Ausenco Limited

2012 Annual General Meeting
Brisbane
Thursday, 26 April 2012

Chief Executive Officer's address

Zimi Meka
Chief Executive Officer
Ausenco Limited

Ausenco

Ausenco Annual General Meeting 2012

CEO address

Introduction

Thank you Wayne and good morning ladies and gentlemen.

I'm delighted to stand in front of you today and talk about your company's achievements in 2011. This time last year I spoke about the unprecedented growth opportunities ahead of us and, I'm proud to say, we've taken full advantage of these opportunities over the past 12 months.

Our efforts to strategically position and diversify our business over the past few years meant we were well placed to capitalise on the strong opportunities in our markets. This, along with the quality of our people, was the key driver for our success in 2011.

2011 was a very positive year for our company on a number of levels – we secured a record amount of new work, delivered a strong turnaround in our results and grew our work on hand to its highest level in our 20 year history. Currently, 12 month total shareholder returns are at 37% with Ausenco's market performance this year rating quite highly.

Our business is to deliver global expertise through local presences. We are well positioned in all of our key growth markets combined with our broad solution offering, has enabled us to win larger roles and increased revenue on projects - some in areas of the world we've never worked in before. Notably, we won a number of Create phase projects in 2011 where we are managing in excess of $1 billion in installed capital value for our clients.

We also grew our work from existing and previous clients, converting many early Evaluate phase projects into additional opportunities along the project development cycle. In fact, most of our project wins in 2011 came from clients we had previously worked with or projects we had previously worked on. This highlights the value and importance of our involvement in early phase work as it presents the opportunity for critical introductions to projects and client teams.

Our globally diversified Evaluate pipeline, with the potential for Create phase development, is now valued at $20.2 billion and includes six projects each worth $1 billion or greater in installed capital value. The scale and scope of this pipeline positions us very well for future Create phase opportunities as these projects enter the delivery phase in the coming years.

Regionally, the Americas presented the greatest opportunities for our business in 2011 and this trend has continued into 2012.
Another key achievement for us in 2011 was our ability to significantly grow our workforce in tight labour markets. We now have more than 3,180 people in 29 offices managing projects throughout the world. This represents an increase of 20% since this time last year. Almost two-thirds of our global workforce is now located across North and South America, giving us a strong base to further benefit from the multibillion dollar resources investment flagged for these regions.

Our people will continue to drive our growth and provide our clients with ingenious solutions across the entire resources and energy industry value chain, no matter how large or small the project, or how remote the location. The ingenuity of our people is a key differentiator for our company and I'm personally inspired by, and proud of, the work our people do throughout the world. With our client base now largely comprised of globally diversified companies, our ability to work across borders and quickly mobilise to resource projects with the right expertise is a key competitive advantage and one that will help us continue to win larger and higher value projects in the future.

Today's Ausenco is a vastly different and stronger company compared to when we first listed in 2006. We are now truly diversified across geography, sector and service line and have developed strong leadership positions in high growth markets throughout the world.

I am optimistic about the opportunities for our business in 2012 and beyond. Our work at hand is secured into 2013 and we have already been awarded more than $130 million of revenue in the first quarter of 2012. We are on track to achieve what we have set out to accomplish for 2012, our outlook for full year earnings is in line with our February guidance and is expected to be divided relatively equally between the first and second halves.

Global commodity demand remains at historically high levels and capital expenditure is expected to continue to increase across our key markets. We believe our strategy best positions our company to capitalise on the significant opportunities in our global markets during this exciting growth phase.

Our safety performance

I would now like to highlight our safety performance.

The safety and wellbeing of our people is our highest priority and our determination to embed a strong culture of zero harm across every aspect of our business, regardless of the job or location, is unwavering. Continuing to improve our safety performance remains a key focus for our company in this year and beyond.

In 2011 we worked a total of two million more man hours across the business, which represents an annual increase of 20% when compared to 2010. Much of this work was in developing countries where safety isn't as embedded in workplace culture as it is in the more developed countries, presenting new challenges for our people. I am, however, proud to report that even with this significantly increased project activity, our Lost Time Injury Frequency Rate (LTIFR) decreased by 36% in 2011 compared to 2010.

While these results are good by our industry's standards, they demonstrate that we can always do more to achieve our goal of zero harm. We continued to roll-out industry best practice safety programs across all of our offices and sites in 2011, including our proprietary "Right to Start" program. The Right to Start program has been integral in developing a positive safety culture across our company and ensuring that safety matters are consistently reported and managed throughout the group. We also continued to develop personal HSEC plans for all employees to improve safety awareness and performance at an individual level.

