



ROTARY ENGINEERING LIMITED

2Q2014 RESULTS BRIEFING

7 August 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.

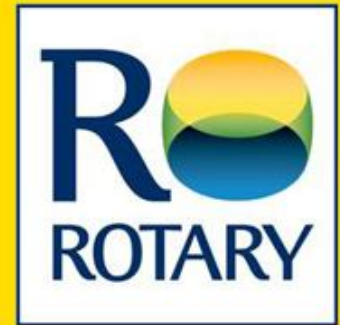
Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital availability, competition from other companies and venues for the sale/distribution of goods and services, shifts in customer demands, customers and partners, 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. Projects Summary
3. Business Development
4. Question-&-Answer



FINANCIAL REVIEW

Smart thinking. Safe hands.



*This presentation should be read in conjunction with
Rotary Engineering Limited's 2Q2014 Financial Results
ended 30 June 2014 statement
lodged on SGXNET on 6 August 2014*



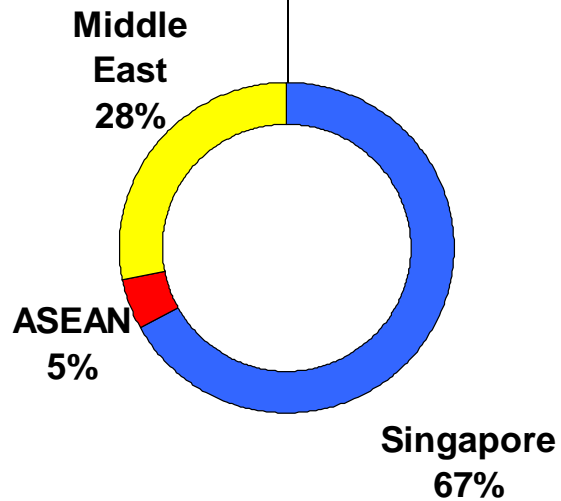
INCOME STATEMENT SUMMARY

| S\$'000 | 2Q2014 | 2Q2013 | ▲ ▼ | 1H2014 | 1H2013 | ▲ ▼ |
|---|----------------|----------------|---------------|----------------|----------------|---------------|
| Revenue | 190,789 | 126,210 | ▲51% | 389,959 | 229,035 | ▲70% |
| Gross Profit | 31,673 | 15,021 | NM | 65,292 | 30,763 | NM |
| Gross Profit Margins (%) | 17% | 12% | ▲5ppts | 17% | 13% | ▲4ppts |
| Other income | 817 | 1,603 | ▼49% | 1,608 | 2,728 | ▼41% |
| Selling & marketing costs | (205) | (325) | ▼37% | (319) | (614) | ▼48% |
| Admin costs | (15,206) | (12,387) | ▲23% | (29,476) | (22,500) | ▲31% |
| Other operating costs | (3,833) | (4,097) | ▼6% | (7,039) | (7,805) | ▼10% |
| Finance costs | (251) | (312) | ▼20% | (537) | (775) | ▼31% |
| Share of associates results | 128 | 626 | ▼80% | (142) | 63 | NM |
| Profit Before Tax | 13,123 | 129 | NM | 29,387 | 1,860 | NM |
| Profit/(Loss) After Tax | 11,313 | (1,381) | NM | 24,978 | (510) | NM |
| Non-controlling interests | (1,742) | (6,495) | ▲73% | (2,431) | (8,148) | ▲70% |
| Profit attributable to company (PATMI) | 13,055 | 5,114 | 155% | 27,409 | 7,638 | 260% |
| EPS (Cents) | 2.3 | 0.9 | 155% | 4.8 | 1.3 | 260% |

