



# **FEDERAL INTERNATIONAL (2000) LIMITED**

*A leading integrated service provider  
and procurement specialist*

**Corporate Presentation – 1H2017 Results  
14 August 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\$ 42 million (As at 24 July 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**  
**(Independent Director)**

- 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**  
**(Independent Director)**

- 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/Year<sup>1</sup> S\$120 m (2016: S\$ 89 m)
- Order book<sup>2</sup> S\$ 42 m



## EPCIC (PT Gunanusa)

- Engineering, Procurement, Construction, Installation & Commissioning
- Revenue/Year<sup>1</sup> US\$107 m
- Order book US\$305m (Zawtika 1C Project)



## Marine

- Design, Build, Refurbishment & Conversion of vessels for O&G industry
- *Federal II* (FSO)
- Charter to CNOOC till Sep 2023<sup>3</sup>
- 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:** <sup>1</sup> Average annual revenue from 2012 to 2016 <sup>2</sup> Order Book as at 24 July 2017 <sup>3</sup> 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 projects in Indonesia

## 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.

14 Aug 2017

Federal International (2000) Ltd

8





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)

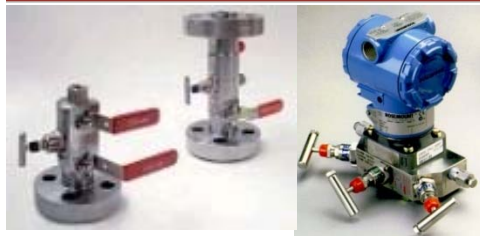


Butterfly, Dual Plate Check Valve Nozzle Check Valve, Non Return And Special Valve (Korea)

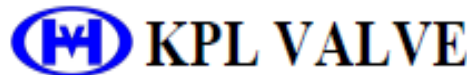


### Peach Valve

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



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



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



Bronze & Brass Valves (USA)



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

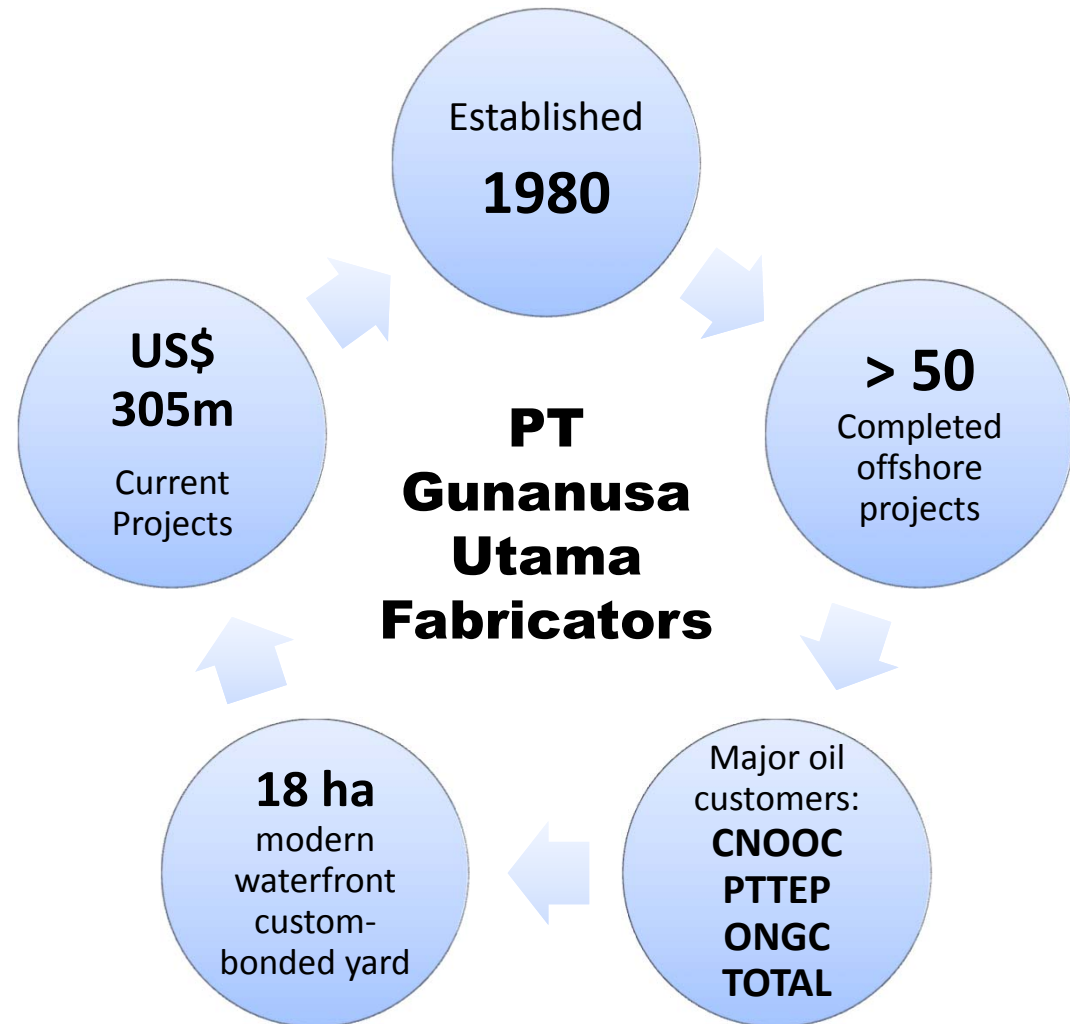
**Established EPCIC specialist  
with more than 50 completed projects**



