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ROTARY ENGINEERING LIMITED

FY2013 RESULTS BRIEFING

27 February 2014

Smart thinking. Safe hands.

CAUTIONARY NOTE

This presentation may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions.

Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital availability, competition from other companies and venues for the sale/distribution of goods and services, shifts in customer demands, customers and partners, changes in operating expenses, including employee wages, benefits and training, governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business.

You are cautioned not to place undue reliance on these forward-looking statements, which are based on current view of management on future events.



OUTLINE

1. Financial Review

2. Ongoing Projects

3. Productivity Drive – 3M Strategy

4. Business Update and Development

5. Question-&-Answer



FINANCIAL REVIEW

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*This presentation should be read in conjunction with
Rotary Engineering Limited's 4Q/FY2013 Financial
Results ended 31 December 2013 statement
lodged on SGXNET on 27 February 2014*



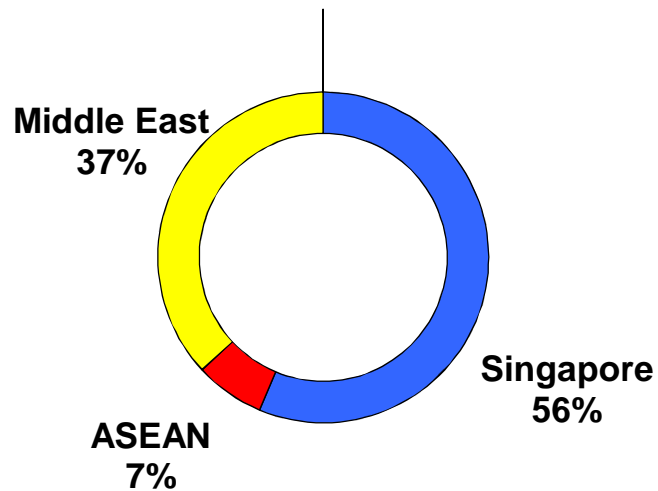
INCOME STATEMENT SUMMARY

S\$'000	4Q2013	4Q2012	▲ ▼	FY2013	FY2012	▲ ▼
Revenue	181,502	84,341	NM	595,026	444,467	▲ 34%
Gross Profit/(Loss)	18,411	(22,434)	NM	68,554	(110,050)	NM
Gross Profit Margins (%)	10%	(27%)	NM	12%	(25%)	NM
Other income	2,702	1,028	NM	8,002	4,387	▲ 82%
Selling & marketing costs	(236)	(224)	▲5%	(1,191)	(1,541)	▼23%
Admin costs	(13,857)	(8,782)	▲58%	(50,302)	(43,185)	▲16%
Other operating costs	(3,758)	(3,018)	▲25%	(15,286)	(26,568)	▼42%
Finance costs	(327)	(357)	▼8%	(1,583)	(2,643)	▼40%
Share of associates results	(593)	(721)	▲18%	(607)	(2,345)	▲74%
Profit/(Loss) Before Tax	2,342	(34,508)	NM	7,587	(181,945)	NM
Loss After Tax	(4,191)	(35,891)	▲88%	(4,675)	(184,997)	▲97%
Non-controlling interests	(9,360)	(17,457)	▲46%	(25,410)	(104,556)	▲76%
Profit/(Loss) attributable to company (PATMI)	5,169	(18,434)	NM	20,735	(80,441)	NM
EPS (Cents)	0.9	(3.2)	NM	3.7	(14.2)	NM

