

UNITED ENGINEERS LIMITED

FY2017 Results Presentation

Disclaimer

This presentation may include certain statements, estimates and projections that involve risks and uncertainties. Actual future results may vary materially from those projected as a result of various assumptions, uncertainties and risks. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, availability of real estate properties, competition from other companies, shifts in customer demands, customers and partners, changes in operating expenses, including governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business. As such, there can be no assurance that such statements, estimates and projections will be realised. No representations are or will be made by any party as to the accuracy or completeness of such statements, estimates and projections or that any projection will be achieved which are based on current views of management on future events.

Full Year Results

| \$M | FY17 | FY16 | % change |
|--------------------------------|-------|-------|----------|
| <u>Continuing Operations</u> | | | |
| Revenue | 539.4 | 479.7 | 12.4 |
| Gross Profit | 197.8 | 193.7 | 2.1 |
| PATMI | 89.6 | 27.4 | 227.0 |
| EPS* (cents) | 14.0 | 4.3 | 225.6 |
| <u>Discontinued Operations</u> | | | |
| PATMI | - | 113.2 | n.m. |
| <u>Total</u> | | | |
| PATMI | 89.6 | 140.6 | (36.3) |
| EPS* (cents) | 14.0 | 22.0 | (36.4) |

- ▶ Y-o-y growth in revenue primarily driven by higher revenue from property development in China and Malaysia
- ▶ Attributable profit on continuing operations increased 227% largely due to net revaluation gain of \$44.4 million from the investment properties

*Based on weighted average number of ordinary stock units in issue

n.m. – not meaningful

Cash flow

| S\$M | FY17 | FY16 |
|---|---------|---------|
| Cash Flow from Operations | 204.0 | 275.8 |
| Cash Flow (used in) / from Investing | (8.0) | 255.4 |
| Cash Flow used in Financing | (434.7) | (373.2) |
| (Decrease) / Increase in Cash | (238.7) | 158.0 |

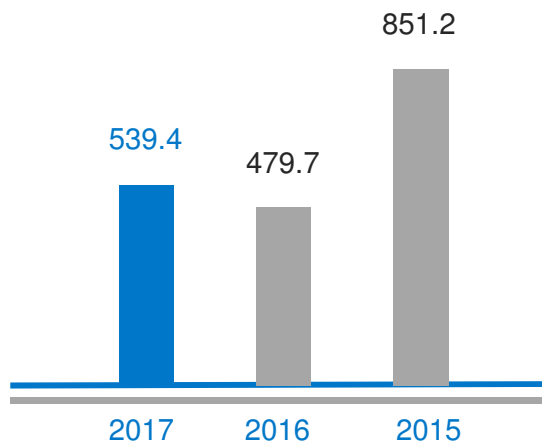
- ▶ During the year, the Group received approximately \$135 million mainly from remaining receivables collection from *Eight Riversuites* project
- ▶ The Group utilised approximately \$74 million and \$357 million for dividend payments and repayment of borrowings respectively
- ▶ With prudent financial management, the Group remains in a healthy financial position with cash and cash equivalents of approximately \$385 million as at 31 December 2017

Strong Balance Sheet

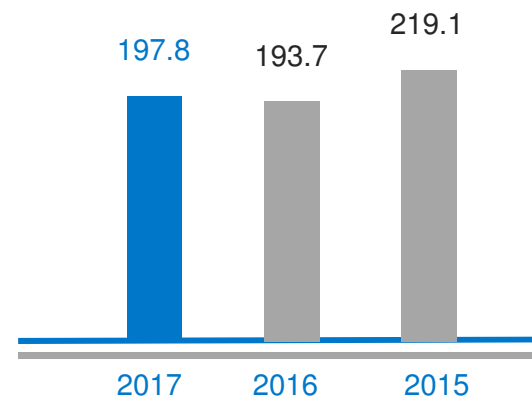
| S\$M | FY17 | FY16 |
|-------------------------|----------------|---------|
| Current Assets | 1,069.3 | 1,548.9 |
| Non-Current Assets | 2,279.4 | 2,256.3 |
| Total Assets | 3,348.7 | 3,805.2 |
| Current Liabilities | 287.7 | 563.9 |
| Non-Current Liabilities | 853.5 | 1,046.4 |
| Total Liabilities | 1,141.2 | 1,610.3 |
| Shareholders' Equity | 1,901.4 | 1,883.0 |
| Current Ratio (x) | 3.72 | 2.75 |
| Net Debt to Equity (x) | 0.23 | 0.30 |