**Zawtika 1C, Myanmar  
In progress**



**Pertamina PHE WMO Project  
Completed Jan 2017**





# Federal's Investment in PT Gunanusa Utama Fabricators

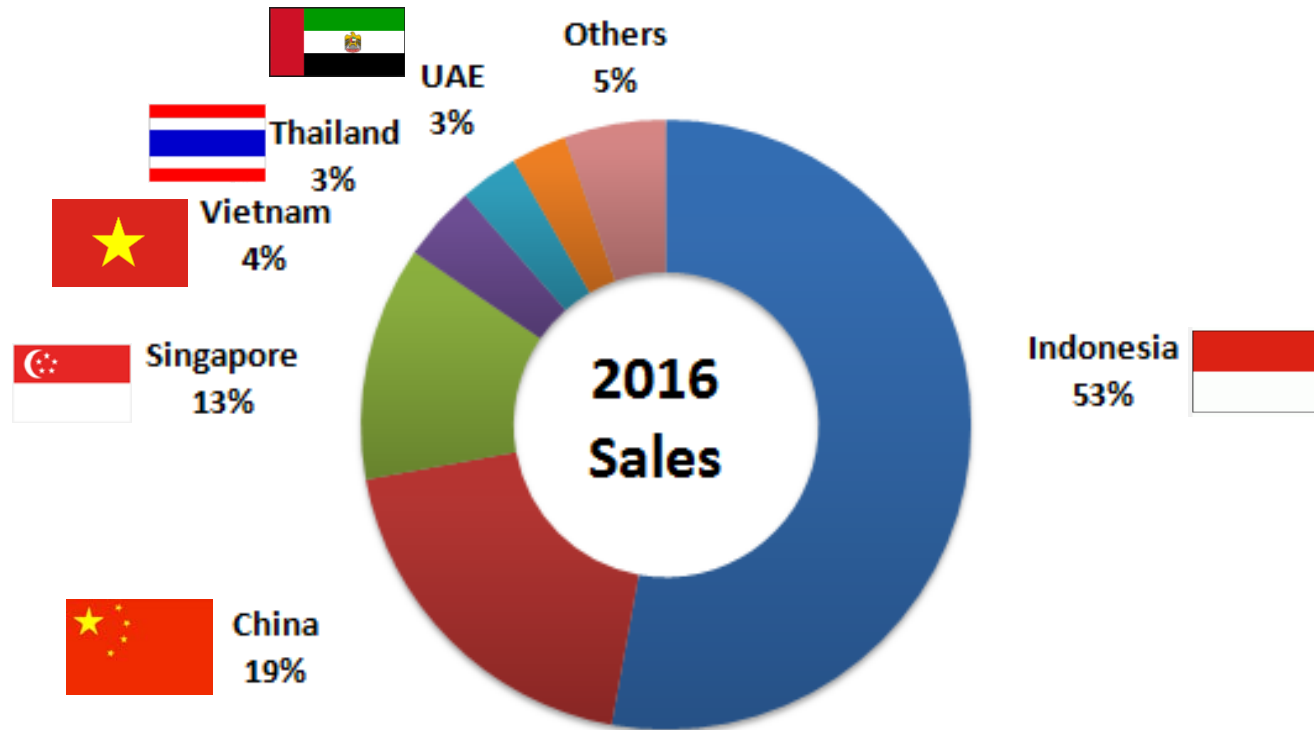
	Before increase in PTG paid up capital	After increase in PTG paid up capital
PTG's number of shares issued and paid up	18,000	144,066
Federal's interest (No of shares)	3,720 (20.7%)	3,720 (2.6%)
PTG's shares pledged to Federal for loans from Federal to a PTG shareholder		90,000 (62.5%)

