



FEDERAL INTERNATIONAL (2000) LIMITED

*A leading integrated service provider
and procurement specialist*

**Corporate Presentation
5 June 2017**



1200HP US-made Rig



Federal II (FSO)



EPCIC Capabilities



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About Federal

- Established in 1974 and listed on SGX mainboard in 2000
- Leading procurement specialist and stockist for oil and gas industry
- Partnership with established EPCIC contractor, PT Gunanusa Utama Fabricators (“PTG”)

Provides procurement services to PTG for projects undertaken by PTG under a master procurement agreement

- Strong local knowledge and network with customers and suppliers
- Products are on approved vendor lists of major oil companies
- Customers include major oil companies – Petrochina, CNOOC, BP, Chevron, Petronas, Pertamina, PTTEP, Total
- Own brand of flowline control products & agency for leading manufacturers
- Outstanding order book of S\$ 86 million (As at 24 April 2017)



Experienced Board



Koh Kian Kiong
Executive Chairman & CEO

- One of original founders of the Group
- > 45 years experience
- Oversees Group corporate strategies and expansion plans



Heng Lee Seng
(Lead Independent Director)

- Appointed since 22 Aug 2000
- Chairman of Audit Committee
- Practising Chartered Accountant with > 40 years experience. Member of CPA Australia, CIMA, ACCA, CISA and SID



Don Koh
Executive Director (wef 1 Jan 17)

- Overseas Alton Group and Indonesia operations
- > 20 years experience
- Bachelor in Business Administration



Yee Kee Shian, Leon

- Appointed since Mar 2010
- Chairman & MD of Duane Morris & Selvam LLP
- Asia Pacific's leading lawyer
- Advocate & solicitor of the Supreme Court of Singapore & a solicitor of England & Wales



Maggie Koh
Executive Director

- > 20 years experience
- Oversees trading business
- Master in Business Administration



Khoo Boo Yeow, Andrew

- Appointed since Aug 2012
- Law degree from Cambridge University and MBA from Seattle Pacific University
- COO (Swensens) and Director (Group Business Developments at ABR Holdings Ltd)



Experienced Management

Loh Chee Meng Group CFO & Company Secretary

- Joined since 2012
- CA & CIA with > 20 years experience
- B. Acc (Hons) (NTU), MBA (Manchester), Master in Business Research (UWA)

George Deng CEO, Federal Environmental Engineering

- Joined since 1995
- Overseas China businesses and operations
- > 30 years experience
- Master in Mechanical Engineering (Shanghai Jiaotong University)

Richard Doherty MD, KVC (UK)

- Joined since 2004
- Overseas research, design, development and manufacturing operations in UK
- > 40 years experience

Ng Geok Lan, Tina GM, Group HR & Quality Logistics

- Joined since 2011
- > 20 years experience
- MBA

Quek Cheng Hock MD, Federal Fire Engineering

- Joined since 2013
- Oversees fire protection business and operations
- > 30 years experience
- First class honours degree in Manufacturing and Mechanical Engineering



Key Businesses & Strengths

Strong local knowledge, network and partnerships

Established brands and agencies

On Approved Vendor Lists of major oil companies

Established EPCIC track record

Industry certifications API Q1, Spec 6D, ISO 9001:2015, PED 97/23/EC



Procurement (Trading)

- Supply of O&G equipment & materials
- Agency for leading brands and products
- Support from major suppliers, such as CNOOC EnerTech-Pipe
- Revenue/Year¹ S\$120 m (2016: S\$ 89 m)
- Order book² S\$ 86 m

EPCIC (PT Gunanusa)

- Engineering, Procurement, Construction, Installation & Commissioning
- Revenue/Year¹ US\$107 m
- Order book² US\$305m

Marine

- Design, Build, Refurbishment & Conversion of vessels for O&G industry
- *Federal II* (FSO)
- Charter to CNOOC till Sep 2023³
- Annual charter revenue US\$13m
- Share of associate results S\$ 0.8 m (2016)

Resources (Land Rig)

- 1,200 HP American built land drilling rig
- Rig in yard near Jakarta and ready for deployment
- Rig chartering & drilling
- Expected demand for drilling from geothermal energy projects in Indonesia
- Actively pursuing charters for rig

Notes: ¹ Average annual revenue from 2012 to 2016 ² Order Book as at 24 Apr 2017 ³ Include option period



