

**Ausenco Limited**

**2015 Annual General Meeting**

**Brisbane**

**Thursday, 30 April 2015**

**Chief Executive Officer's address**

**Zimi Meka**  
**Chief executive Officer**  
**Ausenco Limited**

## *Overview*

Good morning ladies and gentlemen. Thank-you for your attendance today and for your continued support of Ausenco.

Today, I am going to:

- Discuss our key achievements from 2014 and our activity to date in 2015
- Provide an update on our strategy
- Outline our leadership and reporting restructure and
- Provide an overview of our safety and people performance, financial performance, operational summary and outlook for the remainder of 2015.

As George has already mentioned, 2014 was a challenging year with unsettled global market conditions. Falling commodity prices and increased volatility meant resource companies focused on improving the performance of existing assets, rather than investing in new developments.

One of the positive outcomes of this change in client focus was that we significantly grew our pipeline of asset optimisation and operations and maintenance services projects globally during the year. This helped offset the decline in capital investment in the sectors we service.

Ausenco's strategic diversification – our global footprint, sector spread and full service engineering offering – gives us a distinct competitive advantage and enabled us to maximise opportunities created through this change in client focus during the year.

We have entered 2015 with a positive outlook and, as per the recent market update, the first quarter of the year has seen us secure an additional \$177 million in revenue from several contract awards across the globe.

## *Our highlights*

We experienced a number of highlights in 2014. George has spoken about the growing demand for our asset optimisation, value engineering and operations and maintenance solutions, which was at record levels in 2014. This is due in no small part to our 2012 acquisition of the Rylson Group, which we have now integrated into the business in a global context.

In fact, the diversification of baseline revenues through growth in our asset optimisation services, operations and maintenance solutions and oil & gas engineering services collectively generated 22 per cent of our revenue in 2014.

We won new work in all of our regions from companies seeking to improve the productivity of existing assets and reduce operating costs. We expect demand for these services to continue to grow this year.

Our North and South American businesses were profitable during 2014 and accounted for 74 per cent of revenue.

Our Canadian oil & gas business continued to grow, generating \$41 million in revenues.

The work we perform is in the sustaining and maintenance capital area for some of the world's largest oil companies. The fall in the oil price has not materially impacted first quarter earnings.

Our North America infrastructure business also performed well, and is now working with several large energy pipeline companies in the region. These established relationships, combined with our demonstrated expertise, mean we are well positioned to capitalise on the projected 92 per cent increase of energy pipeline oil capacity out of Western Canada over the next five years.

We also grew our footprint in the North American urban infrastructure sector, with our tightly controlled cost base providing a significant edge over local operators in this market.

With an anticipated copper shortage forecast from 2017, we are in a unique position to win further work in this market, where our reputation for delivering capital efficient projects has bolstered our reputation and reinforced our competitive offering.

Our APAC/Africa business experienced a disappointing year due to the downturn in project activity and Ebola virus outbreak in west Africa. However, our full service offering meant we were able to maintain growth in asset optimisation and operations and maintenance projects in the region.

### *Strategy update*

We continue to pursue greenfield opportunities, but we understand the cyclical nature of the industry, which is why we have focused on expanding our service offering over the years to cover all phases of the energy and resources project lifecycle. This has been vital to our business evolving and growing in unsettled markets. Our diversification strategy remains key to our resilience and growth through all market conditions.

The ongoing focus to reduce our cost base while maintaining our expertise ensures we can react quickly when the market recovers and our integrated Oracle Enterprise Resource Planning system allows us real-time visibility across all areas of the business and further improves our financial reporting and analysis.

We continue to explore new opportunities to grow the broader group by expanding our business into new sectors and regions. As an example, we are currently working to expand our long-distance slurry pipeline business in North America.

Through these strategic initiatives, we now have a solid base for future organic growth in new sectors and regions and our operating leverage has been boosted. We expect that as we move through 2015 and into 2016, these initiatives will collectively ensure our improved earnings-to-revenue leverage will translate into an improved 2015 EBITDA.

#### *Leadership and reporting restructure*

During the year, we streamlined the company's reporting structure and responsibilities to have a regional primary focus. The changes will facilitate greater accountability and enhance integration across both service and geographic lines.

