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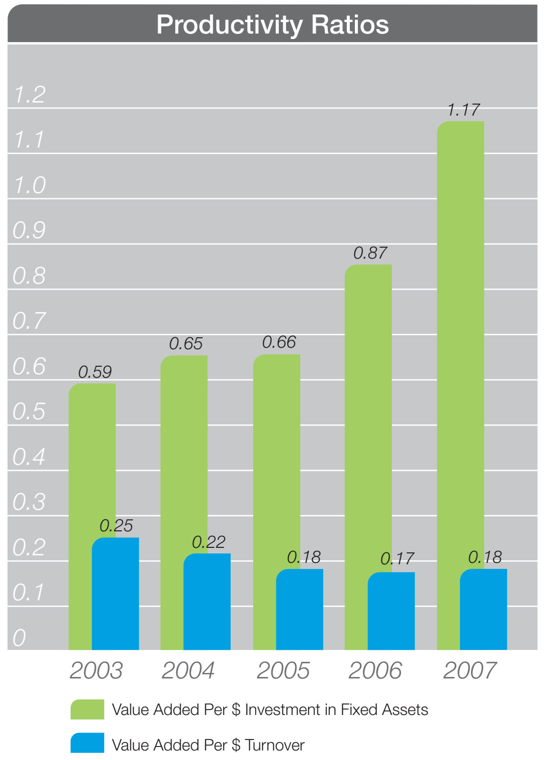
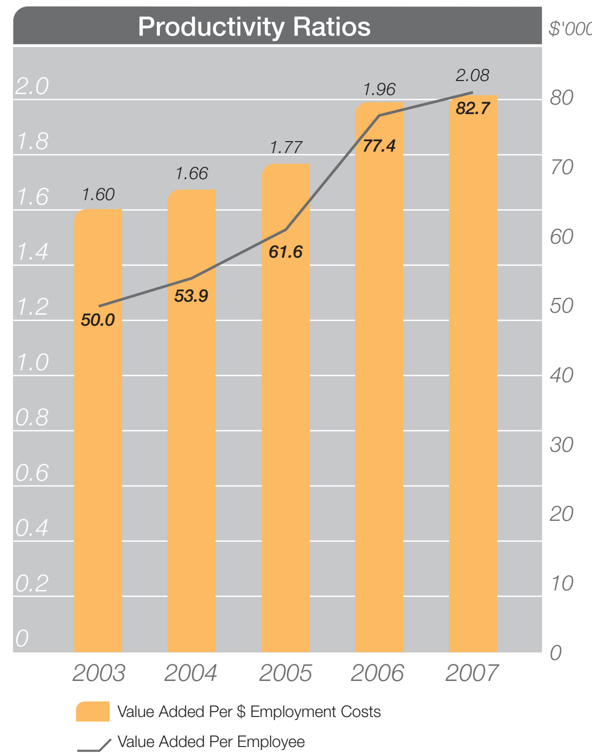
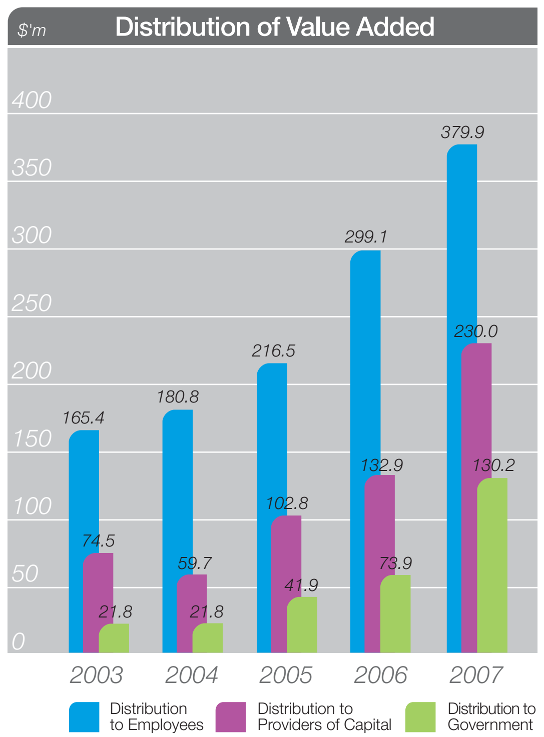
VALUE ADDED STATEMENT & PRODUCTIVITY RATIOS

