

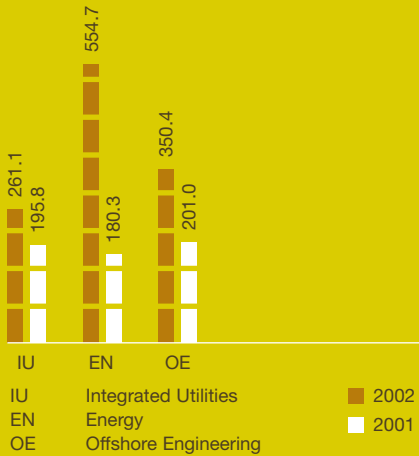
Environmental Engineering

We are Singapore's largest environmental management services company and the second largest in Australia. We offer a complete integrated suite of solutions for waste treatment and environmental project management, catering to the municipal, industrial, commercial and healthcare sectors.

COMPETITIVE EDGE

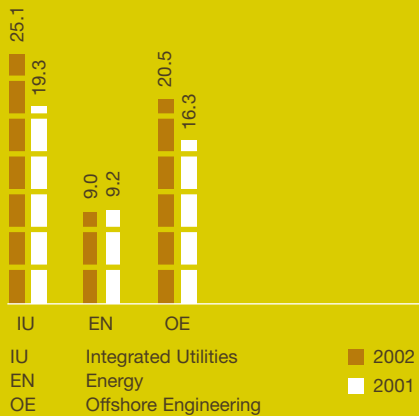
- First-mover and industry leader in Singapore's integrated utilities and energy market
- Proven business model and track record as a pioneer in the concept of multi-utility facilities, with the ability to replicate our business model
- Wastewater treatment with unique track record and experience in treating wastewater from multiple sources and customers
- Ability to profit from the synergy between electricity and gas, and leverage infrastructure and bundling advantages across investments
- Unique cogeneration experience in providing support to petrochemical hubs where a high reliability of steam supply is required
- Strong engineering capability and unique ability to offer a full range of total turnkey capabilities in offshore oil and gas engineering

TURNOVER BY DIVISION (\$m)



Note: Excludes inter-company elimination

PATMI BY DIVISION (\$m)



Note: Excludes corporate / development costs





Loh Wai Kiew
President & CEO
SembCorp Environmental Management

	2002 S\$'000	2001 S\$'000
Revenue	134,962	139,700
PATMI	9,175	8,030

Note: Figures are taken at SembCorp Industries' Group Level for the Key Business

KEY FACTS

- Market presence in Australia, China, Malaysia and Singapore.
- Largest environmental management services company in Singapore and 2nd largest in Australia
- More than 1600 employees in Singapore and Australia
- Serving 55 per cent of Singapore's municipal waste market
- Commanding a 20 per cent market share of Singapore's industrial and commercial sectors
- Singapore's leading medical waste service provider
- Operating Asia's first automated materials recovery facility together with Australia's VISY Recycling

Environmental Engineering

STRATEGY

To be Asia's leading provider of total integrated environmental management solutions, we will:

Expand our business base in Singapore even further

We see opportunities opening up for us in the near future. In 2003, two municipal sectors will be put up for bid in Singapore and the Singapore government is expected to increase its push towards making recycling an integral part of life. This represents huge opportunities for us to consolidate our position as the leading local waste management player.

Continue to explore opportunities in Asia to enhance our regional presence

We are exploring opportunities in China, India, and Sri Lanka where we can provide solutions to increasing environmental issues as a result of rapid urbanisation in these emerging economies.

Utilise advanced technology to provide innovative solutions

We are committed to harnessing technology to offer innovative environmental management systems, improve operational efficiency and protect the environment. We have introduced systems such as pneumatic

waste systems and industrial biologics.

OPERATIONS REVIEW

We achieved a 14 per cent increase in Profit After Tax and Minority Interests (PATMI) in 2002, which is attributed to our on-going cost-cutting and restructuring measures.

In Singapore, we maintained our position as the country's top environmental management services company, retaining a 55 per cent market share in the municipal sector, a 20 per cent in the industrial and commercial (ICW) sector, and dominating the medical sector. Our Australian associate, SITA Environmental Solutions (formerly Pacific Waste Management), continued to remain the country's second largest environmental management company.

In 2002, we continued to rationalise our operations and introduced innovative technological systems to keep us well ahead of other players in the market.