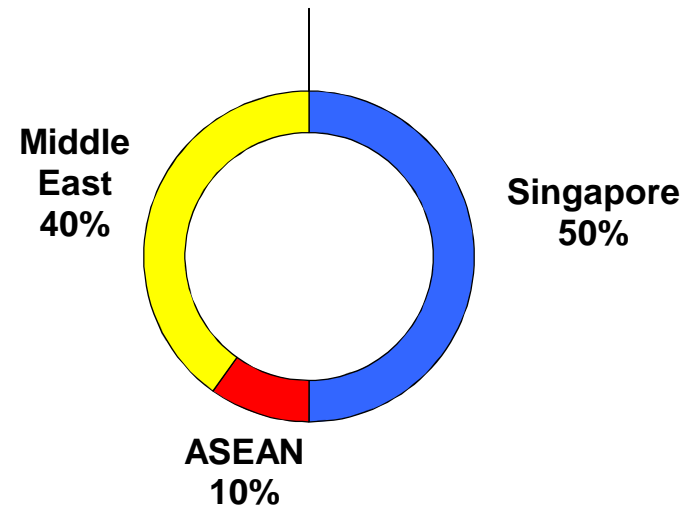


REVENUE BY GEOGRAPHICAL SEGMENTS

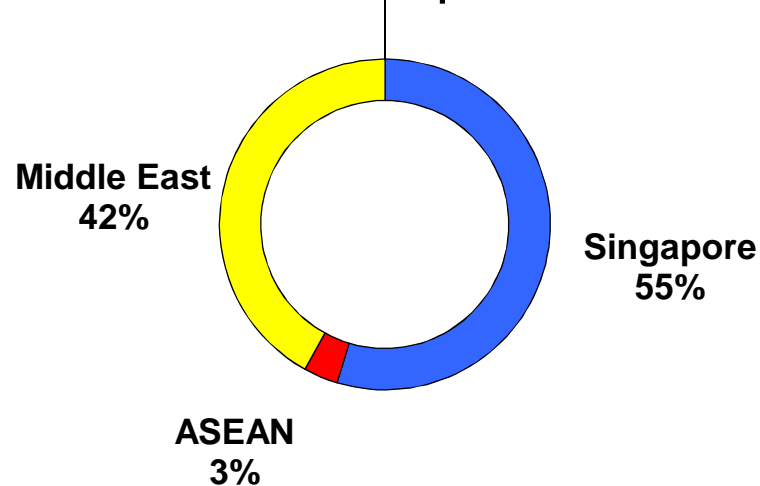
FY2013: S\$595.0m



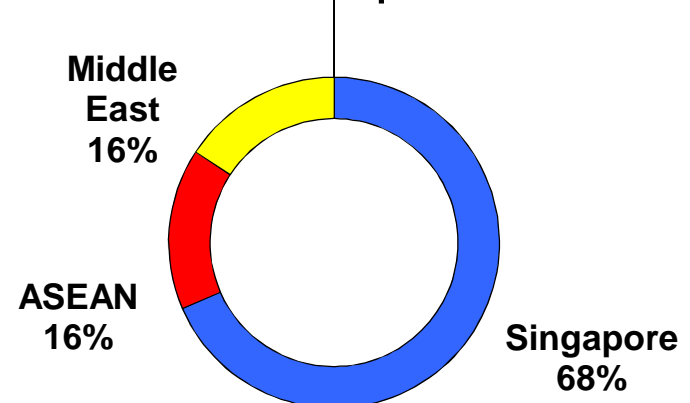
FY2012: S\$444.5m



4Q2013: S\$181.5m



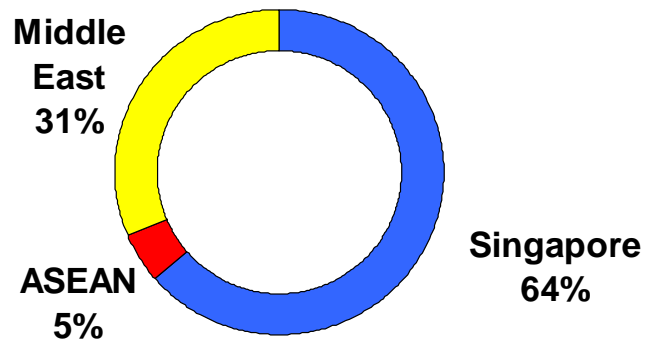
4Q2012: S\$84.3m



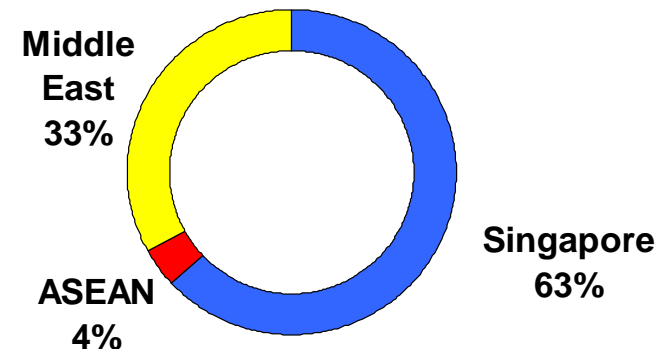