Our people

As I outlined in my introduction, a major achievement in 2011 was the significant growth of our workforce to service our record project portfolio. We now have more than 3,180 employees, with numbers now exceeding pre-GFC levels and continuing to grow.

In 2011 we focused on increasing our employer brand and profile to strengthen our reputation in key markets, as well as extending our recruitment programs to new, non-traditional markets to attract highly skilled people from across the globe. This strategy has proven effective and has allowed us to recruit a broad range of talented individuals to our company that are a good cultural fit.

Retention remains a key focus of our people strategy, and has never been a greater challenge than in today's market of significant salary pressures and abundant opportunities. Despite these market pressures, our employee turnover decreased in 2011 - a result that we are committed to further improving on in 2012 and beyond.

During the year we also continued to invest in the ongoing development of our people through a number of tailored leadership and development programs, including our Management Development Program, Project Management in Action Program and Zero Harm Leadership Program.

We increased workforce mobility to build the knowledge and increase the skill transfer of our people throughout the world and to help further develop our capacity to deliver bigger and more complex projects in key locations. Increased mobility across our global operations also allowed us to provide more opportunities for our people to work on challenging projects in interesting locations across a wide range of industry sectors.

The work our people do is exceptional and I want to personally thank them for their hard work, dedication and commitment. With significant global work opportunities ahead of us and the certainty of our secured project work on hand, I'm sure the future holds many exciting opportunities for our people and our business.

Our business performance

I want to move now to our business performance and, as I said earlier, 2011 was a successful year on a number of fronts. Firstly, all of our businesses won work and continued to diversify their earnings base during the year, with Process Infrastructure, Minerals & Metals and Program Management the standout performers.

Secondly, increased collaboration between our five businesses enabled us to win new work, increase our role on existing projects and deliver more revenue to the company as a whole. We introduced a number of operational changes in 2011 to increase the effectiveness of collaboration, streamline operations and minimise overheads, including co-locating and integrating businesses across a number of our offices globally to allow them to win and deliver work side-by-side across the full project value chain.

As we continue to grow, we are committed to remaining focused on providing exceptional service to all of our clients, regardless of their size, or the size of their project. It is this commitment to service and to tailoring ingenious solutions for each and every client that has established our enviable reputation in the global resources and energy market. This is not something we are willing to compromise. As such, last year we introduced an Inspiring Relationships program across the business to formalise our process for ensuring client service remains at the forefront of our culture, despite the urgency of project delivery. Our client relationships are strong – most of our new work comes from existing or previous clients

- and this program further embeds a strong client service focus into every aspect of our business.

I will now go through each of our businesses and report on their 2011 performance and future opportunities.

Minerals & Metals

Minerals & Metals continued its strong performance in 2011, delivering revenue of $310 million, up 7.9% on the 2010 result, and a substantial improvement in underlying EDITDA and EBITDA margins. This growth was the result of winning a record number of new projects across a diverse range of commodities and included six significant Create phase projects.

Key highlights included commencing Create phase engineering work on two copper projects for Kazakhmys in Kazakhstan, the world's 8^{th} largest copper producer; the recent conversion from Evaluate to Create phase for the US$1.5 billion Constancia copper project in Peru working at an altitude of 4,500 metres above sea level; and starting Evaluate phase work on Newcrest / Harmony's US$4 billion Wafi-Golpu copper gold project in PNG. In addition, we secured a framework alliance agreement with Anglo American in South America which has already led to new work in Chile and Brazil.

We expect continued growth for Minerals & Metals in 2012 and beyond as a result of our strategic global footprint, leadership position in key markets and the continued strong global demand for commodities.

Process Infrastructure

Process Infrastructure delivered a substantial turnaround in profitability from 2012, recording $16.0 million of underlying EBITDA and revenues of $144.9 million.

Once again, growth was driven primarily from project wins in the Americas and we were awarded four Create phase contracts, which are expected to lift margins and drive future growth. We were also awarded a contract to design a third slurry pipeline in South America for Samarco, a client we have worked with for more than 20 years. We designed the client's first two pipelines which are the largest operating iron ore slurry pipelines in the world.

We also broadened our management team in 2011 with the appointment of Ed Meka as President, Process Infrastructure. Ed is based in Vancouver and has played an important role in the business line's success in 2011.

