



FEDERAL INTERNATIONAL (2000) LIMITED

*A leading integrated service provider
and procurement specialist*

**FY2016 Post Results Briefing
10 March 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\$ 94 million (As at 14 Feb 2017)



Experienced Board



Koh Kian Kiong
Executive Chairman & CEO

- > 45 years experience
- Oversees corporate strategy and expansion plans



Heng Lee Seng
(Lead Independent Director)

- Appointed since 22 Aug 2000
- Member of CPA Australia, CIMA, ACCA, CISA and SID



Maggie Koh
Executive Director

- > 20 years experience
- Oversees procurement business
- Master in business administration



Yee Kee Shian, Leon

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



Don Koh
Executive Director (wef 2 Jan 17)

- Overseas Alton Group
- > 20 years experience
- Bachelor of Business Administration



Khoo Boo Yeow

- Appointed since Aug 2012
- Law degree from Cambridge University and MBA from Seattle Pacific University
- COO (Swensens) and Director (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 partnership

Established brands and agencies

Approved brands & vendors for major oil companies

Established EPCIC track record

Industry certifications API Q1, Spec 6D, ISO 9001:2008, 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\$ 94 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)

- Rig charter & drilling
- Geothermal energy projects in Indonesia
- Actively pursuing charters for rig

Notes: ¹ Average annual revenue from 2012 to 2016 ² Order Book as at 14 Feb 2017 ³ Include option period



Organisation Structure

Federal International (2000) Ltd						
	Procurement	EPCIC	Marine	Resources (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						KYC UK



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)



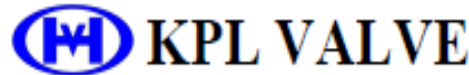
Strainers (UK)



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



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



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



Bronze & Brass Valves (USA)



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



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

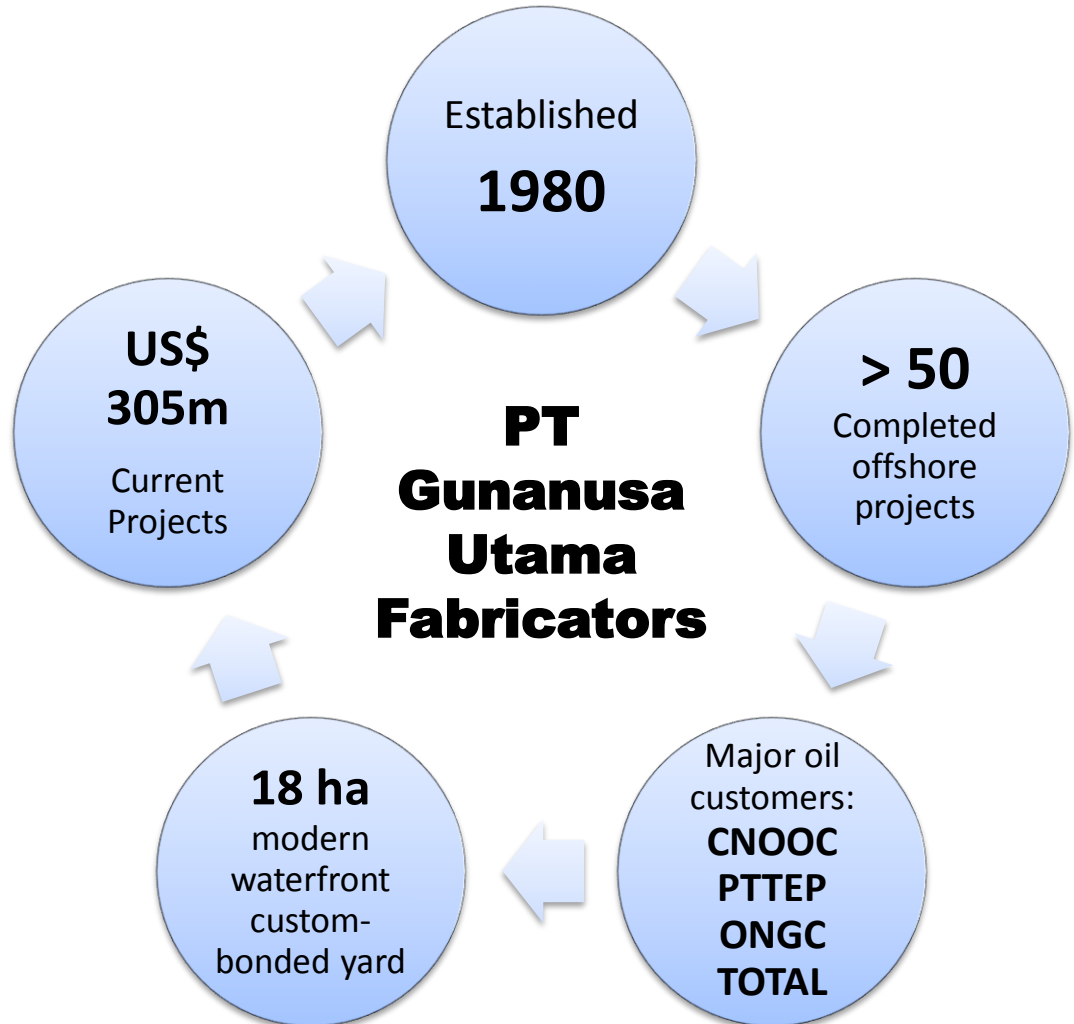
**Established EPCIC specialist
with more than 50 completed projects**



