



Incorporated in the Republic of Singapore
Company Registration No. 199907113K

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Federal 4Q2016 Earnings Soar 39% to S\$ 3.7 million

- The Group records a S\$ 7.3 million profit in FY2016 despite a weak operating environment
- The Group has a committed order book of S\$ 94 million (as of 14 February 2017), including the procurement for the Zawtika Development Project Phase 1C
- To reward loyal shareholders, the Group has proposed a special dividend of 0.5 Singapore cents per share in addition to a first and final dividend of 1.5 Singapore cents

Singapore, 24 February 2017 – Federal International (2000) Limited (“Federal” or the “Group”), an integrated service provider and procurement specialist in the oil and gas, energy, utilities and infrastructure industries, delivered a net profit after tax attributable to shareholders of S\$ 7.3 million for the twelve months ended 31 December 2016 (“FY2016”). Financial highlights are as follows:

Financial Highlights	4Q2016	4Q2015	Chg	FY2016	FY2015	Chg
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Revenue	21,452	17,850	+20	89,481	128,705	-30
Gross Profit	3,447	4,002	-14	17,789	41,365	-57
Gross Profit Margin	16.1%	22.4%	-6.3 pts	19.9%	32.1%	-12.2 pts
Other operating income	6,169	859	+618	10,398	2,497	+316
Total operating expenses	-7,276	-3,121	+133	-22,042	-19,967	+10
Net Profit after tax attributable to Equity Holders	3,694	2,659	+39	7,257	20,563	-65
Net Profit Margin	17.2%	14.9%	+2.3 pts	8.1%	16.0%	-7.9 pts
Basic Earnings Per Share (cents)*	2.62	1.89	+39	5.16	14.61	-65

* Based on a weighted average number of 140,767,484 ordinary shares for the 3 months and 12 months ended 31 December 2016.
Ppts: Percentage Points



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Financial Review

The Group's FY2016 revenue was S\$ 89.5 million, contributed mainly by the Trading business (S\$ 86.9 million or 97% of total FY2016 revenue). Indonesia, China and Singapore remained as the top 3 markets by geographical segment. 4Q2016 revenue was S\$ 21.5 million, up 20% year-on-year ("yoy").

FY2016 gross profit was S\$ 17.8 million and gross margin was 19.9%.

Other income increased to S\$ 10.4 million in FY2016, compared to S\$ 2.5 million in FY2015. The increase was driven by service fees related to a project charged to PT Gunanusa Utama Fabricators ("PTG"), gain on disposal of other investments, and a recognition of the partial proceeds received as other income¹.

In terms of operating costs, FY2016 administrative and general costs increased 22% to S\$ 14.0 million driven by costs incurred in relation to services provided to PTG, partly offset by lower staff and other administrative costs. The Group has substantially reduced selling and distribution costs by 21% to S\$ 7.2 million for FY2016, from S\$ 9.0 million in FY2015, on lower sales and marketing related expenses. The Group also cut finance costs by 17% to S\$ 0.7 million for FY2016 on lower average outstanding term loans and amounts due to bankers.

The Group's FY2016 share of results of its associates was a net gain of S\$ 1.6 million, versus a S\$ 0.08 million loss in FY2015, contributed by the Group's 30% effective interest in a floating, storage and offloading vessel chartered to the China National Offshore Oil Corporation ("CNOOC"), and another of the Group's associates.

As a result, although FY2016 saw a continuation of the weak operating environment for offshore marine, oil and gas industries, Federal delivered a net profit of S\$ 7.3 million and earnings per share of 5.16 Singapore cents. 4Q2016 net profit and earnings per share soared 39% to S\$ 3.7 million and 2.62 Singapore cents respectively.

The Group continues to maintain a healthy balance sheet, with net debt to total equity of just 13.7% as at 31 December 2016.

¹ Please refer to the announcement dated 27 April 2016 titled "Update on Conditional Sale and Purchase Agreement for the Sale of Shares in Federal JWR Energy Pte Ltd", and the announcement date 11 January 2017 titled "Disposal of Investment In PT Gasuma Federal Indonesia".



