



Southern Cross Electrical Engineering

Investor Presentation

7 March 2012

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Southern Cross Electrical Engineering

leading provider of electrical and instrumentation services

- Founded in 1978
- Listed on the ASX in 2007
- Specialises in electrical and instrumentation services for major resources projects
- Established longstanding relationships with major resources companies
- Currently over 1,000 employees across the company



Key messages

transitional year of growth

Financial

- Revenue up 78% on prior corresponding period to \$84 million
- Increasing profitability
- Overheads as percentage of revenue reducing
- Strong and debt free balance sheet

Operational

- Employees increased from 300 to 1,000 – leading indicator of growth
- Investment in plant and equipment
- Development of project management systems

Outlook

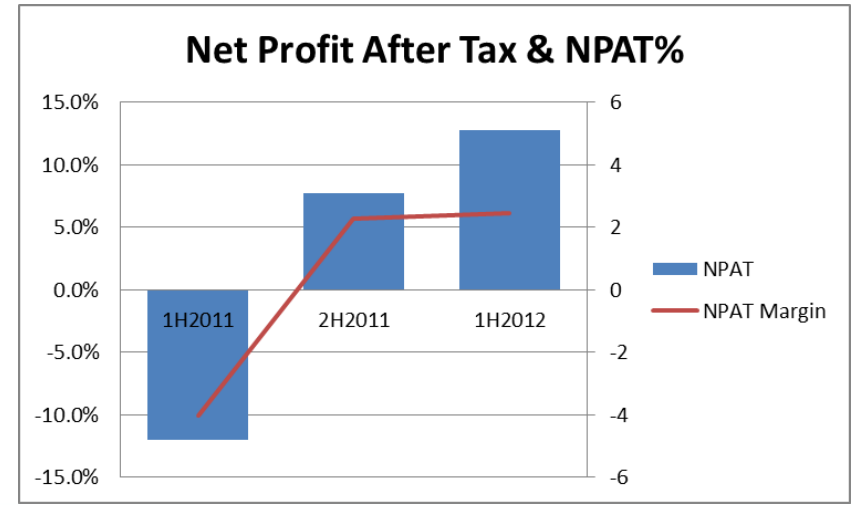
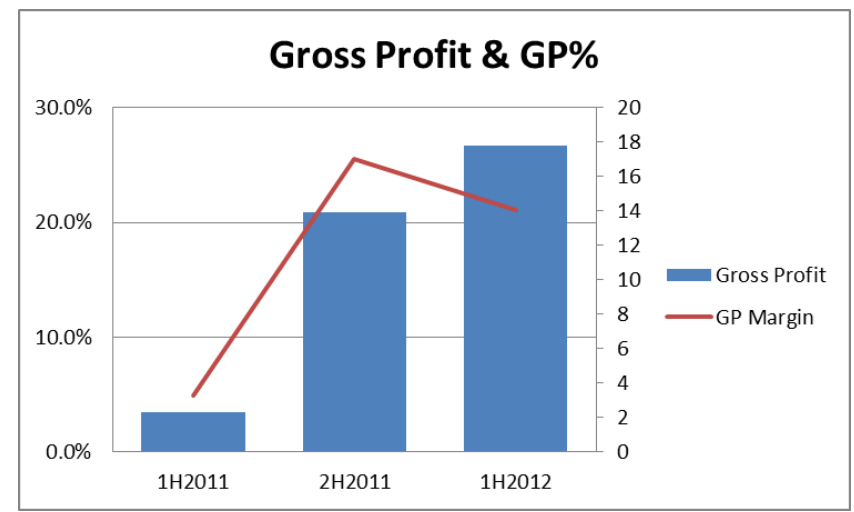
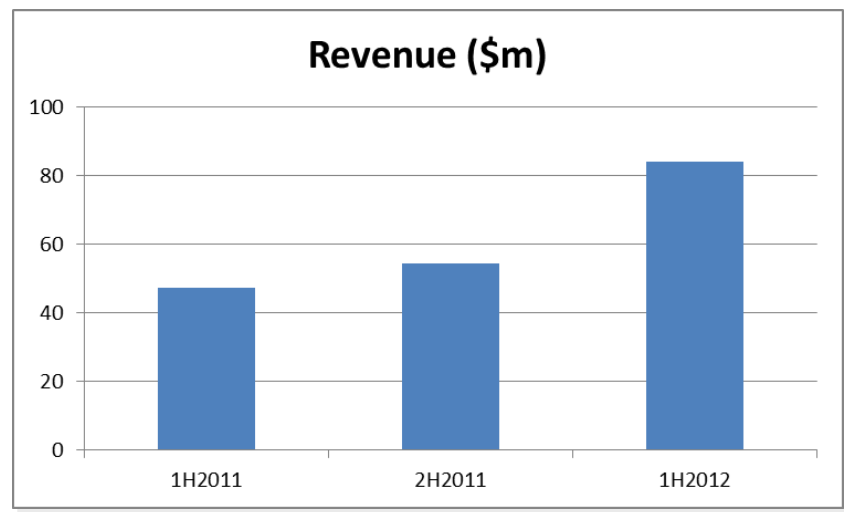
- Growing order book and project pipeline
- Key project wins have secured growth into H2
- Imminent awards anticipated to secure growth in FY13
- Early Contractor Involvement on Rio Tinto 353mtpa commenced
- All markets improving

