



**SEMBCORP INDUSTRIES LTD & ITS SUBSIDIARIES**

**Registration Number: 199802418D**

**FOURTH QUARTER AND FULL YEAR ENDED DECEMBER 31, 2008 FINANCIAL STATEMENTS & DIVIDEND ANNOUNCEMENT**

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## SEMBCORP INDUSTRIES LTD & ITS SUBSIDIARIES

### UNAUDITED RESULTS FOR THE FOURTH QUARTER AND FULL YEAR ENDED DECEMBER 31, 2008

The Board of Directors of Sembcorp Industries Ltd wishes to announce the following unaudited results of the Group for the fourth quarter and full year ended December 31, 2008.

#### 1. GROUP INCOME STATEMENT

	Note	GROUP			GROUP		
		4Q08 \$'000	4Q07 \$'000	+ / (-) %	FY08 \$'000	FY07 \$'000	+ / (-) %
<b>Turnover</b>		<b>2,693,635</b>	<b>2,527,250</b>	<b>6.6</b>	<b>9,928,413</b>	<b>8,618,778</b>	<b>15.2</b>
Cost of sales		(2,353,785)	(2,263,626)	4.0	(8,896,422)	(7,802,101)	14.0
Gross profit		339,850	263,624	28.9	1,031,991	816,677	26.4
General & administrative expenses		(68,875)	(83,214)	(17.2)	(264,599)	(246,079)	7.5
Non-operating income (net)	3(b)	(30,521)	27,273	NM	56,613	143,602	(60.6)
Finance costs		(7,585)	(15,666)	(51.6)	(44,407)	(53,925)	(17.7)
Share of results (net of tax) of:							
- Associates		(24,733)	28,916	NM	80,872	96,853	(16.5)
- Joint ventures		13,058	13,301	(1.8)	45,224	56,343	(19.7)
<b>Profit before income tax expense</b>		<b>221,194</b>	<b>234,234</b>	<b>(5.6)</b>	<b>905,694</b>	<b>813,471</b>	<b>11.3</b>
Income tax (expense)/credit		(30,896)	3,162	NM	(130,951)	(86,247)	51.8
<b>Profit for the period/year before exceptional items</b>		<b>190,298</b>	<b>237,396</b>	<b>(19.8)</b>	<b>774,743</b>	<b>727,224</b>	<b>6.5</b>
Exceptional items	3(c)	(43,749)	(75,882)	(42.3)	(43,749)	(75,882)	(42.3)
<b>Profit for the period/year</b>		<b>146,549</b>	<b>161,514</b>	<b>(9.3)</b>	<b>730,994</b>	<b>651,342</b>	<b>12.2</b>
<b>Attributable to:</b>							
Shareholders of the Company							
Profit before exceptional items		127,773	182,826	(30.1)	533,989	557,239	(4.2)
Exceptional items	3(c)	(26,928)	(31,022)	(13.2)	(26,928)	(31,022)	(13.2)
		<b>100,845</b>	<b>151,804</b>	<b>(33.6)</b>	<b>507,061</b>	<b>526,217</b>	<b>(3.6)</b>
Minority interests		45,704	9,710	370.7	223,933	125,125	79.0
		<b>146,549</b>	<b>161,514</b>	<b>(9.3)</b>	<b>730,994</b>	<b>651,342</b>	<b>12.2</b>
<b>Economic Value Added</b>		<b>111,858</b>	<b>122,185</b>	<b>(8.5)</b>	<b>510,658</b>	<b>417,107</b>	<b>22.4</b>
<b>Earnings per ordinary shares (cents)</b>							
<b>Before exceptional items</b>							
- basic		7.19	10.25	(29.9)	30.02	31.32	(4.2)
- diluted		7.14	10.15	(29.6)	29.77	30.98	(3.9)
<b>After exceptional items</b>							
- basic		5.67	8.51	(33.4)	28.50	29.57	(3.6)
- diluted		5.64	8.43	(33.1)	28.27	29.25	(3.4)

NM - Not Meaningful

## **2. Explanation to the Group Income Statement**

Group turnover for FY08 increased by \$1.3 billion to \$9.9 billion. Despite tough market conditions and challenges in the financial market, most businesses registered higher turnover. Group turnover increased by 7% in 4Q08 and 15% year on year mainly due to strong growth in the rig building, ship conversion and ship repair businesses. Higher turnover for Utilities in FY08 was a result of High Sulphur Fuel Oil ("HSFO") prices.

During the year, the Group recorded an exceptional loss of \$26.9 million comprising of the Group's share of Marine's forex losses from the unauthorised transactions.

Gross profit rose by 26% from \$816.7 million to \$1.0 billion on the back of higher turnover. The growth was mainly due to Marine's higher operating margin from its rig building and ship repair businesses.

Lower non-operating income in 4Q08 and FY08 were mainly due to mark-to-market adjustments of foreign currency forward contracts and foreign currency monetary items. FY08 non-operating income included a gain from the transfer of transmission and distribution pipeline assets to PowerGas Ltd. For FY07, a commercial settlement received from a supplier of our Cogen plant in Singapore and gains on the sale of land in the UK were included.

The Group recorded lower share of results from associates in 4Q08 and FY08, mainly due to Cosco Shipyard Group.

The Group's FY08 income tax expense rose by 52% to \$131.0 million as the Group's FY07 income tax expense included a write-back of \$48.0 million of tax provision made in prior years following the favourable tax ruling by Inland Revenue Authority of Singapore ("IRAS") on the taxability of gains on the disposal of an investment and write-back of provision for deferred tax due to a reduction in Singapore corporate tax rate.

Increase in minority interests was mainly due to better contribution from Marine.

### 3. Notes to Group Income Statement:

#### 3a. Profit for the period/year before exceptional items is arrived at after (charging)/crediting the following significant items:

	Note	GROUP		GROUP	
		4Q08 \$'000	4Q07 \$'000	FY08 \$'000	FY07 \$'000
Staff costs		(166,396)	(172,309)	(698,409)	(650,087)
Depreciation and amortisation		(47,352)	(48,675)	(195,069)	(182,859)
Allowance (made) / written back for doubtful debts & bad debts written off (net)		(3,953)	3,271	(1,528)	6,491
Allowance (made) / written back for stock obsolescence & inventories written off (net)		(1,614)	(334)	(2,465)	189
Allowance made for impairment in value of property, plant and equipment ("PPE") & PPE written off	1	(836)	(1,886)	(8,793)	(1,930)
Finance costs	2	<u>(7,585)</u>	<u>(15,666)</u>	<u>(44,407)</u>	<u>(53,925)</u>

Note:

- (1) In FY08, an impairment was made for part of plant and machinery.
- (2) Lower finance costs in 4Q08 and FY08 mainly due to lower interest-bearing borrowings and weakening interest rates.

#### 3b. Non-operating income (net) comprise:

Interest income	1	9,762	14,195	35,772	46,709
Dividend income		506	609	9,771	6,985
Rental income		2,158	2,600	8,496	7,682
Other income	2	7,079	15,796	43,491	76,112
Gain on sale of property, plant & equipment and investment properties	3	245	209	18,393	9,913
Gain on disposal of investment		4,516	4,911	5,052	6,455
Foreign exchange loss	4	(24,958)	(13,703)	(19,564)	(10,056)
Derivative (loss) / gain	5	(28,541)	4,335	(38,436)	7,030
Other expenses		(1,288)	(1,679)	(6,362)	(7,228)
		<u>(30,521)</u>	<u>27,273</u>	<u>56,613</u>	<u>143,602</u>

- (1) Lower interest income in 4Q08 and FY08 was mainly attributable to weakening interest rates.
- (2) A commercial settlement reached with a supplier was recorded as other income in FY07.
- (3) FY08 included a gain from the transfer of transmission and distribution pipeline assets to PowerGas Ltd.
- (4) Revaluation adjustments on foreign currency denominated monetary items.
- (5) FY08 included mark-to-market adjustments to foreign currency forward contracts.

#### 3c. Exceptional items comprise:

Gain on divestment of investments		-	276,557	-	276,557
Foreign exchange losses arising from settlement of unauthorised forex transactions in Marine		(43,749)	(302,922)	(43,749)	(302,922)
		<u>(43,749)</u>	<u>(26,365)</u>	<u>(43,749)</u>	<u>(26,365)</u>
Less: Income tax expense		-	(49,517)	-	(49,517)
		<u>(43,749)</u>	<u>(75,882)</u>	<u>(43,749)</u>	<u>(75,882)</u>
Less: Minority interests		16,821	44,860	16,821	44,860
Net exceptional items		<u>(26,928)</u>	<u>(31,022)</u>	<u>(26,928)</u>	<u>(31,022)</u>

### 3. Notes to Group Income Statement (cont'd)

#### 3d. Income Tax Expense

- (i) In 4Q08, there was a net write-back of over provision of tax in respect of prior years of \$5,982,000 (4Q07: net write-back of over provision of tax in respect of prior years of \$42,359,000 due to the favourable tax ruling by IRAS on the taxability of gains on disposal of an investment).

