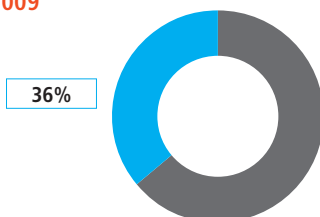


# Utilities Review

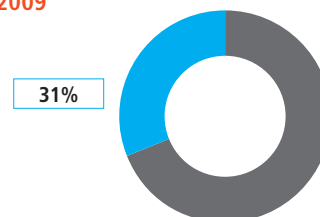
## Performance Scorecard (\$ million)

	2009	2008	Change (%)
Turnover	3,527.1	4,516.4	(22)
EBITDA	353.3	396.6	(11)
EBIT	247.4	289.9	(15)
PATMI	211.3	200.3	6
ROE (%)	20	18	8

### Contribution to 2009 Group Turnover



### Contribution to 2009 Group PATMI



### Key Developments

- Completed a power expansion to the Fujairah Independent Water and Power Plant in the UAE, bringing the plant's power generation capacity to 893 megawatts.
- Secured a US\$1 billion independent water and power project in Salalah, Oman, marking our first beachhead in the country. Sembcorp will develop, build, own and operate the greenfield facility, which will supply power and water to the Oman Power and Water Procurement Company under a long-term contract.
- Commenced first phase commercial operations at the Sembcorp NEWater Plant in Singapore, one of the world's largest water recycling plants.
- Increased our integrated wastewater treatment capacity on Singapore's Jurong Island by over 50% with a second membrane bioreactor treatment plant completed in June.
- Completed a 15,000 cubic metres per day industrial wastewater treatment plant in Zhangjiagang. A G-to-G demonstration project, the plant is the first in China capable of treating high concentration industrial wastewater directly from source without pre-treatment by customers.

### Competitive Edge

- A leading energy and water player with strong operational and technical capabilities.
- More than 3,800 megawatts of power capacity installed and under development worldwide.
- 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 industrial wastewater from multiple sources.
- A global leader in the provision of energy, water and on-site logistics and services to multiple customers in energy intensive clusters.

### Operations Review

In 2009, the Utilities business' profit after tax and minority interest (PATMI) grew a healthy 6% to S\$211.3 million from S\$200.3 million in 2008. Singapore and UK operations contributed S\$132.0 million and S\$47.2 million respectively. Contributions from overseas operations now comprise 39% of Utilities' PATMI, with earnings from Vietnam, the Middle East and China growing 143% to S\$38.8 million during the full-year period. Turnover was S\$3.5 billion in 2009 compared to S\$4.5 billion in 2008. Return on equity was a healthy 20%.

In 2009, our Utilities operations in Singapore, the UK and China secured new and renewed contracts worth a total of S\$624 million, of which long-term contracts comprised S\$240 million.

### Singapore

Our Singapore operations posted a healthy performance in 2009 mainly due to strong performance from our energy operations. Benefitting from higher margins, our cogeneration unit on Jurong Island performed well despite undergoing a major inspection and maintenance during the year. The unit, which held an 11% generator market share in Singapore's electricity market as at December 2009, also benefited from gains on the sale of strategic diesel and a lower corporate tax rate.

During the year, we strengthened our Jurong Island facilities to cater to additional demand, expanding our existing service corridor in Sakra and Seraya and also extending it into the upcoming Tembusu area. To serve new customers, we also increased our integrated wastewater treatment capacity on the island with an additional wastewater treatment plant, opened in June. This facility is our second on the island to employ membrane bioreactor technology, an advanced technology which provides consistently high-quality effluent with a smaller plant footprint, lower energy consumption, minimal chemical usage and reduced sludge. To date, Sembcorp is the only company in Singapore to have successfully applied this advanced technology for the treatment of industrial wastewater. With a hydraulic capacity of almost 3,000 cubic metres per day, the new plant has increased our integrated wastewater treatment capacity on Jurong Island by more than 50%.

In July, we commenced first phase commercial operations at the Sembcorp NEWater Plant, with an initial capacity of 15 million imperial gallons (or 69,000 cubic metres) per day. On track for completion in May 2010, the facility's full capacity of 50 million imperial gallons (or 228,000 cubic metres) per day will make it Singapore's largest NEWater plant and also one of the world's largest water recycling plants.

