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ASX Media Release

Ausenco records revenue of \$219.6 million, expects growth into 2011

Business Highlights:

- Revenue from operations of \$219.6 million (2H09: \$191.5 million; 1H09: \$241.0 million)
- Recent project wins totalling US\$1.5 billion support the Company's growth into 2011 and beyond
- Strong, growing pipeline of globally diverse development opportunities – US\$27.0 billion potential work under management across 74 Create phase projects
- An \$8.1 million loss in underlying earnings (1H09: underlying earnings of \$16.8 million) reflective of continued investment in strategic growth initiatives, difficult market conditions and adverse foreign exchange movements
- Record earnings and activity in early stage Environment and Sustainability business
- Strong balance sheet with net gearing of 5.6%
- Significant bonding and funding capacity of \$125.1 million available under existing facilities
- \$17.0 million improvement in working capital through debtor management and collection

Six months ended 30 June (\$m)	2010	2009	
Revenue from operations	219.6	241.0	↓
Underlying EBITDA	(6.6)	24.3	↓
Underlying EBITDA margin (%)	(3.0%)	10.1%	↓
Net profit / (loss) before tax	(28.7)	9.5	↓
Attributable profit / (loss) after tax	(19.6)	12.2	↓
Underlying earnings	(8.1)	16.8	↓
Basic earnings per share (cents)	(16.2)	13.2	↓
Net operating cash flow	(7.4)	(22.6)	↑
Underlying EBITDA interest coverage	(2.1)	6.0	↓
Dividend per share (cents)	-	5.0	↓

Attributable earnings and underlying earnings relate to profit attributable to equity shareholders of Ausenco.

Underlying EBITDA is defined and reconciled to reported earnings on page 3.

EBITDA represents profit before tax, net finance items, depreciation and amortisation.

Underlying earnings excludes the same items, in after-tax terms, as are excluded from underlying EBITDA.

Global diversified engineering services and project management group, Ausenco Limited (ASX: AAX) today announced operating revenue of \$219.6 million for the half year ended 30 June 2010. The group is expecting growth into 2011 and beyond as benefits from current strategic growth initiatives crystallise and global business conditions continue to improve.

Ausenco Chief Executive Officer Zimi Meka said the first half was challenging, with longer than anticipated lead times to project commitment affecting results. However, the group remains focused on achieving long-term, sustainable growth.

“Over the past few months, we have won a number of significant Create phase projects and, with market conditions improving clients are re-considering deferred construction projects,” Mr Meka said.

“A number of our clients are expected to make significant investment decisions over the next twelve months and we are well positioned to secure our share of these projects.

“This momentum started late in the second quarter of 2010 with the award of US\$1.5 billion of new Create phase work.

“We are tendering for a record number of large, globally diverse and higher value projects, made possible through our investment in, and focus on, building for long-term growth.

“We currently have 38 Create phase (Engineering, Procurement and Construction Management (EPCM) and EPC) tender opportunities, valued at more than US\$16.5 billion, before us. This is a record level for the group and reflects the enhanced geographical footprint, size and service offerings of Ausenco as a result of the acquisitions made in the past few years.

“Based on improving business confidence we expect growth in 2011 and 2012. Having made a significant investment in a range of strategic initiatives during the first half of the year, our growth will be through anticipated Create phase conversion of key prospects from our early stage Evaluate phase (pre-feasibility, feasibility and conceptual design work) project work as well as our significant tender pipeline.”

Safety performance

Ausenco achieved a Lost Time Injury Frequency Rate (LTIFR) of 1.17 based on 9.4 million hours worked during the twelve months to 30 June 2010.

During the half year, Ausenco implemented a balanced scorecard approach to measuring safety performance, hazard and risk assessment procedures and standardised ISO compliant safety and environmental management systems.

“We continue to implement initiatives around our integrated HSEC management systems, with improved reporting of incidents and near hits and the implementation of green office initiatives to further reduce our greenhouse gas footprint.”