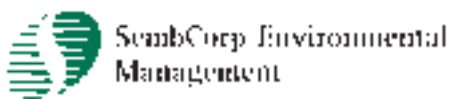
In November, we renamed our holding company SembCorp Environmental Management (SembEnviro), and realigned our companies under this single brand. Semac was renamed SembWaste, and our business units structured under eight different brands for the different market segments:

- SembWaste Municipal
- SembWaste Industrial
- SembWaste Medical
- SembWaste Cleansing
- SembWaste Consultancy & Technology
- SembVISY Recycling
- SembVISY Recycling Materials Recovery Facility
- SembEnviro Conversion Technologies

During the year, we made significant progress towards our goal of closing the recycling loop in Singapore. In the municipal sector, we launched a pilot household recycling project, giving out free, user-friendly, recycled storage crates to several housing estates. These crates eliminate the need for residents to sort their recyclables into separate bags and have been well received. The rates of participation and the volume of materials recovered continue to be on the rise. The success of this pilot project and our experience with it puts us well ahead of the Singapore government's push to have every one in two households recycling materials by end-2003.

We also officially opened Asia's first automated materials recovery facility (MRF) in Tuas. This is a 60/40 joint venture between SembEnviro and VISY Recycling of Australia. This facility automatically sorts and recovers paper, plastics, glass and metals and

NEW SEMBENVIRO BRANDS



- **SembWaste Municipal**
- **SembWaste Industrial**
- **SembWaste Medical**
- **SembWaste Cleansing**
- **SembWaste Consultancy & Technology**
- **SembVISY Recycling**
- **SembVISY Recycling Materials Recovery Facility**
- **SembEnviro Conversion Technologies**

Municipal waste collection and post-collection

Industrial and commercial waste collection

Medical waste collection

Industrial and street cleansing

Provision of environmental engineering expertise

Recycling collection for both municipal and industrial sectors

Materials recovery from municipal and industrial sectors

Recovery of energy from waste including biomass, incineration and industrial biologics

presently recovers some 25 tonnes of recyclables a shift. SembVISY Recycling expects to increase the MRF's capacity four-fold to 100 tonnes per shift by end-2003.

In early 2003, we formed a 30/70 joint venture with Consolidated Plantations to design, build, own and operate a S\$20 million Biomass Waste-to-Energy plant in Tennamaram, Malaysia. This new facility will convert empty fruit bunches from oil palm into energy. The plant is expected to be completed in end-2004.

In Australia, our associate, SITA Environmental Solutions, won Australia's single biggest waste contract worth S\$142 million. We hold a strategic 40 per cent shareholding stake in SITA Environmental Solutions.

OUTLOOK

Discounting any deterioration in Singapore's economic conditions, the outlook for 2003 is expected to be favourable, with profit growth expected through organic growth of our businesses and improvement in market share.

In the coming year, we are well-positioned to compete for two local municipal sectors which will be up for bid, and at least one municipal sector in Asia as well.

We will also leverage the Singapore government's push towards a 60 per cent household recycling target by 2012. With recycling programmes and facilities in place, we can build on the recycling business to reduce our waste disposal costs, create a second income stream, and build a critical mass for the SembVISY Recycling MRF.

On the innovation front, we have secured a S\$2.2 million contract together with our partner Shinmaywa (Asia) to install a proprietary mobile pneumatic waste collection system in three new condominium projects which will be launched in 2003. Called the Singmatic System, this waste collection system differs from conventional waste collection methods because refuse from housing estates is drawn into trucks via a vacuum pipe at collection points. The collection points at the housing estates are linked to the various households by underground conveyance pipes and waste is stored temporarily in underground tanks before being collected by the trucks. Fully automated, the system requires minimal manpower, is faster than conventional waste collection methods and eliminates hygiene problems commonly faced by manual waste collection.

We expect contributions from our regional

operations to be favourable as we continue to expand our revenue base, improve our efficiency and raise service standards.

Glossary

Recovery

Generic term encompassing the reuse, recycling or regeneration of waste.

Recycling

Direct re-introduction of a waste type into the production cycle from which it originates as a total or partial replacement for a new material.

MRF

Materials recovery facility. This facility acts as a hub for recyclable materials, like paper, metals, plastics and glass. These are collected from businesses and households, and are delivered to a MRF where they are sorted and baled, ready to be reprocessed into end-user products.

Biomass

Recovery of calories contained in incinerated waste, allowing thermal or electrical energy to be generated.

Municipal Waste

Waste produced by households and trade premises.

Medical Waste

Waste produced by hospitals and healthcare establishments.

ICW

Industrial Commercial Waste. Waste resulting from industrial or commercial activities.

Construction Waste

Waste resulting from construction activities.

Post-processing Plant

Also known as downstream processing. Generally refers to facilities that turn paper, plastic, glass or metals into value-added new products.

Closed-loop Recycling

The process of using products made from recycled materials, then reprocessing these products again when they become waste.