The Group's tax charge for FY08 included a net write-back of over provision of tax in respect of prior years of \$13,255,000 (FY07: write-back of over provision of tax in respect of prior years of \$41,759,000 and a net write-back of provision for deferred tax of \$14,343,000 due to a reduction in Singapore corporate tax rate).

- (ii) The Group's tax charge for 4Q08 and FY08 included Group Tax Relief of \$7,824,000 (4Q07: \$13,184,000) and \$10,145,000 (FY07: \$12,976,000) respectively.

#### 3e. Earnings per ordinary share

Earnings per ordinary share of the Group based on net profit attributable to the shareholders of the Company:	Group			Group		
	4Q08	4Q07	+ / (-) %	FY08	FY07	+ / (-) %
(i) Based on the weighted average number of shares (in cents)						
(a) Before exceptional items	7.19	10.25	(29.9)	30.02	31.32	(4.2)
(b) After exceptional items	5.67	8.51	(33.4)	28.50	29.57	(3.6)
- Weighted average number of shares (in million)	1,776.9	1,783.3	(0.4)	1,778.9	1,779.4	NM
(ii) On a fully diluted basis (in cents)						
(a) Before exceptional items	7.14	10.15	(29.6)	29.77	30.98	(3.9)
(b) After exceptional items	5.64	8.43	(33.1)	28.27	29.25	(3.4)
- Adjusted weighted average number of shares (in million)	1,788.8	1,801.4	(0.7)	1,793.9	1,798.8	(0.3)

#### 3f. Breakdown of sales

	GROUP		
	FY08 \$'000	FY07 \$'000	+ / (-) %
<b>First Half Year</b>			
(i) Sales reported	4,733,411	3,851,580	23%
(ii) Operating profit after tax before deducting minority interests reported	366,007	334,636	9%
<b>Second Half Year</b>			
(iii) Sales reported	5,195,002	4,767,198	9%
(iv) Operating profit after tax before deducting minority interests reported	364,987	316,706	15%

#### 4. BALANCE SHEETS

	Note	GROUP		COMPANY	
		As at	As at	As at	As at
		31/12/2008	31/12/2007	31/12/2008	31/12/2007
		\$'000	\$'000	\$'000	\$'000
<b>Equity attributable to shareholders of the Company:-</b>					
Share capital		554,037	551,274	554,037	551,274
(Deficit)/Surplus in Other reserves	4(f)	(42,381)	639,448	(12,111)	23,699
Accumulated profits		2,082,541	1,842,096	879,454	884,427
		<u>2,594,197</u>	<u>3,032,818</u>	<u>1,421,380</u>	<u>1,459,400</u>
<b>Minority interests</b>		670,660	797,211	-	-
Total equity		<u>3,264,857</u>	<u>3,830,029</u>	<u>1,421,380</u>	<u>1,459,400</u>
<b>Non-current assets</b>					
Property, plant and equipment		2,498,577	2,601,709	485,403	3,422
Investment properties		25,959	31,291	-	-
Investments in subsidiaries		-	-	1,486,570	1,479,440
Interests in associates		564,388	515,487	-	-
Interests in joint ventures		280,816	270,389	-	-
Other financial assets	4(f)	146,080	708,234	-	-
Long term receivables and prepayments	4(f)	231,401	49,572	940	-
Intangible assets		114,771	109,510	19,036	90
Deferred tax assets		35,217	37,823	-	-
		<u>3,897,209</u>	<u>4,324,015</u>	<u>1,991,949</u>	<u>1,482,952</u>
<b>Current assets</b>	4(f)				
Inventories and work-in-progress		949,846	1,657,047	9,353	-
Trade and other receivables		1,219,101	1,404,696	217,379	198,310
Assets held for sale		-	26,682	-	-
Bank balances, fixed deposits and cash		2,400,954	1,296,892	45,541	189,470
		<u>4,569,901</u>	<u>4,385,317</u>	<u>272,273</u>	<u>387,780</u>
<b>Current liabilities</b>	4(f)				
Trade and other payables		2,621,434	2,242,427	316,534	249,183
Excess of progress billings over work-in-progress		975,033	568,741	-	-
Provisions		63,753	31,798	12,675	11,454
Current tax payable		249,882	169,105	-	-
Interest-bearing borrowings		285,768	510,194	-	150,000
		<u>4,195,870</u>	<u>3,522,265</u>	<u>329,209</u>	<u>410,637</u>
<b>Net current assets / (liabilities)</b>		<u>374,031</u>	<u>863,052</u>	<u>(56,936)</u>	<u>(22,857)</u>
		<u>4,271,240</u>	<u>5,187,067</u>	<u>1,935,013</u>	<u>1,460,095</u>
<b>Non-current liabilities</b>					
Deferred tax liabilities		271,960	385,567	50,671	195
Provisions		10,254	10,034	500	500
Retirement benefit obligations		13,552	24,109	-	-
Interest-bearing borrowings		522,550	823,486	-	-
Other long-term liabilities		188,067	113,842	462,462	-
		<u>1,006,383</u>	<u>1,357,038</u>	<u>513,633</u>	<u>695</u>
		<u>3,264,857</u>	<u>3,830,029</u>	<u>1,421,380</u>	<u>1,459,400</u>

## Notes to Group Balance Sheets:

### 4a. Net asset value

	Group		Company	
	31/12/2008	31/12/2007	31/12/2008	31/12/2007
Net asset value per ordinary share based on issued share capital at the end of the financial year (in \$)	1.46	1.70	0.80	0.82
Net tangible asset value per ordinary share based on issued share capital at the end of the financial year (in \$)	1.39	1.64	0.79	0.82

### 4b. Changes in the Company's share capital

#### Issued and paid up capital

As at December 31, 2008, the Company's issued and paid up capital excluding treasury shares comprises 1,776,973,673 (December 2007: 1,783,782,546) ordinary shares.

#### Share Options

During 4Q08, the Company issued 58,751 ordinary shares for cash upon the exercise of the options under the Company's Share Option Plan ("SOP") by way of re-issuance of treasury shares (4Q07: 1,207,210 ordinary shares issued by way of issuance of new shares).

As at December 31, 2008, there were 10,533,580 (December 2007: 15,510,729) unissued ordinary shares under options granted to eligible employees and directors under the Company's SOP.

#### Performance Shares

During 4Q08, there was no (4Q07: nil) performance share granted conditionally under the Performance Share Plan ("PSP").

The total number of performance shares in awards granted conditionally and representing 100% of targets to be achieved, but not released as at end 2008, was 2,740,764 (2007: 2,582,259). Based on the multiplying factor, the actual release of the awards could range from zero to a maximum of 4,111,146 (2007: 3,873,389) performance shares.

#### Restricted Stocks

During 4Q08, nil (4Q07: nil) restricted stocks were granted conditionally under the Restricted Share Plan ("RSP"). 12,626 (4Q07: nil) restricted stocks were vested and 95,234 (4Q07: 51,940) restricted stocks lapsed.

The total number of restricted shares outstanding, including awards achieved but not released, as at end 2008, was 4,629,589 (2007: 2,890,240). Of this, the total number of restricted stocks in awards granted conditionally and representing 100% of targets to be achieved, but not released was 3,900,597 (2007: 2,890,240). Based on the multiplying factor, the actual release of the conditional awards could range from zero to a maximum of 5,491,236 (2007: 3,757,312) restricted stocks.

#### Treasury shares

In 4Q08, the Company re-issued 71,377 (4Q07: nil) treasury shares pursuant to the SOP and RSP.

As at December 31, 2008, 8,377,867 (December 2007: nil) treasury shares were held that may be re-issued upon the exercise of options under the SOP and upon the vesting of performance shares and restricted stocks under the PSP and RSP respectively.

