



Growth & Income:



Company Profile

SJI is an energy services holding company with utility and non-utility operations:

- **UTILITY** — South Jersey Gas is a local natural gas distribution company servicing the seven southernmost counties of New Jersey. SJG's service territory includes the Atlantic City area, and the suburbs of Philadelphia, PA and Wilmington, DE.
- **NON-UTILITY** — Through several different subsidiaries and joint ventures, SJI markets total energy services including: natural gas; electricity; energy management; appliance services; plumbing service; installation of HVAC and solar systems and consulting services throughout the mid-Atlantic region. SJI also develops and operates on-site energy production facilities for commercial, industrial and municipal customers.

Investment Highlights

- Produced record earnings on both a GAAP and an Economic Earnings basis:
 - ◆ GAAP Earnings: \$2.59 per share for 2008 compared with \$2.12 per share in 2007.
 - ◆ Economic Earnings: \$2.27 per share for 2008 compared with \$2.09 per share in 2007.
- Increased the dividend by over 10%. Dividend has increased annually for 10 consecutive years.
- Combined with dividends paid in 2008, shareholders received a total return on investment of almost 14%.
- Investors realized an 18% annualized total return for the 5-year period ended December 31, 2008.
- Standard & Poors rate SJG's senior secured debt as "A"
- Moody's Investor Service currently rates SJG's senior secured debt as "A3" with a positive outlook. Moody's raised the rating for SJG from "Baal" in February, 2009.

Share Data

FYE 12/31	2008	2007
Price (\$)	39.85	36.09
Book Value (\$)	17.33	16.25
Market Price/Book (%)	230	222
Earnings Per Share (\$) (Continuing Operations)		
GAAP	2.59	2.12
Economic Earnings	2.27	2.09
Annual Dividend Rate per Share @ FYE (\$)	1.19	1.08
Dividend Payout Ratio from Continuing Operations (%)		
GAAP	43	47
Economic Earnings	49	48
Avg. Shares Outstanding (Millions)	29.73	29.48
Price/Earnings Ratio (x) (Continuing Operations)		
GAAP	15.4	17.0
Economic Earnings	17.6	17.3
Dividend Yield (%)	2.8	2.8
Market Cap. (\$ Millions)	1.185	1.069

Analyst Coverage

Brean Murray, Carret & Co.
 Hilliard Lyons
 Shields & Company
 Sidoti & Company LLC
 Value Line
 Wachovia Securities

- ★ Corporate Office -
 - South Jersey Industries
 - South Jersey Gas
 - South Jersey Energy Solutions
 - South Jersey Energy
 - South Jersey Resources
 - Marina Energy
 - South Jersey Energy Service Plus

□ SJG Service Area



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2008 Highlights

SJI's Corporate Goals & Strategy

- Goal: Consistent, sustainable earnings growth – average annual Economic EPS growth from continuing operations of at least 6% - 7%.
- Goal: Grow annual dividend by at least 6% - 7%.
- Goal: Maintain an average equity-to-capitalization ratio of at least 50% on an annualized basis.
- Strategy: To deliver complementary energy-related products and services, within acceptable risk parameters, where we have a competitive advantage.

South Jersey Industries

- Produced strong GAAP earnings, and record earnings on an Economic Earnings basis. (See attached explanation and financial reconciliation).
 - ◆ GAAP income from continuing operations for 2008 was \$77.2 million or \$2.59 per share.
 - ◆ Economic Earnings income from continuing operations for 2008 was \$67.9 million or \$2.27 per share.
- Annual dividend increased by \$0.11 to \$1.19 per share. This represented a 10% dividend increase. Raised dividend by \$0.29 over the last 3 years.
- 2008 year-end dividend payout ratio was 48.8% on an Economic Earnings basis.
- Maintained strong balance sheet; equity-to-capitalization ratio, inclusive of short-term debt, was 47.4% at December 31, 2008, and averaged 51.3% for the full year.

