SOUTHERN CROSS
ELECTRICAL
ENGINEERING LIMITED

ASX RELEASE

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Southern Cross Electrical Engineering Interim Results – Growth trajectory re-established

Electrical and Instrumentation construction specialist, Southern Cross Electrical Engineering Limited (ASX:SXE), today released its interim financial results for the half year ended 31 December 2012.

The result re-establishes a growth trajectory with momentum building across all sectors of the business. The table below shows the key financial results for the past three half year periods and demonstrates the strong turnaround from the previous corresponding half year period to 31 December 2011, as well as improved performance from the half year period to 30 June 2011.

	Half Year ended 31 December 2010 $m	Half Year ended 30 June 2011 $m	Half Year ended 31 December 2011 $m
Revenue	47.3	54.5	**84.2**
Gross profit	2.3	13.9	**17.8**
Profit after tax	(4.8)	3.1	**5.1**
Profit after tax margin	(10.1)%	5.7%	**6.1%**
Earnings per share (cps)	(3.9)	2.3	**3.2**

For the half year period ended 31 December 2011 SXE recorded revenue of $84.2m (up 78% on the previous corresponding period) reflecting the strengthening business conditions as major resources projects move to the phase requiring electrical and instrumentation construction works. Revenue was also up by 54% on that recorded in the second half of the last financial year as momentum continues to build. The Sino Iron Project, won in the period, was a significant contributor to revenue growth.

The order book at 31 December 2011 stood at $82m of which $76m is forecast to be executed in the remainder of FY12. This figure excludes recurring work from our various framework agreements which typically generate about $2m per month of revenue. With scope growth on existing projects and awards of new contracts which are forecast to be imminent there is potential for additional work to be won and performed in FY12.

Profit after tax for the half year to December was $5.1 million compared to a $4.8 million loss in the previous corresponding period, and up by 64% on that recorded in the half year to 30 June 2011. An interim dividend has not been declared for the half year to 31 December 2011. At this time SXE is reserving cash resources to fund the current expansion of operations but will reconsider a return to paying dividends at the full year.

Managing Director Simon High commented "It is pleasing to see our revenue and profits growing strongly in the period as we had expected. Our order book was $82 million at 31 December 2011 and, having performed almost a further two months' work, stands at or above the same level through scope growth on existing projects with imminent significant awards anticipated. Our revenue, EBITDA and profit after tax are tracking well and we expect a further improvement in the second half of this financial year and beyond. We described FY12 as a transitional year, with profitability improving following the increase in scale of our operations and as lower margin work from contracts awarded prior to FY11 roll off the order book. We are investing in upgrading our operational systems to improve our project delivery, accountability and flexibility.

We have increased our employees from around 300 in December 2010 to just over 1000 now (approximately 600 in Australia and 400 overseas). We expect the number of employees in Australia to continue to increase for the remainder of FY12 and beyond. Our trades apprentice programme continues to expand, with 55 apprentices currently at various stages of their training across the group, which we regard as a very sound investment in our future.

Gross margin percentages of 21.1% were recorded in the half year to 31 December 2011 up from 4.8% in the previous corresponding period. Whilst the margin percentage is lower than the 25.5% recorded in the half year to 30 June 2011, that period included the successful completion and commercial closure of the Pluto project which had a significant one-off impact. The underlying project margins have remained broadly consistent over this period and we expect the same or improved margins into the second half of FY12 and beyond.

SXE retains a strong balance sheet with current assets exceeding current liabilities by $50.8 million and a net cash position of $16.8 million. We have made a significant investment in new plant and equipment over the period (approximately $4.3m) in addition to financing increased working capital and bonding to support this growth. This resulted in an operating cash outflow of $1.7m in the period.

"We are suitably capitalised and able to fund our current forecast opportunities. It is an exciting period of growth and we have been successful in winning a number of major resource projects such as the Sino Iron concentrator and Area F works, Rio Tinto's Cape Lambert overhead power line, the QGC LNG early works and our first coal contract for the Lake Vermont expansion", said Mr High.

"We continue to work with Rio Tinto and SKM as preferred E&I contractor for the coastal streams of the 333mtpa Expansion Project, which we expect will provide a solid foundation for our business in 2013 onwards for a 3-5 year basis. Our pipeline of current and future tendering opportunities is extremely strong across the group and we expect to win more than our current market share."

"We are proud of our continuing outstanding long term safety record."

Outlook

Mr High concluded “We are well placed to drive profitable growth over the next few years. These results confirm that we have returned the business to a growth trajectory. We have invested in staff, plant and equipment, facilities and process systems to deliver on the increasing number of project opportunities. FY12 will be a solid year in terms of its financial performance; although it is a year of transition and building solid growth foundations in the business, with the full benefits of the improving environment being reflected into FY13 and beyond.”

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