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Business Outlook

As of 14 February 2017, the Group's committed order book was S\$ 94 million, including the procurement for the Zawtika Development Project Phase 1C ("Zawtika Project"). On 16 September 2016, the Group announced that PTG had received a Letter of Intent to Award from PTTEP International Limited for the engineering, procurement, construction and installation of two offshore wellhead platforms for Lot 1 of the Zawtika Project. On 17 October 2016, the Group announced PTG had also received confirmation from PTTEP International Limited to proceed with Lot 2 of the same project. The aggregate value of Lot 1 and Lot 2 of the Zawtika Project is approximately US\$ 305 million, with a targeted project completion date of 2Q2018. Accordingly, the Group is currently providing PTG with procurement and other ancillary support services. The Group is also closely involved in tenders for new projects together with PTG, and is currently working with PTG on a number of potential opportunities.

The Group also benefits from a steady source of recurring earnings from CNOOC's charter of *Federal II*, a floating, storage and offloading vessel owned by PT Eastern Jason ("PTEJ"), in which the Group has a 30% interest. *Federal II* is chartered to CNOOC until September 2018 with an option to renew the charter for a further 5 years. For FY2016, the Group recognised a share of profit of S\$ 0.8 million from the charter.

Commenting on the Group's FY2016 financial performance and business outlook, Mr. Koh Kian Kiong, Executive Chairman and CEO of Federal, said, ***"Due to the continued turbulence in the industry resulting in a weak operating environment, many of our peers in the industry are in the red. However, we are pleased to highlight that Federal has delivered a profit to shareholders for FY2016 of S\$ 7.3 million. Management has executed well despite industry headwinds, demonstrated by our committed order book of S\$ 94 million, and our prudent cost controls."***

Looking ahead in 2017, our partnership with PTG will begin to bear fruit through the Zawtika Development Project Phase 1C. Located in the Gulf of Martaban, Myanmar, the Zawtika Project is the newest of Myanmar's four offshore gas sites with a total development project value of US\$ 2 billion².

To reward our shareholders, we have proposed a special dividend of 0.5 Singapore cents in addition to maintaining our 1.5 Singapore cents first and final dividend. This represents a dividend payout of close to 40% for FY2016."

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² Value from <https://www.pttep.com/en/OurBusiness/Exploration%20and%20Production/projects/Myanmar/Zawtikaproject.aspx>



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About Federal International (Bloomberg Code: FEDI SP)

Established in 1974 and listed on the mainboard of the Singapore Stock Exchange in 2000, Federal International (2000) Limited (“Federal” or the “Group”), is an integrated service provider and procurement specialist in the oil and gas, energy, utilities and infrastructure industries. The Group’s design and manufacturing facility located in Scotland, the United Kingdom, is American Petroleum Institute (API) Q1, Spec 6D, ISO 9001:2008 and Pressure Equipment Directive 97/23/EC (PED) certified.

The Group also owns a floating, storage and offloading (“FSO”) vessel and a 1,200 HP Brewster land drilling rig. The FSO is chartered to the China National Offshore Oil Corporation.

Finally, the Group also has a master procurement agreement with PT Gunanusa Utama Fabricators (“PTG”), through which it will provide procurement services to PTG for projects secured by PTG. Founded in 1980, PTG is an established contractor and provides project management, engineering, procurement, construction, installation and commissioning services for both offshore and onshore projects in the oil and gas sector, as well as for other heavy engineering projects. In addition to its home market in Indonesia, PTG has completed more than 50 projects in Brunei, India, Myanmar and Thailand for customers such as ONGC, PTT Exploration and Production Public Company (Thailand) and Total,. Its facilities include 1n 18 ha customs bonded yard located about 120 km northwest of Central Jarkata. The yard has an 800 metre waterfront and is served by 2 jetties, each with an 8,000 ton and a 10,000 ton load out capacity respectively.

Issued for and on behalf of Federal International (2000) Ltd

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