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ASX Media Release

Ausenco records 1H net profit of $7.7 million; dividend reinstated

Ausenco Limited's (ASX: AAX) performance has continued to improve. The Company today reported an attributable net profit after tax of $7.7 million for the half year ended 30 June 2011 on the back of growth across the group and an increase in personnel numbers.

Key financial highlights:

- Services revenue from operations up 17.1% to $257.2 million (1H10: $219.6 million)
- Underlying EBITDA increased to $16.7 million (1H10: underlying EBITDA loss of $6.6 million)
- Attributable net profit after tax of $7.7 million (1H10: $19.6 million loss); with further profit improvement expected in the second half
- Earnings per share increased to 6.3 cents per share
- Strong balance sheet with net gearing at 11.8%
- Dividend reinstated with a fully franked interim dividend of 3.1 cents per share declared

Key operational highlights:

- Contracts worth $250 million in revenues won during the period
- Ausenco nominated as the preferred contractor on $1.2 billion of additional Create phase contracts worth $128 million in revenue
- Personnel numbers are currently up 11% to 2,780 (31 December 2010: 2,500) and will drive growth in the second half as well as into 2012
- Outstanding performances in the Program Management and Process Infrastructure businesses generates strong EBITDA growth
- Early works pipeline remains at a record level of $15.4 billion providing significant growth opportunities

Six months ended 30 June ($m)	2011	2010	
Service revenue from operations	257.2	219.6	↑
Underlying EBITDA	16.7	(6.6)	↑
Underlying EBITDA margin (%)	6.5%	(3.0%)	↑
Net profit / (loss) before tax	9.6	(28.7)	↑
Attributable profit / (loss) after tax	7.7	(19.6)	↑
Underlying earnings	7.7	(8.1)	↑
Basic earnings per share (cents)	6.3	(16.2)	↑
Net operating cash flow	(26.1)	(7.4)	↓
Underlying EBITDA interest coverage	6.2	(2.1)	↑
Dividend per share (cents)	3.1	-	↑

Attributable earnings and underlying earnings relate to profit attributable to 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.

Ausenco achieved record first half revenue of $257.2 million which is up 17.1% over the previous corresponding half year (1H10: $219.6 million). The increased revenue and improved margins drove growth in underlying EBITDA to $16.7 million (1H10: underlying EBITDA loss of $6.6 million).

Underlying EBITDA was adversely affected by the strengthening of the Australian dollar over the period and office closure costs. Foreign exchange volatility and the strengthening Australian dollar resulted in foreign exchange losses of $1.0 million. In addition, the implementation of strategic and cost initiatives resulted in office closure costs of $0.8 million during the period.

Ausenco expects to generate cost savings of approximately $3 million per annum from September 2011 through the elimination of fixed office rental expenses as a result of these initiatives.

Reflecting the Company's growth in earnings, its strong balance sheet and confidence in future growth opportunities, the Board has reinstated the Company's dividend and declared a fully franked interim dividend of 3.1 cents per share – representing 50% of earnings for the first half of 2011.

Ausenco CEO, Zimi Meka, said he expected further growth in the second half of 2011 and beyond as mature projects enter the development phase, new projects come to market and increasing personnel numbers drive services revenue.

"We experienced a positive first half with all businesses winning new projects and our pipeline of potential project opportunities growing.

"Importantly, our personnel numbers have grown significantly since the beginning of the year. We now employ an additional 280 people and expect staff numbers to be 3,000 or more by the end of the year.

"While our profit performance is positive, our cash flow has been impacted by the timing of payments and other working capital commitments. During times of high growth in personnel numbers we experience an increased lag between the timing of payments and the collection of receivables. We envisage that situation will stabilise and that the business will move back to a modest positive net cash position by the end of the year" said Mr Meka.

Mr Meka also commented that Ausenco had won a number of new contracts, worth $250 million in revenue across all sectors, during the period. These include preliminary feasibility work on five new $1 billion plus projects. Significantly, Ausenco is also awaiting final execution of a number of contracts, worth an additional $128 million of revenue, where it has been nominated as the preferred contractor.

"As well as winning many new Evaluate and Innovate phase jobs, we've also secured more opportunities further along the value chain with Create and Optimise phase work for existing and past projects.

"Our increasing involvement across all phases of large projects demonstrates the soundness of our strategy, our strong client focus and our reputation. This will be a key driver for continued growth.

"Recent volatility in global financial markets has impacted on the certainty of short term conditions. However, the fundamentals of the markets in which we operate remain attractive," said Mr Meka.

Capital management

Ausenco's gross cash position at 30 June 2011 was $32.1 million (31 December 2010: $63.6 million) with net debt increasing from $2.8 million to $31.9 million and the net gearing ratio increasing from 1.2% to 11.8% largely attributable to a net operating cash outflow for the period.