Our focus in 2012 is to convert a greater share of early phase work into Create phase opportunities and we expect ongoing growth, particularly in the Americas.

Program Management

Program Management more than doubled its operating revenue in 2011 compared to 2010, delivering revenues of $48.0 million along with significantly improved underlying EBITDA and EBITDA margins. This business has demonstrated excellent growth since its establishment two years ago and has built a strong global reputation for delivering high quality program management solutions.

Program Management achieved an important breakthrough in 2011, winning its first major contracts outside Australia - in West Africa and the Middle East. We also established a core team on the $7 billion plus Alpha Coal project in the Galilee Basin, which we are delivering through a joint venture with Worley Parsons.

A key achievement in 2011 was the introduction of our Continuous Improvement service offering. We won three new Optimise phase contracts as a result of this offering, providing an important source of recurring revenue. In fact, our Optimise phase assignments now represent more than 7% of the group's total revenues.

Program Management have started the year slower than anticipated, but we expect continued growth for the full year, particularly in the bulk commodities of coal and iron ore. A number of pit-to-port opportunities have already been identified and are being targeted in our key markets of the Middle East, Africa and the Pacific.

Energy

Our Energy business achieved improved results, delivering operating revenue of $2.1 million in 2011.

This growth was a result of breaking into new markets and winning a number of alternative and renewable energy projects in Australia, including two Create phase contracts for the installation of wind turbines in Western Australia. We also won high value consulting work in Queensland's coal seam gas sector.

Early this year, we acquired an oil sands engineering business in Canada to increase our expertise and offering in this high growth market.

The long term outlook for the global energy market remains positive and we expect continued growth throughout 2012, particularly in renewable and alternative power solutions in developed economies.

Environment & Sustainability

Our Environment & Sustainability business reported operating revenues of $36.2 million, a 30% decrease on last year's result. The business also reported a decrease in its underlying EBITDA and EBITDA margins.

Environment & Sustainability's results were adversely impacted by a number of factors, including internal business reorganisation in Santiago where the responsibility of the business was shifted to the Minerals & Metals business line, the sale of the non-strategic landfill management business in Grass Valley in the United States and the slower than anticipated improvement of business conditions following political changes in Peru. Market conditions have only now started to recover, which has impacted the first quarter performance of our business.

We expect new opportunities will continue to come from South America, as well as from our strategic entry into Canada and Brazil.

Our financial performance

After a challenging year in 2010, I am pleased to be standing here today reporting a net profit after tax of $26.4 million in 2011. This result was achieved on the back of improved operating revenues, which were up 6.7% to $547.9 million, an improved underlying EBITDA of $46.9 million and significantly improved underlying EBITDA margins.

As you would all be aware, we reinstated the dividend as a result of this stronger financial position and declared a total dividend for 2011 of 12.9 cents per share, being 60% of our 2011 earnings.

Our 2011 full year operating cash inflow of $11.4 million was impacted by increased working capital requirements and the late receipt of some specific receivables. Our balance sheet remains strong with net debt of $1.4 million at 31 December 2011, representing a net gearing of 0.6%.

We completed a comprehensive debt refinancing package in 2011 with ANZ and NAB to further support our continued growth. The package involved lowering the average cost of bank debt, increasing our debt maturity profile and mitigating against foreign currency exposures. We have a strong balance sheet to support our expected growth, as well as a diversified sustainable earning base.

As a global business with most of our revenue derived from outside Australia, our financial results are subjected to global foreign currency movements and continue to be impacted by the strong Australian dollar relative to the key currencies we operate in.

I encourage you to access the slide pack, media release and annual report – all available from our website – to go through the full year financial results in more detail.

Conclusion

In closing, I would like to take this opportunity to thank our team members throughout the world for their hard work, commitment and contribution to a highly successful year for Ausenco. I also want to thank our clients and business partners for their continued support.

I express my gratitude and appreciation to our Board members for their guidance and continued dedication to our company and to you, our shareholders for your support, interest and belief in Ausenco.

I am personally excited about our future and the significant opportunities ahead of us. The outlook remains positive, our strategy is delivering results and we continue to diversify and align our global footprint and expertise in areas of high expected demand. We are confident that we have the right offering, people and experience to capitalise on the significant opportunities in our markets.

When I walk around our offices and project sites throughout the world there is a real energy and excitement about the work we are doing and our company's future. I'm confident we will continue to grow, diversify and deliver and I look forward to reporting this success to you throughout the year.

Thank you for your time today.

ENDS