	2003 $'000	2004 $'000	2005 $'000	2006 $'000	2007 $'000
Turnover	1,067,986	1,362,764	2,119,279	3,545,049	4,513,123
Less: Bought In Materials	(802,765)	(1,062,339)	(1,734,961)	(2,957,566)	(3,722,062)
Gross Value Added From Operations	265,221	300,425	384,318	587,483	791,061
Investment, Interest & Other Income	38,936	49,654	42,917	79,514	292,629
Share Of Associated Companies' Results	7,930	12,208	12,313	40,923	74,075
Share Of Joint Ventures' Results	73	1,070	1,011	3,441	7,718
Other Non-Operating Expenses	(5,327)	(14,307)	(12,409)	(30,792)	(20,143)
Foreign Exchange Transactions	-	-	-	-	(302,922)
	306,833	**349,050**	**428,150**	**680,569**	**842,418**
Distribution:					
To Employees : Salaries, Wages & Benefits	165,360	180,833	216,533	299,052	379,897
To Government : Income & Other Taxes	21,836	21,844	41,888	73,880	130,198
To Providers of Capital : -					
Interest Paid on Borrowings	2,663	2,822	4,785	10,549	13,692
Dividends	71,842	56,881	98,036	122,362	216,266
Retained in Business :					
Depreciation and Amortisation	35,294	37,497	37,766	45,514	66,353
Retained Profits	6,699	38,121	23,362	116,026	24,723
Minority Interests	(316)	3,017	4,186	10,143	10,738
Non-Production Costs	3,455	8,035	1,594	3,043	551
Total Distribution	**306,833**	**349,050**	**428,150**	**680,569**	**842,418**
Average Number of Employees	5,302	5,572	6,241	7,592	9,570
Employment Costs	165,360	180,833	216,533	299,052	379,897
Value Added per Employee	50.02	53.92	61.58	77.38	82.66
Employment Cost Per Employee	31.19	32.45	34.70	39.39	39.70
Value Added Per Employment Costs	1.60	1.66	1.77	1.96	2.08
Value Added Per Dollar Investment in Fixed Assets	0.59	0.65	0.66	0.87	1.17
Value Added Per Dollar Turnover	0.25	0.22	0.18	0.17	0.18







STATEMENT OF COMPUTATION OF ECONOMIC VALUE ADDED

	Dec 2007 S$'000 (exclude FX#)	Dec 2007 S$'000	Dec 2006 S$'000
Net Operating Profit Before Tax	**591,158**	**282,928**	**266,507**
Adjust for:			
Share of Assoc/JV Profits	81,793	81,793	44,364
Interest Expenses	15,835	15,835	12,822
Others	253	253	1,761
Adjusted Profit Before Interest and Tax	**689,039**	**380,809**	**325,454**
Cash Operating Taxes (Note 1)	(114,446)	(114,446)	(59,919)
NOPAT	**574,593**	**266,363**	**265,535**
Average Capital Employed (Note 2)	1,807,838	1,807,838	1,504,342
Weighted Average Cost of Capital (Note 3)	6.3%	6.3%	5.9%
Capital Charge	**113,894**	**113,894**	**88,756**
GROUP EVA	**460,699**	**152,469**	**176,779**
Less: Minority Share of EVA	8,491	8,491	7,622
Group EVA Attributable to Ordinary Shareholders	**452,208**	**143,978**	**169,157**
Less: Unusual items (UI) Gains (Note 4)	189,272	189,272	29,292
GROUP EVA Attributable to Shareholders (exclude UI)	**262,936**	**(45,294)**	**139,865**

Note 1 : The reported current tax is adjusted for the statutory tax impact of interest expense.

Note 2 : Monthly average total assets less non-interest bearing liabilities plus timing provision, goodwill written off / amortised / impaired and present value of operating leases.

Note 3 : The Weighted Average Cost of Capital is calculated in accordance with Sembcorp Industries Ltd Group EVA Policy as follows:

i) Cost of Equity using Capital Asset Pricing Model with market risk premium at 6.0% (2006: 6.0%);
ii) Risk-free rate of 3.05%(2006: 3.31%) based on yield-to-maturity of Singapore Government 10 years Bonds;
iii) Ungeared beta 0.6 (2006: 0.5) based on Sembcorp Industries risk categorisation; and
iv) Cost of Debt rate at 4.12% (2006: 4.04%) using 5-year Singapore Dollar Swap Offered rate plus 75 basis point. (2006: 5-year Singapore Dollar Swap Offered rate plus 75 basis point)

Note 4 : Unusual Items (UI) refer to divestment of subsidiaries and associates, long-term investments and disposal of major fixed assets.

FX – Unauthorised foreign exchange transactions & related expenses

RISK MANAGEMENT

1. Operational Risk

The Group operates in seven countries with assets and activities spreading across Asia Pacific. As part of its plan to grow its business internationally, the Group will continue to focus on increasing its operating activities and presence in Brazil; Greater China and Middle East. Senior managers are posted overseas to oversee the operational risk. The Group expects that as part of its business strategy, the percentage of its overseas-sourced assets and customers will increase moving forward, thereby achieving the effects of greater geographical diversification. Likewise, a broader base of significant customers will reduce the risk of customer concentration.