Strategy for Sustainable Growth



Forming strategic partnerships

- Form strategic partnerships with key industry players
- Provide procurement services for projects secured
- Signed MOU with China Merchant Industry Holdings and COOEC to co-operate on various Indonesia projects

Access to trade credit

- Trust and support of bankers
- Access to trade financing
- Support from IE and Spring Singapore

Managing credit risks

- Careful evaluation of customers
- Secure payments from customers through arrangement for oil majors to pay into a bank account whereby Federal is mandatory payment signatories



Organisation Structure

Federal International (2000) Ltd						
	Procurement	EPCIC	Marine	Others (Land Rig)	Energy & Utilities	Manufacturing & Design
Singapore	100% Federal Hardware Engineering Co.		60% Federal Offshore Services			
	100% Alton International (S)		100% Eastern Jason Fabrication			
	100% Federal Fire Engineering					
China	65% Federal Environmental & Energy				58.5% Federal Water (Chengdu) Co.	
	65% Federal International Shanghai				65% Federal Environmental Engineering (Suzhou)	
Indonesia	100% PT Fedsin	2.6% PT Gunanusa Utama Fabricators #	30% PT Eastern Jason (Federal II)	100% PT Federal International		
Thailand	100% Alton International (Thailand)					
	45% PAE-Federal International Co.					
UK						KVC UK

Notes: # Recorded as Available for Sale investment.



Federal's own flowline product brand

Procurement

> 16 Leading Products & Agencies: Flowline Systems & Accessories



Ball, Gate, Globe, Check, Butterfly, Control and Special Valves Pipes and Fittings (Spain)



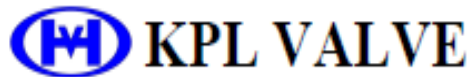
Trunnion Mounted & Floating Ball Valves to API 6A/6D , Gate / Globe / Check / Dual Plate Check Valve & Butterfly Valve (UK)



Strainers (UK)



Butterfly, Dual Plate Check Valve Nozzle Check Valve, Non Return And Special Valve (Korea)



Trunnion Mounted & Floating Ball Valves to API 6D (Korea)



Bronze & Brass Valves (USA)



Gate (API 600), Globe, Check & Dual Plate, Check Valves (Korea)



Instrument & Manifold Valves, Double Block & Bleed Valves, Subsea & Pipeline Valves (UK)



Cast Carbon, Low Alloy and Stainless Steel Valve (Korea)



Trunnion Mounted & Floating Ball Valves To API 6A/6D (Italy)



High Performance Pump and Services (Korea)



Gate (API 6D), Globe, Check Valves & Strainers (Italy)



Ball Valves API6A/6D , Gate, Globe & Check Valve (API 600) Actuator, Technoforge Flange & Fittings (Italy)



Trunnion Mounted & Floating Ball Valves to API 6A/6D (Italy)



