

# EVA STATEMENT

	Note	2016 S\$'000	2015 S\$'000
<b>Net operating profit before tax expense</b>		<b>412,317</b>	420,151
Adjusted for:			
Share of associates' and joint ventures' profits		<b>153,668</b>	42,415
Interest expense	1	<b>406,048</b>	240,212
Others	2	<b>72,491</b>	(6,358)
<b>Adjusted profit before interest and tax</b>		<b>1,044,524</b>	696,420
Cash operating taxes	3	<b>(173,969)</b>	(154,774)
<b>Net operating profit after tax (NOPAT)</b>		<b>870,555</b>	541,646
Average capital employed	4	<b>17,467,795</b>	15,101,288
Weighted average cost of capital	5	<b>6.7%</b>	6.2%
<b>Capital charge</b>		<b>1,170,342</b>	936,280
Add: Capital Charge Deferral (net)	6	<b>201,274</b>	147,837
<b>Economic Value Added (EVA)</b>		<b>(98,513)</b>	(246,797)
Non-controlling share of EVA		<b>106,139</b>	250,728
<b>EVA attributable to shareholders</b>		<b>7,626</b>	3,931
Less: Unusual items (UI) gains	7	<b>(38,173)</b>	(421,023)
<b>EVA attributable to shareholders (exclude UI)</b>		<b>(30,547)</b>	(417,092)

## Notes:

- Interest expense includes imputed interest on present value of operating leases and capitalised interest charged to profit or loss upon disposal of the assets.
- Other adjustments include recovery of investment costs, timing difference of allowances made for / (write-back) of doubtful debts, warranty, inventory obsolescence and goodwill written off / impaired and construction-in-progress.
- The reported current tax is adjusted for the statutory tax impact of interest expense.
- Average capital employed is computed by taking monthly average total assets less non-interest-bearing liabilities plus timing provision, goodwill written off / impaired and present value of operating leases.

	2016 S\$'000	2015 S\$'000
<b>Major Capital Components:</b>		
Property, plant and equipment	<b>10,570,175</b>	8,894,600
Investments	<b>2,372,686</b>	2,711,106
Other long-term assets	<b>914,641</b>	873,257
Net working capital and long-term liabilities	<b>3,610,293</b>	2,622,325
Average capital employed	<b>17,467,795</b>	15,101,288

- The Weighted Average Cost of Capital is calculated in accordance with the Sembcorp Group EVA Policy as follows:
  - Cost of Equity using Capital Asset Pricing Model with market risk premium at 5.0% (2015: 5.0%);
  - Risk-free rate 2.28% (2015: 2.26%) based on yield-to-maturity of Singapore Government 10-year Bonds;
  - Ungeared beta ranging from 0.5 to 1.0 (2015: 0.5 to 1.0) based on Sembcorp Industries' risk categorisation; and
  - Cost of Debt rate at 3.45% (2015: 2.65%).
- Capital charge deferral (net) refers to deferral of capital charge on investments made for projects where returns are not immediate at the time of investment (e.g. Greenfield projects), less cost of deferral at weighted average cost of capital.
- Unusual items (UI) refer to gain / loss on divestment of subsidiaries, associates, joint ventures, long-term investments and disposal of major property, plant and equipment.