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ASX Media Release

Ausenco posts a solid turnaround in second half

Business Highlights:

- Revenue from operations up 19% to \$513.4 million (FY 2009: \$432.5 million)
- Strong improvement in cash flow with net operating cash flow of \$23.1 million (FY 2009: outflow of \$2.3 million)
- Net profit after tax of \$8.9 million recorded in second half, underlying full year after tax earnings of \$0.8 million
- Recent project wins, totalling \$3.1 billion in installed capital value support earnings growth into 2011
- Strong balance sheet with net gearing of 1.2%, supported by 62% of available facilities
- Increased Evaluate and Innovate phase work providing a healthy pipeline of future opportunities
- 6% growth in personnel numbers to 2,500 people, expected to continue with growing global work opportunities
- Successful implementation of One Ausenco initiatives leading to improved business opportunities and reduced operating costs.

6 months to			12 months to 31 December			
Dec 10	Jun 10		\$m	2010	2009	
293.8	219.6	↑	Revenue from operations	513.4	432.5	↑
17.2	(6.6)	↑	Underlying EBITDA	10.6	43.3	↓
5.9%	(3.0%)	↑	Underlying EBITDA margin (%)	2.1%	10.0%	↓
10.0	(28.7)	↑	Net profit / (loss) before tax	(18.7)	17.0	↓
8.9	(19.6)	↑	Attributable profit / (loss) after tax	(10.7)	20.1	↓
8.9	(8.1)	↑	Underlying earnings	0.8	27.0	↓
7.4	(16.2)	↑	Basic earnings per share (cents)	(8.8)	19.0	↓
30.5	(7.4)	↑	Net operating cash flow	23.1	(2.3)	↑
6.4	(2.1)	↑	Underlying EBITDA interest coverage (times)	1.8	5.8	↓
-	-	-	Dividends per share (cents)	-	9.5	↓

Ausenco Limited (ASX: AAX) today reported a full year loss of \$10.7 million in line with previous guidance. The result was based on a 19% increase in full year revenues to \$513.4 million, and reflects a solid turnaround in the six months to December with a second half net profit after tax (NPAT) of \$8.9 million being recorded.

Ausenco CEO, Zimi Meka, said the group had experienced a stronger second half, winning a number of strategically important projects and achieving an order intake that would provide a solid base for growth in 2011 and beyond.

“The first half of 2010 was challenging and affected our full year performance. However, growth resumed in the second half of the year delivering a return to profitability and a number of significant new projects that will boost momentum in 2011,” he said.

“One of the big successes of 2010 was winning six Create phase (EPCM) projects, several of which represent the largest projects our group has ever worked on.

“Our success in winning these projects was a result of our diversity of services, the unique collection of expertise within our group and the creation of a standalone Program Management business line.”

Mr Meka said Ausenco’s record Evaluate phase activity during 2010 will provide significant opportunities for the company to win future work as projects progress through their lifecycles.

“While we continued to diversify throughout the year, winning work in new regions with new clients, the great bulk of our additional work came from clients with which we already had a relationship,” he said.

“This demonstrates the success of our strategy, the depth of our relationships with our clients and our reputation for integrity, ingenuity and delivery.”

Mr Meka said the outlook for the markets in which Ausenco operates is positive and the company is confident that it has the right strategy and focus to guide its continued growth and diversification.

Safety performance

Ausenco achieved a Lost Time Injury Frequency Rate (LTIFR) of 1.14 and a Total Recordable Injury Frequency Rate (TRIFR) of 3.22 per million hours worked in 2010.

During the year the Company introduced a number of safety initiatives to achieve its zero harm goal. These included rolling out a consistent approach to risk assessment and management across all the company’s sites. This approach is called “Right to Start”.

Mr Meka said the Right to Start program has been successfully adopted across the group as well as by a number of Ausenco’s clients.

“We are now rolling out a Zero Harm Leadership training program as part of our commitment to improving our safety performance,” he said.

Capital management

The group’s gross cash position at 31 December 2010 was \$63.6 million.

Net operating cash flow for the year was \$23.1 million, a significant improvement on the outflow of \$2.3 million in the previous year. The strong turnaround in operating cash flow was driven by management’s focus on cash collection and creditor management.

At 31 December 2010, facilities available for working capital requirements amounted to \$118.1 million, comprising \$63.6 million cash and \$54.5 million available banking and bonding facilities.

In light of Ausenco's relatively low net gearing levels, solid cash flow and improving outlook, the group's banker has accepted compliance with our banking facility terms at 31 December 2010 despite our first half year financial performance leading to non-compliance with certain financial covenant measures. Ausenco expects to comply with its financial covenants in 2011.

Dividend

The Board is committed to delivering a sustainable dividend stream, reflecting the earnings profile of the group. Ausenco's policy is to pay 50% to 60% of net profit after tax as dividends.