**Daman Development Project
(ONGC), India. Completed 1Q2016**



**Pertamina PHE WMO Project.
Completed Jan 2017**





Federal's Investment in PT Gunanusa Utama Fabricators

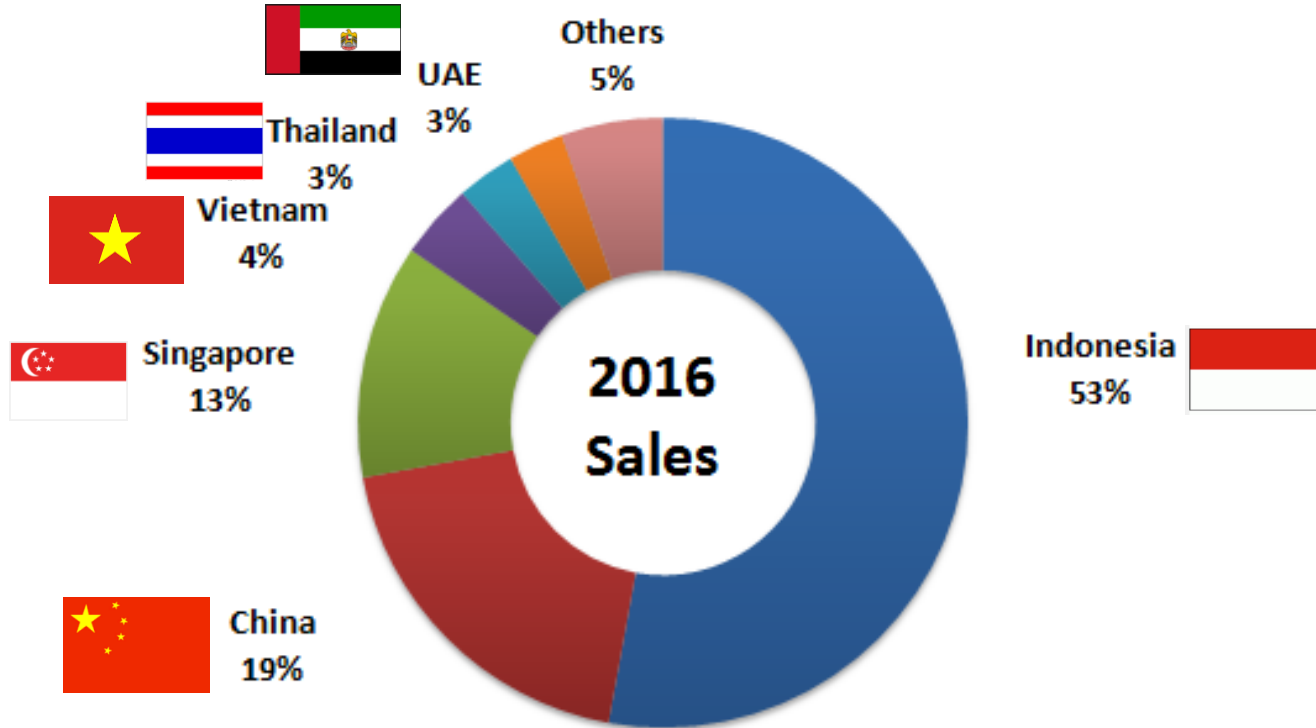
	Before increase in paid up capital	After increase in paid up capital
PTG's total issued shares	18,000	144,066
Federal's direct interest (No of shares)	3,720 (20.7%)	3,720 (2.6%)
PTG's shares pledged to Federal for loans from Federal to a PTG shareholder		90,000 (62.5%)

