction for a 120 cubic metres per day expansion to our industrial wastewater treatment capacity. The expansion is expected to be completed by the first quarter of 2009.

**UK**

Our operations in the UK continued to be a significant profit contributor to our Utilities unit. As we had guided the market, its performance in 2008 was affected by the expiry of certain favourable supply contracts at the end of March 2008, as well as the depreciation of the pound sterling.

2008 saw the first full year of operations for our 35-megawatt Sembcorp Biomass Power Station, one of the UK's largest biomass renewable energy projects. As a result of this pioneering biomass development at the Wilton International site, we secured the North East Process Industry Cluster Environment Award in January.

To enhance our on-site capacity, four new package boilers with a total capacity of 120 tonnes per hour commenced operations in April. Our new combined heat and power unit, comprising a gas turbine capable of generating 42 megawatts of power and a heat recovery steam generator capable of producing up to 162 tonnes per hour of steam started commissioning and is expected to be completed in the first half of 2009.

In total, our UK operations secured new and renewed contracts worth S\$52 million. In January 2009, we also signed a 25-year major utilities and services agreement with Yara UK for their €30 million facility

at the Wilton International site worth approximately S\$110 million. As one of the main players in the European carbon dioxide market, Yara will liquefy and purify carbon dioxide from the new Ensus bio-ethanol facility and supply this product to the food and beverage industry.

**China**

In line with our strategy of establishing and growing beachheads in target markets, we have continued to strengthen our foothold in China. During the year, our China operations secured a total of S\$292 million worth of new contracts, of which long-term 15-year contracts comprised S\$285 million. We also expanded our operations on existing sites and made further inroads into northeast China.

During the year, we expanded the capacity of our operations in several locations. In Shanghai, our 30%-owned Shanghai Cao Jing Co-generation plant completed the construction of two 130 tonnes per hour supplementary coal fired boilers in January and May respectively. Following an increase in natural gas cost in November 2007, electricity tariffs in Shanghai were also adjusted and increased by the National Development and Reform Commission in 2008.

In Nanjing, a dedicated 30,000 cubic metres per day high salinity wastewater treatment facility was completed in May, more than tripling our existing wastewater treatment capacity in the Nanjing Chemical Industrial Park. This new expansion to Sembcorp's existing 12,500 cubic metres per day wastewater treatment plant is capable of treating incoming wastewater with an average concentration of 1,200 milligrammes per litre, which is five times the strength of municipal wastewater in China, as well as an average salt content of 37,000 milligrammes per litre, which is 50 times the salinity of municipal wastewater. Construction of a 15,000 cubic metres per day high concentration wastewater treatment plant in Zhangjiagang and a 10,000 cubic metres per day wastewater treatment plant in Tianjin are also currently underway.

In Zhangjiagang, we signed a joint venture agreement with Zhangbao Industries Co, an investment arm of the Zhangjiagang city government, to build, own and operate a new 40,000 cubic metres per day

reclaimed water project in the Zhangjiagang Free Trade Port Zone. In recognition of our expertise in water, the new facility, which is expected to be completed in 2010, was selected as a joint showcase for integrated water management by the governments of China and Singapore. Our high concentration industrial wastewater treatment facility in Zhangjiagang was also earlier selected as a government-to-government showcase. Following the success of these projects, a memorandum of understanding with the government of Zhangjiagang City was signed during the year to expand our scope of cooperation in water management.

In November, we also strengthened our northeast China beachhead with the acquisition of three water works facilities with a total design capacity of 160,000 cubic metres per day as well as a water intake system and distribution network in the Shenyang Economic & Technological Development Area in Liaoning province. With this new project, we are now well-positioned to grow our water services in the development area to provide customers with a whole range of water solutions.