Capital management

The group’s gross cash position at 30 June 2010 was \$70.7 million.

Net operating cash outflow for the period was \$7.4 million, a significant improvement on the \$22.6 million outflow in the first half of 2009, largely due to improvements in working capital management through debtor management and collection.

At 30 June 2010, facilities available for working capital requirements amounted to \$125.1 million, comprising \$70.7 million cash and \$54.4 million available banking and bonding facilities.

In light of Ausenco's relatively low net gearing levels and improving outlook, the group's banker has accepted compliance with our banking facility terms at 30 June 2010 despite our first half year financial performance leading to non-compliance with the financial covenant measures.

Dividend

In view of the loss incurred, the Board of Directors have determined to not pay an interim dividend for the six months ended 30 June 2010.

The Board's goal of delivering a sustainable and increasing dividend stream, reflecting the earnings profile of the group, has not changed. The group's stated dividend policy of paying 50% to 60% of net profit after tax as dividends remains in place.

Operational review

Ausenco's underlying earnings before interest, tax, depreciation and amortisation (EBITDA) was a loss of \$6.6 million for the half year, compared to an underlying profit of \$24.3 million for the previous corresponding period. Factors contributing to this loss include longer than anticipated project commitment delays, a relatively strong Australian dollar and the investment in strategic growth initiatives.

The 2010 first half result, in line with previous guidance, included a number of abnormal items. In order to present the results in a transparent manner that enables comparison with the 2009 performance, Ausenco has reported underlying EBITDA. The differences between underlying EBITDA and reported EBITDA are set out in the following table:

Six months ended 30 June (\$m)	2010 HY	2009 HY
Underlying EBITDA	(6.6)	24.3
Business downsizing costs	-	(5.9)
Office closure and severance costs	(6.7)	-
Goodwill impairment charge	(8.2)	-
Reported EBITDA	(21.5)	18.4

"We invested \$18.9 million in a number of one-off initiatives as part of our strategy to build for long-term growth. This has impacted on our short term earnings, but ensures that we are well positioned to capitalise on the market recovery," said Mr Meka.

"The initiatives include the One Ausenco re-branding and office rationalisations at a cost of \$6.1 million. We also incurred higher tender costs through targeting a number of larger contracts (\$2.4 million) and invested in the retention of personnel and global delivery capacity (\$8.7 million) to ensure that we can quickly mobilise work teams and respond to client needs as conditions improve and we win more work. In addition, at a cost of \$1.7 million, we made a strategic decision to maintain those offices fundamental to delivering optimised global client value solutions, as well as those in key regions with significant medium to long term growth potential.

"We remain confident of the strengthening outlook over the medium to long term for the sectors in which we operate. We have developed our business to respond to an increasing number and range of projects over this timeframe.

"During the next twelve months, we are expecting clients to make decisions on some of the best and largest project opportunities in our history. We have strengthened the senior management team to ensure that our focus remains on delivering client value. We remain confident of winning our share.

"During the first six weeks of this second half, we have seen an improvement in our work backlog, modest improvements in our utilisation rates and encouraging signs of the conversion of new work opportunities to grow our team from our current 2,400 personnel."

Minerals & Metals operational review

\$m	2010 HY	2009 HY
Operating revenue	119.3	115.8
Underlying EBITDA	11.6	25.4
Underlying EBITDA margin	9.7%	21.9%

The Minerals & Metals business line focuses on the delivery of projects across all solution phases from Evaluate to Optimise for the global minerals and metals sector.

Revenue was up from 2009 to \$119.3 million, impacted by the stronger Australian dollar and generally lower levels of Create phase work activity. Lower underlying EBITDA of \$11.6 million, also impacted by adverse foreign exchange movements, reflects lower utilisation levels, higher tender related costs and later than anticipated project awards.

The business line continued to win new Evaluate and Create phase work during the period. Many of these project wins were the result of the investment in building and maintaining strong client relationships.

