



FEDERAL INTERNATIONAL (2000) LTD

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PRESS RELEASE

FEDERAL REPORTS A NET PROFIT OF S\$5.0 MILLION FOR FY2005

Singapore, 27 February 2006 – SGX Mainboard-listed Federal International (2000) Ltd (“Federal” or “the Group”), an integrated engineering and procurement specialist supporting the energy and infrastructure sectors in the region, announced a net profit attributable to shareholders (“NPAS”) of S\$5.0 million for the full year ended 31 December 2005, up from S\$4.9 million in the same period last year.

The 3.7% improvement in Federal's NPAS is due to the fact that in FY2004, there was a share of losses in associates amounting to \$4.0 million and there was also an other income amounting to S\$4.7 million from the disposal of a 50% stake in Shanghai KVC Valve Co. Ltd and the sale of an accommodation cum work barge. Our 20%-owned associated company, PT Gunanusa Utama, has since turned around in the current financial year. The increase in profits also reflects the Group's successful efforts in controlling its operating expenses, including selling and distribution costs, and administrative and general costs.

Group revenue fell 18.5% to S\$90.9 million in FY2005 from S\$111.6 million in FY2004. The fall in Group turnover in FY2005 was partly due to the management being more selective in participating in Engineering, Procurement and Construction (EPC) projects from Indonesia, and partly due to a slow-down in sales in the China market.

Indonesia, which is Federal's largest geographical market, accounted for S\$24.4 million or 26.9% of total sales, representing a decrease of 33.6% compared to FY2004. The Singapore market grew on a year-on-year basis, contributing S\$21.1 million in sales, while the China market contributed S\$13.1 million, down 58.0% over FY2004. The other markets --Thailand, United Arab Emirates and Malaysia -- have registered revenue growth of 290.9%, 169.4% and 10.8% respectively over FY 2004.

Commenting on the results, Executive Chairman and CEO, Mr K. K. Koh said, "Our strategy in improving our bottom line has led us to be more selective in participating in projects with better margins. Notwithstanding the dip in our top line, we believe that the Group is now better positioned to improve our performance in the coming year. We have focused on our strategy to streamline and consolidate our businesses, while forging joint ventures with strategic partners in Asia to tap new business opportunities in the regional oil and gas industry, and thus diversify our earnings base."

Since last year, Federal had partnered Longzhu Oilfield Services Limited and Sapex Oilfield Ltd to tap the growing business opportunities in the marine logistics and offshore oil and gas sector, as well as the oilfield drilling market in the Asia Pacific region. The Group had also formed a strategic alliance with strategic partners to take advantage of the growth potential of the oilfield equipment and valves market in Brunei.

In addition, it has formed a joint venture, Uni-Bulk Hong Kong Limited to tap the marine solutions expertise of its strategic partner, Uni-Bulk Holdings. This joint venture will operate through its wholly owned subsidiaries, FTU Lines Pte. Limited, an asset holding company owning specialised vessels for deployment in the marine infrastructure sector and FTU Services Pte. Limited, which specialises in the provision of marine solutions to marine infrastructure companies.

Sales of the Group's own proprietary products in existing and new markets are expected to increase. The revenues of US-based subsidiary HP&T Products Inc. which had reported an improvement in sales and profits in FY2005, and UK-incorporated KVC (UK) Ltd, which has an order book of £3.5 million from the European market, are expected to improve further in the current financial year. The associated companies are expected to enhance the Group's profitability with Federal's 50%-owned company, F.I (Aust) Pty Ltd, aggressively tapping into the Australian offshore and gas market and its 40%-owned company, Federal JWR Energy Pte Ltd, undertaking projects relating to production facilities for oil and gas.

Mr Koh added, "We have laid the foundation to fuel a powerful financial 'take-off' in FY2006. Given the continued vibrancy of the regional oil and gas industry, as well as the continued uptrend for the oil prices, we are confident of delivering a better performance in FY2006."

About Federal International

Federal is a value-added distributor and provider of turnkey EPC (engineering, procurement & construction) solutions for the energy & infrastructure industries. Currently, the group is principally involved in the distribution of flowline control products to the oil and gas, power, chemical and pharmaceutical industries.

Through its subsidiary Houston-based HP & T Products, Inc. and its strategic stakes in KVC Co., Ltd (Japan) and KVC (UK) Ltd -- companies which are involved in upstream activities such as research & development and, manufacturing of valves and valve-related equipment -- Federal is moving up the value chain as it aims to be an integrated service provider and procurement specialist in the energy and infrastructure industries.

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