- 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 Yard<sup>1</sup>

- 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 2023<sup>2</sup>



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

- Drilling demand from geothermal power projects in Indonesia

**Notes:** <sup>1</sup> Under PT Gunanusa <sup>2</sup> Includes option period



# Key Financials

## Share Data<sup>1</sup>

- 1H2017 EPS: 1.16 cts
- NTA per share at 30 Jun 2017: 60.09 (P/B: 0.65)
- FY2016 Total dividend: 2.0 cts
- Market cap: S\$ 55 m<sup>1</sup>
- Free Float: 65%<sup>2</sup> (Total of 140.8 m issued shares)

## Healthy Balance Sheet

- Total Assets: S\$ 167.7 m
- Net assets: S\$ 72.5 m
- Net debt to equity ratio : 29.7%
- Current ratio: 1.1
- Cash & bank balances (including deposits): S\$ 17.6 m
- Accruals for vessel costs: USD 8.4 m (See slide on Other Issues)

## 1HFY2017 Earnings

- Revenue: S\$ 65.2 m
- GP: S\$ 10.8 m (Margin: 17%)
- Net Profit: S\$ 1.4 m

## Order Book

- Procurement: S\$ 42 m (as at 24 July 2017)

**Notes:** <sup>1</sup> Based on closing share price of S\$0.390 on 11 Aug 2017 <sup>2</sup> As at 17 Mar 2017



# Consolidated Income Statement 2Q2017 Vs 2Q2016

In S\$'m	2Q17	2Q16	Change	Explanations
Revenue	43.73	18.44	+137.1%	Increase due mainly to higher sales under the Trading business in relation to the Zawtika 1C project.
Gross profit	6.30	4.15	+52.0%	Higher gross profit due to increase in revenue. Lower gross profit margin due to lower margins on sales for certain projects under the Trading business.
GP margin	14.4%	22.5%	-8.1 ppt	
Other income	0.55	0.16	N.M.	Other income for 2Q2017 related mainly to late payment interest charged to customers and sundry income (property rental & other miscellaneous income).
S&D costs	(1.29)	(1.67)	-22.8%	Decrease due to lower sales to customers in China and lower marketing related costs.
A&G costs	(2.97)	(2.74)	+8.6%	Increase due to higher insurance cost for the land rig and higher professional costs incurred in relation to the operations in Indonesia.
Other costs	(0.55)	1.21	-145.7%	Other costs for 2Q2017 related mainly to a loss on disposal of a subsidiary (GV Oilfield) (\$292K) and net foreign exchange loss (\$267K) from depreciation of the USD against the SGD.
Finance costs	(0.26)	(0.16)	+57.1%	Increase due to higher trade banking facilities utilised.
Share of associates' results	(0.08)	0.25	-132.3%	For 2Q2017, share of results included share of profit of \$168K (PTEJ – <i>Federal II</i> ) and share of loss of \$250K (KVC Co).
<b>Profit before tax</b>	<b>1.70</b>	<b>1.20</b>	<b>+41.8%</b>	
<b>Profit after tax</b>	<b>1.16</b>	<b>1.10</b>	<b>+5.6%</b>	
<b>EPS (S\$ Cents)</b>	<b>0.87</b>	<b>0.79</b>	<b>+10.1%</b>	