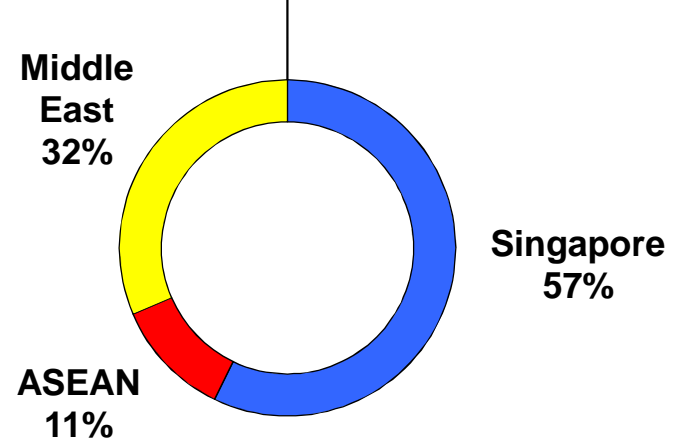


REVENUE BY GEOGRAPHICAL SEGMENTS

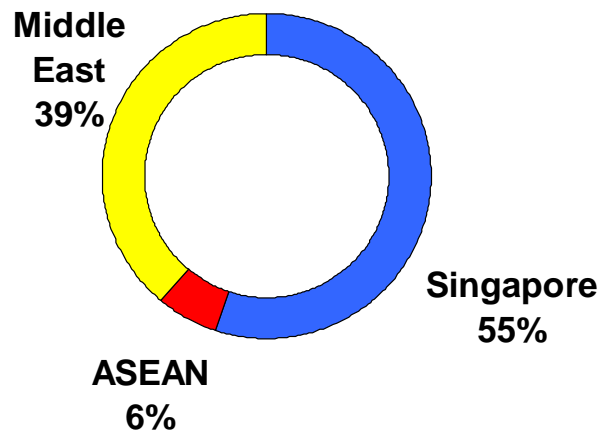
2Q2014: S\$190.8m



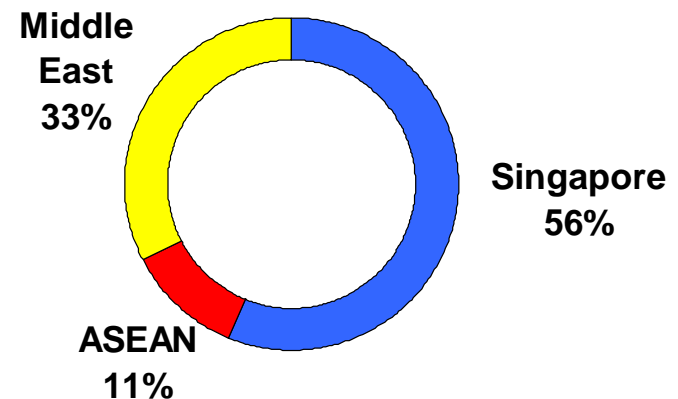
2Q2013: S\$126.2m



1H2014: S\$390.0m



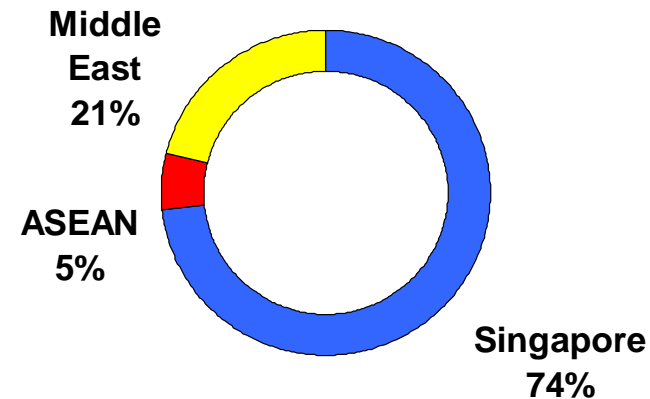
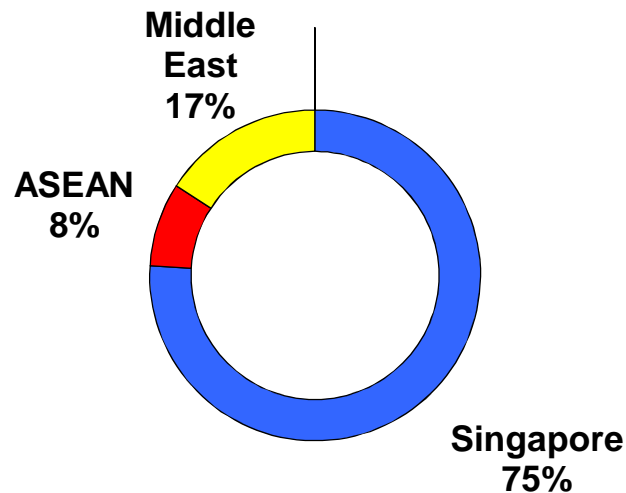
1H2013: S\$229.0m