## Notes to Group Balance Sheets (cont'd)

### 4c. List of significant subsidiaries, associates and joint ventures

4c (i) Details of significant subsidiaries are as follows:

Name of significant subsidiaries	Country of incorporation	Effective equity held by the Group	
		2008 %	2007 %
<b>Utilities</b>			
Sembcorp Utilities Pte Ltd	Singapore	100	100
Sembcorp Cogen Pte Ltd	Singapore	100	100
Sembcorp Gas Pte Ltd	Singapore	70	70
Sembcorp Air Products (Hyco) Pte Ltd	Singapore	60	60
Sembcorp Utilities (UK) Limited	United Kingdom	100	100
<b>Marine &amp; Offshore Engineering</b>			
Sembcorp Marine Ltd	Singapore	61.55	60.86
Jurong Shipyard Pte Ltd	Singapore	61.55	60.86
PPL Shipyard Pte Ltd	Singapore	52.32	51.73
Sembawang Shipyard Pte Ltd	Singapore	61.55	60.86
SMOE Pte Ltd	Singapore	61.55	60.86
<b>Environment</b>			
Sembcorp Environment Pte. Ltd. (formerly known as Sembcorp Environmental Management Pte. Ltd.)	Singapore	100	100
SembWaste Pte Ltd	Singapore	100	100
<b>Industrial Parks</b>			
Sembcorp Industrial Parks Ltd (formerly known as Sembcorp Parks Holdings Ltd)	Singapore	100	100
<b>Others</b>			
Sembcorp Design and Construction Pte Ltd	Singapore	100	100
Sembcorp Financial Services Pte Ltd	Singapore	100	100
Singapore Precision Industries Pte Ltd	Singapore	100	100



## Notes to Group Balance Sheets (cont'd)

### **4c. List of significant subsidiaries, associates and joint ventures**

4c (ii) Details of significant associates and joint ventures are as follows:

<b>Name of significant associates and joint ventures</b>	<b>Country of incorporation</b>	<b>Effective equity held by the Group</b>	
		<b>2008</b>	<b>2007</b>
		<b>%</b>	<b>%</b>
<b>Utilities</b>			
Phu My 3 BOT Power Company Ltd	Vietnam	33.33	33.33
Shanghai Cao Jing Cogeneration Co. Ltd	People's Republic of China	30.00	30.00
Shenzhen Chiwan Sembawang Engineering Co Ltd	People's Republic of China	32.00	32.00
Emirates Sembcorp Water & Power Company P.J.S.C	United Arab Emirates	40.00	40.00
<b>Marine &amp; Offshore Engineering</b>			
COSCO Shipyard Group	People's Republic of China	18.47	18.26
<b>Environment</b>			
SembSITA Pacific Pte Ltd	Singapore	40.00	40.00
<b>Industrial Parks</b>			
Gallant Venture Ltd	Singapore	23.92	23.92
Vietnam Singapore Industrial Park JV Co Ltd	Vietnam	40.44	40.44
Wuxi Singapore Industrial Park Development Co. Ltd	People's Republic of China	45.36	45.36

## Notes to Group Balance Sheets (cont'd)

### **4d. Borrowings and debt securities**

	<b>As at 31/12/2008</b>	<b>As at 31/12/2007</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Amount repayable:</b>		
(i) <u>In one year or less, or on demand</u>		
Secured	81,750	101,442
Unsecured	205,401	411,568
	<u>287,151</u>	<u>513,010</u>
(ii) <u>After one year</u>		
Secured	319,740	470,997
Unsecured	210,461	356,973
	<u>530,201</u>	<u>827,970</u>
Total	<u>817,352</u>	<u>1,340,980</u>

### (iii) **The secured loans are collateralised by the following assets' net book value:-**

	<b>As at 31/12/2008</b>	<b>As at 31/12/2007</b>
	<b>\$'000</b>	<b>\$'000</b>
Property, plant and equipment and investment properties	<u>925,180</u>	<u>1,118,579</u>

### (iv) **Gearing Ratios**

	<b>As at 31/12/2008</b>	<b>As at 31/12/2007</b>
Gross Gearing (times)	0.25	0.35
Net Gearing (times)	Net cash	0.01

### (v) **Unsecured borrowings**

Included in the unsecured term loans are medium term notes of the Group as follows:

- In 2004, a wholly-owned subsidiary of the Company, Sembcorp Financial Services Pte Ltd (the "Issuer"), established a S\$1.5 billion Multicurrency Multi-Issuer Debt Issuance Programme (the "Programme"). Pursuant to this, the Company, together with the Issuer and other certain subsidiaries of the Company (the "Issuing Subsidiaries"), may from time to time issue debt under the Programme subject to availability of funds from the market. The obligations of the Issuing Subsidiaries under the notes will be fully guaranteed by the Company. The Programme has not been utilised as at December 31, 2008.

The Programme replaced the S\$2.0 billion Multicurrency Debt Issuance Programme established by the Company ("the Existing Programme") in October 2000. No further debt issuances will be made by the Company under its Existing Programme. The outstanding debt issuance of S\$150 million was fully settled upon its maturity on June 6, 2008 and the Existing Programme was terminated.

## Notes to Group Balance Sheets (cont'd)

### **4d. Borrowings and debt securities (cont'd)**

#### **(v) Unsecured borrowings (cont'd)**

- In 2004, a subsidiary, Sembcorp Marine Ltd ("SCM") established a S\$500 million Multicurrency Multi-Issuer Debt Issuance Programme (the "Programme") pursuant to which SCM with its subsidiaries Jurong Shipyard Pte Ltd and Sembawang Shipyard Pte Ltd ("Issuing SCM Subsidiaries"), may from time to time issue the notes subject to availability of funds from the market. The obligations of Issuing SCM Subsidiaries under the notes will be fully guaranteed by SCM.

Under the Programme, SCM or any of the Issuing SCM Subsidiaries may from time to time issue notes in series or tranches in Singapore Dollars and/or any other currency. Such notes are listed on the Singapore Exchange Securities Trading Limited and will be cleared through the Central Depository (Pte) Ltd.

The principal amount of the note issued by SCM amounted to S\$150 million (2007: S\$285 million), bears an interest rate of 3.00% (2007: 2.82% to 3.00%) per annum and is due by September 26, 2009 (2007: 2008 to 2009).

### **4e. Provisions**

A provision is recognised in the balance sheet when there is a legal or constructive obligation as a result of a past event, the obligation can be reliably estimated and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

	<b>Group</b>	
	<b>FY08</b>	<b>FY07</b>
	<b>\$'000</b>	<b>\$'000</b>
(i) Loan undertakings	9,739	9,167
(ii) Obligations relating to disposal of business	11,454	11,454
(iii) Onerous contracts	7,180	8,680
(iv) Restoration of sites	6,507	5,309
(v) Warranty *	37,721	2,800
(vi) Claims	1,406	4,422
<b>Total</b>	<b>74,007</b>	<b>41,832</b>

\* - Provision for warranty increase is in line with completion of projects by the Group.

## **Notes to Group Balance Sheets (cont'd)**

### **4e. Provisions (cont'd)**

#### **(i) Loan undertakings**

This relates to the Group's share of loan undertakings of associates and subsidiaries.

#### **(ii) Obligations relating to disposal of business**

This mainly relates to the disposal of business in which the Group and the Company retains certain obligations in respect of contracts pursuant to the Sale and Purchase Agreement.

#### **(iii) Onerous contracts**

The provision for onerous contracts relates to the Group's exposure to the unavoidable cost of meeting its obligations under the contracts, which exceeds the expected benefits to be derived by the Group. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with the contracts.

#### **(iv) Restoration costs**

Restoration costs relating to cost of dismantling and removing assets and restoring the premises to its original condition as stipulated in the operating lease agreements. The subsidiaries expect to incur the liability upon termination of the lease.

#### **(v) Warranty**

The provision for warranty is based on estimates made from historical warranty data associated with similar projects.

#### **(vi) Claims**

The provision represents the Group's exposure to the obligations arising from contractual and commercial arrangements in a subsidiary's operations, based on the best estimate of the outflow considering both contractual and commercial factors.

### **4f. Explanatory Notes to Balance Sheets**

#### **(i) Group**

##### **Equity**

'Other reserves' decreased due to lower fair value reserve as a result of fair value adjustments for Cosco Corporation (S) Ltd shares held by Sembcorp Marine Ltd as well as hedging instruments. Translation losses arising from the translation of our foreign operations resulted in a lower foreign currency translation reserve due to weakening USD and Sterling. Treasury shares purchased by the Company and a listed subsidiary in 2008 also contributed to the lower 'Other reserves' as at December 31, 2008.

##### **Non-current assets**

The decrease in 'Other financial assets' was mainly due to fair value adjustments for Cosco Corporation (S) Ltd shares held by Sembcorp Marine Ltd. Increase in the long term receivables pertained to the Changi NEWater plant constructed in a service concession arrangement. The Group has recognised the consideration receivable as long term receivables in accordance with INT FRS 112.