However, in light of the loss incurred for the full year, the Board of Directors has determined not to pay a dividend for the six months ended 31 December 2010.

Corporate governance

Ms Mary Shafer-Malicki was appointed to the Ausenco Board as an independent non-executive director on 1 January 2011. Mary has extensive operational experience in the global energy industry which will prove invaluable as we continue to diversify and grow our business in this sector.

Operational review

All our businesses continued to win work during the year and in the second half we experienced a significantly improved order intake.

Our Environment & Sustainability, Minerals & Metals and Program Management businesses experienced solid growth in 2010, posting revenues of \$51.7 million (up 30%), \$287.2 million (up 31%) and \$18.1 million (up \$17.9 million) respectively compared to 2009 levels.

The 2010 results were adversely impacted by the strengthening Australian dollar with a \$3.0 million foreign exchange loss in 2010 (compared to a \$7.9 million foreign exchange gain in 2009).

Ausenco's underlying earnings before interest, tax depreciation and amortisation (EBITDA) were \$10.6 million for the year, compared to \$43.3 million in 2009. The underlying EBITDA improved significantly in the second half of the year to record \$17.2 million for the six months to December 2010.

Despite a \$2.3 million foreign exchange loss in the period, the second half improvement was largely driven by growth in personnel numbers and attributable revenue from new work, tighter cost control and lower levels of strategic investment costs.

In line with previous guidance, the 2010 full year result includes a number of abnormal items, all occurring in the first half of 2010. These factors included an impairment charge to the group's energy business and office closure and severance costs.

In order to present the results in a transparent manner, enabling comparison with 2009 performance, Ausenco has reported underlying EBITDA. The differences between underlying EBITDA and reported EBITDA are set out in the table below.

\$m	EBITDA		NPAT	
	2010	2009	2010	2009
Underlying result	10.6	43.3	0.8	27.0
Abnormal costs	-	(9.1)	-	(6.9)
Office closure and severance costs	(6.7)	-	(4.7)	-
Goodwill impairment charge	(8.2)	-	(6.8)	-
Reported result	(4.3)	34.2	(10.7)	20.1

Mr Meka said that during the year the group made a substantial investment in growth initiatives the cost of which impacted primarily on first half earnings but provided support and focus for the company's future.

"In 2010 we implemented the One Ausenco re-branding, business integration and office rationalisation programs and we invested in globalised business systems including a seamless IT platform," he said.

"We made a strategic decision to maintain our highly skilled workforce and offices fundamental to the delivery of value-adding solutions for our clients in key growth regions.

"In addition, we incurred higher tender-related costs through targeting and winning larger, more globally-diverse and higher value projects than we have traditionally been involved in.

"As a result of these initiatives we have entered 2011 as a more efficient and focused business with strong client relationships and a more diversified portfolio of projects. As an example of this we have been designated as a Tier 1 EPCM service provider for Anglo American's projects in Brazil, reflecting the strength of our client relationships and the quality of our service offering."

Mr Meka said the group expected to see a continued increase in the number of Create phase projects as the demand for commodities remains high.

"We've created strong momentum going into 2011 and are well positioned to capitalise on the enormous global growth opportunities in all the sectors in which we operate," he said.

"South America, in particular, is expected to continue to drive our growth and we plan to expand our offices in both Belo Horizonte and Santiago in early 2011 following recent client awards in that region."

Minerals & Metals

The Minerals & Metals business focuses on the delivery of projects across all solution phases to the global mining sector.

Ausenco's Minerals & Metals business continued to grow and diversify throughout the year, delivering strong revenue growth following the award of a number of new Create phase projects. Revenue for 2010 was up 31% to \$287.2 million (FY 2009: \$219.8 million) and underlying EBITDA was down 12% to \$34.4 million (FY 2009: \$39.3 million).

The \$1.2 billion in installed capital value of Create phase projects won during the year includes work on the Kestrel coal mine extension, upgrade of the Chatree North gold project and Stage II expansion of the Kinsevere copper project.

The business also won \$2.2 billion in installed capital value of early stage work during the year including Innovate phase contracts for the Tucano gold project in Brazil, Cadia East gold-copper project in Australia and two iron ore projects in Sierra Leone as well as an Evaluate phase contract for expansion of the Lumwana copper project in Zambia. Ausenco's Evaluate and Innovate phase pipeline is the broadest and deepest it has been for many years and provides further growth opportunities for the Minerals & Metals teams and the company's other business lines.

The business continued to expand its footprint in coal and iron ore with new work in Australia, Saudi Arabia, West Africa and Peru.

Ausenco expects to see continued growth in the Minerals & Metals business driven largely by an increase in the number of Create phase project opportunities.

