



Ausenco Limited

**2013 Annual General Meeting
Brisbane
Thursday, 2 May 2013**

Chief Executive Officer's address

**Zimi Meka
Chief Executive Officer
Ausenco Limited**

Chief Executive Officer's Address

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Thank you, George. Good morning, ladies and gentlemen.

Wayne, on behalf of shareholders, Directors, management and employees, I would like to wish you all the very best in your recovery.

Ladies and gentlemen, I am delighted to report that 2012 was a very successful year for Ausenco during which we achieved our goals – growth through our diversification strategy, improved financial results, increased returns to shareholders, and further strengthening the company's foundations for the future.

It's pleasing to see the strategies we initiated some years ago now providing rewards for our shareholders.

However, there is still much to achieve. I will outline today how strongly we are placed in the markets in which we operate so that Ausenco can reach its full potential.

Given the impacts of commodity pricing and global capital expenditure reductions over the last 12 months, I am often asked about the impacts on Ausenco. The answer is not straightforward but I am pleased to say that the significant progress in embedding our diversification strategy across markets, geographies, clients and service offerings has reduced the magnitude of any adverse impacts to our sustainable earnings profile, and has provided the company with substantial flexibility to address the market challenges.

My view is that the market has returned to what we would consider "normal". In "normal" markets it is important to strengthen and enhance client relationships, offer a differentiated solution and use our global footprint to take advantage of high quality lower cost services. Doing all of this, we are able to offer demonstrable value to our clients from the wide geographies in which we operate.

Clearly, high capital intensity greenfield projects are proving challenging to contain costs in some locations, in particular Australia. Clients are now searching for innovative solutions to employ capital more efficiently.

Ausenco has a long track record of adding value through ingenious engineering and project delivery to design and build projects for the lowest capital cost possible. We are able to differentiate ourselves from our competitors in this regard, and many of the contract wins currently and in 2012 were as a result of this approach.

We are seeing a greater emphasis by our clients globally on extracting more from their existing assets, that is, "to sweat their assets". This is presenting a combination of brownfield, operational improvement expenditure and sustaining capital opportunities for Ausenco. As a result, more than 77% of our work on hand is represented by sustaining brownfield project expansions, optimisation and debottlenecking projects.

We are well placed to take advantage of these opportunities due to our diverse service offering.

There are a number of highlights regarding the current performance of Ausenco. All reflect the fact that Ausenco is a global engineering and construction management organisation, and include:

- More than 80% of our revenue comes from projects outside Australia,
- Of our total revenue last year, 82% was received from globally diverse and major resource and energy companies,
- More than two-thirds of our people are offshore, the majority in the Americas; and
- No one project dominates our earnings. We are driven by our globally diversified business offering and are currently working on more than 600 project assignments.

We have continued to win new contracts over the past year and have been awarded over \$220 million in new work since 1 January 2013 taking our work on hand and preferred contractor revenues to \$420 million today.

As we look forward we have direct line of sight of close to 80% of our 2013 revenue targets, a very solid position to be in at this time of year. Proposal and near-term tender activity have been comparatively strong across all sectors and in all delivery phases, regions and clients. Timeliness to decision is tempering growth, rather than project cancellations – hence we are encouraged by continued growth into 2014.

I would now like to put some detail around the performance of the company last year.

In strengthening our global and diversified project pipeline, we were able to offer our services to clients at every stage of the lifecycle of a project – from Evaluate, Innovate, Create and Optimise.

We delivered significantly improved financial results (an increase of 57% over our 2011 NPAT result), record services revenue and maintained a strong balance sheet with very low net gearing levels. It is these strengths that will allow us to fund accretive strategic acquisitions without diluting shareholder interests. This provides the ideal platform to leverage our near term ability to acquire and integrate high quality businesses.

We made two strategic acquisitions over 2012 –

- Reaction Consulting, which provides us with specialised engineering services in the Canadian oil sands market, places us in a strategic location and provides expanded opportunities in a growing market; and
- Rylson (Ausenco 75%), which provides continuous improvement, asset management and business improvement solutions globally.

We secured an additional \$48 million in revenue through cross-selling of work collaboratively across the Ausenco group. This excellent operating performance underpinned the delivery of an 11% organic compound earnings growth from the acquisitions made over the past five years and clearly demonstrates our ability to enhance shareholder value.

During 2012 I am pleased to report that we won seven new Create phase projects globally, all of a substantial size.

What was even more pleasing was growth in new markets, in particular the signing of an alliance contract with chemical supplier Orica, and the award of a create contract for a chemical facility in Canada owned by Cytec.

In addition, we formed a water treatment alliance with South African based Proxa to provide water treatment technology to the Australian CSG industry.

An important initiative implemented during the year was the Oracle ERP (Enterprise Resource Planning) business system that was introduced in 2012 and is currently being progressively rolled out globally. The implementation is on time and on budget, with completion expected in late 2013. It will drive collaboration and improve efficiencies, having already improved decision-making and reporting across the business.

Safety

The safety of our people is our highest priority. All members of our team across all our global operations are committed to achieving Zero Harm.

World-class safety training, leadership and behavioural change programs were implemented at all our locations. These included:

- The Golden Rules of Safety which concentrate on preserving life, ensuring safe behaviour and controlling potentially fatal hazards through a common set of safety rules,
- The Ausenco Safe Work Week, and
- Personal Health, Safety, Environment and Community (HSEC) plans for all employees.

People

A strong measure of the growth in our business is growth in our people numbers. During the year, people numbers increased 12.4% to 3,440 and there was continued improvement in employee retention with a positive downward trend in employee turnover.

Our people are driving the growth and success of Ausenco. Reflecting on the quality of our assignments, it is clear that we have world-class talent within the organisation that is recognised globally for its outstanding capabilities.