EPCIC

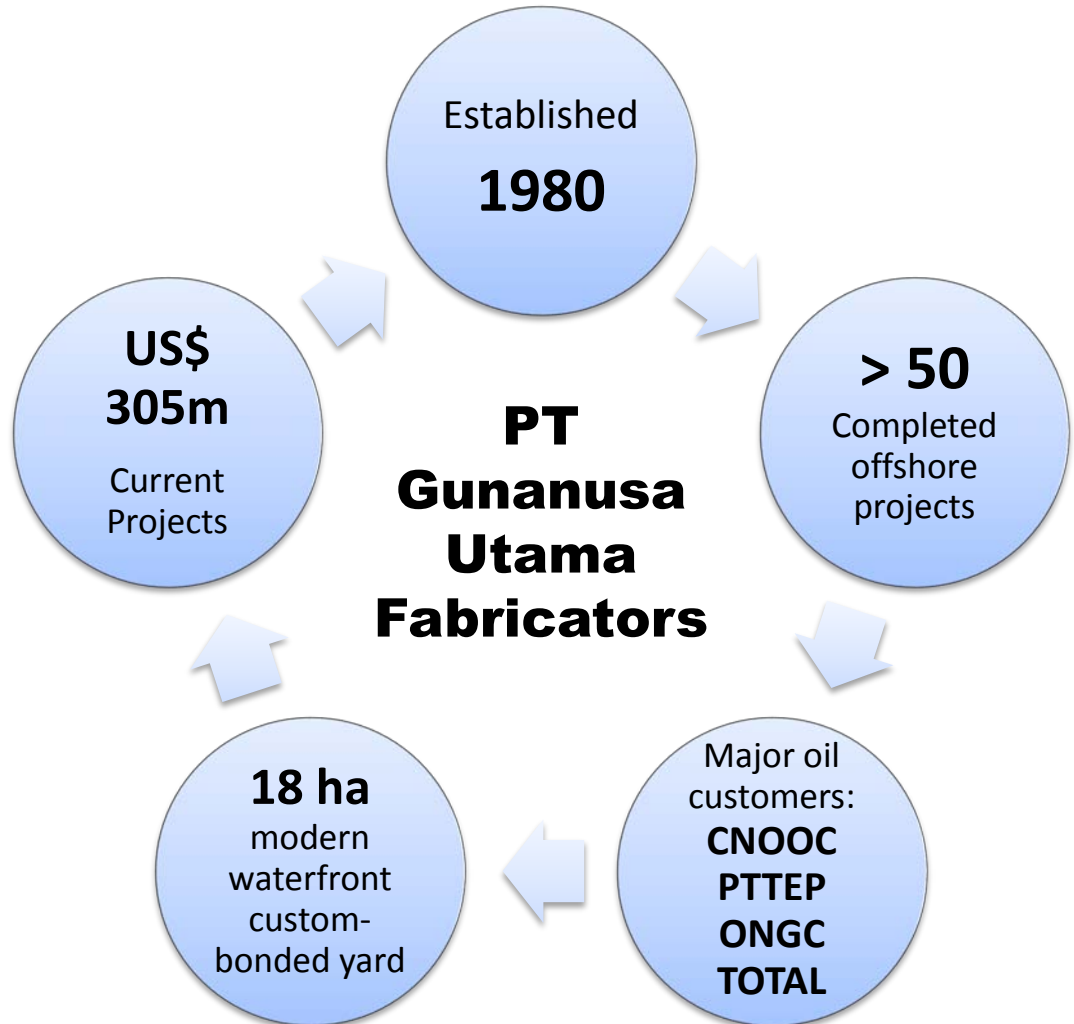
**Established EPCIC specialist
with more than 50 completed projects**



**Zawtika 1C, Myanmar
In progress**



**Pertamina PHE WMO Project
Completed Jan 2017**





Federal's Investment in PT Gunanusa Utama Fabricators

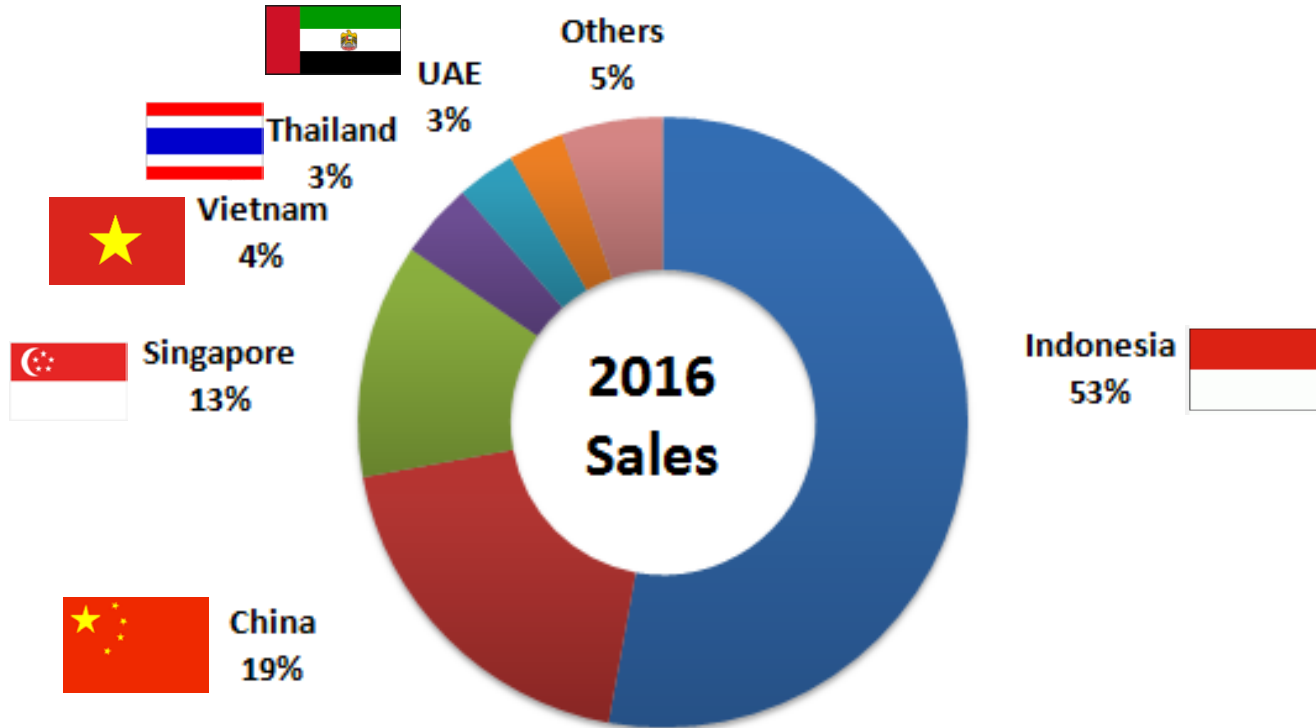
	Before increase in PTG paid up capital	After increase in PTG paid up capital
PTG's number of shares issued and paid up	18,000	144,066
Federal's interest (No of shares)	3,720 (20.7%)	3,720 (2.6%)
PTG's shares pledged to Federal for loans from Federal to a PTG shareholder		90,000 (62.5%)