ORDER BOOK BY GEOGRAPHICAL SEGMENTS

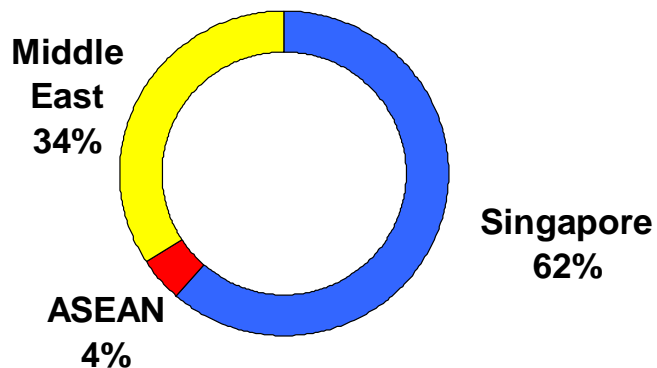
@ 31 Dec 2013: S\$694m



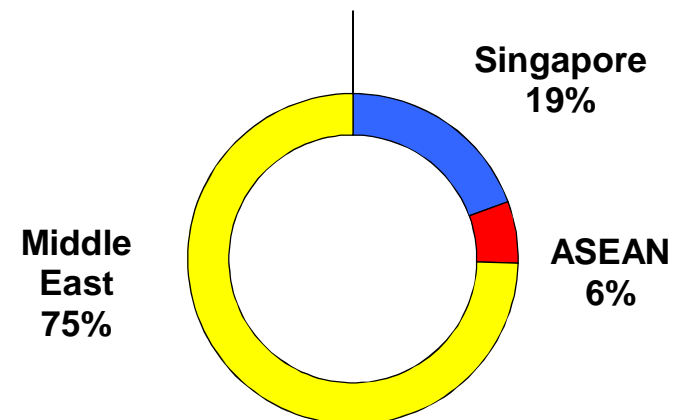
@ 30 Sep 2013: S\$847m



@ 6 Aug 2013: S\$1b



@ 31 Dec 2012: S\$463m





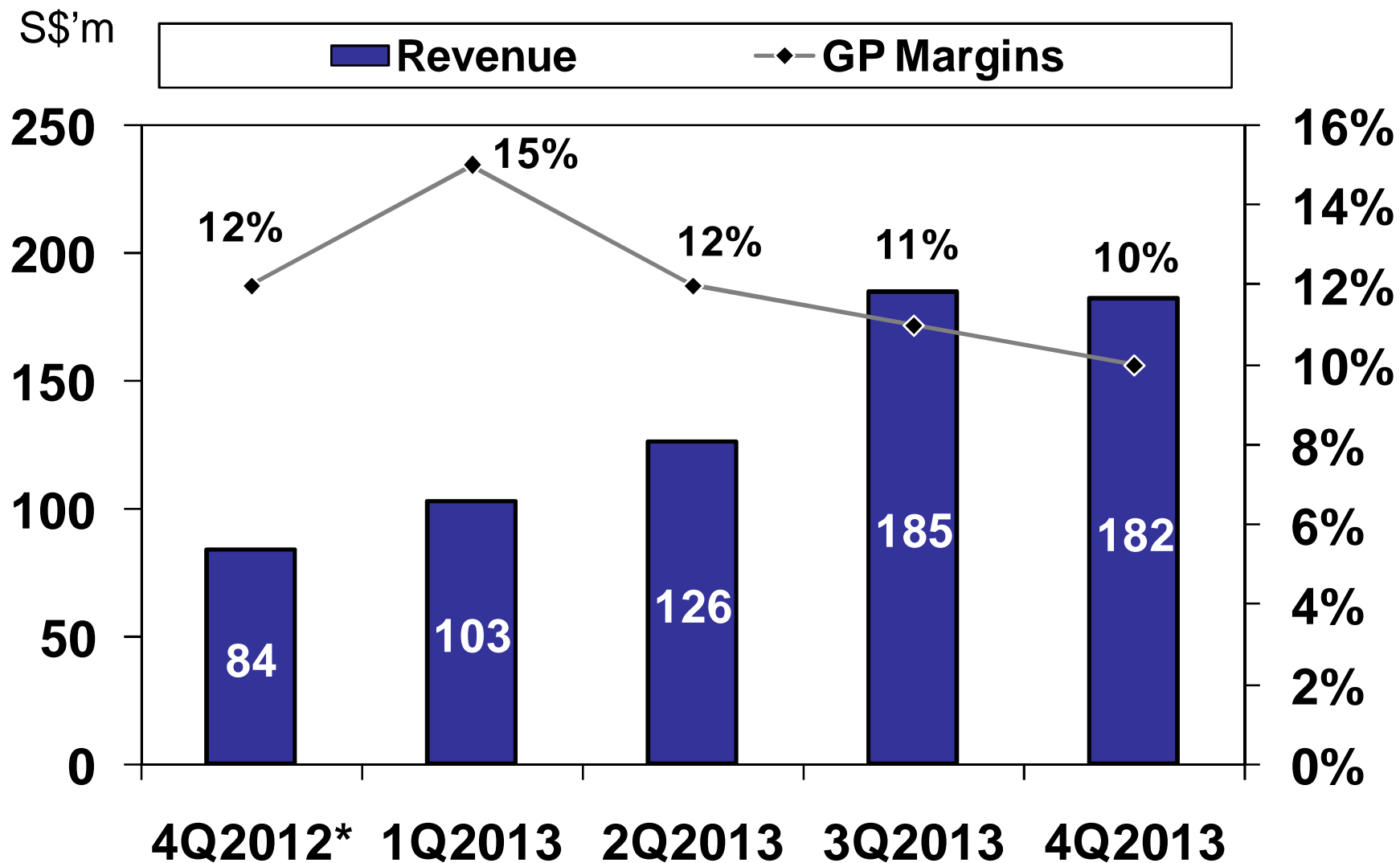
GROSS PROFIT MARGINS

S\$'000	4Q2013	4Q2012	▲ ▼	FY2013	FY2012	▲ ▼
Gross Profit/(Loss)	18,411	(22,434)	NM	68,554	(110,050)	NM
Gross Profit Margins (%)	10%	(27%)	NM	12%	(25%)	NM
Gross Profit Margins (%) excluding additional costs	10%	12%	▼ 2 pts	12%	14%	▼ 2 pts

- Positive contributions from new contract wins
- 4Q2013: GP margins in line with our guidance
- GPM guidance: 10% ~ 15%