##### **Net current assets**

'Trade and other payables' increased due to higher operating activities by Sembcorp Marine group. 'Other payables' increased due to a reclassification from non-current liabilities to current liabilities of our 40% share of the equity bridging loan ("EBL") taken up by an associate, Emirates Sembcorp Water & Power Company ("ESWPC") to be repaid in February 2009. Our Utilities business also recorded lower receivables due to a drop in High Sulphur Fuel Oil ("HSFO") rate. Our Marine business recorded lower 'Inventories and work-in-progress' while 'Excess of progress billings over work-in-progress' and 'Bank balances, fixed deposits and cash' increased mainly due to receipts from customers for both rig building projects in progress and completed projects.

## Notes to Group Balance Sheets (cont'd)

### **4f. Explanatory Notes to Balance Sheets (cont'd)**

#### **(ii) Company**

There are significant changes in 'Property, plant and equipment', 'Intangible assets', 'Trade and other payables', 'Deferred tax liabilities' and 'Other long-term liabilities' of the Company as at December 31, 2008 as compared to December 31, 2007 due to the Company's acquisition of the Sembcorp Utilities & Terminals ("SUT") and Propylene Purification Unit ("PPU") divisions from its wholly-owned subsidiary, Sembcorp Utilities Pte Ltd with effect from January 1, 2008. Following this internal transfer of assets and business, SUT and PPU now operate as divisions of the Company. Interest-bearing borrowings decreased following the maturity of medium-term notes of S\$150 million in June 2008. The Company's negative working capital was mainly due to the internal transfer of current assets and liabilities following the Company's acquisition of the SUT and PPU divisions from its wholly-owned subsidiary, Sembcorp Utilities Pte Ltd and the purchase of treasury shares during the year. Other long-term liabilities relate to loans due to the Group's wholly owned treasury subsidiary, Sembcorp Financial Services Pte Ltd.

## 5. STATEMENTS OF CHANGES IN EQUITY

### 5a. Statements of Changes in Equity for the Group

	Attributable to shareholders of the Company							
	Reserve		Currency		Accumulated	Minority		
	Share	Other	Translation	Profits		Total	Minority	
	Capital	Reserves	Reserve	Profits	Total	Interests	Total Equity	
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
<b>9M08</b>								
At January 1, 2008	551,274	-	676,831	(37,383)	1,842,096	3,032,818	797,211	3,830,029
Translation adjustments	-	-	-	(18,338)	-	(18,338)	5,348	(12,990)
Net fair value changes of available-for-sale financial assets, net of tax	-	-	(239,546)	-	-	(239,546)	(153,458)	(393,004)
Net fair value changes of available-for-sale financial assets transferred to the income statement, net of tax	-	-	(725)	-	-	(725)	-	(725)
Net fair value changes on cash flow hedges, net of tax	-	-	(99,750)	-	-	(99,750)	(19,521)	(119,271)
Share of reserve of associates and joint venture companies	-	-	(16,850)	6,837	-	(10,013)	4,708	(5,305)
Realisation of reserve upon disposal of investments and changes in group structure	-	-	111	122	(116)	117	(11,529)	(11,412)
Net loss recognised directly in equity	-	-	(356,760)	(11,379)	(116)	(368,255)	(174,452)	(542,707)
Profit for the period	-	-	-	-	406,216	406,216	178,229	584,445
Total (loss)/gain recognised for the period	-	-	(356,760)	(11,379)	406,100	37,961	3,777	41,738
Issue of shares under Share Option plan	2,763	-	-	-	-	2,763	-	2,763
Issue of shares to minority shareholders of subsidiaries	-	-	-	-	-	-	10,778	10,778
Share buyback - held as treasury shares	-	(50,825)	-	-	-	(50,825)	-	(50,825)
Treasury shares transferred to employees	-	15,798	(11,322)	-	-	4,476	(214)	4,262
Treasury shares held by subsidiary	-	-	(50,587)	-	-	(50,587)	(32,773)	(83,360)
Share-based payments	-	-	13,893	-	-	13,893	3,630	17,523
Dividend paid	-	-	-	-	(266,890)	(266,890)	(97,839)	(364,729)
At September 30, 2008	554,037	(35,027)	272,055	(48,762)	1,981,306	2,723,609	684,570	3,408,179
<b>4Q08</b>								
Translation adjustments	-	-	-	(72,104)	-	(72,104)	655	(71,449)
Net fair value changes of available-for-sale financial assets, net of tax	-	-	(39,257)	-	-	(39,257)	(20,704)	(59,961)
Net fair value changes of cash flow hedges, net of tax	-	-	(48,681)	-	-	(48,681)	(8,541)	(57,222)
Share of reserve of associates and joint venture companies	-	-	(72,172)	624	-	(71,548)	268	(71,280)
Net fair value changes of cash flow hedges transferred to the income statement	-	-	(1,296)	-	-	(1,296)	-	(1,296)
Realisation of reserve upon disposal of investments and changes in group structure	-	-	270	(1,408)	390	(748)	(1,173)	(1,921)
Net (loss)/gain recognised directly in equity	-	-	(161,136)	(72,888)	390	(233,634)	(29,495)	(263,129)
Profit for the period	-	-	-	-	100,845	100,845	45,704	146,549
Total (loss)/gain recognised for the period	-	-	(161,136)	(72,888)	101,235	(132,789)	16,209	(116,580)
Treasury shares transferred to employees	-	296	(17,368)	-	-	(17,072)	(23)	(17,095)
Treasury shares held by subsidiary	-	-	16,208	-	-	16,208	660	16,868
Share-based payments	-	-	4,241	-	-	4,241	1,373	5,614
Dividend paid	-	-	-	-	-	-	(32,129)	(32,129)
At December 31, 2008	554,037	(34,731)	114,000	(121,650)	2,082,541	2,594,197	670,660	3,264,857
<b>9M07</b>								
At January 1, 2007	525,414	-	488,658	(13,986)	1,813,090	2,813,176	648,186	3,461,362
Translation adjustments	-	-	-	4,721	-	4,721	(1,010)	3,711
Net fair value changes of available for sale financial assets, net of tax	-	-	261,623	-	-	261,623	163,812	425,435
Net fair value changes of cash flow hedges, net of tax	-	-	20,645	-	-	20,645	81	20,726
Share of reserve of associates and joint venture companies	-	-	4,528	1,964	-	6,492	1,230	7,722
Realisation of reserve upon disposal of investments and changes in group structure	-	-	(3,317)	(33)	850	(2,500)	(4,292)	(6,792)
Net gain recognised directly in equity	-	-	283,479	6,652	850	290,981	159,821	450,802
Profit for the period	-	-	-	-	374,413	374,413	115,415	489,828
Total gain recognised for the period	-	-	283,479	6,652	375,263	665,394	275,236	940,630
Issue of shares under Share Option plan	23,595	-	-	-	-	23,595	-	23,595
Issue of shares to minority shareholders of subsidiaries	-	-	-	-	-	-	24,115	24,115
Share-based payments	-	-	13,993	-	-	13,993	4,195	18,188
Dividend paid	-	-	-	-	(498,016)	(498,016)	(96,317)	(594,333)
At September 30, 2007	549,009	-	786,130	(7,334)	1,690,337	3,018,142	855,415	3,873,557
<b>4Q07</b>								
Translation adjustments	-	-	-	(27,781)	-	(27,781)	(4,847)	(32,628)
Net fair value changes of available for sale financial assets, net of tax	-	-	4,063	-	-	4,063	2,485	6,548
Net fair value changes of available for sale financial assets taken to income statement	-	-	(90,652)	-	-	(90,652)	(56,761)	(147,413)
Net fair value changes of cash flow hedges, net of tax	-	-	(1,091)	-	-	(1,091)	(36)	(1,127)
Share of reserve of associates and joint venture companies	-	-	(23,176)	(2,077)	-	(25,253)	(1,246)	(26,499)
Realisation of reserve upon disposal of investments and changes in group structure	-	-	(3,175)	(191)	(45)	(3,411)	(303)	(3,714)
Net (loss)/gain recognised directly in equity	-	-	(114,031)	(30,049)	(45)	(144,125)	(60,708)	(204,833)
Profit for the period	-	-	-	-	151,804	151,804	9,710	161,514
Total (loss)/gain recognised for the period	-	-	(114,031)	(30,049)	151,759	7,679	(50,998)	(43,319)
Issue of shares under Share Option Plan	2,265	-	-	-	-	2,265	-	2,265
Issue of shares to minority shareholders of subsidiaries	-	-	-	-	-	-	2,657	2,657
Share-based payments	-	-	4,732	-	-	4,732	2,031	6,763
Dividend paid	-	-	-	-	-	-	(11,894)	(11,894)
At December 31, 2007	551,274	-	676,831	(37,383)	1,842,096	3,032,818	797,211	3,830,029