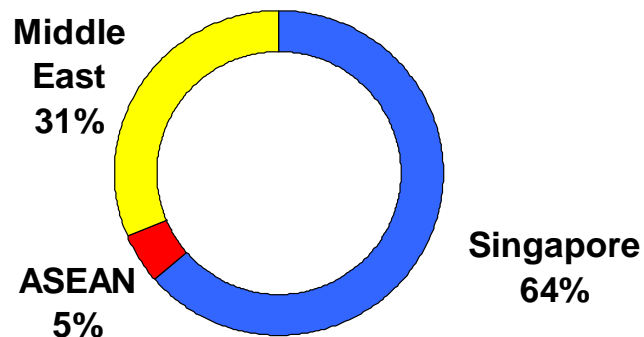


ORDER BOOK BY GEOGRAPHICAL SEGMENTS

@ 30 Jun 2014: S\$381m @ 31 Mar 2014: S\$535m



@ 31 Dec 2013: S\$694m





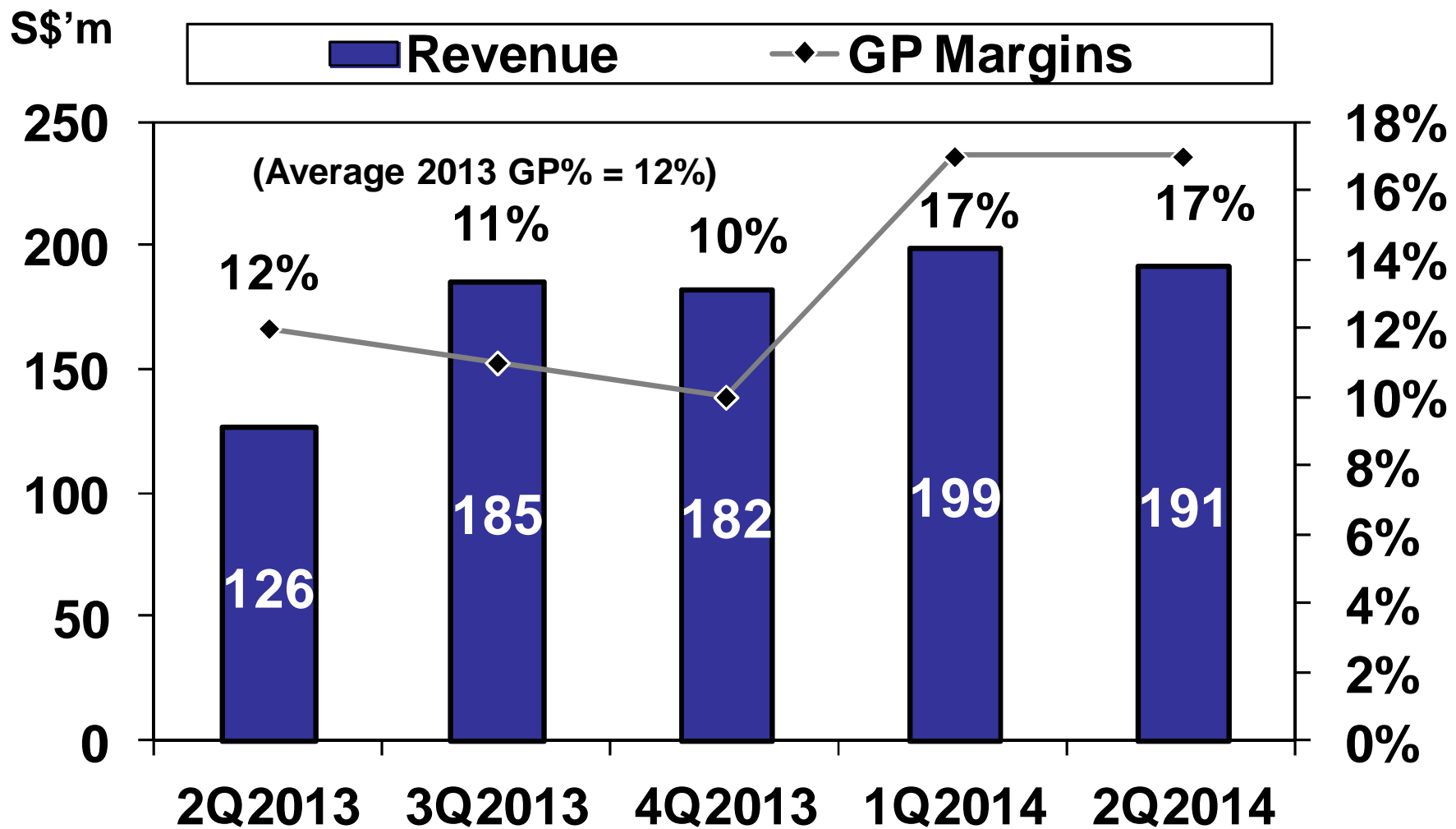
GROSS PROFIT MARGINS

| S\$'000 | 2Q2014 | 2Q2013 | ▲ ▼ | 1H2014 | 1H2013 | ▲ ▼ |
|--------------------------|--------|--------|--------|--------|--------|--------|
| Gross Profit | 31,673 | 15,021 | ▲111% | 65,292 | 30,763 | ▲112% |
| Gross Profit Margins (%) | 17% | 12% | ▲5ppts | 17% | 13% | ▲4ppts |

- 2Q2014
 - GP margins in line with guidance of 12% ~ 18%
 - Higher margins contributed by productivity improvements and better cost control
- GPM guidance going forward : 15% ~ 18%