The net operating cash flow for the first half of 2011 was an outflow of $26.1 million (1H10: outflow of $7.4 million) due mainly to the working capital timing lag associated with growth between upfront personnel payments and the collection of associated revenues. This was compounded by supplier payments and related project completion activity on the Kinsevere project. We expect to see an improvement in operating cash flow in the second half of 2011 and are targeting a modest positive net cash position at year end as normalised receivables balances are achieved.

Facilities available for working capital requirements at 30 June 2011 amounted to $78.9 million comprising $32.1 million in cash and $46.8 million in available banking and bonding facilities.

As indicated at the Annual General Meeting in May, with more than 70% of Ausenco's earnings generated from outside Australia, the company was adversely impacted by the strengthening and volatile Australian dollar over the period. The impact of foreign exchange movements in Ausenco's income statement was a loss of $1.0 million. Almost 50% of Ausenco's borrowings are denominated in US dollars which act as a natural hedge against the impact of foreign exchange movements.

Dividend reinstated

Given the strength of Ausenco's earnings, the company's strong balance sheet and its pleasing growth prospects, the Directors have reinstated the company's dividend programme. Directors have declared an interim fully franked dividend of 3.1 cents per share. The dividend will be payable on 21 September 2011 to shareholders registered by 7 September 2011. The declared dividend is in keeping with prudent cash management and the need to maintain a robust working capital facility to meet the requirements of continued growth.

Eligible shareholders will be able to participate in the Dividend Reinvestment Plan (DRP) for the interim 2011 dividend at a 2.5% discount.

Safety performance

In keeping with Ausenco's commitment to providing a safe working environment for its personnel, the group improved on its key safety measures during the half year. The rolling 12 month Lost Time Injury Frequency Rate (LTIFR) improved to 1.03 and the Total Recordable Injury Frequency Rate (TRIFR) improved to 3.21 per million hours worked. Both February and April were injury-free months. These improvements demonstrate that higher safety performance goals are achievable as we strive for a zero harm workplace.

Six Zero Harm Leadership workshops were conducted during the period to further embed our safety program in Ausenco's global operations. We plan to expand the Zero Harm program into more company locations during the second half of the year and through 2012.

"We are very pleased to see our people engaging with the program, demonstrating that our commitment to the health and safety of our people is genuinely at the core of our culture," said Mr Meka.

Operational review

All of Ausenco's business lines continued to win work in the period with the Program Management and Process Infrastructure businesses the standout performers. Corporate costs were down and are expected to continue to decline into 2012.

The Program Management business posted an EBITDA of $2.8 million (1H10: $0.3 million) and continued to win new work in the bulk commodities of coal and iron ore.

The Process Infrastructure business achieved an EBITDA of $7.3 million (1H10: EBITDA loss of $2.2 million) and won new pipeline and port facility work throughout the world.

Mr Meka said South America was continuing to provide enormous opportunities for the company.

"We expanded our presence in Belo Horizonte, Lima, Mendoza and Santiago during the period, strengthening our South American capabilities and positioning us to secure more work in this important growth region.

"We are also experiencing solid growth in Canada, Africa and Australia.

"We expect to continue to achieve sustainable growth in the next six months and well into 2012 through new work, new opportunities on existing projects and increased personnel numbers at strategic locations," said Mr Meka.

During the first half of 2011 Ausenco recorded a reported and underlying EBITDA of $16.7 million with no adjustments. Ausenco discloses underlying EBITDA in order to present the first half of 2011 results in a transparent manner that enables comparison with the performance for the first half of 2010. The differences between underlying EBITDA and reported EBITDA are set out in the following table:

Six months ended 30 June ($m)	2011	2010
Underlying EBITDA	16.7	(6.6)
Business downsizing costs	-	-
Office closure and severance costs	-	(6.7)
Goodwill impairment charge	-	(8.2)
Reported EBITDA	**16.7**	**(21.5)**

Minerals & Metals

$m	1H 11	1H 10	
Operating revenue	140.0	119.3	↑
Underlying EBITDA	14.8	11.6	↑
Underlying EBITDA margin	10.6%	9.7%	↑

The Minerals & Metals business focuses on the delivery of minerals processing projects, across all solutions phases, to the global mining sector.

The business line continued to grow over the period, with revenue up 17.4% to $140.0 million (1H10: $119.3 million) and underlying EBITDA up 27.6% to $14.8 million (1H10: $11.6 million).

The business successfully delivered and commissioned the Kinsevere project during the period. Despite the positive project outcome, the business' underlying margin was impacted by as yet unrecovered costs in relation to increases in the scope of work in certain areas.

