

2015 marked two decades for Sembcorp in the Utilities business and its continued growth overseas. At the same time, the year witnessed a protracted oil and gas downturn and uncertainties in Brazil. Sembcorp Group President & CEO Tang Kin Fei reflects on Sembcorp's performance for 2015 and shares his view on the Group's challenges and opportunities as well as his vision for its future.



Tang Kin Fei  
Group President & CEO

**Sembcorp's Utilities business celebrated its 20<sup>th</sup> anniversary in 2015. Share with us your reflections as you look back on how this business has grown and your vision for its future.**

It has been a very successful two decades for Sembcorp's Utilities business. The business has performed well, and built up a strong income base. It is now a major pillar of the Sembcorp Group and a sizeable energy and water company, with over 10,600 megawatts of power and over 9 million

cubic metres of water per day in operation and under development.

From being primarily Singapore-based, the business has grown rapidly overseas. Today, our Utilities business operates in 15 countries. It has a proven track record of securing and completing projects and operating assets in emerging markets, including China, India, Oman and the UAE.

Over the years, the business has strengthened its capabilities and established new engines for growth. From our beginnings in gas-fired power plants, we now have a balanced portfolio of efficient thermal

and renewable energy assets running on gas, coal, wind, solar and energy-from-waste. We have also become the leader in industrial water and wastewater solutions, which are becoming increasingly relevant globally, especially in rapidly developing economies.

Sembcorp's Utilities business is in a good position to grow. It is in the right businesses, with its focus on essential solutions, for which global demand continues to rise. It is also in the right markets, with its focus on rapidly developing economies.

For the last 20 years, the business has played the role of a valued partner to governments, communities and industries, helping to meet growing needs, enable development and improve the quality of life. We hope that it will continue to fulfil this role for many years to come, while delivering sustainable value and growth to the Group.

**Sembcorp's overseas business has been growing steadily. Tell us more about where you see future growth coming from.**

Sembcorp's growth focus is mainly on rapidly developing economies. The macroeconomics in these markets drive demand for our solutions with population growth, industrialisation and urbanisation. Trends such as increased infrastructure development, as well as greater emphasis on renewable energy and water stress and scarcity also create opportunities for us in these regions.

Our overseas growth strategy is on track. In 2015, our overseas business performed well, contributing close to 80% of our Utilities net profit, or 60% of Utilities' net profit excluding corporate costs and significant items. Going forward, we expect it to grow even further.

**Our strategy is sound and as a Group, we are in this for the long haul.**

In terms of key markets, we see potential for our India and China operations to grow into major profit contributors in the future. India has a positive medium to long-term economic outlook, with continued urbanisation, industrialisation and an expanding middle class. With over 3,500 megawatts of power capacity in operation and under development in India, we are in a good position to grow in both the thermal and renewable power sectors. In China, the government's renewed commitment to environmental protection and support to increase renewable power capacity creates opportunities for us. Sembcorp provides total water solutions which help industries meet stringent regulations and support China's sustainable development. In addition, we are also growing our niche power business in the country.

Other markets we view as having good potential include markets in ASEAN, such as Myanmar, Vietnam and Indonesia, as well as Bangladesh.

**2015 was a tough year for your Marine business. What are your thoughts on this?**

It has been a very challenging time for the Marine business. The downturn in the oil and gas market has affected yards around the world with a lack of new projects and requests to defer or cancel existing deliveries. In addition, our Marine business has been affected by uncertainties in Brazil, as well as by the financial difficulties of its customer Sete Brasil.

In response, the business has adopted a prudent, conservative approach. It has made S\$609 million in impairment and provisions for rigs, including S\$329 million for the Sete Brasil projects and S\$280 million for possible extended deferrals or cancellations. Excluding the impairment and provisions for rigs and share of losses of associates and joint ventures, our Marine business made a net profit of S\$384 million. Operationally, it will continue to maintain a focus on delivering projects on its orderbook in a timely and efficient manner, while keeping a tight rein on working capital and costs.