As a result of this change, we further refined our organisational structure to strengthen our ability to deliver for our clients in the various regions around the world. In recognition of the growing significance of North and South America to Ausenco's business operations, we appointed presidents for each region in late 2014, replacing the previous structure of a single President for both regions.

Simon Cmrlec was appointed President North America, Andrew Pickford joined the company as President South America and Nick Bell was appointed Acting President APAC/Africa.

#### *Our safety performance*

Ausenco's safety record is a matter of great personal and corporate pride to the company. In 2014, we made encouraging progress towards achieving our goal of zero harm across all of our sites. We posted a Total Recordable Injury Frequency rate of 2.14, which is the lowest in the company's history and a 42 per cent decline on 2013's result. This result was even more impressive given the record 20.5 million construction man hours managed for the year.

Of particular note, our Constancia project recorded 7.7 million man-hours Lost Time Injury free despite the challenging operating conditions in the Peruvian Andes at 4500 metres above sea level

A number of large projects achieved significant milestones during the year, including the Ad Duwayhi project in Saudi Arabia which achieved 6 million man hours LTI free and the Kwale project in Kenya which reported 3.2 million man hours LTI free.

Safety remains our highest priority and we will continue to rollout activities and programs to achieve our goal of zero harm across all of our operations globally.

### *Our people*

Unfortunately, we reduced our workforce levels in 2014 in response to the completion of projects and also market conditions. This was necessary to enable us to continue to manage our costs while ensuring we maintain our expertise, competitive edge and ability to move quickly as new opportunities arise.

I would like to take this opportunity to thank our people for their continued dedication to delivering results beyond client expectations to drive our business globally.

Testament to the expertise of the Ausenco family, a number of employees were recognised by external peers in 2014 for their demonstrated ingenuity and outstanding achievements.

### *Operational summary*

I will now provide a summary of our operational performance across our three key geographic regions in the Americas and APAC/Africa.

Our North and South American businesses performed strongly in 2014. In North America, our oil & gas business grew considerably and now represents 11.5 per cent of the company's revenue. The infrastructure division performed well, securing new Canadian public sector works, and has positioned us favourably in an industry where municipal infrastructure spending has remained relatively high.

In South America, we achieved significant milestones with the completion of two defining projects – Constancia and Minas-Rio.

The performance of our APAC/Africa business, while disappointing, was stabilised by the increase in asset optimisation project work in the region and the doubling in size of the region's ports, terminals and transportation group, which won more than 40 assignments in its first 18 months. In 2015, we expect a weaker Australian dollar will translate into improved competitiveness and higher earnings for the APAC/Africa business moving forward.

### *Outlook*

We have had a positive start to 2015 and we expect to continue this positive momentum throughout the year.

We have continued to win work in consulting and feasibility studies within the early phase pipeline.

We are confident our performance in 2015 will be in line with 2014 with regards to revenue but we expect a material improvement in EBITDA as a result of our successful cost reduction program.

We see good growth opportunities across several geographies, industries and commodities and are well placed to win work within these areas.

In particular, we expect to see growth across our asset optimisation, infrastructure, copper and oil & gas solutions as clients look to expand and optimise existing assets. Our proven track record and demonstrated expertise means we are also well positioned to secure work in the bauxite, precious metals and base metals market which offer prospects for new capital projects.

Our North and South American businesses offer the best growth prospects in the short-term and we expect to announce more project wins in this region this year in addition to those already secured in the first quarter.

In summary, we are in a solid position. Our working capital is strong and our strategic diversification has prepared us to weather cyclical downturns and provided the opportunity to carve out new business opportunities in new industry sectors and regions.

### *Conclusion*

In closing, I would like to thank all of Ausenco's people, the management team and its Board for your continued dedication and ability to deliver results for the company in a tough year.

On a personal note, I too would like to take this opportunity to acknowledge the significant contribution of Wayne Goss to the company who sadly passed in November 2014. His leadership and clarity of thought contributed enormously to our success over the years.

I would also like to thank you, our shareholders, for your attendance today and for your continued belief in and support of Ausenco.

2014 was a challenging year, but I'm pleased to say 2015 has started more positively. We are confident it will be a better year and one that will yield more positive results for the company. Thank you.