

Ausenco Limited

2015 Annual General Meeting

Brisbane

Thursday, 30 April 2015

Chairman's address

George Lloyd

Chairman

Ausenco Limited

Introduction

Good morning ladies and gentlemen and welcome to Ausenco's 2015 Annual General Meeting. On behalf of the Board of Directors, I thank you for your attendance today and for your continued support of the company.

Today I'm going to talk about Ausenco's performance in 2014 and discuss the outlook for the remainder of 2015. I will also mention the actions that the company has taken to improve our financial performance. We are hopeful that the improved business outlook and stronger financial results will lead to better share price performance than we are presently seeing.

Global market conditions in 2014 were challenging. We entered the year expecting modest improvements in the energy and resources sector. However, market conditions were similar to, and in some cases worse than, those we experienced in 2013. Consequently, our financial results were not as strong as originally anticipated.

Fortunately, our strategic diversification, and the company-wide restructuring we undertook over the past two years, provided somewhat of a buffer against the underperforming parts of the resources sector and partially offset the impact of the global decline in capital investment in sectors we service.

That said, 2014 was a year when the value of Ausenco's strategy was rigorously tested as we withstood declines in revenue from our traditional sources and grew our services in new and growing markets.

Through 2014, and the first part of 2015, the share market's perception of the value of Ausenco, as well as that of other participants in the engineering services sector, has also been severely tested.

We are confident that the measures we have taken will improve the Company's financial performance. As we restore certainty in earnings outcomes we anticipate that this, and our growing penetration of the most rewarding parts of the energy and resources engineering services market, will be reflected in a stronger investor appreciation of Ausenco's value as we move through 2015 and into 2016.

We started 2015 with a positive outlook and have experienced a solid first quarter, securing an additional \$177 million in revenue from several new and preferred contract awards and extensions which have contributed to current work on hand of \$147 million, an increase of \$42 million since February.

We are confident in our ability to maintain this positive momentum throughout the year and believe we will continue to carve out new business opportunities in the still unsettled global market.

Our highlights

2014 produced a number of highlights for our company and showcased the real, long-term benefits of the strategic diversification of our service offering. We won new work in new areas of our business, which helped us survive the downturn in new capital investment.

We set new global safety and value engineering benchmarks through our work on a number of projects throughout the year. With many of those now in full production, it is the best possible advertisement of our expertise.

The global market's change in focus over the last 18 or so months has seen companies looking to extract maximum value from existing assets. This presents significant new opportunities for Ausenco. Our 2012 purchase of the Rylson Group has been a key factor in our winning substantial new business in asset optimisation and improvement services in 2014.

Our oil & gas business in North America also enjoyed a successful year and exceeded expectations for 2014 by generating \$41 million in revenues. This was boosted by the 2013 acquisition of Projex which has significantly strengthened our position within the region. We now work with 20 per cent of Canada's top oil & gas producers.

Throughout 2014, our presence in North America continued to grow. We won new contracts in the Canadian infrastructure sector, and early stage studies for ports and North American pipelines that we are confident will lead to additional work in the future.

Overall, both our North and South America businesses remained profitable during the year and continued to generate opportunities for the broader group.

Our APAC/Africa business, however, experienced a tough year faced with challenging regional conditions. The business did achieve solid growth across asset optimisation and operations and maintenance projects throughout the year. In the first quarter of 2015, we continued to win additional work in this area, securing extensions of existing contracts and expanding services with existing clients in the region.

Financial summary

The company reported a 2014 full year net loss after tax of \$25 million, which equates to an underlying net loss of \$10.2 million.

Our 2014 results were affected by a number of one-off costs totalling \$16.8 million before tax, including \$4.5 million in redundancy costs, \$2.3 million in non-cash onerous lease provisions and a \$10 million non-cash goodwill impairment of the APAC/Africa business as a result of a forecast decline in activity in the region.

In line with our dividend policy, no dividend was paid in 2014.

Although our 2014 results were disappointing, they were insulated by carefully considered cost savings and the new business we won through our strategic diversification.

We achieved \$29 million in controllable cost savings through strategic and targeted refocusing of work during the year and are on track to deliver a further \$20 million in savings in 2015. This company-wide effort has resulted in higher earnings-to-revenue leverage which means that, as revenue grows, a greater share of it will flow to profit.