- Federal extended loans totaling USD 9 million to PTG through a shareholder of PTG. Loan is recorded as other receivables under non-current assets.
- Increase in PTG's paid up capital included capitalisation of the loans from Federal to the PTG shareholder.
- The loan is fully secured by 90,000 PTG shares pledged by the shareholder to Federal.
- Federal has accounted for its 2.6% shares in PTG as an investment in "Available-for-sale" financial asset.
- PTG's Board of Commissioners includes Mr KK Koh (President Commissioner) and Mr Don Koh (Commissioner).
- Federal has a master procurement agreement (signed in 2015) with PTG to provide procurement services for projects secured by PTG.
- PTG may seek to list on the Jakarta Stock Exchange in 2018.



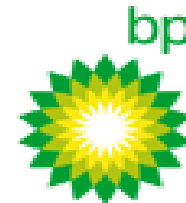
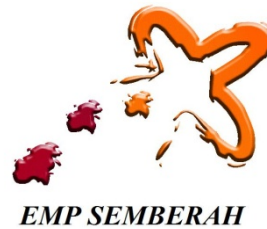
Key Markets

Established presence in fast growing O&G markets in the People's Republic of China & Southeast Asia





Key Customers





Key Operating Assets



18 ha (270 mu) Custom Bonded Fabrication Yard¹

- 15,000 ton capacity
- 800 m waterfront (7 m depth)
- 2 jetties
- About 120 km Northwest from Central Jakarta



Federal 2

- Converted from oil tanker
- 230 m Floating, Storage & Offloading Vessel (FSO)
- 800,000 barrel oil storage capacity
- Chartered to CNOOC till Sep 2023²



1,200 HP Brewster Land Drilling Rig (US made)

- Drilling demand from geothermal power projects in Indonesia

Notes: ¹ Under PT Gunanusa ² Includes option period



1QFY2017 Key Financials

Share Data¹

- 1QFY2017EPS: 0.29 cts
- NTA per share at 31 Mar 2017: 61.17 (P/B: 0.7)
- FY2016 Dividend: 2.0 cts
- Market cap: S\$ 59.8 m¹
- Free Float: 65%² (Total of 140.8 m issued shares)

Healthy Balance Sheet

- Total Assets: S\$ 161.4 m
- Net assets: S\$ 74.1 m
- Net debt to equity ratio : 32.8%
- Current ratio: 1.1
- Cash & bank balances (including deposits): S\$ 15.3 m
- Accruals for vessel costs: USD 8.4 m (See slide on Other Issues)

1QFY2017 Earnings

- Revenue: S\$ 21.4 m
- GP: S\$ 4.5 m (Margin: 21%)
- Net Profit: S\$ 410,000

Order Book

- Procurement: S\$ 86 m (as at 24 Apr 2017)
- EPCIC (PTG): US\$ 305 m

Notes: ¹ Based on closing share price of S\$0.425 on 2 Jun 2017 ² As at 17 Mar 2017