## 5b. Statements of Changes in Equity of the Company

	Share Capital	Reserve for own shares	Other Reserves	Accumulated Profits	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>9M08</b>					
At January 1, 2008	551,274	-	23,699	884,427	1,459,400
Profit for the period	-	-	-	252,686	252,686
Total gain recognised for the period	-	-	-	252,686	252,686
Issue of shares under Share Option Plan	2,763	-	-	-	2,763
Share-based payments	-	-	8,548	-	8,548
Share buyback - held as treasury shares	-	(50,825)	-	-	(50,825)
Treasury shares transferred to employees	-	15,798	(11,873)	-	3,925
Dividend paid	-	-	-	(266,890)	(266,890)
At September 30, 2008	554,037	(35,027)	20,374	870,223	1,409,607
<b>4Q08</b>					
Profit for the period	-	-	-	9,231	9,231
Total gain recognised for the period	-	-	-	9,231	9,231
Share-based payments	-	-	2,460	-	2,460
Treasury shares transferred to employees	-	296	(214)	-	82
At December 31, 2008	554,037	(34,731)	22,620	879,454	1,421,380
<b>9M07</b>					
At January 1, 2007	525,414	-	13,793	1,065,803	1,605,010
Profit for the period	-	-	-	258,421	258,421
Total gain recognised for the period	-	-	-	258,421	258,421
Issue of shares under Share Option Plan	23,595	-	-	-	23,595
Share-based payments	-	-	8,224	-	8,224
Dividend paid	-	-	-	(498,016)	(498,016)
At September 30, 2007	549,009	-	22,017	826,208	1,397,234
<b>4Q07</b>					
Profit for the period	-	-	-	58,219	58,219
Total gain recognised for the period	-	-	-	58,219	58,219
Issue of shares under Share Option Plan	2,265	-	-	-	2,265
Share-based payments	-	-	1,682	-	1,682
At December 31, 2007	551,274	-	23,699	884,427	1,459,400

## 6. CONSOLIDATED CASH FLOW STATEMENT

	Note	GROUP		GROUP	
		4Q08 \$'000	4Q07 \$'000	FY08 \$'000	FY07 \$'000
<b>Cash flows from Operating Activities</b>					
Profit for the period / year		146,549	161,514	730,994	651,342
Adjustments for :					
Interest and dividend income		(10,268)	(14,804)	(45,543)	(53,694)
Finance costs		7,585	15,666	44,407	53,925
Depreciation and amortisation		47,352	48,675	195,069	182,859
Share of results of associates and joint ventures		11,675	(42,148)	(126,096)	(157,701)
Profit on sale of property, plant and equipment & investment properties		(245)	(209)	(18,393)	(9,913)
Loss on disposal of investments (net)		39,233	21,454	38,697	19,910
Allowance written back / (made) for doubtful debts and bad debts written off (net)		3,953	(3,271)	1,528	(6,491)
Changes in fair value of financial instruments and hedged items		27,520	1,491	36,668	(922)
Share-based payment expenses		6,060	7,183	31,253	26,237
Allowance made for impairment in value of assets		2,926	2,459	10,883	7,628
Income tax expenses		30,896	46,355	130,951	135,764
Operating profit before working capital changes		313,236	244,365	1,030,418	848,944
Changes in working capital:					
Inventories and work-in-progress		(47,766)	(310,414)	1,114,381	(361,848)
Receivables		708,118	192,037	6,803	(115,102)
Payables		(656,094)	68,719	199,102	550,781
		317,494	194,707	2,350,704	922,775
Net payment to banks for unauthorised transactions		(43,749)	(260,589)	(43,749)	(260,589)
Income tax refund / (paid)		269	17,078	(45,546)	(48,155)
Net cash inflow / (outflow) from operating activities		274,014	(48,804)	2,261,409	614,031
<b>Cash flows from Investing Activities</b>					
Dividend and interest received		61,157	37,820	120,720	98,234
Cash flows on sale of subsidiaries, net of cash disposed	6a	2,343	3,569	2,124	98,385
Proceeds from sale of associates and joint ventures		-	68,851	1,818	69,332
Proceeds from sale of investments		5,528	270,791	8,892	273,895
Proceeds from sale of property, plant and equipment		1,171	1,710	93,279	47,605
Proceeds from sale of investment properties		317	-	317	6,959
Proceeds from sale of asset held for sale		-	-	26,682	11,000
Additional interest in subsidiaries, net of cash acquired		-	(257)	-	(3,457)
Acquisition of subsidiaries, net of cash acquired	6b	-	160	-	160
Acquisition of associates and joint ventures		(815)	(5)	(1,495)	(4,260)
Acquisition of other financial assets		-	(37,908)	-	(46,187)
Purchase of property, plant and equipment		(106,580)	(100,415)	(361,705)	(456,891)
Payment for intangible assets		(6,082)	-	(6,438)	(55)
Net cash (outflow) / inflow from investing activities		(42,961)	244,316	(115,806)	94,720
<b>Cash flows from Financing Activities</b>					
Proceeds from share issue		-	2,265	2,763	25,860
Proceeds from share issue to minority shareholders of subsidiaries		-	2,657	10,778	26,772
Proceeds from ESOS exercised with issue of treasury shares		-	-	3,948	-
Proceeds from ESOS exercised with issue of treasury shares to minority shareholders of subsidiaries		305	-	10,915	-
Purchase of treasury shares		-	-	(50,825)	-
Purchase of treasury shares by subsidiary		-	-	(93,745)	-
Proceeds from borrowings		239,057	200,702	620,126	536,735
Repayment of borrowings		(346,084)	(173,924)	(1,059,198)	(505,466)
Net increase / (decrease) in other long term liabilities		10,837	(5,384)	220	(5,220)
Dividend paid to shareholders of the Company		-	-	(266,890)	(498,016)
Dividends paid to minority shareholders of subsidiaries		(32,129)	(11,894)	(129,968)	(108,211)
Interest paid		(11,455)	(17,135)	(45,335)	(53,482)
Net cash outflow from financing activities		(139,469)	(2,713)	(997,211)	(581,028)
<b>Net increase in cash and cash equivalents</b>		91,584	192,799	1,148,392	127,723
<b>Cash and cash equivalents at beginning of the period / year</b>		2,338,538	1,107,102	1,296,003	1,172,975
Effects of exchange rate changes on balances held in foreign currency		(29,168)	(3,898)	(43,441)	(4,695)
<b>Cash and cash equivalents at end of the period / year</b>	6c	2,400,954	1,296,003	2,400,954	1,296,003



## 6. CONSOLIDATED CASH FLOW STATEMENT (cont'd)

### 6a. Cash flows on sale of subsidiaries, net of cash disposed

The fair values of net assets and liabilities of subsidiaries sold during the period / year were as follows:

	Group		Group	
	4Q08 \$'000	4Q07 \$'000	FY08 \$'000	FY07 \$'000
Non-current assets	-	2,613	22,067	104,928
Net current assets / (liabilities)	691	3,710	(9,650)	3,791
Non-current liabilities	-	(5,540)	(2,044)	(5,761)
Minority Interest	(691)	-	(8,257)	(1,824)
Profit / (loss) on disposal	-	4,660	(597)	5,284
Currency translation reserve	-	(309)	824	(1,113)
Total cash consideration	-	5,134	2,343	105,305
Add: consideration received	2,343	-	-	-
Less: Cash & bank balances of subsidiaries disposed	-	(1,761)	(219)	(7,693)
Add: Overdraft of subsidiaries disposed	-	196	-	773
Cash flows on sale of subsidiaries, net of cash disposed	<u>2,343</u>	<u>3,569</u>	<u>2,124</u>	<u>98,385</u>

### 6b. Acquisition of subsidiaries, net of cash acquired

The fair values of net assets and liabilities of subsidiaries acquired were as follows:

	Group		Group	
	4Q08 \$'000	4Q07 \$'000	FY08 \$'000	FY07 \$'000
Non-current assets	-	17	-	17
Net current assets	-	484	-	484
Minority interests	-	(150)	-	(150)
Total consideration payable	-	351	-	351
Net cash at bank of subsidiaries acquired	-	(511)	-	(511)
Cash inflow on acquisitions	-	(160)	-	(160)

### 6c. Cash and cash equivalents

Cash and cash equivalents in the consolidated cashflow statement comprise the following balance sheet amounts:

	Group	
	As at 31/12/2008 \$'000	As at 31/12/2007 \$'000
Bank balances, fixed deposits and cash	2,400,954	1,296,892
Bank overdrafts	-	(889)
	<u>2,400,954</u>	<u>1,296,003</u>

## **6. CONSOLIDATED CASH FLOW STATEMENT (cont'd)**

### **6d. Explanatory Notes to Consolidated Cash Flow Statement**

Net cash inflow from operating activities for FY08 was \$2.3 billion as compared to a net cash inflow of \$614.0 million for the corresponding period in the previous year. The strong operating cash flow was mainly contributed by our Marine business and our Singapore and UK operations in Utilities.