REVENUE & GROSS PROFIT MARGINS



* GP Margins % adjusted

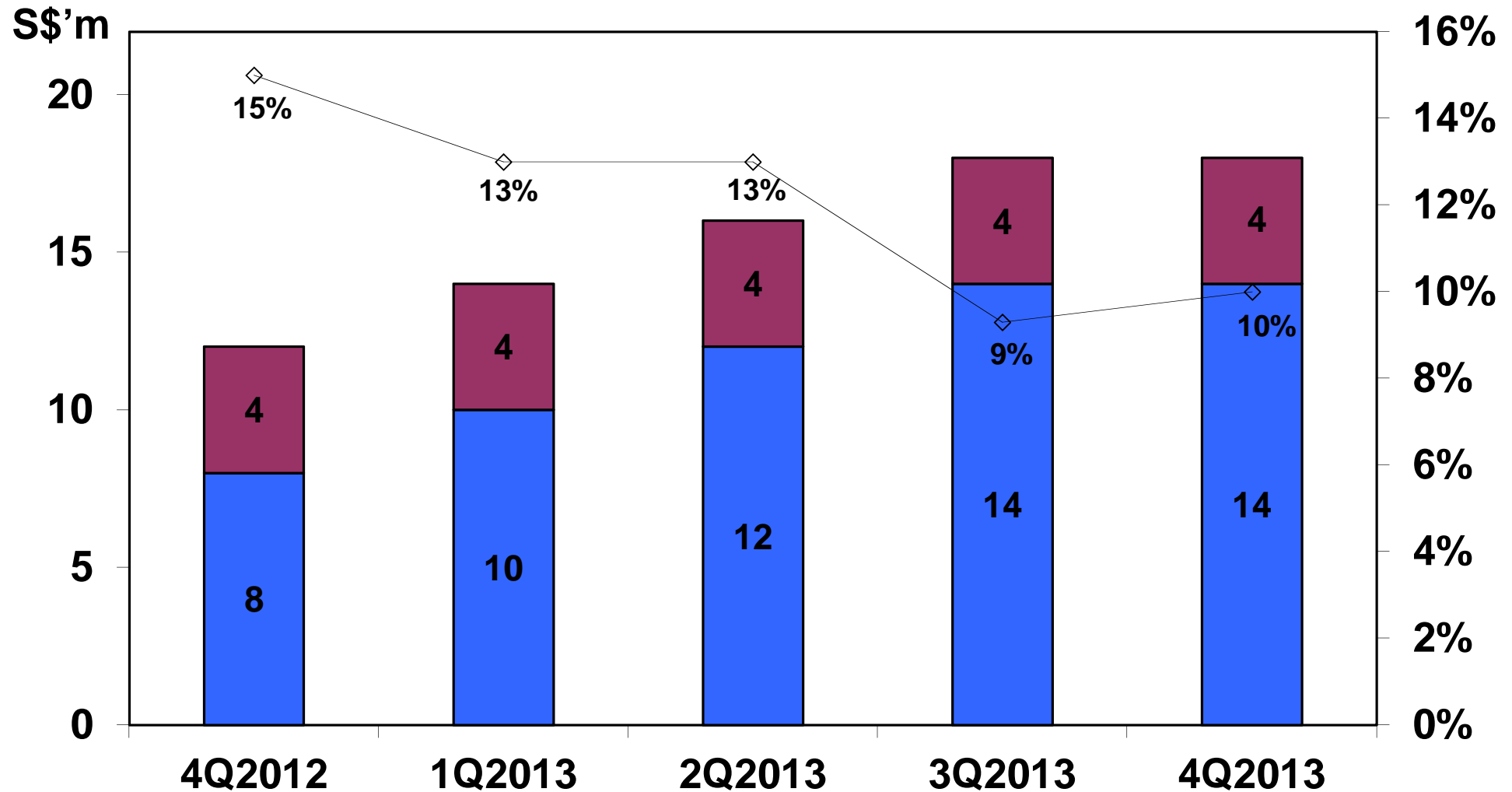


ADMIN (EXCL FX) & OTHER OPERATING COSTS

■ Other Operating Costs (excl one-off impairment) ■ Admin Costs (less FX)

◇ Total Costs (excl FX) as % of revenue

Costs increase in line with revenue





ADMINISTRATIVE COSTS

S\$'000	4Q2013	4Q2012	▲ ▼	FY2013	FY2012	▲ ▼
Admin costs (including FX)	(13,857)	(8,782)	▲ 58%	(50,302)	(43,185)	▲ 16%
FX (loss)/gain	(277)	(587)	▼ 53%	(839)	(5,139)	▼ 84%
Admin costs (excluding FX)	(13,580)	(8,195)	▲ 66%	(49,463)	(38,046)	▲ 30%

- Costs in line with business activities and performance
- FX fluctuations significantly lower due to reduced exposure and hedges undertaken



OTHER OPERATING COSTS

S\$'000	4Q2013	4Q2012	▲ ▼	FY2013	FY2012	▲ ▼
Other operating costs	(3,758)	(3,018)	▲25%	(15,286)	(26,568)	▼42%
• Allowance for doubtful debts	(124)	(433)	▼71%	(226)	(84)	NM
• Inventories written back / (down)	71	(23)	NM	(248)	(66)	NM
• Amortisation of intangible assets	(332)	(229)	▲45%	(1,296)	(1,030)	▲26%
• Depreciation of PPE	(3,373)	(3,712)	▼9%	(13,516)	(14,767)	▼8%
• Impairment loss of available-for-sale financial assets written back	-	1,112	NM	-	1,112	NM
• Impairment loss of investments in associates	-	-	NM	-	(7,500)	NM
• Impairment loss of advances to associates	-	-	NM	-	(4,500)	NM

- Other operating costs mainly due to depreciation of Property, Plant and Equipment (PPE)



CASHFLOWS SUMMARY

S\$'000	4Q2013	4Q2012	FY2013	FY2012
Net cashflows from operations	35,906	25,768	57,023	83,666
Net cashflows from investment	872	2,985	947	1,603
Net cashflows used in financing	(46,052)	(10,117)	(66,791)	(38,367)
Net (decrease)/increase in cash and cash equivalents	(9,274)	18,636	(8,821)	46,902
Cash & Cash Equivalents:				
Effect on exchange rate changes	(539)	2,110	123	739
At beginning of period	165,540	143,679	164,425	116,784
At end of period	155,727	164,425	155,727	164,425



