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ASX Market Announcements Office
ASX Limited
20 Bridge Street
SYDNEY NSW 2000

By electronic lodgement

McAleese Group Interim Result and Outlook

- **Statutory net profit after tax (NPAT) of \$52.5 million¹**
- **NPAT (before individually significant items) of \$11.5 million**
- **EBITDA of \$49.5 million (before individually significant items)**
- **Net debt reduced 23.6% from \$229.8 million at 30 Jun 2014 to \$175.5 million at 31 Dec 2014**
- **FY2015 trading NPAT is anticipated to be approximately 40% up on FY14, which is the lower end of previous guidance and includes approximately \$1.2 million of adverse, non-cash accounting adjustments for interest rate hedging²**
- **Anticipated FY2015 trading EBITDA within a range of \$85 - \$90 million reflecting market conditions**

Australian specialised transport and logistics provider, McAleese Limited (**ASX: MCS**) (**McAleese Group** or the **Company**) has today announced an interim net profit after tax of \$52.5 million for the half year ended 31 December 2014 (pcp: loss of \$37.9 million).

The Group results were on plan, underpinned by an increase in tonnes and kilometres hauled by the Bulk Haulage division and improved profitability in the Oil & Gas division. This was partially offset by lower Specialised Transport volumes and a reduction in the resources and infrastructure project pipeline available to the Heavy Haulage & Lifting (HH&L) division.

McAleese Group Managing Director and CEO, Mr Mark Rowsthorn commented, "Despite difficult conditions within some of our key end markets, we have delivered a result that was on plan for the period.

"Our near term focus is to continue to enhance our existing operations, to extract efficiencies and further strengthen our capital structure. As the outlook for our key end markets stabilise it remains our intention to diversify our operations into new activities and geographies," Mr Rowsthorn said.

Asset sales and significant items

Asset sales during the period generated \$86.8 million in net proceeds and included divestment of Liquip International and Beta Fluid Systems (\$68.3 million) and the sale of surplus Cootes Transport (\$9.8 million) and HH&L (\$8.3 million) equipment.

¹ Reported NPAT for the six months to 31 December 2014 period includes net profit on sale of non-core businesses Liquip International and Beta Fluid Systems of \$48.7 million (pre-tax), profit on divestment of surplus equipment of \$1.3 million (pre-tax) and a net reversal of impairments and provisions attributable to the Oil & Gas division.

² McAleese Group has not adopted hedge accounting. As a result, the non cash movement in the fair value of interest rate swaps is taken up in the Profit and Loss.

The sale of the Cloncurry Quarry (Qld) is targeted to conclude in the second half. Refuel International (a part of the Oil & Gas division) was withdrawn from sale and as a result is accounted for on a value in use basis at balance date.

The onset of challenging market conditions in the Australian infield oil and gas sector post McAleese's initial equity investment in Heavy Haulage Australia (HHA), combined with HHA's leveraged capital structure has resulted in a decision to impair the initial (50%) equity investment of \$3 million. Significant items also included a net reversal of impairments and provisions attributable to the Oil & Gas division.

Cash flow and capital expenditure

Cash generated from earnings and asset sales has seen net debt reduced by 23.6% during the period from \$229.8 million at 30 June 2014 to \$175.5 million at 31 December 2014.

During the period the Group generated operating cash flow of \$24.6 million and undertook capital expenditure of \$42.9 million. The majority of the Group's annual capital expenditure program is complete with second half expenditure limited to maintenance and some residual committed growth capex to be deployed into existing Bulk Haulage work in the Kalgoorlie goldfields.

Improved operational performance

Improvement initiatives embedded in the Bulk Haulage division during 1H FY2015 have ensured a smooth start up to the Mt Webber contract which is expected to reach haulage capacity of 6mtpa³ during 2H FY2015.

The Oil & Gas division significantly improved profitability compared to the prior corresponding period following completion of a national restructure and fleet reinvestment program. In December 2014, the Notice to Show Cause and Improvement Notices issued by Roads and Maritime Services NSW (RMS) were concluded, with McAleese Group advised it had met all requirements of the process.

The Group achieved sustained improvement in safety performance with a 25% reduction in the total recordable injury frequency rate on the prior corresponding period.

McAleese Group has commenced a comprehensive review of the Heavy Haulage & Lifting division in light of softening conditions in the resources and infrastructure sectors. The review will consider fleet size, mix and valuation, and seek to reduce overheads and identify synergy opportunities with other divisions.

FY2015 Outlook

Difficult market conditions are anticipated to result in a full year trading EBITDA between \$85 and \$90 million. Net capex for FY2015 will be lower than initially forecast leading to a trading EBIT result materially in line with previous expectations.

Trading NPAT is anticipated to be approximately 40% up on FY2014, which is the lower end of previous guidance. This includes approximately \$1.2 million of adverse, non cash accounting adjustments for interest rate hedging.

Net debt is expected to fall further during 2H FY2015 and be in the range of \$145 – 150 million at 30 June 2015.

³ Million Tonnes Per Annum

In light of the Company's objective to further improve its capital structure, the Directors have determined that an interim dividend will not be paid.

"Despite the challenges affecting some of our key end markets, the Company has continued to strengthen its operations and balance sheet during the period. We are committed to activities that further deleverage and stabilise our business and best position us to take advantage of medium term diversification opportunities," Mr Rowsthorn said.

ENDS

This Announcement includes certain forward looking statements, including statements of intent, opinions, estimates and projections that involve or are based on assumptions or on elements of subjective judgment and analysis that may or may not prove to be correct. There can be no assurance that these statements, opinions, estimates and projections will be attained, whether within any particular timeframe or at all. Changes in circumstances and unanticipated events may occur that are outside the control of the McAleese Group. Nothing in this Announcement is, or shall be relied upon as, a promise, assurance, warranty or representation as to future performance of the McAleese Group generally or of any particular division or asset of the McAleese Group.