# Consolidated Income Statement 1H2017 Vs 1H2016

In S\$'m	1H17	1H16	Change	Explanations
Revenue	65.18	41.58	+56.8%	Increase due mainly to higher sales under the Trading business in relation to the Zawtika 1C project.
Gross profit	10.85	9.99	+8.5%	Higher gross profit due to increase in revenue. Lower gross profit margin due to lower margins on sales for certain projects under the Trading business.
GP margin	16.6%	24.0%	-7.4 ppt	
Other income	0.96	1.36	-29.7%	Other income for 1H2017 related mainly to late payment interest charged to customers and sundry income (property rental & other miscellaneous income).
S&D costs	(2.60)	(4.12)	-36.8%	Decrease due to lower sales to customers in China and lower marketing related costs.
A&G costs	(5.74)	(5.48)	+4.9%	Increase due to higher insurance cost for the land rig and higher professional costs incurred in relation to the operations in Indonesia.
Other costs	(1.16)	0.65	N.M.	Other costs for 1H2017 related mainly to a loss on disposal of a subsidiary (GV Oilfield) (\$292K) and net foreign exchange loss (\$878K) from depreciation of the USD against the SGD.
Finance costs	(0.45)	(0.26)	+73.9%	Increase due to higher trade banking facilities utilised.
Share of associates' results	0.27	1.01	-73.3%	For 1H2017, share of results included share of profit of \$402K (PTEJ – <i>Federal II</i> ) and share of loss of \$133K (KVC).
<b>Profit before tax</b>	<b>2.11</b>	<b>3.15</b>	<b>-32.8%</b>	
<b>Profit after tax</b>	<b>1.44</b>	<b>2.80</b>	<b>-48.5%</b>	
<b>EPS (S\$ Cents)</b>	<b>1.16</b>	<b>1.73</b>	<b>-32.9%</b>	



# Consolidated Balance Sheet

## 30 Jun 2017 Vs 31 Dec 2016

In S\$'000	30 Jun 17	31 Dec 16	Change	Explanations
<b>Non-current assets</b>				
• Property, Plant & Equipment	32,299	33,426	-3.4%	Decrease due mainly to depreciation recorded.
• Investment in associates	4,721	4,611	+2.4%	Increase due to net share of associates' profits recorded.
• Intangible assets	1,855	1,923	-3.5%	Refers to R&D costs capitalised. R&D costs are costs incurred to register and certify the design of valves and are amortised over 10 years.
• Other investments	558	558	-	Relates to the Group's 2.6% interest in PTG recorded as an investment in Available-for-Sale financial asset
• Other receivables	13,092	13,092	-	Relates to loan to a shareholder of PTG. Loan is secured on PTG shares.
• Amt due from a related party	6,391	6,714	-4.8%	Decrease due mainly to depreciation of the US dollar.
• Amt due from an associate	4,727	4,966	-4.8%	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	793	816	-2.8%	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 \$1.0m (Non-current: \$793K + Current: \$222K). Decrease due to foreign exchange movements.
• Deferred tax assets	603	626	-3.7%	
<b>Total Non-current assets</b>	<b>65,039</b>	<b>66,732</b>	<b>-2.5%</b>	