CASHFLOWS ANALYSIS (4Q2013)

- **Net cash from operations**

- Increase in gross amount due to customers for projects
- Offset by increase in billings

- **Net cash from investment**

- Proceeds from disposal of long-term investment
- Offset by purchase of property, plant and equipment (PPE)

- **Net cash used in financing**

- Pledged for project financing
- Offset by repayment of loans & trade facilities



BALANCE SHEET SUMMARY

S\$'000	31.12.2013	31.12.2012	▲ ▼
Property, plant & equipment	53,730	61,051	▼12%
Cash & short-term deposits	193,725	164,539	▲18%
Trade & other receivables	266,296	199,689	▲33%
Other current & non-current assets	40,773	30,101	▲35%
Total assets	554,524	455,380	▲22%
Trade & other payables	141,871	170,213	▼17%
Total borrowings	59,765	83,219	▼28%
Other current & non-current liabilities	254,514	91,436	NM
Total liabilities	456,150	344,868	▲32%
Shareholders equity	211,178	192,685	▲10%
NAV per share (cents)	37.2	34.0	▲9%



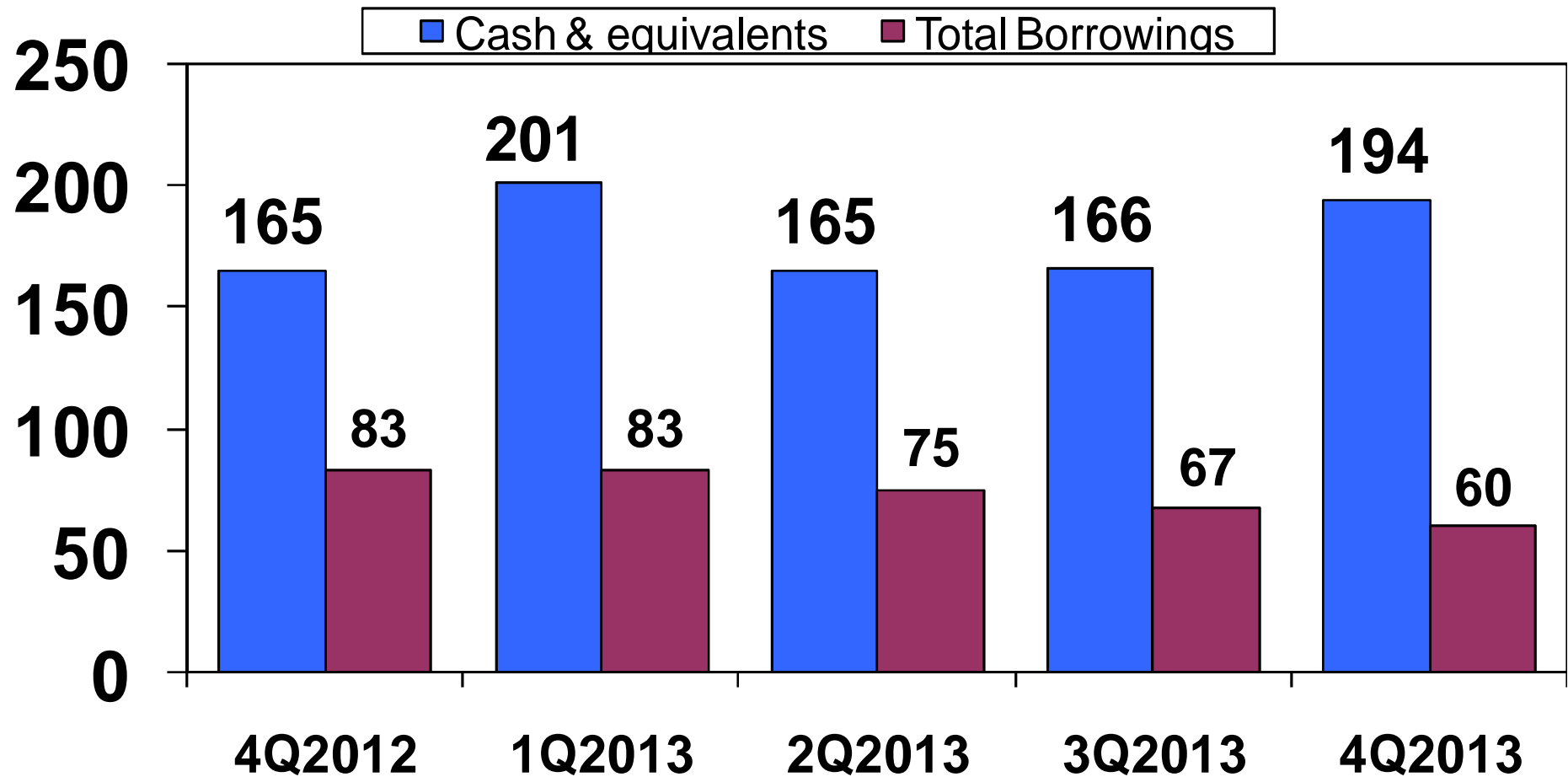
BALANCE SHEET ANALYSIS

- **Property, plant & equipment**
 - Decrease mainly due to depreciation
- **Trade and other receivables**
 - Increase in line with business activities
- **Other current and non-current assets**
 - Increase due to new projects undertaken
- **Trade and other payables**
 - Decrease due to SATORP substantially completed
- **Borrowings**
 - Decrease due to repayments
- **Other current and non-current liabilities**
 - Increase mainly due to gross amount due to customer and downpayments from new projects
- **Non-controlling interests**
 - Minority shareholders accounting for their loss on JV company in Saudi for SATORP



NET CASH POSITION

S\$m



NET CASH S\$82m \longrightarrow S\$134m



DIVIDEND

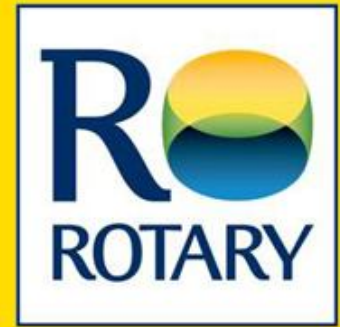
- Final dividend of 1.5 cents per share proposed for FY2013 (one-tier tax exempt)