Utility Operations

- Produced record net income of \$39.4 million in 2008, up 4% from \$38.0 million in 2007.
- Added 4,473 new customers, for a 1.3% increase. SJG's five year average for annual customer growth is 2.3%. Natural gas remains the fuel of choice within our service territory; interest in converting from other fuel types to natural gas remains high.
- The Conservation Incentive Program (CIP) tariff that supports our utility's advocacy of energy conservation without negatively impacting profitability, protected \$10.8 million of SJG's 2008 net income. Since its inception in October, 2006, our customers have saved over \$50 million.

Capitalization

\$ in millions FYE 12/31	2008	%	2007	%
Debt	\$ 571	52.6%	\$ 476	49.7%
Common Equity	\$ 515	47.4%	\$ 481	50.3%
Total	\$ 1,086	100%	\$ 957	100%
Total Assets	\$ 1,793		\$ 1,529	
Return on Avg. Common Equity	14%		13%	

Non-Utility Operations

- Non-utility operations produced net income of \$37.8 million for the 12 months ending December 31, 2008, compared with \$24.6 million in 2007. On an Economic Earnings basis, non-utility net income increased to \$28.5 million compared with \$23.7 million for 2007. Economic Earnings for 2008 benefited primarily from the strong performance posted by the wholesale segment of SJI's asset management and marketing business.
- Asset management and marketing increased Economic Earnings in 2008 to \$21.6 million from \$18.9 million in 2007. An increase in gas storage capacity (from 10.0 Bcf in 2007 to 12.2 Bcf by the end of 2008) and building upon initial margins on our storage transactions by taking advantage of favorable market conditions drove these results.
- Entered into an agreement for the development of our interest in the Marcellus Shale. In addition to a \$7.5 million upfront payment, we are eligible to receive royalty and working interest payments based on production.
- Marina Energy contributed \$5.0 million to SJI's bottom line. Marina's full year 2008 performance reflected improved operating performance and a full year of serving Borgata's Water Club tower.
- Looking to other energy project opportunities, SJI's fourth landfill gas-to-electricity project, a joint-venture to develop a two megawatt facility for Salem County, NJ, was put into operation in December 2008. Work is progressing on a multi-million dollar solar project for an educational facility, which began the first phase of operations in January 2009. We continue to pursue energy project opportunities similar to these, as well as other combined heat and power (CHP or cogeneration) projects inline with the recently announced New Jersey Energy Master Plan and energy initiatives at the Federal level.

Operating Statistics

\$ in millions FYE 12/31	2008	2007
Operating Revenues		
Utility	\$ 560	\$ 611
Non-Utility	\$ 402	\$ 345
Total	\$ 962	\$ 956
Operating Income	\$ 154	\$ 130
GAAP: Income from		
Continuing Operations	\$ 77	\$ 63
Economic Earnings: Income from Continuing Operations	\$ 68	\$ 62
Fixed Charges Ratio	6.0x	4.8x
Degree Days (Annual)		
Actual	4,417	4,488
Normal	4,637	4,637
Total Utility Customers (000's)	341	336

Explanation and Reconciliation of Non-GAAP Financial Measures:

This fact sheet includes the non-generally accepted accounting principles (“non-GAAP”) financial measures of Economic Earnings, Economic Earnings per share, Non-Utility Economic Earnings, Asset Management & Marketing Economic Earnings, and On-site Energy Production Economic Earnings. The accompanying schedule provides a reconciliation of these non-GAAP financial measures to the most directly comparable financial measures calculated and presented in accordance with United States generally accepted accounting principles (“GAAP”). The non-GAAP financial measures should not be considered as an alternative to GAAP measures, such as net income, operating income, earnings per share from continuing operations or any other GAAP measure of liquidity or financial performance.

We define Economic Earnings as: Income from continuing operations, (1) less the change in unrealized gains and plus the change in unrealized losses, as applicable and in each case after tax, on all commodity derivative transactions and the ineffective portion of interest rate derivative transactions that we are marking to market, and (2) adjusting for realized gains and losses, as applicable and in each case after tax, on all hedges attributed to inventory transactions to align them with the related cost of inventory in the period of withdrawal. Economic Earnings is a significant performance metric used by our management to indicate the amount and timing of income from continuing operations that we expect to earn related to derivative transactions. Specifically, we believe that this financial measure indicates to investors the profitability of all portions of these transactions and not just the portion that is subject to mark-to-market valuation measurement. Considering only one side of the transaction can produce a false sense as to the profitability of our derivative activities, as no change in value is reflected for the non-derivative portion of the transaction.