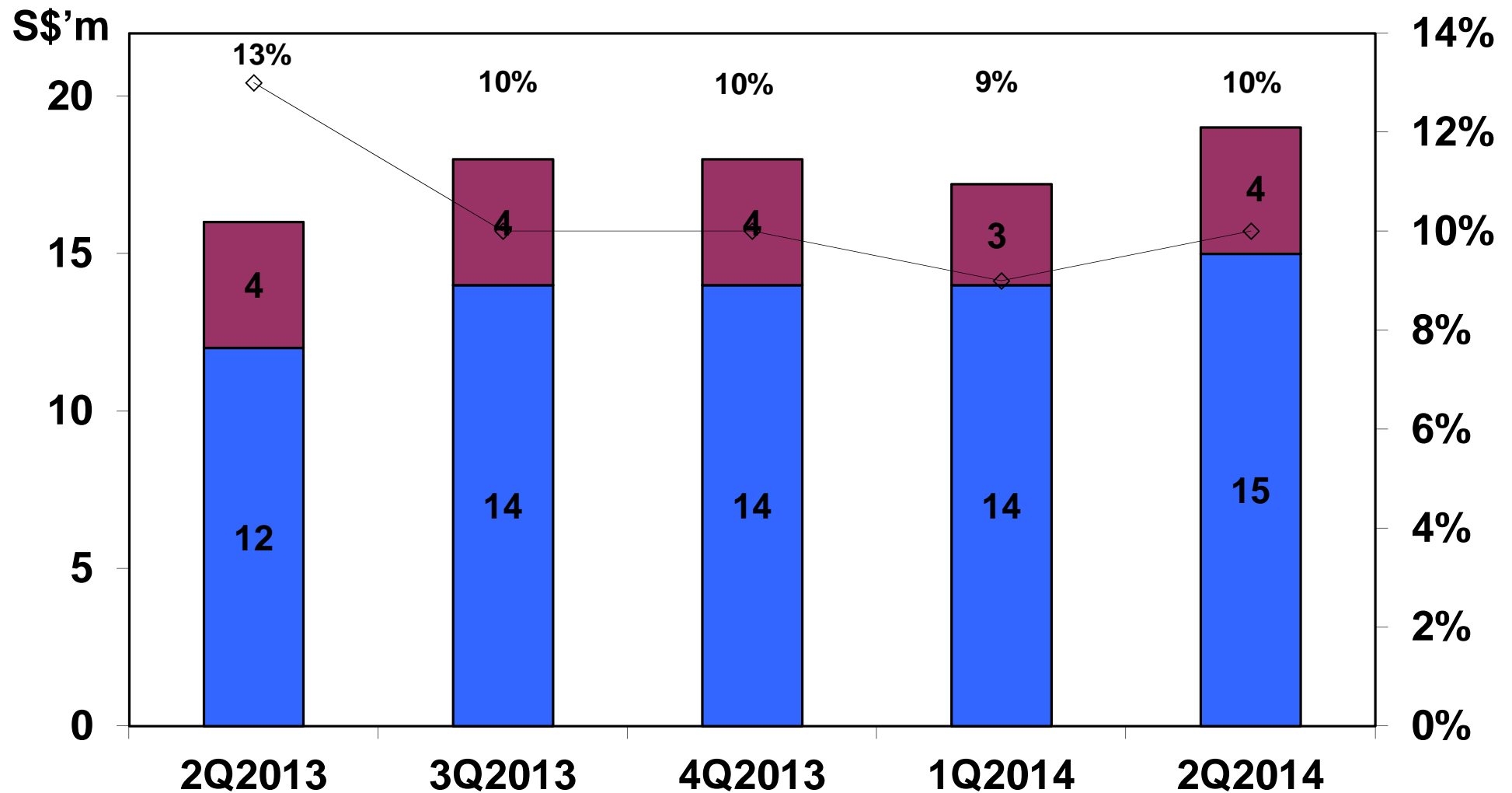
REVENUE & GROSS PROFIT MARGINS





ADMIN (EXCL FX) & OTHER OPERATING COSTS

■ Other Operating Costs ■ Admin Costs (excl FX) ◇ Total Costs (excl FX) as % of revenue





ADMINISTRATIVE COSTS

| S\$'000 | 2Q2014 | 2Q2013 | ▲ ▼ | 1H2014 | 1H2013 | ▲ ▼ |
|-----------------------------------|-----------------|-----------------|-------------|-----------------|-----------------|-------------|
| Admin costs (including FX) | (15,206) | (12,387) | ▲23% | (29,476) | (22,500) | ▲31% |
| FX (loss)/gain | (539) | 115 | NM | (435) | (162) | NM |
| Admin costs (excluding FX) | (14,667) | (12,502) | ▲17% | (29,041) | (22,338) | ▲30% |

- Costs in line with business activities and performance
- FX costs managed despite volatility in US\$ in 2Q2014



OTHER OPERATING COSTS

| S\$'000 | 2Q2014 | 2Q2013 | ▲ ▼ | 1H2014 | 1H2013 | ▲ ▼ |
|-------------------------------------|----------------|----------------|------|----------------|----------------|------|
| Other operating costs mainly | (3,833) | (4,097) | ▼6% | (7,039) | (7,805) | ▼10% |
| • Allowance for doubtful debts | (178) | (107) | NM | (178) | (83) | NM |
| • Amortisation of intangible assets | (360) | (332) | ▲8% | (689) | (639) | ▲8% |
| • Depreciation of PPE | (2,884) | (3,565) | ▼19% | (5,745) | (6,984) | ▼18% |

- Decrease in depreciation due to certain assets fully amortised



CASHFLOW SUMMARY

| S\$'000 | 2Q2014 | 2Q2013 | 1H2014 | 1H2013 |
|---|----------------|-----------------|----------------|-----------------|
