

**Ausenco Limited**

**2016 Annual General Meeting**

**Brisbane**

**Thursday, 5 May 2016**

**Chairman's address**

**George Lloyd**

**Chairman**

**Ausenco Limited**

Good morning ladies and gentlemen. Thank you for joining us today.

2015 was another difficult year for global resources and energy markets. Sustained low commodity prices made it more challenging for clients with constrained operating budgets to secure funds for either consulting assignments or new capital development projects. Accordingly, clients remained conservative in their decision-making and we have had to adapt to an environment where capital development projects have longer than usual conversion periods or are often just deferred with uncertainty as to actual start times.

Ausenco's financial performance in 2015 reflected these challenging market conditions. In addition to a loss from operations, our results were impacted by non-cash impairment and additional charges, which were largely a consequence of weak oil & gas markets and adverse economic conditions in Brazil and Argentina, as well as costs associated with redundancies and office closures. Revenue for 2015 of \$246 million was more than \$100 million below the figure for the previous year and the underlying EBITDA loss of \$14 million was \$15 million worse than in 2014.

We continued to experience project delays in the first quarter of 2016. In addition, some larger clients have resorted to extending payment terms, placing additional pressure on working capital requirements. These factors have both contributed to our first quarter 2016 performance being below expectations.

Notwithstanding the slow start to the year, we have now commenced work on a number of the projects which were delayed and, based on the successful conversion of a number of current project pursuits, we remain confident that our previously forecast revenues of near \$280 million for the 2016 full year will be achieved. We are already well positioned against this target with current work on hand, preferred positions and delivered revenues for 2016 in excess of \$174 million.

Notwithstanding the market volatility, Ausenco is consistently invited to bid for significant EPC and EPCM projects and is frequently named as a preferred contractor to projects. This is testament to our track record for high quality, cost-effective project delivery. Our preferred contractor status means that we have secured positions on some of the most advanced projects in the market. This will lead to earnings improvement as those projects progress to development.

We continue to tightly manage controllable costs. In 2015, we achieved controllable cost savings of \$23.5 million against a target of \$20 million and we are implementing additional cost control measures this year. These include further restructuring to maintain the alignment between the business and the current requirements of the resource industry.

Ausenco's traditional competitive advantage in delivering high quality projects at much lower costs than our competitors is a strong differentiator in the current market and continues to be recognised by new and existing clients. As a result, the number and frequency of project enquiries through the latter part of 2015 and the first quarter of 2016 has increased significantly.

We were also able to achieve growth in certain parts of the business in 2015 despite the challenging operating environment. In particular, Ausenco's asset management and optimisation services, delivered via Ausenco Rylson, entered new markets and achieved solid growth in 2015. The strong demand for these services globally means we anticipate significant opportunities in 2016. Further growth will be underpinned by our proprietary technology software which identifies value improvement opportunities for our clients and can be applied across a broad range of industries.

Our studies, consulting and engineering services also continue to be in good demand and provide a healthy pipeline of future opportunities. These services are the foundation of Ausenco's business and provide critical early entry to projects as they progress to further stages of development.

During 2015 we were pleased to welcome two new major shareholders from the resources sector. In January 2015, Resource Capital Fund VI LP (RCF), a US private equity fund with a deep understanding of and expertise within the resources sector, became a substantial shareholder with a 5.3% interest in the Company. In July, we announced the formation of a strategic alliance to jointly pursue EPC projects globally with Spanish construction company Duro Felguera (DF) and subsequently, as a strengthening of the relationship between Ausenco and DF, the Company made a \$10.7 million private share placement to DF which resulted in it becoming a significant shareholder with a 14.5% interest. Our CEO, Zimi Meka, will elaborate on the strategic alliance with DF in his address.

An important focus through the first quarter of 2016 has been the refinancing of Ausenco's bank borrowings.

In February we established a US\$6.5 million convertible debt facility with RCF. In conjunction with this facility RCF, Ausenco and Ausenco's banks entered into a standstill agreement to enable RCF and the banks to undertake discussions with a view to RCF refinancing Ausenco's bank borrowings. In addition, RCF supplemented the Company's bonding facilities with an additional US\$10 million bonding facility to assist the company meet bonding requirements in connection with a number of new projects which were anticipated.

In April RCF reached agreement to acquire the Ausenco's secured borrowings and bonding facilities from the Company's banks and became the Company's sole and primary secured lender. RCF has since provided the Company with a further \$10 million cash advance facility to assist the Company with its working capital requirements.

Since then the Company has received an unsolicited, indicative and non-binding proposal from RCF to privatise Ausenco by way of a scheme of arrangement. The proposal is subject to a number of conditions, including due diligence and entry into formal transaction documents, and there is no certainty that it will result in a binding proposal that can be put to shareholders. The Company has formed a committee of independent directors to assess the proposal and engage in discussions with RCF before proceeding further or making any recommendation to Ausenco shareholders. At this time the Company has not formed a view as to the merits of the proposal.

In closing, I would like to thank our shareholders and employees for their continued support during what continues to be a challenging time for the sector as a whole.

I would also like to make a special mention of Ausenco's employees. While our financial results reflect market conditions, they do not reflect the hard work, dedication and resilience of Ausenco's management team and employees. Our people are experts in their fields and continue to pursue every opportunity for our business, while also enhancing client relationships and consistently delivering their services to a world class standard. In markets like this – where financial results often don't reflect the efforts of the business – important achievements sometimes do not

receive the recognition they deserve; yet it is these achievements that will pave the foundation for Ausenco's return to growth. I would like to take this opportunity to acknowledge and thank all of Ausenco's people around the world for their continued dedication and commitment to our company.

Ausenco is a strong and dynamic company with a clear strategy and a committed and enthusiastic leadership team and employees. We have an improving outlook and are focused on restoring shareholder value as industry conditions improve.

I now invite Ausenco's CEO Zimi Meka to give his address.