Financial overview

growth trajectory re-established

(\$m)	6 months to			change on p.c.p.
	Dec 2010	June 2011	Dec 2011	
Sales Revenue	47.3	54.5	84.2	↑
Gross Profit	2.3	13.9	17.8	↑
Gross Profit Margin	4.9%	25.5%	21.1%	↑
NPAT	(4.8)	3.1	5.1	↑
NPAT Margin	(10.1)%	5.7%	6.1%	↑
6 Month EPS (cps)	(3.9)	1.9	3.2	↑
6 Month Return on Equity	(12.9)%	4.6%	6.5%	↑
Operating Cash Flow	(4.4)	4.6	(2.3)	↑
Gearing (net debt/equity)	21.9%	net cash	net cash	↑

Revenue and earnings positive trends



Note: Margins in 2011 adversely impacted in H1 by Pluto revision and positively impacted in H2 by Pluto recovery

Cash flow

funding growth

(\$m) 6 months to	Dec 2010	Jun 2011	Dec 2011
Operating cash flows	(4.4)	4.6	(2.3)
Investing cash flows	(0.1)	(1.1)	(0.7)
Financing cash flows	(6.4)	31.0	(6.2)
Net movement in cash	(10.9)	34.5	(9.2)
Opening cash balance	7.5	(3.6)	26.3
FX movement	(0.1)	0.4	(0.0)
Closing cash balance	(3.6)	26.3	17.1

- Operating cash outflow
 - Working capital funding growth
 - Systems investments
 - Recruitment costs
- Investing cash outflow
 - Sold property for \$3.6 million
 - Purchased \$4.3 million of plant and equipment
- Financing cash outflow
 - Repaid borrowings
 - Restricted deposit increased from \$5m to \$8m in period (decreased back to \$5m post-31 December)
 - Returned to compliance with banking covenants