**Other markets**

In Vietnam, our Phu My 3 power plant performed well operationally. In the UAE, our independent water and power plant in Fujairah completed its second year of operations. Construction for the 225 megawatt expansion, which will raise total gross generation capacity of the facility to 887 megawatts, is progressing well and on track for commercial operation in March 2009. In March, we also signed a memorandum of understanding with the Higher Corporation For Specialized Economic Zones (ZonesCorp) of Abu Dhabi to jointly establish a utilities services company to provide centralised utilities to ZonesCorp's specialised economic zones. ZonesCorp is the government-backed agency responsible for the establishment, management and operation of zones in Abu Dhabi of special economic nature.

**MARKET REVIEW AND OUTLOOK**

The global economic crisis has led to sharp declines in global demand, trade and investments. According to World Bank forecasts, global industrial production

by the middle of 2009 could be as much as 15% lower than levels in 2008.

In Singapore, the Ministry of Trade and Industry is forecasting a negative growth of between 5% and 2% in 2009 for the Singapore economy. In the UK, the independent forecasts collated by Her Majesty's Treasury indicate an average projected negative growth of 2.8% for the UK's gross domestic product (GDP) in 2009.

As a result of the worldwide economic slowdown, our customers are facing a challenging environment with falling product demand and margins. The fourth quarter of 2008 saw facilities around the world scheduling early maintenance and lowering output, as well as a deceleration of new project announcements due to waning demand and tightening global credit markets.

### Singapore

In Singapore, this is expected to affect companies located on Jurong Island as well as the pace of overseas investments into Singapore's petrochemical and chemical sector.

Singapore's Economic Development Board forecasts that fixed asset investments will be lower in 2009 compared to 2008 but could still exceed S\$10 billion. In 2008, Singapore saw S\$18 billion of fixed asset investments compared to S\$17.2 billion in 2007. Some investors such as Lanxess and Jurong Aromatics Corp have announced potential delays to investment decisions on their new proposed facilities on Jurong Island. However, major projects in Singapore such as the two petrochemical crackers, being built by Shell and ExxonMobil, remain on track to be completed by 2010 and 2011 respectively.

In addition, electricity and gas demand, which have historically tracked movements in GDP, may moderate in line with Singapore's projected economic slowdown.

### UK

For the first time since 2003, the European Union's (EU) chemicals industry's output excluding pharmaceuticals experienced negative growth in 2008. The European Chemical Industry Council is expecting a decline in output of 1.3% in 2009 for the EU chemical industry, excluding pharmaceuticals. This is expected to affect

our customers located in the Wilton International site in the UK and consequently their demand for utilities.

At the end of 2008, following a review of the viability of its aromatics operations, SABIC Europe restructured its operations and closed its paraxylene plant on the Wilton International site. A major on-site customer has also announced that it has begun consultation with trade unions and employee representatives regarding a proposal to cease production at its facilities. Should the closure of the facility take place, a variety of operational optimisation initiatives would be undertaken to mitigate its impact.

In 2009, we expect to commence the supply of utilities to SABIC's new 400,000 tonnes per annum low density polyethylene plant and to Ensus' new 400 million litres per annum bio-ethanol plant. Newly secured customer Yara's carbon dioxide liquid facility is scheduled to commence operations in 2010. We continue to pursue further opportunities in renewable energy and also continue to seek suitable opportunities to grow the business in Europe.

### China and other markets

In 2009, our 15,000 cubic metres per day high concentration wastewater facility in Zhangjiagang and 10,000 cubic metres per day wastewater treatment plant in Tianjin are expected to come onstream. Operations in Shanghai, Nanjing and Zhangjiagang are expected to continue to be profitable.

Our performance in Vietnam and the UAE is expected to continue to be underpinned by long-term agreements. Our one-third-owned Phu My 3 power plant in Vietnam has a 20-year power purchase agreement with Electricity of Vietnam, while 40%-owned Fujairah 1 independent water and power plant has a 22-year power and water purchase agreement with the Abu Dhabi Water and Electricity Company. In addition, the 225 megawatt expansion of the Fujairah 1 plant is on track to start commercial operation in March 2009.