The \$7 million worth of Evaluate phase projects awarded to Minerals & Metals during the period, included studies for the Lumwana copper expansion and the Saudi Arabia gold heap leach project. The \$100 million of Create phase work won during the period included the Kestrel mine extension contract for Rio Tinto Coal and Xstrata Copper's Ernest Henry mine expansion project.

In the past three months, Create phase project win momentum increased significantly with the award of four projects in just three months. These were the Kestrel coal handling and preparation plant engineering in June; engineering, design and procurement services for the Prosperity gold-copper project and engineering services for Cadia East in July; and the processing plant upgrade at the Chatree North Gold Project in August.

The management team has been strengthened with the appointment of Mr Dave Lawson as President. Mr Lawson, with 30 years industry experience, formerly led a significant global team providing engineering and construction services in the mining and metals industry. He will be based in South America, strengthening the business line's local presence in that region and providing increased access to opportunities in this important growth region.

Mr Brett Smith has been appointed Director, Major Projects and will lead Ausenco's large project delivery team which manages the selection, strategic development and delivery of our larger or more complex projects – particularly those in which more than one business line is involved.

Process Infrastructure operational review

\$m	2010 HY	2009 HY
Operating revenue	69.0	98.7
Underlying EBITDA	(2.2)	8.7
Underlying EBITDA margin	-	8.8%

The Process Infrastructure business line focuses on the delivery of projects across all solution phases to the global ports, pipelines, marine and transport infrastructure sectors through the Ausenco Sandwell and Ausenco PSI businesses.

Revenue in the first half of 2010 was down to \$69.0 million from 2009, significantly impacted by the stronger Australian dollar, project deferrals and generally lower levels of project activity for our North American offices. The significantly lower underlying EBITDA loss of \$2.2 million was also impacted by adverse foreign exchange movements. The loss also reflects the costs of retaining project delivery capacity, lower utilisation levels attributable to higher tender related activities, later than anticipated project awards and changes in project scopes and execution strategies.

The Process Infrastructure business line was awarded several new projects during the half, including \$20 million in Evaluate phase work in South America via new port facilities, trucking, rail and pipeline contract wins.

The business line also achieved a major milestone during the period, successfully delivering its first Evaluate phase port facility project in Southern Africa as a result of an effective major client strategic alliance and a range of innovative regional diversification initiatives. The China office also continued to perform well, building a solid base of new project opportunities.

Process Infrastructure remains focused on reengaging on numerous Create phase projects expected to commence over the next nine months, importantly securing full scope Create phase contracts, to improve longer term operating margins.

Environment & Sustainability operational review

\$m	2010 HY	2009 HY
Operating revenue	23.8	22.8
Underlying EBITDA	3.5	0.2
Underlying EBITDA margin	14.5%	1.1%

The Environment & Sustainability business line focuses on the delivery of Evaluate and Innovate solutions, including civil and geotechnical engineering, to the global resources sector through the Ausenco Vector business.

The business line realised record earnings and activity during the period. Revenue grew slightly to \$23.8 million, as a result of the strong performance of the South American operations. An improved half-year result contributed to a \$3.3 million increase in EBITDA to \$3.5 million, reflecting increased utilisation rates and greater early stage project assessment activities.

South America continued to provide significant project opportunities for Environment & Sustainability during the half year. New projects to the value of \$14 million were won. These included nickel work in Colombia and ongoing copper heap leach design work in Chile.

Collaboration with other Ausenco group businesses also delivered positive outcomes during the period, with the award of a number of Evaluate phase projects including a copper project conceptual engineering services contract in Chile.

Energy operational review

\$m	2010 HY	2009 HY
Operating revenue	0.05	2.6
Underlying EBITDA	(0.9)	0.8
Underlying EBITDA margin	-	31.4%

The Energy Business line focuses on the delivery of the full lifecycle of project solutions to the gas, renewable energy and power sectors.