Balance sheet

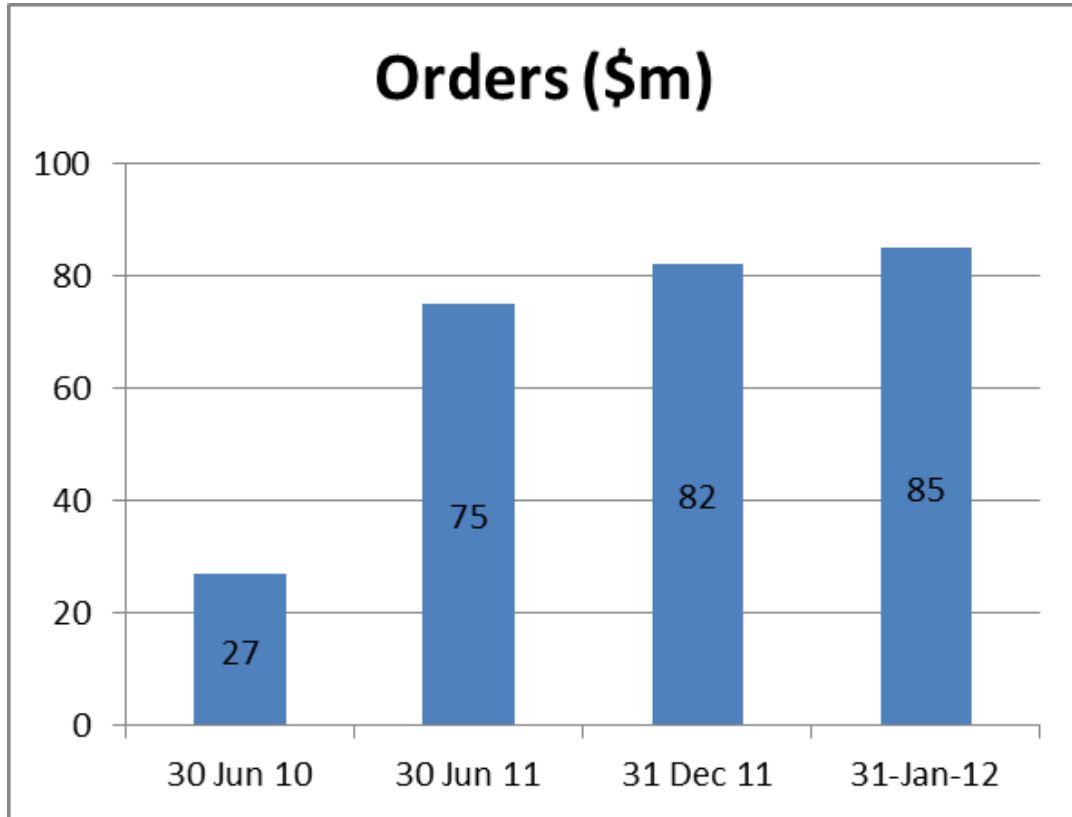
well capitalised and debt free

(\$m)	31 Dec 2010	30 Jun 2011	31 Dec 2011
Current assets	23.3	59.8	66.5
Non-current assets	30.1	26.8	30.1
Total assets	53.4	86.6	96.6
Current liabilities	14.0	13.7	15.7
Non-current liabilities	2.3	0.2	2.6
Total liabilities	16.3	13.9	18.3
Shareholders equity	37.1	72.7	78.3

- Strong balance sheet with no debt
- Investment in plant and equipment
- Well positioned to fund growth