The following table presents a reconciliation of our income from continuing operations and earnings per share from continuing operations to Economic Earnings and Economic Earnings per share:

	Twelve Months Ended December 31,	
	2008	2007
	<i>(in thousands)</i>	
Income		
from Continuing Operations	\$ 77,178	\$ 62,659
Minus/Plus:		
Unrealized Mark-to-Market (Gains)/Losses on Derivatives	(3,774)	(2,141)
Realized (Gains)/Losses on Inventory Injection Hedges	<u>(5,528)</u>	<u>1,289</u>
Economic Earnings	<u>\$ 67,876</u>	<u>\$ 61,807</u>
Earnings Per Share		
from Continuing Operations	\$ 2.59	\$ 2.12
Minus/Plus:		
Unrealized Mark-to-Market (Gains)/Losses per share on Derivatives	(0.13)	(0.07)
Realized (Gains)/Losses on Inventory Injection Hedges	<u>(0.19)</u>	<u>0.04</u>
Economic Earnings per share	<u>\$ 2.27</u>	<u>\$ 2.09</u>
Non-Utility Income		
from Continuing Operations	\$ 37,803	\$ 24,600
Minus/Plus:		
Unrealized Mark-to-Market (Gains)/Losses on Derivatives	(3,774)	(2,141)
Realized (Gains)/Losses on Inventory Injection Hedges	<u>(5,528)</u>	<u>1,289</u>
Economic Earnings from Non-Utility Operations	<u>\$ 28,501</u>	<u>\$ 23,748</u>
Asset Management & Marketing Income		
from Continuing Operations	\$ 32,642	\$ 19,137
Minus/Plus:		
Unrealized Mark-to-Market (Gains)/Losses on Derivatives	(5,490)	(2,141)
Realized (Gains)/Losses on Inventory Injection Hedges	<u>(5,528)</u>	<u>1,289</u>
Economic Earnings from Asset Management & Marketing	<u>\$ 21,624</u>	<u>\$ 18,884</u>
On-Site Energy Production Income		
from Continuing Operations	\$ 3,236	\$ 3,595
Minus/Plus:		
Unrealized Mark-to-Market (Gains) /Losses on Interest Rate Derivatives	<u>1,715</u>	<u>-</u>
Economic Earnings from On-Site Energy Production	<u>\$ 4,951</u>	<u>\$ 3,595</u>

Our Businesses

South Jersey Gas

SJG, a New Jersey corporation, is an operating public utility company engaged in the purchase, transmission and sale of natural gas to over 340,100 residential, commercial and industrial customers. SJG also sells natural gas and pipeline transportation capacity (off-system sales) on a wholesale basis to various customers on the interstate pipeline system and transports natural gas purchased directly from producers or suppliers to their customers.

South Jersey Resources Group

SJRG markets natural gas storage, commodity and transportation assets on a wholesale basis. Customers include energy marketers, electric and gas utilities and natural gas producers. SJRG's marketing activities occur mainly in the mid-Atlantic and southern regions of the country. SJRG also conducts price risk management activities by entering into a variety of physical and financial transactions including forward contracts, swap agreements, option contracts and futures contracts.

Marina Energy

Marina develops and operates energy-related projects. Marina's largest project provides cooling, heating and emergency power to the Borgata Hotel Casino & Spa in Atlantic City, NJ. Marina's other projects include four operational landfill gas projects in New Jersey, a solar installation project for a higher-education facility and energy management. Ongoing projects include a landfill gas project in Maryland and thermal plants in Las Vegas, NV and Atlantic City, NJ.

South Jersey Energy

SJE provides services for the acquisition and transportation of natural gas and electricity for retail end users and markets total energy management services.

South Jersey Energy Service Plus

SJESP installs and services residential and small commercial HVAC systems, provides plumbing services, and services appliances via the sale of appliance service programs as well as on a time and materials basis. SJESP serves southern New Jersey where it is the largest local appliance service company with nearly 50 experienced, NATE certified technicians and installers.