During the year, our Singapore operations secured a total of S\$357 million worth of new and renewed utilities and gas contracts.

### UK

As we had guided the market, in 2009, the performance of our UK operations saw the full-year impact of the expiry of certain favourable supply contracts at the end of March 2008. Along with the weakening of the pound sterling, this affected the unit's contributions to the Group.

During the year, we commenced utilities supply to a major new customer, SABIC's new 400,000 tonnes per annum low density polyethylene plant, which began commissioning during the year and started operations in October. The business has 15-year contracts with both SABIC as well as Ensus, which began commissioning its 400 million litres per annum bio-ethanol plant in 2009 and has this year begun the process of starting up their plant.

The 35-megawatt Sembcorp Biomass Power Station performed well during the year, and under the UK government's legislative changes, benefited from an arrangement which increased the allocation of renewable obligation certificates. In September, we also completed a combined heat and power unit, comprising a gas turbine and a heat recovery steam generator. The new facility is capable of generating 42 megawatts of power and 162 tonnes of steam per hour.

During the course of the year our UK operations secured new and renewed contracts worth S\$188 million.

### China

Our cogeneration plant in Shanghai performed well during the year due to the resolution of the gas shortage issue.

During the year, we also made progress in growing our water and wastewater treatment capabilities in

various sites in the country. In the Zhangjiagang Free Trade Port Zone, we completed the first facility in China capable of treating high concentration industrial wastewater directly from customers without pre-treatment in May. The 15,000 cubic metres per day plant in the free trade port zone is capable of treating high concentration industrial wastewater with up to 4,000 milligrammes per litre influent chemical oxygen demand using a combination of anaerobic, aerobic and anoxic processes. This project has been selected as a government-to-government demonstration project for integrated water management by the governments of China and Singapore. In the same month, we held a groundbreaking ceremony for a water reclamation plant on the site, which has also been selected as a government-to-government water demonstration project. The facility, which is capable of producing 20,000 cubic metres per day of industrial water and 4,000 cubic metres per day of demineralised water, will take the water treatment process further by reclaiming high grade industrial water and demineralised water from treated effluent. This closed-loop approach minimises discharge and demonstrates our focus on conserving water resources and protecting the environment.

In northeast China, we commenced commercial operations for a 10,000 cubic metres per day wastewater treatment plant in Tianjin in June. 2009 also marked the first full year of operations of our three water works facilities in the Shenyang Economic & Technological Development Area, which were acquired in October 2008. Water tariffs for the area were also increased in October 2009.

In addition, in January 2010, we secured our first beachhead in southern China, entering into an 80%-owned joint venture to build, own and operate a wastewater treatment plant in the Qinzhou Economic Development Zone (QEDZ), Guangxi Province. The plant will have an initial capacity of 15,000 cubic metres per day and is expected to be completed in mid-2011. Upon completion, the joint venture will have 50 years' concession rights to provide wastewater treatment and reclaimed water to customers in the QEDZ.

During the year, our China operations secured a total of S\$79 million worth of new and renewed contracts.

### Other markets

In Vietnam, our one-third-owned Phu My 3 power plant performed well during the year, underpinned by a 20-year power purchase agreement with Electricity of Vietnam. In the UAE, profit contribution from our independent water and power plant in Fujairah also grew with the completion of an expansion bringing the plant's power generation capacity to 893 megawatts.

In November 2009, we established our first beachhead in Oman when we secured a 15-year contract for the supply of power and water to the Oman Power and Water Procurement Company, which is wholly-owned by the Government of Oman. With this contract, our 60%-owned joint venture will invest approximately US\$1 billion to develop, build, own and operate a combined power and desalination plant in Salalah, Oman. Expected to begin full commercial operations in the first half of 2012, the plant is set to be the largest and most energy-efficient power and water plant in the Governorate of Dhofar, with a gross power capacity of 490 megawatts and a seawater desalination capacity of 15 million imperial gallons (or 69,000 cubic metres) per day. This project marks our second strategic beachhead in the Middle East, an important region of growth for our business with its strong projected demand for power and water.