Order book

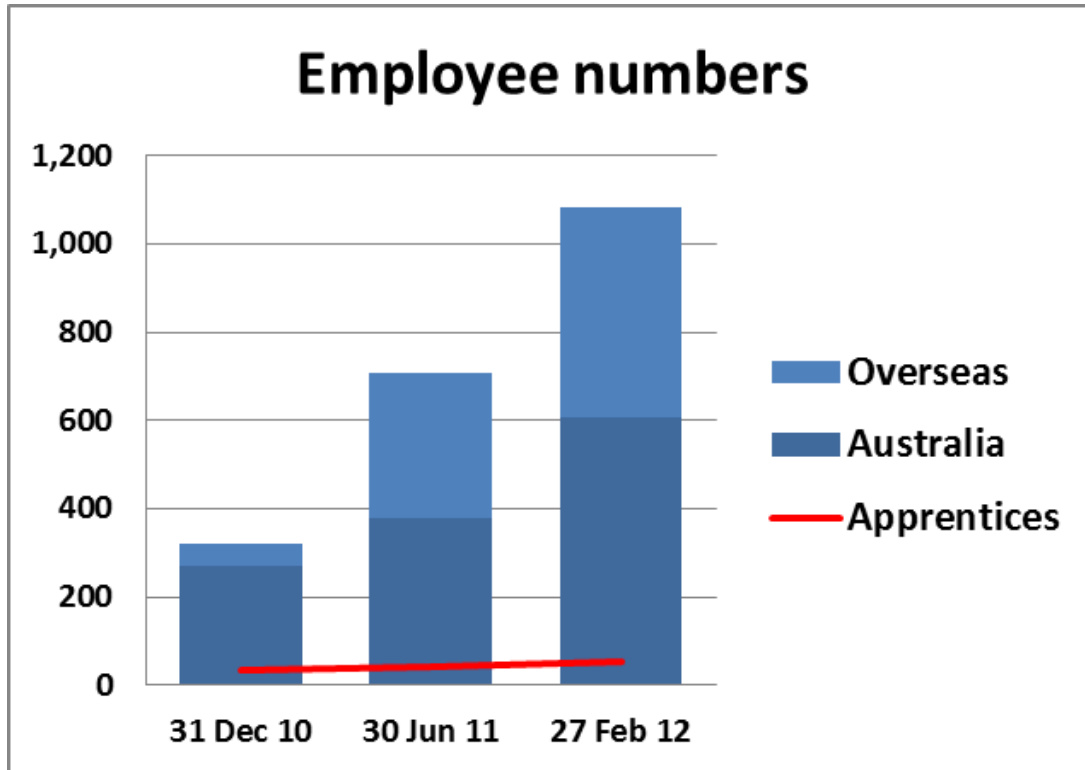
lead indicator of revenues



- Significant wins in period
 - Sino Iron Area F for MCC
 - Cape Lambert 33kV Overhead Power Line for Rio Tinto
 - QGCLNG Early Works for Thiess
 - Lake Vermont Coal Expansion for Thiess Sedgman JV
- \$76m of Order book forecast to be executed in H2
- Order book excludes work under recurring framework agreements, typically \$2m per month
- Potential for additional work to be won and performed in H2

Employee numbers

attracting talent to deliver growth

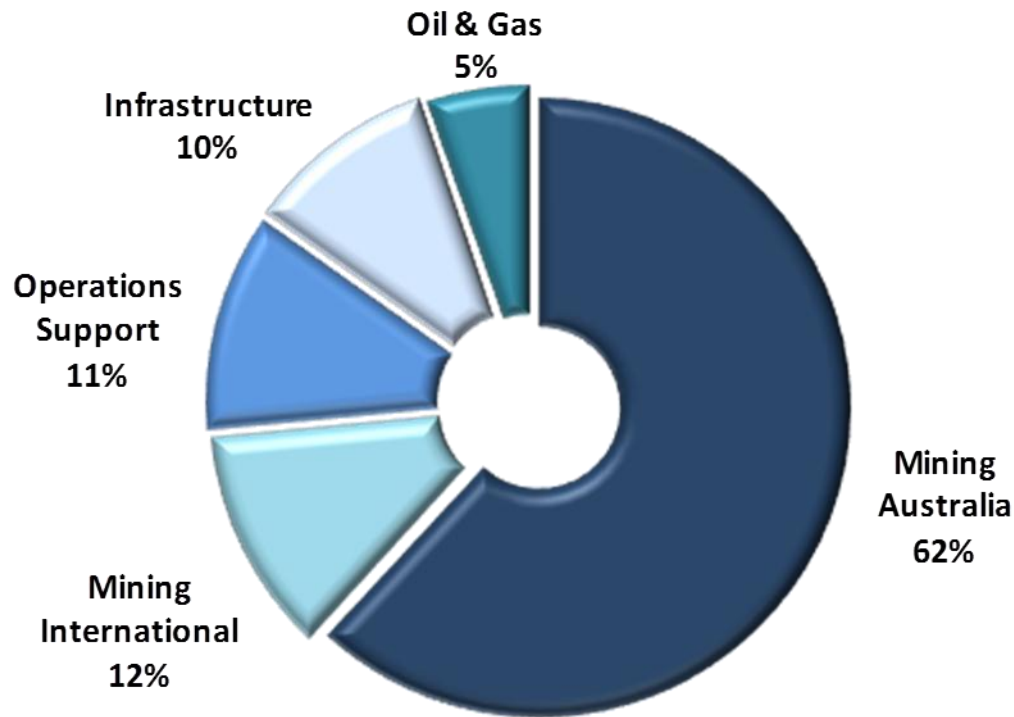


- Significant investment in skills with twenty three apprentices and two trainees appointed in the half
- Growing employee numbers being mobilised into project wins with capacity for further growth
- Overheads forecast to be below 10% of revenue for FY12