| Net cashflows from/(used in) operations | 24,719 | (22,375) | 38,685 | 15,919 |
| Net cashflows from/(used in) investment | 2,475 | (1,421) | 1,461 | (3,386) |
| Net cashflows used in financing | (8,523) | (12,860) | (18,796) | (50,668) |
| Net increase/(decrease) in cash and cash equivalents | 18,671 | (36,656) | 21,350 | (38,135) |
| Cash & cash equivalents: | | | | |
| Effect of exchange rate changes | (657) | (24) | (583) | 991 |
| At beginning of period | 158,480 | 163,961 | 155,727 | 164,425 |
| At end of period | 176,494 | 127,281 | 176,494 | 127,281 |



CASHFLOW ANALYSIS (2Q2014)

- **Net cash from operations**
 - Generated from profits

- **Net cash from investment**
 - Proceeds from disposal of subsidiary
 - Offset by purchase of property, plant and equipment

- **Net cash used in financing**
 - Dividends paid



BALANCE SHEET SUMMARY

| S\$'000 | 30.06.2014 | 31.12.2013 | ▲ ▼ |
|---|----------------|----------------|------------|
| Property, plant & equipment | 50,126 | 53,730 | ▼7% |
| Cash & short-term deposits | 213,942 | 193,725 | ▲10% |
| Trade & other receivables | 144,554 | 144,914 | - |
| Other current & non-current assets | 55,654 | 77,299 | ▼28% |
| Total assets | 464,276 | 469,668 | ▼1% |
| Trade & other payables | 140,578 | 141,871 | ▼1% |
| Total borrowings | 48,766 | 59,765 | ▼18% |
| Other current & non-current liabilities | 160,250 | 169,658 | ▼6% |
| Total liabilities | 349,594 | 371,294 | ▼6% |
| Shareholders equity | 228,173 | 211,178 | ▲8% |
| NAV per share (cents) | 40.2 | 37.2 | ▲8% |