Despite the challenges in the immediate operating environment, we remain confident in the long-term fundamentals for the offshore and marine industry. As a diversified offshore and marine player, Sembcorp Marine is in a strong position to ride out the current down-cycle and capitalise on the market's future recovery.

The business has built up a full spectrum of solutions and proprietary technologies as well as modern infrastructure to serve not only oil and gas exploration players, but also downstream players in the production, offshore support and export and import facilities segments. This diversified product offering makes for greater resilience, as seen from Sembcorp Marine's securing S\$3.2 billion of new contracts despite depressed market conditions, including two sizeable contracts worth around US\$1 billion each from customers in the oil and gas production segment. The business has also invested wisely in new technologies and solutions and has best-in-class integrated facilities that enhance its productivity, efficiency and long-term competitiveness.

In short, I believe that Sembcorp Marine has taken measures that are appropriate and prudent

in response to the current challenges. In addition, it has the right strategy in place to ride out a protracted downturn and lay stronger foundations for its future.

At the end of the day, we must remember that down-cycles are not new to the industry. Having been in the business for more than 50 years, Sembcorp Marine has gone through many such cycles, and has always emerged stronger. I have no doubt that, as an integrated company, it will be able to weather this storm and any other challenges that it may face in the future.

**Despite the challenges, you sound positive about the Sembcorp Group's long-term future. Why is this?**

I have confidence in Sembcorp's future for several reasons.

First of all, our strategy is sound and as a Group, we are in this for the long haul. Sembcorp's aim is to deliver long-term value and growth. Our focus has always been on developing robust business models and distinctive capabilities that will ensure that our businesses remain competitive and sustainable.

Our products and services are essential to communities and industries. These solutions will remain relevant as the world's demand for energy, water and other urban solutions continues to grow.

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Furthermore, Sembcorp is led by a committed board and management team, who are focused on shareholder value and on steering the company to maximise long-term returns. At present, we have a number of key priorities. Given the near-term challenges of the global downturn in the oil and gas sector and a competitive power market in Singapore, we recognise the need to manage costs tightly and to optimise our operations and resources, while maintaining flexibility through prudent financial management. At the same time, we will continue to ensure safe and excellent project development and execution.

Equally important though, is that we continue to build Sembcorp's future as a global company. This means taking advantage of value-enhancing, strategically-attractive opportunities that may arise, and also building platforms for growth. In 2015 alone, we secured over 3,000 megawatts of new thermal and renewable energy projects that will broaden our income base. We also expanded our urban development land bank by over 300 hectares and clinched S\$3.2 billion worth of contracts to add to our marine and offshore engineering orderbook.

**In building the future for Sembcorp as a global company, what do you think are the key elements of success?**

In building Sembcorp's future as a global company, we have focused on strengthening ourselves in three key areas.

Firstly, we have invested in having the right people and capabilities to support our growth. We aim to nurture a strong multinational team with a global mindset, united by a common culture built on our company's ethics and core values.

Secondly, we aim to build capabilities and develop world-class solutions and innovation. This not only entails strengthening our portfolio of assets and building new areas of expertise to ensure our market relevance, but also building competitive advantage through technology and innovation.

Thirdly, for Sembcorp to fulfil its fullest economic potential, we must continue to uphold robust governance and discipline. We firmly believe in acting with integrity in everything we do and wherever we operate. As a company, we are committed to best practice governance through well-defined governance, risk management and compliance policies and systems. We have also put in place a group-wide code of business conduct, which ensures that our various operations walk the talk. Furthermore, we aim to be a sustainable organisation that not only conducts our business responsibly, but also does so in a manner that creates value for all stakeholders and makes a positive contribution to our communities.

These elements will underpin our success in building Sembcorp as a global company, and will equip us to create and deliver value to our shareholders for years to come.