In 2012, I was pleased to welcome John Zito as President – Energy, and Peter Bokor as President – Environment & Sustainability, to our leadership team.

John has an extensive background in the management and delivery of construction and technology solutions and is focussed on the growth of our energy business from his base in Canada.

Peter brings strategic and financial planning knowledge from his experience in environmental management and investment banking.

John and Peter strengthen our leadership team with their experience and enthusiasm for the Ausenco value proposition. We expect them to make an increasing contribution to the company as we grow these very important areas of our business.

We were also delighted to have our people's ingenuity acknowledged during the year when we were awarded Contract Miner of the Year at the 2012 Australian Mining Prospect Awards for our innovative concentrator design for Newcrest's Cadia East project.

Business performance

I will now discuss the performance and outlook of each of our business lines.

But before I do I would like to highlight some structural changes we made in order to take advantage of a changing market here in Australia and to maximise the services we can bring from our global network to create growth.

In line with our strategy of offering a greater range of services to clients in the APAC/Africa region, a restructure was completed effective 1 January 2013. This new structure, led by Simon Cmrlec in the new role of President – APAC/Africa, will allow us to apply our deep expertise in all services and across all operations, to drive more effectively the growth of our service offering in the region.

As a result of Simon's new role, Ed Skinner has been promoted to President of our Program Management business line.

Australia is a high cost location globally and while the country only represents 15% of our total project revenue, a relevant share of our cost base is located here. It is our intention over the balance of this year to relocate some of our existing services to operate from lower cost centres. Our expectation is that this will enhance our global business model, result in material cost savings and an overall improvement of margins.

Minerals & Metals

The Minerals & Metals business experienced strong growth in 2012, with a solid earnings performance.

With Minerals & Metals' expansion into the Americas, 35% of 2012 revenues were delivered from new projects in targeted high growth markets.

Clearly global expenditure, particularly greenfield expenditure, has peaked in the Minerals & Metals market. However, the forecast level of expenditure over the coming years is extremely high by historical standards and still provides excellent opportunities for us.

Looking forward, we expect growth to come from North and South America, the Middle East and Africa, and across a range of commodities.

Process Infrastructure

The Process Infrastructure business delivered record revenue, earnings and margins in 2012. Margins grew from 11% in 2011 to more than 18%.

This success was driven by a focus on costs, extracting value by selling services up the value chain and volume growth in some offices.

The outlook for Process Infrastructure remains positive, with growth expected beyond mineral resources into infrastructure, agri-chemicals, petro-chemicals and pharmaceuticals sectors.

Program Management

The Program Management business recorded a financial result that was below expectations in 2012.

As part of our diverse solution offering, we are encouraged by the prospect of continued growth and performance in this business now having broken into new markets in 2012 and having secured a number of long-term recurring revenue assignments.

Environment & Sustainability

The Environment & Sustainability business underwent a strategic review from which we regard the business to now be much better positioned to leverage opportunities in both new and traditional markets for future growth.

That is evident in the first quarter performance in the business, with improved earnings and margins delivering to plan.

Energy

The global energy market is ten times larger than global minerals market. It is a sector where we have indicated for some time we expect to strategically grow through acquisition.

Our Energy business experienced modest growth in the year with a stronger presence established to service the Canadian oil sands and power markets. A presence and revenue base that we expect to materially increase through 2013 in line with our strategic plans for growth.

Outlook

Forecast 2013 revenues are anticipated to be between \$610 million and \$660 million. Our revenue for the first quarter is on target and we have direct line of sight of close to 80% of our 2013 revenue targets. The strong Australian dollar continues to inhibit our ability to competitively export our services directly from Australia, as well as suppressing the translation of earnings from our overseas offices.

Increased competition is placing pressure on margins in some of our offices, particularly those in Australia. Even so, we are ensuring that we are proactively managing resources in our offices to optimise our margins and reimbursability levels.

Over the last month we have observed the softening in the copper and gold prices that has affected the sentiment of some of our clients to proceed to development. While we have not been affected by any cancellation of any projects or assignments, we have seen some hesitation by our clients. We expect this to be short term.

Our results in 2013 will be achieved by delivery against our key strategic drivers, including further expansion in the energy sector. In addition, we have a growing Evaluate and Innovate revenue base together with significant brownfield optimisation and expansion opportunities globally. We are well positioned for this work.

Our balance sheet is strong, with relatively low net gearing, enabling us to pursue acquisitions to drive growth. In operating our business we will be maintaining strong operating cash flows to fund our growth.

We expect 2013 net profit after tax to be in the range of \$37 million to \$42 million. Comparatively, a solid result that we believe reflects the resilience of our global multi-disciplined business. Importantly it highlights the company's ability to deliver sustainable earnings against a background of moderating business confidence.

As is our policy we expect dividends to continue to be paid taking into consideration our needs for funding growth and working capital.

We have the right service offering, global footprint, differentiated value proposition and strong balance sheet to take advantage of the opportunities presented in this market.

Closing

In closing, ladies and gentlemen, I would like to thank the many people who have contributed to the success of Ausenco in the past year.

Firstly, I would like to give my sincere thanks to my executive team and the Ausenco team members across the world for their hard work and performance. Our reputation for ingenuity, reliability and high-level competence rests heavily on your commitment and enthusiasm for the Ausenco culture. I know you share the excitement for the challenge of successful and sustainable growth that lies ahead.

I also want to thank our clients and business partners for their continued support.

Ausenco is fortunate to have an experienced and engaged board of directors and I express my gratitude and appreciation for their guidance and continued dedication to our company. And to you, our shareholders, I express my gratitude for your continued support and interest in Ausenco.

Thank you everyone for your attendance here today.

ENDS