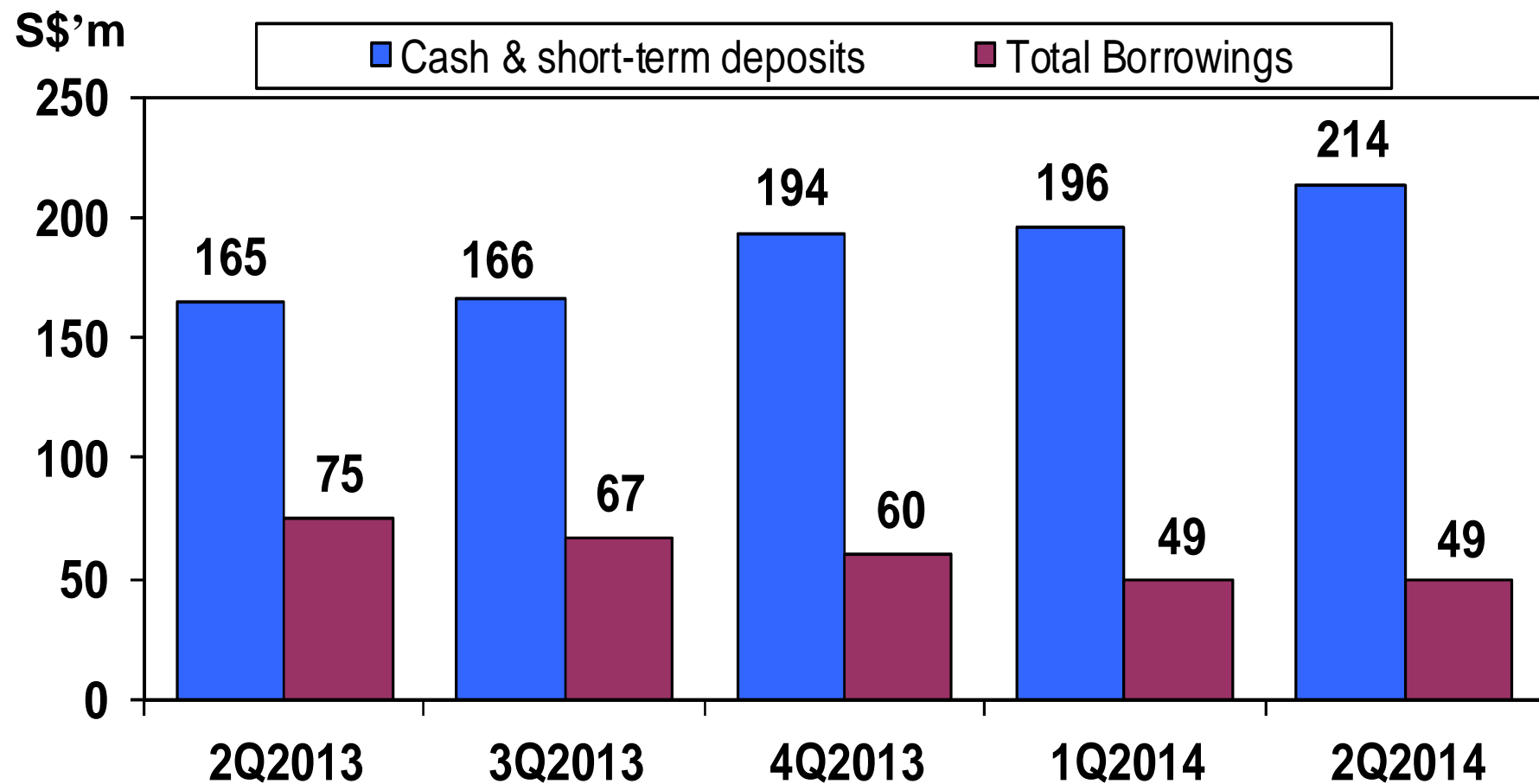


BALANCE SHEET ANALYSIS

- **Property, plant & equipment**
 - Decrease mainly due to depreciation
- **Trade & other receivables**
 - Remain stable despite increase in revenue, due to better collection
- **Other current and non-current assets**
 - Decrease in gross amount due from customers for contract work in progress as a result of higher billings
- **Borrowings**
 - Decrease due to repayments