2. Investment Risk

The Group seeks to grow its business through organic growth of its existing capabilities, development of new capabilities and acquisition of business entities or operating assets. Investment activities, ranging from the identification of targets to the undertaking of due diligence exercises, are supported by a dedicated team of experienced managers and augmented by external professionals for specialised services. The business proposals are guided by a given set of internal investment criteria, evaluated by senior management before seeking final Board of Directors' approval.

3. Treasury & Financial Risk

The Group has in place an established treasury policy and guidelines for managing treasury and financial risks. The treasury policy seeks to optimise the Group's cost of capital, minimise the adverse effects of fluctuations in currency and interest rates on income and ensure sufficient funds are available to meet financial obligations and operational needs. The Group's treasury activities are centrally managed in Singapore. As a policy, the Group does not undertake speculative positions for trading purposes.

a. Interest Rate Risk

The Group's policy is to maintain an efficient optimal interest cost structure using a mix of fixed- and variable-rate debt, where working capital is financed by variable-rate loans while long-term investments are financed by fixed-rate loans. Surplus funds, if any, are placed with reputable banks and/or investment in bonds. The Group obtains additional funding through bank borrowings and leasing arrangements. The Group's policy is to obtain the most favorable interest rate available without increasing its foreign currency exposure.

b. Foreign Exchange Risk

The Group incurs foreign exchange risk on sales and purchases that are denominated in various currencies other than Singapore dollars, primarily the US dollar and Euro. To minimise exposures on foreign exchange risks, the Group usually arranges for natural hedging by matching costs in the same currency as sales collections.

c. Derivative Financial Instrument Risk

The Group also utilises forward exchange contracts and swaps to hedge foreign currency denominated financial assets, liabilities and firm commitments. Under this arrangement, increases or decreases in the Group's foreign currency denominated financial assets, liabilities and firm commitments partially offset gains and losses on the hedging instruments. The Group only uses foreign exchange forward contracts and swaps for hedging purposes.

d. Liquidity Risk

To measure liquidity risks, the Group monitors its net operating cash flow, maintains a level of cash and cash equivalents and secures committed funding facilities from financial institutions. In assessing the adequacy of these facilities, management reviews working capital requirements so as to mitigate the effects of fluctuations in cash flows. Short-term funding is obtained from overdraft facilities and bank loans.

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4. Human Resource Risk

The successful implementation of the Group's strategic business plans requires recruiting, developing and retaining key personnel. The unexpected loss of key senior employees or a failure in the Group's succession planning will jeopardise such plans. To develop, market and sell the products and services offered by the Group, it is necessary to hire and retain skilled and experienced employees with the required expertise. In the prevailing strong business and tight labour market situation, the ability to attract and retain the 'right' employees becomes even more critical and enhances the Group's competitive edge.

In this respect, the Group has established comprehensive human resource policies for recruitment, compensation and development of employees. This ensures that the Group's human assets are nurtured and retained, so that the ability to maintain a skilled workforce and the Group's competitive edge is preserved. The Board Executive Resource & Compensation Committee has oversight of the Group's renumeration policies and oversees management, development and succession plans for key management positions.

5. Credit Risk

The Group has no significant concentration of credit risk with any single counterparty and monitors its exposure to credit risks arising from sales to customers on an on-going basis where credit evaluations are done on customers that require credit. The Group only deals with pre-approved counterparties with good credit rating and imposes a cap on the amount to be transacted with any counterparty so as to reduce the concentration of risk. Cash terms, advance payments and letters of credit or bank guarantees are required for customers of lower credit standing.

6. Market Risk

The Group is exposed to market risk and the risk of impairment in the value of its investments held. The Group manages the risk of unfavourable changes by cautious review of the investments before investing and continuous monitoring of the performance of investments held and assessing market risk relevant to which the investments operate.

7. Reputation Risk

The Group values its reputation in the market and has put in place a communication programme to ensure timely and effective communication of key information to our stakeholders at all times.

8. Insurance Risk

Where appropriate, the Group manages its insurance risks on a Group basis to leverage its position with the general insurance market.

The Group reviews its insurable risk profile continually and makes the necessary adjustments on risk retention to optimise the coverage and cost. This is done with advice and support from selected insurance brokers. Major Group insurance policies include Industry All Risk and Liabilities and Workmen Compensation, designed to protect the Group against properties risk, liabilities for its products and services, and work place accidents respectively. The marine industry has specialised insurance programmes.

The Group adopts a proactive strategy, with advice and recommendations from insurance brokers, to manage the insurance risk with specific risk management programmes covering the prevention of fire and the adoption of behaviour-based safety practices, amongst others.