- Dividend yield of ~ 2% based on closing share price of \$0.62 as at 25 Feb 2014
- Company does not have a fixed dividend policy
- FY2009 to FY2013
 - Dividend payout ratio*: 40% ~ 55%
 - Dividend yield* : 2% ~ 5%

* Excluding FY2012



DIVIDEND (FY2009 – FY2013)

	FY13	FY12	FY11	FY10	FY09
EPS	3.7	(14.2)	5.5	11.2	9.6
Share Price at Y/E (cts)	66.0	44.5	57.5	102.0	105.0
Dividend (cts/share)	1.5	0.5	2.0 + 1.0	4.8	3.8
Dividend Yield at Y/E (%)	2	1	5	5	4
Dividend Payout Ratio (%)	41	NA	55	43	40



ONGOING PROJECTS

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PROJECT SUMMARY

Client/Project	Location	Contract Value	Start Date	Expected Completion Date
Shell - Maintenance	Various	-	4Q2009	Ongoing
Saudi Aramco Total Refining & Petrochemical Company (SATORP) refinery tank farm	Jubail City Saudi Arabia	US\$745m	3Q2009	4Q2013 (Completed)
Concord Energy - Fujairah Oil Terminal	Fujairah – UAE	US\$261m	1Q2011	2H2014
Chang Chun - Specialty Chemical Plant	Jurong Island	(A) & (B)	3Q2011	4Q2013 (Completed)
EPC tankage for Samsung C&T	Jurong Island	(B)	4Q2011	4Q2013 (Completed)

(A) Total cumulative value S\$40m: per 25 Jul 2011 SGX announcement

(B) Total cumulative value S\$110m: per 19 Sep 2011 SGX announcement



PROJECT SUMMARY (Cont.)

Client/Project	Location	Contract Value	Start Date	Expected Completion Date
Chevron Singapore-Maintenance	Jurong Island	(B)	4Q2011	4Q2014
Shoaiba II Combined Cycle Power Plant Project	Shoaiba-Saudi Arabia	US\$34m	2Q2012	1Q2014
Samsung - civil works	Jurong Island	S\$11m	1Q2013	1Q2014
Oil major – piping and tankage	Jurong Island	S\$35m	1Q2013	1Q2014
Tankstore- EPC for oil terminal in Singapore	Pulau Busing	S\$300m	1Q2013	4Q2014

(B) Total cumulative value S\$110m: per 19 Sep 2011 SGX announcement



PROJECT SUMMARY (Cont.)