- Federal extended loans totalling USD 9 million to PTG through a shareholder of PTG.
- Increase in 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 "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 expects to bid for projects totalling about USD 1 bn in 2017.
- 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



Vietsopetro





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 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)

- Demand for geothermal power projects in Indonesia

Notes: ¹ Under PT Gunanusa ² Includes option period



FY2016 Key Financials

Share Data¹

- EPS: 5.16 cts (PE: 5.6x)
- NTA per share: 60.89 cts (P/B: 0.5)
- Dividend: 2.0 cts (Payout: 39%; Yield: 7.1%)
- Market cap: S\$ 41 m
- Free Float: 67%² (Total of 140.8 m issued shares)

Healthy Balance Sheet

- Total Assets: S\$ 144.5 m
- Net assets: S\$ 74.0 m
- Net debt to equity ratio : 13.7%
- Current ratio: 1.1
- Cash & bank balances (including deposits): S\$ 17.0 m
- Accruals for vessel costs: USD 8.4 m (See slide on Other Issues)

Earnings

- Revenue: S\$ 89.5 m
- GP: S\$ 17.8 m (Margin: 20%)
- Net Profit: S\$ 7.3 m

Order Book

- Procurement: S\$ 94 m
- EPCIC (PTG): US\$ 305 m

Notes: ¹ Based on share price of S\$0.290 ² As at 18 Mar 16



FY2016 Vs FY2015

In S\$'m	FY2016	FY2015	Change	Explanations
Revenue	89.5	128.7	-30%	Lower revenue due mainly to lower sales to customers in China (-\$19m) and Thailand (-\$11m). Federal's strategy to secure orders is to work with its partner, PT Gunanusa (PTG), by providing procurement services for projects secured by PTG.
Gross profit	17.8	41.3	-57%	Lower GP due to decline in revenue (-\$12.5 m) and lower GP margin (-\$11m). GP margin was higher in 2015 due to a high margin project completed in 1Q2015.
GP margin	20%	32%	-12 ppt	
Other income	10.4	2.5	+316%	Other income for 2016 comprised mainly fees charged to PTG for services rendered in relation to a project (\$5.9m) and gain on disposal of the Group's 12% interest in PT Gasuma Federal Indonesia (\$1.3m).
S&D costs	(7.1)	(9.0)	-21%	Decrease due to lower sales and marketing related expenses.
A&G costs	(14.0)	(11.4)	+23%	Increase due mainly to costs incurred in relation to services rendered to PTG.
Other costs	(0.9)	0.5	NM	Other costs for 2016 comprised mainly impairment loss on land rig of \$1 m and allowance for slow moving inventories of \$0.9m.
Finance costs	(0.7)	(0.8)	-13%	Decrease due to lower average outstanding term loans.
Share of associates' results	1.6	(0.01)	NM	Share of results comprised mainly share of <i>Federal II</i> charter profits of \$0.75m and KVC's results of \$0.9m.
Profit before tax	7.1	23.0	-69%	
Profit after tax	7.3	21.2	-66%	
EPS (S\$ Cents)	5.16	14.61	-65%	



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 as other creditors.
 - 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\$ 94m
- 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



Investment Merits

- Attractive valuation (Historical PE 5.6x & PB 0.5x) and dividend yield (7.1%)¹
- Earnings visibility with order book of S\$ 94 m
- Healthy balance sheet and low net gearing
- Master procurement agreement and partnership with PTG to provide procurement for PTG's projects
Total EPCIC projects up for tender in 2017 around USD 1 bn
- 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\$0.290.



Thank you

Federal International (2000) Ltd

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

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