Profitability Analysis

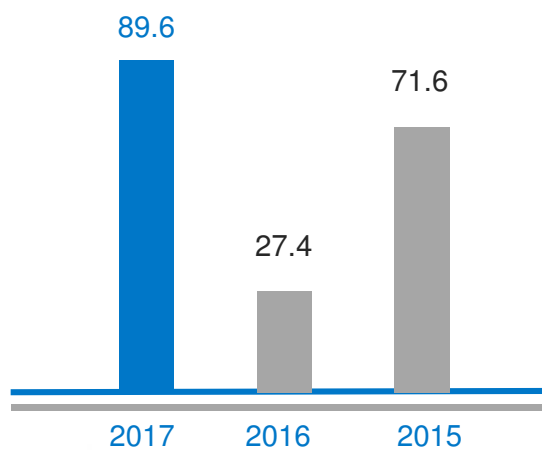
GROUP REVENUE (S\$M)



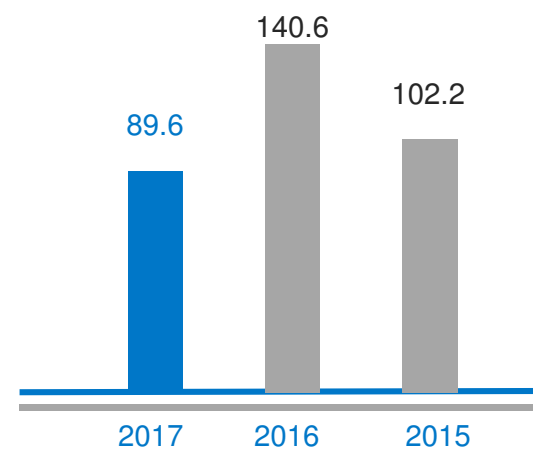
GROUP GROSS PROFIT (S\$M)



PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY – CONTINUING OPERATIONS (S\$M)

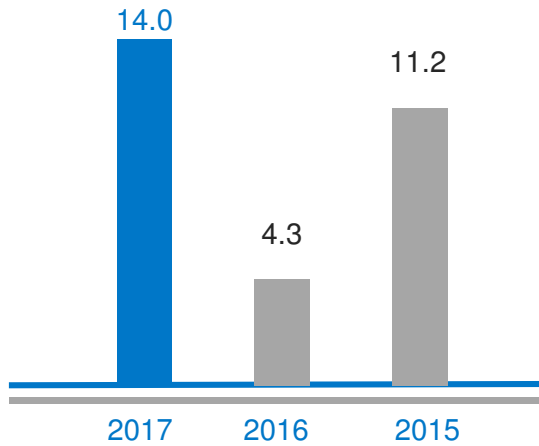


PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY (S\$M)

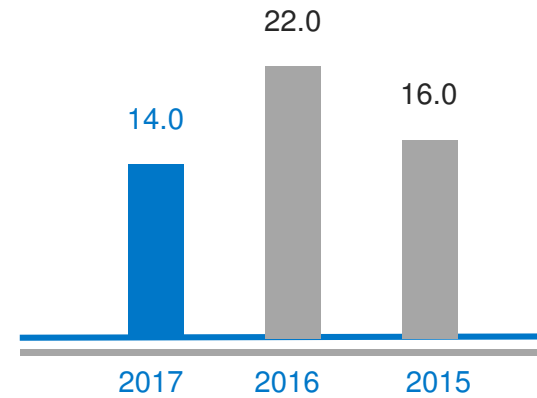


Earnings and Credit Metrics

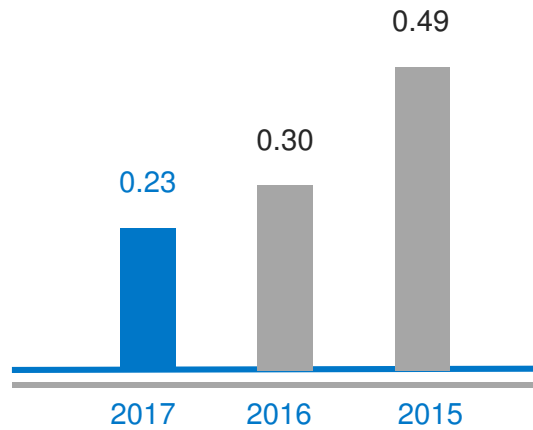
EARNINGS PER STOCK UNIT – CONTINUING OPERATIONS (CENTS)