This business was awarded $125 million in new projects during the period including:

- Constancia copper project in Peru, Innovate phase, HudBay Minerals Inc
- Tucano gold project in Brazil, Create phase, Beadell Resources Limited
- Gibraltar copper-molybdenum project in Canada, Create phase, Taseko Mines Limited
- Didipio gold project in Philippines, Create phase, OceanaGold Corporation
- Wafi Golpu gold-copper project in PNG, Evaluate phase, Newcrest Mining Limited
- Lumwana copper project in Zambia, Evaluate phase, Equinox Minerals Limited
- Namosi copper-gold project in Fiji, Evaluate phase, Newcrest Mining Limited
- Kestrel coal project in Australia, Create phase, Rio Tinto Limited
- Mt Todd gold project in Australia, Evaluate phase, Vista Gold Corp
- Inmaculada gold-silver project in Peru, Evaluate phase, Hochschild Mining
- Crespo silver project in Peru, Evaluate phase, Hochschild Mining
- Santo Domingo iron oxide-copper-gold project in Chile, Evaluate phase, Capstone Mining Corporation
- Olympic Dam copper project in Australia, Evaluate phase, BHP Billiton Limited
- Sept Îles iron ore port expansion project in Canada, Create phase, Rio Tinto Limited
- Tonkolili iron ore project in Sierra Leone, Evaluate phase, African Minerals Limited
- Merian gold project in Suriname, Evaluate phase, Newmont Mining Corporation

In August, the business was awarded a Create phase contract to engineer and deliver the expansion of Anglo American's Mercedes ROM heap leach at its Chilean Mantos Blancos copper project. This important work extends beyond Ausenco's traditional involvement in heap leach projects in the region and builds on the company's 14 year relationship with Anglo American.

The Chatree project is due for completion in September 2011, with managed capital tracking 5% under budget despite the impact of the wet season and increasing cost pressures in the industry.

Continued growth in the Minerals & Metals business is expected. This will be driven largely by an increase in Create phase projects throughout the world as the demand for mineral commodities remains resilient.

Process Infrastructure

$m	1H 11	1H 10	
Operating revenue	72.6	69.0	↑
Underlying EBITDA	7.3	(2.2)	↑
Underlying EBITDA margin	10.1%	-	↑

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

The business achieved a significant turnaround during the period with revenue up 5.2% to $72.6 million (1H10: $69.0 million) an underlying EBITDA of $7.3 million (1H10: loss of $2.2 million).

The business won $62 million in new projects during the period, including:

- Samarco iron ore pipeline project in Brazil, Innovate phase, Samarco Mineração S.A
- Quebrada Blanca Phase 2 copper project in Chile, Evaluate and Innovate phases, Teck Resources Limited
- Viga iron ore pipeline in Brazil, Innovate phase, Ferrous Resources do Brasil
- Phosphine expansion project in Canada, Innovate phase, Cytec Canada Inc
- Pedra de Ferro greenfield port terminal project in Brazil, Evaluate and Innovate phases, Bahia Mineração (Bamin)
- Gateway Pacific coal terminal project in Canada, Evaluate phase, Pacific International Terminals Inc
- Escondida copper concentrate pipeline in Chile, Innovate phase, BHP Billiton Limited
- Açu Port (iron ore) project in Brazil, Evaluate phase, Anglo Ferrous Brasil
- Cerro Negro Norte iron ore project in Chile, Innovate and Create phases, CAP Mineria
- Galeno copper project in Peru, Evaluate phase, China Minmetals Corp
- Serra Azul iron ore project in Brazil, Evaluate phase, MMX Mining
- Kitimat project in Canada, Innovate phase, Kitimat LNG
- Extension Hill magnetite project in Australia, Evaluate phase, Asia Iron Limited
- Southdown magnetite project in Australia, Innovate phase, Grange Resources Limited
- Ok Tedi copper project in PNG, Innovate phase, Ok Tedi Mining Limited

The management team was strengthened during the period with the appointment of Ed Meka as President. He will be based in Vancouver to develop and strengthen relationships in high growth areas and to expand Ausenco Sandwell and Ausenco PSI operations.

Continued growth in our Process Infrastructure business is expected to be realised primarily through Create phase assignments. South America and Canada will continue to drive growth for this business.

Program Management

$m	1H 11	1H 10	
Operating revenue	19.6	5.5	↑
Underlying EBITDA	2.8	0.3	↑
Underlying EBITDA margin	14.2%	5.5%	↑

The Program Management business provides best practice project delivery from short-term Evaluate phase solutions through to long-term, large-scale Create phase projects.