Net cash outflow from investing activities for FY08 was \$115.8 million. Spending of \$361.7 million on expansion and operational capex were partially offset by proceeds from sale of property, plant and equipment, subsidiaries, associates and other investments of \$133.1 million and dividends and interest received of \$120.7 million.

Net cash outflow from financing activities for FY08 of \$1.0 billion relates mainly to dividends and interest paid as well as net repayment of borrowings.

## **7. AUDIT**

These figures have not been audited or reviewed. However, our auditors have performed certain procedures and enquiries. The audit is in progress and has not yet been completed.

## **8. AUDITORS' REPORT**

Not applicable.

## **9. ACCOUNTING POLICIES**

Except as disclosed in paragraph 10 below, the Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period compared with the audited financial statements as at December 31, 2007.

## **10. CHANGES IN ACCOUNTING POLICIES**

With effect from January 1, 2008, the Group adopted the following new or amended FRS and Interpretations to FRS ("INT FRS") which are relevant to the Group's operations:

INT FRS 111	FRS 102 – Group and Treasury Share Transactions
INT FRS 114	FRS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the above INT FRS did not result in substantial changes to the Group's accounting policies.

## 11. REVIEW OF GROUP PERFORMANCE

### Group Overview

The Group achieved a record turnover of \$9.9 billion for FY08. Notwithstanding the challenging market conditions, the Group's profit attributable to shareholders of the Company ("PATMI") before exceptional items for FY08 was \$534.0 million compared to \$557.2 million for FY07.

The Group's share of exceptional losses recognised by Marine relating to settlement of unauthorised forex transactions amounted to \$26.9 million for FY08.

The Group generated strong Economic Value Added ("EVA") of \$510.7 million for FY08 (FY07: \$417.1 million).

### Turnover

	<u>4Q08</u>	<u>4Q07</u>	<u>Growth</u>		<u>FY08</u>	<u>FY07</u>	<u>Growth</u>	
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>%</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>%</u>
Utilities	984,558	1,105,349	(120,791)	(11)	4,477,509	3,736,082	741,427	20
Marine	1,617,375	1,336,130	281,245	21	5,061,032	4,511,582	549,450	12
Environment	51,634	54,178	(2,544)	(5)	213,762	205,074	8,688	4
Industrial Parks	3,443	4,233	(790)	(19)	16,233	23,335	(7,102)	(30)
Others / Corporate	36,625	27,360	9,265	34	159,877	142,705	17,172	12
	<u>2,693,635</u>	<u>2,527,250</u>	<u>166,385</u>	<u>7</u>	<u>9,928,413</u>	<u>8,618,778</u>	<u>1,309,635</u>	<u>15</u>

Utilities' turnover increased by 20% to \$4.5 billion in FY08. The increase in turnover was fuelled by higher High Sulphur Fuel Oil ("HSFO") prices offset by the expiry of a favourable supply contract in the UK and depreciation of the Sterling which resulted in lower turnover in Singapore dollar terms. Utilities' turnover in 4Q08 was 11% lower than 4Q07 due to lower HSFO prices. Certain underbillings relating to prior years had been noted between two subsidiaries. Investigations on this matter are currently in progress. No material impact on the Group turnover and PATMI is expected to arise from this.

Turnover for Marine increased by 21% to \$1.6 billion in 4Q08 due to higher percentage of completion achieved in rig building. Its turnover increased by 12% to \$5.1 billion in FY08 due to higher percentage of completion achieved in rig building, offshore, conversion projects and higher repair sales.

Compared to the previous year, Environment's turnover in FY08 posted a 4% increase to \$213.8 million, mainly due to higher turnover in its Paper Recycling division. However, turnover in 4Q08 dropped by 5% compared to 4Q07 due to lower selling price of recyclables.

Decrease in turnover for Industrial Parks for FY08 was mainly due to the divestment of Wuxi Garden City Mall in May 2007.

Turnover of Others/Corporate are mainly contributed by subsidiaries dealing in specialised construction activities and minting.

## 11. REVIEW OF GROUP PERFORMANCE (cont'd)

### Profit attributable to shareholders of the Company ("PATMI")

PATMI	4Q08	4Q07	Growth		FY08	FY07	Growth	
	\$'000	\$'000	\$'000	%	\$'000	\$'000	\$'000	%
Utilities	29,952	50,797	(20,845)	(41)	200,312	230,227	(29,915)	(13)
Marine	70,086	70,606	(520)	(1)	290,619	220,078	70,541	32
Environment	2,227	6,488	(4,261)	(66)	2,131	13,645	(11,514)	(84)
Industrial Parks	10,433	6,509	3,924	60	31,549	34,011	(2,462)	(7)
Others / Corporate	15,075	48,426	(33,351)	(69)	9,378	59,278	(49,900)	(84)
<b>PATMI before exceptional items</b>	<b>127,773</b>	<b>182,826</b>	<b>(55,053)</b>	<b>(30)</b>	<b>533,989</b>	<b>557,239</b>	<b>(23,250)</b>	<b>(4)</b>
Exceptional items (EI)	(26,928)	(31,022)	4,094	13	(26,928)	(31,022)	4,094	13
<b>PATMI</b>	<b>100,845</b>	<b>151,804</b>	<b>(50,959)</b>	<b>(34)</b>	<b>507,061</b>	<b>526,217</b>	<b>(19,156)</b>	<b>(4)</b>

Utilities recorded lower PATMI in 4Q08 and FY08 mainly due to lower contributions from UK operations, which was impacted by lower profit margins and depreciation of Sterling which further eroded its contribution in Singapore dollar terms. Utilities' operations in Singapore also recorded lower PATMI in 4Q08 due to higher business development expenses. In 2007, a commercial settlement received from a supplier of our Cogen plant in Singapore and a gain on the sale of land in the UK were recognised.

Increase in the Group's share of Marine's FY08 PATMI was due to higher operating margins from rig building and ship repair businesses partially offset by lower share of results from Cosco Shipyard Group.

Environment's PATMI decreased in both 4Q08 and FY08 mainly due to higher operational costs and lower recyclables. FY08 PATMI was also impacted by the impairment of part of its plant and machinery. A write-back on the disposal of a subsidiary amounting to \$4.3m contributed to the higher PATMI in 4Q07 and FY07.

Industrial Park's PATMI increased by 60% in 4Q08 mainly due to higher contribution from the industrial park in Vietnam and gain on disposal of an overseas investment. The decrease in Industrial Park's FY08 PATMI was mainly due to associate Gallant Venture's lower profit contribution. A gain on disposal of Gallant Venture shares by Parks was reported as "Exceptional Items" in FY07.

The decrease in Others / Corporate PATMI was mainly due to weak performance by an offshore engineering associate in China. In FY07, there was a write-back of \$48.0 million of tax provision made in prior years for the gains on divestment of an investment, following the favourable tax ruling by the Inland Revenue Authority of Singapore.

The exceptional item in FY08 relates to Marine's unauthorised forex transactions, whilst for FY07 the loss on Marine's unauthorised forex transactions were partially offset by gain from sale of investments. Going forward Marine intends to recover the S\$289.9 million paid to Societe Generale ("SG") in 2007 as Marine's position is that the underlying transactions with SG are not valid and binding. If Marine succeeds in doing so, there will be an inflow of funds to be recognised in the financial statements at that relevant point in time.

## 12. VARIANCE FROM PROSPECT STATEMENT

There has been no significant variance in the operating performance of the Group as compared to previous statements.

### 13. SUBSEQUENT EVENTS

- (a) In February 2009, the Group repaid US\$88 million, which is the Group's proportionate 40% share of the US\$220 million equity bridging loan ("EBL") taken by Emirates Sembcorp Water & Power Company ("ESWPC"). The US\$88 million repayment represented an injection of approximately US\$44 million as equity interest into ESWPC and the remaining as a shareholder's loan to ESWPC.
- (b) Our subsidiary, Sembcorp Marine Ltd ("SCM") acquired an additional 30% equity interest in JPL Corporation ("JPLC") from its minority shareholders for a consideration of \$13,428,000. With the completion, JPLC will become a wholly-owned subsidiary of SCM.

### 14. PROSPECTS

#### Utilities

As a result of the global economic slowdown and the downturn in the petrochemical and chemical sector, our Utilities business will face challenges in 2009. Further, our UK business will also see the full-year impact of the expiry of favourable supply contracts in 2008.