EARNINGS PER STOCK UNIT (CENTS)

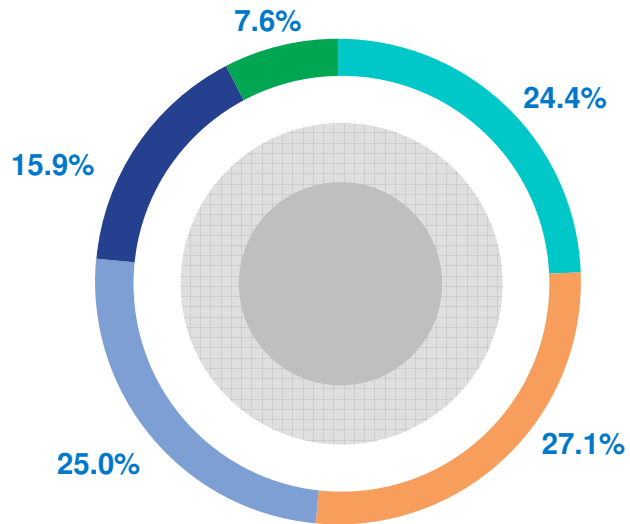


NET DEBT TO EQUITY

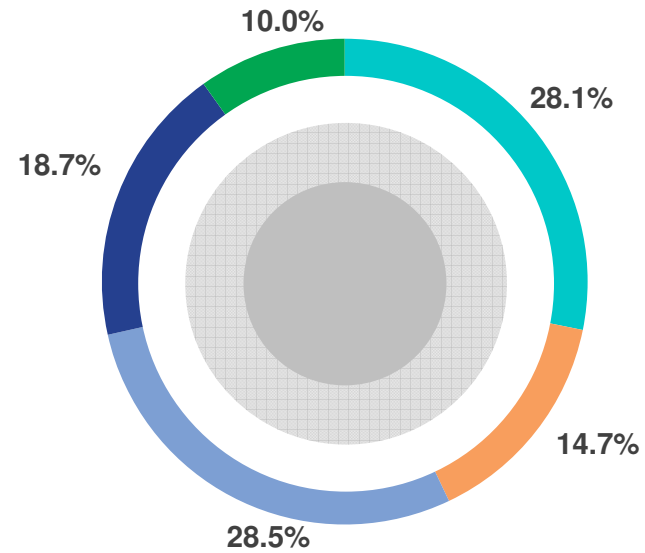


Revenue Breakdown

FY17 SEGMENT REVENUE

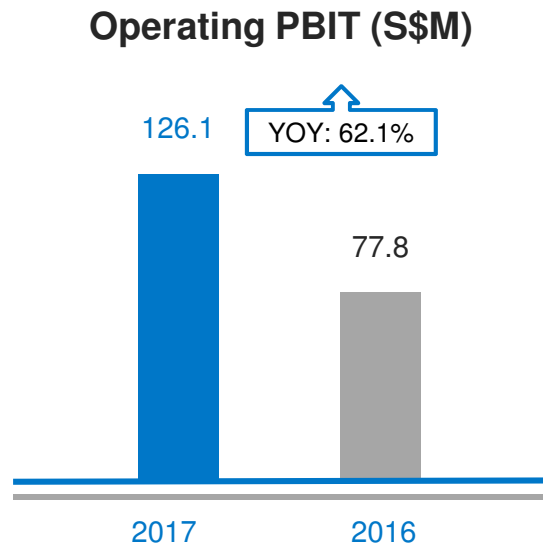
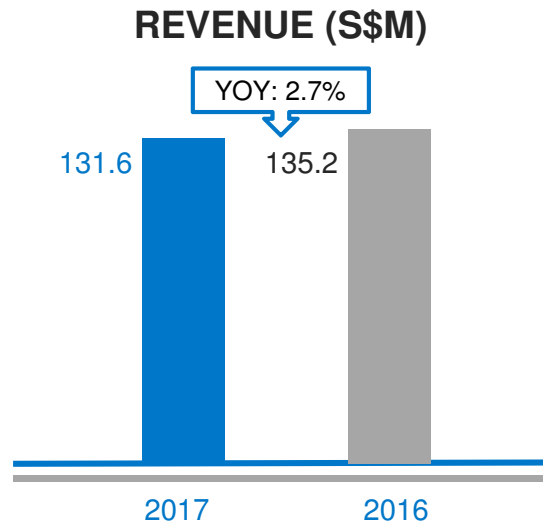