NET CASH POSITION





PROJECTS SUMMARY



PROJECT SUMMARY

| Client/Project | Location | Contract Value | Start Date | Expected Completion Date |
|---|----------------------|----------------|------------|--------------------------|
| Shell - Maintenance | Various | - | 4Q2009 | Ongoing |
| Concord Energy - Fujairah Oil Terminal | Fujairah – UAE | US\$261m | 1Q2011 | 2H2014 |
| Chevron Singapore-Maintenance | Jurong Island | (A) | 4Q2011 | 4Q2014 |
| Shoaiba II Combined Cycle Power Plant Project | Shoaiba-Saudi Arabia | US\$34m | 2Q2012 | 2H2014 |

(A) Amount not disclosed due to confidentiality



PROJECT SUMMARY (Cont.)

| Client/Project | Location | Contract Value | Start Date | Expected Completion Date |
|---|-----------------|-----------------------|-------------------|---------------------------------|
| Tankstore- EPC for oil terminal in Singapore | Pulau Busing | S\$300m | 1Q2013 | 4Q2014 |
| Global Independent storage operator – EPC for spherical storage tanks | Jurong Island | S\$30m | 1Q2013 | 2H2014 |



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 (B) | 3Q2013 | 2H2014 |
| Oil Major – piping & structural works for new processing unit | Jurong Island | S\$17m (B) | 3Q2013 | 2H2014 |
| Various maintenance contracts | Singapore /Thailand | S\$13m (B) | 3Q2013 | 2Q2014 (Completed) |

(B) 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 | (C) | 3Q2013 | 3Q2015 |
| International EPC-EPC for elastomers plant | Jubail/ Saudi | (C) | 3Q2013 | 2H2014 |
| International EPC-erection of 28 tanks for Sadara South Tank farm | Jubail/ Saudi | (C) | 3Q2013 | 2H2014 |
| International EPC-fabrication works at multi-feed cracker | Jubail/ Saudi | (C) | 3Q2013 | 2H2014 |

(C) Total cumulative value S\$200m: per 30 Jul 2013 SGX announcement



PROJECT SUMMARY (Cont.)

| Client/Project | Location | Contract Value | Start Date | Expected Completion Date |
|--|------------------|----------------|------------|--------------------------|
| Oil Major/ EPC for LOBP | Tuas South | (D) | 3Q2013 | 2Q2015 |
| IRPC/ Upstream Hygiene and Value Added | Rayong/ Thailand | (D) | 3Q2013 | 4Q2014 |

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



BUSINESS DEVELOPMENT & SUMMARY

Smart thinking. Safe hands.



BUSINESS DEVELOPMENT

Overall

- Move up storage facilities value chain, towards high spec tanks (e.g. LNG)
- Good business opportunities in Singapore, ASEAN and Middle East
- BOO Opportunities

LNG

- Prepare for expected growth in demand for LNG tankage, both in Singapore and the region
- Formed strategic partnerships
- Sent staff for technical training



BUSINESS DEVELOPMENT (Cont.)

Singapore

- Strategic partnerships offer good prospects for LNG projects
- Continued quality investments in Jurong Island offers opportunities for high spec tankage, with ancillaries such as piping and E&I



BUSINESS DEVELOPMENT (Cont.)

Asean

- Malaysia
 - ❑ Tendering for jobs in Gebeng, Pahang
 - ❑ Petrochemical hub with many multi-national chemical companies such as BASF, Amoco and Eastman
- Thailand
 - ❑ Rotary has a well-established track record for EPC, tankage, pipeline and fabrication projects supported by a prefabrication facility in Rayong
 - ❑ Focus on Map Ta Phut petrochemical hub, especially LNG



BUSINESS DEVELOPMENT (Cont.)

Middle East

- Oman- Rep office has staff for business development, e.g Duqm, Raz Markaz
- Fujairah- Visibility of FOT project and its smooth progress impressed many and elicited a stream of enquiries and expressions of interest in our work
- Kuwait- New potential area for Rotary. Like Oman and Fujairah, it is also developing refinery and petrochemical facilities.



BUSINESS DEVELOPMENT (Cont.)

BOO Opportunities

- Expertise in building and maintenance of liquid bulk infrastructure make us potential partner for BOO projects of storage terminals
- Emergence of independent terminal operators in China, Malaysia and Indonesia due to Asia growth



THANK YOU