Process Infrastructure

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

Revenue for 2010 was \$152.2 million, down from \$162.4 million in 2009 due in part to project deferrals and a reduction in Create phase work in the first half of the year. The EBITDA loss of \$0.5 million reflects the cost of retaining project delivery capacity and was also impacted by adverse foreign exchange movements.

Whilst the 2010 result was disappointing, management are focussed on delivering significant improvement in 2011.

The business was awarded several new projects during the year and continued to diversify throughout regions and across sectors. During 2010, the business won \$1.3 billion in installed capital value in Evaluate phase work and \$0.4 billion in installed capital value in Innovate phase work. Ausenco is focused on converting this early stage activity into additional work along the project lifecycle, particularly in the Create phase, in 2011 to improve longer term operating margins.

The new projects include Innovate phase work on the Las Bambas pipeline system in Peru and additional work on the Los Bronces pipeline in Chile which builds on a relationship stretching back 22 years. In addition, the business secured Innovate and Create phase projects for major upgrades of municipal and transportation infrastructure in Canada.

Global demand for bulk and container port capacity continued to drive the business' port and marine solutions with new Evaluate, Innovate and Create phase projects throughout the world. The business also completed Optimise and Evaluate phase simulation studies for bulk materials and LNG handling projects globally.

The China office performed well during the year, winning new work in the region and completing three phases of work for Xstrata Copper in the Philippines.

With expenditure on large projects increasing again, Ausenco has strengthened its project delivery teams in strategic regions and is well positioned to secure future Create phase opportunities.

Environment & Sustainability

The Environment & Sustainability business focuses on the delivery of Evaluate and Innovate phase solutions to the global resources sector through Ausenco Vector.

The business enjoyed record earnings and activity in early stage work in 2010, achieving operating revenue of \$51.7 million, up 30% on 2009. Underlying EBITDA improved 30% to \$6.1 million due to a greater level of work and management of costs.

Many of the business' new projects in 2010 were driven by the recovery of the resources sector in South America. Examples of new work include a number of Evaluate phase projects in Uruguay, Colombia and Peru and a number of Innovate phase projects for BHP's heap leach expansion programs in Chile.

The business continued to grow its long-term relationships with clients, securing work throughout the world from a number of existing clients including Barrick, BHP Billiton and Xstrata Copper.

Ausenco expects the global focus on sustainability will drive additional growth opportunities for the business. The greatest growth is likely to come from South America and through collaborating with other Ausenco businesses to convert early stage work into additional opportunities as projects progress.

Energy

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

During the year the business won new work in the alternative energy and renewable power generation markets in Australia, South America and Canada with new clients. Examples of new projects include Evaluate phase work to develop underground coal gasification and coal seam methane projects and the utilisation of waste in a gasification project.

The business also won a contract for the installation of three wind turbines at Australia's first community wind farm and Innovate phase work on a turbine generator.

During the year, three strategic alliances were formed with world-leading partners in power generation, wind and mineral energy resource projects. The business is focused on driving growth through these alliances.

Given the global focus on sustainability, Ausenco expects its renewable energy expertise will provide strong growth opportunities. In addition, the business is focused on collaborating with other Ausenco businesses to deliver energy-related work.

Program Management

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

The business delivered strong growth in its first full year of operation achieving revenue of \$18.1 million and EBITDA of \$1.2 million.

In 2010 the business won a number of strategically important projects, the most significant being the contract to jointly manage the delivery of the \$7.5 billion Alpha Coal Project in Queensland.

Ausenco's operations team was integrated into the Program Management business during the year and new Optimise phase work was secured at Hidden Valley in Papua New Guinea. This contract provides an important source of recurring revenue.

The business' reputation for safe operations continued in 2010 with the Isaac Plains operations and maintenance team consistently producing above nameplate capacity and achieving Lost Time Injury (LTI) free production all year.

The business is currently tendering for ongoing new work and is well positioned to capitalise on the many global opportunities in its markets. In addition, the business is focused on collaborating with other Ausenco businesses to pursue Program Management and Optimise phase opportunities.

Outlook

Mr Meka said the group was expecting growth in 2011 and beyond as the demand for new and expanded resource and energy projects continues to increase throughout the world.

“We developed strong momentum across the group in the second half of 2010 achieving a significantly improved order intake and converting a number of significant opportunities into project wins,” Mr Meka said.

“Create phase revenues have improved considerably and we expect further opportunities to emerge in the next six to nine months.

“Our Environment & Sustainability business is experiencing record earnings and levels of activity and we are confident of creating additional opportunities for the group from the early stage work this business is undertaking.

“The recovery in South America is driving a lot of our growth and we believe this will continue. We have a strong footprint in the region, an excellent track record and long-standing client relationships.

“Our pipeline of opportunities is at record levels and our strategic investment in the business has resulted in a more efficient and better focused business. We believe that we are in the best position possible to capitalise on the enormous growth opportunities that exist across all the markets in which we operate.”

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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 20 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.