FY16 SEGMENT REVENUE



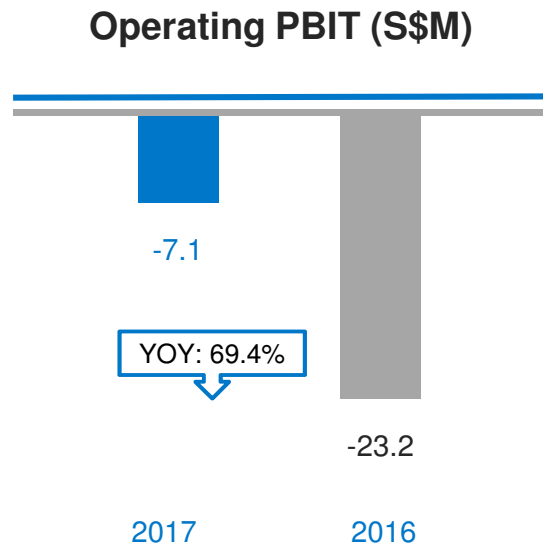
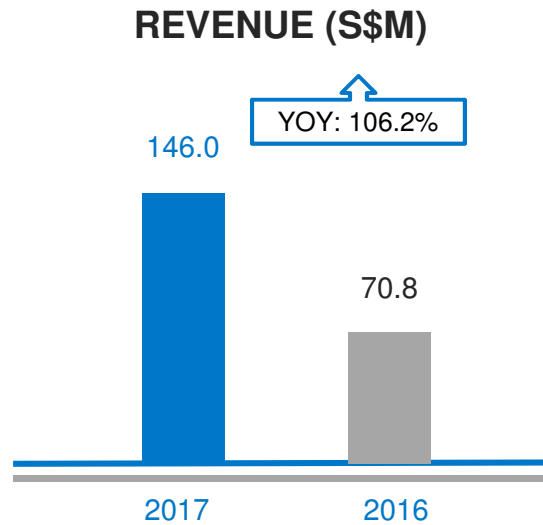
- Property Rental and Hospitality
- Property Development
- Engineering and Distribution
- Manufacturing
- Corporate Services and Others

Property Rental and Hospitality



- Lower revenue contribution from *UE BizHub West*
- Average occupancy rate for investment properties was approximately 85% to 95%
- Operating PBIT rose by 62.1% largely attributed to:
 - Mainly due to net revaluation gain of \$44.4 million from the Group's investment properties
 - Reduction of \$16.8 million in provision for rental support for *UE BizHub East*

Property Development



- Mainly due to revenue recognition from *Chengdu Orchard Villa* (Phase 4) in China and *The Manhattan* in Malaysia following the completion of projects
- Higher revenue contribution from the sales of other completed phases at *Chengdu Orchard Villa* and *Shenyang Orchard Summer Palace*
- Operating loss before interest decreased 69.4% mainly due to higher revenue contribution and lower impairment loss on certain overseas development projects in 2017

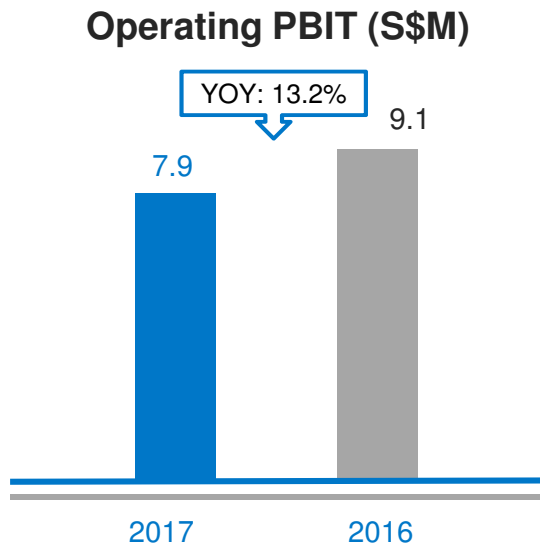
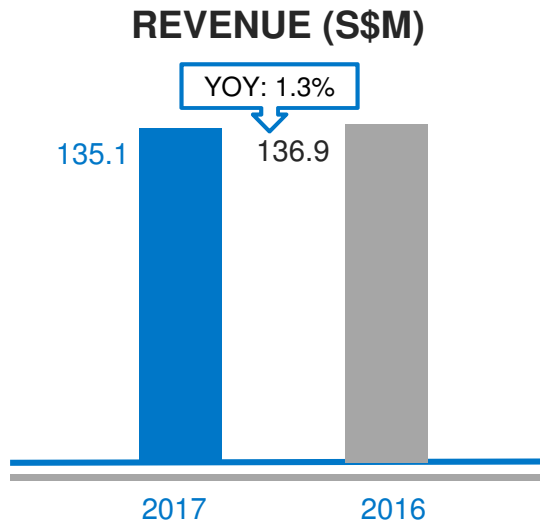
成都锦绣尚郡 (Chengdu Orchard Villa)