Revenue and underlying EBITDA for the Energy business line were impacted by delays in government environmental and greenhouse initiatives during the period, particularly in North America.

In light of the longer term growth prospects for the global energy sector, Ausenco remains committed to strategic diversification and expansion into the sector and expanded the North American management team with the appointment of key business development managers in key growth target markets including Australia, Middle East and North Africa

Solid progress was also made in establishing and actively marketing three new strategic alliances with well credentialed partners in power generation, wind and mineral energy resource projects. Combined with Ausenco's global footprint and experience, these alliances have identified and are targeting a wide variety of Evaluate and Create phase projects across all our key markets.

This strong focus on business development during the half year provided benefits, with the business line being awarded a number of new Evaluate phase studies to develop oil shale, coal seam methane and gas turbine development projects.

Program Management operational review

\$m	2010 HY	2009 HY
Operating revenue	5.5	0.1
Underlying EBITDA	0.3	(0.5)
Underlying EBITDA margin	5.5%	-

The Program Management business line focuses on best practice project delivery, from short term Evaluate phase solutions through to long term, large-scale Create phase projects. Operationally from 1 April 2010, we aligned management of our Ausenco Operations team within the Program Management business.

The first half Program Management revenues and earnings largely reflect this operational alignment.

Tendering for new work in the program management space has continued to progress strongly with the business line tendering for US\$1 billion of new work under management during the period and a number of new operations and maintenance opportunities in our key regions.

At the Isaac Plains Coal Project in Queensland, Ausenco's achieved record, incident free, production during the second quarter.

Outlook

Mr Meka said that during the height of the global economic downturn Ausenco adapted and deferred the timelines of a number of our longer term strategic initiatives, including those related to achieving a closer integration of earlier acquisitions.

"Now, as we look to growth into 2011, we needed to ensure that we are best positioned to take advantage of the opportunities that we can foresee. This required investment during the first half of 2010 and has provided a solid platform for growth.

"Market fundamentals are improving, demand for commodities is stronger, clients are beginning to spend money on large projects again and we are experiencing record levels of project and tender opportunities," he said.

“Importantly, because we made the decision to invest in strategic growth initiatives during the downturn, we have emerged a stronger company, with key strategic alliances in place capable of tackling larger, higher-value projects to support the Company’s long-term growth.

“Our increasing 2011 and 2012 project backlog is providing improving future earnings visibility.”

Mr Meka said that, following the successful integration of businesses through the rollout of the One Ausenco initiative, the group was focused on further leveraging the benefits of past acquisitions.

“We continue to focus on increasing cross-selling opportunities to secure a larger portion of every project we bid,” he said.

“We’ve also had enormous success with our strategic alliances and we are committed to increasing these to enhance future project opportunities.

“In addition, we are focused on our strategic investment in those offices fundamental to delivering optimised global client value solutions in China and India, as well as those in key regions with high medium to long term growth potential in the Middle East and North Africa.

“We remain committed to improving longer-term, sustainable earnings through broadening the range of our solution offerings and the diversity of the business sectors we serve.”

Mr Meka said that the group has a solid footprint in South America which would continue to be a strong market for the group, with over US\$10 billion of development opportunities identified across 22 projects throughout the region.

“South America is expected to be one of the highest growth regions over the short to medium term.

“All of our offices in this region have strong project opportunities that will underpin our growth,” he said.

Mr Meka said Ausenco’s experience across growth sectors, its local presence in key markets and its enduring client relationships put the group in a solid position to deliver long-term growth.

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About Ausenco

Ausenco sets high global standards for leading edge engineering and project management services in the resources and energy sectors. We're a growing company with big ambitions that thrives on reaching into new markets. Across 32 offices in 21 countries, our people seek ingenious solutions for our clients in the Energy, Environment & Sustainability, Minerals & Metals, Process Infrastructure and Program Management sectors. We're inspired to make a genuine positive impact on the world around us and in the communities in which we operate.