Client/Project	Location	Contract Value	Start Date	Expected Completion Date
Global Independent storage operator – EPC for spherical storage tanks	Jurong Island	S\$30m	1Q2013	1H2014
International specialty chemicals company-fabricate & install pipe racks	Jurong Island	S\$12m	1Q2013	4Q2013 (Completed)



PROJECT SUMMARY (Cont.)

Client/Project	Location	Contract Value	Start Date	Expected Completion Date
International specialty chemicals company- E&I works + supply of materials for plant	Jurong Island	S\$30m (C)	3Q2013	1Q2014
Oil Major – piping & structural works for new processing unit	Jurong Island	S\$17m (C)	3Q2013	2Q2014
Various maintenance contracts	Singapore /Thailand	S\$13m (C)	3Q2013	2Q2014

(C) Total cumulative value S\$60m: per 9 Jul 2013 SGX announcement



PROJECT SUMMARY (Cont.)

Client/Project	Location	Contract Value	Start Date	Expected Completion Date
Lube Park Shared Facilities	Tuas South	(D)	3Q2013	3Q2015
International EPC-EPC for elastomers plant	Jubail/ Saudi	(D)	3Q2013	1Q2014
International EPC-erection of 28 tanks for Sadara South Tank farm	Jubail/ Saudi	(D)	3Q2013	3Q2014
International EPC-fabrication works at multi-feed cracker	Jubail/ Saudi	(D)	3Q2013	1H2014

(D) Total cumulative value S\$200m: per 31 Jul 2013 SGX announcement



PROJECT SUMMARY (Cont.)

Client/Project	Location	Contract Value	Start Date	Expected Completion Date
Oil Major/ EPC for LOBP	Tuas South	(E)	3Q2013	2Q2015
IRPC/ Upstream Hygiene and Value Added project-engineering & construction of 7 spherical tanks + construction of 19 atmospheric tanks	Rayong/ Thailand	(E)	3Q2013	4Q2014

(E) Total cumulative value S\$100m: per 6 Aug 2013 SGX announcement



PRODUCTIVITY DRIVE – 3M STRATEGY

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PRODUCTIVITY DRIVE- 3M STRATEGY

Managing Manpower, Material, and Machine

- **Manpower:**
 - Global Workforce (GWF) scheme trains and deploys workforce for overseas projects
 - Relocate Global Workforce (GWF) HQ from Singapore to Chennai, India ~ tap on talent pool
 - Recruit engineers to expand engineering design capability
 - Lower construction cost with off-site prefabrication (eg Batam yard)
 - Higher labour productivity with on-site dormitories to cut commuting time (eg Pulau Busing project)



PRODUCTIVITY DRIVE- 3M STRATEGY

Managing Manpower, Material, and Machine

- **Material:**
 - Leverage on bulk purchase discounts
 - Efficient warehousing and prompt logistics support to projects
 - Off-site prefabricated structures shorten construction time and costs



PRODUCTIVITY DRIVE- 3M STRATEGY

Managing Manpower, Material, and Machine

- **Machine:**
 - Mechanisation and specialised equipment (eg concrete batching plant)
 - Supply chain logistics (eg vessels for transportation of prefabricated structures to project sites)
 - Greater use of 3D modeling for design and modeling (eg SP3D software)
 - Innovative construction methods (eg gantry crane)

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BUSINESS UPDATE AND DEVELOPMENT

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BUSINESS DEVELOPMENT

▪ Asean

- Malaysia - Johor
 - Pre-qualified to bid for Petronas RAPID in Pengerang
 - RAPID – “Refinery And Petrochemical Integrated Development”
- Malaysia - Pahang
 - Tendering for jobs in Gebeng, Pahang
 - Petrochemical hub with many multi-national chemical companies such as BASF, Amoco and Eastman
- Thailand
 - Following up on business opportunities in Map Ta Phut petrochemical hub
 - Well-established to take on EPC, tankage, pipeline and fabrication projects



BUSINESS DEVELOPMENT (Cont.)

- **Middle East**

- Saudi Arabia
 - Reorganise operations structure
 - Take on sub-contractor and fabrication projects
 - Focus on projects within 200-300km radius of Jubail
- Oman
 - Rep Office set up to explore opportunities
 - Eg Duqm, Raz Markaz
- Fujairah
 - Pursuing business opportunities



THANK YOU