- The balance completed units from Phase 1 to Phase 3 were close to 97% to 100% sold
- Phase 4 (164 townhouses) has been completed and fully sold except for 2 show units
- Construction of Phase 5 (231 townhouses) is ongoing
- The balance 59,498 sqm of the landbank (Phase 6) are to be developed

沈阳夏宫城市广场 (Shenyang Orchard Summer Palace)

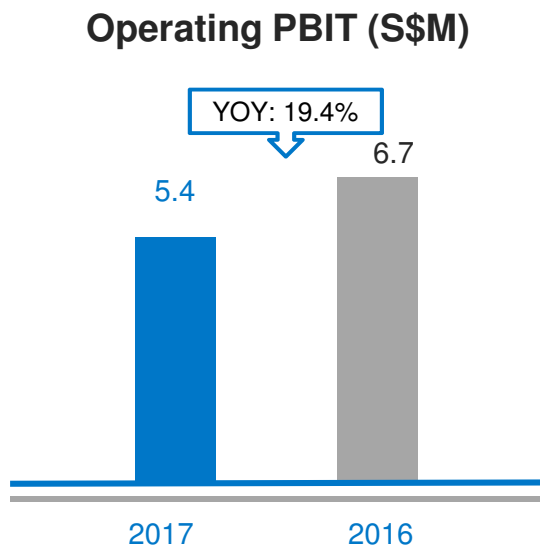
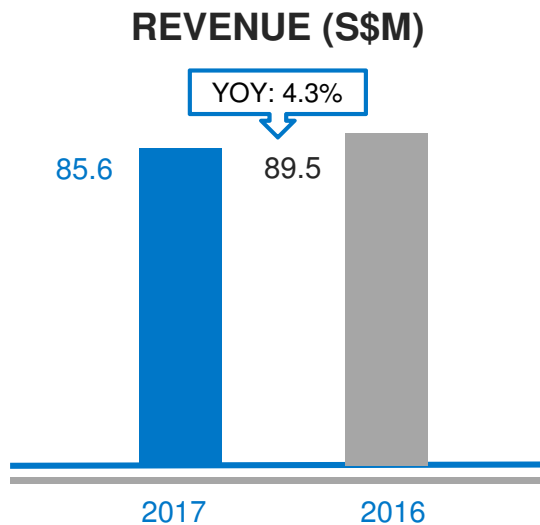
- As of 31 December 2017, approximately 40% of the office block has been sold or leased
- The balance 18,488 sqm of the landbank (residential blocks) are to be developed

Engineering and Distribution



- Lower revenue and profit margin from distribution businesses mainly due to decrease in sales of building materials impacted by fierce competition in the construction industry which resulted in lower prices and margin compression
- Improved contribution from systems integration business
- WLPB business was divested in Q4 2017 for S\$22 million

Manufacturing



- Lower revenue contribution from Precision Engineering business due to:
 - Some programs reaching end-of-life
 - New programs yet to reach mass production volumes
- Lower profits from Precision Engineering business was in line with a decline in revenue
- Unfavourable product mix from Component business resulted in slightly lower profit margins
- Absence of foreign exchange gain in 2017

Strategy & Outlook for the Group

- Continue to grow and streamline existing portfolio of businesses
- Enhance existing investment properties via asset enhancement initiatives
- Make selective property acquisitions and seize opportunities in other businesses and geographies
- Execute existing projects and embark on new property development projects

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