Financial revenue by line of business

Mining Australia main contributor to revenue growth

- H1 FY12 revenue - \$84 million
- Oil & Gas expected to significantly increase revenue in FY13



Line of business	\$m
Mining Australia	52.1
Mining International	9.8
Operations Support	9.5
Infrastructure	8.4
Oil & Gas	4.4

Strategic outlook

unprecedented market growth

Progress against stated three year targets:

1. *Grow revenues to over \$200m pa* – H1 FY12 revenue \$84m, running 18 months ahead of target
2. *Restore EBITDA margins to 15–20%* - H1 FY12 EBITDA margin 10% (FY11: 1%)
3. *Contain overheads to between 8–10% of revenue* - H1 FY12 overheads 12% of revenue (FY11: 17%)

Objectives:

- Short term objective to achieve aggressive but sustainable organic growth, with a core focus on East and West Coast Australian resources projects, improving margins by investing in systems and people and contracting with key clients under appropriate contracting models
- Longer term objective to create a baseline of recurring income streams through growing the operations and maintenance support business and implement strategic initiatives beyond organic growth such as technology partnering or entering into adjacent markets

Key Australian markets

five sectors to drive growth

IRON ORE	LNG	CSG	COAL	GOLD & OTHER
<ul style="list-style-type: none"> • Rio Tinto 353 mtpa • Sino Iron • BHPB RGP 6 • BHPB Sustaining Capital • Roy Hill • API West Pilbara Iron Ore 	<ul style="list-style-type: none"> • Ichthys • Wheatstone • Pluto 2&3 • Gorgon (further works) • Browse • Scarborough 	<ul style="list-style-type: none"> • QC LNG upstream • APLNG upstream • GLNG upstream • Arrow Energy upstream & downstream 	<ul style="list-style-type: none"> • Lake Vermont • BHPB/BMA • Rio Tinto Coal • Xstrata Coal • GVK/Hancock Coal • Adani Coal – Abbott Point 	<ul style="list-style-type: none"> • Tropicana • Boddington • Cadia Expansion

Mining Australia

current driver of revenue expansion

- Revenue of \$52m
- First coal contract with Lake Vermont Expansion
- Long term work from Rio expected award in second half

Current major projects

- Cadia East
- Rio Cape Lambert pre-353mtpa works
- Sino Iron continuing high work levels and further awards anticipated
- Lake Vermont Coal expansion with Thiess Sedgman JV

Major upcoming opportunities

Iron Ore (Rio, Sino Iron, BHPB, Roy Hill)
Tropicana
Boddington
Olympic Dam



Rio Tinto framework agreement

SCEE a preferred contractor with Rio Tinto for 353mtpa expansion

- Preferred contractor status for five years at Cape Lambert and potential minesites for E&I packages
- Strong relationship with Rio since 2005 – now performing circa \$20m of works pre-353mtpa project
- First package of work expected before end FY12
- Long term nature of the contract provides greater certainty in planning

Cape Lambert Port B – Phase A



Wickham Town

Camp A & B

Port B

Existing Port A

Coal – a new market for SCEE

strong growth potential

- Commenced Lake Vermont Coal expansion with Thiess Sedgman JV
- Strong pipeline of opportunities in Queensland
- Establishing a Rockhampton regional operation

Major upcoming opportunities

Lake Vermont Coal
BHPB/BMA Coal Expansion
Rio Tinto Coal Australia Expansion
Xstrata Coal – Wandoan Coal Project
GVK/Hancock Coal