We were successful last year in securing the ongoing support from our financiers to the extension of the maturity terms of borrowings into 2016. Early discussions with these financiers have confirmed this support and we anticipate further extended terms beyond 2016.

Our net gearing ratio of 16% is well within our target gearing levels.

Remuneration Report

During 2014 there were no changes to the company's remuneration practices and policies.

In line with Ausenco's policy of incentivising employees based on performance, no short-term or business development incentive bonuses were paid to key management personnel.

In addition, except where mandated by role changes, the 10% reduction to Total Fixed Remuneration of key management personnel remained throughout 2014, as did the 10% reduction in Non-Executive Director fees.

Outlook

As I've already mentioned, we started off the 2015 year positively. We have won significant new project work in South America; we have also secured extensions to existing contracts and increased our scope of services with clients in all other areas of the business.

As market conditions remain unsettled and organisations focus on maximising the performance of their assets, we expect continued growth in studies, value engineering, asset optimisation solutions and contract operations and maintenance services. This is particularly benefiting the APAC/Africa region which, as a consequence, is working to reshape and reduce its office footprint to better match this work profile. The profile we've built in this sector, combined with the reputation we've earned and the results we've delivered, create a strong platform for continued future growth.

Greenfield project activity has, to date, remained flat. However, Ausenco is now on the bid lists for a large number of very significant brownfield or expansion type projects.

In addition, we've continued to win valuable front-end work and our pipeline remains at historically high levels. The consulting and feasibility study work in hand is at much higher levels than in recent years. This favourably positions us for future delivery of work when economic conditions normalise.

We are particularly optimistic about opportunities within the copper sector and, in response to the forecast shortfall in copper from 2017 onwards, we continue to receive enquiries from major resource companies regarding numerous global copper projects.

In the first quarter of 2015 we won contracts for two copper projects in South America and secured preferred EPCM contractor status on new copper and gold projects in the region. We are confident of continued future growth in copper activity in South America and are well positioned to secure additional work in the region.

We expect continuing good performance from our North American oil & gas business. While the dramatic fall in the price of oil over the last nine months will impact on growth in our energy-related businesses, our focus on the provision of sustaining capital services will provide a buffer against lower energy prices.

In addition, we are seeing an increase in enquiries from many North American mid-tier gold and copper producers for projects in Africa and South America. This has followed a period of high acquisition activity in that sector with companies merging to combine financial strength, as well as the emergence of economic near-term developments. Our North American infrastructure business continues with strong prospects and we are well positioned as a supplier to the lucrative British Columbia municipal infrastructure space.

We continue to benefit from the weaker Australian dollar, both in terms of the increased competitiveness of the services we export from Australia as well as in higher translated earnings from our significant non-Australian earnings. Although market conditions remain unsettled, our performance during the first quarter of 2015 has been very encouraging and we remain confident about our future business opportunities given the strength and proven success of our diversified service offering.

Based on work we are performing and bidding, we expect 2015 revenues to be similar to 2014 levels. As a result of the improved earnings-to-revenue leverage, this will translate into a significant improvement in 2015 EBITDA, compared with 2014. We are in a sound financial position and have the working capital required to build on the solid revenue wins we've achieved so far this year and to secure new business opportunities across new industry sectors and regions.

Conclusion

In conclusion, I would like to thank Ausenco's management team, led by CEO Zimi Mika, and all of our hard working people across the globe who continue to remain dedicated to producing the best possible results for our clients.

I also thank my fellow Board members for their highly professional and valued advice and counsel throughout the year. Peter Gregg's appointment as an independent non-executive director in August last year has further strengthened Ausenco's Board. Peter's experience during a 40-year career includes positions with Primary Health Care, Qantas Airways, Leighton Holdings, Stanwell Ltd, Queensland Rail, Skilled Group and the Australian Rugby League.

Ausenco's management team and Board remain fully committed to restoring shareholder value and are very confident in the company's underlying strength and long-term growth prospects.

Finally, I note with great sadness the death of Wayne Goss who was Ausenco's Chairman for 11 years from 2002 to 2013. During that time Wayne oversaw the significant growth of the company and its listing as a public company in 2006. Wayne's incisive leadership, his insights and counsel contributed greatly to making Ausenco the full service engineering enterprise that it is today with a global presence, a promising future and an inclusive culture.

I will now invite Ausenco's CEO Zimi Meka to address you.