# Consolidated Balance Sheet

## 30 Jun 2017 Vs 31 Dec 2016 (Cont'd)

In S\$'000	31 Mar 17	31 Dec 16	Change	Explanations
<b>Current assets</b>				
• Inventories	14,925	15,012	-0.6%	
• Trade and other receivables	57,962	38,077	+52.2%	Increase in trade receivables for the Zawtika 1C project.
• Gross amount due from customer for construction WIP	71	1	N.M.	Relates to WIP billable to customer
• Advance payment to suppliers	7,348	2,997	+145.2%	Relates mainly to advance payment to suppliers for the Zawtika 1C project.
• Prepayments	663	338	+96.2%	Increase due mainly to bank facility fee paid for the Zawtika 1C project.
• Deposits	67	80	-16.3%	
• Financial receivables	222	552	-59.8%	See above explanation relating to Xinjin industrial waterplant. Decrease due to receipt of payments from the Xinjin county government.
• Amounts due from associates	3,808	3,695	+3.06%	Increase due mainly to loans extended to associates
• Fixed and bank deposits	1,446	1,517	-4.7%	
• Cash and bank balances	16,174	15,502	+4.3%	
<b>Total current assets</b>	<b>102,687</b>	<b>77,771</b>	<b>+32.0%</b>	
<b>Total current liabilities</b>	<b>89,970</b>	<b>68,358</b>	<b>+31.6%</b>	
<b>Net current Assets</b>	<b>12,717</b>	<b>9,413</b>	<b>+35.1%</b>	
<b>Current ratio</b>	<b>1.14</b>	<b>1.14</b>		



# Consolidated Balance Sheet

## 30 Jun 2017 Vs 31 Dec 2016 (Cont'd)

In S\$'000	31 Mar 17	31 Dec 16	Change	Explanations
<b>Current liabilities</b>				
• Trade and other payables	37,096	27,719	+33.8%	Trade payables relate mainly to the Zawtika 1C project.
• Provisions	4,570	4,911	-6.9%	Relates to Federal 2 provisions and decrease due mainly to foreign exchange movements.
• Advance payment from customers	6,817	3,115	+118.8%	Relates mainly to advance payments received from PTG
• Amounts due to associates	192	202	-5.0%	
• Amounts due to a related party	2,025	2,034	-0.4%	Relates to loans from a shareholder of a subsidiary. Decrease due mainly to foreign exchange movements.
• Amounts due to bankers	29,873	22,170	+34.7%	Relates to amounts owing to banks for trade facilities utilised by the trading business. Increase due mainly to the Zawtika 1C project.
• Term loans	6,128	5,001	+22.5%	Relates to drawdown on the Spring bridging loan.
• Provision for taxation	3,270	3,206	+2.0%	
<b>Total current liabilities</b>	<b>89,970</b>	<b>68,358</b>	<b>+31.6%</b>	



# Consolidated Balance Sheet

## 30 Jun 2017 Vs 31 Dec 2016 (Cont'd)

In S\$'000	31 Mar 17	31 Dec 16	Change	Explanations
<b>Non-current liabilities</b>				
• Term loans	3,153	0	NM	Relates to drawdown on the Spring bridging loan
• Provision for post employment benefits	111	115	-3.5%	
• Deferred tax liabilities	2,041	2,041	-	
<b>Total non-current liabilities</b>	<b>5,305</b>	<b>2,156</b>	<b>+146.1%</b>	
<b>Net assets</b>	<b>72,451</b>	<b>73,989</b>	<b>-2.1%</b>	
<b>Net assets attributable to owners</b>	<b>84,592</b>	<b>85,707</b>	<b>-1.3%</b>	
<b>NTA per share (S\$ Cents)</b>	<b>60.09</b>	<b>60.89</b>	<b>-1.3%</b>	



# 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 2.9 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



# Investment Merits

- Attractive valuation (Historical PE 7.6x, PB 0.65x and dividend yield 5.1%)<sup>1</sup>
- Earnings visibility with order book of \$ 42 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
- Prudent and forward looking management team

**Notes:** <sup>1</sup> Based on share price of S\$0.390 (11 Aug 2017).





**Thank you**

**Federal International (2000) Ltd**

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

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