#### Marine

With Marine's net order book of S\$9.0 billion, comprising rig building, ship conversion and offshore projects, of which S\$5.7 billion were secured in FY 2008, the Group's shipyards will be busy with a sufficient base-load. For ship repair, strategic alliances and partnerships with long-term customers should provide a stable base load and cushion Marine from the impact arising from the current financial turmoil. Market for the large FPSO (floating production storage offloading) units and production platforms is expected to remain strong based on owners' long-term commercial viability of the projects.

With Marine's strong net cash and balance sheet position, Marine is well positioned to ride out the challenges of the year ahead.

#### Environment

The performance of our Environment business in 2009 is expected to be better than that of 2008.

#### Industrial Parks

Industrial Parks business' performance in 2009 is expected to be affected by the global economic slowdown and resultant weak investor sentiment.

#### Sembcorp Group

The global economic and financial environment is expected to remain very challenging for the rest of the year.

Contribution of our overseas companies may be affected by currency movements, when their profits are translated into Singapore dollars.

However, with a focus on cost management, productivity improvements and operational excellence, Sembcorp remains committed to proactive and prudent management of its existing businesses, and should be able to weather the difficult times ahead.

Backed by healthy operating cash flows and a sound balance sheet, Sembcorp is also well-placed to capitalise on opportunities that may arise.

*This release contains forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, exchange rate movement, availability and cost of fuel and materials, cost of capital and capital availability, competition from other companies, shifts in customer demands, customers and partners, changes in operating expenses, including employee wages, benefits and training, governmental and public policy, directives and changes. You are cautioned not to place undue reliance on these forward-looking statements, which are based on current view of the management on future events and impact on the Group.*

15. **DIVIDEND**

**(a) Current Financial Year Reported On**

	<b>Proposed 2008 Final Ordinary Exempt-1-Tier</b>	<b>2008 Total</b>
Name of Dividend		
Dividend Type	Cash	Cash
Dividend Amount (cents per shares)	11.0	11.0

**(b) Corresponding Year of the Immediately Preceding Financial Year**

	<b>2007 Final Ordinary Exempt-1-Tier</b>	<b>2007 Total</b>
Name of Dividend		
Dividend Type	Cash	Cash
Dividend Amount (cents per shares)	15.0	15.0

**(c) Date payable**

The proposed final tax exempt 1-Tier dividend of 11.0 cents per ordinary share, if approved at the AGM to be held on April 20, 2009, will be paid on May 8, 2009.

**(d) Books closure date**

Notice is hereby given that the Register of Members and Share Transfer Books of the Company will be closed on April 27, 2009. Duly completed transfers of shares received by the Company's Share Registrar, M&C Services Private Limited at 138 Robinson Road #17-00 The Corporate Office, Singapore 068906, up to 5.00 p.m. on April 24, 2009 will be registered to determine shareholders' entitlements to the proposed dividend.

**(e) Total Annual Dividend and Capital Distribution (in dollar value)**

	<b>FY08 \$'000</b>	<b>FY07 \$'000</b>
Ordinary final dividend*	195,467	266,890
Total	195,467	266,890

\*FY08 final dividend is estimated based on the share capital of 1,776,973,673 at the end of the financial year.

## 16. SEGMENTAL REPORTING

### FY08

#### (i) Business segments

	Utilities	Marine	Environment	Industrial Parks	Others/ Corporate	Elimination	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Turnover</b>							
External sales	4,477,509	5,061,032	213,762	16,233	159,877	-	9,928,413
Inter-segment sales	38,912	2,916	3,038	2,618	26,177	(73,661)	-
<b>Total</b>	<b>4,516,421</b>	<b>5,063,948</b>	<b>216,800</b>	<b>18,851</b>	<b>186,054</b>	<b>(73,661)</b>	<b>9,928,413</b>
<b>Results</b>							
Segment results	289,866	467,031	(9,819)	7,575	(10,169)	-	744,484
Interest income	10,263	25,130	221	1,329	28,670	(29,841)	35,772
Interest expense	(40,725)	(11,370)	(2,366)	609	(20,396)	29,841	(44,407)
	<b>259,404</b>	<b>480,791</b>	<b>(11,964)</b>	<b>9,513</b>	<b>(1,895)</b>	-	<b>735,849</b>
Share of results of associates	568	55,304	16,590	8,410	-	-	80,872
Share of results of joint ventures	15,920	8,174	-	18,753	2,377	-	45,224
	<b>275,892</b>	<b>544,269</b>	<b>4,626</b>	<b>36,676</b>	<b>482</b>	-	<b>861,945</b>
Income tax expense	(46,655)	(91,937)	(877)	(460)	8,978	-	(130,951)
Minority interest	(28,925)	(188,641)	(1,618)	(4,667)	(82)	-	(223,933)
<b>Net profit for the year</b>	<b>200,312</b>	<b>263,691</b>	<b>2,131</b>	<b>31,549</b>	<b>9,378</b>	-	<b>507,061</b>
Comprising:							
Net profit before exceptional items	200,312	290,619	2,131	31,549	9,378	-	533,989
Exceptional items	-	(26,928)	-	-	-	-	(26,928)
	<b>200,312</b>	<b>263,691</b>	<b>2,131</b>	<b>31,549</b>	<b>9,378</b>	-	<b>507,061</b>

#### Assets

Segment assets	2,865,194	4,331,584	162,884	195,780	941,664	(1,170,313)	7,326,793
Investment in associates	5	249,086	43,139	272,158	-	-	564,388
Investment in joint ventures	110,387	36,409	1,097	74,854	58,069	-	280,816
Tax assets	24,504	14,129	4,730	14,809	236,941	-	295,113
<b>Total assets</b>	<b>3,000,090</b>	<b>4,631,208</b>	<b>211,850</b>	<b>557,601</b>	<b>1,236,674</b>	<b>(1,170,313)</b>	<b>8,467,110</b>

#### Liabilities

Segment liabilities	1,824,956	3,018,813	80,586	33,641	892,728	(1,170,313)	4,680,411
Tax liabilities	218,466	232,510	6,880	14,537	49,449	-	521,842
<b>Total liabilities</b>	<b>2,043,422</b>	<b>3,251,323</b>	<b>87,466</b>	<b>48,178</b>	<b>942,177</b>	<b>(1,170,313)</b>	<b>5,202,253</b>

#### Capital expenditure

	251,870	104,097	7,345	849	3,982	-	<b>368,143</b>
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#### Significant non-cash items

Depreciation and amortisation	106,742	71,578	9,554	1,962	5,233	-	<b>195,069</b>
Other non-cash items (including provisions, loss on disposal and exchange differences)	8,158	97,531	462	4,681	793	-	<b>111,625</b>

#### (ii) Geographical segments

	Revenue		Segment Assets		Total Assets		Capital Expenditure	
	\$'000	%	\$'000	%	\$'000	%	\$'000	%
Singapore	5,415,489	55	6,335,017	86	6,843,700	81	187,166	51
Rest of Asia	1,691,070	17	338,649	5	959,358	11	118,328	32
Europe	2,194,717	22	622,713	9	633,638	8	62,465	17
Others	627,137	6	30,414	0	30,414	0	184	0
<b>Total</b>	<b>9,928,413</b>	<b>100</b>	<b>7,326,793</b>	<b>100</b>	<b>8,467,110</b>	<b>100</b>	<b>368,143</b>	<b>100</b>

