

EVA Statement

Year ended December 31, 2003

SembCorp Industries
Annual Report 2003

	Note	2003 \$'000	Restated 2002 \$'000
Net Operating Profit Before Taxation		325,173	227,428
Adjust for:			
Share of associates and joint ventures profits		145,461	63,450
Interest expense	1	91,625	125,324
Others	2	(86,506)	17,637
Adjusted Profit Before Interest and Tax		475,753	433,839
Cash Operating Taxes	3	(93,031)	(100,946)
Net Operating Profit after Tax (NOPAT)		382,722	332,893
Average Capital Employed	4	5,194,999	5,176,097
Weighted Average Cost of Capital	5	5.6%	8.2%
Capital Charge		291,714	423,114
Economic Value Added (EVA)		91,008	(90,221)
Minority share of EVA		(37,478)	45,182
EVA attributable to shareholders		53,530	(45,039)
Less: Unusual items (UI) Gains	6	21,169	202,070
EVA attributable to shareholders (exclude UI)		32,361	(247,109)

Note:

- Interest expense includes imputed interest on present value of operating leases and capitalised interest charged to profit and loss upon disposal of the assets.
- Other adjustments include recovery of investment costs, timing difference of provisions made for/(writeback) of doubtful debts, inventories obsolescence and amortisation of goodwill and construction-in-progress.
- The reported current tax is adjusted for the statutory tax impact of interest expense.
- Monthly average total assets less non interest-bearing liabilities plus timing provision, goodwill amortised and present value of operating leases.

	2003 \$'000	2002 \$'000
Major Capital Components:		
Fixed assets	2,615,582	2,602,175
Investments	1,806,437	1,864,803
Other long term assets	353,659	371,584
Net working capital and long term liabilities	419,321	337,535
Average Capital Employed	5,194,999	5,176,097

- The Weighted Average Cost of Capital is calculated in accordance with SembCorp Industries Ltd Group EVA Policy as follows:
 - Cost of Equity using Capital Asset Pricing Model with market risk premium at 6.0% (2002: 7.0%);
 - Risk-free rate of 2.78% (2002: 3.94%) based on yield-to-maturity of Singapore Government 10 years Bonds;
 - Ungeared beta ranging from 0.5 to 1.0 (2002: 0.7 to 1.0) based on SembCorp Industries risk categorisation; and
 - Cost of Debt rate at 2.68% (2002: 4.30%) using 5-year Singapore Dollar Swap Offered Rate plus 75 basis points (2002: 5-year Singapore Dollar Swap Offered Rate plus 75 basis points).
- Unusual items (UI) refer to divestment of subsidiaries, associates, joint ventures, long-term investments and disposal of major fixed assets.