Oil & Gas

SCEE in position for unprecedented growth in sector

- Revenue of \$4m
- QGC coal seam gas will contribute to the second half
- Increased coal seam gas tendering activity - imminent wins anticipated
- Upfront positioning for LNG West Coast – targets for wins in FY13 and beyond

Current major projects

- QGC LNG early works

Major upcoming opportunities	
LNG West Coast: Wheatstone Ichthys Browse Pluto 2&3 Scarborough	CSG East Coast: QC LNG APLNG GLNG Arrow Energy



Operations Support & Maintenance

increased focus for long term growth

- Revenue of \$10m
- Assistance with shutdowns and plant upgrades
- Growing a re-current revenue base to provide a level of stability in revenues
- A growing focus for management – dedicated management team now in place
- Draws across group – West Coast Rio Tinto MSA, East Coast framework agreements and Hindles

Major opportunities

West Coast – expand Rio Tinto MSA
East Coast – expand BP and Caltex framework agreements
Hindles - growth in offshore O&G
Upstream CSG

Current major clients



Infrastructure

strong growth from mining infrastructure

- Revenue of \$8m
- Strong growth expected in 2H FY12 off the back of continuing mining investment
- Strong pipeline of opportunities with Rio Tinto, BHP and Sino Iron

Current major projects

- Rio Tinto Cape Lambert overhead power lines
- Sino Iron
- BHP Area C

Major upcoming opportunities

Rio Tinto
BHP
Sino Iron
CSG East Coast



Mining International

progressing in line with expectations

- Revenue of \$10m
- Current projects tracking in line with expectations
- Strategic review of international operations underway

Current major projects

- Pueblo Viejo gold project
- Antapaccay power line



Challenges

unprecedented growth in Australian markets commenced

External issues

- All major sectors growing simultaneously
- Size and complexity of projects increasing
- Productivity challenges

Key issues for management

- Retain and recruit quality and quantity of workforce
- Implement project management and corporate systems to support growth
- Build financial capacity to service growth and projects



Employment Strategy

recruitment - quality and quantity

Resourcing strategy in order of priority:

- Rehiring from existing workforce. SCEE has good reputation and long relationship with many employees
- Apprenticeship program - continued to increase our apprentice intake. Currently employ 55 apprentices
- Hiring locally within State and, where practical, from the local area and community
- Hiring from outside the State utilising our wider Australian presence
- Overseas recruitment



Overseas recruitment contingency for Australian labour shortage

- Trialling overseas recruitment plan through 457 visa scheme
- Initially source overseas labour from Philippines and Britain:
 - Similarities between British and Australian trade training
 - Closeness of Philippines to Australia together with English language ability and availability of tradespeople who will meet SCEE standards
- Appropriate skills testing, assurance on safety standards, employment on the same basis as Australian labour and meeting statutory and legislative government requirements



SCEEtrak Development Project

business intelligence software development

- Executed as an internal project with dedicated Project Manager and full time project team
- Significant investment with circa \$2m capital budget set over next two years
- First modules now rolled out, significant further number in development:
 - DocTracer (document control) and SQLator (reporting) implemented
 - Timetrak and Qtrak (time and quantities recording) in development phase
 - Materials, Assets and Personnel management in design phase

Expanding regional presence

efficiencies for projects and mobilisations

- New and expanded Brisbane offices
- Establishing a Rockhampton regional operation
- Considering other regional locations



Summary and outlook

on track for strong H2 result and FY13 order book

- H1 revenue ahead of target and similar or greater levels expected for H2
- Profit and margins to improve further into H2
 - FY12 a year of transition
 - lower margin contracts being completed
 - further investment in staff and systems
- Outlook continues to be strong
 - industry prospects strengthening further
 - well positioned to continue growth in FY13 and beyond

Disclaimer

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Important factors that could cause actual results to differ materially from the expectations expressed or implied in the forward-looking statements include known and unknown risks. Because actual results could differ materially from Southern Cross Electrical Engineering Limited’s current intentions, plans, expectations, assumptions and beliefs about the future, you are urged to view all forward-looking statements contained herein with caution.



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