The business performed strongly with revenue up 256% to $19.6 million (1H10: $5.5 million) and underlying EBITDA of $2.8 million (1H10: $0.3 million).

Program Management is building a reputation for excellence in the delivery of bulk commodity projects, particularly coal and iron ore. Projects won during the period include:

- Tonkolili iron ore project in Sierra Leone, Optimise phase, African Minerals Limited
- Isaac Plains coal project in Australia, Optimise phase, Vale S.A. / Aquila Resources Limited
- Marampa iron ore project in Sierra Leone, Optimise phase, London Mining plc

This work will deliver a stable baseline revenue stream for the group and remains a key area of future focus.

Continued growth in the Program Management business is expected to be driven by an increase in the number of Create phase projects throughout the world as the demand for mineral commodities remains resilient.

Environment & Sustainability

$m	1H 11	1H 10	
Operating revenue	19.4	23.8	↓
Underlying EBITDA	1.0	3.5	↓
Underlying EBITDA margin	5.3%	14.5%	↓

The Environment & Sustainability business focuses on providing environmental and geotechnical services to the global resources sector through our Ausenco Vector brand.

Revenue in the period was down 18.5% to $19.4 million (1H10: $23.8 million), falling short of the record earnings and activity achieved during 2010. The business was impacted by generally lower levels of activity in the United States and delays in Peru due to Presidential elections. In line with reduced operating revenues, the business achieved an underlying EBITDA of $1.0 million (1H10: $3.5 million).

The business continued to win work in the period, including Evaluate phase contracts for the following projects:

- Crespo silver project in Peru, Evaluate phase, Hochschild Mining
- Veladero gold project in Argentina, Evaluate phase, Barrick Gold Corporation
- Pascua-Lama gold project on the border of Chile and Argentina, Evaluate phase, Barrick Gold Corporation
- Cerro Matoso nickel project in Colombia, Evaluate phase, BHP Billiton Limited
- Taca Taca copper project in Argentina, Evaluate phase, Lumina Copper Corp
- Agata nickel project in the Philippines, Evaluate phase, Mindoro Resources Limited
- Antofalla solar evaporation ponds project in Argentina, Evaluate phase, Vale S.A.
- Lomada de Leiva gold project in Argentina, Evaluate phase, Patagonia Gold plc

We are focused on converting early stage Environment & Sustainability work into additional opportunities for other Ausenco businesses through cross selling efforts.

Energy

$m	1H 11	1H 10	
Operating revenue	1.0	-	↑
Underlying EBITDA	(0.6)	(0.9)	↑
Underlying EBITDA margin	-	-	-

The Energy business focuses on the delivery of projects across all solutions phases to the gas, renewable energy and power sectors.

The business posted revenue of $1.0 million for 1H11 and an underlying EBITDA loss of $0.6 million. The business' results were impacted by delays in timing of client awards as a result of the continued uncertainty of many government environmental and greenhouse initiatives and volatility in the global energy market.

During the period, the business won new work on a nuclear project in Canada and also commenced working in the coal seam gas sector in Queensland. The business also continued work on underground coal gasification, coal seam gas and turbine generator development projects for a range of facilities across the globe.

Ausenco remains committed to its Energy business as the long-term growth of the global energy market, particularly in renewables, offers attractive opportunities for the group through leveraging the important strategic alliances we have established and collaborating with other Ausenco businesses to deliver energy-related work.

Outlook

Mr Meka said the company's 2011 full year financial result will show a significant improvement over 2010 and the financial performance for the second half of the year will show an improvement over the first half.

"We will continue to increase personnel numbers and expect to exceed 3,000 people by the end of the year. Our personnel number is a key driver of revenue and margin growth.

"The second half of 2011 has started with a healthy workload and a solid project pipeline. Visibility of project opportunities has improved and underpins our confidence in being able to capitalise on growth opportunities in our key markets.

"On the basis that there will be no material deterioration in our end markets and a stabilisation of exchange rates, we expect total revenue for 2011 to be between $520 million and $550 million and underlying after tax earnings for the year to be between $22 million and $24 million.

"We are currently the preferred contractor to deliver $1.2 billion of capital development across new Create phase projects. This, combined with a strong pipeline of $15.4 billion in Evaluate and Innovate phase projects, some of which are expected to progress to development in 2012, provides an improved visibility of future earnings.

"We expect growth of 2012 underlying earnings to be at least 10% above annualised 2011 second half earnings on the basis that strong commodity demand, forecast client capital expenditure, and the stabilisation of exchange rates and economic circumstances continue.

"South America, Canada, Africa and Australia will continue to drive our growth. We have a strong local footprint in all of these regions as well as excellent long-standing client relationships and a track record of delivering.

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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 30 offices in 19 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.