### Market Review and Outlook

According to the International Monetary Fund's forecasts, the global economic situation is improving with signs of recovery in trade and industrial production. World output is expected to rise by 4% in 2010 compared to a negative 1% growth recorded in 2009, with developing countries experiencing stronger recovery growth compared to developed nations.

### Singapore

While the first half of 2009 saw facilities scheduling maintenance shutdowns and lowering output, as well as a deceleration of new project announcements, the outlook for 2010 appears to be improving, with customers on Jurong Island expected to maintain a reasonably high level of production with minimal shutdowns. In addition, as an indication of confidence, new investors such as LANXESS have announced that they are resuming their projects on the island

## Utilities Review

while major projects in Singapore such as the two petrochemical crackers being built by Shell and ExxonMobil also remain on track to be completed by 2010 and 2011 respectively.

Singapore's Economic Development Board reported that fixed asset investments declined from S\$18 billion in 2008 to S\$11.8 billion in 2009. With the economic recovery and the increasing investment focus on Asia, the Economic Development Board is cautiously optimistic that save for fixed asset investment, investment commitments in 2010 will be higher than 2009. However, it has yet to see a firm pick-up in major expansions of manufacturing capacity around the world due to continued weakness in consumer demand in the G3 economies of the US, Japan and the European Union. Meanwhile, to cater to increased customer demand, an expansion of our service corridor and product grid networks on Jurong Island is underway and is expected to be completed in 2010. The importation of an additional 90 billion British thermal units per day of natural gas from the West Natuna Sea, Indonesia, following our second gas sales agreement also remains on track for delivery in 2011. This additional gas supply will augment our capacity by 26% to a total of 431 billion British thermal units per day.

### UK

As a result of the global economic slowdown and the downturn in the petrochemical and chemical sector, three customers on the Wilton International site which contributed to approximately 30% of our UK business' 2008 turnover announced closures and have all ceased operations on the site as at end-January 2010. Another on-site customer, Artenius, entered into administration during the year. However in February 2010 its administrators completed the sale of its plants on the site to Lotte Chemicals, part of the Korean Lotte Group conglomerate.

These customer closures would have been expected to have a significant adverse impact on the profitability of our UK operations. However, due to the various ongoing management initiatives, this impact will be partially mitigated and our UK operations are expected to continue to maintain a credible level of profitability in 2010 and beyond.

Apart from serving demand from new customers Ensus, SABIC and Yara UK in 2010, the business has also embarked on a number of significant value-adding initiatives, including maximising green credits at the Sembcorp Biomass Power Station, a programme of cost savings as well as the reconfiguration of its assets to secure alternative income. For example, to secure more off-site income, we are installing a new 52 megawatt condensing steam turbine at the Wilton Power Station to enable the facility to convert excess steam capacity into an additional power for export to the UK electricity grid. The condensing steam turbine is expected to be fully operational by mid-2011.

### China and other markets

In 2010 in China, our water reclamation facility in Zhangjiagang capable of producing 20,000 cubic metres per day of industrial water and 4,000 cubic metres per day of demineralised water, as well as our 12,500 cubic metres per day high concentration industrial wastewater treatment plant in Nanjing, are expected to come onstream to cater to additional demand. In November 2009, the Shanghai Yangshan liquefied natural gas terminal started receiving natural gas from East Malaysia, easing the gas shortage in Shanghai. Nevertheless, the benefit of increased gas supply on the performance of our cogeneration facility in Shanghai in 2010 may be reduced by some extent should the natural gas price be increased during the year, given that upward adjustments in power prices may experience some time lag. Operations in Shanghai, Nanjing and Zhangjiagang are expected to continue to be profitable, while operations in Shenyang are expected to turn profitable during the year.

Underpinned by long term agreements, our Phu My 3 power plant in Vietnam and Fujairah 1 independent water and power plant in the UAE are also expected to continue to perform well. In addition, in view of the strong projected demand for power and water in the region, we continue to explore opportunities for growth through the expansion of our current facilities in the UAE. In Oman, our independent water and power plant in Salalah commenced construction in February 2010 and is on track for full commercial operations in the first half of 2012.