Consolidated Income Statement 1QFY2017 Vs 1QFY2016

In S\$m	1Q17	1Q16	Change	Explanations
Revenue	21.4	23.1	-7.3%	Lower revenue due mainly to lower sales to customers in China
Gross profit	4.5	5.8	-22.3%	Lower GP due to lower revenue and lower GP margin. Lower GP margin due mainly to lower margins on sales to China customers.
GP margin	21.2%	25.3%	-4.1 ppt	
Other income	0.4	1.2	-65.8%	The decrease in other income was due mainly to the following one-off income recorded in 1QFY2016. a. Forfeiture of partial proceeds received in relation to the disposal of an associate of \$713,000; and b. Interest income from a related party of \$158,000.
S&D costs	(1.3)	(2.5)	-46.4%	Decrease due to lower sales and marketing related expenses.
A&G costs	(2.77)	(2.74)	+1.1%	
Other costs	(0.61)	(0.56)	+8.6%	Lower in 1QFY2016 due to reversal of Federal 2 accruals and provisions of S\$ 117,000.
Finance costs	(0.2)	(0.1)	NM	Increase due to higher term loans and amounts due to bankers outstanding as at 31 Mar 2017. The increase was due mainly to trade facilities utilised by the trading business.
Share of associates' results	0.35	0.76	-53.6%	Decrease due mainly to lower share of results from PT Eastern Jason due to tax provisions made and lower profits from KVC Co.
Profit before tax	0.4	1.9	-78.9%	
Profit after tax	0.28	1.7	-83.5%	
EPS (S\$ Cents)	0.29	0.94	-69.1%	



Consolidated Balance Sheet

31 Mar 2017 Vs 31 Dec 2016

In S\$'000	31 Mar 17	31 Dec 16	Change	Explanations
Non-current assets				
• Property, Plant & Equipment	32,839	33,426	-587	Decrease due mainly to depreciation recorded.
• Investment in associates	4,876	4,611	+265	Increase due to share of associates' results recorded.
• Intangible assets	1,889	1,923	-34	Refers to R&D costs capitalised. R&D costs are costs incurred to register and certify design of valves and are amortised over 10 years.
• Other investments	558	558	0	Relates to 2.6% interest in PTG recorded as an investment in Available-for-Sale financial asset
• Other receivables	13,091	13,092	-1	Relates to loan to a shareholder of PTG
• Amt due from a related party	6,485	6,714	-229	Decrease due mainly to depreciation of the US dollar.
• Amt due from an associate	4,797	4,966	-169	Relates to shareholder's loans to PT Eastern Jason. Decrease due mainly to depreciation of the US dollar, partly offset by additional loan provided.
• Financial receivables	791	816	-25	Relates to the Xinjin industrial water plant (Chengdu, China) which is accounted for as a service concession arrangement under INT FRS 112. The net carrying value is \$1.1m (Non-current: \$791K + Current: \$327K). Decrease due to foreign exchange movements.
• Deferred tax assets	614	626	-12	
Total Non-current assets	65,940	66,732	-792	



Consolidated Balance Sheet

31 Mar 2017 Vs 31 Dec 2016 (Cont'd)

In S\$'000	31 Mar 17	31 Dec 16	Change	Explanations
Current assets				
• Inventories	15,627	15,012	+615	Increase relates to replenishment of certain inventory items
• Trade and other receivables	49,633	38,077	+11,556	Increase due to increase in trade receivables for the Zawtika 1C project.
• Gross amount due from customer for construction WIP	236	1	+235	Relates to WIP billable to customer
• Advance payment to suppliers	9,777	2,997	+6,780	Relates mainly to advance payment to suppliers for the Zawtika 1C project.
• Prepayments	618	338	+280	Increase due mainly to bank facility fee paid for the Zawtika 1C project.
• Deposits	68	80	-12	
• Financial receivables	327	552	-225	See above explanation relating to Xinjin industrial waterplant. Decrease due to receipt of payments from the Xinjin county government.
• Amounts due from associates	3,835	3,695	+140	Increase due mainly to loans extended to associates
• Fixed and bank deposits	1,466	1,517	-51	
• Cash and bank balances	13,843	15,502	-1,659	
Total current assets	95,430	77,771	+17,659	
Total current liabilities	85,083	68,358	+16,725	
Net current Assets	10,347	9,413	+934	
Current ratio	1.12	1.14		