## 16. SEGMENTAL REPORTING (cont'd)

### FY07

#### (i) Business segments

	Utilities	Marine	Enviro	Parks	Others / Corporate	Elimi- nation	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Turnover</b>							
External sales	3,736,082	4,511,582	205,074	23,335	142,705	-	8,618,778
Inter-segment sales	29,506	1,541	2,415	2,502	4,522	(40,486)	-
<b>Total</b>	<b>3,765,588</b>	<b>4,513,123</b>	<b>207,489</b>	<b>25,837</b>	<b>147,227</b>	<b>(40,486)</b>	<b>8,618,778</b>
<b>Results</b>							
Segment results	302,056	277,002	1,680	55,418	4,970	-	641,126
Interest income	16,901	21,486	725	3,349	28,134	(23,886)	46,709
Interest expense	(40,940)	(13,692)	(2,275)	-	(20,904)	23,886	(53,925)
	<b>278,017</b>	<b>284,796</b>	<b>130</b>	<b>58,767</b>	<b>12,200</b>	<b>-</b>	<b>633,910</b>
Share of results of associates	2,289	68,133	16,946	9,485	-	-	96,853
Share of results of joint ventures	23,980	5,515	(1,868)	19,631	9,085	-	56,343
	<b>304,286</b>	<b>358,444</b>	<b>15,208</b>	<b>87,883</b>	<b>21,285</b>	<b>-</b>	<b>787,106</b>
Income tax expense	(59,160)	(103,929)	(1,199)	(10,124)	38,648	-	(135,764)
Minority interest	(14,899)	(104,152)	(364)	(5,055)	(655)	-	(125,125)
<b>Net profit for the year</b>	<b>230,227</b>	<b>150,363</b>	<b>13,645</b>	<b>72,704</b>	<b>59,278</b>	<b>-</b>	<b>526,217</b>
Comprising:							
Net profit before exceptional items	230,227	220,078	13,645	34,011	59,278	-	557,239
Exceptional items	-	(69,715)	-	38,693	-	-	(31,022)
	<b>230,227</b>	<b>150,363</b>	<b>13,645</b>	<b>72,704</b>	<b>59,278</b>	<b>-</b>	<b>526,217</b>
<b>Assets</b>							
Segment assets	2,952,750	4,250,332	211,662	201,623	695,349	(641,074)	7,670,642
Investment in associates	5	193,368	54,929	267,185	-	-	515,487
Investment in joint ventures	119,817	28,020	1,097	69,528	51,927	-	270,389
Tax assets	36,544	5,086	3,468	13,453	194,263	-	252,814
<b>Total assets</b>	<b>3,109,116</b>	<b>4,476,806</b>	<b>271,156</b>	<b>551,789</b>	<b>941,539</b>	<b>(641,074)</b>	<b>8,709,332</b>
<b>Liabilities</b>							
Segment liabilities	1,714,207	2,469,233	124,765	36,521	620,979	(641,074)	4,324,631
Tax liabilities	243,449	287,809	4,910	17,802	702	-	554,672
<b>Total liabilities</b>	<b>1,957,656</b>	<b>2,757,042</b>	<b>129,675</b>	<b>54,323</b>	<b>621,681</b>	<b>(641,074)</b>	<b>4,879,303</b>
<b>Capital expenditure</b>	<b>324,125</b>	<b>106,764</b>	<b>25,434</b>	<b>185</b>	<b>3,142</b>	<b>-</b>	<b>459,650</b>
<b>Significant non-cash items</b>							
Depreciation and amortisation	102,672	64,441	7,291	2,800	5,655	-	182,859
Other non-cash items (including provisions, loss on disposal and exchange differences)	5,591	10,293	1,052	8,380	3,037	-	28,353

#### (ii) Geographical segments

	Revenue		Segment Assets		Total Assets		Capital Expenditure	
	\$'000	%	\$'000	%	\$'000	%	\$'000	%
Singapore	4,176,229	49	6,411,462	83	6,878,175	79	245,588	53
Rest of Asia	1,139,538	13	297,798	4	849,204	10	63,698	14
Europe	3,019,328	35	910,273	12	928,626	10	149,937	33
Others	283,683	3	51,109	1	53,327	1	427	0
<b>Total</b>	<b>8,618,778</b>	<b>100</b>	<b>7,670,642</b>	<b>100</b>	<b>8,709,332</b>	<b>100</b>	<b>459,650</b>	<b>100</b>



## **16. SEGMENTAL REPORTING (cont'd)**

### **Notes to Segmental Analysis**

#### **16a. Business Segments**

The Group comprises the following main business segments:

The Utilities segment's principal activities are in provision of energy, water and centralised utilities. It offers industrial utilities and services such as energy, steam, industrial water and wastewater treatment to energy intensive users. It operates in Singapore, United Kingdom, Vietnam, China and the United Arab Emirates.

The Marine segment focuses on repair, building and conversion of ships and rigs, and on offshore engineering.

The Environment segment provides integrated waste management services and undertakes waste-to-resource businesses in the Asia Pacific region.

The Industrial Parks segment owns, develops markets and manages industrial parks and townships in Asia.

The Others/Corporate segment comprises businesses relating to minting, design and construction activities, as well as the in-house financing and treasury unit, captive insurance company and other businesses.

#### **16b. Geographical Segments**

The Group operates in three principal geographical areas, Singapore, Europe and Rest of Asia. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and total assets are based on the geographical location of the assets

#### **16c. Review of segment performance**

Please refer to Paragraph 11 for analysis by business segments.

17. Quarterly Analysis

	1Q 2008	2Q 2008	3Q 2008	4Q 2008	FY 2008	1Q 2007	2Q 2007	3Q 2007	4Q 2007	FY 2007
	\$'mil	\$'mil	\$'mil	\$'mil	\$'mil	\$'mil	\$'mil	\$'mil	\$'mil	\$'mil
<b>Turnover</b>										
Utilities	1,123	1,104	1,266	985	4,478	781	873	977	1,105	3,736
Marine	915	1,385	1,144	1,617	5,061	954	1,051	1,171	1,336	4,512
Environment	53	54	55	52	214	48	52	50	55	205
Industrial Parks	4	4	6	3	17	9	6	4	4	23
Others / Corporate	58	32	31	37	158	56	22	38	27	143
	<b>2,153</b>	<b>2,579</b>	<b>2,502</b>	<b>2,694</b>	<b>9,928</b>	<b>1,848</b>	<b>2,004</b>	<b>2,240</b>	<b>2,527</b>	<b>8,619</b>
<b>Profit attributable to Shareholders of the Company</b>										
Utilities	61	43	66	30	200	66	63	50	51	230
Marine	56	79	86	70	291	46	52	51	71	220
Environment	1	3	(4)	2	2	4	4	(0)	6	14
Industrial Parks	6	8	7	11	32	8	8	12	6	34
Others / Corporate	(1)	5	(10)	15	9	5	3	3	48	59
<b>PATMI before exceptional items</b>	<b>123</b>	<b>138</b>	<b>145</b>	<b>128</b>	<b>534</b>	<b>129</b>	<b>130</b>	<b>116</b>	<b>182</b>	<b>557</b>
Exceptional items (EI)	-	-	-	(27)	(27)	-	-	-	(31)	(31)
<b>PATMI</b>	<b>123</b>	<b>138</b>	<b>145</b>	<b>101</b>	<b>507</b>	<b>129</b>	<b>130</b>	<b>116</b>	<b>151</b>	<b>526</b>

## 18. INTERESTED PERSON TRANSACTIONS

**Aggregate value of all interested person transactions conducted under a shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual (excluding transactions less than \$100,000)**

	<b>4Q08 \$'000</b>	<b>FY08 \$'000</b>
<b>Sale of Goods and Services</b>		
Temasek Holdings (Private) Limited and its Associates		
- Tuas Power Ltd/PowerSeraya Limited <sup>1</sup>	3,616	200,333
- Temasek Capital (Private) Limited and its Associates	249	20,895
- MediaCorp Pte Ltd and its Associates	1,194	5,432
- PSA International Pte Ltd and its Associates	12,707	50,061
- National University Hospital (S) Pte Ltd and its Associates	47	211
- Singapore Power Ltd and its Associates	574	574
- Certis Cisco Security Pte Ltd	500	1,832
- Wildlife Reserves Singapore Pte Ltd and its Associates	255	530
- Singapore Technologies Telemedia Pte Ltd and its Associates	362	877
- Senoko Power Ltd	0	849
- Mapletree Investments Pte Ltd and its Associates	2,675	6,148
	<u>22,179</u>	<u>287,742</u>
Starhub Ltd and its Associates	2,610	8,900
Singapore Airlines Limited and its Associates	6,076	7,660
SNP Corporation Ltd and its Associates	0	492
Singapore Food Industries Ltd and its Associates	55	233
Singapore Telecommunications Ltd and its Associates	363	363
SMRT Corporation Ltd and its Associates	418	418
	<u>31,701</u>	<u>305,808</u>
<b>Purchases of Goods and Services</b>		
Temasek Holdings (Private) Limited and its Associates		
- Temasek Capital (Private) Limited and its Associates <sup>2</sup>	165,192	822,952
- Singapore Power Ltd and its Associates	4,349	6,596
	<u>169,541</u>	<u>829,548</u>
Singapore Technologies Engineering Ltd and its Associates	0	8,578
CapitaLand Ltd and its Associates	237	415
Surbana Corporation Pte Ltd and its Associates	0	222
	<u>169,778</u>	<u>838,763</u>
<b>Total Interested Person Transactions</b>	<u><b>201,479</b></u>	<u><b>1,144,571</b></u>

### Note

<sup>1</sup> This relates mainly to the sale of gas by Sembcorp Gas Pte Ltd to Tuas Power Ltd and PowerSeraya Limited for the generation of electricity.

<sup>2</sup> This relates mainly to the purchase of gas by Sembcorp Cogen Pte Ltd from Sembcorp Gas Pte Ltd for the generation of electricity.

There was no transaction which was not conducted under the shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual during the period January 1, 2008 to December 31, 2008.

**BY ORDER OF THE BOARD**

**Kwong Sook May (Ms)**  
**Company Secretary**  
**26 February, 2009**