Consolidated Balance Sheet

31 Mar 2017 Vs 31 Dec 2016 (Cont'd)

In S\$'000	31 Mar 17	31 Dec 16	Change	Explanations
Current liabilities				
• Trade and other payables	27,536	27,719	-183	Trade payables relate mainly to the Zawtika 1C project.
• Provisions	4,743	4,911	-168	Relates to Federal 2 provisions and decrease due mainly to foreign exchange movements.
• Advance payment from customers	7,924	3,115	+4,809	Relates mainly to advance payments received from PTG
• Gross amount due to customer for construction WIP	52	0	+52	
• Amounts due to associates	195	202	-7	
• Amounts due to a related party	1,980	2,034	-54	Relates to loans from a shareholder of a subsidiary. Decrease due mainly to foreign exchange movements.
• Amounts due to bankers	34,975	22,170	+12,805	Relates to amounts owing to banks for trade facilities utilised by the trading business. Increase due mainly to the Zawtika 1C project.
• Term loans	4,637	5,001	-364	Relates to short term revolving money market bank facilities utilised.
• Provision for taxation	3,041	3,206	-165	
Total current liabilities	85,083	68,358	+16,725	



Consolidated Balance Sheet

31 Mar 2017 Vs 31 Dec 2016 (Cont'd)

In S\$'000	31 Mar 17	31 Dec 16	Change	Explanations
Non-current liabilities				
• Provision for post employment benefits	112	115	-3	
• Deferred tax liabilities	2,040	2,041	-1	
Total non-current liabilities	2,152	2,156	-4	
Net assets	74,135	73,989	+46	
Net assets attributable to owners	86,104	85,707	+397	
NTA per share (Cents)	61.17	60.89	+0.28	



Other issues

Arbitration involving Alton International Resources Pte Ltd (“AIR”)

- Please refer to announcement dated 16 Sep 2016.
- AIR received notice of arbitration on 14 Sep 2016
- Arbitration relates to a sale and purchase contract for coal between AIR, another independent party and the claimant on 8 Jul 2010.
- AIR is a 70% indirect subsidiary of Federal International (2000) Ltd.
- AIR was in the coal mining and trading business, and has been dormant since 2012. There is no intention to continue with the coal business.
- AIR is in a net liability position and there are no assets in AIR.

Federal II cost provisions

- Following provisions are still accounted for under other creditors and provisions.
 - Provision for delay penalty USD 3.0 million
 - Provision for costs claimed by a contractor USD 5.4 million
- Full provision was made in 2014 for the delay penalty in accordance with the terms of the charter agreement. Negotiations are still on-going to reduce the delay penalty chargeable.
- Full provision was made in 2014 for costs claimed by a contractor, as well as for legal costs. The Group is making a counter-claim against the contractor and has commenced legal actions in Indonesia.
- Any excess provisions may be written back upon finalisation of the underlying issues.



Outlook, Growth Strategies & Drivers

Energy & Utilities

- Looking to divest Chengdu industrial waterplant

Land Rig & *Federal II*

- Actively pursuing charters for land rig
- *Federal 2* - Locked in charter till Sep 2023 (Include option period)

Procurement

- Established brands
- Approved vendors with major oil companies
- Partnership with PTG, suppliers and principals
- Order book of S\$ 86 m
- Healthy deals and projects flow in SEA markets

EPCIC (PTG)

- Established track record
- Strong EPCIC capabilities & modern facilities
- Customers include major oil companies such as TOTAL, Chevron, ONGC, PTTEP
- Order book of US\$305m
- Prospective projects for tender in 2017 of USD 1 bn
- May seek listing on Jakarta Stock Exchange in 2018

Enhanced Oil Recovery (EOR)

Electric Submersible Pumps (ESP)

- Proven technology
- Enhance output of marginal oil and gas wells
- Huge potential for Indonesia (more than 100,000 potential wells) and SEA markets
- Scalable business model
- Trials started in Indonesia
- Still in discussion with stakeholders



Investment Merits

- Attractive valuation (Historical PE 8.2x & PB 0.7x) and dividend yield (4.7%)¹
- Earnings visibility with order book of \$ 86 m
- Healthy balance sheet and low net gearing
- Master procurement agreement and partnership with PTG to provide procurement for PTG's projects
- Established track record with major oil companies
- Strong partnerships with contractors, suppliers and principals
- Exposure to growing Southeast Asia O&G markets
- Growth potential from EOR & ESP business
- Prudent and forward looking management team

Notes: ¹ Based on share price of S\$0.425.



Thank you

Federal International (2000) Ltd

Ticker : BDU.SI (SGX); FEDI.SP (Bloomberg); FEDL.SI (Reuters)

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